

# Governance and Compensation Committee Mandate

Effective: April 11, 2014, amended and restated February 10, 2020

## 1. INTRODUCTION

The Governance and Compensation Committee (the "**Committee**") is a committee of the board of directors (the "**Board**") of PrairieSky Royalty Ltd. (the "**Company**"). Its primary function is to assist the Board in carrying out its responsibilities by reviewing corporate governance and compensation issues in support of the achievement of the Company's business strategy and making recommendations to the Board as appropriate. In particular, the Committee is responsible for identifying individuals qualified to become Board members, developing and recommending to the Board corporate governance principles applicable to the Company, and reviewing and recommending to the Board all matters pertaining to the compensation of directors and management. In carrying out its mandate, the Committee is expected to (i) act in an advisory capacity to the Board and (ii) evaluate the performance of the Committee on an annual basis.

## 2. COMPOSITION OF COMMITTEE

The Committee shall consist of not less than three directors, all of whom shall qualify as independent directors within the meaning attributed to such term in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (as implemented by the Canadian Securities Administrators and as amended from time to time).

The Board Chairman shall be a non-voting member of the Committee (see discussion under the heading "Quorum" below for further details). Committee members will include only duly elected directors of the Company. At the request of the Committee, certain members of the Company's senior management and others may attend Committee meetings on an ad hoc or a regular basis, as required.

## 3. APPOINTMENT OF COMMITTEE MEMBERS

Members of the Committee shall be appointed or continued as necessary at a meeting of the Board, provided that any member may be removed or replaced at any time by the Board and shall in any event cease to be a member of the Committee upon ceasing to be a member of the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

## 4. CHAIR

The Board shall appoint the Chair of the Committee (the "**Chair**"), who shall be an independent director. If the Chair is unavailable or unable to attend a meeting of the Committee, the Chair shall ask another member to chair the meeting, failing which a member of the Committee present at the meeting shall be chosen by a majority of members of the Committee present at such meeting to preside over the meeting. The items pertaining to the Chair should be read in conjunction with the "Committee Chair" section of the Chair of the Board of Directors and Committee Chair General

Guidelines.

## **5. COMMITTEE MEETINGS**

The Committee shall meet at least semi-annually at the call of the Chair. The Chair may call additional meetings as required. In addition, a meeting may be called by the Board Chairman, the President & Chief Executive Officer ("CEO") or by any member of the Committee.

Committee meetings may be held in person, by means of electronic, telephone or other communication facilities as to permit all persons participating in the meeting to hear each other or by combination of any of the foregoing.

At all meetings of the Committee every question will be decided by a majority of the votes cast on the question. In case of an equality of votes, the Chair presiding at any meeting shall not be entitled to a second or casting vote.

## **6. NOTICE OF MEETING**

Notice of the time and place of every Committee meeting may be given orally, or in writing, or by facsimile, or by electronic means to each member of the Committee at least 48 hours prior to the time fixed for such meeting.

A Committee member may in any manner waive notice of the meeting. Attendance of a Committee member at a meeting shall constitute waiver of notice of the meeting except where a Committee member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

## **7. QUORUM**

A majority of Committee members, present in person, by electronic, telephone or other communication facilities or by a combination thereof, shall constitute a quorum. In addition, if an ex officio, non-voting member's presence is required to attain a quorum of the Committee, then the said member shall be allowed to cast a vote at the meeting.

## **8. ATTENDANCE AT MEETINGS**

The Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee. The Committee may, by specific invitation, have other resource persons in attendance.

Directors, who are not members of the Committee, may attend Committee meetings, on an ad hoc basis, upon prior consultation and approval by the Chair or by a majority of the members of the Committee.

The CEO or any person holding such interim role is expected to be available to attend the Committee's meetings or portions thereof, unless otherwise excused from all or part of any such meeting by the Committee Chair.

## 9. MINUTES

The Committee shall appoint a secretary who need not be a member of the Committee. The secretary shall keep minutes of the meetings of the Committee. Minutes of Committee meetings shall be sent to all Committee members. The full Board shall be kept informed of the Committee's activities by a report following each Committee meeting.

## 10. SPECIFIC RESPONSIBILITIES – GOVERNANCE MATTERS

1. Recommend to the Board for approval the succession planning process for the CEO.
2. Recommend suitable candidates for nomination for election as directors:
  - (a) Consider the competencies and skills the Board as a whole should possess.
  - (b) Formulate criteria for candidates after considering the competencies and skills of each existing director.
  - (c) Set reasonable and measurable targets to build a diverse Board, as contemplated by the Company's Board Diversity Policy.
  - (d) Consider the competencies and skills of each existing director and new nominee, including ensuring that the Board, and if deemed necessary a new director nominee, has the requisite skills, knowledge, training and expertise to monitor the Company's environmental, social, governance and sustainability performance, and whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member.
  - (e) Establish the procedure for approaching prospective candidates.
  - (f) Canvass current Board members for suggestions for candidates.
  - (g) Maintain a checklist of potential candidates.
  - (h) Give consideration to an appropriate size for the Board for the ensuing year.
  - (i) Recommend to the Board proposed nominees for election to the Board at the next annual meeting of shareholders and assist in filling any vacancies in the intervening period.
3. Review the Committee membership and recommend to the Board upon its request the assignment of members to each Committee of the Board.
4. Provide a copy of the Chair of the Board of Directors and Committee Chair General Guidelines of the Company to each Committee Chair.
5. Review on a periodic basis the mandates of the Committees of the Board and make recommendations, as deemed appropriate, with respect to such mandates.

