



**TERMS OF REFERENCE**

**RESERVES, OPERATIONS, HEALTH, SAFETY AND ENVIRONMENT COMMITTEE**

**OBJECTIVES**

The Reserves, Operations, Health, Safety and Environment 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 reserves, operations, health, safety and environment matters pertaining to the Corporation. The Corporation, together with its subsidiaries and affiliates, are collectively referred to herein as “**Pengrowth**”.

The Committee's primary objectives are to assist the Board in fulfilling its oversight responsibilities in general and, in particular, with respect to:

- the oil and natural gas reserves evaluation process and the public disclosure of reserves data and related information as required by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (“**NI 51-101**”) and Statement of Financial Accounting Standards No. 69 – *Disclosures About Oil and Gas Producing Activities* (“**FAS 69**”);
- the operations of Pengrowth, including any matters relating to Pengrowth's operating activities and its operating and capital expenditure budget; and
- the environmental, health and safety issues affecting Pengrowth, including the evaluation of Pengrowth's programs, controls and reporting systems and its compliance with applicable laws, rules 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, 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 National Instrument 58-101 *Disclosure of Corporate Governance Practices* (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 chair of the Committee may be appointed by the Board or, if one is not appointed, the members of the Committee may elect a chair by vote of a majority of the membership of such committee.

## MEETINGS AND MINUTES

The Committee shall meet at least once annually in connection with its responsibilities relating to Pengrowth's reserves, operations, health, safety and environment issues at such times and at such locations as the chair of the Committee shall determine.

A meeting may be called by any member of the Committee or the Chairman of the Board or the President and Chief Executive Officer (“CEO”) of Pengrowth. A notice of the 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 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 requires a majority of its members present in person or by telephone. If the chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the 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 of the Committee 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

### RESERVES OVERSIGHT

To carry out its reserves oversight responsibilities, the Committee shall:

- review, with reasonable frequency, Pengrowth's procedures relating to the reserves evaluation process and disclosure of information with respect to the oil and gas activities of Pengrowth, including its procedures for complying with the reserves evaluation process and disclosure requirements and restrictions of NI 51-101 and FAS 69 which, for greater certainty, also includes oversight of estimates of resources to ensure that disclosure of the same is in compliance with all applicable regulations;
- review annually the qualifications and independence of Pengrowth's qualified reserves evaluators or auditors (“**independent engineers**”) to be appointed or re-appointed by the Committee and, in the case of any proposed change to Pengrowth's independent engineers, determine the reasons for the proposed change and whether there have been any disputes between the independent engineers and management of Pengrowth;
- review, with reasonable frequency, Pengrowth's procedures for providing information to Pengrowth's independent engineers for the purposes of preparing Pengrowth's report on reserves data under NI 51-101;

- before approving the filing of Pengrowth's reserves data and the report of the independent engineers thereon, meet with management and each of the independent engineers to:
  - determine whether any restrictions affect the ability of the independent engineers to report on the reserves data of Pengrowth without reservation; and
  - review the reserves data and the report of the independent engineers thereon, including the scope of the work undertaken by the independent engineers;
  - review all properties that individually constitute five percent of the total reserves (total proved or proved plus probable);
  - review any individual change in a property that is over one million barrels of oil or equivalent of natural gas ("boe") of the total proved reserves;
- before approving the filing of Pengrowth's reserves data and the report of the independent engineers thereon, the Committee shall also meet *in camera* with the independent engineers;
- review the content of: (i) the Statement of Reserves Data and Other Information, as required by Form 51-101F1; (ii) the Report of Independent Engineers, as required by Form 51-101F2; and (iii) the Report of Management and Directors, as required by Form 51-101F3, and make a recommendation to the Board to approve or disapprove of the content and filing of the information included therein;
- review any public disclosure or regulatory filings with respect to any reserves evaluation and oil and gas activities and the material compliance thereof with applicable regulatory requirements, and, if appropriate, make recommendations to the Board to approve or disapprove of the release or filing thereof; and
- coordinate meetings with the Audit and Risk Committee, senior reserve personnel, independent engineers and external auditors, as required, to address matters of mutual interest or concern in respect of Pengrowth's evaluation of its oil and natural gas reserves and resources.

Any employee may bring before the Committee, on a confidential basis, any matter involving the reserves evaluation process, or any operational matters or environmental, health or safety issues affecting Pengrowth.

#### OPERATIONS OVERSIGHT DUTIES

To carry out its operations oversight responsibilities, the Committee shall:

- review Pengrowth's strategy in setting Asset Retirement Obligation ("ARO") provisions, ARO activity budget, and material compliance with regulations and, as required, review with management any proceedings or claims which could have a material adverse effect on Pengrowth;
- review any reclamation fund established by Pengrowth;
- review the adequacy of Pengrowth's asset integrity activities and budget with respect to the same; and
- at the request of the Board, review and provide advice to the Board regarding approval of the production, operating and capital expenditure forecast portions of Pengrowth's annual budget.

#### ENVIRONMENTAL, HEALTH AND SAFETY DUTIES

To carry out its environmental, health and safety oversight responsibilities, the Committee shall:

- review Pengrowth's material compliance with applicable environmental, health and safety policies, standards and applicable laws, note any material non-compliance and monitor efforts to remedy any such non-compliance;
- review with management, the external auditors and legal counsel any civil or criminal environmental proceedings, claims or other contingencies that could have a material adverse effect on the financial position or operating results of Pengrowth and report the results of such review to the Audit and Risk Committee and the Board;
- review the appropriateness of Pengrowth's emergency response plan and any amendments thereto;
- review and report to the Board on any other environmental, health and safety matters (not otherwise discussed herein) which the Committee may consider relevant and material or which the Board may specifically direct; and
- review the impact of applicable proposed legislation relating to environmental, health and safety matters that may have a material impact on Pengrowth and recommend to the Board the appropriate response thereto.

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

The Committee shall have direct access to such officers and employees of Pengrowth and to Pengrowth's independent engineers and any independent operations or environmental, health or safety consultants or advisors ("**other advisors**"), and to such information respecting Pengrowth it considers necessary to perform its duties and responsibilities.

The independent engineers and any other advisors shall have direct communication with the Committee through the chair.

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 compensation 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