



ENMAX Corporation

2012 REPORT ON BOARD GOVERNANCE PRACTICES

as at December 31, 2012

OUR APPROACH TO CORPORATE GOVERNANCE PRACTICES AND DISCLOSURE

Our Board of Directors and Executive team are committed to providing leadership in the corporate governance practices that guide ENMAX. Our governance practices are underscored by the understanding that how we earn profits is equally as important as the level of profits we earn.

2012 marks ENMAX's fourth annual disclosure of our corporate governance practices. Our approach to corporate governance is based on the principles of transparency, prudence, accountability and corporate responsibility. We base our approach to governance and the disclosure of our practices on National Instrument 58-101 "Disclosure of Corporate Governance Practices."

Each year, we disclose ENMAX's governance philosophy, the roles and responsibilities of our Board and committees, a skills matrix that highlights each director's competencies, a list of peer companies against which our director and Executive compensation is based and all compensation paid to our directors, President & CEO and the next four most highly paid executives. The information contained within these disclosures is as of December 31, 2012 unless otherwise noted.

CORPORATE GOVERNANCE PHILOSOPHY

Our corporate governance philosophy stems from our belief that good governance is the cornerstone of an organization that seeks to continuously facilitate growth, effectiveness and stakeholder confidence. Our Board oversees the execution of our mandate which is to optimize value for our Shareholder, customers, employees, stakeholders and the citizens of Calgary. Transparency, accountability, integrity, fairness and continuous communication are integral components of how we do our work and we give the highest priority to ensuring our internal systems protect the interests of ENMAX, our Shareholder, employees and stakeholders. ENMAX has a sound corporate governance system based on the following principles:

- Diversified, expertise-based Board that promotes continued responsible growth and success;
- Clear definition of roles and responsibilities internally making for effective decision making;
- Delegation to committees of the Board to ensure the Board's mandate is appropriately carried out;
- Accountability through annual evaluation of the Board, directors and our President & CEO;
- Established enterprise risk management system; and
- Commitment to clear communications with our Shareholder and stakeholders.

INDEPENDENT AND NON-INDEPENDENT DIRECTORS

Independent Board members bring a fundamental benefit to a corporation – objectivity. Having a majority of independent directors provides assurances that decisions made are done so in the best interests of the organization. The Corporate Governance Committee and the Board reviews the independence status of our directors annually to ensure that the Board is composed of a majority of directors who can provide independent, varied and experienced perspectives. The independence of potential Board nominees is also reviewed when considering appointments. In order to determine independence, ENMAX refers to National Instrument 52-110 "Audit Committees."

Board members must provide the Board with information about their business and other relationships with ENMAX or our employees. They must also advise the Board if there are any material changes to their circumstances or relationships that could affect the assessment of independence.

The Board believes that a substantial majority of the Board must be independent, and that the Audit and Finance Committee and the Human Resources Committee must consist entirely of independent Board members. For further information on the independence of our Board members, refer to the 2012 ENMAX Board Composition and Compensation Summary disclosure.

INDEPENDENCE AND MEMBERSHIP OF THE AUDIT AND FINANCE COMMITTEE

ENMAX's Audit and Finance Committee consists of four directors, all of whom are "financially literate" and "independent" within the meaning of National Instrument 52-110 "Audit Committees." In addition to the requirements of National Instrument 52-110, the Board has established a higher standard and ensures financial expertise resides in the committee. In considering criteria for the determination of financial expertise, the Board considers senior executive experience or consulting in financial accounting and reporting and corporate finance. Board members must also have a comprehensive knowledge of internal financial controls and expertise in auditing, evaluating or analyzing financial statements.

BOARD AND COMMITTEE MEETINGS AND ATTENDANCE

All Directors strive to attend all Board meetings and committee meetings of which they are members. For further information on 2012 attendance, please refer to the 2012 ENMAX Board Composition and Compensation Summary.

The Board values the practice of Board members attending committee meetings of which they are not members and as such, issues a standing invitation to attend all committee meetings. When setting the meeting schedule, all Board members are invited to attend at least one committee meeting of which they are not a member and may participate in such meetings by teleconference if they cannot attend in person. In this way, Board members can both contribute to and gain comfort with the level of knowledge, engagement and participation of those other committees.

As a matter of good governance, each Board and committee meeting agenda includes dedicated time for in-camera sessions with and without the President & CEO present. In the instance of the Audit and Finance Committee, in-camera sessions are also scheduled with the external and internal auditors independently.

