

12. **Director Terms**

Each director is elected annually by the unitholders. It is understood that each director should offer their resignation to the Chair of the Governance Committee upon reaching age 65 and annually thereafter.

13. **Director Responsibilities**

- (a) Directors should endeavour to understand the oil and gas business in which the Trust operates and carries on business.
- (b) Directors should review all meeting materials and endeavour to attend all meetings of the Board as well as all committees of which they are members.
- (c) Directors should endeavour to act with a view to the best interests of the Trust.

14. **Board Independence**

- (a) The independence of the Board from management is included in the mandate of the Governance Committee and is included in the Terms of Reference for the Board Chair.
- (b) At any time any director may request that a meeting of the Board or any committee thereof be held without representatives of management present or that all or some representatives of management absent themselves from any particular portion of any meeting of the Board or any committee thereof. When requested by a director that all or a portion of a meeting be held without management, the Board Chair or the committee Chair in question, shall consider and discuss with the independent directors whether or not such action shall be taken. If no such action is to be taken, the Chair shall report back to the director requesting the action, advising the director as to the reasons why such action has not been taken.
- (c) The Board will allow time at the end of each Board meeting to meet without the CEO and any other non-independent directors. This provides an opportunity for directors to raise any issues independently of management and scheduling this session on a regular basis ensures that such meetings are a matter of course for an independent Board and do not indicate any kind of crisis or emergency. The independent members of the Board may meet more frequently as they determine appropriate without the presence of any non-independent directors or members of management. If there are any non-management directors who are not independent, the non-management directors should also meet regularly. The Board Chair will preside over meetings of the independent directors and meetings of non-management directors.

15. **Board Meetings and Agendas**

- (a) The Board meets a minimum of four times per year, usually every quarter.
- (b) The Board Chair and the CEO, in consultation with the Vice-President, Finance, develop the agenda for each Board meeting. Under normal circumstances, the agenda and management will endeavour to distribute materials to the directors not less than three business days before each meeting. All directors are free to suggest additions to the agenda.

16. Board Information

- (a) Material distributed to the directors in advance of Board meetings will be concise, yet complete, and prepared in a way that focuses attention on critical issues to be considered.
- (b) Reports may be presented during Board meetings by directors, management or staff, or by invited outside advisors. Presentations on specific subjects at Board meetings will briefly summarize the material sent to directors, so as to maximize the time available for discussion on questions regarding the material.
- (c) It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written material in advance.

17. Non-Directors at Board Meetings

- (a) The Board appreciates the value of having certain members of senior management and other experts as appropriate attend each Board meeting to provide information and advice to assist the directors in their deliberations.
- (b) The Board Chair and the CEO will determine who shall attend Board meetings and for which agenda items.

18. Committees

- (a) Committees analyze in depth policies and strategies developed by management, which are consistent with their terms of reference. They examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated to do so.
- (b) Each committee operates according to a Board approved written mandate outlining its duties and responsibilities.
- (c) The Committee structure may be subject to change as the Board considers from time-to-time which of its responsibilities can best be fulfilled through more detailed review of matters in committee.
- (d) The current committee structure includes:
 - (i) Audit Committee;
 - (ii) Health, Safety and Environment Committee;
 - (iii) Governance Committee;
 - (iv) Human Resources and Compensation Committee; and
 - (v) Reserves Committee.
- (e) The Board favours a periodic rotation in committee leadership and membership in a way that recognizes and balances the needs for new ideas, continuity and maintenance of functional expertise.

- (f) The Governance Committee is responsible to the Board for proposing the leadership and membership of each committee on an annual basis. In preparing its recommendations the Governance Committee will consult with the Board Chair and with the CEO, and take into account the preferences of individual directors.

19. Board Contact with Senior Management

- (a) All of the directors have open access to the Corporation's senior management. It is expected that directors will exercise judgment to ensure that their contacts with senior management will not distract from the Corporation's business operations.
- (b) Written communications from directors to members of management will be copied to the CEO and to the Board Chair.
- (c) The Board also encourages individual directors to make themselves available for consultation with management outside Board meetings in order to provide specific advice and counsel on subjects where such directors have special knowledge and experience.

20. Director Orientation and Continuing Education

- (a) New directors will be provided with an orientation and education program that will include written information about the duties and obligations of directors, and the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the Corporation expects from its directors), the role and responsibilities of the Board and its committees, the business and operations of Penn West, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other directors. The details of the orientation of each new director will be tailored to that director's individual needs and areas of interest.
- (b) With the approval of the Governance Committee or its designee, directors may, at the expense of the Corporation, participate in continuing education programs that are designed to maintain or enhance their skills and abilities as directors or to enhance their knowledge and understanding of Penn West's business and operations.

21. Assessing the Board's Performance

- (a) The Governance Committee is responsible for ensuring that an annual assessment of the overall performance of the Board and its committees, including the Governance Committee, is made.
- (b) The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. It is expected that the results of such reviews will be to identify any areas where the directors and/or management believe that the Board could make a better collective contribution to overseeing the affairs of Penn West in such a way as to add unitholder value.

22. Director Compensation

The Governance Committee will review the form and amount of compensation of the directors each year in view of issues relating to independence and directors' compensation of peer

corporations. The Committee will make recommendations to the Board for consideration when it believes changes in compensation are warranted.

23. **Limits to Management Authority**

From time to time, the Board establishes limits on management's authority depending on the nature and size of proposed transactions. These limits permit some flexibility within approved budgets but otherwise must not be exceeded without Board approval.

24. **Outside Advisors for Individual Directors**

Individual directors may need the services of an advisor to assist on matters involving their responsibilities as a Board member. Except as specifically permitted in a committee's terms of reference, the Board has determined that any director who wishes to engage an outside advisor at the expense of the Corporation, obtain the authorization of the Board Chair or the Governance Committee.

25. **Board Guideline Review**

The Governance Committee will review these Guidelines annually and any recommended changes will be submitted to the Board for approval.