

**MORNEAU SHEPELL INC.**  
**AUDIT COMMITTEE CHARTER**

The following Audit Committee charter was last revised and approved by the board of Morneau Shepell Inc. (the “**Company**”) on November 10, 2020.

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The Audit Committee (the “**Committee**”) of the Company is established in order to fulfill applicable public company obligations and to assist the board of directors of the Company (the “**Board**”) in their oversight activities with respect to financial reporting, including its oversight and evaluation of:

- (a) the quality and integrity of the Company’s accounting and financial reporting practices and procedures, including the audit process and the Company’s internal control over financial reporting, disclosure controls and procedures and compliance with other related legal and regulatory requirements;
- (b) the adequacy of the Company’s internal accounting controls and procedures;
- (c) the quality and integrity of the Company’s consolidated financial statements;
- (d) the independence, qualification and performance of the Company’s independent auditor (as defined below); and
- (e) any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members: (a) to plan or conduct audits; (b) to determine that the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles; or (c) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee, its Chair and its members with accounting or finance expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities.

**Composition**

- (a) The Board shall elect annually from among its members the Committee to be composed of a minimum of three directors who qualify as “independent directors” within the meaning of National Instrument 52-110 – Audit Committees and any other guidelines imposed by the Toronto Stock Exchange from time to time (collectively the “**Governance Rules**”) or in respect of whom the Company is entitled to rely on an exemption from such Governance Rules, and each of whom is “financially literate” (or will become so within a reasonable period of time following his or her appointment) within the meaning of the Governance Rules.
- (b) A member of the Committee who sits on the board of directors/managers of an affiliated entity is exempt from the requirement that he or she be independent if that member, except for being a director/manager (or member of a board committee the Company and the affiliated entity), provided that:

- (i) the member would be independent of the Company but for being an affiliated entity of the Company or any of its subsidiary entities;
- (ii) the member is not an executive officer, general partner or managing member of a person or company that is an affiliated entity of the Company and has its securities trading on a marketplace;
- (iii) the member is not an immediate family member of an executive officer, general partner or managing member of a person or company that is an affiliated entity of the Company and has its securities trading on a marketplace;
- (iv) the member does not act as the chair of the audit committee; and
- (v) the boards have determined that the member is able to exercise the impartial judgement necessary for the member to fulfill his or her responsibilities as an Audit Committee member, the appointment of the member is required by the best interests of the Company and its security holders; and appointing such member to the Committee will not materially adversely affect the ability of the Committee to act independently.

### **Reports**

The Committee shall report to the Board on a regular basis and, in any event, at the earliest opportunity after each meeting, and before the public disclosure by the Company of its quarterly and annual financial results. The reports of the Committee shall include any issues of which the Committee is aware with respect to the quality or integrity of the Company's consolidated financial statements, the effectiveness of systems of control established by management to safeguard the assets of the Company, its compliance with legal or regulatory requirements, and the independence and performance of the Company's independent auditor.

### **Responsibilities**

The principal responsibilities of the Committee are as follows:

(a) **Financial Statements and Other Financial Information**

The Committee shall:

- (i) review with the independent auditors and management and, following such review, recommend to the Board for approval the Company's consolidated annual audited financial statements and unaudited interim financial statements, and the notes and management's discussion and analysis ("**MD&A**") accompanying such financial statements and the applicable earnings press release and other related documents or regulatory filings prior to any public disclosure of such information or the release of any summary of the financial results of the Company or their filing with applicable regulators;
- (ii) discuss earnings releases prior to their dissemination, as well as financial information and earnings guidance prior to public disclosure, it being

understood that such discussions may, in the discretion of the Committee, be done generally (i.e. by discussing the types of information to be disclosed and the type of presentation to be made) rather than in each instance;

- (iii) review with management and the independent auditor all critical policies and practices used as well as significant financial reporting issues, management estimates and judgements and any changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that may affect the Company's consolidated financial statements;
- (iv) review with management and/or the independent auditor the treatment in the financial statements of any significant non-routine transactions;
- (v) review the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise) on the Company's financial statements;
- (vi) review with management the Company's internal controls over financial reporting and disclosure controls and procedures together with any disclosures concerning any weaknesses or any deficiencies in the design or operation made to the Committee by the Chief Executive Officer and the Chief Financial Officers during their certification process in documents filed with applicable securities regulators;
- (vii) on a quarterly basis review with the Company's legal counsel any legal matters that may have a material impact on the Company's financial statements, including the status of any material pending or threatened litigation, claims and assessments respecting the Company and its subsidiaries, any violations of the Code of Business Conduct and Ethics of the Company, any material violation of applicable law, rule or regulation and shall follow the procedures established under the Whistleblower Policy regarding such concerns and complaints.

