



## **MANDATE OF THE COMPENSATION & GOVERNANCE COMMITTEE**

### **Purpose**

In addition to the purposes set out below, the Committee will also review and/or approve any other matters specifically delegated to the Committee by the Board.

### ***Compensation***

The purpose of the Committee is to assist the Board in fulfilling its oversight obligations relating to human resource and compensation matters with a view toward making recommendations to the Board as appropriate. Such matters include the compensation philosophy, compensation for the executive team, incentive, bonus and benefit plans and succession planning.

### ***Governance***

The Committee is responsible for overseeing and assessing the functioning of the Board and the Committees of the Board and for the development, recommendation to the Board, implementation, and assessment of effective governance principles and for the nomination of appropriate candidates to serve the Board as Directors, as Chair of the Board, as Committee members and as Committee Chairs for the Board of Directors. In addition, the Committee will undertake on behalf of the Board such other governance initiatives as may be necessary or desirable to enable the Board to provide effective governance for the Corporation.

Corporate governance means the process and structure used to supervise the business and affairs of the Corporation. The process and structure define the division of power and establish mechanisms for achieving accountability among shareholders, the Board and management.

### **Composition and Operations**

The Committee shall be composed of three Directors or such greater number as the Board may from time to time determine. A majority of the members of the Committee shall be "independent" in accordance with the definition of "independent" Director from time to time under the requirements or guidelines for compensation committee service under applicable securities laws and the rules of any stock exchange on which the Corporation's shares are listed for trading. The Board shall appoint the Chairman of the Committee and may fill any vacancy.

Notice of the time and place of each meeting shall be given in writing, and delivered by courier, facsimile or email to each member of the Committee at least 48 hours prior to the time fixed for such meeting, subject to waiver of such notice provided by Committee members. 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 majority of Committee members, present in person, by video conference, by telephone, by other electronic or communication facility or by a combination thereof, shall constitute a quorum.

The Committee may retain special legal, accounting, financial or other consultants or advisors to advise the Committee at the Corporation's expense including any compensation consulting firm and shall have sole authority to retain and terminate any such consultants or advisors and to approve any such consultant's or advisor's fees and retention terms.

The Chief Executive Officer and the Board Chair will be available to attend meetings or portions thereof as requested by the Committee.

### **Duties and Responsibilities**

Subject to the powers and duties of the Board, the Committee will perform the following duties:

- (a) review annually and, if deemed necessary, recommend changes to the Committee's mandate;

#### ***Compensation***

- (b) recommend a performance evaluation process and metrics for the Chief Executive Officer and receive the Board Chair's evaluation of the Chief Executive Officer;
- (c) review and recommend to the Board for approval the Chief Executive Officer's compensation including incentives, bonuses and benefit plans;
- (d) review the recommendations of the Chief Executive Officer and recommend to the Board for approval the executive team's compensation including incentives, bonuses and benefit plans;
- (e) establish and review annually the compensation philosophy, guidelines and plans for Essential employees and executives in conjunction with periodic reviews of peer group compensation policies to permit effective comparison with those of Essential;
- (f) review and approve the recommendations of the Chief Executive Officer regarding compensation including incentives, bonuses and benefit plans for Essential employees other than the executive team and the Chief Executive Officer;
- (g) review and approve the recommendation of the Chief Executive Officer regarding any long-term incentive plan grants and long-term incentive plan pools for Essential employees other than the executive team and the Chief Executive Officer;
- (h) recommend to the Board any long-term incentive plan grants for the executive team, the Chief Executive Officer, and Board of Directors;
- (i) recommend to the Board any incentive compensation plans and equity based plans, including but not limited to the share option plan, restricted share unit plan and deferred share unit plan;

- (j) review annually the succession plan for the Chief Executive Officer position and recommend such plan to the Board;
- (k) review with the Chief Executive Officer existing management resources and plans, including recruitment and training programs, to ensure that qualified personnel are attracted and developed with a view toward becoming available for succession to executive positions at Essential and key officer positions in its major subsidiaries, and report on this matter to the Board at least once each year;
- (l) review and recommend to the Board for approval, all executive compensation information for inclusion in public disclosure documents; and
- (m) review annually Director compensation and recommend compensation terms that adequately reflect the responsibilities being assumed by Directors, the Board Chair and Committee Chairs and members.

### **Governance**

- (n) develop, and annually update, a long-term plan for Board composition that takes into consideration the current strengths, skills and experience on the Board, retirement dates and the strategic direction of Essential;
- (o) develop recommendations regarding the essential and desired experiences and skills for potential Directors, taking into consideration the Board's short-term needs and long-term succession plans including considering the competencies and skills the Board, as a whole, should possess and the competencies and skill each existing Director possesses;
- (p) in consultation with the Board Chair and the Chief Executive Officer, recommend to the Board nominees for election as members of the Board taking into consideration such matters as the Committee deems relevant including the matters referred to above, and the competencies and skills each new nominee will bring to the Board and the ability of any such new nominee to devote sufficient time and resources to his or her duties as a member of the Board;
- (q) review, monitor and make recommendations regarding the orientation and ongoing development programs for Directors, such programs to be designed to ensure that new Directors fully understand the role of the Board and its Committees, the contribution individual Directors are expected to make (including, in particular, the commitment of time and resources that the Corporation expects from its Directors) and the nature and operations of Essential's business. Continuing education opportunities should be focused on enhancing individual Director's skills and abilities as Directors and maintaining the currency of their knowledge and understanding of Essential's business and affairs;
- (r) review periodically the Corporation's approach to governance issues;
- (s) evaluate regularly the effectiveness and contribution of the Board, the Board Chair and the Chair of each Committee and the effectiveness and contribution of

individual Directors, having regard for the mandate of the Board and position description, the results of surveys of the Directors, attendance at Board and Committee meetings, overall contribution and, in the case of individual Directors, the competencies and skills the individual Director is expected to bring to the Board;

