

## COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

The Compensation and Corporate Governance Committee is responsible for:

- ensuring that compensation policies are fair, equitable, and competitive with the rest of the industry;
- reviewing and recommending to the Board the granting of share options, restricted rights, performance share rights, deferred shares and deferred options as part of the medium and long term incentives;
- annually reviewing the Compensation and Corporate Governance Committee mandate and recommending any changes to the Compensation and Corporate Governance Committee;
- supplying for the purposes of this Manual, in consultation with corporate counsel, a list of the laws, rules and regulations that pertain to the operation of the Committee;
- ensuring the incentive mechanism of remuneration is well aligned with the interests of the Shareholders;
- reviewing existing management resources to ensure that they are adequate;
- reviewing and recommending to the Board the approval of all aspects of corporate governance;
- annually reviewing its own mandate and, following review by each Board committee of its own mandate, the mandates of the Board's committees;
- supplying for the purposes of this Manual, in consultation with corporate counsel, a list of the laws, rules and regulations that pertain to the operation of the Committee;
- recommending changes to the size and composition of the Board and its committees;
- reviewing succession planning;
- overseeing the effectiveness of management and management's interaction with and responsiveness to the Board;
- conducting an annual survey to ensure that Directors' compensation is consistent with industry standards;
- accepting proposed changes to this Manual from PEI management and revising as appropriate;
- conducting an annual survey of Directors to evaluate the effectiveness and competencies of the Board's governance; and,
- overseeing the implementation of good corporate governance practices.

## **Purpose**

The Compensation and Corporate Governance Committee's purpose is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to:

- matters involving compensation and incentives provided to all employees of PEI;
- policies of PEI concerning employee benefits and human resources issues;
- such other related matters as may be delegated by the Board;
- PEI's corporate process and structure used to direct and manage the business and affairs of PEI;
- the division of power and establish mechanisms for achieving accountability among Shareholders, the Board and management of PEI; and,
- such other related matters as may be delegated by the Board.

## **Composition, Procedures and Organization**

1. The Compensation and Corporate Governance Committee shall be comprised of three or more Directors as determined from time to time by resolution of the Board.
2. Each member of the Compensation and Corporate Governance Committee must be independent and as such must be free from any material relationship that may interfere with the exercise of his or her independent judgment as a member of the Compensation and Corporate Governance Committee.
3. Consistent with the appointment of other Board committees, the members of this committee will be appointed by the Board at the first meeting of the Board following each AGM or at such time as may be determined by the Board.
4. The Committee will designate the Chairman of the Compensation and Corporate Governance Committee by majority vote. The presence in person or by telephone of a majority of the committee's members constitutes a quorum for any meeting.
5. All actions of the Compensation and Corporate Governance Committee will require a vote of the majority of its members present at a meeting of such Committee at which a quorum is present.
6. The competence of the members of the Compensation and Corporate Governance Committee in this regard will be determined by the Board in the exercise of its business judgment.
7. All members of the Compensation and Corporate Governance Committee must be familiar with any corporate governance guidelines established by the Canadian Security Administrators and relevant individual securities regulatory authorities at the time of their appointment or become so within a reasonable period of time following such appointment. The competence of the members of the Compensation and Corporate Governance Committee in this regard will be determined by the Board in the exercise of its business judgment.

## **Accountability and Reporting**

The Compensation and Corporate Governance Committee is accountable to the Board. The Committee must provide the Board with a summary of all meetings and its recommendations together with a copy of the minutes of each such meeting. If applicable, the Chairman will provide oral reports as requested.

All information reviewed and discussed by the Compensation and Corporate Governance Committee at any meeting must be retained and made available for examination by the Board. The Compensation and Corporate Governance Committee will review its mandate annually. The Compensation and Corporate Governance Committee will also review the mandate and responsibilities of the Audit Committee annually.

## **Meetings**

The Compensation and Corporate Governance Committee will meet at least twice annually or otherwise as may be directed by the Board or as circumstances warrant.

The Chairman of the Compensation and Corporate Governance Committee will appoint a Director, Officer or employee of PEI to act as secretary for the purposes of recording the minutes of each meeting.

## **Responsibilities**

The Compensation and Corporate Governance Committee is responsible for proposing to the full Board new nominees to the Board and for assessing Directors on an ongoing basis. Further, the Compensation and Corporate Governance Committee is responsible for PEI's response to, and implementation of, the guidelines of the Canadian Securities Administrators and relevant individual securities regulatory authorities (refer to Section 4) relating to corporate governance, as amended from time to time. The specific functions of the Compensation and Corporate Governance Committee in carrying out these areas of responsibility are set out below.

## ***Compensation***

- review and recommend the aggregate amount of salaries for the employees of PEI and to ensure the compensation is fair, equitable, and in line with the rest of the industry;
- review and recommend the annual salary, incentive compensation and other benefits or perquisites, direct or indirect, of the Officers of PEI;
- review and recommend the policies of PEI concerning employee benefits and perquisites and periodically review their application;
- review and recommend incentive compensation for employees of PEI;
- review with the CEO the performance, development of management of PEI; and
- ensure compliance with management compensation disclosure rules in the annual proxy circular.

### *Nomination and Assessment of Directors*

- consider and recommend candidates to fill new positions on the Board created by either expansion or vacancies that occur by resignation, retirement or for any other reason;
- review Board candidates recommended by or to it;
- conduct inquiries into the backgrounds and qualifications of potential candidates;
- maintain an “evergreen” list of potential director candidates;
- recommend the suitable director nominees for approval by the Board and the Shareholders;
- consider questions of possible conflicts of interest of Directors;
- recommend members and chairs of committees;
- establish and implement a Director Orientation Program; and,
- review director compensation in comparison with other peers on an annual basis.

### *Corporate Governance*

- consider and review PEI’s corporate governance principles and processes and compare the same to the guidelines referred to in Section 4;
- propose changes to the Board necessary to respond to the guidelines;
- distribute minutes of the Compensation and Corporate Governance Committee meetings to independent Directors;
- ensure that the Board Assessment, Competency and Evaluation Questionnaire is distributed to Directors shortly following the November committee meeting each year, for collection prior to year-end;
- review PEI’s disclosure of its corporate governance program and compliance with the guidelines in the management proxy circular for each AGM; and
- ensure appropriate structures and procedures are in place to ensure that the Board can function independently of management including the monitoring and administering the Board’s relationship to management.

The Compensation and Corporate Governance Committee may request such officers of PEI as it may see fit to attend its meeting and to assist in the discussion and consideration of such matters as the committee may determine.

The Compensation and Corporate Governance Committee may retain, on a periodic basis, an outside consulting firm to evaluate the overall compensation arrangements for executives or to develop new incentive plans.