

# CORPORATE GOVERNANCE GUIDELINES



The term "**Corporation**" refers to Pembina Pipeline Corporation, the term "**Pembina**" refers collectively to the Corporation and all entities controlled by the Corporation, the term "**Board**" or "**Board of Directors**" refers to the board of directors of the Corporation, and the term "**Board Chair**" refers to the chair of the Board.

## A. INTRODUCTION

- I. These Corporate Governance Guidelines ("**Guidelines**") provide a framework of authority and accountability to enable the Board and management to make timely and effective decisions that promote shareholder value while complying with applicable law and the Corporation's commitment to a high standard of corporate governance.
- II. The Board and management are committed to implementing these Guidelines and to making good governance integral to the culture of the Corporation.

## B. RESPONSIBILITIES OF THE BOARD AND OF MANAGEMENT

### I. The Role of the Board of Directors

The mandate of the Board defines the role of the Board. The following outlines the key guidelines governing how the Board will operate to carry out its duties of stewardship and accountability.

- a. The Board's primary responsibility is to enhance and preserve the amount of cash to be distributed to the Corporation's shareholders, to enhance and preserve the long-term value and success of the Corporation, to confirm that the Corporation meets its obligations on an ongoing basis and to confirm that Pembina operates in a reliable and safe manner.
- b. The Board has plenary power. Any authority not delegated to a Committee of the Board or to management remains with the Board. To elaborate on the role of the Board beyond the scope of these Guidelines, the Board has adopted a Board Mandate.
- c. The Board may delegate its responsibilities under these Guidelines to appropriate Committees of the Board.

### II. The Role of the Board Chair

- a. The Board Chair's primary responsibility is to provide leadership to the Board in matters relating to the effective execution of all Board responsibilities, and works with the Chief Executive Officer ("CEO") of the Corporation to ensure that the Corporation fulfills its responsibilities to stakeholders including shareholders, employees, partners, governments and the public.

- b. The Board Chair shall be appointed annually by the Board from among the directors who are independent pursuant to the Corporation's Standards for Director Independence.
- c. To elaborate on the role of the Board Chair beyond the scope of these Guidelines, the Board has issued Terms of Reference for the Board Chair.

### III. The role of Individual Directors

- a. Each director is responsible for providing constructive counsel to and oversight of management, consistent with a director's statutory and fiduciary obligations to the Corporation. Each director shall advance the interests of the Corporation and the effectiveness of the Board, by bringing his or her knowledge and experience to bear on the strategic and operational issues facing the Corporation, by preparing for and participating in meetings of the Board and its Committees, and by enhancing his or her familiarity with the Corporation and its business, people and competitive environment.
- b. To elaborate on the role of individual directors beyond the scope of these Guidelines, the Board has issued Terms of Reference for Directors.
- c. Each director shall attend meetings of the Board and meetings of Committees of the Board of which each director is a member, in person or by conference call, and shall review all meeting materials in advance of each meeting. The attendance record of each director shall be disclosed annually in appropriate public disclosure documents.

### IV. The Board-Management Relationship

- a. While the Board is responsible to manage and supervise the management of the business by law, the CEO is charged with the day-to-day executive leadership and operational management of the Corporation.
- b. The CEO's prime responsibility is to lead the Corporation. The CEO formulates the Corporation's proposed goals, strategies and objectives, and presents them to the Board for approval. The Board approves the goals, and the strategies and objectives within which the Corporation is managed, and oversees senior management performance and compensation with a view to preserving and enhancing the underlying value of the Corporation. The CEO keeps the Board informed of the Corporation's progress toward its goals and of all material deviations from the goals, strategies and objectives approved by the Board.
- c. To elaborate on the role of the CEO beyond the scope of these Guidelines, the Board has issued Terms of Reference for the CEO.

### V. Corporate Strategy

Management is responsible for the development of an overall corporate strategy to be presented annually to the Board. The Board's role is to ensure there is a strategic planning process, and then review in depth, question, validate and ultimately approve the strategy and monitor management's execution of the strategy and its achievement of objectives.

