

**MANDATE OF THE AUDIT COMMITTEE
OF TERVITA CORPORATION**





MANDATE OF THE AUDIT COMMITTEE

1. PURPOSE

The audit committee (the "**Committee**") of Tervita Corporation (the "**Corporation**") is appointed by the board of directors of the Corporation (the "**Board**") to assist the Board in fulfilling its oversight responsibilities with respect to:

- (a) the quality and integrity of the Corporation's financial statements, financial reporting procedures and disclosures, and systems of internal controls regarding financial matters;
- (b) the Corporation's compliance with certain finance, accounting, legal and regulatory requirements;
- (c) the qualifications, performance and independence of the Corporation's external auditors and the qualifications and performance of the Corporation's senior finance employees;
- (d) the review of principal financial risks of the Corporation's business and the implementation of appropriate risk management systems;
- (e) the preparation of Committee reports, if any, to be included in the Corporation's disclosure documents; and
- (f) the performance of the Corporation's audit function and independent auditor.

2. COMPOSITION AND MEMBERSHIP

2.1 Number, Appointment and Removal of Members

The Committee shall consist of at least three (3) directors or such greater number as the Board may from time to time determine. The members of the Committee shall be appointed by the Board. At least 25% of the members of the Committee shall be resident Canadians in accordance with the *Business Corporations Act* (Alberta).

Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board. Any member of the Committee may be removed or replaced by the Board of Directors. The Board will fill vacancies on the Committee by appointment from among qualified members of the Board as it may see fit.

2.2 Independence of Members

Subject to any exemptions in applicable securities laws, each member of the Committee shall be "independent" as such term is defined in National Instrument 52-110 *Audit Committees* ("**NI 52-110**").



2.3 Financial Literacy

All members of the Committee shall be "financially literate" as such term is defined in NI 52-110 and as interpreted by the Board in its discretion, at the time of appointment or within a reasonable time thereafter if the Board has determined that this will not materially adversely affect the ability of the Committee to satisfy the requirements of NI 52-110.

2.4 Committee Chair

The chair (the "**Chair**") of the Committee shall be appointed by the Board from among the members of the Committee. The Chair shall preside at each Committee meeting, lead Committee discussions on meeting agenda items and report to the Board, on behalf of the Committee, with respect to the proceedings of each Committee meeting. The Chair shall continue as Chair until his or her successor is appointed.

If the Chair is unavailable or unable to attend a meeting of the Committee, the Chair shall ask another member to chair the meeting, failing which a member of the Committee present at the meeting shall be chosen, by a majority of the Committee present at such meeting, to preside over the meeting.

The Chair is responsible for the management and performance of the Committee in fulfilling this mandate (this "**Mandate**") and any other responsibilities delegated to it by the Board. The duties and responsibilities of the Chair shall include:

- (a) ensuring the co-ordination of the agenda, information packages and related events for Committee meetings in conjunction with the chairman of the Board (the "**Chairman of the Board**"), the chief financial officer (the "**CFO**") of the Corporation and the Corporate Secretary of the Corporation;
- (b) working with the CFO to facilitate the flow of information as between the Committee, such officers of the Corporation as the Chair determines appropriate, and the Corporation's external auditors and internal audit department, if any;
- (c) liaising with Committee members, other directors and the Chairman of the Board to co-ordinate input from Committee members and directors, and fostering an environment in which Committee members may ask questions and express their viewpoints;
- (d) reporting to the Board with respect to the significant activities of the Committee and any recommendations of the Committee;
- (e) in collaboration with the Board and the Chairman of the Board, reviewing and assessing Committee organization, attendance, performance and compensation and the size and composition of the Committee;



- (f) in collaboration with the human resources and compensation committee (the "**Human Resources and Compensation Committee**") of the Board, leading the Committee in assessing the performance of the Corporation's financial management team; and
- (g) taking such other steps as are reasonably required to ensure that the Committee fulfils this Mandate.

