



**TERMS OF REFERENCE**  
**CORPORATE GOVERNANCE AND NOMINATING COMMITTEE**

**OBJECTIVES**

The Corporate Governance and Nominating Committee (the "**Committee**") is appointed by the board of directors (the "**Board**") of Pengrowth Energy Corporation (the "**Corporation**") to assist the Board in fulfilling its oversight responsibilities with respect to the corporate governance and nomination issues facing the Corporation. The Corporation, together with its subsidiaries and affiliates are collectively referred to herein as "**Pengrowth**".

The Committee acknowledges the corporate governance guidelines issued by the Canadian Securities Administrators in National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**") and National Policy 58-201 *Corporate Governance Guidelines* ("**NP 58-201**"), the guidelines of the New York Stock Exchange and other regulatory provisions as they pertain to corporate governance matters. The objective of the Committee is to promote appropriate behaviour with respect to all aspects of Pengrowth's business.

The purpose of the Committee is (a) to review and report to the Board on matters of corporate governance and Board composition and (b) to provide oversight review of Pengrowth's systems for achieving compliance with legal and regulatory requirements. The Committee's oversight role regarding compliance systems shall not include responsibility for Pengrowth's actual compliance with applicable laws and regulations.

The Committee will continuously review and modify its terms of reference with regard to, and to reflect changes in, the business environment, industry standards on matters of corporate governance, additional standards which the Committee believes may be applicable to Pengrowth's business, the location of Pengrowth's business and its shareholders and the application of laws and policies.

**COMPOSITION**

The Committee shall consist of not less than three and not more than six directors, all of whom shall be "independent" as that term is defined in NI 58-101 (as set out in Schedule "A" hereto) and Section 303A.02 of the New York Stock Exchange Listed Company Manual (as set out in Schedule "B" hereto).

The members of the Committee shall be appointed by the Board as members of the Committee and shall continue as such until their successors are appointed or until they cease to be directors of the Corporation. At any time, the Board may fill any vacancy in the membership of the Committee.

The members of the Committee shall appoint a chair (the "**Chair**") from among their number. The Corporate Secretary of Pengrowth, or an alternative secretary designated by the Committee, shall act as Secretary of the Committee.

**MEETINGS AND MINUTES**

The Committee shall meet as often as necessary to carry out its responsibilities.

A meeting may be called by any member of the Committee or the President and Chief Executive Officer ("**CEO**") of Pengrowth. A notice of time and place of every meeting of the Committee shall be given in writing to each

member of the Committee at least two business days prior to the time fixed for such meeting, unless notice of a meeting is waived by all members entitled to attend. Attendance of a member of the Committee at a meeting shall constitute waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

A quorum for meetings of the Committee shall require a majority of its members present in person or by telephone. If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting will be chosen to preside by a majority of the members of the Committee present at that meeting.

The CEO of Pengrowth shall be available to advise the Committee, shall receive notice of meetings and may attend meetings of the Committee at the invitation of the Chair. Other management representatives may be invited to attend as necessary. Notwithstanding the foregoing, the Chair shall hold *in camera* sessions, without management present, at every meeting of the Committee.

Decisions of the Committee shall be determined by a majority of the votes cast.

The Committee shall appoint a member of the Committee, the Corporate Secretary or another officer of Pengrowth to act as secretary at each meeting for the purpose of recording the minutes of each meeting.

The Committee shall provide the Board with a summary of all meetings together with a copy of the minutes from such meetings. Where minutes have not yet been prepared, the Chair shall provide the Board with oral reports on the activities of the Committee. All information reviewed and discussed by the Committee at any meeting shall be referred to in the minutes and made available for examination by the Board upon request to the Chair.

## **SCOPE, DUTIES AND RESPONSIBILITIES**

### *MANDATORY DUTIES*

Pursuant to NI 58-101 and NP 58-201, the Committee is required to:

1. Bring to the attention of the Board such corporate governance issues as are necessary for the proper governance of Pengrowth and to develop the approach of Pengrowth in matters of corporate governance, including the written statement of corporate governance principles applicable to Pengrowth as set forth in Pengrowth's annual information circular, and to make recommendations to the Board with respect to all such matters.
2. Assess and report to the Board in respect of matters relating to the ongoing composition of the Board, including:
  - (a) recommending to the Board criteria for the composition of the Board and the selection of directors;
  - (b) assessing the competencies and skills each existing director should possess;
  - (c) considering the appropriate size of the Board, with a view to facilitating effective decision making;
  - (d) identifying, either directly or with the assistance of a search firm, candidates for membership on the Board and review their competencies and skills, including their ability to satisfy the criteria approved by the Board and their ability to devote sufficient time and resources to his or her duties as a director; and
  - (e) establishing, implementing and executing procedures to evaluate the independence, performance and effectiveness of the Board, Board committees, all individual directors, the

Chairman of the Board and committee chairs (other than this Committee's Chair) and review with the Board on an annual basis the results of the assessment.

3. Review succession planning issues with respect to the members of the Board and, upon the retirement of the Chairman of the Board, make a recommendation to the Board with respect to the appointment of a new Chairman.
4. In consultation with the CEO, developing a succession plan for senior management of Pengrowth.
5. Review and periodically reassess a position description for the Chairman of the Board.
6. Establish structures and procedures to permit the Board to function independently of management, relying in part upon a Chairman to be appointed by the Board.
7. Recommend Board committees and their composition, including the independence of the members nominated thereto; review the need for, and the performance and suitability of, those committees; and make such adjustments as are deemed necessary from time to time, all in conjunction with the Chairman of the Board and the relevant committees of the Board.
8. Oversee the development, implementation and disclosure of the ongoing director education program including, as appropriate, education sessions on Pengrowth's business by way of presentations and operating site visits, individual or group education sessions from internal personnel or external consultants on topics of importance to directors and Pengrowth, and recommended formal educational opportunities through appropriate organizations to be made available to individual directors and paid for by Pengrowth.
9. Assess and report to the Board with respect to the new director's orientation program of Pengrowth.
10. Monitor compliance with, and review and approve, if considered appropriate, all proposed waivers to, Pengrowth's Code of Business Conduct and Ethics.
11. Conduct an annual performance evaluation of the Committee and each of its members.

