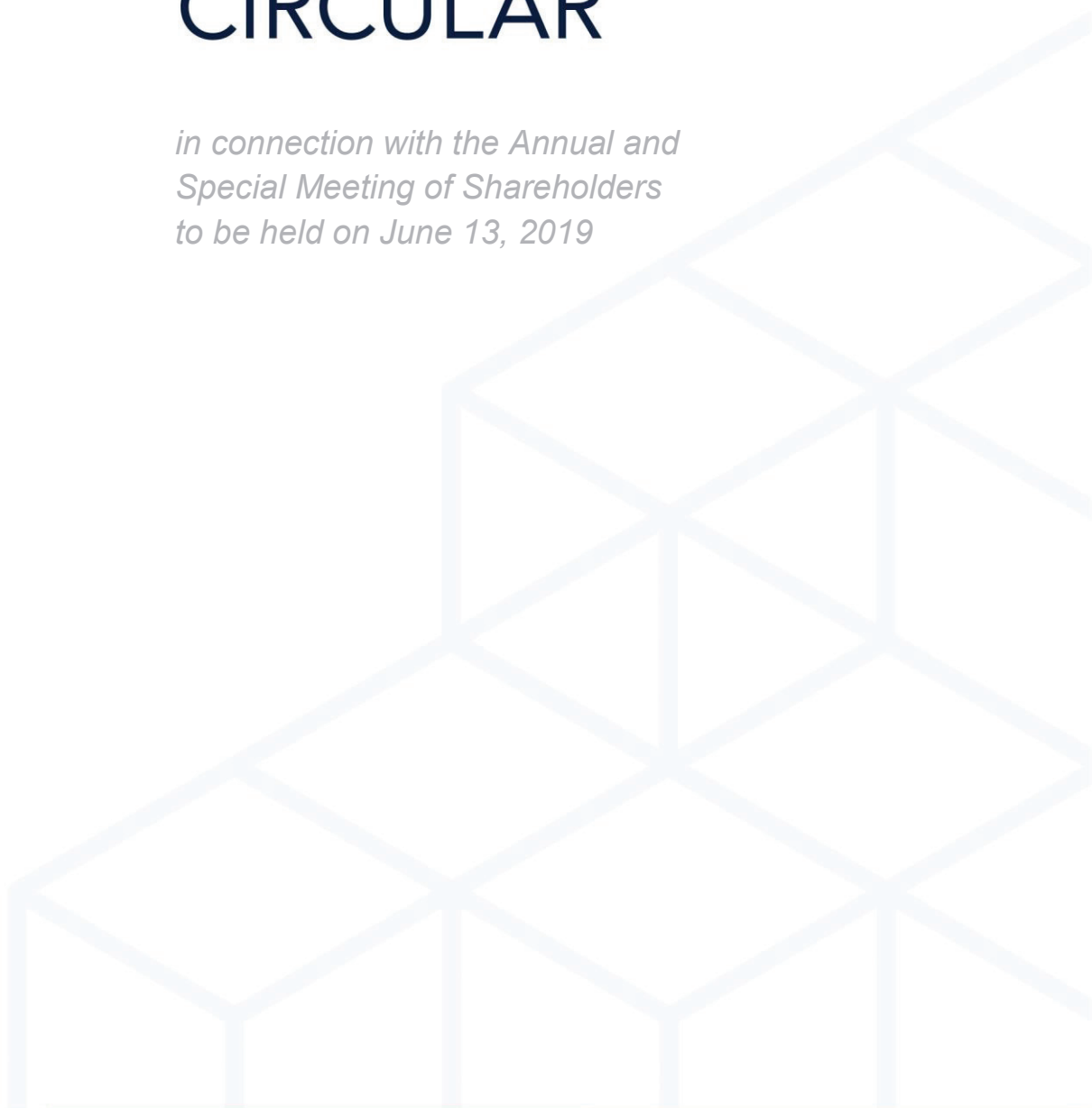


# MANAGEMENT INFORMATION CIRCULAR

*in connection with the Annual and  
Special Meeting of Shareholders  
to be held on June 13, 2019*



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Annual and Special Meeting of Shareholders  
to be held on June 13, 2019

## MANAGEMENT INFORMATION CIRCULAR

May 6, 2019

### 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 and special meeting (the "Meeting") of the shareholders (the "Shareholders") of the Corporation to be held at 3:00 p.m. MDT on June 13, 2019 in the Devonian Room at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue 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 May 6, 2019.

#### 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) for the approval of unallocated Options (as defined herein) under the Stock Option Plan (as defined herein); (iii) for approval of unallocated Restricted Share Units under the Treasury-Settled Restricted Share Unit Plan (as defined herein); (iv) for the amendment and restatement of the Corporation's by-law no. 3 and by-law no. 5, in the form of the Corporation's 2019 Consolidated General By-Law; (v) for the Corporation's approach to executive compensation (referred to as "Say on Pay"); and (vi) 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, well in advance of the Meeting.**

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 May 6, 2019, the Record Date of the Meeting, there were 296,871,189 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 May 6, 2019 (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 AND SPECIAL MEETING

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

The financial statements of the Corporation for the fiscal year ended December 31, 2018, 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

After taking the opportunity to consult with a limited number of stakeholders, the Board initiated a Board renewal process to facilitate an appropriately-timed turnover of Board members while also ensuring that the necessary skillsets and backgrounds continue to be in place to steward the ultimate potential of the Corporation going forward.

To provide continuity on the Board, the Board renewal process will be staged over two years, with two current members, Timothy Hodgson and David Krieger, not standing for re-election to the Board at the Meeting, and a third position to be filled because of the resignation of a former Board member on July 24, 2018.

The Board engaged Korn Ferry to search for qualified Board candidates to replace these individuals, which resulted in finding the three highly-qualified new Board candidates, Grant Billing, Ian Bruce and Judy Fairburn, who are nominated for election to the Board at the Meeting.

In accordance with the Corporation's Director Tenure Policy ("Tenure Policy"), two current members of the Board (Messrs. Klesse and McFarland) were deemed to have submitted resignations from the Board as a result of reaching the age of 72. However, on the recommendation of the Governance and Nominating Committee of the Board ("GNC") and after thorough consideration of the importance of providing continuity in critical Board positions and the critical skillset each provides to the Board, the Board rejected each of the resignations and asked both Mr. Klesse and Mr. McFarland to continue to serve on the Board. As such, Mr. Klesse and Mr. McFarland are nominated for election to the Board at the Meeting.

It is anticipated that similar Board renewal will occur at the 2020 annual meeting of shareholders.

The renewal process described above will provide material Board turnover, with at least four current members (of nine current Board members) leaving the Board, and five new members joining the Board (resulting in a Board with ten members) by the conclusion of the 2020 meeting of shareholders, which meeting must be held not later than June 2020. In addition, the Corporation's Diversity Policy has been amended to require that females and males each represent at least 20% of directors following the Meeting and a goal of reaching 30% following the annual general meeting in 2020, and to thereafter maintain such minimum levels of gender diversity among the Board.

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 ten directors will be elected at the Meeting. Shareholders will be asked at the Meeting to elect each of Jeffrey J. McCaig, Derek Evans, Grant Billing, Ian Bruce, Harvey Doerr, Judy Fairburn, Robert Hodgins, William R. Klesse, James D. McFarland, and Diana J. McQueen 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 Derek Evans, Grant Billing, Ian Bruce and Judy Fairburn, all of the proposed nominees were elected as directors at the annual meeting of shareholders of the Corporation held on May 31, 2018 for a term expiring upon the close of the next annual meeting of shareholders. Mr. Evans was appointed as a director by the Board on August 10, 2018. Grant Billing, Ian Bruce and Judy Fairburn are standing for election to the Board for the first time.

**Unless directed otherwise, the management designees named in the accompanying Instrument of Proxy intend to vote in favour of the election of Jeffrey J. McCaig, Derek Evans, Grant Billing, Ian Bruce, Harvey Doerr, Judy Fairburn, Robert Hodgins, William R. Klesse, James D. McFarland, and Diana J. McQueen 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 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, the Health, Safety and Environment and Reserves Committee (the "HSE & Reserves Committee") was first appointed by the Board on June 14, 2018, an ad hoc deleveraging committee (the "Deleveraging Committee") was first appointed by the Board on October 19, 2017 and was dissolved by the Board on September 25, 2018, 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 and were dissolved by the Board on September 25, 2018 and March 7, 2019, respectively, and an ad hoc Special Committee (the "Special Committee") was first appointed by the Board on August 10, 2018 and dissolved by the Board on March 7, 2019.



On a vote by way of ballot, each of the 9 nominees proposed as directors in the Corporation's management information circular dated April 24, 2018 were elected as directors at the annual meeting of shareholders of the Corporation held on May 31, 2018. The voting results were as follows:

<b>2018 Election of Directors Nominee</b>	<b>Votes For</b>		<b>Votes Withheld</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Harvey Doerr	218,699,416	99.40	1,316,782	0.60
Daniel S. Farb	219,488,207	99.76	527,991	0.24
Robert Hodgins	216,444,753	98.38	3,571,445	1.62
Timothy Hodgson	211,020,033	95.91	8,996,165	4.09
William R. Klesse	219,940,145	99.97	76,053	0.03
David B. Krieger	190,016,910	86.36	29,999,288	13.64
Jeffrey J. McCaig	211,217,260	96.00	8,798,938	4.00
James D. McFarland	190,762,368	86.70	29,253,830	13.30
Diana J. McQueen	217,791,715	98.99	2,224,483	1.01



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.

<b>Age:</b> <b>Municipality of residence:</b> <b>Offices held:</b> <b>Director since:</b>	<b>Jeffrey J. McCaig</b> 67 Calgary, Alberta, Canada Chairman of the Board and Director ( <b>Independent</b> ) March 1, 2014	
Mr. McCaig is the Chairman of the board of directors of the Trimac Group of Companies (a group of private transportation 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.		
<b>Board and Committee Memberships</b>	<b>2018 Attendance</b>	<b>2018 Board and Committee Attendance</b>
Board of Directors Search Committee	14 of 14 6 of 6	100%
<b>Securities Held<sup>(1)</sup></b>	<b>Complies with share ownership requirements?</b>	
583,443 Common Shares 21,316 RSUs 67,261 DSUs	Yes	
<b>2018 Annual Meeting Voting Results</b>	<b>Votes For</b>	<b>Votes Withheld</b>
	96.00%	4.00%

<b>Age:</b> <b>Municipality of residence:</b> <b>Offices held:</b> <b>Director since:</b>	<b>Derek W. Evans</b> 62 Calgary, Alberta, Canada President and Chief Executive Officer and a Director ( <b>Non-Independent</b> ) August 10, 2018	
Mr. Evans has been President, Chief Executive Officer and a director of the Corporation since August 10, 2018 and is currently a director of Franco-Nevada Corporation, a TSX and New York Stock Exchange (“NYSE”) listed issuer. He served as President and CEO and a director of Pengrowth Energy Corporation (an oil and natural gas company) from 2009 until March 15, 2018. From May to September 2009, Mr. Evans was President and Chief Operating Officer of Pengrowth Energy Trust. Mr. Evans served as President and CEO of Focus Energy Trust from May 2002 until March 2008. Mr. Evans has over 30 years of experience in a variety of operational and senior management positions in the oil and gas business in Western Canada. Mr. Evans holds a Bachelor of Science degree in Mining Engineering from Queen's University and is a registered Professional Engineer in Alberta. Mr. Evans is also a member of the Institute of Corporate Directors.		
<b>Board and Committee Memberships</b>	<b>2018 Attendance</b>	<b>2018 Board and Committee Attendance</b>
Board of Directors	7 of 7 <sup>(2)</sup>	100%
<b>Securities Held<sup>(1)</sup></b>	<b>Complies with share ownership requirements?</b>	
90,000 Common Shares	Yes	
<b>2018 Annual Meeting Voting Results</b>	<b>Votes For</b>	<b>Votes Withheld</b>
	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>

<b>Age:</b> <b>Municipality of residence:</b> <b>Offices held:</b> <b>Director since:</b>	<b>Grant Billing</b> 67 Calgary, Alberta, Canada Nominee ( <b>Independent</b> ) N/A <sup>(3)</sup>	
Grant Billing is a corporate director. Mr. Billing is currently the Chairman of the Board of Tervita Corporation and a director of Tervita Corporation since December 2016. He served as the Chairman and CEO of Superior Plus Corp. (an energy distribution and specialty chemicals company) between July 2006 and November 2011 and Executive Chairman between 1998 and 2006. He was Chairman of the board of directors of Superior Plus Corp. until December 31, 2014. Mr. Billing is also currently a corporate director of Badger Daylighting Ltd. and was formerly the Chair of the board of directors at Cortex Business Solutions Inc. He served as a director of Pembina Pipeline Corporation from April 2, 2012 to May 5, 2017. In addition, Mr. Billing has served as Chairman and director of several public companies and as director and Chairman of the Canadian Association of Petroleum Producers. Mr. Billing holds a Bachelor of Science degree from the University of Calgary and is a Chartered Professional Accountant.		
<b>Board and Committee Memberships</b>	<b>2018 Attendance</b>	<b>2018 Board and Committee Attendance</b>
N/A <sup>(3)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>
<b>Securities Held<sup>(1)</sup></b>	<b>Complies with share ownership requirements?</b>	
None	Yes	
<b>2018 Annual Meeting Voting Results</b>	<b>Votes For</b>	<b>Votes Withheld</b>
	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>

<b>Age:</b> <b>Municipality of residence:</b> <b>Offices held:</b> <b>Director since:</b>	<b>Ian Bruce</b> 66 Calgary, Alberta, Canada Nominee ( <b>Independent</b> ) N/A <sup>(3)</sup>	
<p>Ian Bruce is a corporate director. Mr. Bruce has served as Chair of the Board of Cameco Corporation since May 2018 and a director since 2012. He is the former president and CEO of Peters &amp; Co. Limited (an independent investment dealer). He has more than 30 years of experience in investment banking with specialization in corporate finance and mergers and acquisitions, predominantly in the oil and gas industry.</p> <p>Mr. Bruce is a fellow of the Chartered Professional Accountants of Alberta, a recognized Specialist in Valuation under Canadian CPA rules, and a chartered business valuator. He is a past member of the Expert Panel on Securities Regulation for the Minister of Finance of Canada and is also a past board member and chair of the Investment Industry Association of Canada. Mr. Bruce currently serves as a volunteer board member of the Opportunity Calgary Investment Fund (OCIF).</p> <p>Prior to becoming Chair of the Board of Cameco Corporation in May 2018, Mr. Bruce was a member of its audit and finance committee and chair of its human resources and compensation committee. Mr. Bruce is a director of the private company, Production Plus Energy Services Inc., and is also a member of its audit and compensation committees.</p>		
<b>Board and Committee Memberships</b>	<b>2018 Attendance</b>	<b>2018 Board and Committee Attendance</b>
N/A <sup>(3)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>
<b>Securities Held<sup>(1)</sup></b>	<b>Complies with share ownership requirements?</b>	
None	Yes	
<b>2018 Annual Meeting Voting Results</b>	<b>Votes For</b>	<b>Votes Withheld</b>
	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>

<b>Age:</b> <b>Municipality of residence:</b> <b>Offices held:</b> <b>Director since:</b>	<b>Harvey Doerr</b> 60 Calgary, Alberta, Canada Director ( <b>Independent</b> ) June 9, 2010	
<p>Mr. Doerr was the Interim President and Chief Executive Officer of the Corporation from June 1, 2018 to August 10, 2018. Mr. Doerr has more than 29 years of full-time experience in the oil and gas industry, including broad exposure to domestic and international exploration and production, heavy oil and oilsands, offshore, refining, retail marketing, acquisition and divestiture, strategic planning and government relations. He was previously Executive Vice President of Murphy Oil Corporation, responsible for worldwide refining and marketing operations and strategic planning. Prior thereto, Mr. Doerr held various positions in the upstream oil and gas industry with Murphy Oil Corporation and affiliates, primarily in Canada. Since his retirement from Murphy Oil in 2009, Mr. Doerr has continued his career as a professional director, serving on the boards of directors of a number of public, private and not-for-profit corporations. Currently, Mr. Doerr is Chair of the board of directors of Velvet Energy Ltd. and serves as a Director of Seven Generations Energy Ltd. Mr. Doerr earned a Bachelor of Science in Mechanical Engineering from the University of Alberta (1981). Mr. Doerr is a Professional Engineer, has completed the Advanced Management Program at Harvard Business School and holds the ICD.D designation from the Institute of Corporate Directors.</p>		
<b>Board and Committee Memberships</b>	<b>2018 Attendance</b>	<b>2018 Board and Committee Attendance</b>
Board of Directors Governance and Nominating Committee <sup>(4)</sup> HSE & Reserves Committee Special Committee	14 of 14 3 of 3 1 of 1 20 of 20	100%
<b>Securities Held<sup>(1)</sup></b>		<b>Complies with share ownership requirements?</b>
53,336 Common Shares 6,500 Options 44,349 RSUs 31,403 DSUs		Yes
<b>2018 Annual Meeting Voting Results</b>	<b>Votes For</b>	<b>Votes Withheld</b>
	99.40%	0.60%

