

# WAJAX CORPORATION

## AUDIT COMMITTEE

### CHARTER

#### 1. ROLE OF THE COMMITTEE

The committee's role shall be to assist the board to promote and improve the integrity and objectivity of financial reports.

The committee shall oversee the accounting and financial reporting processes of the corporation and review and recommend for approval by the board the financial statements, Management's Discussion & Analysis, Annual Information Form and earnings news releases.

The committee will manage the relationship between the corporation and its external auditors by overseeing the work of the external auditors and by making recommendations to the board on the engagement, remuneration and termination of the external auditors based on its evaluation of performance.

The committee shall pre-approve all non-audit services the external auditors propose to provide to the corporation.

The committee shall facilitate and maintain open communications among management, the external auditors, the internal auditor and the board.

The committee will provide assistance to the board in fulfilling the Board's oversight responsibility for assessing the principal risks of the business and reviewing options and programs established for their mitigation.

The committee shall be responsible for the discharge of such other duties as may be prescribed by regulation or delegated by the board.

#### 2. MEMBERSHIP

The committee shall be comprised of three or more directors all of whom shall be independent as determined by the board in conformity with the laws, regulations and listing requirements to which the corporation is subject. An independent committee member is one who has no direct or indirect material relationship with the corporation. A material relationship means a relationship which could, as determined by the board, reasonably interfere with the exercise of a member's independent judgement.

The board shall appoint the members of the committee based on the recommendation of the Governance Committee. The Chair of the committee shall be appointed by the board of directors. A quorum shall consist of two directors.

All members of the committee shall in the judgment of the board of directors be "financially literate". "Financially literate" shall mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally

comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the corporation's financial statements.

### **3. MEETINGS**

The committee shall meet at least four times per year and at such other times as any member of the committee deems necessary to fulfill its responsibilities. The corporation's internal and external auditors will normally be required to attend all meetings. At each regular meeting, the committee shall meet separately with management, the internal auditor and the external auditors to discuss any matters the committee or any of these parties believe should be discussed privately.

### **4. REPORTING TO THE BOARD**

Minutes of all meetings of the committee are to be sent to all board members. All supporting schedules and data received and reviewed by the committee are to be available for examination by any director upon request to the secretary of the committee.

### **5. AUTHORITY**

The committee shall have direct access to all books, records, facilities and personnel of the corporation including to the external and/or internal auditor as it determines this to be advisable. All employees are to cooperate as requested by committee members.

The committee shall have the authority to retain persons having special expertise in legal, accounting or other matters as it determines to be necessary to assist it in discharging its responsibilities. The committee shall have the authority to set and pay the compensation of any advisors it engages.

The board of directors may authorize the committee to investigate any activity of the corporation.

### **6. RESPONSIBILITIES**

In the discharge of its role, the committee will have the responsibility to:

- (a) recommend to the board the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the corporation and the compensation of the external auditors;
- (b) oversee the work of the external auditor engaged for the purpose in (a), including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (c) confirm the external auditors are participants in good standing with the Canadian Public Accountability Board;
- (d) review the external auditor engagement letter, confirm the direct reporting and accountability of the auditors to the audit committee and through the committee to the board of directors as representatives of the shareholders;

- (e) pre-approve any non-audit services to be provided by the external auditors and generally assess the independence of the external auditors having reference to the Independence Standards of the Chartered Professional Accountants of Canada; the pre-approval requirement will be satisfied if the committee adopts specific policies and procedures for the engagement of the non-audit services, if (i) the pre-approval policies and procedures are detailed as to the particular service; (ii) the audit committee is informed of each non-audit service; and (iii) the procedures do not include delegation of the committee's responsibilities to management;
- (f) ensure the rotation of the lead audit partner and/or the audit partner responsible for reviewing the audit as required by law;
- (g) review and approve the corporation's hiring policies regarding employees or persons previously employed by the present or former external auditors;
- (h) review the scope of the external auditors' audit plan and the procedures to be utilized with the external auditors and with management;
- (i) review with management and with the external auditors all major accounting policies and practices adopted, any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
- (j) question management regarding significant variances between comparative reporting periods;
- (k) review with management and the external auditors and recommend to the board the audited annual financial statements and the quarterly financial statements of the corporation;
- (l) question management and the external auditors regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
- (m) review any restrictions imposed by management in performing the external audit or significant accounting issues on which there was a disagreement with management;
- (n) review the post-audit or management letter, containing the recommendations of the external auditors, and management's response and subsequent follow up to any identified weakness;
- (o) review and recommend for the approval by the board the corporation's financial statements, Annual Information Form, Management's Discussion & Analysis reports, earnings news releases and any earnings guidance and all public disclosure documents containing audited or unaudited financial information before release;
- (p) ensure 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 public disclosure referred to in 6 (o), and periodically assess the adequacy of these procedures;
- (q) review the terms of reference of the internal auditor, the adequacy of internal audit resources and the effectiveness of the internal audit function;
- (r) review the audit plan and quarterly reports issued by the internal auditor and management's response and subsequent follow up to any identified weakness;
- (s) review with management significant risk exposures and the steps taken to identify and manage such exposures, approve policies or procedures to manage or mitigate such risks insofar as they fall within the purview of the committee, and report issues or refer policies or procedures for board or other committee approval as considered appropriate;
- (t) review the appointments of the Chief Financial Officer and any key financial executives involved in the financial reporting process;
- (u) review with management the status of any material pending or threatened litigation;