#### *DISCRETIONARY DUTIES*

The Committee's responsibilities may, at the Committee's discretion, also include the following (provided that some of the following functions might be assumed from time to time by other committees of the Board as Board priorities and resources permit):

1. Monitor and assess the effectiveness of the corporate governance policies and procedures of Pengrowth.
2. Recommend to the Board the appointment of senior officers on behalf of Pengrowth and other key employees.
3. In conjunction with the Compensation Committee, consider the adequacy and the nature of the compensation to be paid to the members of the Board and make recommendations to the Board in connection with the same.
4. Ensure that Pengrowth's governance practices are fully disclosed in Pengrowth's annual information circular or annual information form, as appropriate.
5. Review the policies, programs and practices of Pengrowth and monitor the adequacy of compliance systems in the following areas:
  - (a) corporate and securities law (including insider trading and self-dealing);

- (b) stock exchange listing standards;
  - (c) anti-trust and competition law;
  - (d) regulation of employment practices;
  - (e) code of business conduct and ethics;
  - (f) corporate policy on conflicts of interest;
  - (g) corporate policy with respect to communications and disclosure; and
  - (h) such other areas of regulatory law and corporate policy statements as the Committee considers appropriate from time to time.
6. To report and make recommendations to the Board on such areas of regulatory and corporate compliance as are considered appropriate from time to time.

#### **COMMUNICATION, AUTHORITY TO ENGAGE ADVISORS AND EXPENSES**

The Committee shall have direct access to such officers and employees of Pengrowth and to any other consultants or advisors, and to such information respecting Pengrowth it considers necessary to perform its duties and responsibilities.

Any employee may bring before the Committee, on a confidential basis, any concerns relating to matters over which the Committee has oversight responsibilities.

The Committee has the authority to engage independent legal counsel and other advisors as it determines necessary to carry out its duties and to set the compensation for any such counsel and other advisors, such engagement to be at Pengrowth's expense. Pengrowth shall be responsible for all other expenses of the Committee that are deemed necessary or appropriate by the Committee in order to carry out its duties.

Adopted by the Board of Pengrowth on November 4, 2011.

## Schedule "A"

### National Instrument 58-101

#### Standard of "Independence"

1. A committee member is independent if he or she has no direct or indirect material relationship with Pengrowth.
2. For the purposes of paragraph 1, a "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgment.
3. Despite paragraph 2, the following individuals are considered to have a material relationship with Pengrowth:
  - (a) an individual who is, or has been within the last three years, an employee or executive officer of Pengrowth;
  - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of Pengrowth;
  - (c) an individual who:
    - (i) is a partner of a firm that is Pengrowth's internal or external auditor,
    - (ii) is an employee of that firm, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on Pengrowth's audit within that time;
  - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
    - (i) is a partner of a firm that is Pengrowth's internal or external auditor,
    - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on Pengrowth's audit within that time;
  - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of Pengrowth's current executive officers serves or served at that same time on the entity's compensation committee; and
  - (f) an individual who received, or whose immediate family member who is employed as an executive officer of Pengrowth received, more than \$75,000 in direct compensation from Pengrowth during any 12 month period within the last three years.
4. For the purposes of paragraphs 3(c) and 3(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

5. For the purposes of paragraph 3(f), direct compensation does not include
  - (a) remuneration for acting as a member of the Board or of any committee of the Board; and
  - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with Pengrowth if the compensation is not contingent in any way on continued service.
  
6. Despite paragraph 3, an individual will not be considered to have a material relationship with Pengrowth solely because the individual or his or her immediate family member:
  - (a) has previously acted as an interim chief executive officer of Pengrowth, or
  - (b) acts, or has previously acted, as a chair or vice-chair of the Board or of any committee of the Board on a part-time basis.

## Schedule "B"

### Excerpts from Section 303A.00 of the New York Stock Exchange Listed Company Manual

#### 303A.02 "Independence" Tests

The NYSE Listed Company Manual contains the following provisions regarding the independence requirements of members of the Corporate Governance and Nominating Committee:

- (a) No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). Companies must identify which directors are independent and disclose the basis for that determination.
- (b) In addition, a director is not independent if:
  - (i) The director is, or has been within the last three years, an employee of the listed company, or an immediate family member is, or has been within the last three years, an executive officer, of the listed company.
  - (ii) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
  - (iii) (A) The director is a current partner or employee of a firm that is the company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the listed company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the listed company's audit within that time.
  - (iv) The director or an immediate family member is, or has been with the last three years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on that company's compensation committee.
  - (v) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the listed company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

#### **General Commentary to Section 303A.02(b):**

An "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home. When applying the look-back provisions in Section 303A.02(b), listed companies need not consider individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

For the purposes of Section 303A, the term "executive officer" has the same meaning specified for the term "officer" in Rule 16a-1(f) under the Securities Exchange Act of 1934 as follows:

The term "officer" shall mean an issuer's president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president of the issuer in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the issuer. Officers of the issuer's parent(s) or subsidiaries shall be deemed officers of the issuer if they perform such policy-making functions for the issuer. In addition, when the issuer is a limited partnership, officers or employees of the general partner(s) who perform policy-making functions for the limited partnership are deemed officers of the limited partnership.