

# ENMAX CORPORATION

## AUDIT COMMITTEE MANDATE

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Pursuant to Section 4.1 of the Amended and Restated Bylaw of ENMAX Corporation (the "Corporation" or "ENMAX"), a committee of the Board of Directors (the "Board") to be known as the "Audit Committee" (the "Committee") is established. The Committee has the oversight responsibility and specific duties described below.

### 1) COMMITTEE MANDATE

- a) The Committee will review this mandate and associated workplan annually or otherwise, as it deems appropriate. All proposed changes are reviewed and approved by the Board.
- b) To honor the spirit and intent of applicable law as it evolves, authority to make minor typographical and/or administrative amendments to this mandate is delegated to the Corporate Secretary, who will report any amendments to the Committee at its next meeting.

### 2) COMMITTEE COMPOSITION

- a) The Committee will be comprised of a minimum of four directors, none of whom will have any interest in, or business or other relationship with the Corporation that may, or may reasonably be perceived to, interfere with the exercise of their independence from management and the Corporation.
- b) The Chair of the Board is an ex-officio and non-voting member of the Committee.
- c) The members of the Committee will be financially literate or become financially literate within a reasonable period of time after being appointed. Further, at least one member of the Committee will have accounting or related financial management expertise. For purposes hereof, "financially literate" will 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.
- d) The Committee will provide its members with continuing education opportunities in financial reporting and other areas relevant to the Committee.
- e) The members of the Committee will be appointed by the Board from time to time, and continue to be a member until a new member is appointed by the Board, unless the member resigns, is removed by the Board or ceases to be a director. Where a vacancy occurs at any time in Committee membership, it may be filled by the Board and will be filled by no later than the next scheduled meeting of the Board if the membership is less than four directors as a result of the vacancy.
- f) The Board will appoint a Committee Chair who will hold the responsibilities as outlined in the Board Leadership Mandate. If the Chair of the Committee cannot be present at any meeting of the Committee, the Chair will, in advance of the meeting, designate another member of the Committee, as Chair. Failing which, the Committee Chair will be chosen from among the members present.
- g) At all Committee meetings, every question will be decided by a majority of the votes cast. In the case of an equality of votes, the motion will be lost and the Chair of the meeting will not be entitled to a second or casting vote.

### 3) COMMITTEE SECRETARY

The Corporation's Corporate Secretary, or designate, will attend and be the secretary of all Committee meetings.

### 4) COMMITTEE MEETINGS

The time and place of Committee meetings and the procedures at such meetings will be determined by the members provided that:

- a) A quorum for meetings will be a majority of Committee members, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear

each other. In circumstances where a quorum cannot be constituted, the Board Chair may be considered in establishing quorum and will be entitled to vote for the duration of the meeting.

- b) The Committee will meet at least quarterly.
- c) Notice of meeting time and place will be given by electronic or other communication to each Committee member at least 24 hours in advance, provided, however, that a member may waive a notice of a meeting; and attendance of a member at a meeting is a 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 is not lawfully called. A meeting of the Committee may be called by the Committee Secretary on the direction of the Chair, Chief Executive Officer, External Auditor, Internal Auditor or by a Committee member. Notwithstanding these provisions, the Committee has the right to determine who will and will not be present at any part of the meeting.
- d) The Committee Chair will establish the agenda for the meetings. The Committee members, Board, External Auditor, Internal Auditor and management may recommend agenda items. The agenda for each meeting will be subject to approval by the Committee at the start of each meeting.
- e) Briefing materials will be provided to the Committee as far in advance of meetings as practicable.
- f) The Committee will maintain minutes of meetings which will be filed in the Corporation's minute book. Upon approval, the minutes of Committee meetings will be made available to the Board.

## **5) DUTIES & RESPONSIBILITIES**

The Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to matters related to financial accounting and reporting process, integrity of the Corporation's financial statements, internal controls over financial reporting, external financial audit process, compliance with financial and accounting regulatory requirements, independence and performance of the internal and external auditor and include the specific duties set out below.

### **a) COMMITTEE INVESTIGATIONS**

The Committee has the authority to investigate any activity of the Corporation. All employees, officers and directors are to cooperate as requested by the Committee. All information received by the Committee in connection with any investigation will be made available for examination by a director of the Corporation upon request to the Secretary of the Committee.

### **b) DISCLOSURE DOCUMENTS**

- i) Review and recommend to the Board for approval all annual, interim and other material financial information of the Corporation or its subsidiaries to be disclosed to the public, securities commissions or regulators, including all financial statements, management discussion and analysis and associated press releases.
- ii) Review and recommend to the Board for approval all financial information included within any prospectus, offering memorandum, securities commission filings or other material documents in connection with the offering of securities of the Corporation.
- iii) Review the findings of examinations performed by any regulatory or government agencies, any External Auditor and Internal Auditor observations made regarding those findings, and management's responses.

### **c) INTERNAL CONTROLS AND FINANCIAL REPORTING PROCESSES**

- i) Inquire of the CEO and CFO regarding the processes followed by them in preparing any certifications, including any areas of concern or challenge, any issues of material importance and other related matters.
- ii) Review the Corporation's significant accounting principles and financial statement presentations, including any changes in the Corporation's selection or application of such.
- iii) Review significant financial reporting issues and judgments made in connection with the preparation

of the financial statements, including the effects of alternative accounting methods on the financial statements and any off balance sheet structures.