<b>Age:</b> <b>Municipality of residence:</b> <b>Offices held:</b> <b>Director since:</b>	<b>Judy Fairburn</b> 55 Calgary, Alberta, Canada Nominee ( <b>Independent</b> ) N/A <sup>(3)</sup>	
<p>Ms. Fairburn serves as a director of Tundra Oil &amp; Gas (a private oil &amp; gas company), Veerum Inc. (a private digital tech company), Calgary Economic Development and the Public Policy Forum.</p> <p>Ms. Fairburn has over 30 years of experience in the energy sector with diverse executive and senior leadership roles. From 2009 until 2017, she held various senior leadership positions with Cenovus Energy Inc. (a Canadian integrated oil and natural gas company), recently as Executive Vice President, Safety and Chief Digital Officer. She has also made a significant impact to the innovation eco-system. Ms. Fairburn led substantial change as the first Chair of the consolidated Alberta Innovates, an agency of the Alberta government that funds, advises and provides scale-up support to innovators across the health, energy, agriculture, forestry and digital sectors. She also co-founded COSIA (Canada’s Oil Sands Innovation Alliance) and co-founded Evok Innovations – a unique cleantech / digital partnership and fund between entrepreneurs and industry.</p> <p>Ms. Fairburn holds a Master of Science degree in chemical engineering from the University of Calgary and a Master of Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario. She is a Fellow of the Creative Destruction Lab and the Canadian Academy of Engineering and was honoured for Canadian sustainable development leadership as a 2013 Clean 16 award winner.</p>		
<b>Board and Committee Memberships:</b>	<b>2018 Attendance</b>	<b>2018 Board and Committee Attendance</b>
N/A <sup>(3)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>
<b>Securities Held<sup>(1)</sup></b>	<b>Complies with share ownership requirements?</b>	
None	Yes	
<b>2018 Annual Meeting Voting Results</b>	<b>Votes For</b>	<b>Votes Withheld</b>
	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>

<b>Age:</b> <b>Municipality of residence:</b> <b>Offices held:</b> <b>Director since:</b>	<b>Robert Hodgins</b> 67 Calgary, Alberta, Canada Director ( <b>Independent</b> ), Chair of Audit Committee September 23, 2010	
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 and has been Senior Advisor, Investment Banking of Canaccord Genuity Corp. (an independent investment bank) since September 2018. 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.		
<b>Board and Committee Memberships</b>	<b>2018 Attendance</b>	<b>2018 Board and Committee Attendance</b>
Board of Directors Audit Committee Compensation Committee Deleveraging Committee Hedging Committee Special Committee	14 of 14 5 of 5 9 of 9 5 of 5 4 of 4 20 of 20	100%
<b>Securities Held<sup>(1)</sup></b>	<b>Complies with share ownership requirements?</b>	
11,796 Common Shares 6,500 Options 19,946 RSUs 38,153 DSUs	Yes	
<b>2018 Annual Meeting Voting Results</b>	<b>Votes For</b>	<b>Votes Withheld</b>
	98.38%	1.62%



<b>Age:</b> <b>Municipality of residence:</b> <b>Offices held:</b> <b>Director since:</b>	<b>William R. Klesse</b> 72 San Antonio, Texas, United States Director ( <b>Independent</b> ), Chair of HSE & Reserves Committee June 28, 2016	
Mr. Klesse is the former CEO and former Chairman of the Board of Valero Energy Corporation ("Valero") (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 CEO 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. Mr. Klesse is currently a director of Occidental Petroleum Corporation. 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&M University.		
<b>Board and Committee Memberships</b>	<b>2018 Attendance</b>	<b>2018 Board and Committee Attendance</b>
Board of Directors HSE & Reserves Committee Hedging Committee	14 of 14 1 of 1 2 of 4	89%
<b>Securities Held<sup>(1)</sup></b>	<b>Complies with share ownership requirements?</b>	
225,000 Common Shares 20,058 RSUs 32,326 DSUs	Yes	
<b>2018 Annual Meeting Voting Results</b>	<b>Votes For</b>	<b>Votes Withheld</b>
	99.97%	0.03%

<b>Age:</b> <b>Municipality of residence:</b> <b>Offices held:</b> <b>Director since:</b>	<b>James D. McFarland</b> 72 Calgary, Alberta, Canada Director ( <b>Independent</b> ), Chair of Compensation Committee June 9, 2010	
<p>Mr. McFarland is a co-founder and has been a director of Valeura Energy Inc. (a Canada-based public company engaged in the exploration, development and production of petroleum and natural gas in Turkey) since April 2010 and served as President and CEO, until his retirement in December 2017. He has over 46 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, Valeura Energy Inc. and Arrow Exploration Corp. and serves on the Congress Program Committee of the World Petroleum Council. Mr. McFarland received a Bachelor of Science (Honours) (Chemical Engineering) from Queen's University at Kingston, a Master of Science (Petroleum Engineering) from the University of Alberta, completed the Executive Development Program at Cornell University, received the designation of Professional Engineer in 1974 and is a member of the Institute of Corporate Directors. In 2003, Mr. McFarland was awarded the Australian Centenary Medal for Outstanding Service through Business and Commerce.</p>		
<b>Board and Committee Memberships</b>	<b>2018 Attendance</b>	<b>2018 Board and Committee Attendance</b>
Board of Directors Audit Committee <sup>(5)</sup> Compensation Committee Governance and Nominating Committee HSE & Reserves Committee Search Committee	13 of 14 2 of 2 9 of 9 3 of 3 1 of 1 6 of 6	97%
<b>Securities Held<sup>(1)</sup></b>	<b>Complies with share ownership requirements?</b>	
23,039 Common Shares 6,500 Options 13,196 RSUs 44,903 DSUs	Yes	
<b>2018 Annual Meeting Voting Results</b>	<b>Votes For</b>	<b>Votes Withheld</b>
	86.70%	13.30%

<b>Age:</b> <b>Municipality of residence:</b> <b>Offices held:</b> <b>Director since:</b>	<b>Diana J. McQueen</b> 57 Drayton Valley, Alberta, Canada Director ( <b>Independent</b> ), Chair of Governance and Nominating Committee October 6, 2015	
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.		
<b>Board and Committee Memberships</b>	<b>2018 Attendance</b>	<b>2018 Board and Committee Attendance</b>
Board of Directors	14 of 14	100%
Compensation Committee	9 of 9	
Governance and Nominating Committee <sup>(6)</sup>	3 of 3	
HSE & Reserves Committee	1 of 1	
Search Committee	6 of 6	
Special Committee	20 of 20	
<b>Securities Held<sup>(1)</sup></b>	<b>Complies with share ownership requirements?</b>	
18,984 Common Shares 13,196 RSUs 44,750 DSUs	Yes	
<b>2018 Annual Meeting Voting Results</b>	<b>Votes For</b>	<b>Votes Withheld</b>
	98.99%	1.01%

**Notes:**

- (1) 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.
- (2) Mr. Evans was appointed a director on August 10, 2018.
- (3) Messrs. Billing and Bruce and Ms. Judy Fairburn, did not serve as directors in 2018. They are nominated for election as directors at the Meeting.
- (4) Mr. Doerr resigned from the GNC, of which he also served as Chair, on April 12, 2018. Mr. Doerr was reappointed a member of the GNC on August 10, 2018.
- (5) Mr. McFarland was appointed a member of the Audit Committee on July 27, 2018.
- (6) 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 TSX 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.

Derek Evans was a director (until his resignation in January 2016) of Endurance Energy Ltd. (a private oil and gas company) that sought protection under the *Companies' Creditors Arrangement Act* (Canada) in May 2016.

### ***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. Approval of Unallocated Stock Options

The TSX Company Manual requires that every three years after the institution by an issuer of a security based compensation arrangement which does not have a fixed maximum number of securities issuable under such arrangement, all unallocated rights, options or other entitlements under such arrangement must be approved by a majority of the issuer's directors and by the issuer's security holders. The Corporation's current Stock Option Plan (the "Stock Option Plan") was instituted on June 9, 2010, amended and restated May 3, 2016, further amended December 1, 2016 and most recently ratified and approved by the Corporation's directors in May 2016 and by majority of the Corporation's security holders at the Annual and Special Meeting of Shareholders held on June 28, 2016. After June 28, 2019, all unallocated rights, options or other entitlements under the Stock Option Plan must be ratified and approved by a majority of the Corporation's directors and by the Corporation's security holders prior to any further securities being issued under the Stock Option Plan. The unallocated Options under the Stock Option Plan, as well as further amendments to the Stock Option Plan, were ratified and approved by the Corporation's directors on April 24, 2019.

The Stock Option Plan authorizes the Board to grant options to purchase Common Shares ("Options") to officers, employees and consultants of the Corporation and any of its subsidiaries and the Stock Option Plan also governs 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 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 amended Stock Option Plan dated April 24, 2019 are summarized below. A summary of the material amendments to the Stock Option Plan is provided below under "Material Amendments Approved by the Board on April 24, 2019." 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 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 Options to 5% 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 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 Options. Pursuant to the TSX rules, shareholder approval with respect to all unallocated 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 5% 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 5% 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 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 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 Options shall be entitled to, offered or provided by the Corporation any financial assistance of any kind for the purpose of exercising any 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 Options may be exercised, Options may be exercised for a term not exceeding 10 years from the date of grant. Upon expiration, unexercised Options become null and void. The Corporation sets the vesting schedule of Options at the date of grant. The Corporation's general practice since being 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 an 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 Options in a grant and may be graduated such that different percentages (which may be greater or lesser than 100%) of the 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 an 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 Options ceases to be a Service Provider:

- by reason of death, all outstanding unvested Options held by such holder will vest and be immediately exercisable. Only the person(s) to whom the holder's rights under the Options pass by the holder's will, or applicable law, will have the right to exercise the holder's outstanding and vested Options at any time up to and including (but not after) the expiry date of such Options;

- by reason of retirement, all outstanding unvested Options held by such holder will be governed by the policies of the Corporation in effect at the time the Participant ceases to be a Service Provider due to retirement;
- by reason of termination for cause, all 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 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 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 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 Options.

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

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 Options at any time up to and including (but not after) the expiry date of the 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 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 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 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 Options in respect of the Options shall terminate and such holders shall cease to have any further rights in respect thereof.

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

In respect of Options granted prior to June 13, 2019 only, 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 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 Options, each holder shall have the right to exercise such 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 Options. A "Change of Control" occurs upon the happening of any of the following: (i) 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); (ii) 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); (iii) the sale by the Corporation of all or substantially all of its assets (other than to an affiliate of the Corporation); (iv) 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 (v) any other event which, in the opinion of the Board, reasonably constitutes a change of control of the Corporation.

In respect of Options granted on or after June 13, 2019 only, in the event of a Change of Control, and within one hundred and eighty (180) days immediately following a Change of Control, a Service Provider ceases to be a Service Provider as a result of involuntary termination, other than termination for cause, all outstanding Options granted to such terminated Service Provider shall vest and be immediately exercisable and such Service Provider shall have the right to exercise the Options at any time up to and including (but not after) the earlier of: (i) the date which is one-hundred twenty(120) days following such termination date; and (ii) the Expiry Date of the Options.

In the event of a Change of Control, and within one hundred and eighty (180) days immediately following a Change of Control, the Stock Option Plan is terminated by the Corporation, all outstanding Options shall vest on the effective date of discontinuance of the Stock Option Plan and be immediately exercisable and each holder shall have the right to exercise the Options at any time up to and including (but not after) the earlier of: (i) the date which is one hundred and twenty (120) days following the effective date of discontinuance of the Plan; and (ii) the Expiry Date of the Options.

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 Options to exercise all unexercised vested Options and any unvested Options which would vest on Change of Control, 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 Options, terminate such 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 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 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 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 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 Options; (vi) changes to the terms and conditions on which Options may be or have been granted pursuant to the Stock Option Plan, including a change to, or acceleration of, the vesting provisions of Options; (vii) amendments to the treatment of Options on ceasing to be a Service Provider; and (viii) a change to the termination provisions of 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 an Option and subsequently issuing the holder of such Option a new Option in replacement thereof; (iii) extending the term of an Option; (iv) modifying or amending the Stock Option Plan to permit 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 Options held thereunder or terminate the Stock Option Plan, provided that: (i) no amendment may, without the written consent of the holder of an Option, materially and adversely impair, alter or amend any Option previously granted to such holder; and (ii) a termination of the Stock Option Plan shall not derogate from the rights of holders of Options held prior to the date of such termination, unless otherwise consented to by such holders.

### ***Number of Options Outstanding***

As of December 31, 2018, a total of 8,517,432 Options held under the Stock Option Plan remained outstanding (representing approximately 2.9% of the outstanding Common Shares). See "Securities Authorized for Issuance Under Security-Based Compensation Plans" below.

## **Material Amendments Approved by the Board on April 24, 2019**

As a result of a comprehensive review by the Compensation Committee of MEG's LTI plans, on April 24, 2019 the Board approved certain amendments to the Stock Option Plan which are described below. The amendments do not require Shareholder approval under the terms of the Stock Option Plan nor under the rules of the TSX.

### *Definition of Change of Control*

The amended Stock Option Plan provides greater clarity as to the precise moment at which a Change of Control occurs by specifying that in the event of a take-over, Change of Control occurs upon take-up of common shares.

### *Share Reserve*

MEG has determined to reduce the percentage of outstanding Common Shares reserved for issuance pursuant to the Stock Option Plan and other security-based compensation arrangements of the Corporation from 6% to 5%.

As of May 6, 2019, there are 8,389,485 Options outstanding (2.83% of the issued and outstanding Common Shares) and 313,360 Options unallocated under the amended Stock Option Plan. Based on the 296,871,189 Common Shares issued and outstanding as of May 6, 2019, and assuming no further grants of RSUs pursuant to the Treasury-Settled RSU Plan, an aggregate of 313,360 Options (representing approximately 0.11% of the outstanding Common Shares) shall remain issuable under the amended Stock Option Plan with a "rolling 5%" plan limit.

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

The current Stock Option Plan contains a single trigger which provides for vesting of all outstanding Options on Change of Control. With the amended Stock Option Plan MEG will retain the single trigger provision relating to acceleration of vesting on Change of Control in respect of Options that were granted prior to June 13, 2019 and add a new double trigger provision relating to acceleration of vesting on Change of Control in respect of Options that are granted on or after June 13, 2019 which will provide that vesting of such Options occurs upon termination of a holder within one hundred and eighty (180) days following a Change of Control.

The amended Stock Option Plan also provides for accelerated vesting of all outstanding Options on a Change of Control where the Stock Option Plan is discontinued within one hundred and eighty (180) days following a Change of Control. See "Approval of Unallocated Stock Options – Acceleration of Vesting on Change of Control" above.

## **Approval Required**

Shareholders will be asked at the Meeting to consider and, if deemed advisable, approve the following ordinary resolution approving all unallocated Options under the amended Stock Option Plan dated April 24, 2019:

**"BE IT RESOLVED**, as an ordinary resolution, **THAT**:

1. all unallocated options (including the common shares to be issued pursuant to the exercise of such options) under the Corporation's Stock Option Plan are hereby approved;
2. the Corporation shall have the ability to continue granting options under the Corporation's Stock Option Plan until June 13, 2022, which is the date that is three years from the date of the shareholder meeting at which shareholder approval is being sought;

3. any one director or officer of the Corporation be and is hereby authorized and directed to do all such further acts and things and to execute such further agreements and other documents for and on behalf of the Corporation as such director or officer may consider necessary, desirable or useful having regard to this resolution; and
4. notwithstanding that this resolution has been passed by the shareholders of the Corporation, the directors of the Corporation are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Corporation, at any time if such revocation is considered necessary or desirable by the directors."

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. It is the intention of the management designees named in the accompanying Instrument of Proxy to vote proxies "FOR" approval of the ordinary resolution above, unless otherwise directed.**

All existing outstanding grants of Options under the Stock Option Plan will continue in effect even if Shareholder approval of the foregoing resolution is not obtained at the Meeting, and notwithstanding the fact that greater than three years will have passed since the last approval of unallocated Options under the Stock Option Plan at the annual and special meeting of Shareholders held on June 28, 2016. If Shareholder approval of the foregoing resolution is not obtained at the Meeting, all Options which are not allocated as of June 28, 2019 and all Options which were outstanding as of June 28, 2019 and are subsequently cancelled, terminated or exercised will not be available for grant or re-grant, as applicable, under the amended Stock Option Plan.