(b) **Financial Reporting Control Systems and Internal Audit**

The Committee shall:

- (i) require management to implement and maintain appropriate internal controls, and use reasonable efforts to satisfy itself as to the adequacy of the Company policies for the management of risk and the preservation of assets and the fulfillment of legislative and regulatory requirements;
- (ii) annually, in consultation with management and the independent auditor, review, evaluate and assess the adequacy and integrity of the Company's consolidated financial reporting processes and internal controls, and discuss significant financial risk, exposures and the steps management has taken to monitor, control and report such exposures;

- (iii) appoint and have the authority to remove, where appropriate, the internal auditor;
- (iv) on a quarterly basis, review the internal auditor's Internal Audit Report which shall include an evaluation of the adequacy and effectiveness of the internal financial controls and procedures for financial reporting of the Company and subsequent follow-up to any identified weaknesses. The Committee shall meet separately with the internal auditor to discuss any matters that the Committee or independent auditor believes should be discussed in private. The internal auditor is responsible for reviewing all Company internal controls (financial and otherwise). Annually the Committee shall also review and approve the Internal Audit Plan;
- (v) evaluate the performance of the independent auditor at least annually;
- (vi) submit to the Board and the boards of directors/managers of its subsidiaries any recommendations the Committee may have from time to time with respect to financial reporting, accounting procedures and policies and internal controls;
- (vii) review reports from senior officers of the Company and its subsidiaries outlining any significant changes in financial risks facing the Company;
- (viii) review any new appointments to senior positions of the Company and its subsidiaries with financial reporting responsibilities (such review may be carried out by the Chair of the Committee);
- (ix) satisfy itself that adequate procedures are in place for the review of the Company disclosure of the Company's financial information extracted or derived from the Company's consolidated financial statements (other than the financial statements, MD&A and earnings press releases) and periodically assess the adequacy of those procedures;
- (x) review with the Company's Chief Financial Officer, other members of management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Company's financial statements or accounting policies;
- (xi) review and approve the Company (and its respective subsidiaries') hiring policies regarding partners, employees and former partners and employees of the present and former independent auditors of the Company;
- (xii) review and approve the Pre-Approval Policy for the Company's auditors; and
- (xiii) obtain comments from the independent auditor regarding the overall control environment and the adequacy of accounting system controls.

(c) **Independent Auditor**

The Committee, in its capacity as a committee of the Board, is directly responsible for recommending to the Board the public accounting firm to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (the “**independent auditor**”) as well as the compensation of the independent auditor. The Committee shall also be directly responsible for the oversight of the work of the independent auditor (including, subject to the professional and legal obligations of the independent auditor, as well as applicable law, the resolution of disagreements between management and the auditor regarding financial reporting), and each such independent auditor must report directly to the Committee.

The Committee shall:

- (i) review the audit plan with the independent auditor and with management as necessary;
- (ii) periodically meet separately with management and with the independent auditors and discuss in private with the independent auditor matters affecting the conduct of its audit and other corporate matters;
- (iii) review the performance and the remuneration of the Company’s independent auditor;
- (iv) evaluate the performance of the independent auditor at least annually (including quality of service, independence, objectivity and professional skepticism) and recommend to the Board each year the retention or replacement of the independent auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company and the remuneration of the independent auditor and, at least every five years, perform a comprehensive review of the performance of the independent auditor over multiple years to provide further insight on the audit firm, its independence and application of professional standards;
- (v) if there is a plan to change the independent auditor, review all issues related to the change and the steps planned for an orderly transition;
- (vi) if the shareholders authorize the Board to do so, annually review and fix the remuneration of the independent auditor, together with the other terms of engagement;
- (vii) oversee the work of the independent auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the independent auditor regarding financial reporting;

- (viii) review with the independent auditor the critical accounting policies and practices used by the Company, all alternative treatments of financial information within international financial reporting standards (“IFRS”) that the independent auditor have discussed with management, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor;;
- (ix) discuss with management and the independent auditor any proposed changes in major accounting policies or principles, the presentation and impact of material risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;
- (x) review with management and with the independent auditor material financial reporting issues arising during the most recent financial period and the resolution or proposed resolution of such issues;
- (xi) review with independent auditor the quarterly unaudited financial statements and MD&A before release to the public;
- (xii) facilitate communication between the independent auditor, management and the Board;
- (xiii) relay its expectations to the Company’s independent auditor from time to time including its expectation that:
  - (A) any disagreements of a material nature with management be brought to the attention of the Committee,
  - (B) the independent auditor is accountable to the Committee and the Board, each as representatives of the security holders and must report directly to the Committee,
  - (C) any irregularities in the financial information be reported to the Committee,
  - (D) the independent auditor explains the process undertaken by it in auditing or reviewing the Company’s financial disclosure,
  - (E) the independent auditor discloses to the Committee any significant changes to accounting policies or treatment of the Company,
  - (F) the independent auditor discloses to the Committee any reservations it may have about the financial statements or its access to materials and/or persons in reviewing or auditing such statements, and
  - (G) the independent auditor discloses any conflict of interest that may arise in its engagement;

- (xiv) review at least annually the non-audit services provided by the Company's independent auditor for the purposes of getting assurance that the performance of such services will not compromise the independence of the independent auditor;
- (xv) pre-approve all non-audit services to be provided to the Company or its subsidiary entities by its independent auditor or the independent auditor of its subsidiary entities,<sup>1</sup> provided that the Committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of this requirement. The pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the full Committee at its first scheduled meeting following such pre-approval;
- (xvi) review and approve policies for the hiring by the Company of employees or former employees of the independent auditors; and
- (xvii) approve the engagement letter for non-audit services to be provided by the independent auditor or affiliates thereof together with estimated fees, and consider the potential impact of such services on the independence of the independent auditor.

