

# **BRAMPTON BRICK LIMITED**

## **Audit Committee Charter**

### **I PURPOSE AND AUTHORITY OF THE COMMITTEE**

Appointed by and reporting to the Board of Directors, the Audit Committee shall be responsible for assisting the Board in fulfilling its oversight responsibilities for the reliability and integrity of the accounting principles and practices, financial statements and other financial reporting and disclosure practices followed by management of the Corporation.

The Audit Committee shall have the power and authority of the Board of Directors to perform its duties and fulfill its responsibility to:

- Monitor the qualifications, independence and performance of the Corporation's independent auditors.
- Monitor the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance.
- Monitor the identification by management of the principal financial risks and exposures of the Corporation and the steps taken by management to control such risks.
- Review the quarterly financial statements and the audited annual financial statements with management and the independent auditors and make recommendations on same to the Board of Directors.
- Provide an avenue of communication among the independent auditors, management and the Board of Directors.
- Prepare such reports of the Committee required by any applicable securities regulatory authority to be included in the annual proxy statement, annual information form or any other public disclosure document of the Corporation.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has unrestricted access to the auditors, management, members of the Board of Directors, employees of, or consultants to, the Corporation and any relevant information. The Committee has the ability to retain, at the Corporation's expense, special legal, accounting or other advisors it deems necessary in the performance of its duties and the Committee shall have the authority to set the compensation for any such advisors.

The independent auditors are ultimately accountable to the Audit Committee and the Board of Directors as representatives of the shareholders.

### **II COMPOSITION OF THE COMMITTEE**

The Audit Committee shall be composed of three or more directors of the Corporation, appointed by the Board of Directors at the annual organizational meeting of the Board or at such other time as may be determined by the Board and each member shall hold such position until replaced by the Board. The Chairman of the Committee shall be designated by the full Board, or if the Board does not do so, the

members of the Committee, by majority vote, may designate a Chairman.

Each member of the Committee shall be an outside, unrelated and independent director as may be defined by the Toronto Stock Exchange and the Ontario Securities Commission from time to time. Each member shall be independent of management and must be free from any direct or indirect material relationship with the Corporation which could, or, in the view of the Board, could reasonably be perceived to, reasonably interfere with the exercise of that member's independent judgment.

All members of the Committee shall be financially literate at the time of their election to the Committee, which means that they will have 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.

A quorum of any Committee meeting will be a majority of the members of the Committee. The Secretary of the Committee will be the Corporation's Secretary, or such other person as nominated by the Board.

### **III MEETINGS OF THE COMMITTEE**

The Committee shall meet at least quarterly or more frequently as it deems necessary to carry out its duties and responsibilities. The independent auditors shall receive notice of every meeting of the Committee and shall be invited to attend and participate in such meetings. The Committee, in its discretion, may also ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary.

The Committee Chairman shall approve an agenda in advance of each meeting and shall cause that agenda and related materials to be distributed to members and the independent auditor in advance of said meeting. The Committee shall maintain minutes of its meetings and records relating to those meetings and the Committee's activities and provide copies of such minutes to the Board.

As part of each meeting of the Committee at which the Committee reviews and recommends that the Board approve the quarterly interim financial statements or the annual audited financial statements, the Committee shall meet separately with each of management and the external auditors of the Corporation.

The Secretary shall circulate the agenda and supporting documentation to the Committee members a reasonable period in advance of each meeting. The Secretary shall circulate the minutes of the meetings to members of the Board, members of the Committee and the head of the external auditor.

### **IV DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

In carrying out its responsibilities, the Committee shall have the following oversight duties:

#### ***Selection and Evaluation of Independent Auditors***

- Make recommendations to the Board as to the selection of the firm of independent public accountants to be nominated to audit the books and accounts of the Corporation for each fiscal year.
- Review and approve the Corporation's independent auditors' annual engagement letter, including the proposed fees contained therein, and make recommendations thereon to the Board of Directors.

