



# MANAGEMENT INFORMATION CIRCULAR

in connection with the  
Annual Meeting of Shareholders  
to be held on May 31, 2018

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Annual Meeting of Shareholders  
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## MANAGEMENT INFORMATION CIRCULAR

April 24, 2018

### SOLICITATION OF PROXIES

This Management Information Circular (the "Circular") is furnished in connection with the solicitation of proxies by the management of MEG Energy Corp. ("MEG" or the "Corporation") for use at the annual meeting (the "Meeting") of the shareholders (the "Shareholders") of the Corporation to be held at 3:00 p.m. MDT on May 31, 2018 at Centennial Place, 3rd Floor, West Tower (Bow Glacier Room), 250 – 5th Street S.W., Calgary, Alberta, for the purposes set forth in the accompanying Notice of Meeting. Unless otherwise indicated, the information set forth herein is effective as of April 24, 2018.

#### Solicitation of Proxies by Management

As a Shareholder, you are cordially invited to be present at the Meeting. To ensure that you will be represented at the Meeting, in the event you are a *registered Shareholder* and unable to attend personally, you are requested to date, complete and sign the instrument of proxy enclosed herewith (the "Instrument of Proxy") and return the same to Computershare Investor Services Inc. by mail at 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1 or by fax to facsimile number 1-866-249-7775. Voting can also be completed by phone by calling 1-866-732-VOTE (8683), toll free within North America, or calling 312-588-4290 outside of North America, or via the internet by going to [www.investorvote.com](http://www.investorvote.com). You will need your web voting ID number which is noted on your proxy form. If you are an *unregistered (beneficial) Shareholder* and receive these materials through your broker or another intermediary, please complete and return the form of proxy or voting information form in accordance with the instructions provided therein.

Solicitation of proxies will be primarily by mail, but may also be by personal interview, telephone or other oral or written means of communication by the directors, officers and employees of the Corporation, at no additional compensation. The cost of the solicitation of proxies by management will be borne by the Corporation.

#### Appointment of Proxyholders

The persons named in the accompanying Instrument of Proxy are directors and/or officers of the Corporation. **Each Shareholder has the right to appoint a person or company to represent the Shareholder at the Meeting (who need not also be a Shareholder) other than the person or persons designated in the Instrument of Proxy furnished by the Corporation.** To exercise this right, the Shareholder must either insert the name of the desired

representative in the blank space provided in the accompanying Instrument of Proxy or submit an alternative form of proxy (either of which is a "Proxy").

A Proxy will not be valid unless it is received by Computershare Investor Services Inc. not less than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) before the time fixed for holding the Meeting or any adjournment thereof.

## Signing of Instruments of Proxy

A Proxy must be in writing and must be executed by the Shareholder or the Shareholder's duly appointed attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of the corporate Shareholder. A Proxy signed by a person acting as attorney or in some other representative capacity should expressly reflect that person's capacity (following his or her signature) and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has previously been filed with Computershare Investor Services Inc. or the Corporation).

## Revocation of Proxy

A Shareholder who has submitted a Proxy may revoke it by an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney thereof, and delivered to Computershare Investor Services Inc., by mail at 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1 or by fax to facsimile number 1-866-249-7775, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof; or to the chair of the Meeting on the day of the Meeting or any adjournment thereof, and upon any such delivery the Proxy shall be revoked. A Proxy may also be revoked: (a) by the registered Shareholder personally attending at the Meeting and voting such Shareholder's shares; or (b) in any other manner permitted by law. Beneficial Shareholders can change or revoke a vote by notifying their broker or intermediary in accordance with the instructions of such broker or intermediary.

## Voting of Proxies and Exercise of Discretion by Proxyholders

All common shares of the Corporation (the "Shares" or "Common Shares") represented at the Meeting by properly executed Proxies will be voted, or withheld from voting, on any ballot that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the Instrument of Proxy, the Shares represented by the Proxy will be voted in accordance with such instructions. On any ballot that may be called for at the Meeting, the management designees named in the accompanying Instrument of Proxy will vote or withhold from voting the Shares in respect of which they are appointed proxy according to the directions of the Shareholder appointing them. If the Shareholder specifies a choice regarding any matter to be acted upon at the Meeting, his, her or its Shares will be voted accordingly. **In the absence of such direction, the Shares will be voted: (i) for the election of each director; (ii) in favour of the Corporation's approach to executive compensation (referred to as "Say on Pay"); and (iii) for the appointment of PricewaterhouseCoopers LLP as auditor of the Corporation at such remuneration as the directors of the Corporation may determine.**

**The accompanying Instrument of Proxy confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly be brought before the Meeting or any adjournment thereof unless otherwise indicated on such accompanying Instrument of Proxy.**

Management of the Corporation knows of no amendments, variations or other matters to come before the Meeting, other than those matters referred to in the Notice of Meeting.

## Advice to Beneficial Holders of Shares

**The information set forth in this section is of significant importance to some Shareholders as some Shareholders do not hold their Shares in their own name.** Shareholders who do not hold their Shares in their own name (referred to in this Circular as "Beneficial Shareholders") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Shares can be recognized and acted upon at the Meeting. If Shares are listed in an account statement provided to a Shareholder by a broker, then, in almost all cases, those Shares will not be registered in the Shareholder's name on the records of the Corporation. Such Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting Common Shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person or that the Common Shares are duly registered in their name.**

Applicable Canadian regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Each broker or other intermediary has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. In some cases, the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. In Canada, the majority of brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge"). In most cases, Broadridge mails a scannable voting instruction form in lieu of the form of proxy provided by the Corporation and asks Beneficial Shareholders to return the voting instruction form to Broadridge. Alternatively, Beneficial Shareholders can either call Broadridge's toll-free telephone number (1-800-474-7493 (English) or 1-800-474-7501 (French)) to vote their Common Shares, or access Broadridge's dedicated voting web site at [www.proxyvotecanada.com](http://www.proxyvotecanada.com) to deliver their voting instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote Common Shares directly at the Meeting. The voting instruction form must be returned to Broadridge or, alternatively, instructions must be received by Broadridge well in advance of the Meeting in order to have such shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of his, her or its broker (or an agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered Shareholder and vote the Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Shares as proxyholder for the registered Shareholder, should enter their own names in the blank space on the Instrument of Proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

## Voting Securities

As at April 24, 2018, the Record Date of the Meeting, there were 294,104,928 Common Shares and no preferred shares of the Corporation issued and outstanding. Each Common Share carries the right to one vote at meetings of Shareholders.

## Record Date

**Only persons who are registered Shareholders at the close of business on April 24, 2018 (the "Record Date") are entitled to receive notice of and to vote at the Meeting**, except that any person who acquires Shares after that date may vote such Shares at the Meeting if he, she or it: (a) produces properly endorsed certificates evidencing such Shares or otherwise establishing that he, she or it owns them; and (b) requests, not later than ten (10) days before the Meeting, that his, her or its name be included on the list of Shareholders entitled to vote at the Meeting. Persons who are beneficial holders of Common Shares as of the Record Date will be entitled to vote at the Meeting in accordance with the procedures established pursuant to National Instrument 54-101 - *Communications with Beneficial Owners of Securities of a Reporting Issuer*.

## PRINCIPAL SHAREHOLDERS

As at the Record Date, to the knowledge of the Corporation, there is no person or company who beneficially owns, or controls or directs, directly or indirectly, 10% or more of the Common Shares outstanding.

## BUSINESS OF THE ANNUAL MEETING

### 1. Financial Statements and Auditor's Report

The financial statements of the Corporation for the fiscal year ended December 31, 2017, together with the auditor's report thereon, will be presented at the Meeting. No formal action will be taken at the Meeting to approve the Corporation's financial statements. Any questions the Shareholders have regarding the financial statements may be brought forward at the Meeting. Copies of the Corporation's annual and interim financial statements are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## 2. Election of Directors

On April 23, 2018, the Corporation announced that William McCaffrey is retiring from the position of President and Chief Executive Officer of the Corporation effective May 31, 2018 and will not stand for re-election to the board of directors of the Corporation (the "Board"). Boyd Anderson is also not standing for re-election to the Board. As a result, both Mr. McCaffrey and Mr. Anderson will cease to be members of the Board as of the conclusion of the Meeting.

Also on April 23, 2018, the Corporation announced that effective June 1, 2018, Harvey Doerr will be appointed as Interim President and Chief Executive Officer of the Corporation while the Board completes a search process for a permanent replacement.

The Corporation's articles provide that there must be at a minimum 3 and at a maximum 15 directors. In accordance with the by-laws of the Corporation, the Board has determined that nine directors will be elected at the Meeting. Shareholders will be asked at the Meeting to elect each of Harvey Doerr, David B. Krieger, James D. McFarland, Robert Hodgins, Jeffrey J. McCaig, Diana J. McQueen, William R. Klesse, Timothy Hodgson and Daniel S. Farb as directors of the Corporation. Each director elected will hold office from the date on which he or she is elected until the next annual meeting of Shareholders or until his or her successor is duly elected or appointed, unless his or her office is vacated prior to the next meeting. Except for Daniel S. Farb, all of the proposed nominees were elected as directors at the annual and special meeting of shareholders of the Corporation held on May 25, 2017 for a term expiring upon the close of the next annual meeting of shareholders. Mr. Farb was appointed as a director by the Board on November 30, 2017.

**Unless directed otherwise, the management designees named in the accompanying Instrument of Proxy intend to vote in favour of the election of Harvey Doerr, David B. Krieger, James D. McFarland, Robert Hodgins, Jeffrey J. McCaig, Diana J. McQueen, William R. Klesse, Timothy Hodgson and Daniel S. Farb as directors of the Corporation.**

The Board believes that each director should carry the confidence and support of the Shareholders. The Instrument of Proxy therefore enables a Shareholder to vote in favour of (or to withhold a vote for) each nominee separately.

The Corporation has adopted a majority voting policy that requires any nominee for director to tender his or her offer of resignation in the event such nominee receives a greater number of "withheld" votes than "for" votes in an election in which the number of nominees for election is equal to the number of directors to be elected as set out in the management information circular for the particular meeting. Upon receipt of such an offer of resignation, the Governance and Nominating Committee of the Board (the "GNC") shall consider the offer of resignation and make a recommendation to the Board. In compliance with the requirements of the Toronto Stock Exchange (the "TSX"), the recommendation of the GNC to the Board would be that the Board should accept such offer of resignation. The Board will then decide whether to accept or reject the offer of resignation and would be expected to follow such recommendation, absent exceptional circumstances. Shareholders should note that, as a result of the majority voting policy, a "withhold" vote is effectively the same as a vote against a director nominee in an uncontested election. **See "Corporate Governance Practices – Majority Voting Policy".**

An audit committee was first appointed by the Board on May 18, 2004 (the "Audit Committee"), a compensation committee was first appointed by the Board on December 2, 2004 (the "Compensation Committee"), the GNC was first appointed by the Board on February 23, 2011, an ad hoc deleveraging committee (the "Deleveraging Committee") was first appointed by the Board on October 19, 2017, and an ad hoc hedging committee (the "Hedging Committee") and an ad hoc search committee (the "Search Committee") were both first appointed by the Board on April 12, 2018.

The following table and the notes thereto set forth the names of management's proposed nominees for election as directors, their municipalities of residence, all other positions and offices with the Corporation now held by them, their principal occupations or employment, the periods during which they have served as directors of the Corporation, and the approximate number of securities of the Corporation they beneficially own, or control or direct, directly or indirectly, as at the date hereof including particulars of securities held by way of grants made under the Corporation's security based compensation arrangements.

Name:	Harvey Doerr	
Age:	59	
Municipality of residence:	Invermere, British Columbia, Canada	
Offices held:	Interim President and Chief Executive Officer (effective June 1, 2018) and a Director	
Director since:	June 9, 2010	
2017 Director Election:	99.95% Votes "For" 0.05% Votes "Withheld"	
<p>Mr. Doerr has been appointed as Interim President and Chief Executive Officer of the Corporation effective June 1, 2018. Mr. Doerr has been involved in the oil and gas industry since 1981. He held various roles with Murphy Oil Corporation between 1989 and 2009, including Executive Vice President, Downstream and Planning from January of 2007 until August of 2009 and President, Murphy Oil Company Ltd. (Canada) from August 1997 until December 2006. He currently serves as Chairman of Velvet Energy Ltd., a private Canadian oil and gas company, and serves as a director of Newalta Corporation and Seven Generations Energy Ltd. Mr. Doerr received a Bachelor of Science (Mechanical Engineering) from the University of Alberta in 1981, completed the Advanced Management Program at Harvard Business School in 2004 and received the designation of Professional Engineer in 1985. In 2011, Mr. Doerr obtained a certified designation (ICD.D) from the Institute of Corporate Directors.</p>		
Board and committee memberships:	Meeting attendance during 2017:	
Board of Directors	8 of 9	
Governance and Nominating Committee <sup>(1)</sup>	2 of 2	
Securities held: <sup>(2)</sup>	50,349 Common Shares 10,100 Options 22,770 RSUs 31,403 DSUs	Complies with share ownership requirements? Yes



Name:	David B. Krieger	
Age:	44	
Municipality of residence:	New York, New York, United States	
Offices held:	Director (independent)	
Director since:	February 27, 2004	
2017 Director Election:	99.66% Votes "For" 0.34% Votes "Withheld"	
<p>Mr. Krieger is currently Managing Director, Warburg Pincus LLC ("WP LLC"). Mr. Krieger has been with WP LLC since 2000 and works primarily with the firm's investments in the energy sector. He was appointed Managing Director of WP LLC in 2006. Mr. Krieger was a director of EMGS, Inc. from July of 2004 until January of 2010, and has been a director of Kosmos Energy Ltd. since 2004. Mr. Krieger received a Bachelor of Science (Economics) from the University of Pennsylvania in 1994, a Master of Science from the Georgia Institute of Technology in 1995 and a Master of Business Administration from Harvard Business School in 2000.</p>		
Board and committee memberships:	Meeting attendance during 2017:	
Board of Directors	8 of 9	
Compensation Committee	4 of 4	
Deleveraging Committee	5 of 6	
Securities held: <sup>(2)</sup>	15,986,580 Common Shares <sup>(3)</sup> 10,295 Common Shares <sup>(4)</sup> 10,100 Options <sup>(4)</sup> 22,770 RSUs <sup>(4)</sup> 31,403 DSUs <sup>(4)</sup>	Complies with share ownership requirements? Yes

Name:	James D. McFarland	
Age:	71	
Municipality of residence:	Calgary, Alberta, Canada	
Offices held:	Director (independent), Chair of Compensation Committee	
Director since:	June 9, 2010	
2017 Director Election:	83.93% Votes "For" 16.07% Votes "Withheld"	
<p>Mr. McFarland is a co-founder and has been a director of Valeura Energy Inc. since April 2010 and served as President and CEO. until his retirement in December 2017. He has over 45 years of experience in the oil and gas industry. Prior thereto, Mr. McFarland served as President and CEO, director and co-founder of Verenex Energy Inc. from 2004 until 2009. From 1999 until 2004, he served as Managing Director of Southern Pacific Petroleum N.L. in Australia. From 1995 until 1998, Mr. McFarland served as President and Chief Operating Officer of Husky Oil Limited. From 1972 until 1995, he held various leadership positions in a 23 year career with Imperial Oil Limited and other Exxon affiliates in Canada, the U.S. and Western Europe. Mr. McFarland has been a director of various public and private entities and is currently a director of Pengrowth Energy Corporation and Valeura Energy Inc. and serves on the Program Committee of the World Petroleum Council. Mr. McFarland received a Bachelor of Science (Honours) (Chemical Engineering) from Queen's University at Kingston in 1970, a Master of Science (Petroleum Engineering) from the University of Alberta in 1974, completed the Executive Development Program at Cornell University in 1981 and the Governor General's Canadian Study Conference in 1987, received the designation of Professional Engineer in 1974 and is a member of the Institute of Corporate Directors.</p>		
Board and committee memberships:	Meeting attendance during 2017:	
Board of Directors	9 of 9	
Compensation Committee	4 of 4	
Governance and Nominating Committee	2 of 2	
Securities held: <sup>(2)</sup>	17,094 Common Shares 10,100 Options 22,770 RSUs 31,403 DSUs	Complies with share ownership requirements? Yes

Name:	Robert Hodgins	
Age:	66	
Municipality of residence:	Calgary, Alberta, Canada	
Offices held:	Director (independent), Chair of Audit Committee	
Director since:	September 23, 2010	
2017 Director Election:	99.86% Votes "For" 0.14% Votes "Withheld"	
<p>Mr. Hodgins has over 25 years of experience in senior financial roles with several Canadian corporations. He was Chief Financial Officer of Pengrowth Energy Trust (now Pengrowth Energy Corporation) from 2002 until 2004, Vice President and Treasurer of Canadian Pacific Limited from 1998 until 2002 and Chief Financial Officer of TransCanada Pipelines Limited from 1993 until 1998. Mr. Hodgins is also currently a director of AltaGas Ltd., Enerplus Corporation and Gran Tierra Energy Inc. He holds an Honours Bachelor of Arts in Business from the Richard Ivey School of Business, is a Chartered Professional Accountant and is a member of the Institute of Corporate Directors.</p>		
Board and committee memberships:	Meeting attendance during 2017:	
Board of Directors	9 of 9	
Audit Committee	5 of 5	
Compensation Committee	4 of 4	
Deleveraging Committee	6 of 6	
Securities held: <sup>(2)</sup>	11,796 Common Shares 10,100 Options 22,770 RSUs 31,403 DSUs	Complies with share ownership requirements? Yes

Name:	Jeffrey J. McCaig	
Age:	66	
Municipality of residence:	Calgary, Alberta, Canada	
Offices held:	Chairman of the Board and Director (independent)	
Director since:	March 1, 2014	
2017 Director Election:	99.83% Votes "For" 0.17% Votes "Withheld"	
<p>Mr. McCaig is the Chairman of the board of directors of the Trimac Group of Companies (a group of private entities) of which he was CEO until December 31, 2015. Mr. McCaig was a director of Potash Corporation of Saskatchewan from January 2001 until May 2017 and has been a director of Bantrel Company (a private company) since 2000, becoming its Chairman in December 2007. Mr. McCaig is also a director and co-owner of the Calgary Flames Hockey Club. Mr. McCaig holds a degree in economics from Harvard University, a law degree from Osgoode Hall Law School, and a Master of Science in Management degree from Stanford University. He also is a member of the Institute of Corporate Directors.</p>		
Board and committee memberships:	Meeting attendance during 2017:	
Board of Directors	9 of 9	
Securities held: <sup>(2)</sup>	574,555 Common Shares 36,067 RSUs 45,454 DSUs	Complies with share ownership requirements? Yes

Name:	Diana J. McQueen	
Age:	56	
Municipality of residence:	Drayton Valley, Alberta, Canada	
Offices held:	Director (independent), Chair of Governance and Nominating Committee	
Director since:	October 6, 2015	
2017 Director Election:	99.90% Votes "For" 0.10% Votes "Withheld"	
<p>Ms. McQueen has energy and environmental public policy experience from regional, provincial and international levels, in addition to entrepreneurial experience in operating an independent business. Ms. McQueen held various Alberta provincial cabinet roles during 2011 to 2015, including Minister of Energy, Minister of Environment and Water, and Minister of Municipal Affairs. Ms. McQueen has also served at the municipal level with the Alberta Urban Municipalities Association. Ms. McQueen is also currently a director of Canada WaterNEXT Innovations Inc.</p>		
Board and committee memberships:	Meeting attendance during 2017:	
Board of Directors	9 of 9	
Compensation Committee	4 of 4	
Governance and Nominating Committee <sup>(7)</sup>	1 of 1	
Securities held: <sup>(2)</sup>	5,259 Common Shares 23,612 RSUs 31,250 DSUs	Complies with share ownership requirements? Yes

Name:	William R. Klesse	
Age:	71	
Municipality of residence:	San Antonio, Texas, United States	
Offices held:	Director (independent)	
Director since:	June 28, 2016	
2017 Director Election:	96.49% Votes "For" 3.51% Votes "Withheld"	
<p>Mr. Klesse is the former Chief Executive Officer and former Chairman of the Board of Valero Energy Corporation, an international manufacturer and marketer of transportation fuels, other petrochemical products and power. He joined the Valero board as Vice Chairman in 2005 and served as Chairman of the Board from 2007 to December 2014. From 2006 to May 2014, he served as Chief Executive Officer of Valero and served as President from 2008 to 2013. From 2003 to 2005, Mr. Klesse was Valero's Executive Vice President and Chief Operating Officer. Prior to that, he served as Executive Vice President of Refining and Commercial Operations following Valero's 2001 acquisition of Ultramar Diamond Shamrock Corporation, where he had been Executive Vice President of the company's refining operations. Mr. Klesse began his 45-plus year career in the energy industry at Diamond Shamrock Corporation, which merged with Ultramar Corporation in 1996. He is a trustee of the Texas Biomedical Research Institute and United Way of San Antonio and Bexar County and serves on the Advisory Board of the San Antonio Food Bank. Mr. Klesse holds a bachelor's degree in Chemical Engineering from the University of Dayton and a Master of Business Administration with an emphasis in Finance from West Texas A&amp;M University.</p>		
Board and committee memberships:	Meeting attendance during 2017:	
Board of Directors	7 of 9	
Securities held: <sup>(2)</sup>	175,000 Common Shares 21,834 RSUs 25,576 DSUs	Complies with share ownership requirements? Yes

Name:	Timothy Hodgson	
Age:	57	
Municipality of residence:	Toronto, Ontario, Canada	
Offices held:	Director (independent)	
Director since:	June 28, 2016	
2017 Director Election:	99.98% Votes "For" 0.02% Votes "Withheld"	
<p>Mr. Hodgson is Managing Partner of Alignvest Management Corporation. He is also Chairman of the Board of Alignvest Acquisition II Corp. Prior to joining Alignvest, Mr. Hodgson was Special Advisor to the Governor of the Bank of Canada from 2010 to 2012, where he led the Bank's market infrastructure initiatives. While serving at the Bank, Mr. Hodgson sat on the Bank's Monetary Policy Review Committee and Financial Stability Committee. Additionally, he represented the Bank on the Heads of Agencies Committee, and on the Heads of Dealers Committee with the heads of the major Canadian investment banks.</p> <p>From 1990 to 2010, Mr. Hodgson held various positions in New York, London, Silicon Valley and Toronto with Goldman Sachs. His expertise spanned several industry verticals, capital markets products, merger advisory services and merchant banking. In 2005, Mr. Hodgson was tasked with rebuilding Goldman Sachs Canada after the firm had curtailed its Canadian investment banking, fixed income, and equity research operations in 2003. From 2005 to 2010, he served as Chief Executive Officer of Goldman Sachs Canada with overall responsibilities for the firm's operations, client relationships and regulatory matters in the region. Mr. Hodgson has advised Canadian governments, corporations and high net worth individuals. He has also sat on the board of CW Media Inc., one of Goldman Sachs' largest merchant banking investments in Canada.</p> <p>In addition to his positions with Alignvest, Mr. Hodgson currently sits on the boards of The Public Sector Pension Investment Board where he chairs the Investment Committee, KGS-Alpha Capital Markets and The Global Risk Institute.</p> <p>Mr. Hodgson holds a Masters of Business Administration from The Richard Ivey School of Business at Western University and a Bachelor of Commerce from the University of Manitoba. He is a Chartered Professional Accountant, a member of the Institute of Corporate Directors and has obtained the certified designation (ICD.D).</p>		
Board and committee memberships:	Meeting attendance during 2017:	
Board of Directors	9 of 9	
Audit Committee	5 of 5	
Deleveraging Committee	6 of 6	
Securities held: <sup>(2)</sup>	8,000 Common Shares 21,834 RSUs 25,576 DSUs	Complies with share ownership requirements? Yes