#### **4. Approval of Unallocated Treasury-Settled Restricted Share Units**

The TSX Company Manual requires that every three years after the institution by an issuer of a security based compensation arrangement which does not have a fixed maximum number of securities issuable under such arrangement, all unallocated rights, options or other entitlements under such arrangement must be approved by a majority of the issuer's directors and by the issuer's security holders. The Corporation's current treasury-settled Restricted Share Unit Plan (the "Treasury-Settled RSU Plan") was instituted on June 9, 2010, amended and restated May 3, 2016, further amended December 1, 2016, and most recently ratified and approved by the Corporation's directors in May 2016 and by majority of the Corporation's security holders at the Annual and Special Meeting of Shareholders held on June 28, 2016. After June 28, 2019, all unallocated rights, options or other entitlements under the Treasury-Settled RSU Plan must be ratified and approved by a majority of the Corporation's directors and by the Corporation's security holders prior to any further securities being issued under the Treasury-Settled RSU Plan. The unallocated rights, options or other entitlements under the Treasury-Settled RSU Plan, as well as further amendments to the Treasury-Settled RSU Plan, were ratified and approved by the Corporation's directors on April 24, 2019.

The Treasury-Settled RSU Plan authorizes the Board to grant restricted share units ("RSUs") to directors, officers, employees and consultants of the Corporation and any of its subsidiaries (such directors, officers, employees and consultants each individually a "Participant" and collectively "Participants"). RSUs also may be granted under the Treasury-Settled RSU Plan as PSUs, to the extent performance conditions are attached. The purpose of the Treasury-Settled RSU Plan 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 directors, officers and employees for significant performance.

The material terms of the amended Treasury-Settled RSU dated April 24, 2019 Plan are summarized below. A summary of the material amendments to the Treasury-Settled RSU Plan is provided below under "Material

Amendments Approved by the Board on April 24, 2019." Capitalized terms used in the following summary and not previously defined are as defined in the Treasury-Settled RSU Plan.

### ***Administration***

The Treasury-Settled RSU Plan is administered by the Board, which has the sole and complete authority, in its discretion, to: (a) interpret the Treasury-Settled RSU Plan and the agreements under which RSUs are granted (the "Grant Agreements") and prescribe, modify and rescind rules and regulations relating to the Treasury-Settled RSU Plan and the Grant Agreements; (b) correct any defect or supply any omission or reconcile any inconsistency in the Treasury-Settled RSU Plan in the manner and to the extent it considers necessary or advisable for the implementation and administration of the Treasury-Settled RSU Plan; (c) exercise rights reserved to the Corporation under the Treasury-Settled RSU Plan; (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 Treasury-Settled RSU Plan; and (f) make all other determinations and take all other actions as it considers necessary or advisable for the implementation and administration of the Treasury-Settled RSU Plan.

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 5% 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 5% 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 5% 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 Treasury-Settled 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."



## ***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 Treasury-Settled 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 Treasury-Settled 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 Treasury-Settled RSU Plan, 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 Treasury-Settled RSU Plan, 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 Treasury-Settled RSU Plan).

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 Treasury-Settled RSU Plan during the 6 month period following such Separation from Service if payment of such amounts at the time indicated in the Treasury-Settled 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 on or prior to the Participant's Termination Date will terminate and become null and void as of such date. If a Participant's Termination Date occurs during a Blackout Period (as defined in the Treasury-Settled RSU Plan) and the blackout provisions of the Treasury-Settled RSU Plan have the effect of deferring vesting and payout of RSUs until a date that is beyond the Participant's Termination Date, such Participant's Termination Date will be deemed to be deferred to correspond with such deferred vesting and payout 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 Treasury-Settled RSU Plan and any applicable grant agreement. Where RSUs impacted by such accelerated vesting have been granted as PSUs, a deemed multiplier of 1.0 will be applied to any PSUs that have not yet become eligible to vest as at the date of death. 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 at the time of the Participant's Termination Date due to retirement.

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 Treasury-Settled RSU Plan 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 thereunder 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 Treasury-Settled RSU Plan. 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 Treasury-Settled RSU Plan 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***

In respect of RSUs granted prior to June 13, 2019 only, for all Participants, the occurrence of an event of Change of Control (as that term is defined above under "Approval of Unallocated Stock Options – 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 and payout of all outstanding RSUs and, provided that a Participant's Termination Date has not occurred 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. Where RSUs impacted by such accelerated vesting and payout have been granted as PSUs, the multipliers to be applied to each PSU grant will be calculated using the multiplier that has already been determined in respect of PSUs that were eligible to vest prior to the occurrence of the Change of Control and by using a multiplier of 1.0 in respect of any PSUs that have not yet become eligible to vest as at 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 respect of RSUs granted on or after June 13, 2019 only, for all Participants, the occurrence of an event of a Change of Control, followed within one hundred and eighty (180) days of a Change of Control by the occurrence of a Termination Date in respect of a Participant as a result of involuntary termination, other than by way of termination for cause, will result in the vesting and payout of all outstanding RSUs upon the occurrence of the Termination Date. Where RSUs impacted by such accelerated vesting and payout have been granted as PSUs, the multipliers to be applied to each PSU grant will be: (i) in respect of one or more performance year(s) that is(are) complete at the time a change of control occurs, any multiplier(s) already determined and approved by the Board; (ii) in respect of a performance year during which a change of control occurs, a multiplier to be determined and approved by the Board based on satisfaction of performance criteria as at the time of occurrence of a change of control ; and (iii) in respect of any performance year that has not yet begun as at the time a change of control occurs, a multiplier to be determined by calculating an average of the multipliers determined pursuant to (i) if applicable and (ii). Where a Change of Control has occurred but a Participant's PSUs have not been made subject to such accelerated vesting and payout, such PSUs will continue to vest and payout in accordance with the terms of the relevant grant agreement however the foregoing multipliers shall apply.

In the event of a Change of Control, and within one hundred and eighty (180) days immediately following a Change of Control, the Treasury-Settled RSU Plan is terminated by the Corporation, all outstanding RSUs will vest and payout effective as of the date of discontinuance of the Plan. Where RSUs impacted by such accelerated vesting and payout have been granted as PSUs, the multipliers to be applied to each PSU grant will be: (i) in respect of a performance year that is complete at the time a change of control occurs, any multiplier already determined and approved by the Board; (ii) in respect of a performance year during which a change of control occurs, a multiplier to be determined and approved by the Board based on satisfaction of performance criteria as at the time of occurrence of a change of control; and (iii) in respect of any performance year that has not yet begun as at the time a change of control occurs, a multiplier to be determined by calculating an average of the multipliers determined pursuant to (i) if applicable and (ii).

In respect of RSUs granted prior to June 13, 2019 only, if 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.

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

The Treasury-Settled RSU Plan 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 Treasury-Settled RSU Plan, 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 Treasury-Settled RSU Plan, subject to the relevant provisions of the Treasury-Settled RSU Plan relating to accelerated vesting on Change of Control set forth above under "*Adjustments for Certain Corporate Events*" or 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 Treasury-Settled 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. The Treasury-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 Treasury-Settled RSU Plan or any RSU granted thereunder in such respects as it may consider advisable and, it may do so to: (a) ensure that RSUs 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 the Treasury-Settled RSU Plan that is inconsistent with any other provision thereof; (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 thereunder; (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 Treasury-Settled RSU Plan.

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 Treasury-Settled RSUs Outstanding***

As of December 31, 2018, a total of 6,534,070 treasury-settled RSUs were outstanding under the Treasury-Settled RSU Plan (being equal to approximately 2.2% of the outstanding Common Shares). Of the 6,534,070 treasury-settled RSUs outstanding, 534,708 were granted as PSUs. See "Securities Authorized for Issuance Under Security-Based Compensation Plans" below.

## ***Material Amendments Approved by the Board on April 24, 2019***

As a result of a comprehensive review by the Compensation Committee of MEG's LTI plans, on April 24, 2019 the Board approved certain amendments to the Treasury-Settled RSU Plan which are described below. The amendments do not require Shareholder approval under the terms of the RSU Plan nor under the rules of the TSX.

### ***Definition of Change of Control***

The amended Treasury-Settled RSU Plan provides greater clarity as to the precise moment at which a Change of Control occurs by specifying that in the event of a take-over, Change of Control occurs upon take-up of common shares.

### ***Share Reserve***

MEG has determined to reduce the percentage of outstanding Common Shares reserved for issuance pursuant to the Treasury-Settled RSU Plan and other security-based compensation arrangements of the Corporation from 6% to 5%.

As of May 6, 2019, there are 6,140,714 treasury-settled RSUs outstanding (2.07% of the issued and outstanding Common Shares) and 313,360 treasury-settled RSUs unallocated under the amended Treasury Settled RSU Plan. Based on the 296,871,189 Common Shares issued and outstanding as of May 6, 2019, and assuming no further grants of Options pursuant to the amended Stock Option Plan, an aggregate of 313,360 treasury-settled RSUs (representing approximately 0.11% of the outstanding Common Shares) shall remain issuable under the amended Treasury Settled RSU Plan with a "rolling 5%" plan limit.

### ***Acceleration of Vesting on Death of a Participant***

The current Treasury-Settled RSU Plan provides for accelerated vesting of all outstanding RSUs on the death of a Participant. The amended Treasury-Settled RSU Plan provides that where vesting of PSUs is accelerated, the multiplier to be applied to a given grant of PSUs will be determined based on any multiplier that has already been determined in respect of PSUs that were eligible to vest prior to the date of death and by using a deemed multiplier of 1.0 in respect of performance share units that had not yet become eligible to vest as at the date of death of a Participant.

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

The current Treasury-Settled RSU Plan contains a single trigger which provides for vesting of all outstanding RSUs on Change of Control. With the amended Treasury-Settled RSU Plan MEG will retain the single trigger provision relating to acceleration of vesting on Change of Control in respect of RSUs that were granted prior to June 13, 2019 and add a new double trigger provision relating to acceleration of vesting and payout on Change of Control in respect of RSUs that are granted on or after June 13, 2019 which will provide that vesting and payout of such RSUs occurs upon involuntary termination, other than termination for cause, of a holder within one hundred and eighty (180) days following a Change of Control. Where vesting and payout of PSUs is accelerated, the multipliers to be applied to PSUs granted prior to June 13, 2019 will be determined based on a combination of actual performance where multipliers have already been determined together with a deemed multiplier of 1.0 for performance years for which a multiplier has not yet been determined at the time of Change of Control, and for PSUs granted on or after June 13, 2019 will be determined based on actual performance measured at the time of Change of Control.

The amended Treasury-Settled RSU Plan also provides for accelerated vesting and payout on Change of Control where the Treasury-Settled RSU Plan is discontinued within one hundred and eighty (180) days following a Change of Control. Where vesting and payout of PSUs is accelerated to the date of discontinuance of the Plan, the multipliers to be applied to a given grant of PSUs will be determined based on actual performance measured at the time of Change



of Control. See "Approval of Unallocated Treasury-Settled Restricted Share Units – Acceleration of Vesting on Change of Control" above.

### Approval Required

Shareholders will be asked at the Meeting to consider and, if deemed advisable, approve the following ordinary resolution approving all unallocated Restricted Share Units under the amended Treasury-Settled RSU Plan dated April 24, 2019:

**"BE IT RESOLVED**, as an ordinary resolution, **THAT**:

1. all unallocated restricted share units (including the common shares to be reserved for issuance pursuant to grants of such restricted share units) under the Corporation's Treasury-Settled RSU Plan are hereby approved;
2. the Corporation shall have the ability to continue granting restricted share units under the Corporation's Treasury-Settled RSU Plan until June 13, 2022, which is the date that is three years from the date of the shareholder meeting at which shareholder approval is being sought;
3. any one director or officer of the Corporation be and is hereby authorized and directed to do all such further acts and things and to execute such further agreements and other documents for and on behalf of the Corporation as such director or officer may consider necessary, desirable or useful having regard to this resolution; and
4. notwithstanding that this resolution has been passed by the shareholders of the Corporation, the directors of the Corporation are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Corporation, at any time if such revocation is considered necessary or desirable by the directors."

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. It is the intention of the management designees named in the accompanying Instrument of Proxy to vote proxies "FOR" approval of the ordinary resolution above, unless otherwise directed.**

All existing outstanding grants of restricted share units under the Treasury-Settled RSU Plan will continue in effect even if Shareholder approval of the foregoing resolution is not obtained at the Meeting, and notwithstanding the fact that greater than three years will have passed since the last approval of unallocated restricted share units under the Treasury-Settled RSU Plan at the annual and special meeting of Shareholders held on June 28, 2016. If Shareholder approval of the foregoing resolution is not obtained at the Meeting, all RSUs which are not allocated as of June 28, 2019 and all RSUs which were outstanding as of June 28, 2019 and are subsequently cancelled, terminated or exercised will not be available for grant or re-grant, as applicable, under the amended Treasury-Settled RSU Plan.

## 5. Confirmation of 2019 Consolidated General By-Law

The Board and Shareholders adopted Amended and Restated By-Law No. 3 ("By-Law No. 3") in 2009, which was further amended by the Board in 2016, and ratified by Shareholders at the Corporation's annual and special meeting of Shareholders held in 2016. By-Law No. 3 related generally to the conduct of the business and affairs of the Corporation. In addition to By-Law No. 3, the Corporation's existing By-Law No. 4 specifically addresses the Corporation's borrowing powers (the "Borrowing By-Law"). In 2015, the Board adopted By-Law No. 5, related to the advance notice of nominations for the election of directors to the Board ("By-Law No. 5"). By-Law No. 5 was ratified by Shareholders at the Corporation's annual and special meeting of Shareholders held in 2015.

In 2019, the GNC reviewed By-Law No. 3 and recommended to the Board that it be amended to: (a) contemplate the Corporation's ability to utilize the notice-and-access provisions of applicable securities laws in respect of the delivery of materials to Shareholders in connection with meetings of shareholders ("notice-and-access"); (b) consolidate the Corporation's By-Law No. 5 into the same by-law, and address the timing for the provision of advance notice for the nomination of directors in light of the potential use by the Corporation of notice-and-access; (c) contemplate the ability of the Corporation to facilitate participation and voting at meetings of Shareholders by electronic means; and (d) address the transfer of securities in the context of the *Securities Transfer Act* (Alberta) and the holding of securities in non-registered form, and update other references to legislation that has been amended since the Corporation's by-laws were originally adopted. Accordingly, at a meeting of the Board held on April 24, 2019, the Board approved an amendment and restatement of By-Law No. 3 and By-Law No. 5 and renamed the combined amended and restated by-law the "2019 Consolidated General By-Law". The 2019 Consolidated General By-Law is in effect until it is confirmed or rejected by Shareholders at the Meeting and, if confirmed, will continue in effect. In the event the 2019 Consolidated General By-Law is rejected by Shareholders at the Meeting, By-Law No. 3 and By-Law No. 5 will continue, unamended, in their prior form. As the Borrowing By-Law has not been amended, it is not being submitted for ratification by Shareholders at the Meeting.

### ***Summary of Amendments***

The following is only a summary of the principal amendments reflected in the 2019 Consolidated General By-Law relative to the Corporation's prior By-Law No. 3 and By-Law No. 5. The entire text of the 2019 Consolidated General By-Law has been filed under MEG's profile on SEDAR at [www.sedar.com](http://www.sedar.com) as "Documents Affecting Securityholders". Shareholders are urged to review the 2019 Consolidated General By-Law in its entirety.

### **Notice and Access**

The implementation of notice-and-access under applicable securities laws permits an issuer, under certain circumstances, to provide Shareholders with access to materials prepared for a meeting of Shareholders rather than to deliver such materials to Shareholders. To ensure that the Corporation's by-laws were not inconsistent with notice-and-access, paragraph 54 of the 2019 Consolidated General By-Law, addressing notices of meetings of Shareholders, has been amended to include the following:

"Notwithstanding the foregoing, subject to the Act and Applicable Securities Laws, for so long as the Corporation is a distributing corporation any notice of a meeting of shareholders shall be sufficiently given if given in accordance with the requirements applicable to notice-and-access."

In addition, the following definitions have been added to the 2019 Consolidated General By-Law:

"Applicable Securities Laws" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the written rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and



notices of the securities commissions and similar regulatory authorities of each relevant province and territory of Canada;

...

"notice-and-access" has the meaning ascribed to that term under Applicable Securities Laws;"

#### Advance Notice of Director Nominations

The 2019 Consolidated General By-Law consolidates the procedures for providing advance notice of director nominations previously contained in By-Law No. 5. As consolidated, the advance notice provisions of the 2019 Consolidated General By-Law are substantially the same as previously contained in By-Law No. 5, with the following amendments.

Paragraph 61(c) has been added to address the manner and timing for providing timely notice of director nominations where the Corporation has elected to use notice-and-access:

- "(c) in the case of an annual meeting (including an annual and special meeting) of shareholders or a special meeting of shareholders called for the purpose of electing directors (whether or not also called for other purposes) where notice-and-access is used for delivery of proxy related materials, not less than forty (40) days prior to the date of the meeting; provided, however, that in the event that the meeting is to be held on a date that is less than fifty (50) days after the Notice Date, notice by the Nominating Shareholder shall be made, in the case of an annual meeting of shareholders, not later than the close of business on the tenth (10th) day following the Notice Date and, in the case of a special meeting of shareholders, not later than the close of business on the fifteenth (15th) day following the Notice Date."

The requirement to deliver timely notice not less than 40 days prior to the date of the applicable Shareholder meeting where notice-and-access is used is consistent with the timeframes accepted by proxy advisory firms to support notice-and-access provisions.