(d) **Code of Conduct and Whistleblower Policy**

The Committee shall:

- (i) review and approve changes to the Whistleblower Policy or other procedures for: (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (ii) oversee management's monitoring of, compliance with the Company's Code of Conduct and the Whistleblower Policy in respect of such matters.

**Structure and Meetings of the Committee**

- (a) The Board shall appoint one of the members of the Committee to act as Chair of the Committee. The Chair will appoint a secretary who will keep minutes of all meetings (the "**Secretary**"). The Secretary does not have to be a member of the Committee or a director and can be changed by simple notice from the Chair.

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<sup>1</sup> The Committee may satisfy the pre-approval requirement if: (a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiary entities to the Company's independent auditor during the fiscal year in which the services are provided; (b) the services were not recognized by the Company or the subsidiary entity of the Company at the time of the engagement to be non-audit services; and (c) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

- (b) In the absence of the Chair of the Committee, the members of the Committee shall choose one of the members present to chair the meeting.
- (c) The Committee shall meet quarterly and as many times as is necessary to carry out its responsibilities. Meetings will be at the call of the Chair. Notwithstanding the foregoing, scheduled meetings of the Committee shall correspond with the review of the quarterly and year-end financial statements and MD&A. The independent auditor of the Company or any member of the Committee may also call a meeting of the Committee on not less than 48 hours' notice, unless such notice is waived by the members of the Committee.
- (d) No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. A majority of the members of the Committee shall constitute a quorum provided that, if the number of members of the Committee is an even number, one half of the number of members plus one shall constitute a quorum.
- (e) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. Subject to the foregoing, each member of the Committee shall hold such office until the next annual meeting of security holders after his or her election as a member of the Committee.
- (f) The independent auditor of the Company shall be entitled to receive notice of every meeting of the Committee and, at the expense of the Company, to attend and be heard thereat.
- (g) The time at which and the place where the meetings of the Committee shall be held, the calling of meetings and the procedure in all respects of such meeting shall be determined by the Committee, or otherwise determined by resolution of the Board.
- (h) The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.
- (i) The Committee may invite such persons to attend meetings of the Committee as the Committee considers appropriate, except to the extent exclusion of certain persons is required pursuant to this Charter or by applicable laws.
- (j) The Committee may invite the independent auditor to be present at any meeting of the Committee and to comment on any financial statements, or on any of the financial aspects, of the Company, including its public disclosure.
- (k) The Committee (i) shall meet with the independent auditor separately from individuals other than the Committee; (ii) shall meet with the officer or employee responsible for the internal audit function separately from individuals other than the Committee and/or the independent auditors as applicable; (iii) may meet separately with management of the Company; and (iv) may meet separately with internal or external legal counsel to the Company or to the Committee.



- (l) Minutes shall be kept of all meetings of the Committee and shall be signed by the Chair and the Secretary of the meeting. The Secretary of the Committee shall circulate the minutes of the meetings of the Committee to all members of the Board.

#### **Responsibilities of Audit Committee Chair**

The Chair of the Audit Committee will be an “independent” director who is appointed by the Board to assist the Committee fulfilling its duties effectively and efficiently.

The responsibilities of the Chair include:

- (a) acting as a liaison between the Audit Committee and the Board and Chief Executive Officer and other senior management of the Company;
- (b) acting as a liaison between the Audit Committee and the Company’s internal and external / independent auditors;
- (c) reporting to the Board on the work of the Audit Committee;
- (d) recommending procedures to enhance the work of the Audit Committee; and
- (e) chairing meetings of the Audit Committee.

#### **Independent Advice**

In discharging its mandate, the Committee shall have the authority to retain and receive advice from special legal, accounting or other advisors. The costs for this independent advice will be borne by the Company.

#### **Annual Evaluation**

At least annually, the Committee shall, in a manner it determines to be appropriate:

- (a) Perform a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with the Charter.
- (b) Review and assess the adequacy of this Charter and recommend to the Board any improvements that the Committee determines to be appropriate.

#### **Limitation**

Nothing in this Charter is intended to or shall have the effect of limiting or impairing the independent decision-making authority or responsibility of any board of directors/managers of a subsidiary of the Company mandated by applicable law.