6. Review the relationship between management and the Board and make recommendations with respect to such relationship where and when it is deemed appropriate.
7. Oversee the evaluation of, assess and consider the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual members on a periodic basis. This assessment may consider the mandate of the Board or relevant committee, and in the case of an individual director, the applicable position descriptions, as well as the competencies and skills each director is expected to bring to the Board.
8. Generally discuss with the CEO before making recommendations to the Board, except where the Committee deems it inappropriate or not in the Company's best interests to do so.
9. Be available as a forum for addressing the concerns of individual directors.
10. Prepare annually, for disclosure to shareholders, a report that describes the Company's corporate governance practices in accordance with applicable rules and regulations.
11. Review, from time to time, the age and length of tenure of each director of the Board in light of the concepts contemplated by the Company's Board Renewal Policy.
12. From time to time, consider, develop, recommend and bring forward to the Board, any corporate governance issues or principles for review, discussion or action by the Board or a committee thereof.
13. Ensure that any issues relating to governance that are identified by the directors are raised with management.
14. Provide orientation and education programs for new Board and Committee members and for the continued development of existing members of the Board.
15. Evaluate the performance of the Committee annually.

## **11. SPECIFIC RESPONSIBILITIES – COMPENSATION MATTERS**

1. Recommend to the Board for approval:
  - (a) Directors' compensation.
  - (b) Remuneration for the Board Chairman, including retainer.
  - (c) Any amendments of the Company's deferred share unit plan for directors.
  - (d) Any proposed disclosure of directors' compensation.
2. Review and approve corporate goals and objectives relevant to CEO compensation, and evaluate the CEO's performance in light of these corporate goals and objectives.

3. Ensure that the Company's security-based compensation plans, if any, and all amendments to such plans, which require the approval of the Company's shareholders, are approved by the Board and by shareholders, as may be required.
4. Approve and evaluate performance measures for senior management's incentive plans.
5. Review and monitor the status of compliance with the Company's share ownership guidelines, as applicable and as may be adopted or amended from time to time.
6. Review any proposed disclosure of executive compensation. Without limiting the foregoing, annually review the Statement of Executive Compensation (including the Compensation Discussion and Analysis) and recommend to the Board that it be included in the Company's management information circular for its annual meeting of shareholders.
7. Review and recommend to the Board for approval:
  - (a) Based upon the evaluation described in paragraph 2. (Specific Responsibilities - Compensation Matters) above, the compensation of the CEO, including salary and compensation granted pursuant to security-based compensation plans, short-term incentive awards and long-term incentive awards, if any;
  - (b) Total compensation for non-CEO officer and director compensation, including salaries and compensation granted pursuant to security-based compensation plans, short-term incentive awards and long-term incentive awards, if any;
  - (c) Appointment of, and succession plans with respect to, members of senior management;
  - (d) Reservation of shares for the Company's security-based compensation plans, subject to shareholder approval, where required;
  - (e) The adoption of new security-based compensation plans or other short-term or long-term incentive plans, subject to shareholder approval, where required;
  - (f) Actions with respect to, or amendments of, the Company's existing incentive compensation plans and any other previously approved employee security-based compensation plans or short-term or long-term incentive plans, subject to shareholder approval of such amendments, where required;
  - (g) Annual compensation budget for employees;
  - (h) Share ownership guidelines, as applicable and as may be adopted or amended from time to time; and
  - (i) Actions with respect to any of the Company's security-based compensation plans or long-term incentive compensation plans referred to herein.

8. Approve and report to the Board on:
  - (a) The Company's compensation philosophy;
  - (b) The peer group(s) used by the Committee to assess the competitiveness of the Company's executive compensation;
  - (c) Changes to the Company's compensation and/or benefits policies;
  - (d) Number of long-term incentive awards granted to eligible employees on an annual and/or periodic basis; and
  - (e) Number and level of total incentive awards.
9. Review and provide advice to the Board on the results of any shareholder advisory vote on executive compensation held at its annual meeting of shareholders in accordance with the Company's management information circular.

## **12. Specific Responsibilities – Savings Plan**

1. Recommend to the Board for approval:
  - (a) Implementation of and changes to the Company's savings plan design;
  - (b) Amendments to the Company's savings plan; and
  - (c) Funding levels to the Company's savings plan.

## **13. Miscellaneous**

The Committee shall have sole authority to retain, instruct and terminate any independent external compensation consultant or other service provider retained to provide advice or information to the Committee, including, without limitation, to assist in the evaluation of the compensation of the CEO or any other members of senior management, including in respect of the approval of the consultant's fees and other terms of engagement.

The Committee shall have sole authority to retain and terminate any search firm to be used by the Committee or the Board to identify director candidates, including approval of the search firm's fees and other retention terms.

The Committee may engage additional outside resources as deemed advisable.

The Committee shall review this mandate on a periodic basis.

The duties and responsibilities of a member of the Committee are in addition to those duties set out for a member of the Board.