In addition, to address whether a nominee would be "independent" under applicable securities laws, paragraph 62(a)(iv) has been added to require:

- "(iv) a statement as to whether the Proposed Nominee would be "independent" of the Corporation (within the meaning of Applicable Securities Laws) if elected as a director at such meeting and the reasons and basis for such determination;"

The remaining amendments to the advance notice provisions of the 2019 Consolidated General By-Law represent drafting revisions only to give effect to the fact that the provisions are contained within the broader by-law, rather than a stand-alone by-law.

#### Electronic Meetings and Communications

Previously, By-Law No. 3 did not address legislative developments that now facilitate electronic communications in multiple formats. A number of amendments contained in the 2019 Consolidated General By-Law now address such forms of communications, including the addition of the following paragraphs in respect of meetings of Shareholders and notices generally:

- "44. Participation in Meetings by Electronic Means. Subject to the Act, a shareholder or any other person entitled to attend a meeting of shareholders may participate in the meeting by electronic means,

telephone or other communication facilities that permit all persons participating in the meeting to hear or otherwise communicate with each other and a person participating in such a meeting by any such means is deemed for the purposes of the Act and this by-law to be present at the meeting.

45. Meetings Held by Electronic Means. If the directors or the shareholders call a meeting of shareholders, the directors or the shareholders that called the meeting may determine that the meeting shall be held, in accordance with the Act, entirely by electronic means, telephone or other communication facility that permits all participants to communicate adequately with each other during the meeting.

. . .

52. Electronic Voting. Any person participating in a meeting of shareholders by electronic means, telephone or other communication facilities under paragraph 44 hereof and entitled to vote at the meeting may vote, in accordance with the Act, by electronic means, telephone or other communication facility that the Corporation has made available for that purpose. Notwithstanding paragraph 51 hereof, any vote referred to in paragraph 51 hereof may be held, in accordance with the Act, entirely by electronic means, telephone or other communication facility, if the Corporation makes available such a communication facility, in accordance with the Act.

. . .

78. Service. Any notice or document required by the Act, the articles or the by-laws of the Corporation to be sent to any shareholder or director of the Corporation may be delivered personally to or sent by mail addressed to:

- (a) the shareholder at the shareholder's latest address as shown in the records of the Corporation or its transfer agent; and
- (b) the director at the director's latest address as shown in the records of the Corporation or in the last notice filed under section 106 or 113 of the Act.

Subject to subsection (2) of section 134 of the Act, a notice or document sent by mail as contemplated by this paragraph 78 to a shareholder or director of the Corporation shall be deemed to have been received by the shareholder or director (as the case may be) at the time it would be delivered in the ordinary course of mail, unless there are reasonable grounds for believing that the shareholder or director (as the case may be) did not receive the notice or document at that time or at all.

A notice or document required to be sent or delivered as noted above in this paragraph 78 or pursuant to section 256 or section 257 of the Act may be sent by electronic means in accordance with the provisions of the *Electronic Transactions Act* (Alberta).

Notwithstanding the foregoing, subject to the Act, Applicable Securities Laws and for so long as the Corporation is a distributing corporation, any notice of a meeting of shareholders shall be sufficiently given if given in accordance with the requirements applicable to notice-and-access."

## Transfers and Registrations of Securities

As described above, the 2019 Consolidated General By-Law has been updated to expressly address the transfer of securities in the context of the *Securities Transfer Act* (Alberta) and the holding of securities in non-registered form, through the addition of the following paragraphs:

- "71. Registration of Transfers. Subject to the Act and the STA, no transfer of a security shall be registered in a securities register except (i) upon presentation of the certificate (or, where applicable, other evidence of electronic, book-based, direct registration service or other non-certificated entry or position on the register of securityholders) representing such security with an endorsement or completed stock power of attorney which complies with the STA made thereon or delivered therewith duly executed by an appropriate person as provided by the STA, together with such reasonable assurance that the endorsement is genuine and authorized as the board or the Corporation's transfer agent may from time to time prescribe, (ii) upon payment of all applicable taxes and any reasonable fees prescribed by the board, (iii) upon compliance with such restrictions on transfer as are imposed by statute or the articles of the Corporation, (iv) upon satisfaction of any lien referred to in paragraph 73 hereof, and (v) upon compliance with and satisfaction of such other requirements as the Corporation or its transfer agent may reasonably impose.
- . . .
74. Electronic, Book-Based or Other Non-Certificated Registered Positions. For greater certainty but subject to subsection (1) of section 48 of the Act, a registered securityholder may have his or her holdings of securities of the Corporation evidenced by an electronic, book-based, direct registration service or other non-certificated entry or position on the register of securityholders to be kept by the Corporation in place of a physical security certificate pursuant to a registration system that may be adopted by the Corporation, in conjunction with its transfer agent (if any). This by-law shall be read such that a registered holder of securities of the Corporation pursuant to any such electronic, book-based, direct registration service or other non-certificated entry or position shall be entitled to all of the same benefits, rights, entitlements and shall incur the same duties and obligations as a registered holder of securities evidenced by a physical security certificate. The Corporation and its transfer agent may adopt such policies and procedures and require such documents and evidence as they may determine necessary or desirable in order to facilitate the adoption and maintenance of a security registration system by electronic, book-based, direct registration system or other non-certificated means."

## Other Amendments

Other minor amendments reflected in the 2019 Consolidated General By-Law include: (a) the removal of the provision that directors of the Corporation are not required to hold shares in the Corporation, reflecting the existence of the Corporation's share ownership policy for directors; (b) the amendment of masculine references to either also reflect feminine references or reflect gender neutral references; and (c) clarifying the authority of the chairman of a Shareholder's meeting to address questions arising at the meeting, including as to the validity of proxies.

## **Approval Required**

At the Meeting, Shareholders will be asked to consider the following ordinary resolution confirming the amendment and restatement of the Corporation's by-law no. 3 and by-law no. 5, in the form of the 2019 Consolidated General By-Law:

**"BE IT RESOLVED**, as an ordinary resolution, **THAT**:

1. the adoption by the board of directors of the amendment and restatement of the Corporation's by-law no. 3 and by-law no. 5, in the form of the Corporation's 2019 Consolidated General By-Law as described in the management information circular of the Corporation dated May 6, 2019, is hereby confirmed, ratified and approved; and
- 2, any one officer or director of the Corporation be and is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver or file such documents and instruments, and to do all such other acts and things as are required or as such officer or director, in such officer's or director's sole discretion, may deem necessary to give full effect to or carry out the provisions of the foregoing resolution."

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. It is the intention of the management designees named in the accompanying Instrument of Proxy to vote proxies "FOR" approval of the ordinary resolution above, unless otherwise directed.**

## 6. 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 perquisites 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 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 May 6, 2019 and delivered in advance of the 2019 Annual and Special 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 2020.

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.**

On a vote by way of ballot, an advisory resolution was passed accepting the Corporation's approach to executive compensation at the annual meeting of shareholders of the Corporation held on May 31, 2018. The voting results were as follows:

2018 Say on Pay			
Votes For		Votes Against	
#	%	#	%
204,770,443	93.07	15,245,755	6.93

## 7. 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.

## 8. 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

For MEG, 2018 was a year of strong performance in the face of significant change—originating from both inside and outside the organization.

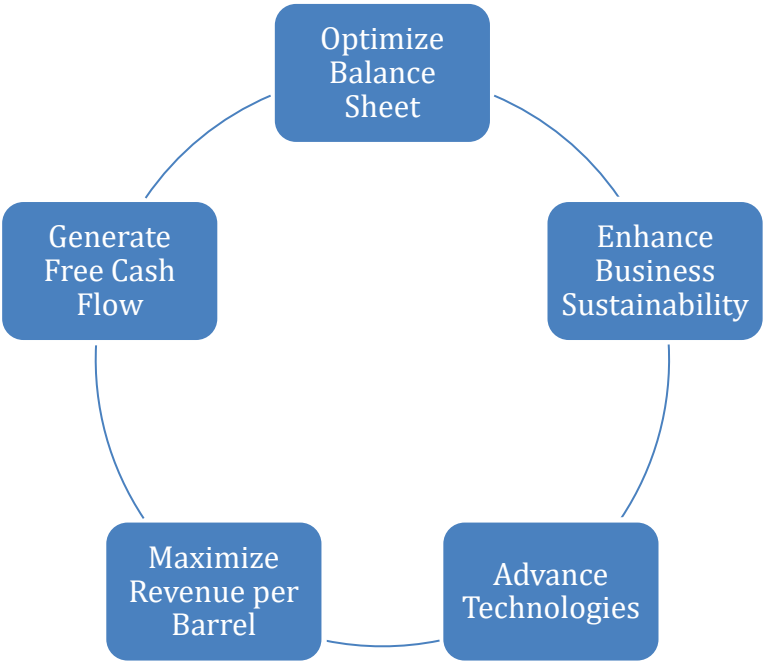
Internally, MEG undertook a successful CEO transition, as the founding CEO left the organization and was succeeded by industry veteran Derek Evans (with Board member Harvey Doerr serving as Interim President and CEO during the transition period). MEG also rolled out its “Vision 20/20” strategy, and performed well against it.

Externally, Husky Energy Inc. (“Husky”) launched an unsolicited offer to acquire all of the issued and outstanding Shares of MEG at the end of Q3, 2018. Although ultimately the offer was not successful, the process absorbed a great deal of management and Board attention in Q4, 2018 and into 2019. One positive outcome however, was the opportunity it provided MEG’s new CEO, Mr. Evans, to engage more closely with MEG’s shareholder base. Mr. Evans, Eric Toews and John Rogers engaged in one-on-one meetings and phone calls with Shareholders representing approximately 70% of the Shares outstanding, during which they presented MEG’s business case, solicited investor feedback, and explained the Board’s recommendation that Shareholders reject Husky’s hostile offer.

Additionally, crude price uncertainty and uncertainty related to pipeline egress continued to be key themes in 2018. Specifically, netbacks realized by MEG were impacted by factors such as unprecedented WTI/WCS price differentials which prompted the Alberta government’s decision to introduce mandatory production curtailments for Alberta producers (which benefited MEG). In the face of significant external challenges, MEG remained disciplined and focused on the execution of its Vision 20/20.

**Vision 20/20**

In mid-2018, MEG shared the details of its Vision 20/20 strategy with the market. Vision 20/20 is comprised of a set of five guiding principles for the transformation of MEG’s business:



Key 2018 accomplishments in each category are described below:

## ***Optimize Balance Sheet***

In Q1 2018, MEG completed the sale of its 50% interest in Access Pipeline and 100% interest in Stonefell Terminal to Wolf Midstream Inc. for cash and other consideration of \$1.61 billion. Net cash proceeds from the sale were used to repay approximately \$1.225 billion of MEG's senior secured term loan and to fund MEG's highly economic 13,000 barrel per day ("bpd") brownfield expansion at its Phase 2B facility. This transaction, following on the heels of the successful comprehensive refinancing plan completed in 2017, served to further strengthen MEG's balance sheet and support plans for additional organic deleveraging.

## ***Enhance Business Sustainability***

In 2018, MEG's business sustainability was enhanced through further improvements in the organization's cost structure, as well as through measurable improvements in its environmental performance. MEG continued to achieve record low per barrel net operating costs and optimize water requirements with a substantial reduction in non-saline water demand by executing a reconfiguration to utilize produced water for backwash instead of non-saline water. A reduction in greenhouse gas ("GHG") intensity on a year-over-year basis was further realized through steam to oil ratio ("SOR") efficiencies achieved with the continued application of enhanced Modified Steam and Gas Push ("eMSAGP") and expansion of the enhanced Modified VAPour EXtraction ("eMVAPEX") pilot. In 2018, MEG had an average SOR of 2.19 which is approximately 20% lower than the SAGD industry volume weighted average SOR of 2.8 and significantly better than the SAGD project average of 3.9 – *source: Peters & Co. – 2018 Year in Review*. In addition, MEG continued to work towards our goal of zero spills with additional year-over-year reductions in reportable spill counts attributable to targeted awareness, preparation and oversight.

To further support the corporate commitment to environmental performance, environmental indicators were added to the Corporate Performance Scorecard in 2018. The chosen indicators were based on reportable spill intensity and net GHG intensity to reflect the accountabilities across the organization to deliver responsible operations and manage climate-related issues. In 2018, the performance associated with both metrics improved from previous years and met or surpassed corporate thresholds.

## ***Advance MEG's Technologies***

MEG continued to advance reservoir recovery technologies in 2018 to support its growth. A significant portion of MEG's 2018 capital program was allocated to the 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 reservoir with the steam. Once there is sufficient heat in the reservoir, the non-condensable gas helps maintain pressure, reduces the SOR 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 2 of a pilot of its new eMVAPEX solvent recovery process. This proprietary technology, if proven successful through expanded pilot operations, will further enhance MEG's growth potential by reducing capital requirements and operating costs, while minimizing environmental impacts to land, air and water. In 2018 the expanded eMVAPEX pilot commenced and propane recycling facilities became fully operational. The eMVAPEX pilot is funded in part through grants received from Alberta Innovates, Natural Resources Canada, and Emissions Reduction Alberta.

## ***Maximize Revenue per Barrel***

MEG's marketing strategy is focused on delivering world pricing on more than 50% of sales volumes by mid-2020. In working towards this goal throughout 2018, MEG continued to implement strategies to mitigate the effects of apportionment through the use of:



1. storage for approximately 3 million barrels of blend capacity, strategically located throughout North America; and
2. existing pipeline commitments on Flanagan South/Seaway as well as rail to reach the U.S. Gulf Coast.

In Q4, 2018, MEG executed a binding agreement to access 30,000 bpd of unit train rail loading capacity at the Bruderheim terminal, operated by Cenovus Energy Inc. The term of this agreement is for three years, with a one-year extension at MEG's option.

Notably, MEG's marketing assets permitted it to achieve an effective apportionment rate of approximately 10% for 2018 compared to Enbridge Inc.'s 45.2% for the same period.

### ***Generate Free Cash Flow***

Through investment in recovery technology, including eMSAGP growth, MEG has increased production capacity at Christina Lake to 100,000 bpd which results in lower cost per barrel and robust operating margin. Production growth and higher operating margin combined with initiatives to optimize the balance sheet and maximize revenue per barrel results in increased ability to generate free cash flow across a range of commodity price environments. MEG anticipates that such free cash flow would be used to continue organic deleveraging, to fund highly economic growth including the completion of the 2B brownfield expansion to 113,000 bpd and recovery technology growth, and, to generate returns for shareholders.

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

In formulating its decisions regarding executive compensation, the Board wanted to ensure that MEG's strong performance in 2018 was appropriately recognized, while at the same time positioning the organization for the successful achievement of its Vision 20/20. It also wanted to ensure that its pay-for-performance practices were clear, objective, defensible, and aligned with modern governance standards. As a result, MEG took the following compensation and workforce actions in 2018 and early 2019.

- **Froze NEO Base Salaries.** MEG's Board elected to freeze base salaries for MEG's named executive officers ("NEOs") for 2019 at 2018 levels. NEO salaries have been increased only once in the past four years (in January 2018).
- **Adopted a Weighted Average Bonus Model and Maximum Bonus Levels.** Under the previous executive bonus model, individual and corporate performance served as "modifiers" to move the bonus value up or down from target levels. In the first quarter of 2018, the Compensation Committee adopted a new "weighted average" model for the calculation of executive bonuses. The adoption of the new weighted-average model allowed MEG to be more deliberate about the importance it placed on corporate vs. individual achievements, and also to better align MEG with the practices of its peers. New rating scales and weightings (that vary by tier/level) were also adopted in tandem with the new model. Both individual and corporate ratings are evaluated on a 0-200% (or 2x) scale, with the effect that Executive bonuses are capped at 2x target. More details on the new model are provided later in this Circular under the heading "Components of Compensation — Annual Short-Term Incentive Compensation".
- **Added new Environmental Measures to the Corporate Performance Scorecard.** MEG expanded the previous "Health & Safety" category of its corporate performance scorecard to create a new "Health, Safety & Environment" category. Two new environmental measures were added to the category: Net GHG Intensity (to measure emissions), and Reportable Spill Intensity Volume.
- **Objectively Measured Performance using Scorecard Results, and Improved Scorecard Disclosure.** For the past three years, MEG's Board had applied discretion to reduce the value of executive bonus payments



from calculated levels. In 2018, with the changes made to the bonus model and added rigour of the pay-for-performance evaluation, the Board felt it was important to let the calculated scorecard results stand for themselves. In response to feedback from governance organizations and proxy advisory firms, MEG has improved the disclosure of its corporate performance scorecard in this Circular by adding "Return on Average Capital Employed" as a performance measure, and, including threshold and maximum performance levels (where applicable), providing greater transparency and insight into MEG's pay-for-performance compensation model.