## VI. Business Risks

The Board has the responsibility to understand the principal risks of the business in which Pembina is engaged and verify that Pembina achieves a proper balance between risks incurred and the potential return to the Corporation and its shareholders. The Board must also confirm that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation. The Board is assisted by the Governance, Nominating and Corporate Social Responsibility Committee in establishing appropriate risk oversight functions at the Board and Committee levels, and it is the responsibility of management to ensure that the Board and its Committees are kept well-informed of changing risks. The principal mechanisms through which the Board reviews risks are:

- a. on-going reports by the CEO;
- b. the strategic planning process;
- c. through the work of the Audit Committee of the Board;
- d. through the work of the Safety and Environment Committee of the Board;
- e. through the work of the Human Resources, Health and Compensation Committee of the Board;
- f. through the work of the Governance, Nominating and Corporate Social Responsibility Committee of the Board;
- g. the ongoing education plan; and
- h. the Corporation's Enterprise Risk Management Policy and process.

## VII. Limits on 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.

## VIII. Financial Integrity and Reporting

- a. The Board shall take reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems.
- b. The Board approves the content of the Corporation's major communications with shareholders and the investing public, including the Annual Report, the Management Proxy Circular, the Annual Information Form, and any prospectuses that may be issued.

## IX. Evaluation of the CEO

The Board is committed to an annual performance evaluation of the CEO. The CEO evaluation process is within the mandate of the Human Resources, Health and Compensation Committee of the Board.

## X. Succession Planning

The Board considers succession planning and management development to be an ongoing process, including annual reports to the Board by the CEO. The executive succession planning process is within the mandate of the Human Resources, Health and Compensation Committee of the Board. The CEO's views as to a successor in the event of unexpected incapacity should be discussed regularly with the Human Resources, Health and Compensation Committee of the Board.

## XI. Corporate Disclosure

- a. The Board shall set for the Corporation the goal of attaining continuous and conspicuous disclosure of all significant facts, policies and procedures to all shareholders simultaneously. The achievement of this goal shall include the following:
  - i. reporting in the appropriate public documents, in as meaningful a manner as possible, compliance with governance requirements of regulators, stock exchanges and professional authorities in all jurisdictions where the Corporation's securities trade, and explaining any non-compliance;
  - ii. reporting on an annual basis the Corporation's governance philosophy, practices and monitoring processes where these standards incorporate or exceed regularly requirements; and
  - iii. reporting substantive issues, changes and developments in corporate governance practices at the Corporation that could affect shareholder interests.
- b. Although the Board approves the content of the Corporation's principal public communications, it is the function of management, through the Corporation's Disclosure Committee, to communicate on behalf of the Corporation with the investment community, the media, customers, suppliers, employees, governments, and the general public. It is understood that the Board Chair or other individual directors may, from time to time, be requested by the CEO to assist with such communications.
- c. It is expected that when communications from stakeholders are made to the Board Chair or to other individual directors, the CEO, if appropriate, will be informed and consulted to determine any appropriate response to be made by the Board Chair or senior management, as the case may be.
- d. When conveying personal views in public, directors shall indicate, where appropriate, that their views are personal and do not represent the views of the Corporation or the Board.

## C. THE COMPOSITION AND INDEPENDENCE OF THE BOARD

### I. Board Size and Composition

The Board is committed to a Board size of between eight (8) and thirteen (13) members, which the Board considers to be an appropriate number for the size of the Corporation and sufficient to provide an appropriate mix of backgrounds and skills for the stewardship of the Corporation, except that the number

of members on the Board may exceed the recommended Board size to accommodate the succession and transition of additional appointments pending anticipated director retirements, up to a maximum of thirteen (13) members.

## II. Independence Standards

A majority of the Board shall be comprised of directors who are independent pursuant to the Corporation's Standards for Director Independence, in accordance with the applicable provisions of the U.S. Securities Exchange Act of 1934, as amended, the rules promulgated thereunder, the applicable rules of the New York Stock Exchange, and the policies and rules adopted by the Canadian Securities Administrators. Members of the Corporation's Audit Committee, Governance, Nominating and Corporate Social Responsibility Committee and Human Resources, Health and Compensation Committee must also comply with the Corporation's Standards for Director Independence, subject only to the Board claiming an available exemption under applicable securities laws.

