



## MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors (the "**Board**") of Obsidian Energy Ltd. (the "**Corporation**") is responsible for the stewardship of the Corporation and its subsidiaries (the Corporation and its subsidiaries, collectively, "**Obsidian Energy**"). In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of the Corporation. In general terms, the Board will:

- (a) in consultation with the chief executive officer of the Corporation (the "**CEO**"), define the principal objective(s) of the Corporation;
- (b) monitor the management of the business and affairs of the Corporation with the goal of achieving the Corporation's principal objective(s) as defined by the Board;
- (c) discharge the duties imposed on the Board by applicable laws; and
- (d) for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board will perform the following duties.

### Strategic, Operating, Capital and Financing Plans

- Require the CEO to present annually to the Board a longer range strategic plan and a shorter range operating plan for the Corporation's business, which plans must:
  - be designed to achieve the Corporation's principal objectives,
  - identify the principal strategic, operational, capital and financing opportunities and risk of the Corporation's business, and
  - be approved by the Board as a pre-condition to the implementation of such plans;
- review progress towards the achievement of the goals established in the strategic, operating, capital and financing plans;
- review the principal risks of the Corporation's business identified by management and the steps taken by management to ensure the implementation of the appropriate systems to manage these risks; and
- approve the annual operating, capital and financing plans, major acquisitions and dispositions of exploration and production projects and facilities, material contracts and

amendments thereto, new and amended credit facilities and other debt instruments, issuance of common shares and other securities, and the repurchase of securities in accordance with applicable laws.

### **Monitoring and Acting**

- Monitor the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances;
- in consultation with the Human Resources, Governance and Compensation Committee (the "**HRGC Committee**"):
  - monitor overall human resource policies and procedures, including compensation and succession planning;
  - appoint the CEO and determine the terms of the CEO's employment with the Corporation;
  - evaluate the performance of the CEO on an ongoing basis;
  - establish the ethical standards to be observed by all officers and employees of the Corporation and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;
  - with the advice of the CEO, approve the compensation of senior management and approve appropriate compensation programs for the Corporation's employees;
  - approve any proposed significant change in the management organization structure of the Corporation;
  - approve all retirement plans for officers and employees of the Corporation;
  - review and approve the Corporation's succession plan, including appointing, training and monitoring the performance of senior management;
- approve the shareholder return policy of the Corporation including share buybacks and dividends or other distributions;
- in consultation with the Operations and Reserves Committee ("**O&R Committee**") and Audit Committee, periodically review the systems that management has put in place to ensure the integrity of the Corporation's internal control and management information systems;
- in consultation with the O&R Committee:
  - ensure that the Corporation has in place appropriate programs and policies for the health and safety of its employees;
  - monitor the "good corporate citizenship" of the Corporation, including that the Corporation sets high environmental standards in its operations and compliance by the Corporation with all applicable environmental, health and safety laws and regulations and governance;

- require that the CEO institute and monitor processes and systems designed to ensure compliance with applicable laws by the Corporation, its officers and employees;
- in consultation with the CEO, establish the limits of management's authority and responsibility in conducting the Corporation's business;
- monitor the appropriateness of the Corporation's capital structure; and
- approve all matters relating to a takeover bid of the Corporation or other change of control transaction involving the Corporation.

### **Compliance Reporting and Corporate Communications**

- In consultation with Audit Committee:
  - ensure that management is properly reporting the financial performance of the Corporation to shareholders, other security holders and regulators on a timely and regular basis;
  - recommend to shareholders of the Corporation, based on the recommendations of management and the Audit Committee, a firm of chartered accountants to be appointed as the Corporation's auditors;
  - ensure that management has undertaken all reasonable and prudent actions to ensure that the financial results are reported fairly and in accordance with generally accepted accounting principles and applicable laws and regulations;
  - ensure that management has put in place sufficient disclosure controls to ensure the timely reporting of any other developments that have a significant and material impact on the value of Obsidian Energy;
- in consultation with the O&R Committee, ensure the corporate oil and gas reserve report fairly represents the quantity and value of corporate reserves in accordance with generally accepted engineering principles and applicable laws and regulations;
- report annually to shareholders on the Board's stewardship for the preceding year; and  
 ensure that the Corporation has in place a policy to enable the Corporation to communicate effectively with the shareholders and other stakeholders of the Corporation and the public generally.

### **Governance**

- in consultation with the HRGC Committee:
  - in consultation with the Chair of the Board, develop a position description for the Chair of the Board;
  - facilitate the continuity, effectiveness and independence of the Board by, among other things:
    - appointing a Chair of the Board who is not a member of management;

- appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate,
- defining the mandate of each committee of the Board,
- ensuring that processes are in place and are utilized to assess the effectiveness of the Chair of the Board, the Board as a whole, the Chair of each committee of the Board, each committee of the Board as a whole, and each director, and
- establishing a system to enable any director to engage an outside adviser at the expense of the Corporation;
- review annually the composition of the Board and its committees and assess Directors' performance on an ongoing basis, and propose new members to the Board when and as appropriate in compliance with the Corporation's Diversity Policy;
- review annually the adequacy and form of the compensation of directors; and
- if the Chair of the Board is not "independent" within the meaning of National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, then the Board will appoint an independent Lead Director.

### **Delegation**

- The Board may delegate its duties to and receive reports and recommendations from the Audit Committee, O&R Committee and HRGC Committee, and any other committee of the Board that the Board constitutes from time to time, in each case to the extent permitted by the *Business Corporations Act* (Alberta).

### **Composition**

- Subject to applicable law, the Board shall be composed of at least 6, but not more than 12, individuals selected by the shareholders of the Corporation at the annual meeting of shareholders.
- A majority of Board members should be independent directors, being those directors other than executive officers affirmatively determined by the Board, in accordance with applicable securities laws and stock exchange rules, to have no direct or indirect relationship with the Corporation that would interfere with the exercise of independent judgment in carrying out their responsibilities as a director.
- Members should have or obtain sufficient knowledge of the Corporation and the oil and gas business to assist in providing advice and counsel on relevant issues.
- Board members should offer their resignation from the Board to the Chair of the HRGC following:
  - change in personal circumstances which would reasonably interfere with the ability to serve as a Director, including a conflict of interest that otherwise cannot be managed effectively,
  - change in personal circumstances which would reasonably reflect poorly on Obsidian Energy (for example, finding by a Court of fraud, or conviction under Criminal Code or securities legislation), and

- if applicable, in accordance with the Corporation's Majority Voting Policy, should a Board member receive a greater number of votes "withheld" from his or her election than votes "for" his or her election.

## **Meetings**

- The Board shall meet at least four times per year and at such additional times as deemed appropriate by the Board Chair. In addition, the non-management directors must meet at regularly scheduled executive sessions chaired by the Chair of the Board, or if the Chair of the Board is a member of management, by an independent director chosen by the Directors present at the meeting.
- There will also be an executive session of only independent directors held at least annually.
- Minutes of each meeting shall be prepared by the Corporate Secretary of Obsidian Energy or such person as may be appointed by the Chair of any such meeting in lieu thereof.
- The Chief Executive Officer may be present at all meetings of the Board upon the invitation of the Board.
- Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board.

## **Reporting / Authority**

- Following each meeting, the Corporate Secretary will promptly report to the Board by way of providing draft copies of the minutes of the meetings.
- Supporting schedules and information reviewed by the Board at any meeting shall be available for examination by any Director upon request to the Chief Executive Officer.
- The Board shall have the authority to review any corporate report or material and to investigate activity of Obsidian Energy and to request any employees to cooperate as requested by the Board.
- The Board may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of Obsidian Energy.