



**TRANSEASTERN POWER TRUST**

**AUDIT AND RISK  
COMMITTEE CHARTER**

**March 2014**

# TRANSEASTERN POWER TRUST

## AUDIT AND RISK COMMITTEE CHARTER

### 1. GENERAL

The term “**Trust**” as used herein shall refer to the Transeastern Power Trust and include all of the direct and indirect subsidiaries of the Transeastern Power Trust, and the Transeastern Power Administrator Inc. (the “**Administrator**”), as the context so requires. The Administrator is the administrator of Transeastern Power Trust, and as such, the board of directors of the Administrator (the “**Board**”) is responsible for the stewardship of the affairs of the Trust and the Trust’s direct and indirect subsidiary entities.

The Board has established an Audit Committee (the “**Committee**”), composed entirely of independent directors, the primary role of which is to assist the Board in fulfilling its oversight responsibilities for the Trust’s internal controls, financial reporting and risk management processes. The Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board, including administrative support. If determined necessary by the Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

### 2. COMPOSITION OF THE COMMITTEE

- (a) The Committee shall consist of at least three directors of the Administrator. The Board shall appoint the members of the Committee and may seek the advice and assistance of the Governance, Nomination & Compensation Committee in identifying qualified candidates. The Board shall appoint one member of the Committee to be the chair of the Committee (the “**Chair**”).
- (b) Each director appointed to the Committee by the Board shall be “independent” as contemplated in NI 58-101 – *Disclosure of Corporate Governance Practices*. An independent director is a director of the Administrator who is independent of management of the Trust and is free from any interest, any business or other relationship which could, or could reasonably be perceived, to materially interfere with the director’s ability to act with a view to the best interests of the Trust, other than interests and relationships arising from the Securityholdings. In determining whether a director of the Administrator is independent of management of the Trust, the Board shall make reference to the then current legislation, rules, policies and instruments of applicable regulatory authorities.
- (c) Each member of the Committee shall be “financially literate”. In order to be financially literate, a director of the Administrator must be, at a minimum, able 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 issuer's financial statements.

- (d) A director of the Administrator appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation.

### 3. MEETINGS OF THE COMMITTEE

- (a) The Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair and whenever a meeting is requested by the Board, a member of the Committee, the auditors, or a senior officer of the Trust. Meetings of the Committee shall also correspond with the review of the quarterly financial statements and management's discussion and analysis.
- (b) Notice of each meeting of the Committee shall be given to each member of the Committee and to the auditors, who shall be entitled to attend each meeting of the Committee and shall attend whenever requested to do so by a member of the Committee.
- (c) Notice of a meeting of the Committee shall:
  - (i) be in writing;
  - (ii) state the nature of the business to be transacted at the meeting in reasonable detail;
  - (iii) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
  - (iv) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Committee may permit.
- (d) A quorum for the transaction of business at a meeting of the Committee shall consist of a majority of the members of the Committee. However, it shall be the practice of the Committee to require review, and, if necessary, approval of certain important matters by all members of the Committee.
- (e) A member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.

- (f) In the absence of the Chair, the members of the Committee shall choose one of the members present to be chair of the meeting. In addition, the members of the Committee shall choose one of the persons present to be the secretary of the meeting.
- (g) The executive chairman of the Board, senior management of the Trust and other parties may attend meetings of the Committee; however, the Committee (i) shall meet with the external auditors independent of management, as necessary, in the sole discretion of the Committee, but in any event, not less than quarterly; and (ii) may meet separately with management.
- (h) Minutes shall be kept of all meetings of the Committee and shall be signed by the chair and the secretary of the meeting.

#### 4. COMMITTEE RESPONSIBILITIES

The Committee's primary responsibilities are to:

- (a) identify and monitor the management of the principal risks that could impact the financial reporting of the Trust;
- (b) monitor the integrity of the Trust's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- (c) monitor the independence and performance of the Trust's external auditors;
- (d) deal directly with the external auditors to approve external audit plans, other services (if any) and fees;
- (e) directly oversee the external audit process and results;
- (f) provide an avenue of communication among the external auditors, management and the Board; and
- (g) ensure that an effective "whistle blowing" procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual.

