

Sustainability Report



We're one of Canada's leading energy infrastructure businesses.



Inter Pipeline is a major petroleum transportation, storage and natural gas liquids processing business based in Calgary, Alberta. We own and operate world-class energy infrastructure assets in western Canada and Europe. Our operations are organized into four distinct business segments: oil sands transportation, consisting of three pipeline systems with over **3,300 km** of operating pipeline and **2.3 million b/d** of contracted capacity; NGL processing, including both natural gas and offgas processing facilities, which are capable of producing over **240,000 b/d** of NGL; conventional oil pipelines, consisting of **3,900 km** of pipeline across three systems; and bulk liquid storage, which consists of a network of terminals in Europe, with a combined storage capacity of approximately **27 million barrels**.





This inaugural report allows us to share some key performance data with all of our stakeholders. This is an important first step in Inter Pipeline's sustainability reporting, and we are committed to continuous improvement in our reporting practices.

Our sustainability report references the Global Reporting Initiative (GRI) Standards. The referenced Standards are summarized in a report supplement; **How we are applying the Global Reporting Initiative Standards**. Aligning our reporting with the GRI Standards helps our stakeholders to compare our performance with industry peers.

It is our intention to produce a report on a biennial basis. During alternate years between reports, we will post annual data and metric updates that will be available for view on our website.

Boundaries

For the purposes of this 2017 report, we are reporting 2016 data relating to our Canadian Operations, which accounts for approximately 90 percent of our company's annual EBITDA. Our European bulk liquid storage operations are excluded at this time.

Sustainability Journey

/// Safety and environmental protection are top priorities for our employees, customers, shareholders and the communities in which we operate. ///



Message from the President & CEO of Inter Pipeline

We are pleased to present Inter Pipeline's first Sustainability Report. This platform not only allows us to join the global reporting community, but is a valuable opportunity to further connect with stakeholders like you.

As you may know, safety is a top priority and our goal is zero incidents. I am pleased to share with you that in 2016 Inter Pipeline recorded one of the strongest safety and environmental performances in our history, recording zero lost time incidents across our operations and experiencing no significant loss events. This achievement is even further enhanced as 2016 was a year in which we handled record throughput volumes across our pipeline systems and strong flows to our gas processing assets.

We understand safety and environmental protection are top priorities for our employees, customers, shareholders and the communities in which we operate. We strive to operate to the highest safety standards, and are constantly looking for ways to enhance our safety and environmental framework across every level of our organization. Part of this commitment means collaborating to increase accountability and transparency through industry-wide programs such as Canadian Energy Pipeline Association's Integrity First®, which helps companies like ours share and implement leading practices to keep pipelines safe and communities protected.

In addition to work we've completed to enhance our data collection, we are also starting to more formally integrate climate and energy management into our risk management, business strategy and day to day operations. Through our sustainability reporting, we will keep you updated on our progress.

2017 marks Inter Pipeline's 20th anniversary as a publicly traded entity. As I look back on our history, it is remarkable how far we have come, and I am excited and confident about our future. We have achieved much, and our drive to move forward remains a strong part of our culture. We will always be committed to high standards of worker safety, asset integrity and reliability and environmental stewardship. We will also continue our focus on both improving internal communications around these important programs, as well as strengthening communications with our stakeholders.

I welcome your input on our external sustainability reporting efforts. Our people embody the disciplined, entrepreneurial culture that has been the foundation of our business over the past two decades. Like me, they believe in the environmental, social and economic value that can be created when we do our jobs well.

Thank you for taking the time to learn more about sustainability at Inter Pipeline.



Christian Bayle // President and Chief Executive Officer

Our Approach

Inter Pipeline is committed to high standards of professional and ethical business practices.

We act with honesty and integrity, and are respectful in dealings with customers, employees, shareholders, and in the communities in which we operate.

We have created a culture where we treat everyone with fairness and believe a trusting environment free from harassment, and discrimination is essential to a thriving workplace. Inter Pipeline has a set of fundamental principles of appropriate business conduct that have been established for all personnel working for or representing our company.





Governance

Our board of directors and management are committed to high standards of ethical conduct and corporate governance. The board of directors is composed of two female and seven male directors. Seven of the nine directors, including the chair of the board, are independent directors as defined by Canadian securities laws.

The board's core responsibilities are to foster Inter Pipeline's long-term success, to oversee our business and to act honestly, in good faith and in the best interests of Inter Pipeline and our shareholders.

In carrying out its mandate, the board of directors has established four committees: the Audit Committee, the Compensation Committee, the Governance Committee and the Environment, Health and Safety (EH&S) Committee. These committees function to aid the board in their oversight of Inter Pipeline's activities within their respective areas of expertise.