Our directors share their expertise and experience in many ways. Attendance at scheduled Board and committee meetings represents a portion of the time and effort contributed to advance our interests. Outside of formally scheduled meetings, our Board Chair and Committee Chairs will often attend planning meetings with Management or periodic informal briefings with our Shareholder.

BOARD OVERSIGHT OF CEO AND BUSINESS

When making decisions, the Board closely considers the best interests of ENMAX. To ensure balanced business decisions are reached, the Board also carefully weighs the interests of our Shareholder, customers, employees, suppliers, communities in which we operate, the environment, governments, regulators and the general public.

ETHICS AND INTEGRITY

Our Board expects all directors, officers and employees to act with honesty, with integrity and impartiality, to earn and maintain the trust of our Shareholder, employees, other stakeholders, customers and the communities where we operate. Our Principles of Business Ethics Policy contains principles and guidelines for ethical behaviour and describes the governance and corporate culture we want to develop and preserve. The Board reviews and approves the Principles of Business Ethics Policy and all new employees must read the policy and sign an acknowledgement that they have read and understood and will comply with the policy.

Since 2004, ENMAX has had a confidential ethics hotline in place and employees can anonymously express any concerns about inappropriate business conduct through a third party who ensures anonymity. Every report made through the ethics hotline is reported to the Corporate Governance Committee. The directors and officers of ENMAX are also required to complete a Disclosure of Conflicts form on an annual basis. This helps to ensure that Board members exercise independent judgment in considering transactions and agreements in which a director or executive officer has a material interest. The Board ensures that a director who has a material interest in a transaction or agreement does not participate in discussions or vote on the matters about which he or she is conflicted.

BOARD GOVERNANCE SUPPORT TO MANAGEMENT

The Board approves ENMAX's high-level business strategy and is engaged in the ongoing development of the individuals entrusted with the execution of our strategy, namely our President & CEO and Executive team. ENMAX's Board is also responsible for selecting and retaining our President & CEO, and when hiring a CEO, designates a committee to actively manage the selection process. Selection criteria include integrity, technical competence, character, and experience in the energy industry.

The Human Resources Committee and Board review the performance of the overall organization, the President & CEO and Executive team on at least an annual basis. In addition, the Board receives assurance that Management conducts performance appraisals for employees and reviews and approves our compensation and benefit programs. While the Board considers compensation and benefit packages of similarly situated companies, the Board tailors these programs to ENMAX's size and financial condition, and the nature, scope, and complexities of our operations.

The Board also oversees executive compensation programs, and recognizes that the structure, composition, and resources of the Board should be constructed to permit effective oversight of the variable compensation programs. The Board believes that variable compensation can be a useful management tool and constantly evaluates ENMAX's variable compensation programs to ensure they are appropriately balanced and provide recognition for individual and team effort and corporate performance. The Board actively oversees the development and operation of variable compensation policies, systems, and related control processes, and has access to external expertise in compensation practices appropriate for the nature, scope, and complexity of our activities.

The Board and the Human Resources Committee monitor employee turnover rates to evaluate whether ENMAX is retaining employees with the expertise needed to fulfill its business strategies and objectives. The Board also verifies that ENMAX has training programs to support skill levels and keep employees current with industry trends. The Board and Committee also set aside time annually to review and consider succession planning and workforce developments. This planning involves identifying critical positions and qualified potential successors, including interim replacements.

OVERSEEING THE CEO

The President & CEO is appointed by the Board and is responsible for managing ENMAX's affairs. Key responsibilities involve articulating the vision for ENMAX, creating value for the Shareholder, and developing and implementing a strategic plan consistent with ENMAX's vision, mission and values. The Human Resources Committee reviews the President & CEO's annual objectives before recommending them to the Board for approval.

The President & CEO is accountable to the Board, and the Human Resources Committee and Board conduct a formal review of performance once a year. At each scheduled quarterly meeting, the President & CEO provides a report outlining ENMAX's year to date performance and key business issues. The Board has also established a job description for the President & CEO and puts in place limits of contracting and spending authority under a Delegation of Authority Policy.

STRATEGIC PLANNING

ENMAX's President & CEO and Executive team are responsible for developing our strategic plan and presenting it to the Board for approval. The Board holds a special annual meeting to review and test the plan and consider the strategic opportunities and risks facing our business. The Executive team also develops and presents a multi-year operating plan and annual budget to the Board for approval. The annual budget is then presented to the Shareholder for final approval.