Name:	Daniel S. Farb	
Age:	43	
Municipality of residence:	Chestnut Hill, Massachusetts, United States	
Offices held:	Director (independent)	
Director since:	November 30, 2017	
2017 Director Election:	N/A <sup>(5)</sup>	
<p>Mr. Farb joined Highfields Capital Management LP ("Highfields") in 2001, where he currently serves as Partner on the investment team. He has spent much of his time at Highfields focused on public market investments in the oil and gas industry and has extensive experience investing in Canadian capital markets. Prior to Highfields, Mr. Farb worked at Goldman Sachs and Co. in the Mergers and Acquisitions and Principal Investment groups. Mr. Farb serves as a member of the Boston Children's Hospital Trust Board. He is a graduate of McGill University and the Harvard Business School.</p>		
Board and committee memberships:	Meeting attendance during 2017:	
Board of Directors	1 of 1 (appointed a director on November 30, 2017)	
Securities held: <sup>(2) (6)</sup>	29,275,200 Common Shares 14,415,163 Equity Swaps – Long Position (Common Shares Cash Settled)	Complies with share ownership requirements? Yes

**Notes:**

- (1) Mr. Doerr resigned from the GNC, of which he also served as Chair, on April 12, 2018.
- (2) The information as to the Common Shares beneficially owned, controlled or directed, directly or indirectly, not being within the knowledge of the Corporation, has been furnished by the respective directors individually. Includes unvested Options, treasury-settled RSUs, PSUs and DSUs, and cash-settled RSUs and PSUs.
- (3) To the knowledge of the Corporation, a total of 15,986,580 Common Shares are legally and beneficially owned by WP X LuxCo S.a.r.l. ("WPX Luxco"). All Common Shares indicated as held by Mr. Krieger are included because of his affiliation with WP LLC. Mr. Krieger disclaims beneficial ownership of all Common Shares owned by WPX Luxco.
- (4) The net proceeds from the Common Shares, Options, RSUs and DSUs held by Mr. Krieger in his capacity as a director are for the benefit of Warburg Pincus LLC.
- (5) Mr. Farb was appointed a director on November 30, 2017.
- (6) To the knowledge of the Corporation, Daniel Farb has control or direction on behalf of Highfields of 29,275,200 Common Shares. Mr. Farb also holds, on behalf of Highfields, Equity Swaps – Long Position (Common Shares Cash Settled) over 14,415,163 Common Shares. All Common Shares and Equity Swaps indicated as held by Mr. Farb are included because of his affiliation with Highfields and are beneficially owned by investment funds managed by Highfields. Mr. Farb disclaims beneficial ownership of all Common Shares and Equity Swaps owned by the Highfields funds.
- (7) Ms. McQueen was appointed a member of the GNC on June 15, 2017 and appointed Chair of the GNC effective April 12, 2018.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

**Cease Trade Orders**

To the knowledge of the Corporation, no proposed nominee for election as a director of the Corporation (nor any personal holding company of any of such persons) is, or has been within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "Order"), and that was issued while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

## **Bankruptcies**

Except as disclosed below, to the knowledge of the Corporation, no proposed nominee for election as a director of the Corporation (nor any personal holding company of any of such persons): (a) is, as of the date of this Circular, or has been within the 10 years before the date of this Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee.

Robert Hodgins was formerly a director of Skope Energy Inc. ("Skope"), a Toronto Stock Exchange listed company, which in November 2012, commenced proceedings in the Court of Queen's Bench of Alberta under the *Companies' Creditors Arrangement Act*, to implement a restructuring which was completed on February 19, 2013. Mr. Hodgins ceased to be a director of Skope on February 19, 2013.

Jeffrey McCaig was a director of Orbus Pharma Inc. ("Orbus"), an NEX listed company, which in May 2010 commenced proposal proceedings pursuant to the *Bankruptcy and Insolvency Act (Canada)* by filing a notice of intention to make a proposal. A proposal was submitted to and approved by the creditors of Orbus in September 2010 and was approved on October 10, 2010.

## **Penalties or Sanctions**

To the knowledge of the Corporation, no proposed nominee for election as a director of the Corporation (nor any personal holding company of any of such persons) has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for such proposed nominee.

## **3. Say on Pay**

The Corporation's compensation policies and procedures are centered on a "pay for performance" philosophy and aligned with the long-term interests of Shareholders, as more particularly described throughout this Circular.

The Corporation's compensation programs are designed to:

- reward creation of long-term shareholder value;
- reflect short, medium and long term corporate performance;
- maintain an appropriate balance between base salary and short-term and long-term incentive opportunities;
- be competitive, so as to attract and retain talented individuals;
- strike an appropriate balance between risk and reward for both employees and Shareholders; and
- assure that prerequisites are modest and support the Corporation's business objectives.

Management believes that the Corporation's compensation programs, with their balance of base salary, bonus amounts and long-term incentives comprised of RSUs, PSUs and stock options, reward sustained performance that is aligned with long-term shareholder interests.

The Board and management of the Corporation wish to provide Shareholders with a non-binding advisory vote ("Say on Pay") at the Meeting. This Say on Pay non-binding advisory vote on executive compensation will provide Shareholders with the opportunity to vote FOR or AGAINST the Corporation's approach to executive compensation through the following resolution:

**"BE IT RESOLVED THAT**, on an advisory basis and not to diminish the role and responsibilities of the Board, the shareholders accept the approach to executive compensation disclosed in the "Statement of Executive Compensation" section of the Management Information Circular of the Corporation dated April 24, 2018 and delivered in advance of the 2018 Annual Meeting of Shareholders."

As this is an advisory vote, the results will not be binding upon the Board. However, the Board will consider the outcome of the vote as part of its ongoing review of executive compensation. The Board believes that it is essential for Shareholders to be well informed of the Corporation's approach to executive compensation and considers this advisory vote to be an important part of the ongoing process of engagement between Shareholders and the Board. The Corporation will disclose the results of the Shareholder advisory vote as part of its report on voting results for the Meeting.

In the event that the advisory resolution is not approved by a majority of the votes cast at the meeting, the Board will consult with Shareholders (particularly those who are known to have voted against it) to understand their concerns and will review the Board's approach to executive compensation in the context of those concerns. Results from the Board's review, if necessary, will be discussed in the Corporation's management information circular for the annual meeting of shareholders of the Corporation to be held in 2019.

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders present in person or by proxy at the Meeting. **The Board recommends that you vote FOR the foregoing resolution. Unless directed otherwise, the management designees named in the accompanying Instrument of Proxy intend to vote "FOR" the ordinary resolution above.**

#### **4. Appointment of Auditor**

**Unless directed otherwise, the management designees named in the accompanying Instrument of Proxy intend to vote "FOR" the appointment of PricewaterhouseCoopers LLP to serve as the auditor of the Corporation until the next annual meeting of Shareholders, at a remuneration to be determined by the directors of the Corporation.** PricewaterhouseCoopers LLP was first appointed as the auditor of the Corporation on December 2, 2004.

#### **5. Other Business**

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters identified in the Notice of Meeting. However, if any other matter properly comes before the Meeting or any adjournment thereof, the Common Shares subject to the Instrument of Proxy solicited hereunder will be voted on such matter in the discretion of and according to the best judgment of the proxyholder unless otherwise indicated on such Instrument of Proxy.

# STATEMENT OF EXECUTIVE COMPENSATION

## Compensation Discussion and Analysis

### Executive Summary

2017 was another transformational year for MEG as it continued to advance its strategy of cost-effective growth in a continuing volatile oil price environment. The Corporation's key accomplishments began with a successful refinancing, which provided the financial flexibility to pursue its technology-driven growth initiatives. These initiatives, in turn, contributed to continued success of the Corporation's operational results.



#### *Financial Flexibility*

In January of 2017, MEG successfully completed a comprehensive refinancing plan consisting of four transactions: 1) an extension of the maturity date on the Corporation's undrawn covenant-lite revolving credit facility, 2) refinancing of US\$1.2 billion term loan extending maturity to 2023, 3) refinancing and replacement of US\$750 million 6.5% Senior Unsecured Notes, with new 6.5% Senior Secured Second Lien Notes and 4) \$518 million equity raise (before underwriting fees and expenses). These transactions did not impact cash costs, but provided the Corporation with a fully-funded 2017 capital program that was directed primarily toward technology-driven growth initiatives. During 2017, significant progress was also made on the sale of MEG's 50% interest in the Access Pipeline and 100% interest in the Stonefell Terminal. The transaction was completed in March of 2018 for cash and other consideration of \$1.61 billion.

#### *Technology-Driven Growth*

A significant portion of MEG's 2017 capital program was allocated to the enhanced Modified Steam and Gas Push ("eMSAGP") growth project at Christina Lake Phase 2B, the first in a series of high-return projects that will boost production while lowering the Corporation's cash costs and environmental footprint. eMSAGP technology involves co-injecting a non-condensable gas into the oil sands reservoir with the steam. Once there is sufficient heat in the reservoir, the non-condensable gas helps maintain pressure, reduces the steam-oil ratio and frees up steam to be redeployed into new SAGD well pairs, thereby improving capital efficiency and reducing emissions.

The Corporation also successfully completed phase 1 of a pilot of its new solvent recovery process: enhanced Modified Vapour Extraction ("eMVAPEX"). This new technology, if proven successful through expanded pilot operations, will further enhance MEG's growth potential while minimizing environmental impacts to land, air and water. The eMVAPEX pilot is funded in part through \$12.2 million in grants received from Alberta Innovates and Natural Resources Canada.

#### *Operational Results*

The Corporation's 2017 production was 80,774 barrels per day (bbls/d), which was near the midpoint of its 2017 guidance of 80,000 to 82,000 bbls/d. However, it was the successful implementation of MEG's growth initiatives that was one of the key factors contributing to the Corporation's significant operational achievements in 2017. The Corporation exited the year with production volumes of 93,674 bbls/d, well in excess of the guidance range of 86,000-89,000 bbls/d exit. In terms of costs, non-energy operating costs ("NEOC") guidance was reduced twice in 2017: from



\$5.75-\$6.75 per barrel to \$5.00-\$5.50 per barrel on release of the Second Quarter 2017 Report to Shareholders and further to \$4.75-\$5.00 per barrel on release of the Third Quarter 2017 Report to Shareholders. Actual 2017 NEOC of \$4.62 per barrel were lower than the revised guidance range. These operational results were achieved despite a 14% reduction in the company's capital budget guidance (from \$590 million to \$510 million), and actual capital spending (of \$503 million) which was below guidance.

### ***Linking Business Results to Compensation***

In formulating its decisions regarding executive compensation, the Board remained cognizant of the fact that the Corporation's significant achievements in 2017 did not translate into improved returns for the Corporation's shareholders. This was primarily the result of ongoing pricing challenges relating to market access. Although these challenges abated somewhat in 2017 as a result of improved benchmark pricing and narrowing differentials, investors continued to shy away from the Canadian oil sands sector in general.

To strike an appropriate balance between recognizing MEG's achievements in areas within its control; maintaining a motivated, high-performing organization that can continue to deliver these results; and reflecting the share price experience of its shareholders; the following workforce and compensation actions were taken in 2017:

- **Continued Workforce Reductions.** The organization was further streamlined in early 2017, resulting in overall workforce reductions of nearly 45% since 2014, when oil prices began to fall.
- **Continued Base Salary Freezes.** The Board elected to continue the base salary freeze for MEG's named executive officers ("NEOs"). Salaries in 2017 remained unchanged from 2015 levels.
- **Applied Downward Discretion to the Corporate Performance Factor.** The Board elected to apply downward discretion to the corporate performance factor calculated under the Corporation's annual short-term incentive (bonus) compensation program. The factor was reduced from a calculated 117% to 100% (i.e. target performance).
- **Granted CEO's Request for a Reduced Bonus.** In 2017, MEG's CEO Bill McCaffrey requested a 25% reduction to his own bonus, which the Board subsequently approved. Mr. McCaffrey made this request in recognition of the continuing challenges presented by oil prices and other macroeconomic factors over the period. This is the second time that Mr. McCaffrey has requested a reduction to his bonus in consideration of such factors, having requested a zero bonus in 2016.

MEG continues to believe that its success is dependent on its ability to attract, retain and motivate a dedicated group of high performing employees, top management and quality directors. Accordingly, MEG's compensation programs are designed to be competitive within the marketplace, to reward employees and management for achievements and duration of service to the Corporation and to promote alignment of interests between the directors, officers and employees of the Corporation and the shareholders of the Corporation. The features of MEG's compensation programs have been designed to foster decisions and actions that result in the Corporation's growth and in the creation of both near-term and long-term shareholder value.

### **Compensation Methodology**

The Board makes decisions regarding base salaries, annual bonuses and long-term equity incentive ("LTI") compensation for the executive officers (including the CEO) and approves corporate goals and objectives relevant to their respective compensation. With respect to the compensation of executive officers other than the CEO, the Board solicits input from the CEO and the Compensation Committee regarding the performance of such executive officers. With respect to the compensation of the CEO, the Board solicits input from the Compensation Committee alone.

As part of the compensation review process, the Compensation Committee relies on input from management and market information provided by Mercer (Canada) Limited ("Mercer Consulting") in the Mercer Total Compensation Survey for the Energy Industry (the "Mercer Survey"), Willis Towers Watson ("Towers") survey, and other industry surveys. MEG has also established a compensation peer group (the "Compensation Peer Group") to assess the competitiveness of its compensation programs and policies, establish target incentives and determine total compensation (base salary, annual short-term incentives and long-term incentives) for each of its executive officers. The Corporation targets total direct compensation, including base salary, cash bonuses and long-term incentives, at the median of the Compensation Peer Group for the executive roles within the Corporation. Notwithstanding the foregoing, compensation levels for some key positions are adjusted from the applicable median due to the experience, scope, demand for and contribution of the particular individual.

As part of the Corporation's process of determining executive compensation, each position in the Corporation is benchmarked or matched to a corresponding role in the Mercer Survey. Each senior executive position at MEG is also matched to a corresponding senior executive role in the management information circulars of the Corporation's Compensation Peer Group. The compensation data for these matches is used to provide guidance on base salary, annual bonus and LTI grants. Management then makes recommendations to the Compensation Committee, based largely on performance and contribution of the senior executive. The Compensation Committee then reviews the recommendations and if appropriate makes a recommendation to the Board for approval. In the case of the CEO, the Compensation Committee reviews the relevant industry and Compensation Peer Group data and also assesses the overall performance of the Corporation prior to determining its recommendation to the Board related to CEO compensation.

## **Compensation Risk Mitigation**

Each year, the Compensation Committee reviews the Corporation's compensation policies and practices, taking into consideration any risks associated therewith, as well as each compensation component (base salary, short-term incentives (annual bonuses), and long-term incentives). The Compensation Committee has identified several existing practices that assist in the management of compensation risk, including the following:

- Mixture of short-term and long-term variable incentive programs;
- Inclusion of compensation criteria that are based on non-financial measures, such as operational performance and health and safety performance;
- Anti-hedging policies that prohibit NEOs and directors from purchasing financial instruments designed to hedge or offset a decrease in market value of equity securities granted as compensation, or held, directly or indirectly, by any NEO or director; and
- Adoption of a clawback policy that provides for the recoupment from officers and executives of both cash and equity-based incentive compensation where fraud or intentional illegal misconduct results in a material restatement of financial results.

During its annual review, the Compensation Committee did not identify any risks associated with the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation.

## **Performance Graph**

The following graph compares the cumulative total shareholder return ("TSR") for the Corporation on the TSX, of \$100.00 invested in Common Shares over the five year period beginning January 1, 2013 and ending December 31, 2017, with \$100.00 invested in each of the TSX Oil and Gas E&P Index ("Energy Index") and the S&P/TSX Composite Index ("Composite Index") over the same period.

## Total Shareholder Return



Date	MEG (TSX)	S&P/TSX Index	TSX Oil and Gas E&P Index
January 1, 2013	\$100.00	\$100.00	\$100.00
December 31, 2013	\$97.21	\$111.97	\$113.15
December 31, 2014	\$62.08	\$123.79	\$88.11
December 31, 2015	\$25.47	\$113.49	\$59.83
December 31, 2016	\$29.31	\$137.42	\$93.29
December 31, 2017	\$16.32	\$149.92	\$80.61

TSR for the Composite Index outperformed both the Common Shares and the Energy Index over the five-year period. The Common Shares were generally performing in-line with the Composite Index leading into the oil price downturn in mid-2014, after which they have underperformed both indices.

Total compensation of the NEOs, as reported in the Summary Compensation Table, generally increased between 2012 and 2013 and decreased from 2013 to 2016. As a result of three consecutive years of NEO compensation reductions, 2016 NEO total compensation levels were generally below 2012 levels. NEO total compensation levels were increased in 2017 for the first time in four years.

## Peer Groups

### Compensation Peer Group

The Compensation Committee, in conjunction with the Board, reviews the Compensation Peer Group annually. Companies are selected for inclusion primarily on the basis of who MEG competes with for talent, being those

companies which MEG hires its executives from as well as those which are most likely to seek out and hire MEG's executives. Keeping compensation competitive with these organizations improves MEG's ability to attract and retain its executive workforce. The following selection criteria are used by the Board and have proven effective in identifying organizations that MEG competes with for executive talent:

Factors Considered	Selection Criteria
1. Competition History	Historical Source of or Destination for Executive Talent
2. Oil versus Gas Weighting	Strong Oil Weighting (with preference given to those with oil sands/in situ operations)
3. Ownership Type	Publicly Traded on the TSX
4. Industry Sector	Upstream Oil & Gas
5. Location of Headquarters/Operations	Alberta/Western Canada
6. Corporate Size Characteristics	Enterprise Value, Revenue and/or Production

Organizations rarely meet all of the selection criteria, but alignment on most criteria usually indicates that the organization competes with MEG for executive talent and is an appropriate peer for compensation benchmarking.

In 2017, three new companies were added to the Compensation Peer Group to increase the sample size from 10 to 13 companies.

For the Corporation's senior executives, MEG typically relies on compensation data disclosed in management information (proxy) circulars for the companies in the Compensation Peer Group to conduct its pay benchmarking. For the Corporation's other executives, MEG relies instead on the Mercer Survey and other oil sands specific surveys. With proxy benchmarking, data for international subsidiaries is typically not available or included in the analysis. With survey benchmarking, data for international subsidiaries is often available and included in the analysis when appropriate.

In 2017, the Corporation selected 13 Canadian companies and 3 international subsidiaries to include in its Compensation Peer Group:

Compensation Peers (Canadian) <sup>(1)</sup>	Compensation Peers (International) <sup>(2)</sup>
1. ARC Resources	1. BP Energy
2. Athabasca Oil ( <i>new in 2017</i> )	2. ConocoPhillips Canada
3. Baytex Energy	3. Devon Canada
4. Canadian Natural Resources ( <i>new in 2017</i> )	
5. Cenovus Energy	
6. Crescent Point Energy	
7. Encana	
8. Enerplus	
9. Obsidian Energy	
10. Pengrowth Energy	
11. Suncor Energy	
12. Vermilion Energy	
13. Whitecap Resources ( <i>new in 2017</i> )	


**Notes:**

(1) Peers used to benchmark compensation for MEG's senior executives.

(2) Additional peers used to benchmark compensation for MEG's remaining executives (i.e. Vice Presidents).

MEG generally aims to position itself near the median (P50) of the 13-company Compensation Peer Group in terms of corporate size characteristics. The chart below shows MEG's positioning on each of enterprise value, revenue and production:

	Lowest	P25	P50	P75	Highest	MEG	Peer Group Median
<b>Enterprise Value<sup>(1)</sup></b>			P50			\$5,765	\$5,807
<b>Revenue<sup>(2)</sup></b>				P64		\$2,246	\$990
<b>Production<sup>(3)</sup></b>			P46			81	93

 MEG percentile ranking against compensation peer group

**Notes:**

- (1) Enterprise Value in Cdn. \$ million as at December 31, 2017.
- (2) Trailing 12 month revenue in Cdn. \$ million up to and including Q3, 2017.
- (3) Average production up to and including Q3, 2017.

**Performance Peer Group**

Prior to 2017, MEG used a single peer group for both compensation and performance benchmarking. In early 2017, in addition to the Compensation Peer Group, MEG adopted a separate performance peer group (“Performance Peer Group”) for the purpose of benchmarking relative TSR performance under the Corporation’s performance share unit (“PSU”) program (see “Long-Term Equity Incentives” section for more information).

Companies were selected for inclusion in the Performance Peer Group based primarily on how their stock price responds to macroeconomic factors such as oil prices, differentials and apportionment. By selecting companies with such exposure that is similar to MEG, the effects of these external factors are better controlled for, so that relative share price performance more accurately reflects the actions of management. The following selection criteria were applied in the construction of the Performance Peer Group:

Factors Considered	Selection Criteria
1. Oil Sands/Heavy Oil Production	Material Oil Sands and/or Heavy Oil Production
2. Upstream Focus	Not Fully-Integrated (with Midstream/Downstream Operations)
3. Ownership Type	Publicly Traded on the TSX
4. Domestic Production Focus	Majority of Production in Western Canada
5. Share Price Behaviour	Correlation with MEG Share Price over a Five Year Period
6. Corporate Size Characteristics	Enterprise Value/Revenue/Production > 0.2x MEG

In 2017, eight companies met the majority of the selection criteria and were chosen for inclusion in MEG’s Performance Peer Group:

#### Performance Peers

1. Athabasca Oil
2. Baytex Energy
3. BlackPearl Resources
4. Canadian Natural Resources
5. Cenovus Energy
6. Cona Resources
7. Obsidian Energy
8. Pengrowth Energy

## Components of Compensation

The compensation package for all executive officers is comprised of base salary, annual short-term incentives, participation in the Corporation's LTI plans, participation in benefit plans and other nominal perquisites. All salaries, salary increases, cash bonuses and stock-based compensation for the NEOs and other executive officers, as applicable, have been reviewed, considered and recommended by the Compensation Committee and, in turn, approved by the Board. The review process includes an analysis relative to the Corporation's Compensation Peer Group, to match peer group data for similar job descriptions, with the goal of aligning compensation to the median of the Compensation Peer Group in order to attract and retain qualified and experienced personnel. Further adjustments to compensation are made based on individual and corporate performance.

### **Base Salary**

The base salary of each executive officer, including NEOs, reflects numerous factors relevant to the discharge of the executive officer's duties including the complexity of their respective roles, the amount of applicable industry experience, and the function their respective roles play in MEG's corporate development.

Salaries are reviewed and compared to the Compensation Peer Group through publicly available information and the Mercer Survey on at least an annual basis. Consideration is given to the development objectives of the Corporation and the need to attract, retain and motivate talented individuals. The base salaries of MEG executives are compared to the base salaries of incumbents in the Compensation Peer Group who hold similar positions, targeted at the midpoint salary of the applicable sample, and then adjusted for individual contribution and performance. The base salary of the CEO is determined solely by the Board based on recommendations received from the Compensation Committee.