3. AUTHORITY OF THE AUDIT COMMITTEE

3.1 Engaging and Retaining Advisors

The Committee may engage the external auditors, legal counsel, experts and other advisors the Committee determines necessary in order to fulfill this Mandate, and to set and pay the compensation for any advisors engaged by the Committee, such engagement to be at the Corporation's expense.

The Corporation shall be responsible for all other expenses of the Committee that are deemed necessary or appropriate.

3.2 Access

The Committee shall have unrestricted and direct access to the Corporation's management, employees, the Corporation's external auditor and to any other consultants and advisors, as well as to the books and records, assets and facilities of the Corporation.

3.3 Subcommittees

The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee, subject to applicable laws and regulations and any restrictions imposed by any applicable regulatory authority or stock exchange requirements. No subcommittees shall consist of fewer than two members.

3.4 Investigation

The Committee, at the request of the Board or on its own initiative, shall have the authority to direct and to supervise the investigation into any matter brought to its attention within the scope of its duties.

4. REMUNERATION OF COMMITTEE MEMBERS

4.1 Remuneration of Committee Members

Members of the Committee and the Chair shall receive such remuneration for their service on the Audit Committee as the Board may determine from time to time.



4.2 Directors' Fees

No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than directors' fees, payable in cash or securities. For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation.

5. MEETINGS

5.1 Committee Meetings

The Committee shall meet at least four (4) times annually in advance of filing quarterly reports, or more frequently if determined necessary to perform its duties. A meeting may be called by the Chair, any member of the Committee, the external auditor, the Chairman of the Board, the chief executive officer (the "**CEO**"), or the CFO at any time by notifying the members of the Committee.

The external auditor shall also receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard at the meeting, and, if so requested by a member of the Committee, shall attend every meeting of the Committee held during the external auditor's tenure as such. The Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee. The Committee may request any officer or employee of the Corporation to attend a meeting of the Committee. The Committee shall hold an *in camera* session, without management present, in connection with all Committee meetings.

5.2 Notice

A notice of time and place of every meeting of the Committee shall be given in writing to each member of the Committee at least two business days prior to the time fixed for such meeting, unless waived by a member entitled to attend. Attendance of a member of the Committee at a meeting shall constitute waiver of notice of the meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not properly called.

5.3 Quorum

Unless otherwise resolved by the Board, a quorum for meetings of the Committee shall be a majority of its members present in person or by telephone or video conference.

5.4 Decisions

Unless otherwise resolved by the Board, decisions of the Committee shall be determined by a majority of the votes cast.

Subject to the requirements of any applicable laws, regulations or rules, any action required or permitted to be taken at a meeting of the Committee may be taken without a meeting if consent in writing, setting forth the action so taken, is signed by



all of the members of the Committee. Such written consent shall have the same force as a unanimous vote of the Committee. A copy of any such written consent shall be kept with the minutes of the proceedings of the Committee.

5.5 Minutes

The Committee shall appoint a member of the Committee, the corporate secretary of the Corporation, or another person acceptable to the Committee to act as secretary at each meeting for the purpose of recording the minutes of each meeting. Minutes of every meeting shall be kept with the Corporation's corporate records.

The minutes of Committee meetings shall be in sufficient detail to convey the substance of all discussions held, and shall accurately record the decisions reached, as well as attendance of members of the Committee at each meeting.

5.6 Reporting

The Chair will regularly report the Committee's findings and recommendations to the Board.

6. SPECIFIC DUTIES AND RESPONSIBILITIES

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board, provided that the Board is authorized to make such delegation according to applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by any exchange upon which securities of the Corporation are traded, or any governmental or regulatory body exercising authority over the Corporation, as are in effect from time to time.

The Committee is responsible for overseeing the Corporation's financial statements and financial disclosures. Management is responsible for the preparation, presentation, quality and integrity of the Corporation's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Corporation. The external auditor is responsible for auditing the Corporation's annual consolidated financial statements and for reviewing the Corporation's unaudited interim financial statements.