MANAGING AND ASSESSING RISK

The Board has overall responsibility for the oversight of risk at ENMAX. Risk takes different forms for ENMAX given the complexity and breadth of our operations, and can include operational, financial, governance, health and safety, environmental, compensation, strategic and reputational risk. ENMAX uses an established and formalized enterprise risk management system to effectively manage and assess risk, and the Board receives regular updates on emerging areas of risk or changes to ENMAX's risk profile. Our enterprise risk management system involves a systematic approach to identifying, assessing, reporting and managing significant risks. We follow defined principles approved by the Board on an annual basis to help identify and mitigate uncertainties that can negatively affect ability to achieve corporate and business objectives.

EVALUATING BOARD PERFORMANCE AND APPOINTING DIRECTORS

On an annual basis, the Board performs a rigorous Board evaluation process where a performance assessment of the Board Chair, the Board, its committees and individual directors is undertaken. These processes help the Board to build and maintain a collective set of skills, abilities and experiences that ensures they can effectively oversee ENMAX's long term performance and strategy execution.

A skills matrix sets out the skills the Board requires for optimal performance over time and is maintained by the Corporate Governance Committee. When reviewing the skills matrix, the committee assesses the Board's needs to ensure the range of skills is appropriately reflective of the industry and markets within which ENMAX operates and related accounting, finance and legal matters. If the Committee determines the Board would benefit from changes or adjustments to its composition, the recruitment process may be initiated. This process includes the following:

1. Retaining an external, independent recruitment advisor to identify individuals with the skills and experience required.
2. Reviewing the recruitment advisor's list of potential appointees taking into account, among other things, the particular skills and experience of each individual and their ability to fit with the existing Board. An analysis of their skills in comparison to the skills matrix is undertaken.
3. Candidate profiles are sent to and discussed with the Corporate Governance committee. Once interviews take place, a fulsome overview of the process for determining potential appointees is prepared and the committee will recommend the most appropriate person from the short list to be invited to become a director. Upon approval of the Board, director nominees are be put forward for election by the Shareholder.

Factors considered when recommending a person for appointment as a director also include the time commitment required by a director to effectively discharge their duties; the number of existing directorships and other commitments that may demand the attention of the appointee; the nature of existing positions, directorships or other relationships and the impact that each may have on the appointee's ability to exercise independent judgment; and the extent to which the appointee is likely to work constructively with the existing directors and contribute to the Board's overall effectiveness.

SKILLS MATRIX

The Board believes a strategic, diverse mix of skills and expertise is critical to ensuring effective oversight of ENMAX's complex operations. The skills matrix is constantly evolving in accordance with ENMAX's strategy and supports the Board's efforts to ensure an optimal and evolving balance of skill exists today and is planned over time in the event of retirements or succession requirements. The Corporate Governance committee and the Board complete a comprehensive review of the skills matrix and individual Board members are required to complete a self-assessment against the skills matrix. It is through this process that the Board collectively determines whether it is constituted of the appropriate Board members necessary to achieve the organization's strategy. The following table lists the 18 categories of skills and experience essential to the ENMAX Board overall.

SKILL	EXPERIENCE DESCRIPTION
Energy Sector Expertise	Senior Executive or consulting experience in the energy industry, combined with a strong knowledge of ENMAX's strategy, markets, competitors, financials, operational issues, regulatory concerns and technology. May have technical training and formal education in this regard (e.g. Engineering degree).
Financially Literate	Individual having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by ENMAX's financial statements.
Successful Corporate Leadership Experience	Senior Executive experience driving strategic insight and direction to encourage innovation and conceptualize key trends to continuously challenge the organization to sharpen its vision while achieving significant organic growth.
Committee/Board Chair Experience	Prior or current experience as a board member of a major organization (public, private or non-profit sectors).
Corporate Governance Expertise	Senior Executive experience relating to corporate governance, including acting as the Chair of a Corporate Governance and/or Nominating Committee of a board of directors (public, private or non-profit sectors) or serving in a senior role as either General Counsel and/or Corporate Secretary, including accumulating expertise in this regard as a result of a role in a law firm. May include formal education (e.g. ICD.D or Chartered Directors Course designations) or other academic training relating to the corporate governance profession.
Financial Expertise	Senior Executive experience or consulting in financial accounting and reporting and corporate finance, especially with respect to debt and equity markets. Comprehensive knowledge of internal financial controls and GAAP. Expertise in auditing, evaluating or analyzing financial statements. May have formal education in this regard.
Electricity Industry Expertise	Senior executive experience in electric utility transmission, distribution and generation operations.
Engineering/Construction Expertise	Senior executive experience in construction and engineering, major infrastructure and project review. May include formal education in this regard.
Retail Business Expertise	Senior Executive or consulting experience in retail business, combined with a strong knowledge of ENMAX's strategy, markets, competitors, financials, operational issues and regulatory concerns. May include marketing expertise related to energy marketing.
Environmental Expertise	Thorough understanding of environmental regulations and public policy related to environmental matters, including active participation in environmental initiatives and demonstrated leadership in environmental sustainability.
Commodities Trading	Senior Executive experience in financial commodities trading firms.
Information Technology Expertise	Senior Executive or consulting experience with Information Technology. May have formal education in this regard.
Political and/or Government Expertise	Serving an active role in municipal, provincial or federal government, in addition to senior management experience in political and public consultation.
Mergers and Acquisitions Experience	Senior Executive and/or legal experience in M&A activity. Includes consulting role in M&A activities.
Tax Expertise	Senior Executive experience or consulting in tax, including thorough understanding of tax law and complex issues and corporate incentives relating to tax. May have formal education in this regard.