## III. Independence Determination and Disclosure

- a. At least annually the Board shall consider and determine whether a director or a nominee to be a director would upon election be independent for the purposes of the Corporation's Standards for Director Independence.
- b. At the request of the Corporate Secretary, persons who are being considered for nomination or re-nomination to the Board shall provide the Corporate Secretary with complete and accurate information regarding the interests and relationships that might bear on the determination whether the person would be an independent director.
- c. Directors and nominees shall promptly advise the Corporate Secretary of any changes in their relationships or interests that might bear on their independence as defined by the Corporation's Standards for Director Independence or these Guidelines.
- d. The Corporation shall disclose the determinations regarding the independence of its directors or director nominees in its annual Management Proxy Circular. The basis for a Board determination that a relationship is not material shall also be disclosed in the Management Proxy Circular, and any waiver of the foregoing Standards for Director Independence that the Board grants with respect to a director or director nominee shall be explained in the Management Proxy Circular.
- e. The Board prefers that the CEO be the only member of management on the Board, although there may be times when it is appropriate to have an additional management member or non-independent director on the Board. The maximum number of non-independent directors on the Board shall be two.

## D. THE QUALIFICATIONS, NOMINATION AND TENURE OF DIRECTORS

### I. Criteria for Board Membership

- a. The Governance, Nominating and Corporate Social Responsibility Committee of the Board will review each year the general and specific criteria applicable to candidates to be considered for nomination to the Board.
- b. The objective of this review will be to maintain the integrity and composition of the Board in a way that provides the best mix of skills and experience to guide the long-term strategy and ongoing business operations of Pembina.
- c. This review will take into account the desirability of maintaining a reasonable diversity of background, skills, education and experience and personal characteristics among the directors, along with the key common characteristics required for effective Board participation (including the time and resources directors are able to dedicate to their duties as a Board member).
- d. As part of the assessment of Board composition, the Governance, Nominating and Corporate Social Responsibility Committee of the Board will assess the implementation and effectiveness of the Board Diversity Policy.

### II. Limitations on Number of Other Public Directorships

No director shall:

- a. If also serving as an executive officer (of the Corporation or another public company), serve on the board of directors of more than two public companies or groups of public companies;
- b. in all other cases, serve on the boards of directors of more than three (3) other (four (4) including the Corporation) public companies or groups of public companies; nor
- c. if serving as a member of the Audit Committee, serve as a member of the audit committee for more than two (2) other (three (3) including the Corporation) public companies or groups of public companies; nor
- d. (in all cases, serve on the boards of directors of more than two (2) other companies on which a fellow member of the Board also serves,

unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Board and disclose such determination in the Corporation's annual Management Proxy Circular and Annual Information Form. It is expected that a director will apprise the Governance, Nominating and Corporate Social Responsibility Committee Chair of a proposed acceptance of a directorship on any public corporation, or acceptance of a senior management position with any public corporation, in order to provide an opportunity for the Board Chair and the Governance, Nominating and Corporate Social Responsibility Committee to be satisfied that such additional responsibilities would not compromise such director's availability and

capacity to fulfill his or her commitment to the Board and to confirm that no real or apparent conflict of interest would result.

### III. Meetings of Independent Directors

With a view to facilitating regular open and candid discussion among independent directors, the corporate governance practices implemented by the Board provide for an in-camera session of the independent directors without management present, and without non-independent directors present, to be held in conjunction with each meeting of the Board. This is intended to ensure that adequate structures and processes are in place to permit the Board to function independently from management.

### IV. Director Succession Planning

The Board, through the Governance, Nominating and Corporate Social Responsibility Committee, shall develop and annually update a long-term plan for the composition of the Board that takes into consideration the opportunities, risks, and strategic direction of the Corporation and the consequent ideal mix of directors' qualifications and independence (taking into account the Board Diversity Policy).

### V. Nomination of Directors

The Board, on recommendation from the Governance, Nominating and Corporate Social Responsibility Committee, is responsible for determining the list of nominees for election as directors of the Corporation. Nominees shall be presented individually, rather than as a slate, for shareholder voting.

### VI. Director Majority Voting Policy

The Governance, Nominating and Corporate Social Responsibility Committee and the Board will comply with the terms of the Corporation's Majority Voting Policy for Director Elections, as amended from time to time, in considering the results of shareholder votes on director elections.

### VII. Directors Who Change Their Present Job Responsibility

- a. A director, including the CEO, if s/he is serving on the Board and has a change in personal circumstances which would reasonably interfere with his or her ability to serve as a director, including a conflict of interest, or which would reflect poorly on Pembina shall offer his or her resignation to the Board for consideration. It is not intended that directors who retire or whose professional positions change should necessarily leave the Board.
- b. The sense of the Board is that there should be an opportunity for the Board to review, through the Governance, Nominating and Corporate Social Responsibility Committee, the continued appropriateness of Board membership under such circumstances.

