

TERMS OF REFERENCE
GOVERNANCE COMMITTEE
Alberta Energy Regulator

A. Establishment of Committee

The Governance Committee (Committee) is a standing committee of the board of directors (Board) of the Alberta Energy Regulator (AER/Regulator). The chair of the Committee (Committee Chair) is the person designated from time to time by the Chair of the AER Board of Directors (Board Chair).

B. Purpose

Governance is the process whereby societies and organizations make important decisions, determine whom they involve, and how they render account (Tim Plumptre – Founder, Institute on Governance).

The purpose of the Committee is to assist and advise the Board with respect to the Board fulfilling its oversight responsibilities regarding the effectiveness of the AER's public agency governance policies and procedures. The Committee is also responsible to develop and recommend to the Board a set of governance principles applicable to the AER Board and to oversee the evaluation of the board, individual directors, committees and board chair. The processes should clarify how the decisions are made and how the quality of those decisions is evaluated.

C. Scope of Authority

The Committee may consider, discuss, and provide feedback relating to matters within its area of responsibility brought before it by management, the Board or on its own initiative. The Committee may:

- (i) approve matters that are administrative and non-substantive in nature such as: correction of errors; those customarily made to confirm the accuracy and completeness of the Committee's own minutes; to appoint a vice chair for the Committee; conduct all or a portion of the Committee meeting in camera; and to approve the Committee's meeting agenda and changes to the agenda;
- (ii) refer matters to another committee for that committee's further consideration; and
- (iii) recommend to the Board for the Board's further consideration or approval a particular course of action relating to matters that are substantive in nature, but may not itself approve matters which are substantive in nature or require Board approval.

D. Responsibilities and Duties

The Committee shall have the responsibilities set out below as well as any other matters as may be delegated by the Board to the Committee from time to time:

1. General

- (i) Annually benchmark the AER's public agency governance practices against appropriate standards, monitor emerging best practices and recommend to the Board any desired changes to its practices, including corporate governance disclosure;
- (ii) In collaboration with the Board Chair and committee chairs, review the terms of reference for Committees of the Board annually and the By-law of the Board at least every two years, taking into account any applicable legislative and regulatory requirements, as well as best practices for Crown corporations, public agencies, boards and commissions and, if appropriate, recommend amendments to the Board for approval;
- (iii) Review periodically and, if appropriate, recommend amendments to the Board for approval to the Regulator's internal policies as they relate to corporate governance (e.g.,

Conflict of Interest Policy and Procedure, Whistleblower Policy, etc.);

- (iv) To the extent applicable, review periodically the Regulator's Mandate and Roles Document under the Alberta Public Agencies Governance Act or equivalent document(s) and, if appropriate, recommend amendments to the Board for approval;
- (v) Assist the Board Chair as requested in supporting director education and an orientation program for new directors;
- (vi) Ensure the AER's governance practices are publicly disclosed in accordance with appropriate standards;
- (vii) Assist the Board Chair to annually review the Board budget;
- (viii) Develop and annually review Board governance materials within a reasonable period of time;
- (ix) Develop and annually review a skills matrix for the directors of the Board and also the AER Hearing Commissioners;
- (x) Assist and advise the Board Chair and the Board with respect to general governance matters; and
- (xi) Monitor changes to corporate governance legislation, practices and/or strategic direction that affect the duties, liabilities and responsibilities of the Board and the directors.
- (xii) Receive management reports detailing the steps taken and programs implemented to measure and manage AER principal and enterprise risks, including the overall effectiveness of those initiatives.
- (xiii) Oversee and receive management reports in relation to, AER programs implemented to measure and manage AER credibility and trust.