- iv) Review all material related-party transactions.
- v) Review complaints related to accounting, internal controls and financial reporting controls.

**d) EXTERNAL AUDITOR**

- i) Review annual and quarterly reports of the External Auditor, including:
  - a. The results of their review/audit of the Corporation's financial statements;
  - b. Any significant risk areas or issues reviewed by the External Auditor;
  - c. Any corrected or uncorrected misstatements and disclosure deficiencies;
  - d. Any problems or difficulties and management's response; and
  - e. Confirm the External Auditor independence of the Corporation.
- ii) Hold discussions with the External Auditor regarding the following:
  - a. Critical accounting policies and practices;
  - b. Alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the External Auditors; and
  - c. Material written communications between the External Auditor and management, including, but not limited to, the management letter and schedule of unadjusted differences.
- iii) Inquire as to the External Auditor's assessment of the Corporation's internal control over financial reporting and review management's response to any internal control recommendations of the External Auditors.
- iv) Annually review and approve the External Auditors audit plan and remuneration, which includes their audit scope and approach, including significant estimates and judgments made by management and areas of significant audit risk.
- v) Directly or by delegation to the Committee Chair and CFO, acting together, approve both audit related and non-audit related services provided by the external auditors and the fees related thereto.
- vi) Recommend to the Board the nomination of the external auditors.
- vii) If a change in external auditors is proposed, the Committee will review the reasons for the proposed change as well as obtain a response from the incumbent auditor.
- viii) Annually lead the performance assessment of the External Auditor, with management's input.
- ix) Communicate the Committee's expectations regarding the external auditor's (Firm and Lead Partner) performance and evaluate the external auditors' past performance.
- x) Monitor the independence of the external auditor through written disclosures and meetings with the External Auditor and by reviewing the independent auditor's account of the total fees derived from non-audit work during the past year.
- xi) At least annually, obtain and review a report by the external auditor describing:
  - a. The external auditor's internal quality-control procedures; and
  - b. Any material issues raised by the most recent internal quality-control review or peer review, or by any inquiry or investigation conducted by governmental or professional authorities during the preceding five years with respect to external audits carried out by the external auditor, and any steps taken to deal with such issues.

**e) INTERNAL AUDIT**

- i) Review the appointment, evaluation and termination of the Internal Auditor.
- ii) Review the activities and organizational structure of the internal audit function, as well as the qualifications of personnel to ensure the objectivity and independence of the internal audit function.
- iii) Review the internal audit function responsibility, budget, and staffing and discuss adequacy with External Auditor.

- iv) Review and approve the Internal Audit Charter, 5-year Internal Audit Plan and Annual Internal Audit Plan for the upcoming fiscal year ensuring that the Internal Auditor is reviewing all of the Corporation's business units to ensure that appropriate internal controls are in place.
- v) Review reports and analysis from the Internal Auditor including, their results of planned activities for the quarter and findings and recommendations made to management as well as management's response to and remediation steps taken as a result of audit findings.
- vi) Review an annual report from the Internal Auditor detailing the regular examination of the CEO and Executive expenses and perquisites, including use of the Corporation's assets.
- vii) Periodically review, with the Internal Auditor, any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the function's work.

**f) COMPLIANCE**

- i) Review quarterly with management, the external auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation, or the manner in which these matters have been disclosed in the financial statements.
- ii) Review certificate from an officer of the Corporation and its subsidiaries respecting withholdings and payment obligations contained in the Directors and Officers Liability Statutory Overview.

**g) OTHER**

- i) Annually review the financing plans of the Corporation.
- ii) Review and recommend to the Board any financing transactions greater than \$15 million contemplated by the Corporation.
- iii) Review compliance with the capital expenditure budget and Board approved expenditures.
- iv) Recommend to the Board the annual Shareholder dividend.
- v) Review financial performance metrics being used in the Corporation's incentive plans.
- vi) Annually review the long term plan for the Finance Group, including a review of the adequacy of financial systems.
- vii) Annually review the Corporation's insurance programs for adequacy and obtain legal advice on content of insurance contracts every three years.
- viii) Annually review the Corporation's hedging program, limits and risk tolerance and recommend any changes to the Board.
- ix) As required, review any matters of fraud or fraud-related complaints received through the Corporation's Safety and Ethics Helpline or other means, and work with management, ensure appropriate investigations and remedies are undertaken and implemented.
- x) Once every three years, or earlier as required, review any Board Level Policies that have been assigned to the Committee, with a view to ensuring that appropriate controls exist and recommending any changes to the Board for approval.

**6) EXTERNAL CONSULTANTS**

In instances where members of the Committee believe that in order to properly discharge their obligations to the Corporation it is necessary to obtain the advice of external advisors, the Committee Chair will, at the request of the Committee, engage the necessary advisors. The Board will be kept apprised of both the selection of the advisors and the advisors' findings through Committee reports to the Board.

**7) IN-CAMERA MEETINGS**

The Committee will meet separately from management as part of any Committee meeting. The Committee will also meet in camera with the Internal Auditor and the External Auditor for a part of each Committee meeting.