



# NORTHWEST NATURAL GAS COMPANY

## Governance Committee

### Purpose

The Governance Committee (Committee) of Northwest Natural Gas Company (Company) shall (i) serve as the nominating committee of the Board of Directors, (ii) make recommendations to the Board of Directors on Board and Board committee composition and structure, including recommendations on Board committee and chairmanship assignments, (iii) develop and recommend to the Board of Directors policies, procedures and principles establishing the highest ethical standards and practices for governing the structure, operation and processes of the Company's Board of Directors and its committees, and (iv) conduct periodic Board self-assessments, peer reviews of individual directors and evaluations of committee effectiveness.

During intervals between Board meetings, the Committee shall have and may exercise all of the authority of the Board of Directors in the management of the Company, except with respect to matters upon which, by law, the Restated Articles of Incorporation or the Bylaws, only the Board of Directors may act.

### Membership and Organization

The Committee shall be comprised of three or more directors, each of whom shall be independent directors in accordance with applicable law, the listing standards of the New York Stock Exchange and the Company's Director Independence Standards. The Board of Directors shall designate one member of the Committee as Chair.

The Committee will meet at least three times annually and on an as needed basis as determined by the Committee Chair or by a majority of the Committee members.

### Responsibilities of the Committee

#### Board Composition and Evaluation

The Committee is responsible for considering and making recommendations to the Board concerning the appropriate size, function and needs of the Board. This responsibility includes:

- establishing the criteria for Board membership, as reflected in the Director Selection Criteria;
- considering, recommending and recruiting candidates to fill new positions on the Board;

- conducting the appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates;
- submitting to the Board on or before the date of the regular February Board meeting the Committee’s recommended slate of directors for submission to the shareholders at the Company’s annual meeting;
- conducting peer reviews of directors at the time directors are considered for re-nomination to the Board;
- annually assessing the independence of each director in accordance with the Director Independence Standards adopted by the Board and identifying a “financial expert,” as defined by the Securities and Exchange Commission, to serve on the Audit Committee;
- recommending to the Board the annual appointment of candidates for or, if necessary, the removal of candidates from, membership on Board committees and the chairs of such committees;
- reviewing and making recommendations to the Board regarding the retention or replacement of any director whose position of employment materially changes during his or her term;
- recommending to the Board actions with respect to implementing the resignation and retirement policies of the Board;
- conducting an annual self-evaluation of the performance of the Committee; and
- overseeing the annual self-assessments and evaluations of the Board and its committees.

### Board Governance

The Committee shall also:

- consider matters of corporate governance and review annually the Company’s Corporate Governance Standards and suggest improvements in the processes of governance to the Board;
- make recommendations on the structure and operations of Board meetings;
- establish committee member qualifications and policies with respect to committee structure and operations, including the authority to delegate to subcommittees, and reporting to the Board;

- consider questions of possible conflicts of interest of Board members and senior executives;
- in consultation with the Organization and Executive Compensation Committee, consider and advise on changes in Board compensation; and
- recommend matters for consideration by the Board.

#### Chief Executive Officer Appointment and Evaluation

In consultation with the Organization and Executive Compensation Committee, the Committee shall: (i) consider and recommend to the Board of Directors the election and responsibilities of the Chief Executive Officer (CEO) and (ii) review annually the performance of the CEO compared to established goals and objectives.

The Committee shall also undertake such additional activities within the scope of its primary responsibilities as the Committee or the Board of Directors may from time to time determine.

#### Responsibilities of the Committee Chair

The Committee Chair shall:

- chair meetings of the Committee;
- consult with the Chairman of the Board and the CEO on Board organization matters, including the selection of committee members and committee chairs;
- chair regularly scheduled meetings of non-management directors (at the conclusion of each Board meeting) to consider: (i) corporate governance matters, including executive succession and management development issues; (ii) the role of directors on the Board; (iii) the responsibilities assigned to Board committees; (iv) the procedures under which the Board operates; (v) the effectiveness of the Board meeting process; and (vi) the format and adequacy of the information flow to directors;
- consult with the Chairman of the Board and the CEO in setting agendas for Committee meetings;
- consult with the Chairman of the Board and the CEO in setting agendas for Board meetings;
- coordinate the annual evaluation of the Board's performance and the contributions of directors to the Board; and

- act as a resource to consult with directors at their request on issues of Board processes or governance.

### **Reporting**

The Committee shall prepare and, through its Chair, submit periodic reports of the Committee's work and findings to the Board. Such reports may contain recommendations for Board action when appropriate.

### **Independent Advisors**

The Committee shall have the sole authority to select, retain and terminate any search firm or other advisor reasonably necessary to assist in fulfilling its responsibilities, including the sole authority to approve such advisor's fees and retention terms.

### **Effective Dates**

Approved by the Board of Directors on July 25, 2002.

As amended:           February 27, 2003  
                                  September 25, 2003  
                                  July 22, 2004