

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

1.0 General Principles

Each Committee member will make decisions so as to:

- 1.1 ensure high standards of transparency and accountability;
- 1.2 minimize the cost of beverage container recycling;
- 1.3 promote and encourage beverage container recovery;
- 1.4 ensure each container type (material/size) is self-funding;
- 1.5 strive for continuous improvement in operations;
- 1.6 maintain a safe and healthy environment for employees; and
- 1.7 provide a culture of honesty and integrity.

2.0 Definitions

In these Terms of Reference the following terms have the meaning ascribed to them:

- 2.1 "ABCRC" means Alberta Beverage Container Recycling Corporation.
- 2.2 "Act" means the *Business Corporations Act* (Alberta).
- 2.3 "Board" means the board of directors of ABCRC.
- 2.4 "Committee" means the Audit Committee.
- 2.5 "Directors" means members of the Board.
- 2.6 "President" means the person appointed by the Board to serve as the most senior operating officer of ABCRC.
- 2.7 "Shareholders" means the beneficial holders of all of the issued and outstanding shares in the capital of ABCRC.

3.0 Interpretation

In the Terms of Reference for the Committee, except if defined in Section 2.0 or the context does not permit:

3.1 words and expressions defined in the Act have the meaning given to them in the Act;

3.2 words importing the singular include the plural and vice versa; and

3.3 words importing gender include masculine, feminine and neuter genders.

4.0 Committee

A committee to be known as the "Audit Committee" is established.

5.0 Composition of the Committee

The Committee shall consist of not less than three and not more than five people, all of whom are resident Canadians (as defined in the Act). Each member of the Committee shall be or become financially literate. The majority of the Committee must be Directors but non-Directors are allowed.

6.0 Appointment of Committee Members

Members of the Committee shall be appointed at the meeting of the Directors immediately following the annual meeting of Shareholders, and shall hold office until the next annual meeting, or until their successors are appointed.

7.0 Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three people.

8.0 Committee Chair

The Board shall appoint a Director to serve as Chair for the Committee.

9.0 Absence of Committee Chair

If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

10.0 Secretary of the Committee

The Committee shall appoint a secretary.

11.0 **Meetings**

The Chair of the Committee or any two members of the Committee or the auditors may call a meeting of the Committee. The Committee shall meet at its discretion but at least four times per year.

12.0 **Quorum**

A majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

13.0 **Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner 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.

14.0 **Attendance of ABCRC Officers at Meetings**

At the invitation of the Chair of the Committee, one or more officers of ABCRC may attend any meeting of the Committee.

15.0 **Procedure, Records and Reporting**

The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the next meeting of the Board).

16.0 **The Auditors**

The Secretary of ABCRC shall advise the auditors of the names of the members of the Committee promptly after their appointment and the auditors may be called to attend at any meeting of the Committee. The Committee shall meet with the auditors as the Committee may deem appropriate to consider any matter which the Committee or the auditors believe should be brought to the attention of the Directors or the Shareholders.

17.0 **Review of Terms of Reference**

The Committee shall review its terms of reference annually or otherwise as it deems appropriate and propose recommended changes to the Governance Committee and the Board.

18.0 **Specific Mandate**

The Committee shall:

- 18.1 review, discuss with management and recommend to the Board for approval, ABCRC's audited annual financial statements;
- 18.2 review with management and report to the Board, on an annual basis, ABCRC's obligations pursuant to any indebtedness, liability or obligation, and material contractual obligations of ABCRC;
- 18.3 review with management and report to the Board on ABCRC's risk management policies and procedures;
- 18.4 review the audit plans of the auditors of ABCRC;
- 18.5 review the external audit practices and procedures;
- 18.6 review and consider any significant reports and recommendations issued by ABCRC or by any external party relating to internal audit issues, together with management's response thereto;
- 18.7 review the annual post-audit or management letter from the auditors and management's response and follow-up in respect of any identified weakness, and inquire regularly of management and the auditors of any significant issues between them and how they have been resolved;
- 18.8 review the quarterly unaudited financial statements;
- 18.9 review the internal control procedures to monitor the effectiveness of ABCRC's internal controls and to monitor compliance with, ABCRC's policies, and avoidance of conflicts of interest;
- 18.10 review management plans regarding any significant changes in accounting practices or policies and the financial impact thereof;
- 18.11 review with management, the auditors and if necessary legal counsel, any litigation, claim or contingency, including tax assessments that could have a material effect upon the financial position of ABCRC, and the manner in which these matters have been disclosed in the financial statements;
- 18.12 review with management and others as necessary, issues relating to legal and regulatory responsibilities to monitor ABCRC's efforts to ensure compliance;
- 18.13 review the recommendations of management as to the reappointment or appointment of the auditors and make recommendations thereon to the Board, review and approve the basis and the amount of the auditors' fees; it is specifically acknowledged that, pursuant to the Act, the Shareholders have the ultimate responsibility to appoint and replace the auditors and that the auditors are accountable to the Committee and the Board as representatives of the Shareholders;

- 18.14 review and recommend to the Board for approval policy changes and program initiatives deemed advisable by management or the Committee with respect to the Code of Ethics;
- 18.15 review and report to the Board on the status and adequacy of ABCRC's efforts to ensure its operations are conducted and its facilities are operated in an ethical, legally compliant and socially responsible manner, in accordance with the Code of Ethics;
- 18.16 review any non-audit related services provided by the auditors and the relevant fees, and the impact of these services on the independence of the auditors; and, for greater certainty, annually review a formal written statement of the auditors delineating all relationships between ABCRC and the auditors;
- 18.17 meet separately with the auditors and report to the Board on such meetings;
- 18.18 review with the auditors the adequacy and appropriateness of the accounting policies used in preparation of financial statements; and
- 18.19 annually review and reassess the adequacy of this mandate and these terms of reference.

19.0 Limitation of the Committee's Role

While the Committee has the responsibilities set out in these Terms of Reference, it is not the duty of the Committee to plan or conduct audits or to determine that ABCRC's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the auditors.