

AUDIT

COMMITTEE

CHARTER

## AUDIT COMMITTEE CHARTER

### 1. PURPOSE

The audit committee (the 'Committee') is appointed by the Board of Directors (the 'Board') for the primary purpose of assisting the Board in oversight of:

- (i) integrity of the Company's financial statements;
- (ii) Company's compliance with legal and regulatory requirements, and by employees and officers with the Company's Code of Business Ethics
- (iii) Independent auditors' qualifications and independence; and
- (iv) Performance of the Company's internal audit function and independent auditors.

In fulfilling their responsibilities, it is recognised that the members of the Committee are not full-time employees of the Company. It is not the duty of the Committee or its members to conduct 'field work' or other types of auditing or accounting reviews or procedures.

The Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as deemed necessary to perform its duties and responsibilities.

The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors, outside legal, accounting or other advisors that the Committee chooses to engage.

### 2. STRUCTURE AND MEMBERSHIP REQUIREMENTS

The Committee shall consist of directors who are not members of management. Each director shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgement as a committee member.

Each committee member shall be able to read and understand financial statements. Additionally, at least one committee member shall have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background resulting in the individual's financial sophistication, including having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

No director may serve as a member of the Committee if such director serves on the audit committee of more than two other companies, unless the Board determines that such simultaneous services would not impair the ability of such director to effectively serve on the Committee. Committee members shall meet such criteria as are adopted from time to time by the Board.

The members of the Committee shall be appointed by the Board annually on the recommendation of the Corporate Governance Committee, or as required upon the resignation, death, incapacity or removal of a member of the Committee. Committee members may be replaced by the Board at any time.

The Committee shall have a chairman who is elected by the Board annually or upon the resignation, death, incapacity or removal of the current chairman. The position of the chairman shall rotate every three years among the members of the Committee at the time of such rotation..

### 3. MEETINGS

The Committee will meet as often as required to discharge its responsibilities, no less than two times a year.

The Committee shall meet periodically with management, the internal auditors and the independent auditors in separate executive sessions. The Committee may also meet periodically in executive session without any one else present. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

A majority of the members of the Committee shall constitute a quorum. The act of a majority of the members present at any meeting at which a quorum is present shall be the act of the Committee. The Committee will meet at the call of its chairman or any two of its members. The chairman will preside, when present, at all meetings of the Committee. The Committee shall keep a record of its meetings and report on them to the Board. Members of the Committee may participate in a meeting of the Committee by conference call or similar communications arrangements that enable all persons participating in the meeting to hear each other.

### 4. RESPONSIBILITIES

#### (i) *Financial statements; Disclosure and other risk management matters*

The Committee shall review with management, the internal auditors and the independent auditors:

- the annual audited financial statements;
- the quarterly financial statements;
- any analyses or other written communications prepared by management, the internal auditors or the independent auditors setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements;
- the critical accounting policies and practices of the Company;
- the effect of off-balance sheet transactions and structure on the financial statements;
- any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; and
- the effect of regulatory and accounting initiatives on the financial statements.

The Committee shall review, in conjunction with management, the Company's policies with respect to the Company's earnings press releases, financial information and earnings guidance provided to analysts and rating agencies, including the types of information to be disclosed and the types of presentation to be made.

The Committee shall discuss with the Chief Executive Officer and/or General Manager and Chief Financial Officer of the Company their review of the Company's internal controls related to financial reporting and disclosure controls and procedures, including whether there are any significant deficiencies in the design or operation of such controls and procedures, material weaknesses in such controls and procedures, any corrective actions taken with regard to such deficiencies and weaknesses and any fraud involving management or other employees with a significant role in such controls and procedures.

The Committee shall discuss with management and the independent auditors any correspondence with regulators or governmental agencies, as supplied to the Committee by the Secretary, and any published reports which raise material issues regarding the Company's financial statements or accounting policies.

- The Committee shall review and discuss with the independent auditors any audit problems or difficulties and management's response thereto, including those matters required to be discussed with the Committee by the independent auditors pursuant to applicable International Auditing Standards;
- any restrictions on the scope of the independent auditors' activities or access to requested information;
- any accounting adjustments that were noted or proposed by the independent auditors but were not effected (as immaterial or otherwise);
- any management or internal control letter issued, or proposed to be issued, by the independent auditors; and
- any significant disagreement between the Company's management and the independent auditors.