6.1 Procedures for Review

The Committee shall be satisfied that adequate procedures are in place for the review and approval of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than financial statements, MD&A and earnings news releases, which are dealt with elsewhere in this Mandate) and shall periodically assess the adequacy of those procedures.

6.2 Annual Financial Statements

The Committee shall meet to review and discuss with management and the external auditor, the Corporation's audited annual financial statements and Management's



Discussion and Analysis ("**MD&A**") of such financial statements, including the use and presentation of non-international financial reporting standards ("**non-IFRS**") financial measures, together with the report of the external auditor thereon and the associated news release and, if appropriate, recommend to the Board that it approve such audited annual financial statements, MD&A and associated news release.

6.3 Interim Financial Statements

The Committee shall meet to review and discuss with management and the external auditor, the Corporation's interim unaudited financial statements and MD&A of such financial statements, including the use and presentation of non-IFRS financial measures, together with the associated news release, and, if appropriate, approve such interim unaudited financial statements, interim MD&A and associated news release.

6.4 Material Public Financial Disclosure

The Committee shall review and discuss with management and the external auditor and, where appropriate or required, approve, or recommend to the Board that it approve:

- (i) the types of information to be disclosed and the type of presentation to be made in connection with earnings news releases;
- (ii) financial information and earnings guidance (if any) provided to analysts and rating agencies;
- (iii) news releases containing financial information (paying particular attention to the use, if any, of non-IFRS financial measures or information); and
- (iv) financial information or financial statements in any document required to be disclosed or filed by the Corporation, before its public disclosure or filing.

6.5 Other Review Items

The Committee shall review and discuss with management, and, if appropriate, the external auditor:

- (i) the quality of, and not just the acceptability of, the accounting principles applied in respect of the financial statements and the clarity of the applicable disclosure in the financial statements;
- (ii) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles;



- (iii) major issues as to the adequacy of the Corporation's internal controls over financial reporting and any special audit procedures adopted in light of material control deficiencies;
- (iv) analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative IFRS methods on the financial statements and the degree of aggressiveness or conservatism of the Corporation's accounting principles and critical accounting estimates;
- (v) the effect of the following on the Corporation's financial statements: regulatory and accounting initiatives; off-balance sheet transactions; structures, obligations (including contingent obligations) and other relationships of the Corporation with unconsolidated entities or other persons that have a material current or future effect on the Corporation's financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of the Corporation's revenues or expenses;
- (vi) the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented;
- (vii) any financial information or financial statements in prospectuses and other offering documents;
- (viii) the factors identified by management as factors that may affect future financial results;
- (ix) management's assessment of the internal control environment and the adequacy thereof;
- (x) the management certifications of the financial statements as required under applicable securities laws in Canada or elsewhere;
- (xi) disclosures made by the Corporation's CEO and CFO during their certification process in connection with the Corporation's financial statements about (a) any significant deficiencies or material weaknesses in the design or operation of disclosure controls and procedures and internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data, and (b) any fraud involving management or other employees who have a significant role in the Corporation's internal controls, and shall make appropriate disclosures in the MD&A as to any such deficiencies, weaknesses or fraud, the risks associated therewith and the Corporation's plans to remediate such deficiencies, weaknesses or fraud, if any;



- (xii) conclusions from whistleblower complaints or concerns, regarding accounting, internal accounting controls or audit matters and the confidential, anonymous submission by employees of concerns regarding any potentially questionable accounting or audit related matters in accordance with the Corporation's *Whistleblower Policy*;
- (xiii) any litigation, claim or contingency that could have a material effect on the financial statements;
- (xiv) any other relevant reports or financial information submitted by the Corporation to any governmental body, or the public; and
- (xv) pension plan financial statements, if any.