The Board elected to freeze the base salaries of the NEOs at 2015 levels for both 2016 and 2017. Management's analysis suggested that NEO base salaries remained competitive within the Compensation Peer Group and continued to satisfy the objectives of the program.

### **Annual Short-Term Incentive Compensation**

The annual short-term incentive compensation program provides for cash awards, which are intended to motivate and reward executive officers, including NEOs, for achieving and surpassing annual corporate goals and making significant individual contributions to the organization's success. The amount of the cash award or "bonus" is determined by reference to a target percentage of base salary (being 100% for Mr. McCaffrey; 60% for Messrs. Toews, Yee and Moe; and 45% for Mr. Rogers), which is then adjusted for corporate performance and individual considerations. In the case of Mr. McCaffrey, these individual considerations included a voluntary 25% reduction he requested be made to his bonus in recognition of the continuing challenges for the Corporation presented by oil prices and other macroeconomic factors over the period. In the cases of Mr. Toews and Mr. Yee, each received a net bonus adjustment of +20% to account for important individual contributions in their roles.

Mr. Yee was recognized for the significant responsibilities he assumed in relation to an operational reorganization of the Corporation. Mr. Toews was recognized for his role in helping execute MEG's comprehensive refinancing plan as part of a larger team effort. However, these adjustments for Mr. Toews and Mr. Yee were net of the Board's application of downward discretion to the corporate performance results, which resulted in a -17% adjustment to the bonuses of all NEOs. In the case of Mr. McCaffrey, this -17% adjustment was made in addition to the -25% voluntary reduction he requested.

In 2017, corporate performance under the annual short-term incentive program was measured using targets related to various financial, health and safety, operations, development and marketing achievements (the "Corporate Performance Scorecard"). 2017 corporate performance was evaluated against the Corporate Performance Scorecard as follows:

Performance Indicator	Weighting	Target	Results	Multiplier <sup>(1)</sup>	Weighted Score
<b>Financial Category (25%)</b>					
MEG's total shareholder return versus the S&P/TSX Energy Index	15%	P50	P28	0.56	8.4%
Pursue deleveraging of MEG balance sheet <sup>(2)</sup>	5%	Complete transaction for sale of Access Pipeline if Board determines it is in the best interest of the Corporation	Progressed	1	5%
Recapitalization	5%	Pursue if market conditions are appropriate	Complete Q1	2	10%
					<b>23.4%</b>
<b>Health &amp; Safety Category (15%)<sup>(3)</sup></b>					
Employee Lost Time Incident Frequency (LTIF)	5%	0.09	0.18	0	0%
Employee Reportable Incident Frequency (RIF)	5%	0.37	0.36	1.03	5.14%
Contractor LTIF	2.5%	0.19	0.28	0.53	1.32%
Contractor RIF	2.5%	0.77	0.94	0.78	1.95%
					<b>8.4%</b>
<b>Operations Category (40%)</b>					
Production	20%	80,000 – 82,000 bbls/d	80,774 bbls/d	1	20%
Non-Energy Operating Costs (NEOC) <sup>(4)</sup>	20%	\$5.75 - \$6.75 /bbl	\$4.62 /bbl	2	40%
					<b>60%</b>
<b>Development Category (15%)</b>					
Drill and tie-in infill wells on select pads	2.5%	Complete in 2017	Complete	1	2.5%
Infill well piping tie-in points on select pads	2.5%	Complete during plant turnaround	Complete	1	2.5%
Gathering line installation	2.5%	Complete in first half of 2017	Complete	1	2.5%
Complete next generation pad engineering	2.5%	Complete in 2017	Complete	1	2.5%
Advance solvent recovery process	5%	Launch pilot program for solvent recovery process	Ahead of schedule	2	10%
					<b>20%</b>
<b>Marketing Category (5%)<sup>(5)</sup></b>					
Advance strategic marketing initiatives	2.5%	Develop plans that will help mitigate apportionment	Achieved	1	2.5%
	2.5%	Continue to advance long-term offshore relationships	Achieved	1	2.5%
					<b>5%</b>

**Notes:**

(1) For corporate performance indicators that are quantifiable (e.g. relative TSR, H&S measures, etc.); threshold, target and maximum levels of performance are set and the performance multiplier is calculated formulaically based on performance relative

to the target range. For performance indicators that are not readily quantifiable (e.g. recapitalization), an appropriate multiplier is arrived at through the application of informed judgement.

- (2) Significant progress was made on the sale of MEG's 50% interest in the Access Pipeline and 100% interest in the Stonefell Terminal during the course of 2017. The transaction was completed in March of 2018 for cash and other consideration of \$1.61 billion.
- (3) All H&S goals are measured per 200,000 hours of exposure.
- (4) NEOC represents production operating activities excluding energy operating costs.
- (5) Although the scorecard marketing indicators were achieved through the development of a detailed strategy for apportionment and the advancement of key relationships with international crude buyers, the Board also considered the expense recognized for some past underutilized marketing commitments in its determination of the corporate performance factor for the Corporation, which impacted the overall bonus evaluation.

A straight application of the Corporate Performance Scorecard methodology resulted in a calculated corporate performance factor of 117%. Notwithstanding these strong results, in recognition of continuing challenges presented by the current oil pricing environment and in view of expense recognized for some past underutilized marketing commitments, management recommended and the Board exercised discretion to reduce the factor from 117% to 100% (target performance). Performance calculations and the application of discretion to arrive at the approved corporate performance factor are summarized below.

<b>2017 Corporate Performance Scorecard Summary</b>		
<b>Performance Category</b>	<b>Target Score</b>	<b>Actual Score</b>
Financing	25%	23.4%
Health & Safety	15%	8.4%
Operations	40%	60%
Development	15%	20%
Marketing	5%	5%
<b>Calculated Corporate Performance Factor</b>	100%	<b>117%</b>
Board Discretion Applied		<b>(17%)</b>
<b>Approved Corporate Performance Factor</b>		<b>100%</b>

Bonus awards for the NEOs, excluding the CEO, are recommended by the CEO and are reviewed by the Compensation Committee and, if deemed appropriate, are recommended to the Board for approval. Bonus awards for the CEO are determined solely by the Board based on recommendations received from the Compensation Committee. The actual bonuses awarded to each NEO are set out fully under the heading "Summary Compensation Table – NEOs".

### ***Long-Term Equity Incentives***

MEG believes that long-term equity-based awards allow the Corporation to attract and reward executive officers for their sustained contributions to the Corporation, while at the same time ensuring that their interests, and those of shareholders, are aligned. MEG also believes that equity-based awards lead to stronger retention of executives and employees. In 2017, the Corporation's long-term equity incentive program, as it relates to executive officers, was comprised of the following three components: (i) Restricted Share Units ("RSUs"); (ii) Performance Share Units ("PSUs"); and (iii) Stock Options ("Options").



## **RSUs**

MEG awards RSUs to its NEOs in order to align executive and Shareholder interests, retain executives over the long-term and allow executives to share in the long-term success of the Corporation. RSU awards made to NEOs in 2017 vest in thirds over three annual periods. As the awards vest, NEOs may realize more or less value than the grant date value reported in the Summary Compensation Table, based on the degree to which MEG's share price has increased or decreased over the vesting period. In this way, realized compensation is directly linked to share price performance and aligns with the Shareholder experience over the same period.

The significant terms of MEG's RSU Plans (as defined herein) are described later in this Circular under the heading "Long-Term Equity Incentive Plans."

## **PSUs**

The PSU Program attaches performance vesting conditions to RSUs and is administered under the RSU Plans. The PSU Program was introduced as a means of mitigating the risk of rewarding executives and other management for share performance driven by factors beyond management's control (for example, large swings in the price of oil).

PSUs become eligible to vest in installments over three annual performance periods and upon satisfaction of performance targets which are set for each performance period and measured following the end of each performance period, as opposed to being set once for the entire three year period. One-third of each PSU award, as adjusted by the multiplier referenced below, will become eligible to vest and locked in after each performance year, but vesting and settlement will occur at the end of the third annual performance period applicable to the award. A multiplier, being a factor between zero and two, will be applied to PSUs that become eligible to vest based on achievements of performance targets at the end of each performance period.

PSUs vest and settle only on achievement of specified levels of performance as measured against defined performance targets. For the 2016 and 2017 performance years, the Board approved the following performance measures and weightings:

<b>Performance Measure</b>	<b>Weighting</b>
Production	20%
NEOC	20%
TSR (relative to Performance Peer Group)	60%

For each measure, the Board has approved threshold, target and maximum levels of performance that result in a multiplier of zero to two times the number of PSUs granted becoming eligible to vest after the end of each performance period. For 2016 and 2017, performance inside the range of guidance for the production and non-energy operating costs measures results in a multiplier of 1.0 being applied to PSUs becoming eligible to vest in respect of these measures and performance years, with upside and downside potential for performance outside of the range of guidance. Similarly, relative TSR performance at the median of the Performance Peer Group results in a multiplier of 1.0 being applied to PSUs becoming eligible to vest in respect of the relative TSR measure in the 2016 and 2017 performance years, with upside and downside potential for better or worse relative performance. PSUs that do not become eligible to vest at the end of an annual performance period will not vest or become eligible to vest in subsequent periods and are canceled.

The table below provides detailed information with respect to PSU performance measures and calculations for the 2016 and 2017 performance years:

Year	Measure	Weighting	Threshold	Target	Maximum	Actual	Evaluation Timing	Unweighted Multiplier	Weighted Multiplier
2016	Production	20%	77,000	80,000-83,000	86,000	81,245	Q1 2017	1.0	0.2
	NEOC	20%	\$8.75	\$6.75-\$7.75	\$5.75	\$5.62	Q1 2017	2.0	0.4
	Relative TSR	60%	P0	P50	>P75	P0	Q1 2017	0.0	0.0
									<b>0.6</b>
2017	Production	20%	77,000	80,000-82,000	85,000	80,774	Q1 2018	1.0	0.2
	NEOC	20%	\$7.75	\$5.75-\$6.75	\$4.75	\$4.62	Q1 2018	2.0	0.4
	Relative TSR	60%	P0	P50	>P75	P61	Q1 2018	1.5	0.9
									<b>1.5</b>

MEG sets its PSU targets for production and NEOC based on its public guidance figures. This guidance represents the organization's best estimate of actual production and NEOC levels for the upcoming year. MEG's 2017 production guidance of 80,000-82,000 bbls/d was comparable to 2016 guidance of 80,000-83,000 bbls/d, and took into account the additional turnaround activities planned at site for 2017 during which production was anticipated to dip. The guidance range for NEOC, which was \$6.75-\$7.75 per barrel in 2016, was reduced to \$5.75-\$6.75 per barrel coming into 2017. In 2016, MEG was able to achieve reductions in operating costs through efficiency gains and a continued focus on cost management resulting in lower operations staffing and lower materials and services costs. The 2017 target range was set based on the expectation that these efficiency gains would be maintained, while also recognizing the impact of planned turnaround activities on production and associated costs.

MEG finished 2017 with average production of 80,774 barrels per day, resulting in a factor of 1.0 for the first PSU performance measure. The Corporation's NEOC results of \$4.62 per barrel exceeded both target and maximum levels, resulting in a factor of 2.0 for the second measure. Above median TSR results were achieved relative to the Performance Peer Group, resulting in a factor of 1.5 for the third measure. Applying the weightings (20%/20%/60%) resulted in an overall PSU multiplier of 1.5 in respect of the 2017 performance year.

### Options

MEG awards options to NEOs as a tool for long-term retention, a means of rewarding long-term stock price performance and to foster long-term growth objectives. Options granted to NEOs in 2017 have a seven-year term, which provides for a longer performance time horizon than the 2017 RSU and PSU awards that vest over a three-year period. NEOs realize no value from options unless the price of MEG shares increases over the term of the award. As such, the realized value of options can differ greatly from the value reported in the Summary Compensation Table, the latter reflecting a theoretical grant date value using the Black-Scholes option pricing model.

In order to increase the proportion of executive LTI grants having explicit performance vesting conditions, MEG reduced the weighting on options in the NEO LTI mix beginning with the 2016 LTI awards.

The significant terms of MEG's stock option plan are described later in this Circular under the heading "Long-Term Equity Incentive Plans."

**LTI Value and Mix**

In determining the recommended total value of LTI to be granted to each NEO, the Compensation Committee takes into consideration several factors, including scope of responsibility, ability to affect shareholder value, the individual's historic and recent performance, the value of equity-based awards granted by the Compensation Peer Group to executive officers who have similar positions to those held by the NEOs, as well as the resulting total direct compensation of those NEOs. Previous grants are not generally taken into account when determining the value of grants made in any given year.

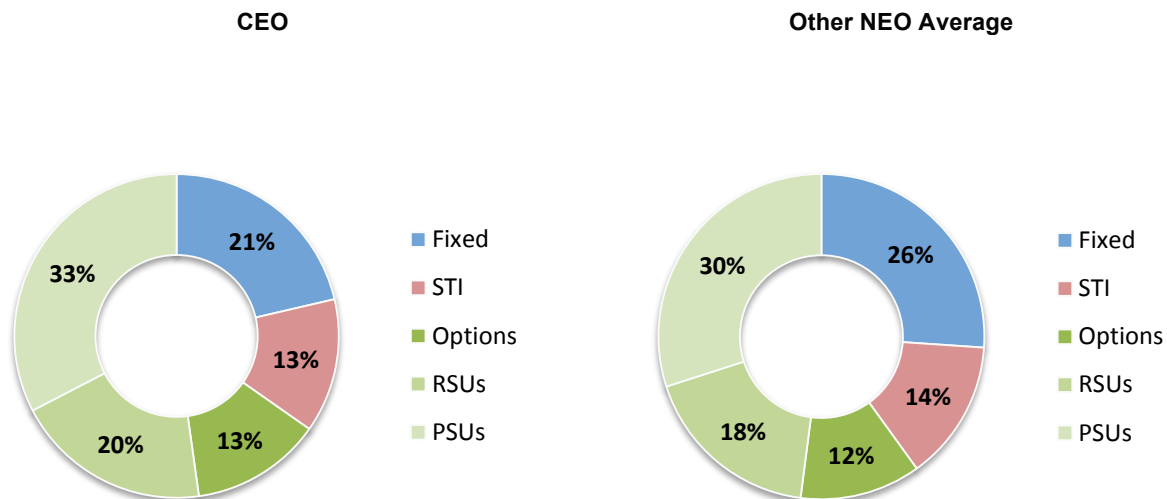
The associated value of RSUs, PSUs and Options awarded to each NEO is then determined by multiplying the total LTI value by the targeted executive LTI mix.

Historically, MEG placed a relatively high weighting on options in its targeted LTI mix for NEOs and other executives. Prior to 2013, the targeted mix for NEOs and other executive officers was weighted 65% to options and 35% to RSUs. In 2013, MEG introduced PSUs as a new component of its LTI mix for NEOs and other executives and changed the targeted weighting to 50% options, 35% PSUs and 15% RSUs. This targeted mix remained in effect from 2013 to 2015.

Beginning in 2016, MEG increased the weighting on PSUs to 50% for NEOs and other executives. The weighting on RSUs was also increased to 30% and the weighting on Options reduced to 20%. This mix remained in effect in 2017.

**Pay Mix**

The following charts illustrate the proportion of 2017 NEO compensation made up of fixed, short-term variable and long-term variable compensation. The Compensation Committee and the Board believe that the heavy weighting on variable (or "at risk") compensation, the use of a balanced set of measures to determine short-term incentive ("STI") payouts, and a mix of LTI vehicles supports pay for performance, discourages inappropriate risk taking and fosters retention.



## Compensation Governance

In 2017, the Compensation Committee was comprised of four directors: James D. McFarland (Chair), David Krieger, Robert Hodgins, and Diana McQueen; all of whom are independent directors.

Members of the Compensation Committee have gained experience in executive compensation matters through their roles as senior executives in industry, public sector leadership, and/or directors of numerous organizations and have direct experience in establishing and operating executive and corporate compensation programs. Further information regarding the skills and experience of each member of the Compensation Committee is set out under "Corporate Governance Practices - Skills Assessment and Nomination."

The Compensation Committee's primary responsibilities are as follows:

- (a) review the compensation policies and guidelines for the Corporation and the Corporation's corporate goals and objectives relevant to compensation, and then make recommendations to the Board;
- (b) review and recommend for approval by the Board the salaries and compensation of the Corporation's executive officers along with the Corporation's employee benefits and bonus plans;
- (c) review and recommend for approval by the Board the grants of all equity-based compensation; and
- (d) review and recommend for approval by the Board the compensation arrangements for the directors of the Corporation, the chair of the Board, and the chair and members of each committee of the Board.

The Compensation Committee engaged Mercer Consulting and Towers in 2017 to provide advice regarding the compensation of MEG's executive officers and directors. Services included commenting on governance matters and advising on the information provided to the Compensation Committee concerning compensation of MEG's executive officers. Mercer also provided compensation data and consulting services to management, as well as other consulting services relating to MEG's benefits programs pertaining to all employees. Mercer was originally retained by the Corporation in 2009, Towers was originally retained in 2016. Neither the Board nor the Compensation Committee pre-approves other services provided to the Corporation at the request of management.

The following table provides information regarding the fees paid to Mercer and Towers with respect to services provided to the Compensation Committee and to management for the years ended December 31, 2017 and December 31, 2016.

<u>Consultant</u>	<u>Year</u>	<u>Executive Compensation-Related Fees</u>	<u>All Other Fees<sup>(1)</sup></u>
Mercer Consulting	2017	\$94,920	\$98,706
Willis Towers Watson Consulting	2017	\$24,356	-
Mercer Consulting	2016	\$165,244	\$90,031
Willis Towers Watson Consulting	2016	\$50,558	-

**Note:**

(1) Includes consulting fees paid for other matters that apply to the Corporation as a whole, such as commissions on group benefit plans.

## Compensation of Named Executive Officers

The President and CEO, the Chief Financial Officer ("CFO"), and each of the three most highly compensated executive officers during 2017, other than the CEO and the CFO, are collectively referred to as the NEOs. The NEOs are as follows:

Name	Position
William J. McCaffrey <sup>(1)</sup>	President and CEO
Eric L. Toews	CFO
Chi-Tak Yee	Senior Vice President Operations, Resource & Technology Development
Don Moe <sup>(2)</sup>	Senior Vice President, Supply & Marketing
John Rogers	Vice President, Investor Relations & External Communications

### Notes:

- (1) On April 23, 2018, the Corporation announced that William McCaffrey is retiring as President and Chief Executive Officer of the Corporation effective May 31, 2018.
- (2) Don Moe will cease to be Senior Vice President, Supply & Marketing of the Corporation on May 10, 2018.

### Summary Compensation Table – NEOs

The following table sets out the compensation paid by the Corporation to the NEOs during the years ended December 31, 2015, December 31, 2016 and December 31, 2017.

Total NEO compensation for 2017 of \$10,213,648, as a metric of 2017 revenue of \$2,434,703,000, based on MEG's audited annual financial statements, is 0.42%.

Name and Principal Position	Year	Salary (\$)	Share-based awards <sup>(1)(2)</sup> (\$)	Option-based awards <sup>(3)</sup> (\$)	Non-equity incentive plan compensation (\$)			All other compensation <sup>(6)</sup> (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans <sup>(4)</sup>	Pension value <sup>(5)</sup> (\$)		
William J. McCaffrey <sup>(7)(8)</sup> ..... President and CEO	2017	609,672	1,753,423	438,385	450,000	0	0	107,743	3,359,223
	2016	609,672	1,722,530	469,201	0	0	0	106,626	2,908,029
	2015	609,672	913,011	913,336	385,713	0	0	108,919	2,930,651
Eric L. Toews <sup>(7)</sup> ..... CFO	2017	412,992	978,131	244,706	297,354	0	0	71,266	2,004,449
	2016	412,992	960,752	261,844	125,000	0	0	71,644	1,832,232
	2015	412,992	632,515	632,626	225,000	0	0	72,442	1,975,575
Chi-Tak Yee <sup>(7)</sup> ..... Senior Vice President Operations, Resource & Technology Development	2017	407,832	959,912	240,171	293,639	0	0	69,113	1,970,667
	2016	407,832	942,914	257,001	116,077	0	0	67,775	1,791,599
	2015	407,832	630,109	630,572	208,938	0	0	69,727	1,947,178
Don Moe <sup>(9)</sup> ..... Senior Vice President, Supply & Marketing	2017	345,600	695,142	173,948	207,360	0	0	62,495	1,484,545
	2016	345,600	682,914	186,167	101,785	0	0	62,653	1,379,119
	2015	345,600	455,358	455,984	183,213	0	0	61,851	1,502,006
John Rogers ..... Vice President, Investor Relations & External Communications	2017	354,408	653,552	163,516	159,484	0	0	63,804	1,394,764
	2016	354,408	642,193	174,966	82,147	0	0	58,024	1,311,738
	2015	354,408	412,389	412,850	147,865	0	0	58,024	1,385,266

**Notes:**

- (1) All share-based awards were granted pursuant to the RSU Plans in the form of RSUs or PSUs. The fair values of the share-based awards shown were calculated by multiplying the total number of units granted to each NEO on the grant date by the volume weighted average price of the Common Shares for the five trading days prior to the grant date. For the purposes of the above table, PSUs were valued at an assumed performance factor of 1.0.
- (2) In 2017, the fair values of the share-based awards on the grant date were as follows:

Name	PSUs	RSUs	Total Share-Based Awards
William J. McCaffrey	\$1,095,889	\$657,534	\$1,753,423
Eric L. Toews	\$611,333	\$366,799	\$978,131
Chi-Tak Yee	\$599,944	\$359,967	\$959,912
Don Moe	\$434,463	\$260,679	\$695,142
John Rogers	\$408,470	\$245,082	\$653,552

- (3) All option-based awards are in the form of New Option (as defined herein) grants. The fair values of the option-based awards shown were calculated by applying Black Scholes methodology to the total number of New Options granted to each NEO on each grant date. The key assumptions used in calculating the estimated fair value under the Black Scholes option pricing model are shown in the following table.