- Enhanced Governance Features of MEG's LTI Plans.** In order to better align with governance best practices, MEG has amended its Stock Option Plan and RSU Plans to move from a single trigger change of control vesting to double trigger vesting. In addition, it has amended its equity incentive plans to have a collective five percent (5%) treasury reserve, which is reduced from 6%. Finally, it has amended its RSU Plans for future grants to provide for determination of the multiplier to be applied to PSUs in the event of a change of control based on: (i) in respect of one or more performance year(s) that is(are) complete at the time a change of control occurs, any multiplier(s) already determined and approved by the Board; (ii) in respect of a performance year during which a change of control occurs, a multiplier to be determined and approved by the Board based on satisfaction of performance criteria as at the time of occurrence of a change of control; and (iii) in respect of any performance year that has not yet begun as at the time a change of control occurs, a multiplier to be determined by calculating an average of performance multipliers determined pursuant to (i) if applicable and (ii). More details on these changes are provided in this Circular under the headings "Business of the Annual and Special Meeting – Approval of Unallocated Stock Options" and "Business of the Annual and Special Meeting – Approval of Unallocated Treasury-Settled Restricted Share Units".
- Increased Stock Ownership Guidelines for the CEO.** In connection with the CEO transition, MEG's CEO stock ownership guidelines were increased from 3x to 5x salary. Mr. Evans is required to achieve these guidelines within a five-year period, commencing in 2018, with a minimum of one-fifth of the ownership requirement being attained by the end of each of the five years.
- Reduced Change of Control Severance Multiplier for the CEO.** Also, in connection with the CEO transition, in line with current governance standards, the multiplier associated with the CEO's double-trigger change of control agreement was reduced from 2.5x to 2.0x.
- Continued Workforce Reductions.** The organization was further streamlined in early 2019, resulting in overall workforce reductions of nearly 15%.

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"), the annual 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 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, safety and environmental 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, 2014 and ending December 31, 2018, with \$100.00 also 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 Composite Index	TSX Oil and Gas E&P Index
January 2, 2014	\$100.00	\$100.00	\$100.00
December 31, 2014	\$63.31	\$110.72	\$78.35
December 31, 2015	\$25.97	\$101.51	\$53.21
December 31, 2016	\$29.89	\$122.91	\$82.96
December 31, 2017	\$16.65	\$134.09	\$71.69
December 31, 2018	\$24.97	\$122.18	\$47.47

TSR for the Composite Index outperformed both the Common Shares and the Energy Index over the five-year period. The Common Shares generally performed in-line with the Composite Index leading into the oil price downturn in mid-2014, then underperformed both indices during 2015. While performing similarly to the Energy Index since then, both the Common Shares and the Energy Index have underperformed relative to the Composite Index after 2015.

Total compensation of the NEOs, as reported in the Summary Compensation Table, generally decreased from 2014 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 moderately increased in 2017 and 2018, reflecting improved corporate performance and other factors.

## 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.

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 industry 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 2018, the Corporation kept its Compensation Peer Group unchanged from 2017, with 13 Canadian companies and 3 international subsidiaries included, as follows:

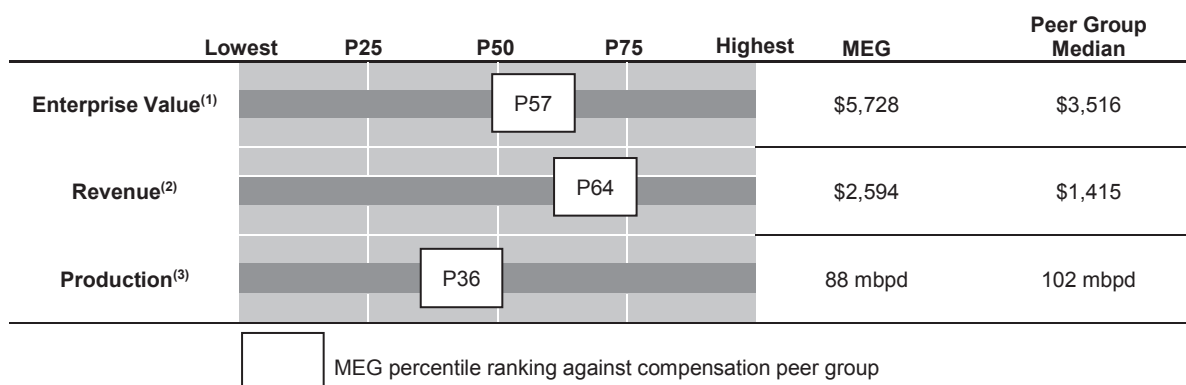
Compensation Peers (Canadian) <sup>(1)</sup>	Compensation Peers (International) <sup>(2)</sup>
1. ARC Resources	1. BP Energy
2. Athabasca Oil	2. ConocoPhillips Canada
3. Baytex Energy	3. Devon Canada
4. Canadian Natural Resources	
5. Cenovus Energy	
6. Crescent Point Energy	
7. Encana	
8. Enerplus	
9.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

#### 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:



**Notes:**

- (1) Enterprise Value in Cdn. \$ million as at December 31, 2018.
- (2) Trailing 12 month revenue in Cdn. \$ million up to and including Q4, 2018.
- (3) Average production up to and including Q4, 2018, in mbpd.

**Performance Peer Group**

Prior to 2017, MEG used a single peer group for both compensation and performance benchmarking. In 2017, 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 "Components of Compensation – Long-Term Equity Incentives" section for more information). MEG maintained the practice of using a separate peer group for performance benchmarking in 2018, and began using this peer group to benchmark relative TSR performance under its annual short-term incentive compensation plan (see "Components of Compensation – Annual Short-term Incentive Compensation" section for more information).

Companies are 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 2018 Performance Peer Group:

Factors Considered	Selection Criteria
1. Oil Sands/Oil-Weighted Production	Either Oil Sands or Oil-Weighted Production (vs. Gas-Weighted)
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 and/or Production

In 2018, one company (CNRL) was removed and three new companies (Crescent Point Energy, Whitecap Resources and TORC Oil & Gas) were added to the Performance Peer Group. MEG's 2018 Performance Peer Group was comprised of the following organizations:

Performance Peers
1. Athabasca Oil
2. Baytex Energy
3. BlackPearl Resources
4. Cenovus Energy
5. Cona Resources
6. Crescent Point Energy
7. Obsidian Energy
8. Pengrowth Energy
9. TORC Oil & Gas
10. Whitecap Resources

**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 long-term incentive grants 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 primarily 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 counterparts 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 forego annual salary increases for NEOs in both 2016 and 2017. Although NEOs did receive a salary increase in January of 2018, they did not receive a salary increase for 2019. 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 (or "bonus") 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.

In the first quarter of 2018, the compensation committee adopted a new “weighted average” model for the calculation of executive bonuses. Under the previous executive bonus model, individual and corporate performance served as “modifiers” to move the bonus value up or down from target levels:

Previous “Modifier” Model:

$$\text{Bonus Payment} = \text{Salary} \times \text{Bonus Target \%} \times \left[ \text{Individual Rating} \times \text{Corporate Rating} \right]$$

Under the new model, individual and corporate performance are assigned fixed weightings:

New “Weighted-Average” Model:

$$\text{Bonus Payment} = \text{Salary} \times \text{Bonus Target \%} \times \left[ \left( \text{Individual Weighting} \times \text{Individual Rating} \right) + \left( \text{Corporate Weighting} \times \text{Corporate Rating} \right) \right]$$

The adoption of the new weighted-average model allowed MEG to be more deliberate about the importance it placed on corporate versus individual achievements, and also better aligned MEG with the practices of its peers. New rating scales and weightings (that vary by tier/level) were also adopted in tandem with the new model. Both individual and corporate ratings are evaluated on a 0-200% (or 2x) scale, with the effect that executive bonuses are capped at 2x target. Bonus targets for MEG’s executive tiers/levels, along with the relative weightings of corporate vs. individual performance, are described in the table below:

MEG Internal Level	Annual Bonus Target	Corporate Performance Weighting	Individual Performance Weighting
CEO	100%	100%	0%
CFO/COO/SVP	60%	75%	25%
VP	45%	70%	30%

Corporate Performance:

In 2018, corporate performance under the annual short-term incentive program was measured using targets related to various financial, health, safety and environment, operational, and strategic achievements (the “Corporate Performance Scorecard”). The number of categories in the scorecard was reduced from five to four by removing the marketing category, and MEG expanded the previous “Health & Safety” category to create a new “Health, Safety & Environment” category. Two new environmental measures were added to the category: Net GHG Intensity (to measure emissions), and Reportable Spill Intensity Volume.

Corporate performance was evaluated against the 2018 Corporate Performance Bonus Scorecard as follows:

Financial (25%)	Threshold (0x)	Target	Maximum (2x)	Evaluated Results <sup>(1)</sup>	Weight	Final Score
TSR Relative to Peer Group <sup>(2)</sup>	0 Percentile	50 <sup>th</sup> Percentile	Top Quartile	P100	15%	30%
Total Debt/Production (\$USD/bpd)	\$45K	\$43K	\$32K	\$31K	10%	20%
Health, Safety & Environment (15%) <sup>(3)</sup>	Threshold (0x)	Target	Maximum (2x)	Evaluated Results <sup>(1)</sup>	Weight	Final Score
Employee LTIF	0.18	0.09	0	0.19	3.5%	0.0%
Employee RIF	0.74	0.37	0	0.37	3.5%	3.5%
Contractor LTIF	0.38	0.19	0	0.19	2%	2.0%
Contractor RIF	1.54	0.77	0	0.62	2%	2.4%
Net GHG Intensity ( t CO2e/bbl)	0.0530	0.0500	0.047	0.05	2%	2.0%
Reportable Spill Intensity Volume Spilled (m³) per 10 <sup>6</sup> m³ OE Total Production (including water)	2.78	2.50	2.22	2.30	2%	3.4%
Operational (40%)	Threshold (0x)	Target	Maximum (2x)	Evaluated Results <sup>(1)</sup>	Weight	Final Score
Production (mbpd) <sup>(4)</sup>	83	85 – 88	90	90 <sup>(4)</sup>	15%	30%
Non-energy Op Costs (C\$/bbl) <sup>(4)</sup>	\$5.50	\$4.75 - \$5.25	\$4.50	\$4.50 <sup>(4)</sup>	15%	30%
Capital Investment (C\$mm) <sup>(5)</sup>	\$730	\$690 - \$710	\$670	\$660 <sup>(5)</sup>	10%	20%
Strategic (20%)	Target			Evaluated Results <sup>(1)</sup>	Weight	Final Score
Redesign and optimize surface facilities to reduce costs & support growth	<ul style="list-style-type: none"><li>Tie-in of Gen C SAGD Pads</li><li>Debottleneck 3 tie-ins – During Phase 2B Turnaround (May-June)</li></ul>			Complete	10%	10%
Advance reservoir recovery technologies to support growth	<ul style="list-style-type: none"><li>eMVAPEX Pad AP Phase 3</li><li>Tie-in the remaining AP wells</li><li>Propane recycle facilities - Operational in 2018</li></ul>			Complete	5%	5%
Advance apportionment mitigation plans	<ul style="list-style-type: none"><li>Explore alternative Canadian term relationships for crude oil sales</li><li>Explore broadening of markets</li></ul>			Achieved	5%	5%
				Estimated Year End Corporate Performance Factor		163%



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**Notes:**

- (1) Evaluated Results represent the forecast year end results for MEG as at the date of evaluation (being mid-November, 2018). Bonuses were paid on December 31, 2018. The Compensation Committee reviewed updated results at their meeting on January 3, 2019, and the updated results did not differ materially from the evaluated results (the updated results were slightly better).
- (2) In evaluating TSR results, the Board considered that MEG achieved top quartile (i.e. above P75) relative TSR performance in 2018, leading the Performance Peer Group both before and after Husky's bid announcement.
- (3) All health, safety and environment goals are measured per 200,000 hours of exposure.
- (4) The Evaluated Results for production and Non-energy Op Costs ("NEOCs") exclude the effects of year end turnaround activities that were advanced from 2019 to 2018 to take advantage of market conditions. The board did not want to penalize management for taking actions that were in the best interest of the organization and its shareholders.
- (5) Includes investment in other assets.

For the past three years, MEG's board had applied discretion to reduce the value of executive bonus payments from calculated levels. In 2018, with the changes made to the bonus model and added rigour of the pay-for-performance evaluation, the Board felt it was important to let the calculated scorecard results stand for themselves. In response to feedback from governance organizations and proxy advisory firms, MEG has improved the disclosure of its corporate performance scorecard in this Circular by including threshold and maximum performance levels (where applicable), providing greater transparency and insight into MEG's pay-for-performance compensation model.

## 2019 Corporate Performance Bonus Scorecard

MEG made changes to its 2019 bonus scorecard to further align with shareholder interests and the company's strategic objectives for the future. Cost management, capital efficiency, and Health, Safety, and Environment ("HSE") measures were the focus of the changes for 2019. General & Administration expenses per barrel ("G&A/bbl") and Return on Average Capital Employed ("ROACE") were added, and financial categories and production volumes were given increased weighting. MEG chose to add new proactive HSE measures for 2019, including Process Safety Management, Occupational Health and Safety, and Inspection Compliance.

Financial Targets: 30%	2019 Performance Indicator	Threshold (0x)	Target	Maximum (2x)	Weight
	G&A per bbl <sup>(1) (2)</sup>	\$2.25	\$2.15 - \$2.05	\$1.95	10%
	Total Debt/Production (\$USD) <sup>(1)(3)</sup>	\$31,324	\$30,230	\$27,221	10%
	ROACE (%) <sup>(1)</sup>	2.70%	4.10%	6.00%	10%
Health, Safety & Environment: 15%	2019 Performance Indicator	Threshold (0x)	Target	Maximum (2x)	Weight
	Employee LTIF	0.30	0.20	0	2.5%
	Contractor LTIF	0.36	0.24	0	2.5%
	Process Safety Management – Serious Incident Frequency	6.6	4.4	2.2	1.5%
	Occupational Health and Safety – Potential Serious Injury	8	6	4	1.5%
	Inspection Compliance	85%	90%	100%	1.5%
	AER Satisfactory Inspection	Industry Avg. <sup>(4)</sup> + 3%	Industry Avg. <sup>(4)</sup> + 6%	Industry Avg. <sup>(4)</sup> + 9%	1.5%
	Net GHG Intensity ( t CO2e/bbl)	0.0530	0.0500	0.047	2.0%
	Reportable Spill Intensity Volume Spilled (m <sup>3</sup> ) per 10 <sup>6</sup> m <sup>3</sup> OE Total Production (including water)	2.50	2.30	2.10	2.0%
Operational: 40%	2019 Performance Indicator	Threshold (0x)	Target	Maximum (2x)	Weight
	Production (mbpd)	88	90 – 92	94	20%
	Non-energy Op Costs (C\$/bbl)	\$5.50	\$5.25- \$4.75	\$4.50	15%
	Capital Investment (C\$mm) <sup>(5)</sup>	\$220	\$200	\$180	5%

	2019 Performance Indicator	Target	Weight
<b>Strategic: 15%</b>	Continue to identify and implement opportunities to reduce cost structure at Christina Lake	<ul style="list-style-type: none"> <li>Board to discuss performance at year end</li> </ul>	5%
	Continued optimization of assets outside of Christina Lake	<ul style="list-style-type: none"> <li>Surmont approval</li> <li>Advance May River application process with reduced spending</li> <li>Formulate land strategy to reduce carrying cost in Duncan area</li> </ul>	5%
	Continued evaluation of strategic opportunities to create ongoing shareholder value	<ul style="list-style-type: none"> <li>Board to discuss performance at year end</li> </ul>	5%

**Notes:**

- (1) Metrics based on budgeted production level of 91,400bpd. If actual curtailment differs from budgeted curtailment, the calculation will be adjusted accordingly.
- (2) G&A Threshold metrics based on \$75mm of budgeted G&A expense.
- (3) Target metrics based on US\$ Debt as at December 31, 2018 adjusted for Term Loan amortization of US\$13mm for full year 2019
- (4) AER 2019 Industry Average.
- (5) Target metrics based on budgeted capital investment of \$200mm. If the Board sanctions capital investment in excess of \$200mm, then metrics will adjust accordingly.

**Individual Performance:**

Bonus awards for the NEOs, excluding the CEO, are recommended by the CEO, reviewed by the Compensation Committee and, if deemed appropriate, 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 2018, the Corporation's long-term equity incentive program, as it relates to executive officers, was comprised of the following three components: (i) RSUs; (ii) PSUs; and (iii) 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 2018 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 in this Circular under the heading "Business of the Annual and Special Meeting – Approval of Unallocated Treasury-Settled Restricted Share Units" (for Treasury-Settled RSUs) and under the heading "Long-Term Equity Incentive Plans – Share Based Plans" (for Cash-Settled RSUs).

## PSUs

The PSU Program attaches performance vesting conditions to RSUs and is administered under the Treasury-Settled RSU Plan and the Cash-Settled RSU Plan (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. MEG chose to use three annual performance periods, rather than one three-year performance period, because of the practical challenges involved in setting meaningful long-term performance targets in a volatile and fast-changing business environment such as the one in which MEG operates. 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 except in the case of: (i) death; or (ii) Change of Control, in respect of PSUs granted prior to June 13, 2019, or the occurrence of specified termination events within 180 days of a Change of Control in respect of PSUs granted after June 13, 2019. The occurrence of the circumstances specified in (i) or (ii) above will result in an acceleration of vesting to the date of death, Change of Control, or termination following Change of Control, as applicable. 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. More details on the determination of such multipliers are provided under the heading "Business of the Annual and Special Meeting – Approval of Unallocated Treasury-Settled Restricted Share Units".