6.6 External Auditor

- (a) **Authority with Respect to External Auditor.** The Committee shall be responsible for recommending to the Board, the appointment, compensation, retention and oversight of the work of the external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. Each external auditor shall report directly to the Committee. In the discharge of this responsibility, the Committee shall:
 - (i) have sole responsibility for recommending to the Board, the firm to be proposed for appointment as the external auditor for the above-described purposes and determining at any time whether the Board should recommend to the Board whether the incumbent external auditor should be removed from office;
 - (ii) review the scope and terms of the external auditor's engagement, discuss the audit fees with the external auditor and be solely responsible for pre-approving such audit services fees; and
 - (iii) require the external auditor to confirm in its engagement letter each year that the external auditor is accountable to the Board and the Committee as representative of shareholders.
- (b) **Audit Plan.** At least annually, the Committee shall review a summary of the external auditors' annual audit plans. The Committee shall consider and review any material changes to the scope of the plan with the external auditor.
- (c) **Audit and Review Reports.** The Committee shall review the audit report and review reports prepared by the external auditor in respect of the Corporation's audited financial statements and unaudited financial statements, respectively.



- (d) **Relationship with External Auditor.** The Committee shall develop a relationship with the external auditor that allows for fulsome and timely discussion of all material issues.
- (e) **Independence.** The Committee shall satisfy itself as to the independence of the external auditor. As part of this process the Committee shall:
 - (i) assure the regular rotation of the lead audit partner as required by applicable law and regulations and consider whether the Corporation should rotate periodically, the audit firm that serves as external auditor;
 - (ii) require the external auditor to submit on a periodic basis, at least annually, to the Committee, a formal written statement that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute of chartered professional accountants to which it belongs and delineating all relationships between the external auditor and the Corporation; actively engage in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditor; and take appropriate action in response to the external auditor's written statements to satisfy itself of the external auditor's independence; and
 - (iii) review and approve the policy setting out the restrictions on the Corporation hiring partners, employees and former partners and employees of the Corporation's current or former external auditor.
- (f) **Issues Between External Auditor and Management.** The Committee shall:
 - (i) review and discuss any problems or difficulties experienced by the external auditor in conducting the audit, including any restrictions on the scope of the external auditor's activities or any access to requested information, and management's response thereto;
 - (ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the external auditor;
 - (iii) review all material correspondence between the external auditor and management related to audit findings;



- (iv) review with the external auditor:
 - (A) any accounting adjustments that were proposed by the external auditor, but were not made by management;
 - (B) any communications between the audit team and audit firm's national office regarding auditing or accounting issues arising from the engagement;
 - (C) any management or internal control letter issued, or proposed to be issued (in draft) by the external auditor to the Corporation and subsequent follow-up of any identified deficiencies; and
 - (D) any correspondence between the Corporation and any public accounting firm other than the external auditor related to auditing or accounting issues.

- (g) **Non-Audit Services.**
 - (i) The Committee shall, subject to certain *de minimus* exceptions described in NI 52-110:
 - (A) pre-approve any non-audit services provided by the external auditor to the Corporation or any subsidiary of the Corporation provided that no approval shall be provided for any service that is prohibited under the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute of chartered professional accountants; and
 - (B) adopt specific pre-approval policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the Committee is informed of each non-audit service and the procedures do not include delegation of the Committee's responsibilities to management.
 - (ii) The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members of the Committee must present any non-audit services so approved to the Committee at its first scheduled meeting following such pre-approval.
 - (iii) The Committee shall instruct management to promptly bring to its attention any services performed by the external auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.



- (h) **Evaluation of External Auditor.** The Committee shall:
 - (i) review and evaluate the performance of the external auditor;
 - (ii) obtain the opinions of management with respect to the performance of the external auditor; and
 - (iii) obtain and review a report by the external auditor describing:
 - (A) the external auditor's internal quality-control procedures;
 - (B) any material issues raised by the most recent internal quality-control review, or peer review, of the external auditor's firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the external auditor's firm, and any steps taken to deal with any such issues; and
 - (C) all relationships between the external auditor and the Corporation (to be set out in the formal written statement described in Section 6.6(e)(ii)).
- (i) **Review of the External Auditor's Recommendations.** The Committee shall review the external auditor's recommendations, and review management's response to, and subsequent follow-up on, any reports on accounting systems and internal controls.