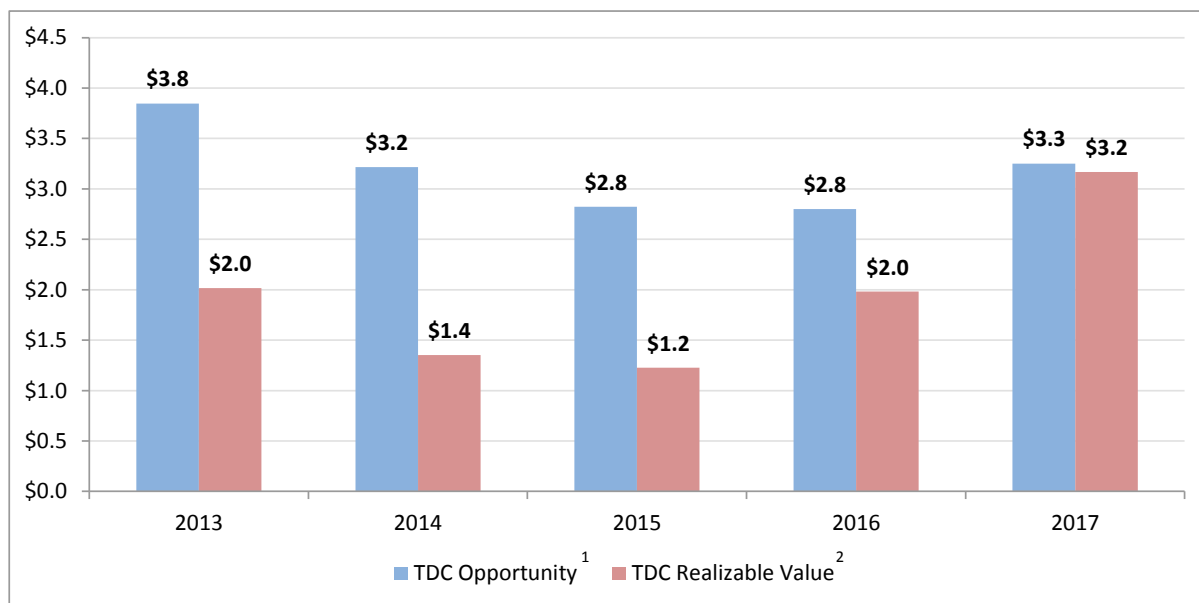
Year	Black Scholes Value	Grant Price	Volatility	Expected Life	Interest Rate
2017	\$2.2679	\$4.53	58.45%	1,825 days	1.093%
2016	\$3.0271	\$6.52	54.25%	1,825 days	0.620%
2015	\$6.8466	\$18.65	40.5%	1,825 days	1.086%

- (4) "Long-term incentive plans" compensation means non-equity incentive plan compensation related to a period longer than one year. The Corporation does not provide compensation of this nature.
- (5) The Corporation does not currently provide for, or contribute to, either a defined benefit plan or defined contribution plan on behalf of its NEOs.
- (6) The aggregate value of perquisites received by NEOs includes parking allowances, vehicle allowances, perquisite allowances, medical benefits and savings plan contributions made by the Corporation on behalf of the NEOs. Savings plan contributions are available to all employees under the same terms as those provided to NEOs. Savings plan contributions for NEOs amounted to 12% of salary. The 2017 savings plan benefit values were as follows: Mr. McCaffrey \$73,161, Mr. Toews \$49,559, Mr. Yee \$48,940, Mr. Moe \$41,472, Mr. Rogers \$42,529.
- (7) Mr. McCaffrey requested, and the Board subsequently approved, a zero bonus for himself in 2016 and a 25% bonus reduction in 2017. Mr. McCaffrey made these requests despite MEG's record operational and safety performance in 2016, and its operational successes in 2017, to recognize the low shareholder returns that resulted from continued weak oil prices and other macroeconomic factors over the period. In 2017, Mr. Toews and Mr. Yee each received a net bonus adjustment of +20% to account for important individual contributions in their roles. Mr. Yee, was recognized for the significant responsibilities he assumed in relation to an operational reorganization of the Corporation. Mr. Toews was recognized for his role in helping execute MEG's comprehensive refinancing plan as part of a larger team effort.
- (8) On April 23, 2018, the Corporation announced that William McCaffrey is retiring as President and Chief Executive Officer of the Corporation effective May 31, 2018.
- (9) Don Moe will cease to be Senior Vice President, Supply & Marketing of the Corporation on May 10, 2018.

**Total Direct Compensation ("TDC") -- Realized/Realizable Pay Analysis**

When comparing the pay of MEG's NEOs with the performance of the organization, it is important to recognize that the pay actually realized (or realizable) by MEG's NEOs is significantly less than the value reported in the Summary Compensation Table ("SCT"). This is because the SCT specifies that long-term incentives are to be valued as of the date of grant, yet the value ultimately realized by MEG's NEOs depends heavily on the price of MEG's shares during the vesting period (in the case of RSUs and PSUs) and during the term of the awards (in the case of options). Prior to 2016, the LTI mix of MEG's executives was weighted heavily towards options. The options granted during the 2013-2016 time period remain underwater today, and NEOs have realized no value from those awards. As a result, the realizable value of total direct compensation provided in those years was only 40-50% of the grant date value at the end of the period. While the gap between TDC opportunity and TDC realizable value has narrowed in recent years as oil prices have begun to stabilize, TDC realizable value remains lower than TDC opportunity in both 2016 and 2017. The stock options awarded in 2017 at a grant price of \$4.53 were the only ones granted over the five-year period that were in the money as at December 31, 2017, which, along with the stabilizing share price over the back half of 2017, resulted in a narrower gap between TDC opportunity and TDC realizable value that year.

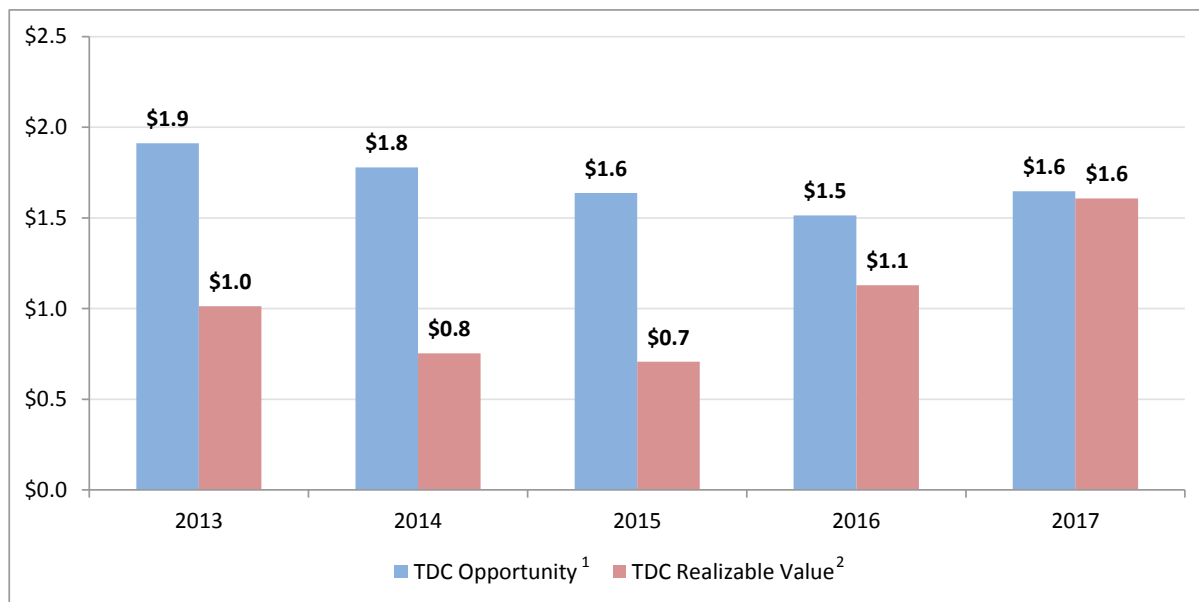
## Comparing TDC Opportunity to TDC Realizable Value - CEO



### Notes:

- (1) Represents the base salary, annual short-term incentive (bonus) and grant date fair value of LTI awards granted in the particular year, as reported in this and past management information circulars.
- (2) Represents the base salary and annual short-term incentive (bonus) earned in the particular year, as reported in this and past management information circulars, plus LTIs granted in the particular year valued as follows:
- Value (market price received less exercise price) of any Options granted in that year that were exercised on or prior to December 31, 2017.
  - "in the money value" (market price less strike price) attributed as at December 31, 2017 to Options that were granted in the particular year that had not been exercised as at December 31, 2017, based on the closing price of \$5.14 per Common Share on the TSX on December 31, 2017.
  - Value at the time of vesting of any RSUs granted in that year that vested on or prior to December 31, 2017
  - Value (market price) attributed as at December 31, 2017 to RSUs that were granted in the particular year that had not vested as at December 31, 2017, based on the closing price of \$5.14 per Common Share on the TSX on December 31, 2017.
  - Value at the time of vesting of any PSUs granted in that year, as well as any PSUs added or subtracted due to the application of a performance factor, that vested on or prior to December 31, 2017.
  - Value (market price) attributed as at December 31, 2017 to PSUs that were granted in the particular year, as well as any PSUs added or subtracted due to the application of a performance factor for PSUs that have become "eligible to vest", that had not vested as at December 31, 2017, based on the closing price of \$5.14 per Common Share on the TSX on December 31, 2017. PSUs that have not yet vested or become eligible to vest on or before December 31, 2017 have been assigned a performance factor of 1.0x (i.e. "target" performance).

**Comparing TDC Opportunity to TDC Realizable Value – NEO (other than CEO) Average**



**Notes:**

- (1) Represents the base salary, annual short-term incentive (bonus) and grant date fair value of LTI awards granted in the particular year, as reported in this and past management information circulars.
- (2) Represents the base salary and annual short-term incentive (bonus) earned in the particular year, as reported in this and past management information circulars, plus LTIs granted in the particular year valued as follows:
  - Value (market price received less exercise price) of any Options granted in that year that were exercised on or prior to December 31, 2017.
  - “in the money value” (market price less strike price) attributed as at December 31, 2017 to Options that were granted in the particular year that had not been exercised as at December 31, 2017, based on the closing price of \$5.14 per Common Share on the TSX on December 31, 2017.
  - Value at the time of vesting of any RSUs granted in that year that vested on or prior to December 31, 2017
  - Value (market price) attributed as at December 31, 2017 to RSUs that were granted in the particular year that had not vested as at December 31, 2017, based on the closing price of \$5.14 per Common Share on the TSX on December 31, 2017.
  - Value at the time of vesting of any PSUs granted in that year, as well as any PSUs added or subtracted due to the application of a performance factor, that vested on or prior to December 31, 2017.
  - Value (market price) attributed as at December 31, 2017 to PSUs that were granted in the particular year, as well as any PSUs added or subtracted due to the application of a performance factor for PSUs that have become “eligible to vest”, that had not vested as at December 31, 2017, based on the closing price of \$5.14 per Common Share on the TSX on December 31, 2017. PSUs that have not yet vested or become eligible to vest on or before December 31, 2017 have been assigned a performance factor of 1.0x (i.e. “target” performance).



## Outstanding Share-Based and Option-Based Awards - NEOs

The following table sets forth information regarding all Options (as defined below) and RSUs held by each NEO as of December 31, 2017.

Name	Option-based Awards				Share-based Awards		
	Number of Common Shares underlying unexercised Options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options <sup>(1)</sup> (\$)	Number of RSUs that have not vested <sup>(2)</sup> (#)	Market or payout value of RSUs that have not vested <sup>(3)</sup> (\$)	Market or payout value of vested RSUs not paid out or distributed (\$)
William McCaffrey ..... President and CEO <sup>(4)</sup>	56,200	51.43	June 7, 2018	0	650,086	3,282,934	0
	116,400	35.41	June 14, 2019	0			
	97,000	30.78	June 13, 2020	0			
	89,000	37.89	June 12, 2021	0			
	133,400	18.65	June 11, 2022	0			
	155,000	6.52	June 29, 2023	0			
	193,300	4.53	June 15, 2024	117,913			
Eric L. Toews ..... CFO	40,623	33.64	September 3, 2020	0	367,294	1,854,835	0
	57,500	37.89	June 12, 2021	0			
	92,400	18.65	June 11, 2022	0			
	86,500	6.52	June 29, 2023	0			
	107,900	4.53	June 15, 2024	65,819			
Chi-Tak Yee ..... Senior Vice President, Operations, Resource & Technology Development	28,100	51.43	June 7, 2018	0	360,815	1,822,116	0
	63,700	35.41	June 14, 2019	0			
	61,000	30.78	June 13, 2020	0			
	61,400	37.89	June 12, 2021	0			
	92,100	18.65	June 11, 2022	0			
	84,900	6.52	June 29, 2023	0			
	105,900	4.53	June 15, 2024	64,599			
Don Moe ..... Senior Vice President, Supply & Marketing <sup>(5)</sup>	12,950	44.34	February 13, 2019	0	261,268	1,319,403	0
	37,100	35.41	June 14, 2019	0			
	47,800	30.78	June 13, 2020	0			
	44,400	37.89	June 12, 2021	0			
	66,600	18.65	June 11, 2022	0			
	61,500	6.52	June 29, 2023	0			
	76,700	4.53	June 15, 2024	46,787			
John Rogers ..... Vice President, Investor Relations & External Communications	23,700	\$51.43	June 7, 2018	0	245,058	1,237,543	0
	42,400	\$35.41	June 14, 2019	0			
	40,600	\$30.78	June 13, 2020	0			
	32,900	\$37.89	June 12, 2021	0			
	60,300	\$18.65	June 11, 2022	0			
	57,800	\$6.52	June 29, 2023	0			
	72,100	\$4.53	June 15, 2024	43,981			

### Notes:

- (1) The closing price of the Common Shares on December 31, 2017 was \$5.14 per Common Share.
- (2) Includes RSUs and PSUs granted under the Cash-Settled RSU Plan (as defined herein) and RSUs and PSUs granted under the Treasury-Settled RSU Plan (as defined herein). PSUs that are not yet eligible to vest are valued at an assumed performance factor of 1.0. PSUs that have become eligible to vest are valued at the relevant performance factor.
- (3) The Fair Market Value (as defined in the RSU Plans) of the Common Shares on December 31, 2017 was \$5.05 per Common Share.
- (4) On April 23, 2018, the Corporation announced that William McCaffrey is retiring as President and Chief Executive Officer of the Corporation effective May 31, 2018.
- (5) Don Moe will cease to be Senior Vice President, Supply & Marketing of the Corporation effective May 10, 2018.

## Incentive Plan Awards – Value Vested or Earned During the Year - NEOs

The following table sets forth information in respect of the value of Options (as defined below) and share-based awards held by the NEOs of the Corporation that vested during the year ending December 31, 2017 and non-equity incentive plan compensation earned by such NEOs during the year ending December 31, 2017.

Name	Option-Based Awards – Value Vested During Year (\$)	Share-based Awards – Value Vested During Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During Year (\$)
William McCaffrey ..... President and CEO <sup>(1)</sup>	0	322,702	450,000
Eric L. Toews ..... CFO	0	192,262	297,354
Chi-Tak Yee ..... Senior Vice President Operations, Resource & Technology Development	0	194,528	293,639
Don Moe ..... Senior Vice President, Supply & Marketing <sup>(2)</sup>	0	140,704	207,360
John Rogers ..... Vice President, Investor Relations & External Communications	0	121,990	159,484

### Notes:

(1) On April 23, 2018, the Corporation announced that William McCaffrey is retiring as President and Chief Executive Officer of the Corporation effective May 31, 2018.

(2) Don Moe will cease to be Senior Vice President, Supply & Marketing of the Corporation effective May 10, 2018.

## CEO Share Ownership Guidelines

The Board adopted share ownership guidelines for the CEO (the "CEO Ownership Guidelines") in 2012. The CEO Ownership Guidelines require the CEO to beneficially own voting shares of the Corporation (which may include holdings of RSUs) at least equal in value to three times the CEO's annual base salary, based on the market price of Common Shares. The CEO is required to achieve the CEO Share Ownership Guidelines within a five year period, commencing the first year the CEO is appointed, with a minimum of one-fifth of the ownership requirement being attained by the end of each of the five years.

Compliance with the CEO Ownership Guidelines is measured on the first trading day of each calendar year, using the CEO's annual base salary then in effect and the closing price of the Common Shares on that day. Once the required share ownership has been achieved, or voting shares of the Corporation have been allocated toward compliance, the CEO is deemed to be compliant (partially or fully, as applicable) with the CEO Ownership Guidelines notwithstanding any subsequent decrease in the market price of Common Shares. Such deemed compliance requires, in the case of partial compliance, that the CEO does not dispose of any voting shares and, in the case of full compliance, sale of shares which, using the share price in effect on the date of the sale, would result in non-compliance.

The CEO currently owns voting shares and RSUs that in aggregate exceed the level of ownership established by the CEO Ownership Guidelines.

## Long-Term Equity Incentive Plans

### Stock Option Plan

The Stock Option Plan became effective June 9, 2010, was amended effective June 13, 2013, was amended and restated effective May 3, 2016 and was further amended effective December 1, 2016. It authorizes the Board to grant options ("New Options") to officers and employees of, and consultants to, the Corporation and any of its subsidiaries. The Stock Option Plan also governs New Options granted to directors of the Corporation or any of its subsidiaries prior to June 2, 2016 (such officers, employees, consultants and such directors, only in respect of New Options granted prior to June 2, 2016, each individually a "Service Provider" and collectively "Service Providers"). The purpose of the Stock Option Plan is to provide an effective long-term incentive for the Service Providers from time to time.

The material terms of the Stock Option Plan are summarized below. Capitalized terms used in the following summary and not previously defined are as defined in the Stock Option Plan.

#### ***Administration***

The Stock Option Plan permits the granting of New Options to officers, employees and consultants of the Corporation and its subsidiaries (the "Corporate Group") from time to time. The Stock Option Plan is administered by the Board, any committee of the Board or any other one or more persons to whom the Board delegates any or all of its administrative responsibilities under the Stock Option Plan.

#### ***Certain Restrictions***

The Stock Option Plan limits the number of Common Shares that may be issued on exercise of New Options to 6% of the number of Common Shares which are issued and outstanding from time to time, less the number of Common Shares issuable pursuant to all other security based compensation arrangements (as such term is referred to in the policies of the TSX) of the Corporate Group. Any Common Shares, the New Options in respect of which have been exercised, or which have expired or terminated for any reason without having been exercised in full, shall be available for grant pursuant to subsequently issued New Options. Pursuant to the TSX rules, shareholder approval with respect to all unallocated New Options under the Stock Option Plan is required to be sought by the Corporation every three years following the initial adoption of the Stock Option Plan. Such approval was last obtained at the annual and special meeting of Shareholders held in 2016.

The Stock Option Plan contains the following limitations: (a) the aggregate number of Common Shares issuable to any one Service Provider under the Stock Option Plan and all other security based compensation arrangements of the Corporate Group shall not exceed 5% of the issued and outstanding Common Shares; (b) the aggregate number of Common Shares issuable to insiders (as such term is referred to in the policies of the TSX) under the Stock Option Plan and all other security based compensation arrangements of the Corporate Group shall not exceed 6% of the issued and outstanding Common Shares; (c) during any one-year period, the aggregate number of Common Shares issued to insiders under the Stock Option Plan and all other security based compensation arrangements of the Corporate Group shall not exceed 6% of the issued and outstanding Common Shares; and (d) subsequent to June 2, 2016, directors of any member of the Corporate Group who are not employees of any member of the Corporate Group shall not be eligible to receive grants of New Options. The restrictions referred to in (b) through (d) above are referred to as the "Stock Option Plan Insider and Independent Director Participation Restrictions."

### ***Exercise Price***

The exercise price of New Options shall not be lower than the volume weighted average trading price of the Common Shares traded through the facilities of the TSX for the five trading days on which the Common Shares traded immediately preceding the grant date (the "Market Price"). In the event the Common Shares are not then listed and posted for trading on the TSX or any other stock exchange in Canada, the Market Price shall be the fair market value of the Common Shares as determined by the Board, in its discretion, acting reasonably and in good faith.

No holder of New Options shall be entitled to, offered or provided by the Corporation any financial assistance of any kind for the purpose of exercising any New Options granted pursuant to the Stock Option Plan.

### ***Term and Vesting***

Unless otherwise determined by the Board and subject to any other provisions of the Stock Option Plan which operate to shorten the term within which New Options may be exercised, New Options may be exercised for a term not exceeding 10 years from the date of grant. Upon expiration, unexercised New Options become null and void. The Corporation sets the vesting schedule of New Options at the date of grant. The Corporation's general practice since becoming public has been to grant Options that are scheduled to vest at a rate of one-third on or about each of the first three anniversary dates of the grant and that are scheduled to expire seven years from the date of the grant. The Corporation intends to maintain its current practice and not grant any Options which are scheduled to vest materially less than one year from the date of the grant.

Each grant of a New Option will be set forth in a grant agreement containing the applicable terms or conditions required in the Stock Option Plan and such other terms and conditions as the Corporation may deem appropriate. Without limiting the generality of the foregoing, such additional terms and conditions may include terms or conditions relating to: (a) the market price of the Common Shares; (b) the return to holders of Common Shares, with or without reference to other comparable companies; (c) the financial performance or results of the Corporation or a subsidiary; (d) the achievement of performance criteria relating to the Corporation or a subsidiary; and (e) any other terms and conditions the Board may in its discretion determine with respect to vesting or the acceleration of vesting, each of which shall be set out in a Grant Agreement. The conditions may relate to all or a portion of the New Options in a grant and may be graduated such that different percentages (which may be greater or lesser than 100%) of the New Options in a grant will become vested depending on the extent of satisfaction of one or more such conditions. The Board may, in its discretion, subsequent to the Grant Date of a New Option, waive any such term or condition, other than performance criteria, or determine that it has been satisfied subject to applicable law.

### ***Early Termination***

If a holder of New Options ceases to be a Service Provider:

- by reason of death, all outstanding unvested New Options held by such holder will vest and be immediately exercisable. Only the person(s) to whom the holder's rights under the New Options pass by the holder's will, or applicable law, will have the right to exercise the holder's outstanding and vested New Options at any time up to and including (but not after) the expiry date of such New Options;
- by reason of retirement, all outstanding unvested New Options held by such holder will be governed by the policies of the Corporation in effect from time to time;
- by reason of termination for cause, all New Options held by such holder will be forfeited and rendered null and void;

- by reason of voluntary resignation, such holder shall have the right to exercise part or all of his or her outstanding vested New Options at any time up to and including (but not after) the earlier of: (i) the date which is 60 days following the date of such holder's resignation; and (ii) the expiry date of the vested New Options; or
- by any reason other than the death, retirement, termination for cause or voluntary resignation, such holder will have the right to exercise part or all of his or her outstanding vested New Options at any time up to and including (but not after) the earlier of: (i) the date which is 120 days following the date that such holder ceased to be a Service Provider; and (ii) the expiry date of the vested New Options.

### ***Transfers and Assignments***

New Options may not be transferred or assigned, other than for normal estate settlement purposes. Subject to the requirements of applicable law, a holder may designate in writing an individual as a beneficiary to receive the right, upon the death of such holder, to exercise part or all of the holder's outstanding and vested New Options at any time up to and including (but not after) the expiry date of the New Options. The holder may, subject to applicable laws, alter or revise such designation from time to time. The original designation or any change thereto shall be in the form as the Board may, from time to time, determine.

### ***Adjustment in Connection with an Alteration of the Common Shares***

In the event: (a) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; (b) that any rights are granted to all or substantially all shareholders to purchase Common Shares at prices substantially below the Market Price of the Common Shares at the time; or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Common Shares are converted into or exchangeable for any other securities or property; then, subject to TSX approval, the Board may make such adjustments to the Stock Option Plan, to any New Options and to any related agreements outstanding under the Stock Option Plan as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to holders of New Options and/or to provide for the holders to receive and accept such other securities or property in lieu of Common Shares, and the holders shall be bound by any such determination. If the Corporation fixes a record date for a distribution to all or substantially all the holders of Common Shares of cash or other assets (other than a dividend in the ordinary course of business), the Board may, in its sole discretion, but for greater certainty shall not be required to, make adjustments to the exercise price of any New Options outstanding on the record date for such distribution, and make such amendments to any option agreements outstanding under the Stock Option Plan to give effect thereto as the Board may, in its sole discretion, consider appropriate in the circumstances.