PSUs vest and settle only on achievement of specified levels of performance as measured against defined performance targets. For the 2016, 2017 and 2018 performance years, the Board approved the following performance measures and weightings:

Performance Measure	Weighting
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, 2017, and 2018, performance inside the threshold range 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 threshold range.

For the 2018 performance year, the threshold range for production was set by the Board at 85,000-88,000 bpd and for NEOC was set by the Board at \$4.75 - \$5.25 per barrel, both such measures being consistent with guidance figures set by the Corporation heading into 2018. 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, 2017, and 2018 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, 2017, and 2018 performance years:

Year	Measure	Weighting	Threshold	Target	Maximum	Actual	Evaluation Timing	Unweighted Multiplier	Weighted Multiplier
2016	Production (bpd)	20%	77,000	80,000-83,000	86,000	81,245	Q1 2017	1.0	0.2
	NEOC (C\$/bbl)	20%	\$8.75	\$6.75-\$7.75	\$5.75	\$5.62	Q1 2017	2.0	0.4
	Relative TSR (quartile)	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>
2018	Production	20%	83,000	85,000-88,000	90,000	90,000 <sup>(1)</sup>	Q1 2019	2.0	0.4
	NEOC	20%	\$5.50	\$4.75-\$5.25	\$4.50	\$4.50 <sup>(1)</sup>	Q1 2019	2.0	0.4
	Relative TSR	60%	P0	P50	>P75	>P75 <sup>(2)</sup>	Q1 2019	2.0	1.2
									<b>2.0</b>

**Notes:**

- (1) The evaluated results for production and NEOC exclude the effects of year end turnaround activities that were advanced from 2019 to 2018 to take advantage of market conditions. The Board did not want to penalize management for taking actions that were in the best interest of the organization and its shareholders.
- (2) In evaluating TSR results, the Board considered that MEG achieved top quartile (i.e. above P75) relative TSR performance in 2018, leading the Performance Peer Group both before and after Husky's bid announcement.

MEG's average production for 2018 reached the maximum level of the performance range and resulted in a multiplier of 2.0 for the first PSU performance measure. The Corporation's NEOC results of \$4.50 per barrel reached the top of the performance range and resulted in a multiplier of 2.0 for the second measure. MEG's TSR performance was at the maximum level resulting in a multiplier of 2.0 for the third measure. Applying weightings (20%, 20%, 60%) resulted in an overall PSU multiplier of 2.0 in respect of the 2018 performance year.

MEG's PSU grant agreements provide that the Eligible to Vest Date for PSUs is June 1 of each of the three performance years included in each PSU grant. In early 2019, the Board exercised the discretion afforded to it under the RSU Plans, which govern PSUs, to accelerate the Eligible to Vest Date for the instalments of PSU awards relating to the 2018 performance year from June 1, 2019 to January 7, 2019.

## **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 2018 have a seven-year term, which provides for a longer performance time horizon than the 2018 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 in this Circular under the heading "Business of the Annual and Special Meeting – Approval of Unallocated Stock Options".

### ***LTI Grant 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.

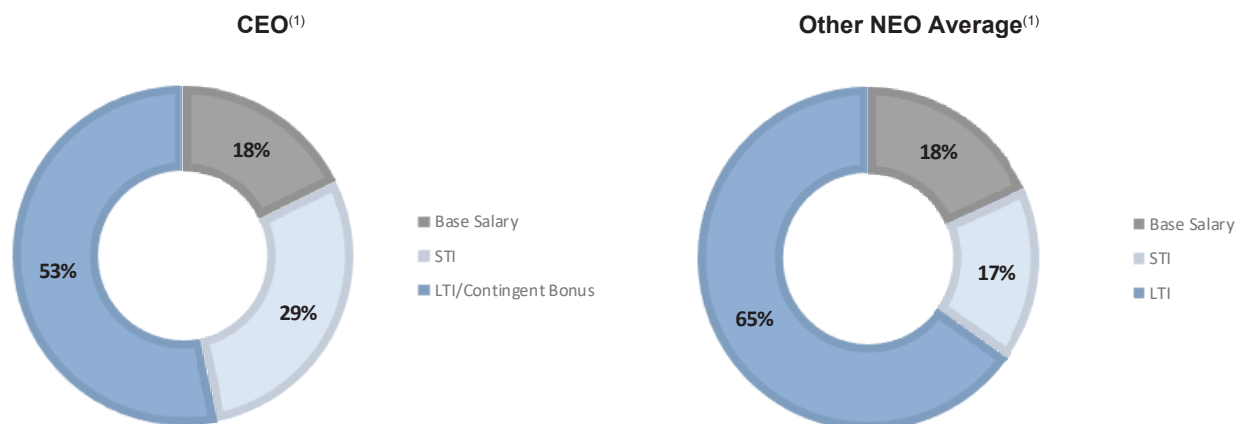
The associated value of RSUs, PSUs and Options awarded to each NEO is then determined by multiplying the total LTI value by the targeted executive LTI mix.

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 has remained in effect since 2017.

## Pay Mix

The following charts illustrate the proportion of 2018 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.



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### Note:

- (1) Percentages reflected in charts do not directly correspond to Summary Compensation Table as the CEO's salary and bonus have been annualized and charts are prepared using base salary only. Mr. Doerr and Mr. McCaffrey's compensation have not been included in these calculations.



## Compensation Governance

In 2018, the Compensation Committee was comprised of three to four directors at different times throughout the year, all of whom are independent directors. Jim McFarland, Robert Hodgins and Diana McQueen were members for the entire year. David Krieger was a member from January 1, 2018 to June 14, 2018. Dan Farb became a member on June 14, 2018 and continued until his resignation from the Board effective July 24, 2018.

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;
- (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; and
- (e) review and recommend for approval by the Board the executive compensation disclosure of the Corporation in its management information circular.

The Compensation Committee engaged Mercer Consulting and Towers in 2018 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, 2018 and December 31, 2017.

Consultant	Year	Executive Compensation-Related Fees	All Other Fees <sup>(1)</sup>
Mercer Consulting	2018	\$140,663	\$78,174
Willis Towers Watson Consulting	2018	\$38,626	-
Mercer Consulting	2017	\$94,920	\$98,706
Willis Towers Watson Consulting	2017	\$24,356	-

**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 2018, other than the CEO and the CFO, are collectively referred to as the NEOs. The NEOs are as follows:

Name	Position
Derek Evans <sup>(1)</sup>	President and CEO
Harvey Doerr <sup>(2)</sup>	Interim President and CEO
William J. McCaffrey <sup>(3)</sup>	Former President and CEO
Eric L. Toews	Chief Financial Officer
Chi-Tak Yee	Chief Operating Officer
Grant Borbridge	Senior Vice President, Legal & General Counsel and Corporate Secretary
John Rogers <sup>(4)</sup>	Vice President, Investor Relations & External Communications

### Notes:

- (1) Mr. Evans was appointed as MEG's President and Chief Executive Officer on August 10, 2018.
- (2) Mr. Doerr was MEG's Interim President and Chief Executive Officer during the search process for a permanent President and Chief Executive Officer from June 1, 2018 to September 30, 2018.
- (3) Mr. McCaffrey was President and Chief Executive Officer of MEG until May 31, 2018.
- (4) Mr. Rogers ceased to be Vice President, Investor Relations & External Communications of the Corporation on March 21, 2019.

## Summary Compensation Table – NEOs

The following table sets out the compensation paid by the Corporation to the NEOs during the years ended December 31, 2016, December 31, 2017 and December 31, 2018.

Total NEO compensation for 2018 of \$14,864,722, as a percentage of 2018 revenue of \$2,732,704,000, based on MEG's audited annual financial statements, is 0.54%.

Name and Principal Position	Year	Salary (\$)	Share-based awards <sup>(1)(2)</sup> (\$)	Option-based awards <sup>(3)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension value <sup>(5)</sup> (\$)	All other compensation <sup>(6)</sup> (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Derek Evans <sup>(4)(7)</sup> ..... President and CEO	2018	234,091	0	0	407,500	0	0	66,897	708,488
Harvey Doerr <sup>(8)</sup> ..... Interim President and CEO	2018	264,538	300,003	0	200,000	0	0	158,927	923,468
William J. McCaffrey <sup>(9)</sup> ..... Former President and CEO	2018	259,110	0	0	259,110	0	0	3,285,860	3,804,080
	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
Eric L. Toews <sup>(10)</sup> ..... Chief Financial Officer	2018	421,252	1,011,015	852,983	435,364	0	0	232,568	2,953,182
	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
Chi-Tak Yee <sup>(10)</sup> ..... Chief Operating Officer	2018	424,145	1,257,852	914,561	438,354	0	0	294,702	3,329,614
	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
Grant Borbridge ..... Senior Vice President, Legal & General Counsel and Corporate Secretary	2018	349,207	558,184	139,577	308,525	0	0	244,768	1,600,261
	2017	342,360	456,647	114,302	169,468	0	0	60,612	1,143,389
	2016	342,360	448,634	112,296	75,282	0	0	60,769	1,039,341
John Rogers <sup>(11)</sup> ..... Vice President, Investor Relations & External Communications	2018	361,496	653,598	163,695	234,412	0	0	132,428	1,545,629
	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

### 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 2018, the fair values of the share-based awards on the grant date were as follows:

Name	PSUs	RSUs	Total Share-Based Awards
Derek Evans			
Harvey Doerr		\$300,003	\$300,003
William J. McCaffrey			
Eric L. Toews	\$631,882	\$379,133	\$1,011,015
Chi-Tak Yee	\$786,155	\$471,697	\$1,257,852
Grant Borbridge	\$348,866	\$209,318	\$558,184
John Rogers	\$408,495	\$245,103	\$653,598

- (3) The fair values of the option-based awards shown were calculated by applying Black Scholes methodology to the total number of 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
2018	\$4.3962	\$8.24	61.22%	1,825 days	2.222%
2018	\$5.1315	\$9.63	61.22%	1,825 days	2.165%
2017	\$2.2679	\$4.53	58.45%	1,825 days	1.093%
2016	\$3.0271	\$6.52	54.25%	1,825 days	0.620%

- (4) On October 16, 2018, the Board, on the recommendation of the Compensation Committee and counsel, agreed with Mr. Evans to provide a contingent bonus arrangement in satisfaction of the LTI target value of \$1.8 million (the "LTI Target") that was promised to Mr. Evans in his offer of employment. The contingent bonus arrangement provided that Mr. Evans would receive, on the first to occur of: (i) in the event of a change of control prior to June 1, 2019 at a price of not less than \$11.00 per Common Share, the LTI target in cash plus additional payments of equal to \$400,000 for each additional \$1.00 per Common Share above \$11.00 per Common Share payable on such change of control (pro-rated on a straight line basis to the actual per common share amount), or (ii) in the event there is no change of control at a price in excess of \$11.00 per Common Share on or before June 1, 2019, a discretionary cash bonus reflecting Mr. Evans' contributions during his first year, with a target bonus level equal to the LTI Target. Following the unsuccessful offer by Husky Energy to acquire all of the issued and outstanding shares of MEG, the Board and Mr. Evans mutually agreed that such contingent bonus arrangement should be terminated. The Board has authorized the termination of the contingent bonus arrangement and the grant of DSUs, having a grant value of \$1.8 million, at a time when the Corporation is not subject to a trading blackout but in any event prior to June 1, 2019.
- (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, vacation pay, 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. Vacation pay is available to all employees however vacation entitlement varies among employees. MEG had been carrying accrued vacation as a liability on its balance sheet until December 2018 when it removed such liability by paying out accrued vacation amounts. Vacation payouts were as follows: Mr. Evans \$28,846, Mr. Doerr \$21,924, Mr. McCaffrey \$120,788, Mr. Toews \$160,395, Mr. Yee \$225,127, Mr. Borbridge \$183,335, Mr. Rogers \$69,520. Savings plan contributions for NEOs amounted to 12% of salary. The 2018 savings plan benefit values were as follows: Mr. Evans \$28,091, Mr. Doerr \$31,636, Mr. McCaffrey \$31,093, Mr. Toews \$50,550, Mr. Yee \$50,898, Mr. Borbridge \$41,905, Mr. Rogers \$43,380.
- (7) Mr. Evans was appointed as MEG's President and Chief Executive Officer on August 10, 2018. Therefore, his 2018 compensation represents payment for approximately 5 months of the year.
- (8) Mr. Doerr acted as Interim President and Chief Executive Officer during the search process for a permanent President and Chief Executive Officer from June 1, 2018 to September 30, 2018. Therefore, his 2018 compensation represents payment for 4 months of the year as Interim President and CEO. Mr. Doerr received an annual incentive in the amount of \$200,000 while acting as the Interim President and Chief Executive Officer. All other compensation represents the aggregate value of perquisite allowances, medical benefits, vacation pay, savings plan contributions, and director fees made by the Corporation. The 2018 savings plan benefit value for Mr. Doerr was \$31,636, and \$97,834 was related to his role as a director.
- (9) Mr. McCaffrey was a director and President and Chief Executive Officer of the Corporation until May 31, 2018. For transition purposes MEG entered into a consulting agreement with Mr. McCaffrey through which MEG can utilize his services as required. 2018 "All other compensation" for Mr. McCaffrey includes amounts included in (6) above, as well as consulting fees and retirement-related payments.
- (10) In 2018, Mr. Toews and Mr. Yee each received a special retention stock option award in recognition of their commitment to MEG during a transformational year for the company. Such grants were unique for MEG in 2018 and were approved by the Board in response to the challenges inherent in a leadership transition process.
- (11) Mr. Rogers ceased to be Vice President, Investor Relations & External Communications of the Corporation on March 21, 2019.

### Total Direct Compensation ("TDC") – Realized/Realizable Pay Analysis

The analysis of TDC as compared to realized/realizable pay has not been included for 2018 as it does not provide an accurate reflection of the true opportunities of MEG's NEOs to realize value from their long-term incentives. MEG's NEOs were impacted by a company-wide blackout which prevented them from realizing value from their long-term incentives in Q4 of 2018.

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

The following table sets forth information regarding all Options, RSUs and DSUs held by each NEO as of December 31, 2018.

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 <sup>(2)</sup> (#)	Market or payout value of RSUs and DSUs that have not vested <sup>(3)</sup> (\$)	Market or payout value of vested RSUs not paid out or distributed (\$)
Derek Evans..... President and CEO <sup>(4)</sup>	0			0	0	0	0
Harvey Doerr <sup>(5)</sup> ..... Interim President and CEO	6,500	35.41	June 14, 2019	0	75,752	569,655	0
William McCaffrey..... Former President and CEO <sup>(6)</sup>	116,400	35.41	June 14, 2019	0	601,415	4,522,641	0
	97,000	30.78	June 13, 2020	0			
	89,000	37.89	June 1, 2021	0			
	133,400	18.65	June 1, 2021	0			
	155,000	6.52	June 1, 2021	184,450			
	193,300	4.53	June 1, 2021	614,694			
Eric L. Toews ..... Chief Financial Officer	40,623	33.64	September 3, 2020	0	440,462	3,312,274	0
	57,500	37.89	June 12, 2021	0			
	92,400	18.65	June 11, 2022	0			
	86,500	6.52	June 29, 2023	102,935			
	107,900	4.53	June 15, 2024	343,122			
	49,300	9.63	June 14, 2025	0			
	136,482	8.24	August 27, 2025	0			
Chi-Tak Yee ..... Chief Operating Officer	63,700	35.41	June 14, 2019	0	459,852	3,458,087	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	101,031			
	105,900	4.53	June 15, 2024	336,762			
	61,300	9.63	June 14, 2025	0			
	136,482	8.24	August 27, 2025	0			
Grant Borbridge..... Senior Vice President, Legal & General Counsel and Corporate Secretary	13,470	33.64	September 3, 2020	0	214,594	1,613,747	0
	25,200	37.89	June 12, 2021	0			
	49,000	18.65	June 11, 2022	0			
	40,400	6.52	June 29, 2023	48,076			
	50,400	4.53	June 15, 2024	160,272			
	27,200	9.63	June 14, 2025	0			
John Rogers..... Vice President, Investor Relations & External Communications	42,400	35.41	June 14, 2019	0	292,056	2,196,261	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	68,782			
	72,100	4.53	June 15, 2024	229,278			
	31,900	9.63	June 14, 2025	0			

### Notes:

- (1) The closing price of the Common Shares on December 31, 2018 was \$7.71 per Common Share.
- (2) Includes RSUs and PSUs granted under the Cash-Settled RSU Plan and RSUs and PSUs granted under the Treasury-Settled RSU Plan. 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. For Mr. Doerr only it includes DSUs granted under the DSU Plan.
- (3) The Fair Market Value (as defined in the RSU and DSU Plans) of the Common Shares on December 31, 2018 was \$7.52 per Common Share.
- (4) Mr. Evans was appointed as MEG's President and Chief Executive Officer on August 10, 2018. On August 10, 2018, Mr. Evans was granted: (a) 80,300 Options; (b) 64,210 RSUs; and (c) 107,016 PSUs. These awards were cancelled on October 16, 2018.