6.7 Risk Management

- (a) **Financial Risk Assessment or Review.** The Committee shall:
 - (i) discuss policies with respect to financial risk assessment and risk management, and receive regular reports from management and receive comments from the external auditor, if any, on:
 - (A) the principal risks with respect to the Corporation's revenues, expenditures and cash flows;
 - (B) the systems implemented to monitor those risks; and
 - (C) the strategies (including hedging strategies) in place to manage those risks; and
 - (ii) recommend to the Board whether any new material strategies presented by management to manage the Corporation's principal financial risks should be considered appropriate and approved.
- (b) **Standards of Business Conduct.** The Committee shall periodically review the Corporation's *Code of Conduct and Conflict of Interest*



Guidelines and provide recommendations to the Board concerning its compliance with each of the Corporation's published codes of business conduct, applicable disclosure and legal requirements.

6.8 Pension Plan

If requested by the Board, the Committee shall review the assets, financial performance, funding status, investment strategy and actuarial reports of the Corporation's pension plan, if any, including the terms of engagement of the plan's actuary and fund manager.

6.9 Senior Finance Employees

The Committee shall assist the CEO, the Human Resources and Compensation Committee and the Board in their assessments of the performance of the Corporation's CFO.

6.10 Review of Regulatory Correspondence

Management shall, immediately upon receipt, present to the Committee any correspondence from or with regulators or governmental agencies relating to financial disclosure. The Committee shall discuss with management such correspondence and published reports of regulators or governmental agencies which may have a material effect on the Corporation's financial statements or accounting policies. Members of the Legal and Tax departments should report to the Committee at meetings.

7. OTHER DUTIES AND RESPONSIBILITIES

7.1 Whistle Blowing, Corruption and Bribery

The Committee shall oversee the implementation and administration of the Corporation's *Whistleblower Policy* and the Corporation's *Anti-Corruption & Anti-Bribery Policy* in accordance with the terms of those policies, and shall liaise with management in accordance therewith. The Committee shall make recommendations to the Board with respect to procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, auditing matters, violations of securities or other applicable laws, rules or regulations; and
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters, violations of any laws, rules or regulations, including but not limited to Canadian securities and other applicable laws and violations of the Corporation's *Code of Conduct and Conflict of Interest Guidelines*.

The Committee shall undertake a periodic review and assessment of the adequacy of the Corporation's *Whistleblower Policy* and the Corporation's *Anti-Corruption & Anti-Bribery Policy*.



The Committee shall, on a quarterly basis, report to the Board that, other than as disclosed to the Board, there have been no matters reported to the Audit Committee under the Corporation's *Whistleblower Policy* that would impact the certifications to be provided by the CEO and the CFO under applicable legislation. Furthermore, the Committee shall, on an annual basis, report to the Board with respect to the effectiveness of the Corporation's anti-corruption and anti-bribery compliance programs.

7.2 Officers' and Director's Expense Accounts

The Committee shall review policies and procedures with respect to officers' and directors' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the external auditor.

7.3 Other

Perform such other functions as may be necessary or appropriate under law, or as directed by the Board.

8. ANNUAL PERFORMANCE EVALUATION

On an annual basis, the Committee shall follow the process established and adopted by the Board for all committees of the Board for assessing the performance and effectiveness of the Committee, including a review of its compliance with this Mandate.

9. MANDATE REVIEW

The Committee shall review and assess the adequacy of this Mandate annually and recommend to the Board any changes it deems appropriate, including to account for best practice guidelines recommended by, and to comply with any rules or regulations disseminated by, securities regulators and stock exchanges, to the extent appropriate for the Corporation.

10. STANDARD OF LIABILITY

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of the Corporation. Subject to all applicable laws, regulations and listing requirements, as well as the Corporation's articles and by-laws, this Mandate is not intended to establish any legally binding obligations on the members of the Committee as a result of their financial literacy or otherwise, including, but not limited to the preparation of financial statements or with respect to day-to-day operations or performance.