For more information and documents relating to our Governance, please visit our website.



Code of Ethics & Whistleblower Policy

Inter Pipeline is committed to an environment where open, honest work practices and communications are the expectation, not the exception. All individuals who work for the company review and sign off on Inter Pipeline's Code of Ethics annually.

Under Inter Pipeline's Whistleblower Policy, in situations where an individual may have concerns about possible activity counter to stated business practices, they are encouraged to log their concerns using various communication channels managed by an independent third party. All information is received in confidence and may be reported anonymously.

In 2016, we received 4 concerns of which 2 were primarily related to human resources issues and the other 2 were primarily related to code of ethics issues, all of which were investigated and appropriately addressed.



Enterprise Risk Management

Inter Pipeline approaches business opportunities and risks in a highly disciplined manner as we recognize not meeting our safety and environmental protection goals may have an adverse impact on our strategic objectives. Our Enterprise Risk Management Policy guides our process for identifying and evaluating organizational risks. During the evaluation process of any new opportunity, we carefully consider business, operating, safety, regulatory and environmental risks as well as the impact on a broad range of stakeholders.

Inter Pipeline's Enterprise Risk Management Committee is comprised of senior officers of the company, and is accountable for the overall management and the reporting of risks to the Inter Pipeline board of directors.



CEPA Integrity First®

Inter Pipeline is one of 11 member companies committed to the Canadian Energy Pipeline Association (CEPA) program called Integrity First®.

This industry-led program brings the transmission pipeline industry together to collaborate and challenge each other's practices – going beyond regulation and demonstrating a commitment to continuous improvement of industry performance in three key areas: pipeline safety, environmental protection and socio-economics. Learn more at

www.pr17.cepa.com

Environment

From the time a pipeline or facility is planned until after it has been decommissioned, Inter Pipeline works to minimize its impact on the environment. Our goals support the safe, reliable operations of all of our pipelines and facilities. We seek to prevent all releases through our robust pipeline integrity program.

We work to ensure any impact to environment is considered and minimized throughout the planning, construction and operation phases of our assets. All Inter Pipeline employees and contractors are responsible to support our commitment to environmental responsibility. Our management approach for protection of the environment is governed by numerous policies and procedures including our Environment Health & Safety Policy that is available on our website.



Reflecting Back

In 2016, we began measuring and reporting on our greenhouse gas emissions data for all our Canadian operations. We participated in the CDP, a globally recognized organization that disclose climate change information to investors, for the first time. We completed a greenhouse gas emissions audit for our NGL Cochrane Straddle Plant, identifying more than 20 potential opportunities for significant emission reduction.

Looking forward

There's more to do. In 2017 & 2018, Inter Pipeline will continue to explore opportunities to reduce emissions at our major facilities.





Greenhouse Gas Emissions

The oil and gas industry is responsible for 25% of Canada's greenhouse gas emissions. It is important to our industry, to work towards reducing our carbon footprint. Inter Pipeline is developing long-term targets and plans for increasing energy efficiency and decreasing our direct and indirect GHG emissions. We are a member of the Canadian Industry Program for Energy Conservation (CIPEC), which provides the industry with resources for maximizing energy efficiency and we received our first CIPEC Leader designation in 2016.

Canadian Operations emissions 2016



Total Canadian Operations emissions 2016

1,066,000 tCO₂e
0.4 g CO₂E/bbl.km



Total emissions from Fleet transportation

1,200 tCO₂e



Water

Systems are in place to responsibly manage our consumption and the disposal of water. We seek to reuse water in our operations whenever possible.



652,000m³

of surface water was used in our operations during the reporting period, primarily for cooling purposes at our Cochrane NGL straddle plant.



2,940,000m³

Total volume of water recycled and reused by Inter Pipeline.



68m³

of water was used from municipal sources for operations and project hydro tests.



Waste

Managing our waste streams is important in having responsible business practices and limiting our carbon footprint. Our goal is to embed resource and waste management into business decisions, operations and projects. We offer recycling options whenever practical.



In 2016, Inter Pipeline sent **6,200m³** of liquid waste and **220 tonnes** of solid waste to disposal facilities.



Collection and recycling of offgas

Our offgas facilities (Pioneer 1 & Pioneer 2) collect waste gases from oilsands upgraders and further process the gas that would have otherwise been flared to atmosphere.

In 2016, this resulted in a reduction of **252,000 tonnes CO₂e** of emissions.



Compliance

We strive to work according to all external regulations and laws to prevent fines, penalties and violations. There were no known non-compliance with environmental laws and/or regulations and no enforcement notices received in the reporting period.