ORIENTATION FOR DIRECTORS

The Board fosters a culture that encourages directors to participate fully in Board activities as soon as possible. All new directors undergo a comprehensive orientation which addresses the Board mandate, the Board's role and ENMAX's governance structure as well as the nature and scope of our operations. The orientation is to help incoming directors assume responsibilities quickly, maximizing their potential contribution and the capacity of the Board. Our orientation program includes one-on-one meetings with Board leaders, such as our Chair and Committee Chairs, our Executives and others such as our internal and external auditors. New Board members are invited to attend all committee meetings, and site visits are also arranged to enable direct knowledge of our operations. A reference manual containing key governance, financial and policy information is also provided.

CONTINUING EDUCATION FOR DIRECTORS

Our continuing education program for directors has various components including receiving presentations from internal and external speakers during meetings, visiting facilities and accessing different parts of our operations, and attending conferences and seminars. Directors are encouraged to continuously enhance their knowledge of governance practices, ENMAX's operations and the electricity industry, and we reimburse directors for related expenses under a pre-approved policy.

BOARD PERFORMANCE

The Board and Corporate Governance Committee annually assess the effectiveness of the Board, its committees and individual directors. The committee uses the results of the evaluations to identify actions for improvement, and also reviews the composition of the Board and committees to ensure we utilize directors' expertise to the fullest extent.

INTERNAL CONTROLS

The Board and its committees are responsible for monitoring the integrity of our internal controls and management information systems. The Audit and Finance Committee is responsible for overseeing the internal controls, including controls over accounting and financial reporting systems. ENMAX's Executive is responsible for establishing and maintaining an adequate system of internal control over financial reporting to provide reasonable assurance that public reporting of our financial information is reliable and accurate, our transactions are appropriately accounted for and the Corporation's assets are adequately safeguarded. The Internal Auditor reports directly to the Chair of the Audit and Finance Committee and provides quarterly reports to the committee.

EXTERNAL AUDITORS

Deloitte and Touche LLP are our external auditors and are appointed by our Shareholder annually. The Board's Audit and Finance committee is responsible for reviewing the auditor's performance, fees, qualifications, independence and the audit of our financial statements. The committee pre-approves all services the external auditors will provide to make sure that they remain independent and any service not generally pre-approved must be approved by the committee or by the Committee Chair. On an annual basis, the Committee recommends the appointment of the external auditor to the Board, who then recommends approval to the Shareholder for the ensuing year.

2011 AND 2012 AUDITOR FEES

	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2012
Audit Fees	\$295,194	\$305,640
Audit Related Fees	596,144	\$442,109
Tax Fees	0	\$18,404
All Other fees	194,864	\$545,161
Total	\$1,086,202	\$1,311,314

Audit fees for 2012 were paid for professional services rendered by the auditors for the audit of ENMAX's annual consolidated financial statements or services provided in connection with these financial statements. Audit related fees for 2011 and 2012 were paid for review of quarterly financial statements, the audits of our various subsidiaries and the annual audit of the Employee Defined Benefit Pension Plan. These fees also included professional services in relation to assistance with the IFRS transition and a review of the Corporation's MD&A disclosures. Other fees included professional services in relation to PCI Readiness Assistance and assurance activities for selected performance indicators, project management, and quality assurance review.



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