



Yukon Energy Corporation

Terms of Reference

Audit Committee

Approved May 11, 2022

A. PURPOSE

The Audit Committee (Committee) assists the board of directors (Board) of Yukon Energy Corporation (YEC) in providing oversight and ensuring effective oversight of the management of:

- YEC's financial, accounting, and audit matters
- Risk
- Technology, including IT

in a way that supports the fulfilment of YEC's purpose and strategy in compliance with YEC's policies, standards and legal and regulatory obligations. Specifically, the Committee assists the Board in the oversight and assessment of the finance and audit, risk, and technology matters outlined in the Duties and Responsibilities below (collectively, "Audit Committee Matters").

In fulfilling these responsibilities, the Committee is supported by the CFO and other members of management as determined appropriate by the CEO or the Board.

B. GUIDELINES FOR COMMITTEES

In carrying out its role and responsibilities, and in determining its composition, the Committee follows the Committee Operating Guidelines.

C. COMPOSITION

The Committee has between three and six Directors, including the Board Chair as *ex officio*, voting member. All Committee members should have current knowledge of the energy industry and a basic understanding of fundamental financial statements. At least one member must have finance, accounting, auditing, or related business or management experience.

D. DUTIES AND RESPONSIBILITIES

The Committee assists the Board in the oversight of Audit Committee Matters, ensuring there is a coordinated approach to such matters. It is recognized that there may be overlap with some of the responsibilities delegated to the Board's other committees. The Committee coordinates or interacts as necessary with such committees.

The Committee specifically has the following responsibilities:

Finance, Accounting, and Audit

- Review, oversee the development of, and recommend¹ the annual operating budget and capital budget
- Review YEC's results against the operating budget and capital budget and management's reports relating to YEC's operations on at least a quarterly basis
- Review and recommend YEC's annual financial statements after discussing with Management and the auditors, matters pertaining to the financial statements, including:
 - The selection, application, and quality of accounting policies
 - Significant accounting judgments, accruals, and estimates
 - Significant disclosure or presentation issues addressed by Management and the external auditor during the audit and preparation of the financial statements
- Review and recommend all interim and quarterly financial statements and obtain reasonable assurance that the process for preparing these statements is reliable and consistent with the process for preparing the annual financial statements
- Review non-audit engagements undertaken by the audit firm for YEC and assess their impact on the external auditor's objectivity and independence
- Review the external auditor's annual audit plan and the results of the external audit, including:
 - The engagement letter and projected audit fee
 - The scope of the audit, including areas of audit risk, timetable, deadlines, materiality limits, extent of internal control testing, and coordination with the internal audit function
 - The cooperation received by the external auditor from Management
- Annually evaluate the external auditor's performance, independence, and qualifications, and at least every five years, conduct a comprehensive review of these matters
- Review updates to the scope of internal audit work, including any updates to the internal audit charter
- Review reports by internal auditors and management's response and action plans to address issues or deficiencies identified by internal audit work
- Review and recommend material filings with the Yukon Utilities Board
- Ensure that YEC's financial accounting systems and financial reporting systems, including fraud prevention, are appropriately designed and effective
- At least annually, formally review YEC's internal control systems to ensure they are reliable, effective and comply with authorities
- Oversee the pension plan by reviewing statements and proposed amendments, and recommend any changes

Risk

¹ Where recommendations are referred to, recommendations are to the Board unless otherwise indicated.

- Oversee the development and implementation of, periodically review, and recommend YEC's enterprise risk management strategy, plans, and relevant policies and any updates to ensure adequate risk identification, measurement, and management in accordance with YEC's risk management framework
- Taking into account the recommendations of all Committees for their respective areas of risk oversight, review and recommend YEC's overall risk appetite and risk tolerance levels for its material risk exposures
- Oversee the regular review of management's systems, control plans, and steps to assess and manage material risks and exposures relating to Audit Committee Matters as identified in YEC's enterprise risk management framework and delegated to the Committee
- Review reporting of all fraudulent and illegal acts, along with Management's responses
- Review, monitor the effectiveness and implementation of, and recommend any amendments to YEC's procurement policies
- Oversee the establishment of and recommend YEC's anti-corruption policies and review and monitor as appropriate to ensure compliance and effectiveness
- Oversee the establishment of and amendments to and recommend YEC's whistleblower policies related to the confidential and anonymous receipt, investigation, handling, and treatment of complaints regarding financial and other fraudulent, illegal, or unethical behaviour, and review and monitor as appropriate to ensure compliance and effectiveness

Technology

- Oversee the development, implementation, and effectiveness of YEC's technology and IT strategies by reviewing reports and monitoring relevant metrics to ensure that YEC's technology and management information systems remain relevant and enable it to execute its long-term strategy
- Oversee the development of, recommend, and monitor the implementation and effectiveness of a cybersecurity plan and data governance framework for YEC

Compliance, Audits, and Investigations

- Ensure there are adequate systems and practices in place to provide reasonable assurance of YEC's compliance with applicable laws, regulations, and standards of ethical conduct
- Monitor compliance by YEC with applicable laws, regulations, principles, and policies relating to Audit Committee Matters
- In collaboration with other Committees, oversee and ensure the effectiveness of YEC's overall framework for managing investigations and litigation
- Monitor material investigations and litigation related to Audit Committee matters
- Monitor material regulatory audits, findings, orders, reports and/or recommendations issued by or to YEC related to Audit Committee Matters or issues, together with Management's response thereto
- At least quarterly and in collaboration with other Committees, receive and review the legal and compliance report, including but not limited to a summary of the following matters for all Committees:

- Legal developments that are relevant to the Board's and all Committees' areas of oversight
- The status of any material litigation, claim, contingency, dispute, proceeding or investigation
- A summary of any matters arising under the Board's Code of Conduct or any matters arising under YEC's whistleblower and anti-corruption policies
- Other material legal or compliance matters impacting YEC

Policy Oversight

- Review key organizational policies related to Audit Committee matters and recommend any required changes

Other

- Participate in engagement activities as suggested by YEC's management and determined appropriate by the Committee
- Ensure a robust orientation program is in place for orientation of Committee members to the Audit Committee, and lead such orientation