Safety

At Inter Pipeline we believe safety is everyone's responsibility, and we have a goal of zero health and safety incidents.

We have a number of programs in place to support safe operations and work practices.

Our safety management systems provide guidance on how to conduct our work and build on a strong safety culture.

Our management approach to safety is governed by numerous policies and procedures including our Environment Health & Safety Policy that is available on our website.

Reflecting Back

Inter Pipeline's Power Systems Group, who supports our medium voltage infrastructure throughout pipeline operations, was the winner of the 2016 Ron Scheerschmidt Safety Award. All operations districts are eligible to compete for this safety excellence award. The award goes to the top team based on performance against several key elements of our Health & Safety program.

Moving Forward

We are working on improving our contractor pre-qualification system with the goal of improving contractor health and safety performance. We are introducing new key performance indicators and new safety culture action plans that will drive improvements in health and safety performance across Inter Pipeline.



Health and Safety Performance

In 2016, Inter Pipeline had 0 lost time accidents, 2 medical aid injuries and only 1 first aid injury. Our 2016 Total Recordable Injury Frequency Rate was 0.22 per 200,000 hours worked, which places us among the **industry leaders**.



Safety Training

In 2016, Inter Pipeline had 221 operational employees that received an average of 50 hours of training over the course of the year. Our Canadian Operations Training Policy outlines our commitment to develop well-trained workforce and track employee competencies in our Canadian operations.



99.99% reliable delivery rate

At Inter Pipeline, we avoid incidents by auditing and inspecting our assets. In 2016, we had two reportable liquid releases from our pipeline system with a total release volume of 16 m³, or 2.4 m³ per 1000 kms of pipeline. This is a decrease from 2015, where we had 3 reportable releases and represents a reliable delivery rate of **99.99%**.



Asset Integrity

Inter Pipeline's asset management, reliability and integrity programs place a strong focus on the health of all our assets which include our pipelines, pressure vessels, storage tanks and the piping and equipment at our facilities. Our programs include corrosion, geo-hazard, external interference prevention activities and monitoring and repair activities. We meet or exceed regulations and follow prudent industry practices.

Approximately one quarter of our annual operations budget and a dedicated team of more than 35 employees and contractors support these critical and robust asset integrity programs. In 2016, we completed **36** in-line inspections that covered more than **1000 kms** of our pipeline systems.



Safety on the Road

With a fleet of **206** company vehicles on the road, safe operation of vehicles is an ongoing area of focus for us. We drove over 6.3 million kms in 2016 resulting in 1.16 preventable vehicle accidents per million kilometers driven.



Emergency Preparedness

We have a detailed response plan that we utilize in the unlikely event of an incident. The plan details what equipment, people and actions are needed to respond quickly and effectively to an incident.

We own more than **\$3.5 million** in emergency response equipment and completed **48** training exercises in 2016.

More than 150 of our employees have been trained to support our responses to emergency situations.

Our People

Inter Pipeline's Canadian business is proudly operated by 703 employees.

Our work is guided by the core values of honesty and integrity, teamwork, pursuit of excellence, personal accountability and entrepreneurial spirit. These values are critical to our on-going success. Employees at every level of the organization are expected to apply these values to their daily work.

Our management approach is governed by our Core Values and a number of policies which are available on our website, including Inter Pipeline's:

- Whistleblower Policy
- Disclosure Policy
- Code of Ethics Policy



Reflecting Back



Inter Pipeline was named one of Alberta's

top 70
employers
in both 2016 & 2017

Moving Forward

As Inter Pipeline continues to grow, we are continuously improving our leadership development framework and enhancing our employee recognition programs.



Workforce Overview



Total number of employees working in Canada at the end of 2016:

703 ^{511 Male} _{192 female}

Inter Pipeline hired a total of

169 permanent full-time employees (119 male, 50 female) in 2016.

This unusually high new hire rate of 24% was primarily due to the acquisition of a Canadian midstream business in September 2016.

Turnover/attrition rates for the same reporting period was

31 individuals or only 5% of our workforce.



Human Rights

We act in alignment with all laws and legislation, and with our Diversity Policy and Code of Ethics that all employees are required to acknowledge and abide by. We address components of human rights training, including anti-harassment, violence in the workplace and maintaining a respectful workplace with our supervisors. There were no incidents of discrimination reported in 2016.



Benefits and Compensation

We offer a market competitive compensation package, including an annual bonus program and a long-term incentive plan under which each and every full-time employee is granted a stake in the business. Additional benefits include a robust employee savings plan, parental leaves and a market-based suite of other medical, dental and wellness benefits.



