



# Audit Committee Charter

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## 1. Purpose and Composition

The purpose of the Audit Committee (the “Committee”) of Power Financial Corporation (the “Corporation”) is to assist the Board of Directors (the “Board”) in reviewing:

- 1.1 the Corporation’s financial disclosure;
- 1.2 the qualifications and independence of the Corporation’s external auditor; and
- 1.3 the performance of the external auditor.

The Committee of the Corporation shall be composed of not less than three directors of the Corporation, all of whom shall be *independent* and *financially literate* within the meaning of the Canadian Securities Administrators National Instrument 52-110.

## 2. Procedural Matters

In connection with the discharge of its duties and responsibilities, the Committee shall observe the following procedures:

- 2.1 **Meetings** – The Committee shall meet at least four times every year, and more often if necessary, to discharge its duties and responsibilities hereunder.
- 2.2 **Advisors** – The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay, at the Corporation’s expense, the compensation of such advisors.
- 2.3 **Quorum** – A quorum at any meeting of the Committee shall be a majority of the Committee members.
- 2.4 **Secretary** – The Chair, or any person appointed by the Chair, shall act as secretary of meetings of the Committee.
- 2.5 **Calling of Meetings** – A meeting of the Committee may be called by the Chair of the Committee, by an Executive Co-Chair of the Board, by the external auditor of the Corporation, or by any member of the Committee, on not less than 48 hours’ notice to the members of the Committee specifying the place, date and time of the meeting. Meetings may be held at any time without notice if all members of the Committee waive notice. If a meeting of the Committee is called by anyone other than an Executive Co-Chair of the Board, the person(s) calling such meeting shall so inform the Executive Co-Chairs of the Board and the Chair of the Committee.



### 3. Duties and Responsibilities

#### 3.1 Financial Disclosure – The Committee shall:

1. unless otherwise determined by the Board, approve the Corporation's:
  - a. interim management's discussions and analyses (pursuant to delegation of authority by the Board).
2. review the Corporation's:
  - a. interim and annual financial statements;
  - b. annual management's discussions and analyses;
  - c. interim and annual earnings press releases; and
  - d. other documents containing audited or unaudited financial information, at its discretion;and report thereon to the Board before such documents are approved by the Board and disclosed to the public; and
3. be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the disclosure provided by the financial statements, management's discussions and analyses and earnings press releases, and shall periodically assess the adequacy of those procedures.

#### 3.2 Chief Executive Officer's Expense Reports – The Chair of the Committee shall review, at least annually, the expense reports of the Chief Executive Officer. Following this review, the Chair shall report to the Committee.

#### 3.3 External Audit – The Committee shall:

1. recommend to the Board the external auditor to be appointed for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services;
2. review the terms of the external auditor's engagement, the appropriateness and reasonableness of proposed audit fees, and any issues relating to the payment of audit fees, and make a recommendation to the Board with respect to the compensation of the external auditor;
3. review the independence of the external auditor, including an annual report prepared by the external auditor regarding its independence;
4. meet with the external auditor and with management to review the audit plan, audit findings, and any restrictions on the scope of the external auditor's work;
5. review with the external auditor and management any changes in Generally Accepted Accounting Principles that may be material to the Corporation's financial reporting;
6. have the authority to communicate directly with the external auditor;
7. require the external auditor to report directly to the Committee;



8. directly oversee the work of the external auditor that is related to the preparation or issue of an auditor's report or other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;
  9. meet with the external auditor to discuss the annual financial statements (including the report of the external auditor thereon) and the interim financial statements (including the review engagement report of the external auditor thereon);
  10. review any management letter containing the recommendations of the external auditor, and the response and follow up by management in relation to any such recommendations;
  11. review any evaluation of the Corporation's internal control over financial reporting conducted by the external auditor, together with management's response;
  12. pre-approve (or delegate such pre-approval to one or more of its independent members) in accordance with a pre-approval policy, all engagements for non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor, together with all non-audit services fees, and consider the impact of such engagements and fees on the independence of the external auditor;
  13. review and approve the Corporation's hiring policy regarding partners, employees and former partners and employees of the present and former external auditor; and
  14. in the event of a change of auditor, review and approve the Corporation's disclosure relating thereto.
- 3.4 **Risk Oversight** – In performing its duties and exercising its powers, the Committee shall consider and address:
1. the risks related to the establishment, maintenance and implementation of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) in relation to disclosure by the Corporation in accordance with applicable law; and
  2. the risks related to cybersecurity that would reasonably be expected to have a material effect on the Corporation's ongoing business, affairs and/or reputation.
- 3.5 **Financial Complaints Handling Procedures** – The Committee shall establish procedures for:
1. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  2. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.



- 3.6 **Global Anti-Bribery Policy** – The Committee shall be responsible for monitoring the implementation of, and compliance with, the Corporation’s Global Anti-Bribery Policy.
- 3.7 **In-Camera Sessions** – At least four times a year, the members of the Committee shall meet without members of management present. The Committee shall also periodically meet separately with each of the external auditor and management, as the Committee deems appropriate.
- 3.8 **Subsidiaries**
1. With respect to any Material Operating Subsidiary in the corporate ownership chain between the Corporation and any Direct Subsidiary, the Committee shall review the financial statements of that Material Operating Subsidiary.
  2. With respect to any Direct Subsidiary:
    - a. the Committee shall rely on the review and approval of the financial statements of the Direct Subsidiary by the audit committee and the board of directors of the Direct Subsidiary, and on reports or opinions of the external auditor on those financial statements;
    - b. the Committee shall receive a copy of the charter of the Direct Subsidiary’s audit committee, together with a memorandum summarizing its meeting processes and structure (“Process Memorandum”); and
    - c. at each meeting of the Committee, the secretary of the Committee shall table a report from the secretary of the Direct Subsidiary’s audit committee confirming that the processes mandated by its charter and Process Memorandum have been followed.
  3. For these purposes:
    - a. “**Material Operating Subsidiary**” means an operating subsidiary whose net income represents 10% or more of the net income of the Corporation; and
    - b. “**Direct Subsidiary**” means the first Material Operating Subsidiary entity below the Corporation in a corporate ownership chain that has an audit committee which is comprised of a majority of independent directors.

#### 4. Auditor’s Attendance at Meetings

The external auditor shall be entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard at any meeting of the Committee. If so requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor.

#### 5. Access to Information

The Committee shall have access to any information, documents and records that are necessary in the performance of its duties and the discharge of its responsibilities under this Charter.



## 6. Review of Charter

The Committee shall periodically review this Charter and recommend any changes to the Board as it may deem appropriate.

## 7. Reporting

The Chair of the Committee shall report to the Board, at such times and in such manner, as the Board may from time to time require and shall promptly inform the Executive Co-Chairs of the Board of any significant issues raised during the performance of the functions as set out herein, by the external auditor or any Committee member, and shall provide the Executive Co-Chairs of the Board copies of any written reports or letters provided by the external auditor to the Committee.

*As adopted by the Committee on November 9, 2004 and by the Board of Directors on November 11, 2004, amended by the Committee on November 11, 2009 and adopted by the Board of Directors on March 11, 2010; amended by the Committee on May 14, 2013, and adopted by the Board of Directors on May 14, 2013; amended by the Committee on November 13, 2013, and adopted by the Board of Directors on November 14, 2013; amended by the Committee on March 22, 2016 and adopted by the Board of Directors on March 23, 2016; amended by the Committee on August 4, 2016 and adopted by the Board of Directors on August 5, 2016; and amended by the Committee on March 22, 2018 and adopted by the Board of Directors on March 23, 2018.*