### ***Adjustment in Connection with Certain Corporate Events***

Except in the case of a transaction that is, or if completed in accordance with its terms would result in, a Change of Control (as that term is defined under the heading "*Acceleration of Vesting on Change of Control*" below) of the Corporation, if the Corporation enters into any transaction or series of transactions whereby the Corporation or all or substantially all of the assets of the Corporation would become the property of any other trust, body corporate, partnership or other person (a "Successor"), whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, prior to or contemporaneously with the consummation of such transaction the Corporation and the Successor will execute such instruments and do such things as the Board may determine are necessary to establish that upon the consummation of such transaction the Successor will assume the covenants and obligations of the Corporation under the Stock Option Plan and the related option agreements outstanding on consummation of such transaction. Any such Successor will succeed to, and be substituted for, and may exercise every right and power of the Corporation under the Stock Option Plan and the related option agreements with the same effect as though the Successor had been named as the Corporation in the Stock Option Plan and the

related option agreements, and thereafter the Corporation will be relieved of all obligations and covenants under the Stock Option Plan and such related option agreements and the obligations of the Corporation to the holders of New Options in respect of the New Options shall terminate and such holders shall cease to have any further rights in respect thereof.

### ***Acceleration of Vesting on Change of Control***

In the event of a Change of Control or a determination by the Board that a Change of Control is expected to occur, all outstanding New Options shall vest and be immediately exercisable and, to the extent a Service Provider's termination date has not occurred on or before the Change of Control which results in an earlier expiration of such Service Provider's New Options, each holder shall have the right to exercise such New Options at any time up to and including (but not after) the earlier of: (i) the date which is 90 days following the date of such Change of Control, or such earlier time as may be established by the Board, in its absolute discretion; and (ii) the expiry date of such New Options. A "Change of Control" occurs upon the happening of any of the following: (i) the acceptance by shareholders, representing more than 50% of the issued and outstanding Common Shares, of any offer for any or all of the Common Shares; (ii) the acquisition by whatever means by a person or persons acting jointly or in concert, directly or indirectly, of the beneficial ownership of, or control or direction over, more than 50% of the issued and outstanding Common Shares (other than pursuant to certain bona fide reorganizations); (iii) the passing of a resolution by the shareholders of the Corporation to substantially liquidate the assets or wind-up or significantly rearrange the affairs of the Corporation (other than pursuant to certain bona fide reorganizations); (iv) the sale by the Corporation of all or substantially all of its assets (other than to an affiliate of the Corporation); (v) individuals who were proposed as nominees to become directors of the Corporation immediately prior to a meeting of the shareholders of the Corporation involving a contest for, or an item of business relating to the election of directors of the Corporation, not constituting a majority of the directors of the Corporation following such election; or (vi) any other event which, in the opinion of the Board, reasonably constitutes a change of control of the Corporation.

In the event that the Board passes a resolution approving, or the Corporation enters into an agreement providing for a transaction which, if completed, would constitute a Change of Control, the Board may at its discretion resolve to permit holders of New Options to exercise all unexercised vested and unvested New Options, conditional upon the occurrence of the Change of Control, for the purpose of, as applicable, tendering the underlying Common Shares to the take-over bid or voting such Common Shares in respect of the resolution(s) pertaining to the transaction that would give rise to the Change of Control.

### ***Take-Over of the Corporation***

In the event of: (i) the acquisition by any person or group of persons acting jointly or in concert, directly or indirectly, of such number of Common Shares as entitle such person(s) to acquire, pursuant to the compulsory acquisition provisions of the *Business Corporations Act* (Alberta) or such other comparable legislation applicable to the Corporation at the time, all remaining Common Shares not already acquired by the person(s); or (ii) the receipt of all required shareholder, regulatory and court approvals for an amalgamation, arrangement, consolidation, merger or other business combination pursuant to which such person(s) will, directly or indirectly, upon completion thereof, acquire all of the issued and outstanding Common Shares, the Corporation may at its election, effective on the sending of notice to the remaining holders of New Options, terminate such New Options for their in-the-money value (based upon the consideration offered under the transaction), payable in Common Shares.

### ***Blackout Period***

In the event that a New Option expires: (i) during the period within which the holder is prohibited from exercising or trading securities of the Corporation due to trading restrictions imposed by the Corporation on such holder (the "Blackout Period"); or (ii) within three business days after the expiry of the Blackout Period, then the expiry date for that New Option will be the date that is the tenth business day after the expiry of the Blackout Period.

## **Amendments**

The Stock Option Plan specifies that the Board shall have the power and authority to discontinue the Stock Option Plan and to approve amendments to the Stock Option Plan or to New Options, without the approval of Shareholders including, without limitation, for any of the following types of amendments: (i) amendments for the purpose of curing any ambiguity, error or omission in the Stock Option Plan or New Options, or to correct or supplement any provision of the Stock Option Plan that is inconsistent with any other provision of the Stock Option Plan; (ii) amendments necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares are listed; (iii) amendments respecting administration of the Stock Option Plan; (iv) amendments of a "housekeeping" nature; (v) the addition of any form of financial assistance for holders of New Options; (vi) changes to the terms and conditions on which New Options may be or have been granted pursuant to the Stock Option Plan, including a change to, or acceleration of, the vesting provisions of New Options; (vii) amendments to the treatment of New Options on ceasing to be a Service Provider; and (viii) a change to the termination provisions of New Options or the Stock Option Plan which does not entail an extension beyond the original expiry date.

The Stock Option Plan also specifies amendments that require shareholder approval, including: (i) increasing the maximum number of Common Shares issuable pursuant to the Stock Option Plan; (ii) reducing the exercise price of any New Option or cancelling a New Option and subsequently issuing the holder of such New Option a new New Option in replacement thereof; (iii) extending the term of a New Option; (iv) modifying or amending the Stock Option Plan to permit New Options to be transferable or assignable, other than for normal estate settlement purposes; (v) adding to the categories of eligible Service Providers under the Stock Option Plan; (vi) removing or amending the Stock Option Plan Insider and Independent Director Participation Restrictions; (vii) amending the amendment provisions of the Stock Option Plan; and (viii) any other amendment to the Stock Option Plan where shareholder approval is required by the TSX.

Subject to the above, the Board may add to, delete from, alter or otherwise amend the provisions of the Stock Option Plan or any New Options held thereunder or terminate the Stock Option Plan, provided that: (i) no amendment may, without the written consent of the holder of a New Option, materially and adversely impair, alter or amend any New Option previously granted to such holder; and (ii) a termination of the Stock Option Plan shall not derogate from the rights of holders of New Options held prior to the date of such termination, unless otherwise consented to by such holders. The Stock Option Plan will be subject to renewal not later than the Corporation's Annual Meeting of Shareholders in 2019.

## **Number of New Options Outstanding**

As of December 31, 2017, a total of 8,896,003 New Options held under the Stock Option Plan remained outstanding (representing approximately 3.02% of the outstanding Common Shares). See "Securities Authorized for Issuance Under Security-Based Compensation Plans" below.

## **Share-Based Plans**

### **RSU Plan**

The Corporation's treasury-settled RSU plan (the "Treasury-Settled RSU Plan") became effective June 9, 2010, was amended effective June 13, 2013, was amended and restated effective May 3, 2016 and was further amended December 1, 2016. On June 2, 2016, the Board approved a cash-settled RSU plan (the "Cash-Settled RSU Plan") having a purpose and features identical to the Treasury-Settled RSU Plan except that it does not permit the settlement of awards through the issuance of new shares from treasury. The Cash-Settled RSU Plan was amended on December 1, 2016 in tandem with the Treasury-Settled RSU Plan (the Treasury-Settled RSU Plan and the Cash-Settled RSU Plan collectively referred to as the "RSU Plans"). The RSU Plans authorize the Board to grant RSUs to directors, officers and employees of, and consultants to, the Corporation and any of its subsidiaries (individually a "Participant" and

collectively "Participants"). RSUs also may be granted under the RSU Plans as PSUs, to the extent performance conditions are attached. The purpose of the RSU Plans is to provide Participants with the opportunity to acquire a proprietary interest in the growth and development of the Corporation that will be aligned with the interests of the Shareholders, to enable the creation of incentives for Participants to meet certain performance criteria that are aligned with the long term interests of the Shareholders, to associate a portion of the Participant's compensation with the returns of Shareholders over the medium term, and enhance the Corporation's ability to attract, retain and motivate key personnel and reward Participants for significant performance.

The material terms of the RSU Plans are summarized below. The material terms of the Cash-Settled RSU Plan are the same as those of the Treasury-Settled RSU Plan, except as otherwise noted. Capitalized terms used in the following summary and not otherwise defined have the definitions given to them in the RSU Plans.

### **Administration**

The RSU Plans are administered by the Board, which has the sole and complete authority, in its discretion, to: (a) interpret the RSU Plans and the agreements under which RSUs are granted (the "Grant Agreements") and prescribe, modify and rescind rules and regulations relating to the RSU Plans and the Grant Agreements; (b) correct any defect or supply any omission or reconcile any inconsistency in the RSU Plans in the manner and to the extent it considers necessary or advisable for the implementation and administration of the RSU Plans; (c) exercise rights reserved to the Corporation under the RSU Plans; (d) determine whether and the extent to which any performance criteria or other conditions applicable to the vesting of RSUs have been satisfied; (e) prescribe forms for notices to be prescribed by the Corporation under the RSU Plans; and (f) make all other determinations and take all other actions as it considers necessary or advisable for the implementation and administration of the RSU Plans.

The Board may, to the extent permitted by law, and subject to regulatory approval, delegate any or all of its administrative responsibilities under the RSU Plans to any committee of the Board or any other one or more persons (the "Administrator").

### **Certain Restrictions**

The Treasury-Settled RSU Plan provides that: (a) the number of Common Shares reserved for issuance from treasury pursuant to the RSUs credited under the Treasury-Settled RSU Plan shall, in the aggregate, equal 6% of the number of Common Shares then issued and outstanding, less the number of Common Shares issuable pursuant to all other security based compensation arrangements (as such term is referred to in the policies of the TSX) of the Corporate Group; (b) the aggregate number of Common Shares issuable from treasury to any one Participant under the Treasury-Settled RSU Plan and all other security based compensation arrangements of the Corporate Group shall not exceed 5% of the issued and outstanding Common Shares; (c) the aggregate number of Common Shares issuable from treasury to Insiders under the Treasury-Settled RSU Plan and all other security based compensation arrangements of the Corporate Group shall not exceed 6% of the issued and outstanding Common Shares; (d) during any one-year period, the aggregate number of Common Shares issued from treasury to Insiders under the Treasury-Settled RSU Plan and all other security based compensation arrangements of the Corporate Group shall not exceed 6% of the issued and outstanding Common Shares; (e) the aggregate number of Common Shares issuable to directors of the Corporation who are not employees of the Corporation, together with Common Shares issuable pursuant to any other security based compensation arrangements of the Corporate Group, shall be limited to the lesser of (i) 1% of the issued and outstanding Common Shares, and (ii) maximum annual grants having a value of \$100,000; (f) the Corporation's right to elect to satisfy RSUs by the issuance of Common Shares from treasury will be effective only upon receipt, from time to time, of all necessary approvals of the Treasury-Settled RSU Plan, as amended from time to time, as required by the rules, regulations and policies of the TSX and any other stock exchange on which Common Shares are listed or traded; and (g) if any RSU granted under the Treasury-Settled RSU Plan shall expire, terminate or be cancelled for any reason (including, without limitation, the satisfaction of the RSU by means of a cash payment) without being paid out or settled in the form of Common Shares issued from treasury, any unissued Common Shares to which



such RSUs relate shall be available for the purposes of the granting of further RSUs under the Treasury-Settled RSU Plan. If any rights to acquire Common Shares held under any other security based compensation arrangements of a member of the Corporate Group shall be exercised, or shall expire or terminate for any reason without having been exercised in full, any unpurchased Common Shares to which such security relates shall be available for the purposes of granting further securities under the RSU Plan.

The restrictions referred to in (c) through (e) above are collectively known as "Treasury-Settled RSU Plan Insider and Independent Director Participation Restrictions."

Pursuant to the TSX rules, the Corporation is required to seek shareholder approval with respect to all unallocated RSUs under the Treasury-Settled RSU Plan every three years following the initial adoption of the Treasury-Settled RSU Plan. Such approval was last obtained at the Annual and Special Meeting of Shareholders held in 2016.

The Cash-Settled RSU Plan provides for the settlement of awards in cash only and does not reserve any shares for issuance from treasury.

### ***Grant of RSUs and Vesting***

The Corporation may from time to time grant RSUs to a Participant in such numbers, at such times (the "Grant Date") and on such terms and conditions, consistent with the RSU Plans, as the Board may in its sole discretion determine; provided, however, that no RSUs will be granted after December 15 of a given calendar year. For greater certainty, the Board shall, in its sole discretion, determine any and all conditions to the vesting of any RSUs granted to a Participant, which vesting conditions may be based on either or both of: (a) the Participant's continued employment with, provision of consulting services to, or work as a director of one or more members of the Corporate Group; or (b) such other terms and conditions including, without limitation, performance criteria, as the Board may determine.

Subject to the terms of the RSU Plans, the Board may determine other terms or conditions of any RSUs, and shall specify the material terms thereof in the applicable Grant Agreement, which shall be in such form as prescribed by the Board from time to time. Without limiting the generality of the foregoing, such additional terms and conditions may include terms or conditions relating to: (a) the market price of the Common Shares; (b) the return to holders of Common Shares, with or without reference to other comparable companies; (c) the financial performance or results of the Corporation or a subsidiary; (d) the achievement of performance criteria relating to the Corporation or a subsidiary; (e) any other terms and conditions the Board may in its discretion determine with respect to vesting or the acceleration of vesting; and (f) the vesting date, each of which shall be set out in a Grant Agreement. The conditions may relate to all or a portion of the RSUs in a grant and may be graduated such that different percentages (which may be greater or lesser than 100%) of the RSUs in a grant will become vested depending on the extent of satisfaction of one or more such conditions. The Board may, in its discretion, subsequent to the Grant Date of an RSU, waive any such term or condition or determine that it has been satisfied subject to applicable law, unless any such RSUs include performance criteria, in which case vesting shall be determined by an evaluation of the satisfaction of such performance criteria as at such time.

Except as otherwise provided in the RSU Plans, the number of RSUs subject to each grant, the Expiry Date (defined below) of each RSU, the vesting dates with respect to each grant of RSUs and other terms and conditions relating to each such RSU shall be determined by the Board. The Board may, in its discretion, subsequent to the time of granting RSUs, permit the vesting of all or any portion of unvested RSUs then outstanding and granted to the Participant under the RSU Plans, in which event all such unvested RSUs then outstanding and granted to the Participant shall be deemed to be immediately vested, unless any such RSUs include performance criteria, in which case vesting shall be determined by an evaluation of the satisfaction of such performance criteria as at such time.

RSUs granted will, unless otherwise determined by the Board at the time of the grant, as specifically set out in a Grant Agreement, vest as to one-third on each of the first and second anniversaries of the Grant Date, and the remaining

one-third will vest on the earlier of: (i) the third anniversary of the Grant Date; and (ii) December 15 of the third calendar year following the Service Year in respect of which the RSUs were granted.

### ***Terms of RSUs***

The "Expiry Date" means, with respect to any RSU, the date specified in an applicable Grant Agreement, if any, as the date on which the RSU will be terminated and cancelled or, if later or no such date is specified in the Grant Agreement, December 31 of the third calendar year following the end of the applicable Service Year. Unless the Expiry Date is set as described in this paragraph, the Expiry Date of each RSU shall be determined by the Board, in its discretion.

Except as set forth below, "Termination Date" means, in respect of a Participant, the date that the Participant ceases to be any of: (i) a director of a member of the Corporate Group; or (ii) actively employed by, or providing services as a consultant to, any member of the Corporate Group for any reason, without regard to any statutory, contractual or common law notice period that may be required by law following the termination of the Participant's employment or consulting relationship with any one or more members of the Corporate Group. The Board will have sole discretion to determine whether a Participant has ceased to be a director, ceased active employment or ceased status as a Consultant and the effective date on which the Participant ceased to be a director, ceased active employment or ceased status as a Consultant. A Participant that is a director, or an employee or a Consultant of any member of the Corporate Group will be deemed not to have ceased to be a director, an employee or a Consultant of any member of the Corporate Group in the case of a transfer of his or her directorship, employment or consulting relationship between members of the Corporate Group or if the Participant is on a Leave of Absence (as defined in the RSU Plans).

In respect of US Participants, "Termination Date" means the date of Separation from Service, which is defined as "the Participant's separation from service from the Corporation or any subsidiary within the meaning of Section 409A(a)(2)(A)(i) of the Internal Revenue Code of 1986. A "US Participant" is a Participant that is (i) a United States citizen or green card holder, or (ii) a United States resident who is subject to United States taxation. If a US Participant is determined to be a "specified employee" (within the meaning of Section 409(A) of the Internal Revenue Code of 1986 and US Department of Treasury regulations and other interpretive guidance issued thereunder "Section 409A") at the time of Separation of Service, no amounts shall be paid to such US Participant pursuant to the RSU Plan during the 6 month period following such Separation from Service if payment of such amounts at the time indicated in the RSU Plan would be a prohibited distribution under Section 409A. If payment of any such amounts is delayed as a result of the foregoing, then on the first business day following the end of such 6 month period (or the date of the US Participant's death, if earlier, the Corporation shall pay to the US Participant in a lump-sum such amounts as would have otherwise have been payable previously.

Subject to the paragraphs below, and to any express resolution passed by the Board, on a Participant's Termination Date, any RSUs granted to such Participant which have not vested prior to the Participant's Termination Date will terminate and become null and void as of such date.

Where a Participant's Termination Date occurs for any reason other than death, retirement or termination for cause, then such Participant shall have the right to be paid out in respect of his or her outstanding vested RSUs.

Where a Participant's Termination Date occurs by reason of the death of the Participant, then all outstanding RSUs granted to such Participant which are not vested shall become vested RSUs on the date of death and be paid out in accordance with the RSU Plans and any applicable grant agreement. Only a beneficiary of the Participant shall have the right to be paid out under this paragraph and in accordance with the RSU Plans at any time up to and including (but not after) the Expiry Date of the RSU.

Where a Participant's Termination Date occurs as a result of the Participant's retirement, all outstanding RSUs granted to such Participant which are not vested RSUs shall be governed by the policies of the Corporation in effect from time to time.

Where a Participant's Termination Date occurs by reason of the Participant's termination for cause the Participant shall forfeit any and all rights to hold or be paid out in respect of all RSUs and, for greater certainty, all RSUs, whether they be vested RSUs or not, held by such Participant shall be terminated and rendered null and void.

### ***Transfers and Assignments***

RSUs may not be transferred or assigned, other than for normal estate settlement purposes. Subject to the requirements of applicable law, a Participant may designate in writing an individual as a beneficiary to receive any benefits that are payable under the RSU Plans upon the death of the Participant. The Participant may, subject to applicable laws, alter or revise such designation from time to time. The original designation or any change thereto shall be in the form as the Board may, from time to time, determine.

### ***Cash Payment or Delivery of Common Shares***

The RSU Payment Date, subject to expiry of any Blackout Periods, means, unless the Board selects a different date (which date shall be within the same calendar year that a RSU has vested), the date an RSU has vested, which date shall not, in any event, extend beyond December 15<sup>th</sup> of the third year following the Service Year for any particular RSU.

As soon as practicable following the RSU Payment Date but in any case prior to December 31 of the third year following the Service Year for any particular RSU and provided a Participant's Termination Date has not first occurred, the Corporation will make to a Participant a cash payment equal to the product of the number of vested RSUs recorded in the Participant's account multiplied by the Fair Market Value applicable on the RSU Payment Date, less any applicable withholding taxes. For the purposes of the RSU Plans, "Fair Market Value" means the volume weighted average trading price of the Common Shares on the TSX for the five trading days on which the Common Shares traded immediately prior to the applicable date. In the event the Common Shares are not then listed and posted for trading on the TSX or any other stock exchange in Canada, the Fair Market Value shall be the market price of the Common Shares as determined by the Board in its discretion, acting reasonably and in good faith.

Alternatively, upon the receipt of all necessary shareholder approvals as required under the rules, regulations and policies of the TSX and any other stock exchange on which Common Shares are listed or traded, the Corporation or its subsidiaries may, in lieu of the cash payment, as soon as practicable after the RSU Payment Date, either issue (or, subject to the consent of the Corporation and the Board which may be withheld in its sole discretion, cause to be issued) to the Participant or, through a broker designated by the Corporation (the "Designated Broker"), acquire on behalf of such Participant, the number of whole Common Shares that is equal to the number of whole vested RSUs recorded in the Participant's account on the RSU Payment Date (less any amounts in respect of any applicable withholding taxes). If the Corporation or subsidiary elects to arrange for the purchase of Common Shares by a Designated Broker on behalf of the Participant, the Corporation or subsidiary will contribute to the Designated Broker an amount of cash sufficient, together with any reasonable brokerage fees or commission fees related thereto, to purchase the whole number of Common Shares to which the Participant is entitled and the Designated Broker shall, as soon as practicable thereafter, purchase those Common Shares, on behalf of such Participant, on the TSX (or any other stock exchange on which the Common Shares are listed or traded).

All amounts payable to, or in respect of, a Participant including, without limitation, the issuance or delivery of Common Shares or cash payment, will be paid or delivered on or before December 31 of the third calendar year commencing immediately following the Service Year in respect of the particular RSU. Upon payment in cash or Common Shares, as the case may be, the particular RSU in respect of which such payment was made will be cancelled.

If the RSU Payment Date occurs during a Blackout Period or within three business days of the expiry of a Blackout Period applicable to the relevant Participant, then the RSU Payment Date shall be the earlier of (i) the 10<sup>th</sup> business day after the expiry of the Blackout Period and (ii) December 15<sup>th</sup> of the third year following the Service Year (or

December 15<sup>th</sup> of the calendar year in which the RSU Payment Date occurs in respect of US Participants) for any particular RSU. Where the RSU Payment Date is deemed because of the Blackout Period to be December 15<sup>th</sup> of the third year following the Service Year for any particular RSU, the Participant shall be entitled to only a cash payment and not the delivery of Common Shares, in accordance with the payment provisions of the Treasury-Settled RSU Plan.

#### ***Adjustments in Connection with an Alteration of the Common Shares***

In the event of any subdivision, consolidation, stock dividend, capital reorganization, reclassification, exchange, or other change with respect to the Common Shares, or a consolidation, amalgamation, merger, spin-off, sale, lease or exchange of all or substantially all of the property of the Corporation or other distribution of the Corporation's assets to shareholders of the Corporation (other than the payment of ordinary course cash or stock dividends in respect of the Common Shares), the number of Common Shares subject to the Treasury-Settled RSU Plan and the RSUs then outstanding under the RSU Plans shall be adjusted in such manner, if any, as the Corporation may in its discretion deem appropriate to preserve, proportionally, the interests of Participants under the RSU Plans. Adjustments shall be made by the Board, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. All fractional RSUs shall be rounded down.

