

## Terms of Reference for the Audit Committee

### I. Purpose

The purpose of the Audit Committee (the “Committee”) is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to the shareholders and others, identifying and monitoring the management of the principal risks that could impact the financial reports of the Corporation, reviewing the systems of corporate controls which management and the Board have established, monitoring auditor independence and the audit process, and monitoring the financial administration of the pension plans for employees of the Corporation which are managed by it. The Committee is directly responsible for overseeing the work of the external auditors. The Committee also provides an avenue of communication among the external auditor, internal auditor, management and the Board.

More specifically the purpose of the Committee is to satisfy itself that:

- A. The Corporation’s annual financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation and to recommend to the Board whether the annual financial statements should be approved.
- B. The financial information contained in the Corporation’s quarterly financial statements and report, Annual Report and other financial publications such as Management’s Discussion and Analysis, the Annual Information Form and information contained in any other material disclosure document is fairly presented in all material respects and to recommend to the Board whether these materials should be approved.
- C. The Corporation has appropriate systems of internal control over the safeguarding of assets and financial reporting to ensure compliance with legal and regulatory requirements. This would include appropriate disclosure controls and procedures that enable financial information to be recorded, processed, summarized and reported within the time periods required by law.

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- D. The external auditor is independent and qualified and the internal and external audit functions have been effectively carried out and any matter which the internal or the external auditors wish to bring to the attention of the Board has been addressed. The Committee will also recommend to the Board the re-appointment or appointment of auditors and their remuneration.

The Committee will also report and make recommendations to the Board in respect of the administrative aspects of pension plan investment policy, the performance of the investment portfolios and compliance with government pension legislation.

## II. Composition and Terms of Office

- A. Following each annual meeting of shareholders of the Corporation, the Board shall appoint not less than three directors to serve on the Committee, each of whom shall be an independent director.<sup>1</sup>
- B. All members shall be financially literate, (as defined by applicable legislation). At least one member shall have accounting or related financial management expertise and, if required by applicable legislation, at least one member shall be a financial expert.
- C. The Committee Chair shall be appointed by the Board.
- D. The Committee Chair shall:
- (i) provide leadership to the Committee by reinforcing and monitoring the achievement of the Committee's objectives;
  - (ii) coordinate the agenda, information packages and related events for Committee meetings with the Chief Financial Officer; and
  - (iii) chair Committee meetings.

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<sup>1</sup> A director is **independent** if he or she would be independent for the purposes of (i) Canadian Securities Administrators Multilateral Instrument 52-110 – Audit Committees; and (ii) any other applicable legislation or policy. In order to be in a position to satisfy certain U.S. requirements, the members of the Audit Committee must also satisfy certain NYSE requirements.

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- E. Any member may be removed or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director of the Corporation. Each member shall hold office until the close of the next annual meeting of shareholders of the Corporation or until the member resigns or is replaced, whichever first occurs.
- F. The Committee will meet at least four times per year. The meetings will be scheduled to permit timely review of the interim and annual financial statements. Additional meetings may be held as deemed necessary by the Chair of the Committee or as requested by any member or by the internal or external auditors.
- G. A quorum for the transaction of business at all meetings of the Committee shall be a majority of the authorized number of members. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in case of an equality of votes the Chair shall have a second casting vote.
- H. The Committee will meet regularly with management, the internal auditors and the external auditors in separate sessions.
- I. The minutes of all meetings of the Committee will be provided to the Board.
- J. Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request to the Secretary of the Committee.
- K. The Committee shall choose as its Secretary such person as it deems appropriate.
- L. The internal and external auditors shall be given notice of, and have the right to appear before and to be heard at, every meeting of the Committee, and shall appear before the Committee when requested to do so by the Committee.

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### III. Authority and Responsibilities

#### A. Audit Committee Terms of Reference

The Committee shall review and assess the adequacy of its terms of reference at least annually and submit its terms of reference to the Board for approval.

#### B. Financial Reporting Control Systems

The Committee shall:

- (i) review reports from senior officers outlining any significant changes in financial risks facing the Corporation;
- (ii) review the management letter of the external auditors and the Corporation's responses to suggestions made;
- (iii) review any new appointments to senior positions with financial reporting responsibilities and pre-approve the hiring to a financial reporting oversight role of any person who had been employed by the Corporation's external auditors within one year prior to the commencement of procedures for the current audit engagement; and
- (iv) annually, as of the end of the Corporation's fiscal year, in consultation with management, external auditors and internal auditors, evaluate the Corporation's internal controls and procedures for financial reporting, discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures and review significant findings prepared by the external auditors and the internal auditors together with management's responses.

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### C. Interim Financial Statements

The Committee shall:

- (i) review interim financial statements with Corporation officers prior to their release and, if applicable, recommend their approval to the Board; this will include a detailed review of quarterly and year-to-date results and management's discussion and analysis; and
- (ii) review narrative comment and associated press releases accompanying interim financial statements.