- Review the performance of the Corporation’s independent auditors and make recommendations to the Board regarding the replacement or termination of the independent auditors when circumstances warrant.
- Oversee the independence of the Corporation’s independent auditors by, among other things:
  1. Approving the appointment, compensation and work carried out by the independent auditors, including the provision of both audit related and non-audit related services.
  2. Reviewing policies for the provision of non-audit services by the external auditor and where applicable the framework for pre-approval of audit and non-audit services.
  3. Requiring the independent auditors to deliver to the Committee, at least annually, a formal written statement delineating all relationships between the independent auditors and the Corporation and confirming their independence from the Corporation.
  4. Actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact upon the objectivity and independence of the independent auditors and recommending that the Board take appropriate action to satisfy itself of the auditors’ independence.

***Financial Statements and Reports***

- Review and approve the independent auditor’s annual Audit Plan and all related fees, and make recommendations thereon to the Board of Directors.
- Review and discuss with management the Corporation’s quarterly interim financial statements and with management and the independent auditors the Corporation’s annual audited financial statements, including related reports, MD&A, disclosure documents and press releases (paying particular attention to any use of “pro forma” or “adjusted” non-GAAP information), and make recommendations thereon to the Board of Directors prior to public disclosure thereof.
- As part of the Committee’s review of the Corporation’s quarterly interim financial statements, or audited annual financial statements, review and discuss with management and the independent auditors:
  1. The quality of, and any major issues regarding, the Corporation’s accounting principles and financial statement presentations, including all critical accounting policies, accounting practices and financial disclosure practices used and any significant changes in the Corporation’s selection or application of accounting principles.
  2. All significant issues and judgments made in connection with the preparation of the financial statements to determine if and how they should be reported or disclosed.
  3. The content and presentation of sales or earnings press releases and any financial information or earnings guidance (if any) provided to analysts and rating agencies.
  4. The resolution of any disagreements between management and the independent auditors.

5. Whether the quarterly interim financial statements should be reviewed by the independent auditors.

### ***Financial Reporting Process and Internal Controls***

- At least annually, in consultation with management and the independent auditors the Committee shall:
  1. Consider the integrity of the Corporation's financial reporting process and controls, including its computerized information systems.
  2. Review management's report on its assessment of the significant financial risks and exposures of the Corporation and the steps taken to monitor, control and report such risks and exposures.
  3. Review any significant findings concerning the adequacy of internal controls raised by the independent auditors together with management's response(s).
  4. Consider the effectiveness of the overall process for identifying and controlling the Corporation's principal financial risks and provide the Committee's view, including any recommendations, to the Board of Directors.
  5. Ensure adequate procedures are in place for the review of financial information extracted or derived from the financial statements.
  6. Confirm through private discussions with the independent auditors that no restrictions are being placed on either the scope or the effectiveness of the independent auditor's work.
  7. Consider the appropriateness of establishing an internal audit function.

### ***Compliance with Laws and Regulations***

- The Committee shall:
  1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
  2. Obtain regular updates from management and the Corporation's legal counsel regarding compliance matters that may have a material impact on the Corporation's financial statements or compliance policies.
  3. Be satisfied that all regulatory compliance matters, related to the business of the company, have been considered in the preparation of the financial statements.
  4. Review the findings of any examinations by regulatory agencies.

### ***Complaint Procedures***

- The Committee shall put in place procedures to deal with:

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.

### ***Hiring Policies***

- The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and any former external auditors of the Corporation.

## **V EVALUATION OF COMMITTEE CHARTER AND COMMITTEE PERFORMANCE**

Annually, the Committee shall review and assess the adequacy of the Committee charter, report to the Board of Directors on the results of such assessment, and recommend any proposed changes to the Board of Directors for approval.

The Committee shall also perform an annual evaluation of the performance of the Committee and report to the Board of Directors on the results of such evaluation.

It is the Board's intention that this charter shall reflect at all times all legislative and regulatory requirements applicable to the Committee. Accordingly, this charter shall be deemed to have been updated to reflect any amendments to such legislative and regulatory requirements and shall be formally amended at least annually to reflect such amendments.

While the Committee has the oversight duties and responsibilities set forth in this charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management has the responsibility for preparing the financial statements and implementing internal controls and the independent auditors have the responsibility of auditing the financial statements.