### VIII. Tenure of Directors

The Board has determined that fixed term limits for directors should not be established and that the focus is on Board renewal. The Board is of the view that such a policy would have the effect of forcing directors off the Board who have developed, over a period of service, increased insight into the Corporation and who, therefore, can be expected to provide an increasing contribution to the Board. At the same time, the Board

recognizes the value of some turnover in Board membership to provide ongoing input of fresh ideas and views and annually considers changes to the composition of the Board.

#### IX. Retirement of Directors

A director is not ordinarily nominated for election at the annual meeting of shareholders next held following the date on which he or she attains the age of seventy-two (72) years. The Board may waive this practice and request a director to extend his or her term of service beyond the regular retirement age.

## D. DIRECTOR CONFLICTS OF INTEREST

#### I. Avoidance of Conflicts of Interest

Every director shall comply with the conflicts of interest provisions of the Corporation's Code of Ethics Policy.

#### II. Disclosure of Conflicts of Interest

- a. Prior to the beginning of his or her service on the Board, and thereafter upon the request of the Board Chair or the Corporate Secretary, every director shall disclose to the Corporate Secretary all potential conflicts of interest, so that a course of action can be determined to resolve any such conflicts before any interest of the Corporation is jeopardized. If a director undertakes any new interests or relationships not previously disclosed, the director shall immediately inform the Corporate Secretary of this change in potential conflicts of interest.
- b. If the Board, or a Committee of the Board, is deliberating on a matter that may affect a director's interests or relationships outside the Corporation, the director shall disclose such interests or relationships to the Board Chair prior to discussion or vote on the matter, so that consideration can be given to the director's abstention from discussion, abstention from voting, or other recusal.

## E. MEETINGS OF THE BOARD

#### I. Frequency of Meetings

The Board shall meet quarterly, or more frequently as needed for the directors to diligently discharge their responsibilities.

#### II. Agendas and Information for Meetings

The Board Chair and CEO, in consultation with the Corporate Secretary, shall develop the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. The chair of each Committee of the Board in consultation with Committee members and appropriate members of management shall develop agendas for Committee meetings.



### III. Board Information

Meeting materials will be distributed to members of the Board before each Board meeting, in sufficient time to ensure adequate opportunity to review. Under some circumstances, due to the confidential nature of matters to be discussed at the meeting, it may not be prudent or appropriate to distribute materials in advance.

### IV. Non-Directors at Board Meetings

The Board believes there is value in having certain members of senior management attend each Board meeting to provide information and opinion to assist the directors in their deliberations. Attendance by senior management will be determined by the CEO with the concurrence of the Board Chair. Management attendees will be excused for any agenda items that are reserved for discussion among directors only.

## F. COMMITTEES OF THE BOARD

### I. Establishment of Committees

- a. The Board shall establish Committees to fulfill the responsibilities stated in their respective Charters, which shall be approved by the Board. The current Committee structure includes:
  - i. Audit Committee;
  - ii. Safety and Environment Committee;
  - iii. Governance, Nominating and Corporate Social Responsibility Committee; and
  - iv. Human Resources, Health and Compensation Committee
- b. Each Committee operates according to a Board approved written Charter 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 be best fulfilled through more detailed review of matters in Committee.
- d. 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, and to enhance the broader experience and perspective of the Board and individual directors.
- e. All members of the Audit Committee, Governance, Nominating Committee and Human Resources, Health and Compensation Committee must be independent, subject only to the Board claiming an available exemption under applicable securities laws.
- f. The Governance, Nominating and Corporate Social Responsibility 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, Nominating and

Corporate Social Responsibility Committee will consult with the Board Chair and with the CEO, and take into account the preferences of individual directors.

## **G. BOARD ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS**

### **I. Board Access to Management**

- a. All directors shall 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. The Board also encourages individual directors to make themselves available for consultation with management at times other than Board meetings, in order to provide advice on subjects as to which such directors have special knowledge and experience and in order to expand the directors' understanding of the Corporation's business.