### D. Annual Financial Statements and Other Financial Information

The Committee shall:

- (i) review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements;
- (ii) obtain summaries of significant issues regarding accounting principles, practices and significant management estimates and judgments, and other potentially difficult matters whose treatment in the annual financial statements merits advance consideration;
- (iii) obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by Corporation officers;
- (iv) review and discuss reports from external auditors on:
  - (a) all critical accounting policies and practices to be used;
  - (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with

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- management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
- (c) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences; and
  - (d) the external auditors attestation of management's internal control report if required by applicable law;
  - (v) review disclosures made to the Committee by the CEO and CFO during their certification process for any statutory documents about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls;
  - (vi) review with management, including the CEO and CFO, management's internal control report required to be included in any statutory document;
  - (vii) review and investigate complaints and confidential submissions to the Corporation or the Committee regarding internal controls or questionable accounting or auditing matters;
  - (viii) review a summary provided by the Corporation's legal counsel of the status of any material pending or threatened litigation, claims and assessments;
  - (ix) review and discuss the annual financial statements and the auditors' report thereon with the Corporation's officers and the auditors;

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- (x) review the Annual Report and other annual public information documents including the Annual Information Form, Management's Discussion and Analysis and any related press releases;
- (xi) provide to the Board a recommendation as to whether the annual financial statements should be approved;
- (xii) ensure that appropriate disclosure controls and procedures are in place and annually assess the adequacy of such procedures;
- (xiii) review the Corporation's various sources of risk and management's plans to mitigate such risk including insurance, hedging, etc.; and
- (xiv) review the actuarial funding status of the pension plans managed by the Corporation.

### E. External Audit Terms of Reference, Reports, Planning and Appointment

The external auditor shall report directly to the Committee. The Committee shall:

- (i) review the audit plan with the external auditors and oversee the work of the external auditors in preparing and issuing the auditors' report and performing other audit, review or attest services for the Corporation;
- (ii) annually review and discuss with the external auditors all significant relationships they have with the Company that could impair the external auditors' independence;
- (iii) discuss with the external auditors, without management present, matters affecting the conduct of their audit and other corporate matters;
- (iv) consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles;

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- (v) recommend to the Board each year the retention or replacement of the external auditors; if there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition;
- (vi) annually review and recommend for approval to the Board the terms of engagement and the remuneration of the external auditors;
- (vii) pre-approve all non-audit services to be performed by the external auditors that are not prohibited by law (unless such approval is not required by applicable law), provided that the Chair of the Committee may pre-approve a specified type of non-audit services that have a value equal to up to CDN\$100,000. All non-audit services pre-approved by the Chair shall be presented to the Committee at its first scheduled meeting following such pre-approval;
- (viii) ensure the rotation of the lead or coordinating audit partner having primary responsibility for the audit as required by law; and
- (ix) review and approve the Corporation's hiring policies regarding employees and former employees of the Corporation's present and former external auditors.

### F. Internal Audit and Legal Compliance

The Committee shall:

- (i) review quarterly the significant reports of the internal audit function together with management's response to those reports;
- (ii) annually review the mandate, planned activities, budget and resources of the internal audit function for the coming year;
- (iii) review legal matters with the Corporation's legal counsel;

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- (iv) establish procedures for (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls and auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

### G. Material Disclosure Documents

The Committee shall review the contents of any financial information within any prospectus, information circular or other material disclosure documents prior to their release and recommend to the Board whether these materials should be approved.

### H. Pension Plans

The Committee shall:

- (i) establish, review and if appropriate recommend to the Board amendment of the funding and investment objectives for pension trust funds established in connection with pension plans for employees of the Corporation and its subsidiaries for the purpose of meeting the long term obligations arising from such pension plans and complying with the appropriate pension legislation;
- (ii) review and evaluate recommendations from the Retirement Plan Committee on the appointment and termination of investment managers, external auditors, actuaries, trustees and/or custodians and approve the appointment or change in such service providers;
- (iii) report to the Board on the investment of all pension trust funds of the Corporation and its subsidiaries at not fewer than two meetings each year; and
- (iv) approve material changes to the documentation for the Plans.

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In giving effect to the foregoing, the Committee will approve procedures by which it will oversee the Retirement Plan Committee of Management of the Corporation, which respectively has management responsibility for the administration of pension plan benefits and the investment of pension plan assets.

### **IV. Accountability**

- A. The Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.
- B. The Committee is empowered to investigate any activity of the Corporation and all employees are to co-operate as requested by the Committee. The Committee may retain and compensate independent counsel and other persons having special expertise to assist it in fulfilling its responsibilities and the Corporation shall provide sufficient funding for this purpose.
- C. The Committee is authorized to communicate directly with the internal and external auditors and request the presence, at any meeting, of a representative from the external auditors, senior management, internal audit, legal counsel or anyone else who could contribute substantively to the subject of the meeting.

### **V. Committee Timetable**

The timetable outlined on the following pages outlines the Committee's schedule of activities during the year.