#### ***Adjustments for Dividends***

The Board may, in its sole discretion, elect to credit, as a bonus for services rendered in the calendar year containing the payment date for cash dividends paid on Common Shares (the "Dividend Payment Date"), the account of each Participant with additional RSUs. In such case, the number of such additional RSUs to be credited to the Participant's account will be calculated by dividing the total amount of the dividends that would have been paid to such Participant if the RSUs in the Participant's account, as of the record date for payment of such dividends (the "Dividend Record Date"), were Common Shares, by the Fair Market Value on the Dividend Payment Date. However, no RSUs will be credited to a Participant's account in respect of dividends paid on Common Shares where the Dividend Record Date relating to such dividends falls after such Participant's Termination Date, except where vesting of RSUs beyond a Participant's Termination Date is contemplated pursuant to the RSU Plans as a result of the Participant's retirement, in which case such Participant's account shall be credited in respect of dividends paid on Common Shares where the Dividend Record Date relating to such dividends falls on a date that is on or prior to the date upon which vesting in respect of the Participant's RSUs ceases. The proportion of RSUs credited to a Participant's account as described in this paragraph relating to vested RSUs shall, unless otherwise determined by the Board in its sole discretion, also be vested RSUs. The proportion of RSUs credited to a Participant's account as described in this paragraph relating to existing RSUs that had not yet vested shall, unless otherwise determined by the Board in its sole discretion, vest in the same manner as the existing unvested RSUs.

#### ***Adjustments for Certain Corporate Events***

The RSU Plans provide that, for all Participants, the occurrence of an event of a Change of Control (as that term is defined above under "Stock Option Plan – Acceleration of Vesting on Change of Control") or, only for Participants that are not US Participants, the occurrence of a determination by the Board that a Change of Control is expected to occur, will result in the vesting of all outstanding RSUs and, provided that a Participant's Termination Date has not occurred on or before the Change of Control which results in an earlier expiration date of such Participant's RSUs, the payout of all outstanding RSUs upon the occurrence of the Change of Control.

A determination by the Board that a Change of Control is expected to occur will not result in the vesting of any outstanding RSUs held by a US Participant. No event shall constitute a Change of Control in respect of RSUs held by a US Participant unless such event constitutes a "change in control event" within the meaning of Section 409(A) of the Internal Revenue Code of 1986 and US Department of Treasury regulations and other interpretive guidance issued thereunder.

In the event that the Board passes a resolution approving, or the Corporation enters into an agreement providing for, a transaction which, if completed, would constitute a Change of Control, and the Board elects, in connection with the Treasury-Settled RSU Plan, to pay out RSUs through the issuance of shares from treasury or the purchase of shares by a Designated Broker, the Board may, at its discretion, resolve to pay out all unvested RSUs conditional upon the occurrence of the Change of Control, and to permit Participants to tender the underlying shares to the take-over bid or vote such shares in respect of the resolutions pertaining to the transaction that would give rise to the Change of Control. Any such payout of unvested RSUs held by US Participants must occur within the 30 day period prior to the occurrence of the Change of Control and the US Participant shall have no right to designate the taxable year of payment.

The Cash-Settled RSU Plan provides for the settlement of awards in cash and does not permit settlement through shares issued from treasury.

### ***Amendment or Discontinuance of the RSU Plans and RSUs***

The RSU Plans may be amended, suspended or terminated at any time by the Board in whole or in part, provided that no amendment shall be made which would cause the RSU Plans, or any RSUs granted, to cease to comply with paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the *Income Tax Act* (Canada) (the "Tax Act") or any successor provision thereto. Upon termination of the RSU Plan, subject to a resolution of the Board to the contrary, all unvested RSUs shall remain outstanding and in effect and continue to vest and be paid out in accordance with the terms of the relevant RSU Plan existing at the time of its termination and any applicable Grant Agreement, provided that no further RSUs will be credited to the account of any Participant. Each of the Treasury-Settled RSU Plan and the Cash-Settled RSU Plan will terminate on the date upon which no further RSUs granted thereunder remain outstanding.

Subject to the policies, rules and regulations of any lawful authority having jurisdiction over the Corporation (including any exchange on which the Common Shares are then listed and posted for trading), the Board may at any time, without further action by, or approval of, the holders of Common Shares, amend the RSU Plans or any RSU granted under the RSU Plans in such respects as it may consider advisable and, specifically with respect to the Treasury-Settled RSU Plan, it may do so to: (a) ensure that RSUs granted under such RSU Plan will comply with any provisions respecting restricted share units or other security based compensation arrangements in the Tax Act or other laws in force in any country or jurisdiction of which a Participant to whom an RSU has been granted may from time to time perform services or be resident; (b) cure any ambiguity, error or omission in the Treasury-Settled RSU Plan or RSUs granted thereunder or to correct or supplement any provision of such RSU Plan that is inconsistent with any other provision of such RSU Plan; (c) comply with applicable law or the requirements of any stock exchange on which the shares are listed; (d) amend the provisions of the Treasury-Settled RSU Plan respecting administration or eligibility for participation under such RSU Plan; (e) make amendments of a "housekeeping" nature to the Treasury-Settled RSU Plan; (f) change the terms and conditions on which RSUs may be or have been granted pursuant to the Treasury-Settled RSU Plan, including a change to, or acceleration of, the vesting provisions of such RSUs; (g) amend the treatment of RSUs granted under the Treasury-Settled RSU Plan on ceasing to be a Participant; and (h) change the termination provisions of the Treasury-Settled RSU Plan or RSUs granted thereunder which do not entail an extension beyond the original expiry date. Any such amendments shall, if made, become effective on the date selected by the Board. The Board may not, however, without the consent of the Participants, or as otherwise required by law, alter or impair any of the rights or obligations under any RSUs theretofore granted under the RSU Plans.

Notwithstanding the above paragraph, approval of the holders of Common Shares will be required in order to: (a) increase the maximum number of Common Shares issuable pursuant to the Treasury-Settled RSU Plan; (b) amend the determination of Fair Market Value under the Treasury-Settled RSU Plan in respect of any RSU; (c) extend the Expiry Date of any RSU granted under the Treasury-Settled RSU Plan; (d) modify or amend the provisions of the Treasury-Settled RSU Plan in any manner which would permit RSUs, including those previously granted, to be transferable or assignable, other than for normal estate settlement purposes; (e) add to the categories of eligible Participants under

the Treasury-Settled RSU Plan; (f) remove or amend the Treasury-Settled RSU Plan Insider and Independent Director Participation Restrictions; (g) amend the provisions of this paragraph; or (h) make any other amendment to the Treasury-Settled RSU Plan where shareholder approval is required by the TSX.

Notwithstanding the above provisions, should changes be required to the Treasury-Settled RSU Plan by any securities commission, stock exchange or other governmental or regulatory body of any jurisdiction to which the Treasury-Settled RSU Plan or the Corporation now is or hereafter becomes subject, such changes shall be made to the Treasury-Settled RSU Plan as are necessary to conform with such requirements and, if such changes are approved by the Board, the Treasury-Settled RSU Plan, as amended, will be filed with the records of the Corporation and will remain in full force and effect in its amended form as of and from the date of its adoption by the Board.

### ***Corporation Adjustments and the RSU Plan***

The existence of any RSUs will not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or business, or to create or issue any bonds, debentures, shares or other securities of the Corporation or to amend or modify the rights and conditions attaching thereto or to effect the dissolution or liquidation of the Corporation, or any amalgamation, combination, merger or consolidation involving the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

### ***Number of RSUs Outstanding***

As of December 31, 2017, a total of 6,308,213 treasury-settled RSUs were outstanding under the Treasury-Settled RSU Plan (being equal to approximately 2.1% of the outstanding Common Shares) and a total of 5,310,073 cash-settled RSUs were outstanding under the Cash-Settled RSU Plan (being equal to approximately 1.8% of the outstanding Common Shares). Of the 6,308,213 treasury-settled RSUs outstanding, 212,472 were granted as PSUs and of the 5,310,073 cash-settled RSUs outstanding 2,470,426 were granted as PSUs. See "Securities Authorized for Issuance Under Security-Based Compensation Plans" below.

### ***Deferred Share Unit Plan***

In 2013, the Corporation adopted a deferred share unit plan (the "DSU Plan"). The DSU Plan authorizes the Board to grant deferred share units ("DSUs") to directors (individually a "Participant" and collectively "Participants") of the Corporation or any of its affiliates (the "Corporate Group"). The purpose of the DSU Plan is to provide directors with the opportunity to be credited with DSUs thereby allowing them to participate in the long term success of the Corporation and promoting a greater alignment of interests between the directors and shareholders of the Corporation. In addition, the DSU Plan provides a compensation system for directors that, together with the other director compensation mechanisms of the Corporation, are reflective of the responsibility, commitment and risk accompanying Board membership and the performance of the duties required of the various committees of the Board. All outstanding DSUs were granted to non-employee directors.

The material terms of the DSU Plan are summarized below.

### ***Definition of DSU***

A DSU is a unit of participation in the DSU Plan, equivalent in value to a Common Share at the time of grant, and credited by means of a bookkeeping entry to a Participant's account, each of which entitles the holder thereof, at the time specified in the DSU Plan, to receive the cash equivalent of one Common Share or, if the Corporation so determines, in its discretion, a Common Share acquired on the open market, subject to the provisions of the Plan.

## ***Administration***

The DSU Plan is administered by the Administrator (as defined below) or its designated third-party service provider, which has full authority to: (a) interpret the DSU Plan and establish, amend and rescind any rules and regulations relating to the DSU Plan; and (b) make such determinations as it considers necessary or desirable for the administration of the DSU Plan.

The "Administrator" is, to the extent permitted by law and subject to regulatory approval, the Board, any committee of the Board or any one or more persons to whom the Board delegates any or all of its administrative responsibilities under the DSU Plan.

## ***Grant of DSUs and Redemption***

The Board may, subject to the terms of the DSU Plan, grant such number of DSUs to a director as the Board determines to be appropriate in respect of the services the director renders to the Corporation as a member of the Board. The Board shall determine the date on which such DSUs shall be granted and credited to a Participant's account and such date shall be the award date. Unless otherwise specified by the Board, DSUs credited to a Participant's account shall be fully vested at the time awarded.

On the third business day after the date on which a Participant ceases to be a director of a member of the Corporate Group (the "Redemption Date"), the Participant shall become entitled to receive from the Corporation a cash payment equal to the product of the number of DSUs recorded in the Participant's account multiplied by the Market Price on the Redemption Date, less applicable withholding taxes.

Subject to the terms of the DSU Plan and the receipt of all necessary shareholder approvals as required under the rules, regulations and policies of the TSX and any other stock exchange on which the Common Shares are then listed or traded, the Corporation may, in lieu of the cash payment, elect to acquire, through a broker designated by the Participant who is independent of the Corporation, on behalf of such Participant, the number of whole Common Shares that is equal to the number of whole DSUs recorded in the Participant's account on the Redemption Date, less applicable withholding taxes. In such a case, the Corporation shall contribute to such broker an amount of cash sufficient to purchase the whole number of Common Shares to which the Participant is entitled and the broker shall, as soon as practicable thereafter, purchase those Common Shares, on behalf of such Participant, through the facilities of the TSX (or other stock exchange on which the Common Shares are listed or traded).

All amounts payable to or in respect of a Participant shall be paid or delivered on or before December 31 of the calendar year commencing immediately following the Termination Date of such Participant.

No payment in respect of DSUs credited to a Participant may be made until such Participant's Redemption Date.

## ***Transfers and Assignments***

DSUs may not be transferred, assigned, sold, encumbered, pledged or charged except as required by law or as contemplated in the DSU Agreement.

## ***Adjustments in Connection with an Alteration of the Common Shares***

In the event of any subdivision, consolidation or distribution of Common Shares to the shareholders of the Corporation (excluding by way of dividend payment in the ordinary course or a distribution of Common Shares under any compensation arrangement of the Corporation or any of its subsidiaries or other affiliates controlled by the Corporation, that contemplates the issuance of Common Shares from treasury), or upon a capital reorganization, reclassification, exchange, or other change with respect to the Common Shares, or a consolidation, amalgamation, arrangement or

other form of business combination of the Corporation with another person, or a sale, lease or exchange of all or substantially all of the property of the Corporation or other distribution of the Corporation's assets to shareholders (other than by way of dividend payment in the ordinary course), then the account of each Participant and the DSUs outstanding under the DSU Plan shall be adjusted in such manner, if any, as the Board deems appropriate in order to preserve, proportionally, the interests of Participants under the DSU Plan, provided that the dollar value of DSUs credited to a Participant's account immediately after such an adjustment shall not exceed the dollar value of the DSUs credited to such Participant's account immediately prior thereto and provided further that the value of DSUs shall always depend on the fair market value of shares in the capital stock of the Corporation. All adjustments shall, at all times, be such that the DSU Plan and any DSUs continuously comply with the requirements of paragraph (d) of Regulation 6801 to the Tax Act.

### ***Blackout Periods***

If the Redemption Date occurs during a Blackout Period or within three business days of the expiry of a Blackout Period, then the Redemption Date shall be the earlier of: (i) the 10th business day after expiry of the Blackout Period; and (ii) December 15th of the calendar year commencing immediately following the date on which the Participant ceases to be a director of a member of the Corporate Group (the "Termination Date"), provided that, under no circumstances, shall the Redemption Date be later than December 15th of the calendar year commencing immediately following such Termination Date.

### ***Amendment, Suspension or Termination***

The Board may amend, suspend or terminate the DSU Plan, or any portion thereof, without shareholder approval, at any time, subject to those provisions of applicable law (including, without limitation, the rules, regulations and policies of the TSX, if any), that require the approval of shareholders or any governmental or regulatory body be obtained.

The Board may not, without the consent of any affected holder of a DSU, alter or impair any of the rights or obligations under any DSUs previously granted under the DSU Plan.

Any amendment, suspension or termination of the Plan shall be such that the Plan and the DSUs granted thereunder continuously satisfy the requirements of paragraph (d) of Regulation 6801 to the Tax Act.

The DSU Plan will finally cease to operate for all purposes when the last remaining Participant receives payment in respect of all DSUs recorded in the Participant's account.

### ***Corporation Adjustments and the DSU Plan***

The existence of any outstanding DSUs shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Corporation or to create or issue any bonds, debentures, units or other securities of the Corporation or the rights and conditions attaching thereto or to effect the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

### ***Number of DSUs Outstanding and Issuable***

As of December 31, 2017, a total of 284,871 DSUs were outstanding under the DSU Plan. All outstanding DSUs were granted to non-employee directors. DSUs can only be redeemed for cash or Common Shares acquired on the open market. No Common Shares have been reserved for issuance pursuant to the DSU Plan.



## Options, RSUs, PSUs and DSUs Granted During the Year

A total of 1,211,880 Options were granted during the year ended December 31, 2017, being equal to approximately 0.4% of the number of Common Shares outstanding as at December 31, 2017. All of the Options granted in 2017 to new employees are scheduled to vest at a rate of one-third on each of the first three anniversary dates of the grant. The annual Options granted in 2017 to existing employees were granted on June 15, 2017, and are all scheduled to vest at a rate of one-third on each of June 1, 2018, June 1, 2019 and June 1, 2020. All Options granted in 2017 are scheduled to expire seven years from the date of the grant.

A total of 7,211,239 RSUs were granted during the year ended December 31, 2017, being equal to approximately 2.5% of the number of Common Shares outstanding as at December 31, 2017. Of the 7,211,239 RSUs granted during the year, a total of nil were cash-settled RSUs and 1,454,659 were cash-settled PSUs. Of the 7,211,239 RSUs granted during the year, a total of 5,756,580 were treasury-settled RSUs and nil were treasury-settled PSUs. All of the RSUs granted in 2017 prior to June 30 (of which 1,454,659 are PSUs) are scheduled to vest at a rate of one-third on each of June 1, 2018, June 1, 2019 and June 1, 2020. Of the 7,211,239 RSUs granted during the year, a total of 32,469 RSUs granted in November 2017 are scheduled to vest at a rate of one-third on each of December 1, 2018, December 1, 2019 and December 1, 2020. All of the remaining RSUs granted in 2017 subsequent to June 30 are scheduled to vest at a rate of one-third on each of September 1, 2018, September 1, 2019 and September 1, 2020.

A total of 137,971 DSUs were granted during the year ended December 31, 2017. All of the DSUs granted in 2017 will be redeemed on the third business day after the Participant's Termination Date pursuant to the terms of the DSU Plan.

## Impact on Equity

The following tables describe equity burn rate trends and maximum potential share dilution for the Shares as at December 31, 2017.

### Potential Equity Burn Rates

		2015		
		Awards	WACSO <sup>(1)</sup>	Burn Rate
Stock Option Plan		2,968,798	224,579,249	1.32%
Treasury-Settled RSU Plan	RSUs	1,731,813		0.77%
	PSUs <sup>(2)</sup>	262,242		0.12%
	Total (RSUs & PSUs)	1,994,055		0.89%
		2016		
		Awards	WACSO <sup>(1)</sup>	Burn Rate
Stock Option Plan		1,214,300	225,982,724	0.54%
Treasury-Settled RSU Plan	RSUs	-		0.00%
	PSUs <sup>(2)</sup>	-		0.00%
	Total (RSUs & PSUs)	-		0.00%
		2017		
		Awards	WACSO <sup>(1)</sup>	Burn Rate
Stock Option Plan		1,211,880	289,142,338	0.42%
Treasury-Settled RSU Plan	RSUs	5,756,580		1.99%
	PSUs <sup>(2)</sup>	-		0.00%
	Total (RSUs & PSUs)	5,756,580		1.99%

#### Notes:

- (1) Weighted Average Common Shares Outstanding (WACSO) over the fiscal year.
- (2) PSU awards are subject to a multiplier that ranges from 0-2x on vesting. See "PSUs" under the heading "Long-Term Equity Incentives" for more detail.

## Maximum Potential Share Dilution

	Plan Maximum <sup>(1)</sup>	CSO <sup>(2)</sup>	Outstanding Securities Awarded		Remaining Securities Available for Grant	
			Awards	% of CSO <sup>(3)</sup>	Awards <sup>(4)</sup>	% of CSO <sup>(3)</sup>
Stock Option Plan	6.0%	294,103,943	8,896,003	3.02%	2,442,020	0.83%
Treasury-Settled RSU Plan	6.0%		6,308,213	2.15%	2,442,020	0.83%

### Notes:

- (1) The plan maximums are defined as a percentage of Common Shares outstanding, less the shares issuable pursuant to all other security based compensation arrangements.
- (2) Common shares outstanding as at December 31, 2017.
- (3) Awards expressed as a percentage of Common Shares outstanding.
- (4) Note that the remaining securities available for grant under each security-based compensation arrangement are not additive. The number of securities available for grant under the Stock Option Plan and the Treasury-Settled RSU Plan is equal to 2,442,020 Common Shares, or 0.83%, under both plans taken together.

## Termination and Change of Control Benefits

Except as described below and as described previously under "Long-Term Equity Incentive Plans," the Corporation has not entered into any other contract, agreement, plan or arrangement that provides for payments to an NEO at, following or in connection with any termination of employment (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of MEG or a change in an NEO's responsibilities.

### Retirement Policies

The Corporation has policies in place that govern the treatment of LTI on retirement (the "Retirement Policies") applicable to all employees pursuant to which participants in the Stock Option Plan and/or RSU Plans, upon achieving both: a) fifty-five years of age, and b) five years of continuous service to the Corporation, are eligible to benefit from extended vesting and exercise rights for Stock Options and RSUs (including PSUs) they hold at the time of the particular employee's retirement. Under the Retirement Policies, applicable vesting and exercise rights are extended until the earlier of: i) three years following the employee's retirement, and ii) the expiry of the term of such Stock Options or RSUs.

### Change of Control Agreements

In 2013, MEG entered into change of control agreements with each of its executive officers to be consistent with market practice, assist in retaining key talent and protect from financial hardship caused by a Change of Control (as that term is defined above under "Stock Option Plan – Acceleration of Vesting on Change of Control"). Prior to the execution of the agreements, a review of market practices among MEG's peers was completed using publicly available information from information circular filings. The review included an analysis of the use of employment agreements among MEG's peers, the associated change of control provisions and definitions (i.e. single vs. double trigger), the value of payment as a multiple of earnings, the definition of earnings and the differences in provisions between the CEO, the CFO and other NEOs. The review concluded that the vast majority of MEG's peers provide some form of protection in the event of a change of control for their executives, and that they tend to differentiate between the CEO and other executives in determining the value of payments and benefits. The review also demonstrated that the typical practice of MEG's peers was to provide a 2.5 to 3.0 multiplier for the CEO and a 1.5 to 2.0 multiplier for other executives in the event of a change of control. Based on these findings, the Corporation entered into change of control

agreements with its NEOs and other executives, (the "Change of Control Agreements") that provide a 2.5 multiplier for the CEO, a 2.0 multiplier for the other NEOs, and multipliers ranging from 1.5 to 2.0 for the remaining executives.

MEG's Change of Control Agreements require a 'double trigger' before payment of benefits is due, which means both a Change of Control and involuntary termination (including by way of constructive dismissal) must occur for any payment of benefits. The impact of a Change of Control on vesting of LTI is described under "Long-Term Equity Incentive Plans" above,

Pursuant to the Change of Control Agreements, the Corporation is obligated to pay compensation to an NEO in the event of a Change of Control followed by termination of such NEO's employment with the Corporation in the circumstances set out in the Change of Control Agreements and described below.

### **Change of Control Payments and Benefits**

The Change of Control Agreements provide that if a Change of Control occurs, and within 180 days immediately following a Change of Control an event or events occur that constitute Good Reason, the NEO shall have the right, for a period of 60 days following the event or events that constitute Good Reason to elect to terminate his or her employment with the Corporation upon providing the Corporation with seven days advance written notice of the termination date.

"Good Reason" is any material adverse change by the Corporation, without the agreement of the applicable NEO, in the annual base salary or in any of the NEO's duties, powers, rights, discretions, title or lines of reporting, such that immediately after such change or series of changes, the responsibilities and status of the NEO, taken as a whole, are not at least substantially equivalent to those assigned to the NEO immediately prior to such change.

If:

- (a) the NEO terminates his or her employment with the Corporation following an event or events that constitute Good Reason that occurs within 180 days immediately following a Change of Control; or
- (b) the Corporation terminates the NEO's employment with the Corporation other than for just cause within 180 days immediately following a Change of Control;

the Corporation shall pay the NEO, within 15 business days of the termination date, a retiring allowance (the "Retiring Allowance") which, depending on the position held, consists of:

1. the NEO's annual base salary as at the termination date multiplied by either 2.0 (for NEOs other than the CEO) or 2.5 (for the CEO), as applicable; plus
2. an amount equal to the average of the annual bonus payments paid to the NEO in the two full calendar years immediately preceding the termination date, multiplied by either 2.0 (for NEOs other than the CEO) or 2.5 (for the CEO), as applicable; plus
3. an amount equal to 15% of the NEO's annual base salary as at the termination date multiplied by either 2.0 (for NEOs other than the CEO) or 2.5 (for the CEO), as applicable, to compensate the NEO for the loss of benefits; plus
4. an amount equal to 12% of the NEO's annual base salary as at the termination date, multiplied by either 2.0 (for NEOs other than the CEO) or 2.5 (for the CEO), as applicable, to compensate the NEO for the loss of participation in the Corporation's savings plan; plus

5. an amount equal to the annual perquisite allowance of the NEO as at the termination date, multiplied by either 2.0 (for NEOs other than the CEO) or 2.5 (for the CEO), as applicable, to compensate the NEO for the loss of the annual perquisite allowance.

In exchange for payment of the Retiring Allowance, the NEO is required to provide to the Corporation a full and final release, in a form satisfactory to the Corporation.

If the NEO elects to terminate his or her employment with the Corporation within 60 days of an event or events that constitute Good Reason which in turn occurred within 180 days following the occurrence of a Change of Control, the NEO shall, at the request of the Corporation, continue the NEO's employment with the Corporation for a period of up to three months at the NEO's then existing compensation package, including benefits, to assist the Corporation in an orderly transition. The amount paid to the NEO in this regard will not reduce the Retiring Allowance to which the NEO is entitled.