Wellness Programs

We continuously monitor workloads to strive to find the right balance of challenging work without overloading employees. Our flex day policy assists employees in balancing their work and family responsibilities.

We have a company Wellness Program that gives employees proactive strategies for managing their day-to-day stressors. Through initiatives such as weekly fresh fruit, in-house yoga, exercise equipment and fitness classes, we strive to create an energized and balanced work environment.



Talent Development

At a growing company like Inter Pipeline, we offer employees a suite of development opportunities and education support to help our people in advancing their careers. All employees are encouraged to participate in regular performance reviews. The growth and development of our employees is key to our success.

In addition to our internal development, our trades apprenticeship program helps those in the trades develop on the job while furthering their education. We also provide educational assistance for individual courses as well as programs of study.

Community

Our community outreach programs, landowner relations and donation activities shape our long-term engagement in the communities where we operate.

The objective of Inter Pipeline's community engagement program is to make positive and tangible contributions to improve the quality of life and to build strong relationships with our neighbours.

Inter Pipeline is accomplishing this through meaningful investments in secular charitable or not-for-profit organizations, encouraging employee volunteerism and having an Inter Pipeline presence at important community events.

Our management approach to the community and stakeholder engagement is governed by our Stakeholder Relations Policy that is available on our website.

Reflecting Back

Inter Pipeline's annual Discovery Awards Program provides bursaries to high school students in our operating areas who are pursuing a post-secondary education in an energy industry related field. In 2016, we distributed \$76,000 in Discovery Awards to 38 students.

Looking Forward

Inter Pipeline is growing the reach of its public awareness activities to include more direct outreach to residents along our pipelines and in proximity to our facilities and enhancing website content about our emergency preparedness programs.



\$2.7 million

in contributions were made to community initiatives in 2016.



Inter Pipeline Cares Fund

In 2016, we launched Inter Pipeline Cares, a new fund that aims to focus on meaningful contributions to charitable organizations which support the basic societal needs of food, shelter and wellness for the vulnerable or under-served in our Canadian operating areas.



Volunteering

Our employees play an important role in selecting and determining the projects we invest in through our community engagement program. In 2016, our employees donated more than 1000 hours of their time as Inter Pipeline Ambassadors in order to continue cultivating stronger connections with our communities.



Community Outreach Program

Inter Pipeline participates in at least one event within each of our operating areas annually, within established budgetary parameters, and in alignment with our Stakeholder Relations Policy. This encourages employee volunteering and engagement directly with our communities and creates constructive, lasting relationships with community members and indigenous peoples. We had a presence at more than a dozen community events in 2016.



Stakeholder Engagement

Inter Pipeline is committed to meaningful and ethical interactions with our stakeholders in order to ensure any potential impacts resulting from our business activities are addressed in a timely and effective manner. In accordance with our Stakeholder Relations Policy, we believe mutually beneficial results are best achieved through consultation and collaboration. We work to build lasting relationships by responsibly addressing to the needs of our stakeholders.



Public Awareness and Damage Prevention Programs

We believe that companies and communities have a shared responsibility in damage prevention and public safety when it comes to digging or excavating in the vicinity of buried infrastructure. Inter Pipeline's Pipeline Awareness and Damage Prevention Program (PADP) was formalized in 2016 to inform and educate stakeholders about the presence of our underground infrastructure in their communities. Our program includes steps to mitigate against the risk of third-party contact with existing pipeline facilities and provide stakeholders with information on how to recognize and report "at risk" activities.

We support and advocate for the Alberta One-Call and Saskatchewan First-Call centres.

www.clickbeforeyoudig.ca





Forward Looking Statement

Certain information contained in this Sustainability Report may constitute forward-looking statements within the meaning of applicable securities laws, including, but not limited to, statements regarding Inter Pipeline's plans to reduce emissions, improve the health and safety performance of Inter Pipeline and its contractors, improve its leadership development framework and enhance its employee recognition program, grow the reach of Inter Pipeline's public awareness activities and enhance Inter Pipeline's website content on emergency preparedness. Readers are cautioned not to place undue reliance on forward-looking statements as they are subject to a number of assumptions and known and unknown risks and uncertainties that may cause the actual results, performance or achievements of Inter Pipeline to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Please refer to Inter Pipeline's most recent Management's Discussion and Analysis available at www.interpipeline.com for a discussion of the material assumptions and risks associated with the forward-looking statements. The forward-looking statements contained herein are made as of the date of this document, and, except to the extent required by applicable securities laws and regulations, Inter Pipeline assumes no obligation to update or revise forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary note.

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