2. Director Development, Evaluation and Compensation

- (i) Make recommendations to the Board regarding continuing education for directors;
- (ii) Review and recommend processes to the Board Chair for undertaking annual evaluations of the Board, the individual directors and the committees of the Board;
- (iii) Annually assist the Board Chair to conduct evaluations of the directors, the Board as a whole and the committees of the Board;
- (iv) Advise the Board Chair and Board as requested on the Board and committee structure, committee composition and committee chairs;
- (v) Advise the Board Chair and Board as requested on directors' remuneration and benefits to assist the Chair to prepare recommendations to the Minister for any changes that may be required as a result of such review; and
- (vi) Review and make recommendations with respect to insurance and indemnification of directors, officers, employees, hearing commissioners and other persons as deemed appropriate.

3. General and Governance Matters

The Committee shall report to the Board at least quarterly.

With respect to governance matters and other actions not identified above, the Committee shall, at least annually:

- (i) evaluate and review its performance and its compliance with its terms of reference and report to the Board;
- (ii) assess the appropriateness of its terms of reference, taking into account any applicable legislative and regulatory requirements, as well as best practices for Crown corporations, public agencies, boards and commissions and report to the Board; and
- (iii) perform such other responsibilities as the Board shall determine from time to time by resolution.

E. Meetings

1. Procedure

Unless otherwise determined by the Board or provided in the general bylaw of the Regulator, the Committee shall determine and regulate its procedures in all respects. The duties of the Committee Chair, and any requirements with respect to the calling of meetings, attendance at meetings and voting shall be as set out in the general bylaw except as provided in this document.

2. Quorum

Participation of a majority of the voting members of the Committee shall constitute a quorum.

3. Reporting to the Board

The Committee shall report to the Board on material matters arising at Committee meetings, and where applicable, present the Committee's recommendation to the Board for its approval.

4. Delegation

The Committee may, from time to time, delegate to the Committee Chair any powers or responsibilities of the Committee. This delegation must include a reporting accountability back to the Committee.

5. Meetings

The Committee shall meet at least quarterly, or more frequently if necessary to consider urgent matters or at the discretion of the Committee Chair.

6. Access to Management and Outside Advisors

The Committee, through the Committee Chair, shall have unrestricted access to staff and management of the Regulator. The Committee, with the consent of the Board, shall have the authority to retain external advisors to assist it in fulfilling its responsibilities.

F. Membership

1. Composition and Appointment

The Committee shall be comprised of:

- (i) A minimum of two directors appointed to the Committee by the Board, each of whom shall have voting rights, and one of whom shall be appointed by the Board Chair as Committee Chair;
- (ii) The Board Chair shall be an ex officio voting member of the Committee;
- (iii) The Chair should be familiar with good practices in corporate governance and have relevant board experience;
- (iv) Executive Vice President of Legal and General Counsel as a standing non-voting member.
- (v) Any other individuals who are not directors, and are appointed as members by the Board Chair, whose voting status will be determined at the time of appointment.

2. Committee Chair

The Committee Chair is accountable to the Board Chair and is responsible for the matters set out in the role description approved from time to time by the Board, which shall at a minimum include the following:

- (i) call meetings of the Committee;
- (ii) identify items for consideration, ensure meeting agendas are prepared and that all other necessary materials are provided on a timely basis;
- (iii) notify and invite management and staff as appropriate;
- (iv) when present, preside at meetings of the Committee;
- (v) ensure all discussion items end with direction, action or definitive outcome, and communicate such to staff and/or the Board; and
- (vi) ensure draft minutes are prepared for approval at the subsequent Committee meeting; and ensure that agendas, minutes and documentation of Committee activities are properly maintained.

3. Independence

Each member of the Committee shall meet the independence standards established by the Board.

G. Further Direction

- (i) The Committee may direct any of its members or management to perform any responsibilities of the Committee itself. This direction will include a reporting accountability back to the Committee.
- (ii) The Committee and each of its members shall comply with such additional requirements as are specified in the *Responsible Energy Development Act*, S.A. 2012, Chapter 17.3 as amended (REDA), and in the bylaws and resolutions of the Board in effect from time to time.

Original signed by Board Chair
David Goldie, Chair
Board of Directors
Alberta Energy Regulator

November 24, 2022
Date