If the NEO becomes entitled to payment of the Retiring Allowance, the applicable Change of Control Agreement will terminate immediately upon payment of the Retiring Allowance. The Retiring Allowance is deemed to constitute liquidated damages and not a penalty, and the NEO will not be required to mitigate his or her damages.

Assuming a Change of Control occurred on December 31, 2017, the incremental payments, payables and benefits to all NEOs under the Change of Control Agreements would amount to an estimated \$7.6 million and are detailed by NEO in the following table:

<u>Name</u>	<u>Payment Pursuant to Change of Control Agreement (\$)<sup>(1)</sup></u>
William McCaffrey..... President and CEO	2,452,850
Eric L. Toews..... CFO	1,427,000
Chi-Tak Yee..... Senior Vice President Operations, Resource & Technology Development	1,388,908
Don Moe..... Senior Vice President, Supply & Marketing	1,190,822
John Rogers..... Vice President, Investor Relations & External Communications	1,158,208

**Notes:**

- (1) Values do not include accelerated vesting of LTI that would occur upon Change of Control. Treatment of LTI upon Change of Control is described under "Long-Term Equity Incentive Plans", and the value of the unvested awards is reported in the table "Outstanding Share-Based and Option-Based Awards – NEOs."
- (2) On April 23, 2018, the Corporation announced that William McCaffrey is retiring as President and Chief Executive Officer of the Corporation effective May 31, 2018.
- (3) Don Moe will cease to be Senior Vice President, Supply & Marketing of the Corporation effective May 10, 2018.

**Termination**

In a case of termination of employment without cause, any specific payments to an individual whose employment was terminated would be determined at the time of termination in light of common law principles.

## Compensation of Directors

### General

The Board's director compensation policies provide that directors who are not also members of management will be paid an annual retainer of \$40,000, with the exception of the Chairman of the Board who will be paid an annual retainer of \$135,000. In addition, such directors will be paid: (i) a fee of \$1,500 for each Board meeting attended; (ii) a fee of \$1,500 for each Board committee meeting attended; (iii) an annual retainer of \$20,000 and \$7,000 for the chair and members of the Audit Committee, respectively; and (iv) an annual retainer of \$10,000 and \$5,000 for the chair and members of all other committees and ad hoc committees of the Board, respectively. The Corporation reimburses directors for all reasonable expenses incurred in order to attend meetings. From time to time, the Board, in its discretion, may also compensate directors with fees for their services on Board projects or other special committees of the Board.

Board members are also eligible to participate in the RSU Plans, the DSU Plan and other long-term compensation plans adopted by the Corporation from time to time. Although historically non-employee directors have been eligible to participate in the Stock Option Plan, no stock options have been granted to non-employee directors since 2012 and effective June 2, 2016 non-employee directors were no longer eligible to participate in the Stock Option Plan. For LTI awards made to directors in 2013 and 2014, 35% was granted in the form of DSUs and 65% in the form of RSUs. For LTI awards made to directors in 2015, 2016 and 2017, 50% was granted in the form of DSUs and 50% in the form of RSUs. For LTI awards to be made to directors in 2018, an election has been introduced that allows each director to elect to receive up to 50% in the form of RSUs and the balance (up to 100%) in DSUs.

### Summary Compensation Table – Directors

The following table sets out the compensation paid by the Corporation to its directors (other than Mr. McCaffrey) during the year ended December 31, 2017.

Name	Fees earned (\$)	Share-based awards <sup>(1)</sup> (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value <sup>(2)</sup> (\$)	All other compensation (\$)	Total (\$)
Boyd Anderson <sup>(3)</sup>	74,000	130,002	0	0	0	0	204,002
Harvey Doerr	65,000	130,002	0	0	0	0	195,002
Daniel Farb <sup>(4)</sup>	4,833	0	0	0	0	0	4,833
Robert Hodgins	102,250	130,002	0	0	0	0	232,252
Timothy Hodgson	79,500	130,002	0	0	0	0	209,502
Peter R. Kagan <sup>(5,6)</sup>	25,500	0	0	0	0	0	25,500
William R. Klesse	50,500	130,002	0	0	0	0	180,502
David B. Krieger <sup>(5)</sup>	71,750	130,002	0	0	0	0	201,752
Jeffrey J. McCaig	151,250	210,002	0	0	0	0	361,252
James D. McFarland	81,250	130,002	0	0	0	0	211,252
Diana McQueen	68,500	130,002	0	0	0	0	198,502

#### Notes:

- (1) All share-based awards were granted pursuant to the RSU Plans and DSU Plan in the form of either RSUs or DSUs. The fair values of the share-based awards shown were calculated by multiplying the total number of units granted to a director on the grant date by the volume weighted average price of the Common Shares for the five trading days prior to the grant date.
- (2) The Corporation does not currently provide for, or contribute to, either a defined benefit plan or defined contribution plan on behalf of its directors.

- (3) Mr. Anderson is not standing for re-election as a director in 2018.
- (4) Mr. Farb was appointed a director on November 30, 2017.
- (5) The fees and net proceeds from Options, RSUs and DSUs held by Messrs. Kagan and Krieger in their capacities as directors are for the benefit of WP LLC.
- (6) Mr. Kagan ceased to be a director as of May 25, 2017.

## Outstanding Share-Based and Option-Based Awards - Directors

The following table sets forth information regarding all Options, RSUs and DSUs held by each director (other than Mr. McCaffrey) as of December 31, 2017.

Name	Option-based Awards				Share-based Awards		
	Number of Common Shares underlying unexercised Options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options <sup>(1)</sup> (\$)	Number of RSUs and DSUs that have not vested or been redeemed (#)	Market or payout value of RSUs and DSUs that have not vested or been redeemed <sup>(2)</sup> (\$)	Market or payout value of vested RSUs or redeemed DSUs not paid out or distributed (\$)
Boyd Anderson <sup>(3)</sup>	3,600	51.43	June 7, 2018	0	54,173	273,574	0
	6,500	35.41	June 14, 2019	0			
Harvey Doerr	3,600	51.43	June 7, 2018	0	54,173	273,574	0
	6,500	35.41	June 14, 2019	0			
Daniel Farb <sup>(4)</sup>	0	N/A	N/A	0	0	0	0
Robert Hodgins	3,600	51.43	June 7, 2018	0	54,173	273,574	0
	6,500	35.41	June 14, 2019	0			
Timothy Hodgson	0	N/A	N/A	0	47,410	239,421	0
William R. Klesse	0	N/A	N/A	0	47,410	239,421	0
David B. Krieger <sup>(5)</sup>	3,600	51.43	June 7, 2018	0	54,173	273,574	0
	6,500	35.41	June 14, 2019	0			
Jeffrey J. McCaig	0	N/A	N/A	0	81,521	411,681	0
James D. McFarland	3,600	51.43	June 7, 2018	0	54,173	273,574	0
	6,500	35.41	June 14, 2019	0			
Diana McQueen	0	N/A	N/A	0	54,862	277,053	0

### Notes:

- (1) The closing price of the Common Shares on December 31, 2017 was \$5.14 per Common Share.
- (2) The Fair Market Value (as defined in the RSU Plans and the DSU Plan) of the Common Shares on December 31, 2017 was \$5.05 per Common Share.
- (3) Mr. Anderson is not standing for re-election as a director in 2018.
- (4) Mr. Farb was appointed a director on November 30, 2017.
- (5) The net proceeds from Options, RSUs and DSUs held by Mr. Krieger in his capacity as director is for the benefit of WP LLC.

## Incentive Plan Awards – Value Vested or Earned During the Year - Directors

The following table sets forth information in respect of the value of Options and share-based awards held by the directors of the Corporation that vested during the year ending December 31, 2017 and non-equity incentive plan compensation earned by such directors during the year ending December 31, 2017.

Name	Option-Based Awards – Value Vested During Year (\$)	Share-based Awards – Value Vested or Redeemed During Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During Year (\$)
Boyd Anderson <sup>(1)</sup>	0	29,812	0
Harvey Doerr	0	29,812	0
Daniel Farb <sup>(2)</sup>	0	0	0
Robert Hodgins	0	29,812	0
Timothy Hodgson	0	18,036	0
Peter R. Kagan <sup>(3,4)</sup>	0	130,942	0
William R. Klesse	0	18,036	0
David B. Krieger <sup>(3)</sup>	0	29,812	0
Jeffrey J. McCaig	0	42,026	0
James D. McFarland	0	29,812	0
Diana McQueen	0	31,136	0

### Notes:

- (1) Mr. Anderson is not standing for re-election as a director in 2018.
- (2) Mr. Farb was appointed a director on November 30, 2017.
- (3) The net proceeds from Options, RSUs and DSUs held by Messrs. Kagan and Krieger in their capacities as directors are for the benefit of WP LLC.
- (4) Mr. Kagan ceased to be a director on May 25, 2017. His outstanding DSUs were redeemed at that time.

## Director Share Ownership Guidelines

The Corporation has adopted share ownership guidelines for its independent directors (the "Director Guidelines"). Each independent director, other than those directors who are required to relinquish the benefit of any equity award, is required to beneficially own voting shares of the Corporation (which may include holdings of RSUs and DSUs) at least equal in value to three times the base annual retainer paid to all non-management directors, based on the market price of Common Shares. Each director is required to achieve the Director Guidelines within a five year period, commencing the first year they are elected as a director, with a minimum of one-fifth of the ownership requirement being attained by the end of each of the five years. Compliance with the Director Guidelines is measured on the first trading day of each calendar year, using the director's annual retainer then in effect and the closing price of the Common Shares on that day. Once the required share ownership has been achieved, or voting shares of the Corporation have been allocated toward compliance, a director is deemed to be compliant (partially or fully, as applicable) with the Director Guidelines notwithstanding any subsequent decrease in the market price of Common Shares. Such deemed compliance requires, in the case of partial compliance, that such director does not dispose of any voting shares and, in the case of full compliance, sale of shares which, using the share price in effect on the date of the sale, would result in non-compliance.



As described in the following table, all directors nominated for election at the Meeting are in compliance with the Director Guidelines as at January 2, 2018.

Equity Ownership as at January 2, 2018

Name	Years of Service <sup>(1)</sup>	Ownership Requirement <sup>(2)</sup> (\$)	Common Shares (#)	DSUs (#)	Total Value of Equity Investment (excluding RSUs) as at Jan. 2, 2018 <sup>(3)</sup> (\$)	RSUs (#)	Total Value of Equity Investment as at Jan. 2, 2018 <sup>(3)</sup> (\$)	Multiple of Ownership Requirement as at Jan. 2, 2018 (#)	Complies with Guidelines? (Y/N)
Harvey Doerr	5	120,000	50,349	31,403	432,468	22,770	552,921	4.6	Y
Daniel Farb <sup>(4)(6)(7)</sup>	1	24,000	29,275,200	0	154,865,808	0	154,865,808	6,452.7	Y
Robert Hodgins	5	120,000	11,796	31,403	228,523	22,770	348,976	2.9	Y
Tim Hodgson	2	48,000	8,000	25,576	177,617	21,834	293,119	6.1	Y
William R. Klesse	2	48,000	175,000	25,576	1,061,047	21,834	1,176,549	24.5	Y
David B. Krieger <sup>(5)(6)</sup>	5	120,000	10,295	31,403	220,582	22,770	341,036	2.8	Y
Jeffrey J. McCaig	4	324,000	574,555	45,454	3,279,848	36,067	3,470,642	10.7	Y
James D. McFarland	5	120,000	17,094	31,403	256,549	22,770	377,002	3.1	Y
Diana McQueen	3	72,000	5,259	31,250	193,133	23,612	318,040	4.4	Y

**Notes:**

- (1) Represents years of service to a maximum of 5.
- (2) Pursuant to the Director Guidelines, the requirement for Daniel Farb is currently one-fifth of total ownership requirement, the requirement for each of Timothy Hodgson and William Klesse is currently two-fifths of total ownership requirement, the requirement for Jeff McCaig is currently four-fifths of total ownership requirement, and the requirement for Diana McQueen is currently three-fifths of total ownership requirement. For every other director, the requirement is the total ownership requirement.
- (3) The closing price of the Common Shares on January 2, 2018 was \$5.29 per Common Share. The values of Common Shares, DSU's, RSUs and PSUs are calculated by multiplying the total number of shares or units by the January 2, 2018 closing price.
- (4) Mr. Farb was appointed a director on November 30, 2017.
- (5) The net proceeds from RSUs and DSUs held by Mr. Krieger in his capacity as a director are for the benefit of WP LLC.
- (6) The Director Guidelines do not apply to directors who are associated with an institutional shareholder and who are required to relinquish the benefit of any equity award to such institutional shareholder.
- (7) Common Shares and Equity Swaps indicated as held by Mr. Farb are included because of his affiliation with Highfields and are beneficially owned by investment funds managed by Highfields. Mr. Farb disclaims beneficial ownership of all Common Shares and Equity Swaps owned by the Highfields funds.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER SECURITY-BASED COMPENSATION PLANS

The following table provides information with respect to the total number of Common Shares authorized for issuance upon the exercise of outstanding Options and vesting of outstanding Treasury-Settled RSUs as of December 31, 2017. As of December 31, 2017, there were 294,103,943 Common Shares issued and outstanding.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders			
Stock Option Plan	8,896,003	\$23.81	(1)
Treasury-Settled RSU Plan <sup>(2)</sup>	6,308,213	N/A	(3)
<b>Total</b>	<b>15,204,216</b>	<b>\$23.81</b>	<b>2,442,020<sup>(4)</sup></b>

**Notes:**

- (1) As of December 31, 2017, the number of Common Shares reserved for issuance pursuant to the exercise of options granted under the Stock Option Plan is equal to 6% of the number of Common Shares then issued and outstanding, less the number of Common Shares issuable pursuant to all other security-based compensation plans (which includes the Treasury-Settled RSU Plan).
- (2) Includes PSUs issued under the Treasury-Settled RSU Plan.
- (3) As of December 31, 2017, the number of Common Shares reserved for issuance pursuant to RSUs granted under the Treasury-Settled RSU Plan is equal to 6% of the number of Common Shares then issued and outstanding, less the number of Common Shares issuable pursuant to all other security-based compensation plans (which includes the Stock Option Plan).
- (4) Based on the number of issued and outstanding Common Shares as at December 31, 2017.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

The Corporation is not aware of any individuals who are either current or former executive officers, directors or employees of the Corporation and who have indebtedness outstanding as at the date hereof (whether entered into in connection with the purchase of securities of the Corporation or otherwise) that is owing to (i) the Corporation, or (ii) another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

Except for (i) indebtedness that has been entirely repaid on or before the date of this Circular, and (ii) "routine indebtedness" (as defined in Form 51-102F5 to National Instrument 51-102 – *Continuous Disclosure Obligations*), the Corporation is not aware of any individuals who are, or who at any time during 2017 were, a director or executive officer of the Corporation, a proposed nominee for election as a director of the Corporation, or an associate of any of those directors, executive officers, or proposed nominees, who are, or have been at any time since January 1, 2017, indebted to the Corporation, or whose indebtedness to another entity is, or at any time since January 1, 2017 has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There has been no transaction since January 1, 2017 and there is no proposed transaction that has materially affected or would materially affect the Corporation or any of its subsidiaries in respect of which any "informed person" (as defined in National Instrument 51-102 - *Continuous Disclosure Obligations*) of the Corporation, any proposed nominee for director of the Corporation, or any associate or affiliate of any of such persons had a direct or indirect material interest.

## CORPORATE GOVERNANCE PRACTICES

### Independent Directors and Material Relationships

The following directors, being a majority of the directors of the Corporation, are independent as set out in section 1.2 of National Instrument 58-101 - *Disclosure of Corporate Governance Practices*:

Boyd Anderson <sup>(1)</sup>	Harvey Doerr <sup>(2)</sup>
Daniel Farb	Robert Hodgins
Timothy Hodgson	William R. Klesse
David B. Krieger	Jeffrey J. McCaig
James D. McFarland	Diana McQueen

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#### Notes:

- (1) Mr. Anderson is not standing for re-election as a director in 2018.
- (2) In connection with the retirement of Mr. McCaffrey on May 31, 2018, Mr. Doerr will become Interim President and Chief Executive Officer of the Corporation on June 1, 2018.

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Corporation. Examples of such a material relationship could include being a partner, shareholder or officer of an organization that has a material relationship with the Corporation, such as a supplier, customer or contractual counterparty.

On an annual basis, the GNC asks directors and executive officers of the Corporation to inform the Board as to their relationships with the Corporation. Pursuant to the *Business Corporations Act* (Alberta), directors of the Corporation are also required in certain circumstances to declare when they are party to, or have an interest in, material contracts or material transactions involving the Corporation.

The Board reviews any relationships, and their materiality to the Corporation, under applicable director independence standards. In its review, the Board considers and analyzes the existence, materiality and effect of all relationships of our directors with the Corporation including business, familial and other relationships, in reaching a conclusion as to such director's independence under applicable requirements.

William McCaffrey is not independent due to his material relationships with the Corporation. William McCaffrey is currently the President and CEO of the Corporation but will retire from those positions effective May 31, 2018 and is not standing for re-election as a director in 2018.

The Chairman of the Board, Jeff McCaig, is an independent director. The primary responsibility of the Chairman is to provide independent leadership to the Board to ensure the Board functions independently of management of the Corporation.

At each Board meeting there is an *in camera* session at which non-independent directors and members of management are not in attendance. The *in camera* sessions are chaired by the Chairman of the Board. The chairmen of the Compensation Committee, the Audit Committee, the GNC, ad hoc Deleveraging Committee, ad hoc Hedging Committee and ad hoc Search Committee, are all independent directors and at each respective committee meeting an *in camera* session is held.

## Related Directors and Other Directorships

None of the Corporation's current directors mutually serve on boards of other companies, with the exception of Harvey Doerr and David Krieger who are both directors of Velvet Energy Ltd., a privately-held company, and, David Krieger and Robert Hodgins who are both directors of Canbriam Energy Inc., a privately-held company. The following directors are directors of the reporting issuers (or the equivalent) set out beside their respective names below:

Director	Reporting Issuer (or equivalent)
Harvey Doerr	Newalta Corporation Seven Generations Energy Ltd.
Robert Hodgins	AltaGas Ltd. Enerplus Corporation GranTierra Energy Inc.
Timothy Hodgson	Alignvest Acquisition II Corp.
William R. Klesse	Occidental Petroleum Corporation
David B. Krieger	Kosmos Energy Ltd.
James D. McFarland	Pengrowth Energy Corporation Valeura Energy Inc

## Board Committees

The Board has established the following standing committees of the Board, the (i) Audit Committee, (ii) Compensation Committee; and (iii) Governance and Nominating Committee (GNC). In addition to these three standing Committees, the Board currently has three ad hoc committees, the Deleveraging Committee, Hedging Committee and Search Committee.

In September 2015, the Board appointed the Review Committee as an ad hoc committee of the Board, the chairman of which was an independent director. The function of the Review Committee was to work together with management and the Corporation's advisors to examine and provide the Board with various alternatives available for financial deleveraging, while maintaining alignment with the Corporation's overall long-term strategy. In September 2017, the Review Committee was dissolved, its mandate having been fulfilled.

In December 2016, the Board appointed the Restructuring Committee as an ad hoc committee of the Board, the chairman of which was an independent director. The function of the Restructuring Committee was to oversee the Corporation's recapitalization alternatives, including the recapitalization of the Corporation which was completed in early 2017. In October 2017, the Restructuring Committee was dissolved and was replaced by the Deleveraging Committee as an ad hoc committee of the Board, the chairman of which is an independent director. The function of the Deleveraging Committee is to oversee the Corporation's deleveraging alternatives.

In April 2018, the Board appointed the Hedging Committee as an ad hoc committee of the Board, the chairman of which is an independent director. The function of the Hedging Committee includes developing policy for the hedging activities of the Corporation, which hedging activities would then continue to be monitored by the Audit Committee.

In April 2018, the Board appointed the Search Committee as an ad hoc committee of the Board, the chairman of which is an independent director. The function of the Search Committee includes managing and supervising the Corporation's efforts to identify a permanent President and Chief Executive Officer.

## Meeting Attendance

The attendance record of each director for all Board and Committee meetings held since the beginning of the Corporation's most recently completed financial year is set out below<sup>(9)</sup>:

Director	Board Meetings	Audit Committee Meetings	Compensation Committee Meetings	Governance and Nominating Committee Meetings	Ad hoc Restructuring Committee and ad hoc Deleveraging Committee Meetings <sup>(8)</sup>
Boyd Anderson <sup>(1)</sup>	8 of 9	5 of 5	N/A	N/A	N/A
Harvey Doerr <sup>(2)</sup>	8 of 9	N/A	N/A	2 of 2	N/A
Daniel Farb <sup>(3)</sup>	1 of 1	N/A	N/A	N/A	N/A
Robert Hodgins	9 of 9	5 of 5	4 of 4	N/A	6 of 6
Timothy Hodgson	9 of 9	5 of 5	N/A	N/A	6 of 6
Peter Kagan <sup>(4)</sup>	1 of 1	N/A	N/A	1 of 1	N/A
William Klesse	7 of 9	N/A	N/A	N/A	N/A
David Krieger	8 of 9	N/A	4 of 4	N/A	5 of 6
William McCaffrey <sup>(5)</sup>	9 of 9	N/A	N/A	N/A	6 of 6
Jeff McCaig <sup>(6)</sup>	9 of 9	N/A	N/A	N/A	N/A
James McFarland	9 of 9	N/A	4 of 4	2 of 2	N/A
Diana McQueen <sup>(7)</sup>	9 of 9	N/A	4 of 4	1 of 1	N/A

### Notes:

- (1) Mr. Anderson is not standing for re-election as a director in 2018.
- (2) Mr. Doerr resigned as Chair and member of the GNC on April 12, 2018.
- (3) Mr. Farb was appointed a director on November 30, 2017.
- (4) Mr. Kagan ceased to be a director on May 25, 2017.
- (5) Mr. McCaffrey is not standing for re-election as a director in 2018.
- (6) Mr. McCaig, Chairman of the Board, is an *ex-officio* member of all Board Committees.
- (7) Ms. McQueen was appointed a member of the GNC effective June 15, 2017 and appointed Chair of the GNC effective April 12, 2018.
- (8) The Restructuring Committee was replaced by the Deleveraging Committee in October 2017.
- (9) Each of the Hedging Committee and the Search Committee were formed in April 2018 and have not held any meetings.

## Board and Committee Mandates

The mandate of the Board is attached to this Circular as Appendix "A." All of the committees of the Board have written charters or mandates. Each of the Board and its committees develop annual workplans based on their mandates and charters respectively, which are reviewed by the Chairman and which guide the discharge of their respective responsibilities. The mandates and charters, with the exception of those for ad hoc committees, are available on MEG's website, [www.megenergy.com](http://www.megenergy.com), under "About Us", "Governance".

## Position Descriptions

The Board has approved written position descriptions for the Chairman of the Board and the Chairman of each standing Board committee. The Board and the CEO have approved a written position description for the CEO. The position description for the Chairman of the Board is available on MEG's website, [www.megenergy.com](http://www.megenergy.com) under "About Us", "Governance".