- (5) Mr. Doerr's share-based awards include DSUs. Of the 2018 unvested RSUs, 31,153 valued at \$240,190 are related to Mr. Doerr's role as Interim President and CEO.
- (6) Mr. McCaffrey was President and Chief Executive Officer of the Corporation until May 31, 2018. The expiry dates of Mr. McCaffrey's Option-based awards reflect the impact of the Corporation's Retirement Policies.

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

The following table sets forth information in respect of the value of Options and share-based awards held by the NEOs of the Corporation that vested during the year ended December 31, 2018 and non-equity incentive plan compensation earned by such NEOs during the year ended December 31, 2018. No options were exercised by NEOs during the year ended December 31, 2018.

Name	Option-Based Awards – Value Vested During Year (\$)	Share-based Awards – Value Vested During Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During Year (\$)
Derek Evans <sup>(1)</sup> President and CEO	0	0	407,500
Harvey Doerr Interim President and CEO	0	84,661	200,000
William McCaffrey Former President and CEO <sup>(2)</sup>	401,057	1,101,249	259,110
Eric L. Toews Chief Financial Officer	223,850	662,026	435,364
Chi-Tak Yee Chief Operating Officer	219,707	653,342	438,354
Grant Borbridge Senior Vice President, Legal & General Counsel and Corporate Secretary	104,559	324,487	308,525
John Rogers Vice President, Investor Relations & External Communications	149,581	438,422	234,412

### Notes:

- (1) Mr. Evans was appointed as MEG's President and Chief Executive Officer on August 10, 2018.
- (2) Mr. McCaffrey was President and Chief Executive Officer of the Corporation until May 31, 2018.

## Executive Share Ownership Guidelines

The Board originally adopted share ownership guidelines for the CEO (the "CEO Ownership Guidelines") in 2012, and revised these guidelines in connection with the CEO transition that took place in 2018 and further expanded them to apply to all executives beginning in 2019 in order to further align executive and shareholder interests. The new Executive Share Ownership Guidelines require each executive to hold an investment position in Common Shares (which may include holdings of RSUs, PSUs and DSUs) at least equal in value to a minimum multiple of such executive's annual base salary, based on the market price of Common Shares. Such minimum multiple for the CEO is five times, for the CFO, COO and Senior Vice Presidents is three times and for Vice Presidents is two times, annual base salary. The executives are required to achieve the Executive Share Ownership Guidelines within a five year period, commencing the first year the executive is appointed, or 2018 for the current CEO and 2019 for current executives, with a minimum of one-fifth of the ownership requirement being attained by the end of each of the five years.

Compliance with the Executive Ownership Guidelines is measured on the first trading day of each calendar year, using the executive's annual base salary then in effect and the closing price of the Common Shares on that day. Once the required investment position has been achieved, or any investment position has been allocated toward compliance, the executive is deemed to be compliant (partially or fully, as applicable) with the Executive 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 executive does not dispose of any of its investment position and, in the case of full compliance, that the executive does not dispose of an amount of its investment position which, using the share price in effect on the date of the sale, would result in non-compliance.

Pursuant to the Executive Ownership Guidelines the requirement for the CEO at the end of 2018 was one-fifth of total ownership requirement and this requirement has been satisfied. Notwithstanding that the Executive Share Ownership Guidelines only became effective for executives other than the CEO in 2019, all executives also would have satisfied the minimum one-fifth of total ownership requirement had such guidelines been in effect at the end of 2018.

## 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 to officers and employees of, and consultants to, the Corporation and any of its subsidiaries. The Stock Option Plan also governs 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 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.

In connection with its review of the long-term equity incentive programs of the Corporation, the Board approved certain amendments to the Stock Option Plan on April 24, 2019. The material terms of the amended Stock Option Plan are summarized above under "Business of the Annual and Special Meeting – Approval of Unallocated Stock Options".

### Share-Based Plans

#### RSU Plans

The Corporation has a Treasury-Settled RSU Plan as summarized above under "Business of the Annual and Special Meeting – Approval of Unallocated Treasury-Settled Restricted Share Units" as well as a cash-settled RSU plan which became effective June 2, 2016, was amended on December 1, 2016 and was further amended on April 24, 2019 (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 and the Treasury-Settled RSU are 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.

In connection with its review of the long-term equity incentive programs of the Corporation, the Board approved amendments to the RSU Plans on April 24, 2019. The material terms of the amended Treasury-Settled RSU Plan are



summarized above under "Business of the Annual and Special Meeting – Approval of Unallocated Treasury-Settled Restricted Share Units".

The material terms of the Cash-Settled RSU Plan are the same as those of the Treasury-Settled RSU Plan as summarized above under "Business of the Annual and Special Meeting – Approval of Unallocated Treasury-Settled Restricted Share Units", except as otherwise noted below.

The Cash-Settled RSU Plan provides for the settlement of awards in cash only and does not reserve any shares for issuance from treasury. Consequently, the Cash-Settled RSU Plan does not contain the Treasury-Settled RSU Plan Insider and Independent Director Participation Restrictions. Furthermore, the Cash-Settled RSU Plan requires settlement in cash only in respect of vested RSUs and does not include any ability for the Corporation to acquire, or to cause a broker to acquire, and issue whole Common Shares in an amount equal to the number of whole vested RSUs recorded in a Participant's account on an RSU Payment Date.

The Cash-Settled RSU Plan does not require the approval of shareholders in order to make amendments to the Cash-Settled RSU Plan or the RSUs.

### ***Number of Cash-Settled RSUs Outstanding***

As of December 31, 2018, a total of 4,262,177 cash-settled RSUs were outstanding under the Cash-Settled RSU Plan (being equal to approximately 1.4% of the outstanding Common Shares). Of the 4,262,177 cash-settled RSUs outstanding 2,867,311 were granted as PSUs. See "Securities Authorized for Issuance Under Security-Based Compensation Plans" below.

### **Deferred Share Unit Plan**

The Corporation adopted a deferred share unit plan (the "DSU Plan") effective June 13, 2013 and which was amended April 24, 2019. 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 earlier of (a) December 15 of the first calendar year starting after the date on which a Participant ceases to be a director of a member of the Corporate Group, and (b) the fifth business day following the date on which a Participant delivers a redemption notice, or, in respect of a US Participant, on the date such US Participant ceases to be a director of a member of the Corporate Group (as applicable, 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 or, if a redemption notice has been delivered, the product of the number of DSUs specified in such redemption notice multiplied by the Market Price on the Redemption Date, less applicable withholding taxes. A Participant, other than a US Participant, may deliver up to two redemption notices prior to the date specified in (a) above.

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, 2018, a total of 342,775 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 798,064 Options were granted during the year ended December 31, 2018, being equal to approximately 0.3% of the number of Common Shares outstanding as at December 31, 2018. All of the Options granted in 2018 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 2018 to existing employees were granted on June 14, 2018, and are all scheduled to vest at a rate of one-third on each of June 1, 2019, June 1, 2020 and June 1, 2021. All Options granted in 2018 are scheduled to expire seven years from the date of the grant.

A total of 3,263,724 RSUs were granted during the year ended December 31, 2018, being equal to approximately 1.1% of the number of Common Shares outstanding as at December 31, 2018. Of the 3,263,724 RSUs granted during the year, a total of 31,153 were cash-settled RSUs and nil were cash-settled PSUs. Of the 3,263,724 RSUs granted during the year, a total of 2,554,026 were treasury-settled RSUs and 678,545 were treasury-settled PSUs. All of the RSUs granted in 2018 prior to June 30 (of which 678,545 are PSUs) are scheduled to vest at a rate of one-third on each of June 1, 2019, June 1, 2020 and June 1, 2021. Of the 3,263,724 RSUs granted during the year, a total of 42,264 RSUs granted in September 2018 are scheduled to vest at a rate of one-third on each of September 1, 2019, September 1, 2020 and September 1, 2021.

A total of 102,807 DSUs were granted during the year ended December 31, 2018. All of the DSUs granted in 2018 to Canadian directors will be redeemed pursuant to the terms of the DSU Plan on the earlier of (a) December 15 of the first calendar year starting after the date on which a Participant ceases to be a director of a member of the Corporate Group, and (b) the fifth business day following the date on which a Participant delivers a redemption notice. All of the DSUs granted in 2018 to US directors will be redeemed pursuant to the terms of the DSU Plan on the date on which a US Participant ceases to be a director of a member of the Corporate Group.

## Impact on Equity

The following tables describe equity burn rate trends and maximum potential share dilution for the Shares as at December 31, 2018.

### December 31, 2018 Potential Equity Burn Rates

		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%
		2018		
		Awards	WACSO <sup>(1)</sup>	Burn Rate
Stock Option Plan		798,064	295,739,590	0.27%
Treasury-Settled RSU Plan	RSUs	2,554,026		0.86%
	PSUs <sup>(2)</sup>	678,545		0.23%
	Total (RSUs & PSUs)	3,232,571		1.09%

#### 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 "Components of Compensation – Long-Term Equity Incentives" for more detail.

## December 31, 2018 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%	296,841,071	8,517,432	2.87%	2,758,962	0.93%
Treasury-Settled RSU Plan	6.0%		6,534,070	2.20%	2,758,962	0.93%

### 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. In April 2019 the Corporation reduced the plan maximums from 6.0% to 5.0% of Common Shares outstanding.
- (2) Common shares outstanding as at December 31, 2018.
- (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 2,758,962 Common Shares, or 0.93%, 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.

### Contingent Bonus Agreement

On October 16, 2018, the Board, on the recommendation of the Compensation Committee and counsel, agreed with Mr. Evans to provide a contingent bonus arrangement in satisfaction of the LTI target value of \$1.8 million (the "LTI Target") that was promised to Mr. Evans in his offer of employment. The contingent bonus arrangement provided that Mr. Evans would receive, on the first to occur of: (i) in the event of a change of control prior to June 1, 2019 at a price of not less than \$11.00 per common share, the LTI Target in cash plus additional payments of equal to \$400,000 for each additional \$1.00 per common share above \$11.00 per common share payable on such change of control (pro-rated on a straight line basis to the actual per common share amount), or (ii) in the event there is no change of control at a price in excess of \$11.00 per common share on or before June 1, 2019, a discretionary cash bonus reflecting Mr. Evans' contributions during his first year, with a target bonus level equal to the LTI Target. Following the unsuccessful offer by Husky Energy to acquire all of the issued and outstanding shares of MEG, the Board and Mr. Evans mutually agreed that such contingent bonus arrangement should be terminated. The Board has authorized the termination of the contingent bonus arrangement and the grant of DSUs, having a grant value of \$1.8 million, at a time when the Corporation is not subject to a trading blackout but in any event prior to June 1, 2019.

### Retirement Policies

The Corporation has policies in place that govern the treatment of LTI on retirement (the "Retirement Policies") applicable to all retiring 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**

MEG has entered into change of control agreements with each of its NEOs and other executives, (the "Change of Control Agreements") that provide a 2.0 multiplier for the CEO and other NEOs, and multipliers ranging from 1.5 to 2.0 for the remaining executives. On appointment of Derek Evans as MEG's new President & CEO, the CEO multiplier for the CEO's change of control agreement was reduced from 2.5 to 2.0.

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 "Business of the Annual and Special Meeting – Approval of Unallocated Stock Options" and "Business of the Annual and Special Meeting – Approval of Unallocated Treasury-Settled Restricted Share Units", 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 2.0 ; 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 2.0; plus
3. an amount equal to 15% of the NEO's annual base salary as at the termination date multiplied by 2.0, 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 2.0, 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 2.0, 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, 2018, 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:

Name	Payment Pursuant to Change of Control Agreement (\$) <sup>(1)</sup>
Derek Evans ..... President and CEO	2,752,000
Chi-Tak Yee ..... Chief Operating Officer	1,837,321
Eric L. Toews ..... Chief Financial Officer	1,830,698
Grant Borbridge ..... Senior Vice President, Legal & General Counsel	1,392,979
John Rogers..... Vice President, Investor Relations & External Communications	1,340,096

**Note:**

- (1) Values do not include accelerated vesting of LTIs or payout pursuant to the Contingent Bonus Agreement that may occur upon Change of Control. Treatment of LTI upon Change of Control is described under "Business of the Annual and Special Meeting – Approval of Unallocated Stock Options" and "Business of the Annual and Special Meeting – Approval of Unallocated Treasury-Settled Restricted Share Units", and the value of the unvested awards is reported in the table "Outstanding Share-Based and Option-Based Awards – NEOs." The material provisions of the Contingent Bonus Agreement are described under "Termination and Change of Control Benefits – Contingent Bonus Agreement".

## 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 considering 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. Effective for 2020 annual retainer payments, each director is permitted to elect, in advance, to receive up to 100% of their base annual retainer in the form of DSUs. 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 \$15,000 and \$5,000 for the chair and members of the Compensation Committee, respectively; and, (v) 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 made to directors in 2018, an election was introduced allowing each director to elect to receive up to 50% in the form of RSUs and the balance (up to 100%) in DSUs. At the Chairman's request, on March 7, 2019, the Board approved a reduction of the annual Share-based awards to the Chairman from \$210,000 per year to \$150,000 per year for future years, including 2019.

### Summary Compensation Table – Directors

The following table sets out the compensation paid by the Corporation to its directors (other than Mr. Evans and Mr. Doerr) during the year ended December 31, 2018. The "Fees earned" by some directors during 2018 were substantially higher than in previous years, resulting from a larger-than-usual number of Board and committee meetings held during the year, with some Board members attending more than 50 meetings during 2018. An unusually high number of extraordinary items required direct Board attention, including oversight of the sale of the Corporation's interest in the Access Pipeline and the Stonefell Terminal, managing the search for and hiring of a new CEO for the Corporation, and undertaking the Corporation's response to Husky's unsolicited offer to acquire all the issued and outstanding Shares of MEG. Although ultimately the Husky offer was not successful, the process absorbed a great deal of Board attention in Q4 2018 and into 2019.

<b>Name<sup>(1)</sup></b>	<b>Fees earned (\$)</b>	<b>Share- based awards<sup>(2)</sup> (\$)</b>	<b>Option- based awards (\$)</b>	<b>Non-equity incentive plan compen- sation (\$)</b>	<b>Pension value<sup>(3)</sup> (\$)</b>	<b>All other compen- sation (\$)</b>	<b>Total (\$)</b>
Boyd Anderson <sup>(4)</sup> .....	30,084	0	0	0	0	0	<b>30,084</b>
Daniel Farb <sup>(5)</sup> .....	52,835	130,005	0	0	0	0	<b>182,840</b>
Robert Hodgins .....	209,250	130,005	0	0	0	0	<b>339,255</b>
Timothy Hodgson <sup>(6)</sup> .....	185,500	130,005	0	0	0	0	<b>315,505</b>
William R. Klesse .....	73,833	130,005	0	0	0	0	<b>203,838</b>
David B. Krieger <sup>(7)(8)</sup> .....	100,417	130,005	0	0	0	0	<b>230,422</b>
Jeffrey J. McCaig .....	156,000	210,001	0	0	0	0	<b>366,001</b>
James D. McFarland .....	117,667	130,005	0	0	0	0	<b>247,672</b>
Diana McQueen .....	189,084	130,005	0	0	0	0	<b>319,089</b>

**Notes:**

- (1) Mr. Doerr's compensation related to his role as a director and as an NEO has been reported in the Summary Compensation Table for NEO's for 2018 in recognition of his role as Interim President and CEO for four months in 2018.
- (2) 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.
- (3) The Corporation does not currently provide for, or contribute to, either a defined benefit plan or defined contribution plan on behalf of its directors.
- (4) Mr. Anderson ceased to be a director as of May 31, 2018.
- (5) Mr. Farb ceased to be a director as of July 24, 2018.
- (6) Mr. Hodgson is not standing for re-election as a director in 2019.
- (7) The fees and net proceeds from Options, RSUs and DSUs held by Mr. Krieger in his capacity as director are for the benefit of WP LLC.
- (8) Mr. Krieger is not standing for re-election as a director in 2019.

## 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. Evans and Mr. Doerr) as of December 31, 2018.

Name <sup>(1)</sup>	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>(2)</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>(3)</sup> (\$)	Market or payout value of vested RSUs or redeemed DSUs not paid out or distributed (\$)
Robert Hodgins	6,500	35.41	June 14, 2019	0	58,099	436,904	0
Timothy Hodgson <sup>(4)</sup>	0	N/A	N/A	0	52,384	393,928	0
William R. Klesse	0	N/A	N/A	0	52,384	393,928	0
David B. Krieger <sup>(5)(6)</sup>	6,500	35.41	June 14, 2019	0	58,099	436,904	0
Jeffrey J. McCaig	0	N/A	N/A	0	88,577	666,099	0
James D. McFarland	6,500	35.41	June 14, 2019	0	58,099	436,904	0
Diana McQueen	0	N/A	N/A	0	57,946	435,754	0

### Notes:

- (1) Mr. Doerr's compensation related to his role as a director and as an NEO has been reported in the Summary Compensation Table for NEO's for 2018 in recognition of his role as Interim President and CEO for four months in 2018.
- (2) The closing price of the Common Shares on December 31, 2018 was \$7.71 per Common Share.
- (3) The Fair Market Value (as defined in the RSU Plans and the DSU Plan) of the Common Shares on December 31, 2018 was \$7.52 per Common Share.
- (4) Mr. Hodgson is not standing for re-election as a director in 2019.
- (5) The net proceeds from Options, RSUs and DSUs held by Mr. Krieger in his capacity as director are for the benefit of WP LLC.
- (6) Mr. Krieger is not standing for re-election as a director in 2019.