#### 5. DUTIES

- (a) The Committee shall:
  - (i) review the audit plan with the Trust's external auditors and with management;

- (ii) discuss with management of the Trust and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;
- (iii) review with management of the Trust and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
- (iv) review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management of the Trust or significant accounting issues on which there was a disagreement with management;
- (v) review with senior management of the Trust the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
- (vi) review audited annual financial statements and related documents in conjunction with the report of the external auditors and obtain an explanation from management of the Trust of all significant variances between comparative reporting periods;
- (vii) consider and review with management of the Trust, the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Trust and subsequent follow-up to any identified weaknesses;
- (viii) review with financial management and the external auditors the quarterly unaudited financial statements and management's discussion and analysis before release to the public;
- (ix) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses, annual reports, annual information forms, management's discussion and analysis and press releases containing financial information;
- (x) oversee any of the financial affairs of the Trust, its subsidiaries or affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management;

- (xi) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditors or the discharge of the external auditors when circumstances are warranted;
- (xii) consider the recommendations of management in respect of the appointment of the external auditors;
- (xiii) pre-approve all non-audit services to be provided to the Trust by its external auditors, or the external auditors of the Trust;
- (xiv) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and consider the potential impact of such services on the independence of the external auditors;
- (xv) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation required pursuant to NI 51-102 of the Canadian Securities Administrators and the planned steps for an orderly transition period;
- (xvi) establish and maintain procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Trust regarding accounting controls, or auditing matters; and
  - (ii) the confidential, anonymous submission by employees of the Trust of concerns regarding questionable accounting or auditing matters;
- (xvii) review and approve the Trust hiring policies regarding employees and former employees of the present and former external auditors or auditing matters;
- (xviii) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors;
- (xix) review with management at least annually, the financing strategy and plans of the Trust; and
- (xx) review all securities offering documents (including documents incorporated therein by reference) of the Trust.

- (b) The Committee has the authority to:
  - (i) inspect any and all of the books and records of the Trust (to the extent necessary);
  - (ii) discuss with the management and senior staff of the Trust, any affected party and the external auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate;
  - (iii) engage independent counsel and other advisors as it determines necessary to carry out its duties;
  - (iv) to set and pay the compensation for any advisors employed by the Committee; and
  - (v) at any meeting, request the presence of the auditor, a member of senior management or any other person who could contribute to the subject of the meeting.
- (c) The Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.

## 6. CHAIR OF THE COMMITTEE

The Board will appoint one member who is qualified for such purpose to be Chair, to serve until the next annual election of directors of the Administrator or otherwise until his or her successor is duly appointed. If, following the election of directors of the Administrator, in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed.

## 7. REMOVAL AND VACANCIES

Any member of the Committee may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as he or she resigns or ceases to meet the qualifications set out above. The Board will fill vacancies on the Committee by appointment from among qualified members of the Board on the recommendation of the Committee. If a vacancy exists on the Committee, the remaining members will exercise all of its powers so long as a quorum remains in office.

## 8. ASSESSMENT

At least annually, the Committee will assess its effectiveness in fulfilling its responsibilities and duties as set out in this Mandate and in a manner consistent with the Board mandate to be adopted by the Board.

9. REVIEW AND DISCLOSURE

The Committee will review this Mandate at least annually and submit it to the Board for approval with such further proposed amendments as it deems necessary and appropriate.

10. ACCESS TO OUTSIDE ADVISORS

The Committee may retain any outside advisor, including an executive search firm, at the expense of the Trust at any time and has the authority to determine any such advisor's fees and other retention terms. The Committee, and any outside advisors retained by it, will have access to all records and information relating to the Trust which it deems relevant to the performance of its duties.