## Skills Assessment and Nomination

The GNC, which is composed entirely of independent directors, is responsible for ensuring that the composition of the Board and its committees meets the requirements of the Corporation. The GNC annually reviews the skills and expertise which it determines are required in order for the Board to provide effective governance, and prior to making its recommendations to the Board assesses how those needs are met by the nominees. The table below summarizes information from the GNC's most recent review which was used to develop the recommendations for 2017, and also includes the skills and expertise of the proposed nominees for election as directors:

Skill	B. Anderson <sup>(1)</sup>	H. Doerr	D. Farb	B. Hodgins	T. Hodgson	B. Klasse	D. Krieger	B. McCaffrey <sup>(2)</sup>	J. McCaig	J. McFarland	D. McQueen	Total (out of 11)
Business Experience/ Knowledge												
Financial literacy	√	√	√	√	√	√	√	√	√	√	√	11
Strategy, managing or leading growth	√	√	√	√	√	√	√	√	√	√	√	11
Sectors outside of oil and gas			√	√	√		√		√		√	6
Executive experience in a large company	√	√		√	√	√	√	√	√	√		9
Canadian corporate governance	√	√		√	√		√	√	√	√	√	9
Political, Public and Regulatory	√	√		√	√	√		√	√	√	√	9
Oil and Gas Technical Experience												
Upstream Operations		√				√		√		√		4
Midstream/downstream operations	√	√		√		√		√		√		6

**Notes:**

- (1) Mr. Anderson is not standing for re-election as a director in 2018.  
 (2) Mr. McCaffrey is not standing for re-election as a director in 2018.

The GNC is also responsible for identifying and assessing new candidates for appointment or nomination to the Board and for considering succession issues as they relate to the members of the Board and committees. Where a vacancy exists or the need for a new candidate has been identified, the GNC will seek candidates who best match the identified needs of the Board and its committees, and will evaluate them taking into account their past performance, independence, competencies, skills, financial literacy, the Corporation's Diversity Policy (as defined below) and such other factors as are necessary to ensure the promotion of effective governance and regulatory compliance.

## Gender Diversity

MEG recognizes the benefits of diversity with respect to nominations to the Board, and the promotion or hiring of individuals into executive officer and other management positions (each and all of which are "Leadership Roles"). The Board has adopted a formal policy that encourages gender (and other forms of) diversity in Leadership Roles (the "Diversity Policy").

MEG believes that the Corporation's needs are best served by first identifying and screening all fully qualified candidates for Leadership Roles, in the context of the skills, expertise, and experience which the Board and MEG, as applicable, requires for an individual to be effective in that Leadership Role. However, gender and other forms of diversity are important and valuable considerations in selecting from amongst qualified candidates. MEG's approach to diversity is intended to encourage respect for and appreciation of, diversity in a broad sense, in all Leadership Roles.

Since it is difficult to predict the timing of future hiring and the ability to identify candidates who offer diversity while meeting or exceeding the requirements of specific positions, formal diversity percentage targets and specific dates by which it is intended that MEG satisfy those targets, have not been established in the Diversity Policy. MEG believes that the Diversity Policy however, introduces a process which is likely to achieve higher levels of diversity within MEG's Leadership Roles in an appropriate timeframe. The Corporation intends to measure the effectiveness of the Diversity Policy from time to time.

The Diversity Policy requires MEG to conduct "open" searches internally (and externally where appropriate), to fill Leadership Positions. The Diversity Policy also requires that, during any hiring process for a Leadership Role, the persons conducting the search will identify the most qualified candidate, and if such candidate does not enhance diversity, they will also identify the most qualified candidate who offers diversity, and prior to final selection, will review the decision carefully to ensure that the decision reflects that balance appropriately.

Internally MEG also provides comprehensive training and personal development opportunities to help all employees acquire the necessary skills to perform their role in the company, and also to align their personal career goals with the needs of the company. Please see "Succession Planning" below.

A summary of the Corporation's current gender distribution, number and percentage, is as follows:

Title	Number of Women	% of Women
Internal Director <sup>(1)</sup>	5	36
Executive	1	7
Board Director <sup>(2)</sup>	1	11 <sup>(3)</sup>

**Notes:**

- (1) An internal "director" is a senior management level position within the Corporation's organization which falls immediately below the position of Vice President.
- (2) Member of the Board of Directors.
- (3) Based on nine director nominees standing for election at the Meeting.

## Orientation and Continuing Education

The GNC is responsible for the orientation and continuing education of directors. New directors meet with the Chairman and certain other independent directors, and also attend meetings at which they receive briefings on various aspects of the nature and operation of the Corporation's business from senior officers of the Corporation. New directors are also provided with an overview of the Board portal, a secure online site that contains, among other things, the Corporation's articles and by-laws, the Board and committee mandates and workplans, corporate policies, recent

disclosure documents and information regarding the Corporation's operations. The GNC is responsible for ensuring that proper new director orientation and education occurs.

Directors are encouraged to attend and participate in seminars and other continuing education programs, with the cost of such programs being reimbursed by the Corporation. During 2017, directors' participation in continuing education activities included the following:

- In January, Harvey Doerr attended and completed the Institute of Corporate Directors' course "Enterprise Risk for Corporate Directors".
- In March, directors of the Corporation received a management presentation regarding its review of various corporate governance issues, including its disclosure controls and procedures and processes for the disclosure of material information, related policies such as its Insider Trading and Disclosure Policy, and the employee and director annual acknowledgement process related to its Business Conduct Charter. All of the directors attended the presentation.
- Also in March, June, September and December, directors of the Corporation received presentations from management relating to markets and prices for bitumen, crude oil and diluent.
- In June, October and November, the directors of the Corporation received presentations by external financial advisors regarding the status of equity and debt markets, and potential financial deleveraging alternatives for the Corporation.
- In September, the directors of the Corporation received a presentation from management regarding climate change as related to the Corporation.
- In September and November, the directors of the Corporation received a presentation from management regarding financial risk management (hedging) programs.
- In late-2017, a new director onboarding process was completed for Mr. Farb.
- In November, directors of the Corporation received a presentation from GLJ Petroleum Consultants regarding its reserve evaluation and data integrity processes and received presentations from management regarding the Corporation's production growth strategy, the Corporation's emissions management program and the Corporation's market diversification strategy. All directors of the Corporation attended the presentations.
- From September 2015 to September 2017, Mr. Doerr was a member of the Calgary Chapter Executive of the Institute of Corporate Directors and participated in the planning and delivery of various chapter education events. During 2017, Mr. Doerr, Mr. McCaig and Ms. McQueen each attended relevant seminars or programs provided by the Institute of Corporate Directors.

The Corporation ensures that there are frequent informal opportunities for directors to meet with senior members of the organization which offers the opportunity for individual Board members to ask questions to enhance their knowledge and clarify their understanding of various issues, and gain additional exposure to help evaluate the knowledge, capability and conduct of the senior team.

## **Governance Oversight**

The GNC regularly reviews new developments in corporate governance and makes recommendations to the Board on processes or policies which would enhance the overall effectiveness of the Board and its committees and the performance of the Corporation. In 2017, the GNC completed a review of Canadian governance practices, reviewed



the mandate of the Board, the charters of the Board's committees and the position descriptions for each of the Chair of the Board, the CEO and the chairs of each of the Board's committees, and recommended certain changes which have been approved by the Board. The GNC reviews and approves any reports required or recommended on corporate governance for inclusion in public disclosure documents.

## Majority Voting Policy

The Corporation has adopted a Majority Voting Policy that applies in respect of director elections at any meeting of the Corporation's shareholders where an "uncontested election" of directors is held, and, which fully complies with TSX rules. Pursuant to this Policy, the forms of proxy circulated in connection with a meeting of the Corporation's shareholders at which an uncontested election of directors is to be conducted shall provide the Corporation's shareholders with the ability to vote in favour of, or to withhold from voting for, each director nominee. If the number of votes withheld for a particular director nominee is greater than the number of votes in favour of such nominee, the director nominee shall be required to immediately tender an offer of his or her resignation to the Chairman of the Board of Directors following the applicable meeting of the Corporation's shareholders.

The Majority Voting Policy provides that following receipt of an offer of resignation tendered pursuant to this Policy, the GNC shall consider whether or not to accept the offer of resignation and shall recommend to the Board of Directors whether or not to accept it. In accordance with the TSX rules, the GNC would be expected to recommend that the Board of Directors accept an offer of resignation, and, the Board of Directors would be expected to accept an offer of resignation, "absent exceptional circumstances."

Promptly following the decision of the Board of Directors to accept, or not to accept, an offer of resignation pursuant to this Policy, the Corporation shall issue a news release with the Board of Director's decision, a copy of which news release must be provided to the TSX. If the Board of Directors determines not to accept an offer of resignation, the news release shall fully state the reasons for that decision.

The Corporation's Majority Voting Policy is available on MEG's website, [www.megenergy.com](http://www.megenergy.com) under "About Us", "Governance".

## Board, Committee and Director Assessments

On an annual basis, the Chair of the GNC facilitates the completion by each director of a confidential effectiveness survey for the Board and each committee to which that director is assigned. The Board survey includes assessments of the Board's responsibilities and operations, assessment of the Chairman of the Board and individual director self-assessment. The committee surveys include an assessment of each committee's responsibilities and operations, an assessment of each committee chair and a self-assessment of the individual committee members. The GNC also considers the composition of the Board's committees to ensure they possess an appropriate balance of the skills necessary for such committees to discharge their roles.

The Chairman of the Board is responsible for reviewing the responses provided in each survey and liaising with the chairs of the committees and management to utilize the responses to improve the effectiveness of the Board and its committees. At the first Board meeting following completion and review of the assessments, the Chairman of the Board reports to the Board outlining the responses and conclusions of the assessments. Board members then identify areas of improvement and communicate with management prior to implementation.

The Board considers a rigorous assessment process to be the most appropriate mechanism to ensure that each director remains effective and for that reason is expanding its board member assessment process in 2018, and for future years, to include a board peer-to-peer review process. The format and focus of the assessment process is continually under review by the GNC to ensure its effectiveness.

## Board Renewal/Term Limits and Director Tenure Policy

On an ongoing basis, the GNC and the Board as a whole consider potential director candidates with a view to identifying individuals to fill any potential vacancy that arises. Although the GNC and the Board recognize that regular-course Board renewal may offer the benefit of new perspectives and ideas, the GNC and the Board also recognize that a director's experience and knowledge of MEG's business is a valuable asset.

With the above factors in mind, the Board has adopted a Director Tenure Policy, which provides for a "deemed resignation" of any non-management director following the first to occur of a) the director reaching the age of 72 years, and b) the director having served as a director of the Corporation for ten years. The Director Tenure Policy provides that following a deemed resignation pursuant to the Director Tenure Policy, the GNC shall consider whether or not the Board should accept the deemed resignation and shall recommend to the Board of Directors whether or not to accept such resignation, taking into consideration whether continued service of the director would be in the best interests of the Corporation in light of the director's skills, experience and knowledge of the Corporation's business. The Board shall consider but is not obligated to follow the recommendation of the GNC.

The Director Tenure Policy also provides that upon a director being the subject of a deemed resignation pursuant to the Director Tenure Policy, that director shall be deemed to have resigned prior to every second Annual Meeting of shareholders of the Corporation following the initial deemed resignation of that director pursuant to the Director Tenure Policy. Once again, with respect to those additional deemed resignations, the GNC shall consider in each case based on the factors mentioned above, whether or not the Board should accept the deemed resignation and shall recommend to the Board of Directors whether or not to accept such resignation.

While there is no obligation for the GNC, nor the Board, to accept a deemed resignation pursuant to the Director Tenure Policy, this process will ensure that length of service and age considerations are appropriately incorporated into the annual Board composition and succession review. The Corporation's Director Tenure Policy is available on MEG's website, [www.megenergy.com](http://www.megenergy.com) under "About Us", "Governance".

## Succession Planning

The Board is responsible for succession planning of the Corporation's senior management. The Board meets with the CEO at least annually to review the performances of senior management in their current roles and discuss future capabilities and development plans for these individuals.

The Corporation has adopted a Talent Management Process in order to develop a robust talent pool that can deliver on current and future business objectives, manage knowledge within the organization, actively manage retention and engagement of high performing, high potential employees, and mitigate the risks associated with transition and vacancy of critical roles in terms of emergency short term coverage and long term succession planning.

The Talent Management Process consists of the following four steps:

1. **Identify Critical Roles:** Identify key roles that are critical to the current and/or future success of the Corporation.
2. **Talent Assessment and Identification:** Conduct internal talent assessment to identify leadership candidates.
3. **Build Talent Management Map:** For all critical roles, identify candidates who are ready for or can develop into each role.
4. **Develop Leadership Candidates:** Actively develop leadership candidates towards future roles.

The Talent Management Process was first implemented by the Corporation in 2011 and is continuing to advance. The results of the process are reviewed by the Compensation Committee and the Board on an annual basis.

## Ethical Business Conduct

The Board has adopted a Business Conduct Charter (the "Charter") that applies to all directors, officers, and employees of the Corporation. The Charter addresses issues such as conflicts of interest, fair dealing, insider trading and disclosure of material information. Copies of the Charter and other governance related documents may be obtained upon request from the General Counsel of the Corporation (403-770-0446) and are available on MEG's website, [www.megenergy.com](http://www.megenergy.com) under "About Us", "Governance". The Charter is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

A copy of the Charter has been provided to each current director, officer, and employee of the Corporation and each such person is required to acknowledge annually that he or she has read the Charter and also has disclosed any transactions or matters of potential conflict. A copy of the Charter will be provided to each new director, officer and employee of the Corporation and each such person will be required to acknowledge that he or she has read the Charter before commencing activities as a director, officer or employee.

No material change reports have been filed by the Corporation relating to a director's or executive officer's departure from the Charter. There has been no conduct of a director or executive officer that has constituted a departure from the Charter, and no waivers of the Charter have ever been granted to any director, officer or employee of the Corporation.

Directors who have, or may be reasonably perceived to have, a personal interest in a transaction or agreement being contemplated by the Corporation are required to declare such interest at any meeting at which the matter is being considered and, when appropriate, will leave the meeting during discussion and abstain from voting on such matter.

The Board encourages and promotes a culture of ethical business conduct by requiring that each director, officer and employee act in a manner that exemplifies ethical business conduct. The GNC is responsible for ensuring the Corporation implements good corporate governance practices.

## ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Corporation's financial statements and management's discussion and analysis ("MD&A") for the Corporation's most recently completed financial year. Additional information relating to the Corporation is contained in the Corporation's Annual Information Form. Copies of the financial statements, MD&A and the Annual Information Form of the Corporation are available on MEG's website, [www.megenergy.com](http://www.megenergy.com) under "Investors", "Financial Information", on SEDAR at [www.sedar.com](http://www.sedar.com), or may be obtained from the Corporation at 21<sup>st</sup> Floor, 600 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 0G5.

# APPENDIX "A"

## MEG ENERGY CORP.

### BOARD OF DIRECTORS MANDATE

#### 1. STEWARDSHIP

The board of directors (the "**Board**") of MEG Energy Corp. (the "**Corporation**") is responsible for the overall stewardship of the Corporation and for overseeing the conduct of the business of the Corporation and the activities of management, who are responsible for the day-to-day conduct of the business.

#### 2. COMPOSITION AND OPERATION

The Board operates by reserving certain powers to itself and delegating certain of its authorities to management. The Board retains responsibility for managing its own affairs, including selecting its chair, planning its composition and size, nominating candidates for election to the Board, determining independence of Board members (as defined in Section 2.1 of Canadian Securities Administrators National Policy 58-201 "Corporate Governance Guidelines"), constituting committees of the Board, determining director compensation, discussing matters of interest separate from and independent of any influence from management at each meeting of the Board, and assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities. Subject to the articles and by-laws of the Corporation and the *Business Corporations Act* (Alberta) (the "**ABCA**"), the Board may constitute committees of the Board and seek the advice of, and delegate powers, duties and responsibilities to, its committees and management.

#### 3. RESPONSIBILITIES

The Board's primary responsibilities are to preserve and enhance long-term shareholder value and to ensure that the Corporation meets its obligations on an on-going basis and operates in a reliable and safe manner. In performing its duties, the Board should also consider the legitimate interests that other stakeholders, such as employees, customers and communities, may have in the Corporation. In broad terms, the stewardship of the Corporation involves the Board in strategic planning, risk management and mitigation, senior management determination and monitoring, communication planning, compensation policies and guidelines, and internal control integrity. More specifically, the Board is responsible for

- (a) to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the "**CEO**") and other officers and that the CEO and other officers create a culture of integrity throughout the Corporation,
- (b) adopting a strategic planning process and approving, on an annual basis, a business plan for the Corporation that takes into account, among other things, the opportunities and risks of the business,
- (c) identifying the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks,
- (d) succession planning, including appointing, training and monitoring senior management,
- (e) adopting a communication policy for the Corporation,

- (f) monitoring the integrity of the Corporation's internal control and management information systems,
- (g) developing the Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Corporation,
- (h) developing the Corporation's compensation policies and guidelines and the Corporation's goals and objectives relevant to compensation, and
- (i) on an individual basis, attending Board meetings, reviewing meeting materials in advance of meetings, and complying with the other expectations and responsibilities of directors of the Corporation established by the Board.

In discharging these responsibilities and the specific duties set out below, the Board will utilize and direct management of the Corporation to the extent the Board considers to be appropriate.

## **4. SPECIFIC DUTIES**

The Board's specific duties, obligations and responsibilities fall into the following categories.

### **4.1 Legal Obligations**

- (a) The Board has oversight responsibility for the Corporation's satisfaction of its legal obligations and for the preparation and maintenance of the Corporation's documents and records.
- (b) The Board has the statutory obligation to
  - (i) manage or supervise the management of the business and affairs of the Corporation, and
  - (ii) act in accordance with the provisions of the ABCA and the regulations thereunder, the Corporation's articles and by-laws, and other relevant legislation and regulations.
- (c) Each director of the Corporation in exercising the director's powers and discharging the director's duties has the statutory obligation to
  - (i) act honestly and in good faith with a view to the best interests of the Corporation, and
  - (ii) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- (d) The Board has the statutory obligation to consider the following matters as a board of directors and may not delegate to management or to a committee of the Board any authority with respect to these matters:
  - (i) submit to the shareholders any question or matter requiring the approval of the shareholders,
  - (ii) fill a vacancy among the directors or in the office of auditor,
  - (iii) appoint additional directors,
  - (iv) issue securities except in the manner and on the terms authorized by the Board,
  - (v) declare dividends,

- (vi) purchase, redeem or otherwise acquire shares issued by the Corporation, except in the manner and on the terms authorized by the Board,
- (vii) pay a commission to any person in consideration of the person's purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for shares of the Corporation,
- (viii) approve a management proxy circular relating to a solicitation of proxies by or on behalf of the management of the Corporation,
- (ix) approve any annual financial statements of the Corporation and any interim financial statements that are required to be placed before the shareholders at an annual meeting held more than six months after the first day of a financial year, and
- (x) adopt, amend or repeal by-laws.

## 4.2 Reserves

- (a) The Board or a committee of the Board is responsible for the preparation and presentation of reserves data and other information associated with oil and gas activities and shall review, with reasonable frequency, the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities, including its procedures for complying with the disclosure requirements and restrictions contained in National Instrument 51-101 ("**NI 51-101**").
- (b) The Board or a committee of the Board is responsible for reviewing, with reasonable frequency, the Corporation's procedures for providing information to the qualified reserves evaluator or auditor who reports on reserves data.
- (c) Before approving the filing of reserves data and the report of a qualified reserves evaluator or auditor thereon, the Board or a committee of the Board shall meet with management and the qualified reserves evaluator or auditor to
  - (i) determine whether any restrictions affect the ability of the qualified reserves evaluator or auditor to report on reserves data without reservation, and
  - (ii) review the reserves data and the report of the qualified reserves evaluator or auditor.
- (d) As required by applicable law, the Board shall review and approve
  - (i) the content and filing of the Corporation's statements of reserves data and other oil and gas information on Form 51-101F1,
  - (ii) the filing of reports on reserves data by qualified reserves evaluators or auditors on Form 51-101F2, and
  - (iii) the content and filing of reports of management and directors on oil and gas activities on Form 51-101F3.

## 4.3 Strategic Planning

The Board is responsible for ensuring that there are long-term goals and a strategic planning process in place for the Corporation and participating with management directly or through its committees in approving the strategic plans by which the Corporation proposes to achieve its goals.

#### **4.4 Risk Management**

The Board is responsible for understanding the principal risks of the business in which the Corporation is engaged, achieving a proper balance between risks incurred and the potential return to shareholders, and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

#### **4.5 Appointment, Training and Monitoring of Senior Management**

The Board is responsible for

- (a) appointing the CEO, monitoring and assessing the CEO's performance, determining the CEO's compensation, and providing advice and counsel to the CEO in the execution of the CEO's duties,
- (b) approving the appointment and compensation of all other officers of the Corporation, and
- (c) confirming that adequate provision has been made for the training and development of management and for the orderly succession of management.

#### **4.6 Reporting and Communication**

The Board is responsible for

- (a) verifying that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally,
- (b) verifying that the financial performance of the Corporation is adequately reported to shareholders, other security holders, regulators and the public on a timely and regular basis,
- (c) verifying that the Corporation's financial results are prepared and reported fairly and in accordance with generally accepted accounting principles,
- (d) verifying the timely reporting of any other developments that have a material effect on the Corporation, and
- (e) reporting annually to shareholders on the Board's stewardship of the affairs of the Corporation for the preceding year.

The Board assigns to the chair of the Board and the CEO responsibility for bringing to the attention of the Board feedback received by them from shareholders and other stakeholders of the Corporation. To encourage and facilitate such feedback, instructions for submitting feedback will be disclosed annually in the Corporation's management information circular and will be posted on the Corporation's web site.

#### **4.7 Monitoring and Acting**

The Board is responsible for

- (a) verifying that the Corporation operates at all times within applicable laws and regulations to the highest ethical standards,
- (b) approving annual operating and capital budgets and amendments thereto outside of the range of delegation authorities,

- (c) approving and monitoring compliance with the significant policies and procedures by which the Corporation is operated,
- (d) verifying that the Corporation sets high environmental standards in its operations and is in compliance with environmental laws and regulations,
- (e) verifying that the Corporation has in place appropriate programs and policies for the health and safety of its employees in the workplace,
- (f) monitoring the Corporation's progress toward its goals and objectives and revising and altering its direction through management in response to changing circumstances,
- (g) taking action when the Corporation's performance falls short of its goals and objectives or when other circumstances warrant action,
- (h) verifying that the Corporation has implemented adequate information systems, disclosure controls and procedures, and internal control over financial reporting,
- (i) ensuring that the Board receives from senior management on a timely basis the information and input required to enable the Board to perform its duties effectively,
- (j) adopting a written business conduct charter and monitoring compliance with the charter, and
- (k) conducting and acting upon annual assessments and evaluations of the Board, committees of the Board and individual directors.

#### **4.8 Other**

The Board may exercise or delegate any other powers consistent with this mandate, the Corporation's articles and by-laws, and any governing laws, as the Board deems necessary or appropriate. The powers of the Board may be exercised by a resolution passed at a meeting of the Board at which a quorum is present or by a resolution in writing signed by all of the directors entitled to vote on that resolution at a meeting of the Board. If there is a vacancy in the Board, the remaining directors may exercise all the powers of the Board so long as a quorum remains in office. At each meeting of the Board, the independent directors shall have a meeting in the absence of non-independent directors and members of management.