## 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, other than Mr. Evans and Mr. Doerr, that vested during the year ended December 31, 2018 and non-equity incentive plan compensation earned by such directors during the year ended December 31, 2018.

Name <sup>(1)</sup>	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>(2)</sup>	0	367,602	0
Daniel Farb <sup>(3)</sup>	0	100,305	0
Robert Hodgins	0	84,661	0
Timothy Hodgson <sup>(4)</sup>	0	72,824	0
William R. Klesse	0	72,824	0
David B. Krieger <sup>(5)(6)</sup>	0	84,661	0
Jeffrey J. McCaig	0	130,486	0
James D. McFarland	0	84,661	0
Diana McQueen	0	90,894	0

### Notes:

- (1) Mr. Doerr's compensation related to his role as a director and as an NEO has been reported in the Summary Compensation Table for NEO's for 2018 in recognition of his role as Interim President and CEO for four months in 2018.
- (2) Mr. Anderson ceased to be a director as of May 31, 2018. His outstanding DSUs were redeemed at that time.
- (3) Mr. Farb ceased to be a director as of July 24, 2018. His outstanding DSUs were redeemed at that time.
- (4) Mr. Hodgson is not standing for re-election as a director in 2019.
- (5) The net proceeds from Options, RSUs and DSUs held by Mr. Krieger in his capacity as director are for the benefit of WP LLC.
- (6) Mr. Krieger is not standing for re-election as a director in 2019.

## 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 hold an investment position in the common shares of the Corporation (which may include holdings of RSUs and DSUs) at least equal in value to three times (3X) 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 base annual retainer then in effect and the closing price of the Common Shares on that day. Once the required investment position has been achieved, or any investment position has 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 of its investment position and, in the case of full compliance, that such director does not dispose of an amount of its investment position 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 non-management directors nominated for election at the Meeting are in compliance with the Director Guidelines as at January 2, 2019.

Equity Ownership as at January 2, 2019									
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, 2019 <sup>(3)</sup> (\$)	RSUs (#)	Total Value of Equity Investment as at Jan. 2, 2019 <sup>(3)</sup> (\$)	Multiple of Ownership Requirement as at Jan. 2, 2019 (#)	Complies with Guidelines ? (Y/N)
Harvey Doerr	5	120,000	53,336	31,403	674,522	44,349	1,027,540	8.6	Y
Robert Hodgins	5	120,000	11,796	38,153	397,594	19,946	556,364	4.6	Y
Tim Hodgson <sup>(4)</sup>	3	72,000	12,783	39,076	412,798	13,308	518,729	7.2	Y
William R. Klesse	3	72,000	225,000	32,326	2,048,315	20,058	2,207,977	30.7	Y
David B. Krieger <sup>(5)(6)(7)</sup>	5	120,000	16,240	44,903	486,698	13,196	591,738	4.9	Y
Jeffrey J. McCaig	5	405,000	583,443	67,261	5,179,604	21,316	5,349,279	13.2	Y
James D. McFarland	5	120,000	23,039	44,903	540,818	13,196	645,858	5.4	Y
Diana McQueen	4	96,000	10,042	44,750	436,144	13,196	541,184	5.6	Y

**Notes:**

- (1) Represents years of service to a maximum of 5.
- (2) Pursuant to the Director Guidelines, the requirement for each of Timothy Hodgson and William Klesse is currently three-fifths of total ownership requirement, and the requirement for Diana McQueen is currently four-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, 2019 was \$7.96 per Common Share. The values of Common Shares, DSUs, RSUs and PSUs are calculated by multiplying the total number of shares or units by the January 2, 2019 closing price.
- (4) Mr. Hodgson is not standing for re-election as a director in 2019.
- (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) Mr. Krieger is not standing for re-election as a director in 2019.

## 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, 2018. As of December 31, 2018, there were 296,841,071 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	8,517,432	\$21.27	(1)
Treasury-Settled RSU Plan <sup>(2)</sup>	6,534,070	N/A	(3)
<b>Total</b>	<b>15,051,502</b>	<b>\$21.27</b>	<b>2,758,962<sup>(4)</sup></b>

### Notes:

- (1) As of December 31, 2018, 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). In April 2019, the Corporation reduced the plan maximums from 6.0% to 5.0% of Common Shares outstanding.
- (2) Includes PSUs issued under the Treasury-Settled RSU Plan.
- (3) As of December 31, 2018, 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). In April 2019, the Corporation reduced the plan maximums from 6.0% to 5.0% of Common Shares outstanding.
- (4) Based on the number of issued and outstanding Common Shares as at December 31, 2018.

## 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 2018 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, 2018, indebted to the Corporation, or whose indebtedness to another entity is, or at any time since January 1, 2018 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, 2018 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*:

Harvey Doerr <sup>(1)</sup>	Robert Hodgins
Timothy Hodgson <sup>(2)</sup>	William R. Klesse
David B. Krieger <sup>(3)</sup>	Jeffrey J. McCaig
James D. McFarland	Diana McQueen

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#### Notes:

- (1) Mr. Doerr became Interim President and Chief Executive Officer of the Corporation on June 1, 2018 and ceased to operate in that capacity effective September 30, 2018.
- (2) Mr. Hodgson is not standing for re-election as a director in 2019.
- (3) Mr. Krieger is not standing for re-election as a director in 2019.

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.

Derek Evans is not independent due to his material relationship with the Corporation. Derek Evans is currently the President and CEO of the Corporation.

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, Health Safety and Environment and Reserves Committee, ad hoc Deleveraging Committee, ad hoc Hedging Committee, ad hoc Search Committee and ad hoc Special Committee, are/were 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. In addition, the following directors are directors of the reporting issuers (or the equivalent) set out beside their respective names below:

Director	Reporting Issuer (or equivalent)
Grant Billing <sup>(1)</sup>	Badger Daylighting Ltd. Tervita Corporation
Ian Bruce <sup>(2)</sup>	Cameco Corporation
Harvey Doerr	Seven Generations Energy Ltd.
Derek Evans	Franco-Nevada Corporation
Robert Hodgins	AltaGas Ltd. Enerplus Corporation GranTierra Energy Inc.
Timothy Hodgson <sup>(3)</sup>	Alignvest Acquisition II Corp. Hydro One Limited
William R. Klesse	Occidental Petroleum Corporation
James D. McFarland	Pengrowth Energy Corporation Valeura Energy Inc. Arrow Exploration Corp.

### Notes:

- (1) Mr. Billing is being nominated for election as a director at the 2019 Meeting.
- (2) Mr. Bruce is being nominated for election as a director at the 2019 Meeting.
- (3) Mr. Hodgson is not standing for re-election as a director in 2019.

## Board Committees

The Board has established the following standing committees of the Board, the (i) Audit Committee, (ii) Compensation Committee; (iii) Governance and Nominating Committee and (iv) Health, Safety and Environment and Reserves Committee.

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 was to oversee the Corporation's deleveraging alternatives. The Deleveraging Committee was dissolved in September 2018, its mandate having been fulfilled.

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 included developing policy for the hedging activities of the Corporation, which hedging activities would then continue to be monitored by the Audit Committee. The Hedging Committee was dissolved in September 2018, its mandate having been fulfilled.

In April 2018, the Board appointed the Search Committee as an ad hoc committee of the Board, the chairman of which was an independent director. The function of the Search Committee included managing and supervising the Corporation's efforts to identify: (i) a permanent President and Chief Executive Officer; and (ii) new directors. The Search Committee was dissolved in March 2019, with completion of its mandate being delegated to the GNC.

In August of 2018, the Board appointed the Special Committee as an ad hoc committee of the Board, the chairman of which was an independent director. The function of the Special Committee was to: (i) review and analyze a proposal from Husky to acquire 100% of the issued and outstanding shares of MEG and any alternatives thereto; and (ii) review and analyze any activist activities which may target MEG. The Special Committee was dissolved in March 2019, its mandate having been fulfilled.

## 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:

### Board and Standing Committees

Director	Board Meetings	Audit Committee Meetings	Compensation Committee Meetings	Governance and Nominating Committee Meetings	Health, Safety and Environment and Reserves Committee Meetings <sup>(1)</sup>
Boyd Anderson <sup>(2)</sup>	4 of 4	3 of 3	N/A	N/A	N/A
Harvey Doerr <sup>(3)</sup>	14 of 14	N/A	N/A	3 of 3	1 of 1
Derek Evans <sup>(4)</sup>	7 of 7	N/A	N/A	N/A	N/A
Daniel Farb <sup>(5)</sup>	5 of 5	N/A	N/A	N/A	N/A
Robert Hodgins	14 of 14	5 of 5	9 of 9	N/A	N/A
Timothy Hodgson <sup>(6)</sup>	14 of 14	5 of 5	N/A	N/A	N/A
William Klesse	14 of 14	N/A	N/A	N/A	1 of 1
David Krieger <sup>(7)(8)</sup>	13 of 14	N/A	2 of 4	1 of 1	N/A
William McCaffrey <sup>(9)</sup>	4 of 4	N/A	N/A	N/A	N/A
Jeff McCaig <sup>(10)</sup>	14 of 14	N/A	N/A	N/A	N/A
James McFarland <sup>(11)</sup>	13 of 14	2 of 2	9 of 9	3 of 3	1 of 1
Diana McQueen <sup>(12)</sup>	14 of 14	N/A	9 of 9	3 of 3	1 of 1

#### Notes:

- (1) The Health, Safety and Environment and Reserves Committee was established on June 14, 2018.
- (2) Mr. Anderson ceased to be a director on May 31, 2018.
- (3) Mr. Doerr resigned as Chair and member of the GNC on April 12, 2018 and was reappointed a member of the GNC effective August 10, 2018.
- (4) Mr. Evans was appointed a director on August 10, 2018.
- (5) Mr. Farb resigned as a director effective July 24, 2018.
- (6) Mr. Hodgson is not standing for re-election as a director in 2019.
- (7) Mr. Krieger is not standing for re-election as a director in 2019.
- (8) Mr. Krieger ceased to be a member of the Compensation Committee effective June 14, 2018 and was appointed a member of the GNC effective June 14, 2018.
- (9) Mr. McCaffrey ceased to be a director on May 31, 2018.
- (10) Mr. McCaig, Chairman of the Board, is an *ex-officio* member of all Board Committees.
- (11) Mr. McFarland was appointed a member of the Audit Committee effective July 27, 2018.
- (12) Ms. McQueen was appointed a member of the GNC effective June 15, 2017 and appointed Chair of the GNC effective April 12, 2018.

## Ad hoc Committees

Director	Deleveraging Committee Meetings <sup>(1)</sup>	Hedging Committee Meetings <sup>(2)</sup>	Search Committee Meetings <sup>(3)</sup>	Special Committee Meetings <sup>(4)</sup>
Harvey Doerr	N/A	N/A	N/A	20 of 20
Daniel Farb <sup>(5)</sup>	N/A	4 of 4	6 of 6	N/A
Robert Hodgins	5 of 5	4 of 4	N/A	20 of 20
Timothy Hodgson <sup>(6)</sup>	5 of 5	N/A	N/A	20 of 20
William Klesse	N/A	2 of 4	N/A	N/A
David Krieger <sup>(7)</sup>	5 of 5	4 of 4	4 of 6	N/A
William McCaffrey <sup>(8)</sup>	5 of 5	N/A	N/A	N/A
Jeff McCaig <sup>(9)</sup>	N/A	N/A	6 of 6	N/A
James McFarland	N/A	N/A	6 of 6	N/A
Diana McQueen	N/A	N/A	6 of 6	20 of 20

### Notes:

- (1) In September 2018, the Deleveraging Committee was dissolved, its mandate having been fulfilled.
- (2) In September 2018, the Hedging Committee was dissolved, its mandate having been fulfilled.
- (3) In March 2019, the Search Committee was dissolved, with completion of its mandate being delegated to the GNC.
- (4) In March 2019, the Special Committee was dissolved, its mandate having been fulfilled.
- (5) Mr. Farb resigned as a director effective July 24, 2018.
- (6) Mr. Hodgson is not standing for re-election as a director in 2019.
- (7) Mr. Krieger is not standing for re-election as a director in 2019.
- (8) Mr. McCaffrey ceased to be a director on May 31, 2018.
- (9) Mr. McCaig, Chairman of the Board, is an *ex-officio* member of all Board Committees.

## 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 2018, and also includes the skills and expertise of the proposed nominees for election as directors:

Skill	G. Billing	I. Bruce	H. Doerr	D. Evans	J. Fairburn	R. Hodgins	B. Klesse	J. McCaig	J. McFarland	D. McQueen	Total (out of 10)
<b>Business Experience/ Knowledge</b>											
Financial literacy	√	√	√	√	√	√	√	√	√	√	10
Strategy, managing or leading growth	√	√	√	√	√	√	√	√	√	√	10
Sectors outside of oil and gas	√	√			√	√		√		√	6
Executive experience in a large company	√	√	√	√	√	√	√	√	√		8
Canadian corporate governance	√	√	√	√	√	√		√	√	√	9
<b>Political, Public and Regulatory</b>	√	√	√	√	√	√	√	√	√	√	10
<b>Oil and Gas Technical Experience</b>											
Upstream Operations	√		√	√	√		√		√		6
Midstream/downstream operations			√	√	√	√	√		√		6

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 (both 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"). The Diversity Policy was recently amended to require that females and males each represent at least 20% of directors following the Meeting and a goal of reaching 30% following the annual general meeting in 2020, and to thereafter maintain such minimum levels of gender diversity among the Board.

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 for Leadership Roles and the ability to identify candidates who offer various forms of 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	45
Executive	1	11
Board Director <sup>(2)</sup>	2	20 <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 ten 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 onboarding materials and information, including 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 2018, directors' participation in continuing education activities included the following:

- 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, August, September, October, November and December, 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 June, September, October, November and December, the directors of the Corporation received a presentation from management regarding financial risk management (hedging) programs.
- In September, oil & gas consultant Muse Stancil & Co. provided the directors with its insights into the potential impacts of new International Maritime Organization (“IMO 2020”) regulations applicable to marine fuel standards as of January 1, 2020.
- 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 2018, 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 2018, 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.

After taking the opportunity to consult with a limited number of stakeholders in early 2019, the Board initiated a Board renewal process to facilitate an appropriately-timed turnover of Board members while also ensuring that the necessary skillsets and backgrounds continue to be in place to steward the ultimate potential of the Corporation going forward.

To provide continuity on the Board, the Board renewal process will be staged over two years, with two current members, Timothy Hodgson and David Krieger, not standing for re-election to the Board at the Meeting, and a third position to be filled because of the resignation of a former Board member on July 24, 2018.

The Board engaged Korn Ferry to search for qualified Board candidates to replace these individuals, which resulted in finding the three highly-qualified new Board candidates, Grant Billing, Ian Bruce and Judy Fairburn, who are nominated for election to the Board at the Meeting.

With appropriate Board turnover in mind, the Board previously adopted the 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 Tenure Policy provides that following a deemed resignation pursuant to the 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 Tenure Policy also provides that upon a director being the subject of a deemed resignation pursuant to the 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 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 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”.

In accordance with the Tenure Policy, two current members of the Board, Messrs. Klesse and McFarland, were deemed to have submitted resignations from the Board as a result of reaching the age of 72. However, it was also recognized by the GNC and the Board, that Mr. Klesse and Mr. McFarland currently fulfill key positions on the Board, as Chair of the HSE & Reserves Committee and the Compensation Committee respectively, and both also bring extensive oil & gas upstream, midstream and downstream experience to the Board. As such, on the recommendation of the GNC and after thorough consideration of the importance of providing continuity in critical Board positions and the critical skillset each provides to the Board, the Board rejected each of the resignations and asked both Mr. Klesse and Mr. McFarland to continue to serve on the Board. As such, Mr. Klesse and Mr. McFarland are nominated for election to the Board at the Meeting.

It is anticipated that similar Board renewal will occur at the 2020 annual meeting of shareholders.

The renewal process described above will provide material Board turnover, with at least four current members (of nine current Board members) leaving the Board, and five new members joining the Board (resulting in a Board with ten members) by the conclusion of the 2020 meeting of shareholders, which meeting must be held not later than June 2020. In addition, the Corporation’s Diversity Policy has been amended to require that females and males each represent at least 20% of directors following the Meeting and a goal of reaching 30% following the annual general meeting in 2020, and to thereafter maintain such minimum levels of gender diversity among the Board.

## 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.

