

AUDIT COMMITTEE Terms of Reference

Last Reviewed: December 2017

PURPOSE

The Audit Committee (the “Committee”) is a standing committee of the Board of Directors of Stuart Olson Inc. (the “Corporation”). Its purpose is to assist the Board of Directors in fulfilling its oversight responsibilities in respect of:

- (i) the integrity of the Corporation’s financial statements and other public financial disclosure documents;
- (ii) the effectiveness of the Corporation’s accounting and financial reporting processes and systems of internal controls;
- (iii) the identification and monitoring of financial risks;
- (iv) the Corporation’s compliance with legal and regulatory requirements;
- (v) the qualifications, performance and independence of the external auditors of the Corporation;
- (vi) the performance of the Corporation’s internal audit function;
- (vii) the disclosure policies and procedures of the Corporation.

COMPOSITION AND OPERATIONS

1. The Committee shall be composed and operate in accordance with the Standing Committees of the Board General Terms of Reference. Pursuant to section 3.1(1), (2) and (3) of National Instrument 52-110 - *Audit Committees* and section 171 (2) of the *Business Corporations Act* (Alberta), the Committee must be composed of a minimum of three independent Directors.
2. The Corporate Governance & Nominating Committee will recommend to the Board of Directors members for appointment to the Committee and the Chair of the Committee.
3. The Committee shall be comprised exclusively of independent Directors. All members must be financially literate. The terms “independent” and “financially literate” will be interpreted as outlined in National Instrument 52-110 - *Audit Committees*.
4. The Committee shall be provided with appropriate and timely access to information on new regulatory requirements, accounting and audit standards as outlined by the Chartered Professional Accountants of Canada or other relevant international standard setting authorities, best practices in Corporate Governance as outlined by the Institute of Corporate Directors and any other training, both in the form of an induction program for new members and on an ongoing basis, as required to support the Audit Committee in fulfilling their responsibilities.
5. The Committee shall meet at least once each quarter before interim and annual financial reports are filed with the regulators, with authority to convene additional meetings as circumstances require.
6. The Committee shall meet periodically, and at least annually, with the external auditor without management being present. In addition, the Committee shall meet with the external auditor, as it deems appropriate to consider any matters of concern that the external auditor determines should be brought to the attention of the Board or shareholders.
7. A majority of the Committee will constitute a quorum. Minutes of each meeting will be prepared by a person designated by the Committee to act as secretary.

8. The President and Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) would be expected to be available to attend meetings or portions thereof.
9. The Committee provides open avenues of communication amongst management (particularly the CFO), employees, external and internal auditors and the Board. In particular any person may provide to the Committee his/her concerns or complaints regarding accounting, internal accounting controls and auditing matters.
10. Following a Committee meeting, the Committee Chair shall report on the Committee’s activities to the Board of Directors at the next Board of Directors meeting.

DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will perform the following duties:

1. Financial Statements and Other Financial Information

The Committee will review and recommend for approval to the Board, financial information that will be made publicly available. This includes:

- a) The Corporation’s annual financial statements and annual MD&A;
- b) The Corporation’s quarterly financial statements, quarterly MD&A and earnings press releases;
- c) The financial content of the Annual Report and any reports required by government or regulatory authorities;
- d) The Annual Information Form and any prospectus/private placement memoranda;
- e) Any management report that accompanies published financial statements (to the extent such a report discusses the financial position or operating results) for consistency of disclosure with the financial statements themselves; and
- f) Ensure that adequate procedures are in place for reviewing the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, and periodically assess the adequacy of these procedures.

2. Financial Reporting

The Committee shall review:

- a) The appropriateness of accounting policies and financial reporting practices used by the Corporation;
- b) Any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;
- c) Any new or pending developments in accounting and reporting standards that may affect the Corporation;
- d) Significant accounting and reporting issues impacting the financial statements, including complex or unusual transactions, highly judgmental areas and key estimates determined by management;
- e) Procedures for the receipt, retention and treatment of any complaints or concerns received by the Corporation (either directly or anonymously) regarding accounting, internal accounting controls, auditing or any other matters; and
- f) On a quarterly basis, the Audit Committee will review, assess and confirm, as appropriate, its compliance with the annual Audit Committee Work Plan.

3. Financial Risk Management

The Committee will review and obtain reasonable assurance that financial risk management practices are operating effectively to produce accurate, appropriate and timely management and financial information. These include:

- a) Review the Corporation's financial risk management controls and policies;
- b) Obtain reasonable assurance that the information systems of the Corporation are reliable;
- c) Reviewing the adequacy of security of information, information systems and recovery plans;
- d) Monitoring compliance with statutory and regulatory obligations; and
- e) Reviewing the adequacy of accounting and finance resources.

4. Internal Control

The Committee shall require management to implement and maintain appropriate systems of internal controls, including internal controls over financial reporting and for the prevention and detection of fraud and error. The Committee shall:

- a) Meet with the internal auditor and with management to assess the adequacy and effectiveness of the systems of internal control and to obtain on a regular basis reasonable assurance that the organization is in control;
- b) Receive reports from the CEO and the CFO as to the existence of any significant deficiency or material weakness in the design or operation of the internal controls over financial reporting which are reasonably likely to adversely affect the corporation's ability to record, process, summarize and report financial information;
- c) Receive reports from the CEO and the CFO as to the existence of fraud, whether or not material, that involves management or other employees;
- d) Review the procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, auditing matters and ethical breaches that may be submitted by any party internal or external to the organization;
- e) Review complaints that might have been received, current status, and resolution if one has been reached;
- f) Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters; and
- g) Review external auditors' management letters and management's response to such letters.