- (t) recommend policies regarding succession in the event of an emergency or the retirement of the Board Chair;
- (u) review and approve the annual corporate governance report to be made in either the annual report to shareholders or the management proxy circular prepared in connection with the Corporation's annual meeting describing the governance practices of the Corporation with reference to the reporting requirements of applicable securities laws and, as applicable, any stock exchange requirements;
- (v) review periodically the Corporation's disclosure guidelines;
- (w) review annually the Directors' compensation program and indemnification and insurance programs and make any recommendations to the Board for approval;
- (x) review regularly, for Board approval, any update to the Board Manual outlining the policies and procedures by which the Board will operate and the mandates and/or terms of reference for the Board, the Board Chair, the President and Chief Executive Officer, individual Directors, Committees and Committee Chairs;
- (y) assess the needs of the Board in terms of the frequency and location of Board and Committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings and make recommendations to the Board as required;
- (z) review the Corporation's structures and procedures to ensure the Board is able to, and in fact does, function independently of management;
- (aa) in consultation with the Board Chair, recommend Committee members and Committee Chair appointments to the Board for approval and review the need for, and the performance and suitability of, those Committees and make recommendations as required;
- (bb) ensure there is a system that enables a Committee or Director to engage outside advisors in appropriate circumstances, at the Corporation's expense, and be responsible for the ongoing administration of such a system;
- (cc) review and endorse major changes in the organizational structure of management as proposed by the Chief Executive Officer;
- (dd) review with the Chief Executive Officer any significant outside commitments the Chief Executive Officer is considering before the commitment is made. This includes commitments to act as a Director or trustee of for-profit and not-for-profit organizations;

- (ee) recommend to the Board any reports on corporate governance that may be required or considered advisable; and
- (ff) at the request of the Board Chair or the Board, undertake such other corporate governance initiatives as may be necessary or desirable to contribute to the success of the Corporation.

### **Accountability**

The Committee shall provide a report to the Board concerning any Committee proposals or recommendations to the Board. In respect of matters for which decision making authority has been delegated by the Board to the Committee, the Committee shall approve such matters by way of resolutions passed at Committee meetings and reflected in the Committee meeting minutes which may be distributed to the Board or be reported orally at the next Board Meeting.

### **Standards of Liability**

Nothing contained in this mandate is intended to expand applicable standards of liability under statutory, regulatory, common law or any other legal requirements for the Board or members of the Committee. The purposes and responsibilities outlined in this mandate are meant to serve as guidelines rather than inflexible rules and the Committee may adopt such additional procedures and standards as it deems necessary from time to time to fulfil its responsibilities.

### **Committee Timetable**

The major activities of the Committee with respect to scheduled meetings will be outlined in an annual schedule.

## **TERMS OF REFERENCE FOR THE COMPENSATION & GOVERNANCE COMMITTEE CHAIR**

The Chair is appointed by the Board annually and reports to the Board. The Chair's primary role is managing the affairs of the Committee, including ensuring the Committee is organized properly, functions effectively and meets its obligations and responsibilities. The Chair works with the Board Chair and Chief Executive Officer of the Corporation to ensure effective relations with Committee members. The Chair maintains on-going communications with the Board Chair, the Chief Executive Officer and with such other Officers of the Corporation as the Chair determines appropriate.

The Chair has the responsibility to lead the Committee in overseeing management's formulation of compensation and governance policies and procedures as well as compliance with governance policies and procedures and report to the Board after each Committee meeting. The Chair also has the responsibility to lead the Committee in review of the Corporation's public disclosure relating to its compensation and governance policies and procedures, and generally relating to compliance with governance related legal and regulatory requirements while ensuring that the Committee is alert to its obligations to the Board, and pursuant to law; and to chair Committee meetings.

The Chair is responsible to:

- (a) assist the Board in its recommendation of Committee members and its review of the performance and suitability of the Committee;
- (b) ensure the co-ordination of the agenda, information packages and related events for Committee meetings in conjunction with the Board Chair, the Chief Executive Officer and the Corporate Secretary;
- (c) maintain a liaison and communication with Committee members, other Directors and the Board Chair to co-ordinate input from Committee members and Directors, and optimize the effectiveness of the Committee;
- (d) in collaboration with the Chief Executive Officer and other Officers, ensure information requested by Committee members is provided and meets their needs; and
- (e) in conjunction with the Compensation & Governance Committee, the Board and the Board Chair, review and assess Committee attendance, performance and compensation and the size and composition of the Committee.