The Committee shall have the sole authority over the resolution of any disagreements between management and the independent auditors regarding the Company's financial reporting.

The Committee shall receive from the Risks Committee, already set up, regular reports with respect to risk assessment and risk management, including discussions with management the Company's major financial risk exposures and the steps that have been taken to monitor and control such exposures.

*(ii) Independent auditors*

The Committee has the sole authority to appoint, compensate, retain, oversee and terminate the independent auditors of the Company (subject to any required shareholder ratification), including sole authority to approve all audit and non-audit services to be provided by the independent auditors and all engagement fees and terms. The Committee shall pre-approve each such audit and non-audit service to be provided by the Company's independent auditors. The independent auditors must report directly to the Committee. The Committee may consult with management in the decision-making process, but may not delegate this authority to management. The Committee may, from time to time, delegate its authority to pre-approve audit and non-audit services on a preliminary basis to one or more Committee members, provided that such designee (s) present any such approvals to the full Committee at the next Committee meeting.

The Committee shall review and approve the scope and staffing of the independent auditors annual audit plan.

The Committee shall evaluate the independent auditors' qualifications, performance and independence, and shall present its conclusions with respect to the independent auditors to the full Board on a least an annual basis. As part of such evaluation, at least annually, the Committee shall:

- obtain and review a report or reports from the Company's independent auditors describing:
  - the independent auditors internal quality control procedures;
  - any material issues raised by (i) the most recent internal quality control review or peer review of the independent auditors' firm, or (ii) any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the independent auditors' firm; and any steps taken to deal with any such issues;
  - all relationships between the independent auditors and the Company; and
  - such other matters as to which the independent auditors are required to report.
- Review and evaluate the lead audit partner of the independent auditors team(s), and assure the regular rotation of the lead audit partner;
- Consider whether the independent auditors should be rotated, so as to assure continuing auditor independence; and
- Obtain the opinion of management and internal auditors of the independent auditors performance.

The Committee shall establish policies for the Company's hiring of current or former employees of the independent auditors.

*(iii) Internal auditors*

The head of the Company's internal audit department shall report to the Audit Committee, in addition to all other reporting obligations such individual may have within the Company.

At least annually, the Committee shall evaluate the performance, responsibilities and staffing of the Company's internal audit function and review the internal audit plan. Such evaluation shall include a review of the responsibilities of the Company's internal audit function with the independent auditors. The Committee shall review the significant reports to management prepared by the internal audit department and management's responses thereto. The Committee shall also review the independence and authority of the department's reporting obligations and its qualifications to perform its duties.

*(iv) Code of Conduct*

The Committee shall periodically review and reassess the adequacy of the Company's Code of Conduct. The Committee shall periodically obtain updates from management, internal audit, human resource manager and compliance officer, as the Committee deems appropriate, regarding compliance by employees and officers with legal, and tax and other regulatory agency rules and the Company's Code of Conduct, and updates on any other antifraud or compliance programs instituted by the Company. Any waiver of the Code of Conduct for executive officers or senior financial officers may only be authorized by the Board and will be promptly disclosed to the Company's shareholders. The Committee will also oversee the process by which employees may report illegal or unethical behavior including cases alleging "insider trading", sexual harassment and breach of non-discrimination laws.

The Committee shall, where applicable, establish such other procedures for:

- The receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and
- The confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Committee shall report on any of the matters mentioned above as they relate to compliance by Directors to the Corporate Governance Committee, as the Committee deems appropriate.

**5. REPORTING**

The Committee will regularly report to the Board of Directors. This report shall include a review of any issues that arise with respect to the responsibilities of the audit Committee. At least annually, the Committee shall evaluate its own performance and report to the Board on such evaluation. When presenting any recommendation or advice to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision. In addition, the Committee shall prepare the audit committee report to be included in the Company's annual financial statements.

**6. CONCLUSION**

The Committee shall annually review and assess the adequacy of the charter and recommend any proposed changes to the Board for approval. While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits or determine that the Company's financial statements are complete and accurate and are in accordance with accounting principles. This is the responsibility of management. Furthermore, while the Committee is responsible for reviewing the Company's policies and practices with respect to risk assessment and management, it is the responsibility of the Board to determine the appropriate level of the Company's exposure to risk.