



## **AUDIT COMMITTEE TERMS OF REFERENCE**

### **AUDIT COMMITTEE**

The committee of the Board of Winpak Ltd. (the "Company") known as the Audit Committee (the "Committee") is established, with terms of reference as set out below.

### **MEMBERSHIP AND CHAIR**

Following each annual meeting of shareholders, the Board shall elect three or more directors (the "members"), who shall meet the independence and financial literacy requirements of the Canadian Securities Administrators ("CSA"), to serve on the Committee until the close of the next annual meeting of shareholders of the Company or until the member ceases to be a director, resigns or is replaced, whichever first occurs. Any member may be removed from office or replaced at any time by the Board.

The Board shall appoint one of the members as Chair of the Committee. If the Chair is absent from a meeting, the members shall select a Chair from those in attendance to act as Chair of the meeting.

### **RESPONSIBILITIES**

#### **PUBLICLY DISCLOSED FINANCIAL INFORMATION**

The Committee shall review and recommend for approval by the Board, before release to the public: (a) audited annual consolidated financial statements, in conjunction with the report of the external auditors and (b) all public disclosure documents containing audited or unaudited financial information, including any prospectus, the annual information form and management's discussion and analysis of financial condition and results of operations unless otherwise directed in these Terms.

The Committee shall review and approve before release to the public the unaudited interim condensed consolidated financial statements.

The Committee shall review any report that accompanies published consolidated financial statements (to the extent such a report discusses financial condition or operating results) for consistency of disclosure with the consolidated financial statements themselves.

In its review of the consolidated financial statements, the Committee should obtain an explanation from management of all significant variances between comparative reporting periods and an explanation from management for items that vary from expected or budgeted amounts as well as from previous reporting periods.

#### **FINANCIAL REPORTING AND ACCOUNTING TRENDS**

The Committee shall:

- review and assess the effectiveness of accounting policies and practices concerning financial reporting;
- review with management and with the external auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
- question management and the external auditors regarding significant financial reporting issues discussed and the method of resolution;
- review all general accounting trends and issues of accounting policy, standards and practices that affect or may affect the Company.



## INTERNAL CONTROLS

The Committee shall assess the adequacy and effectiveness of internal controls over the accounting and financial reporting systems, with particular emphasis on controls over computerized systems.

The Committee shall review:

- the evaluation of internal controls by the external auditors, together with management's response;
- the report issued by the internal auditor and management's response and subsequent follow-up to any identified weakness;
- the working relationship between the internal and external auditors and management;
- the appointments of the Chief Financial Officer (CFO) and any key financial executives involved in the financial reporting process.

## INTERNAL AUDIT

The Committee shall:

- review the terms of reference and annual objectives of the internal auditor;
- review the adequacy of the Company's internal audit resources;
- ensure the internal auditor has ongoing access to the Chair of the Committee as well as officers of the Company, particularly the Chairman of the Board and the Chief Executive Officer (CEO).

## EXTERNAL AUDITORS

The Committee shall:

- recommend to the Board the appointment of the external auditors, which firm reports to the Committee and the Board, but is ultimately accountable to the shareholders;
- receive periodic reports from the external auditors regarding the auditors' independence, discuss such reports with the auditors, and if so determined by the Committee, recommend that the Board take appropriate action to satisfy itself as to the independence of the auditors;
- review the terms of the external auditors' engagement and the appropriateness and reasonableness of the proposed audit fees;
- review and preapprove any engagements for material non-audit services provided by the external auditors or its affiliates, together with the fees for such services, and consider the impact of this on the independence of the external auditors;
- review all reportable events, including disagreements, unresolved issues and consultations, as defined in the applicable securities law, on a routine basis whether or not there is to be a change of auditors;
- when a change of auditors is proposed, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditors called for under the applicable securities law, and the planned steps for an orderly transition.



## AUDIT PROCEDURES

The Committee shall:

- review the audit plans of the internal and external auditors, including the degree of co-ordination in those plans, and shall inquire as to the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control, fraud or other illegal acts. The audit plans should be reviewed with the external auditors and with management, and the Committee should recommend to the Board the scope of the external audit as stated in the audit plan;
- review any problems experienced by the external auditors in performing the audit, including any restrictions imposed by management or significant accounting or financial reporting issues on which there was a disagreement with management, and the resolution of the disagreements;
- review the post-audit or management letter containing the recommendations of the external auditors, and management's response and subsequent follow-up to any identified weakness.

## OTHER RESPONSIBILITIES

The Committee shall:

- review such litigation, claims, transactions or other contingencies as the internal auditor, external auditors or any officer of the Company may bring to its attention, and shall periodically review the Company's risk management programs and comprehensive computer disaster recovery plans;
- review complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
- review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company;
- monitor performance of the Company's pension plan investments and the pertinent activities of the Company Pension Committee;
- review the policy on use of derivatives and monitor the risk;
- review any related party transactions in line with the applicable securities law;
- consider other matters of a financial nature as directed by the Board.

The Chair of the Committee performs a secondary review of "whistleblower" reports submitted confidentially by employees of the Company to the independent service provider regarding health and safety, fraud, unethical behavior, discrimination, bullying and confidentiality. The Chair will follow up such reports where appropriate and will inform the entire Committee of any such follow-up activities.

## MEETINGS

Regular meetings of the Committee shall be held quarterly. Special meetings of the Committee may be called by the Chair of the Committee, the external auditors, the Chairman of the Board of the Company, the CEO or the internal auditor.

The powers of the Committee shall be exercisable by a meeting at which a quorum is present. A quorum shall be not less than a majority of the members of the Committee from time to time. Subject to the foregoing requirement, unless otherwise determined by the Board, the Committee shall have the power to fix its quorum and to regulate its procedure.



Notice of each meeting shall be given to each member, the external auditors, the Chairman of the Board of the Company, the CEO and the CFO and the internal auditor, any or all of who shall be entitled to attend and each of whom shall attend whenever requested to do so by the Chair of the Committee or the Secretary.

The Committee will periodically meet with the external auditors, the internal auditor and senior management.

Notice of meeting may be given orally or by e-mail, letter, telephone facsimile transmission or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting. The notice need not state the purpose or purposes for which the meeting is being held.

Matters decided by the Committee shall be decided by majority vote.

The Committee shall have the authority to retain special legal counseling, accounting or other consultants as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee.

The Secretary of the Company or designate of the Secretary or failing that the designate of the Chair of the Committee shall be the Secretary of meetings of the Committee and shall maintain minutes of all meetings and deliberations of the Committee.

The Committee shall report to the Board on its proceedings, reviews undertaken and any associated recommendations.