5. Disclosure

The Committee will review the Disclosure Policy and procedures of the Corporation and obtain reasonable assurance that they are effective in meeting the requirements of applicable legislation and regulatory agencies. This includes:

- a) Reviewing the Corporation's Disclosure Policy;
- b) Monitoring compliance with the Disclosure Policy, particularly as it relates to the disclosure of financial related matters; and
- c) Receive and review reports from the Disclosure Committee related to financial matters.

6. Internal Audit

The Committee shall:

- a) Review the appointment, replacement, reassignment or dismissal of the head of the Corporation's internal audit function;
- b) Review the independence of the head of the Stuart Olson internal audit function;
- c) Review with management, the external auditors and internal audit the charter, plans, activities, staffing and organizational structure of the internal audit function;
- d) Approve the annual internal audit plan;
- e) Approve the internal audit charter periodically, at least once every three years;
- f) Review with the internal auditor the results of their audit examinations, including but not limited to any restrictions imposed by management during the audit, any significant findings on internal audits and management's responses thereto, the auditor's evaluation of the Corporation's system of internal accounting controls, procedures, documentation and any changes required in the scope of their internal audit; and
- g) On a regular basis meet separately with the head of the Corporation's internal audit function to discuss any matters that the Committee or the head of internal audit believes should be discussed privately.

7. External Audit

The external auditor shall report directly to the Committee, shall meet at least twice annually with the Committee and will be expected to be available to attend meetings or portions thereof as requested by the Committee and to be heard at those meetings on matters relating to the external auditor's duties.

The Committee will review the planning and results of external audit activities and oversee the work of the external auditor, including:

- a) Review and recommend to the Board, for shareholder approval, the external 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 Corporation;
- b) Recommend to the Board the appropriate compensation of the external auditor;
- c) Review and approve the annual audit plan, including but not limited to:
 - I. Engagement letter
 - II. Objectives and scope of the audit work
 - III. Procedures for quarterly review of financial statements
 - IV. Materiality limit
 - V. Areas of audit risk
 - VI. Staffing
 - VII. Timetable
 - VIII. Coordination of audit efforts between the internal auditors and external auditors to assure completeness of coverage, reduction of redundant efforts and the effective use of audit resources.
- d) Meet with the external auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of material accounting policies and underlying estimates;

- e) Review any significant disagreement between management and the external auditor regarding financial reporting;
- f) Review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:
 - I. Any difficulties encountered, or restrictions imposed by management, during the annual audit;
 - II. Any significant changes required in the external auditors audit plan;
 - III. Any significant accounting or financial reporting issues;
 - IV. The external auditor's evaluation of the Corporation's system of internal controls, procedures and documentation;
 - V. The post audit or management letter containing any findings or recommendations of the external auditor and schedule of unadjusted differences, including management's response thereto and the subsequent follow-up of any identified internal control weaknesses; and
 - VI. Any other matters the external auditor brings to the Committee's attention;
- g) Review the external auditor's report on all material subsidiaries;
- h) Review and receive assurances on the independence of the external auditor;
- i) Review and pre-approve the non-audit services to be provided by the external auditor firm or its affiliates in accordance with the Audit Committee Pre-Approval Policy;
- j) Review and approve the Corporation's policy restricting the hiring of certain employees or former employees of the external auditors;
- k) Review and evaluate the performance of the independent auditors on an annual basis, with a more comprehensive evaluation when deemed required;
- l) Review with the full Board of Directors any proposed discharge of the independent auditors;
- m) Ascertain that the lead audit partner is performing audit services in accordance with applicable Canadian securities regulations and Canadian professional standards on independence with respect to length of service; and
- n) Consider, with management, the rationale for engaging audit firms other than the principal independent auditors.

8. Pension Plans

- a) Receive and review information in respect of the financial aspects of the Canem Systems Ltd. ("Canem") and Stuart Olson Construction Ltd. ("SOCL") pension plans (the "Pension Plans"), including:
 - I. Review and consider financial and investment reports and the funded status relating to the Pension Plans. Provide recommendations to the Canem and SOCL Board of Directors on pension contributions;
 - II. Receive, review and report to the Stuart Olson Board of Directors on the actuarial valuation and funding requirements for the Pension Plans;
 - III. Review annually the Statement of Investment Policies and Procedures ("SIP&P");
 - IV. Report to the Human Resources and Compensation Committee with regard to the financial impact of any proposed changes in the Corporation's pension plans;

- V. Approve the appointment and termination of auditors; and
- VI. Review the decisions of the Canem Board of Directors and SOCL Pension Committee in regard to the appointment and termination of investment managers.

9. Other

- a) Review insurance coverage of significant business risks and uncertainties;
- b) Review material litigation and its impact on financial reporting;
- c) Review policies and procedures for the review and approval of executive expenses and perquisites;
- d) Review correspondence with the regulators;
- e) Periodically review the Corporation's Code of Conduct Policy to ensure that it is adequate and up to date;
- f) Review the Terms of Reference for the Committee annually and make recommendations to the Board as required;
- g) Review all related party transactions between the Corporation and any officers or directors;
- h) Review policies and practices with respect to trading and hedging activities; and
- i) Engage independent outside counsel and other advisors as it determines necessary to carry out its duties.

INDEPENDENT ADVISORS

The Committee shall have the authority to retain and terminate independent legal counsel, consultants or other advisors in order to assist it in fulfilling its responsibilities.