- (v) review the adequacy and quality of the insurance coverage maintained by the corporation;
- (w) inquire of the Chief Executive Officer and Chief Financial Officer as to the corporation's disclosure controls and procedures and as to the existence of any significant deficiencies in the design or operation of internal controls and any fraud that involves employees who have a significant role in the corporation's internal controls;
- (x) review the status of compliance with laws and regulations and the scope and status of systems designed to ensure compliance therewith and receive reports from management, legal counsel and other third parties as determined by the committee on such matters, as well as major legislative and regulatory developments which could impact the corporation's contingent liabilities and risks;
- (y) review the corporation's tax strategy, including its tax planning and compliance with applicable tax laws, such review to occur annually, or at such other interval as the committee may determine appropriate;
- (z) review expenses charged to the corporation by the Chairman and by the Chief Executive Officer; and
- (aa) establish procedures for (i) the receipt, retention, and treatment of complaints received by the corporation regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- (bb) appoint auditors for the registered pension plans sponsored by Wajax Limited and approve the audited financial statements of the plans.

## **7. BUSINESS CONDUCT POLICIES**

The committee will review and reassess annually the adequacy of the corporation's Code of Business Conduct and its Statement of Policies and Procedures with respect to Confidentiality, Insider Trading and Tipping, Disclosure and Insider Reporting.

Each year, directors, officers and designated employees will be required to provide a written representation that they have complied with the corporation's Code of Business Conduct. The committee will annually receive and review a compliance acknowledgement report from the human resources group in respect of the Code of Business Conduct.

## **8. ALLOCATION OF RESPONSIBILITIES**

Management is responsible for operating the business of the corporation and for its internal controls and the financial reporting process. The external auditors are responsible for performing an independent audit of the corporation's consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The external auditors shall report and be accountable to the committee and through the committee to the board of directors as representatives of shareholders. The committee's responsibility is to monitor and oversee these processes on behalf of the board. The committee is not charged with the duty to plan or conduct audits or to determine that the corporation's financial statements are complete and accurate and in accordance with generally accepted accounting principles.

The existence of the committee and the delegation to it of certain powers and duties by the board of directors does not relieve individual members of the board of directors from the responsibility of satisfying themselves that the affairs of the corporation are being properly conducted.

Management is responsible for the identification and management of the corporation's risks and the development and implementation of policies and procedures to mitigate such risks. The committee's role is to assist the board in providing oversight to ensure the corporation's assets are protected and safeguarded within reasonable business limits.

## **9. COMPLAINTS**

Concerns or complaints submitted to management pursuant to procedures set forth in the Code of Business Conduct or otherwise received by an employee of the corporation, including but not restricted to concerns and complaints which relate to accounting, internal accounting controls or audit matters, shall be referred to the General Counsel and through the General Counsel to the Chief Financial Officer and to the Chairman of the committee. The committee shall deal with all such internal complaints relating to such matters.

No reprisal, retaliation or disciplinary action shall be taken against employees for reporting, in good faith, such concerns. The General Counsel shall, if requested by the complainant, keep the identity of the complainant in confidence to the extent appropriate or permitted by law.

## **10. CHAIR POSITION DESCRIPTION**

Responsibilities of the Chair include the following:

- (a) Preside as chair at all meetings of the committee;
- (b) Facilitate the effective operation and management of, and provide leadership to, the committee;
- (c) Develop the agenda for each meeting of the committee and bring forward for consideration matters within the mandate of the committee;
- (d) Take all reasonable steps to ensure that committee decisions are implemented;
- (e) Facilitate the committee's interaction with management, the board and other committees of the board;
- (f) Report to the Board on committee activities and issues; and
- (g) Perform such other duties and responsibilities as may be delegated to the Chair by the committee from time to time.

## **11. ANNUAL REVIEW**

The committee shall review the adequacy of this Charter on an annual basis and recommend any changes to the board.