### **II. Board Access to Independent Consultants or Advisors**

Occasionally, the Board, the Board Chair, or Committees of the Board may wish to engage the services of a consultant or advisor not employed by the Corporation to assist on legal, accounting, or other matters within their respective responsibilities. Except as specifically permitted in a Committee's Charter or for the purposes of evaluating the efficacy of the Board, its Committees, the Board Chair, Committee chairs and directors as set out in section H.II.b. below, 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, Nominating and Corporate Social Responsibility Committee of the Board in advance.

## **H. BOARD EDUCATION AND ASSESSMENT**

### **I. Director Orientation and Continuing Education**

- a. The Board shall approve, as required, a director orientation and ongoing education plan presented by the Governance, Nominating and Corporate Social Responsibility Committee which provides that directors have the requisite skills, knowledge and understanding to fulfill their duties as directors. A director's manual, which is updated on a regular basis, is provided to new Board members who are expected to review and become familiar with its content. The Board is briefed on a regular basis on corporate governance developments and emerging best practices in corporate governance.
- b. The Corporation also provides directors with opportunities to increase their knowledge and understanding of the Corporation's business. Briefings on strategic issues are conducted annually, and typically include reviews of the competitive environment, the Corporation's performance relative to peers, and any other developments that could materially affect the Corporation's business. Such briefings are typically supplemented by participation by third party consultants, such as financial advisors, pension experts and outside legal counsel.

## II. Assessing the Board's Performance

- a. The Board, with the assistance of the Governance, Nominating and Corporate Social Responsibility Committee, shall conduct annual assessments of the overall effectiveness of the Board, its Committees, the Board Chair, the Committee Chairs, and of the contributions, competencies and skills, of the individual directors through a confidential process, taking into consideration the relevant Charters and Mandates.
- b. The Board shall engage the services of a consultant or advisor not employed by the Corporation to evaluate and assess the overall effectiveness of the Board, its Committees, the Board Chair, and the Committee Chairs, taking into consideration the relevant Charters and Mandates, at least once every three years.
- c. The objective of these reviews 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 Pembina in such a way as to add shareholder value and fulfill these Guidelines.

## I. DIRECTOR COMPENSATION

### I. Compensation of Directors

The Human Resources, Health and Compensation Committee will periodically review the adequacy and form of directors' compensation, including compensation of the Board Chair and the Committee Chairs, to confirm that it is competitive with companies that are similarly situated and realistically reflects the responsibilities and risks involved in being a director. Management directors will not receive additional compensation for Board service.

### II. Reporting of Director Compensation

The Corporation shall disclose annually the compensation of each director and the percentage of total compensation taken in RSUs (as defined in the Corporation's Share Unit Award Incentive Plan) by each director. The Corporation shall also disclose annually any changes in each director's equity ownership.

## J. EQUITY OWNERSHIP

The Board believes that management and directors should show their commitment to Pembina by owning shares in the Corporation, and implemented share ownership guidelines effective November 3, 2010, which were subsequently amended on October 8, 2013, February 26, 2014, and July 1, 2017.

### Management Share Ownership Requirements

- a. Executive officers must own, directly or indirectly, a multiple of their base salary in shares or RSUs (as defined in the Corporation's Share Unit Award Incentive Plan), provided that a minimum of 50% of this share ownership requirement must be held in shares.

- b. The timelines stipulated for meeting these guidelines for various categories of Executive officers are set forth in detail in the guidelines.

II. Director Share Ownership Requirements

- a. Independent directors must own three times their annual retainer in shares or RSUs/DSUs within five years of the implementation of or any increase to the share ownership guidelines, or within five years of their appointment to the board, whichever is later. If a director is appointed as chair of the board, or if there is an increase to board retainer, directors shall have five (5) years from the date of their appointment as chair or increased board retainer to meet the Guidelines applicable to the new position. A minimum of 50% of this share ownership requirement must be held in shares.

## K. REVIEW, MODIFICATION AND WAIVER OF CORPORATE GOVERNANCE GUIDELINES

The Governance and Nominating Committee of the Board shall review these Guidelines periodically and submit any recommended changes to the Board for approval. The Governance, Nominating and Corporate Social Responsibility Committee shall take into consideration the emerging best practices at leading and comparable companies. These Guidelines may be materially amended or modified only by the Board, and may be waived only by the Board or the Governance, Nominating and Corporate Social Responsibility Committee, subject to the disclosure and other provisions of applicable laws and regularly requirements.