



**Climbing Escalade Canada  
("the Corporation")  
Audit and Risk Committee Charter**

## **1. Introduction**

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1.1 This charter governs the operations of the audit and risk committee (the "**Committee**") of the Corporation. The Committee shall report to the board of directors (the "**Board**") of the Corporation.

## **2. Purpose**

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2.1 The Committee is to assist the Board in fulfilling its responsibilities regarding the integrity of the Corporation's financial statements including the financial reporting process and systems of internal controls, the compliance by the Corporation with legal and regulatory requirements and the qualifications, performance and independence of the Corporation's external auditor by reviewing:

- a) the financial information that will be provided to the shareholders, regulatory authorities and others;
- b) the systems of internal controls management has established;
- c) all audit processes; and
- d) all reporting from the external auditors.

2.2 The Committee shall also assist the Board in carrying out its oversight and responsibility for: (i) ensuring that the Corporation's risk management is reviewed regularly; (ii) ensuring that the Board and each of its committees carry out their respective functions in accordance with an appropriate process; and (iii) reviewing, developing and implementing the Corporation's risk management policies and standard operating procedures.

2.3 In carrying out its duties and responsibilities, the Committee shall have the authority to:

- a) meet with and seek any information and reports it requires from employees, officers, directors, or external parties, such as the Corporation's external auditors, legal counsel and contractors;
- b) investigate any matter relating to the Corporation's risk management practices, or anything else within its scope of responsibility; and
- c) obtain full access to all Corporation books, records, facilities and personnel.

2.4 Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Corporation is vested in management and is overseen by the Board. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These are the responsibilities of management and the external auditor. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the external auditor or to assure compliance with laws and regulations.

## **3. Composition and Operations**

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- 3.1 The Committee shall be composed of not fewer than three directors, all of whom shall be independent. For the purposes hereof, a Committee Member shall not be considered independent if they are an officer, employee, consultant or control person of the Corporation or any of its related legal entities. All Committee members shall be financially literate or shall become financially literate within a reasonable period of time after appointment to the Committee. The members of the Committee may appoint one member of the Committee to be the chair of the Committee (the “**Chair**”). A description of the duties and responsibilities of the Chair are attached hereto as Schedule A.
- 3.2 If a matter that is considered by the Committee is one in which a member of the Committee, either directly or indirectly, has a personal interest, that member shall excuse himself or herself from any portion of a meeting at which such matter is discussed and shall not vote on such matter.
- 3.3 A Director 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.
- 3.4 The Committee shall review and reassess this Charter annually.
- 3.5 The Corporation’s auditors shall be advised of the names of the Committee members and when appropriate will receive notice of and be invited to attend meetings of the Committee and to be heard at those meetings on matters relating to the auditor’s duties.
- 3.6 The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the Board or shareholders.
- 3.7 The Committee shall meet at least four times each year.
- 3.8 The Committee shall provide open avenues of communication among management, employees, external auditors and the Board.
- 3.9 Notice of the time and place of every meeting shall be given to each Committee member at least 48 hours prior to the meeting.
- 3.10 A majority of the voting membership of the Committee present in person or by telephone or other electronic telecommunication device shall constitute a quorum.
- 3.11 The Corporation’s executive officers and external auditor are expected to be available to attend meetings or portions thereof. The external auditors will meet at least annually with the Committee. Others may or may not attend the meetings at the sole discretion of the Committee.
- 3.12 Minutes of Committee meetings shall be approved by the Committee and sent to all directors of the Board.

#### **4. Duties and Responsibilities**

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##### 4.1 Financial Statements and Other Financial Information

- 4.1.1 The Committee will review and recommend for approval to the Board financial information that will be made publicly available. This includes:
  - i. the Corporation’s annual and, if applicable, quarterly financial statements;
  - ii. the Corporation’s press releases and reports as they relate to the finances of the Corporation;
  - iii. the Management Discussion and Analysis;

- iv. the financial content of the Annual Report;
- v. the annual information form and any prospectus or private placement memorandums;  
and
- vi. any reports required by regulatory or government authorities as they relate to the finances of the Corporation.

4.1.2 The Committee will review and discuss:

- i. the appropriateness of accounting policies and financial reporting practices to be adopted by the Corporation;
- ii. any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;
- iii. any new or pending developments in accounting and reporting standards that may affect the Corporation;
- iv. ascertain compliance with the covenants under applicable loan agreements;
- v. management's key estimates and judgments that may be material to financial reporting;  
and
- vi. any other matters required to be reviewed under applicable legal, regulatory or stock exchange requirements.

4.2 External Audit

4.2.1 The Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

- i. review and recommend to the Board, for shareholder approval, engagement of the external auditor including, as part of such review and recommendation, an evaluation of the external auditors qualifications, independence and performance;
- ii. review and recommend to the Board the compensation of the external auditor;
- iii. review and recommend to the Board the annual external audit plan, including but not limited to the following:
  - a. engagement letter;
  - b. objectives and scope of the external audit work;
  - c. procedures for quarterly review of financial statements, if applicable;
  - d. materiality limit;
  - e. areas of audit risk;
  - f. staffing;
  - g. timetable; and
  - h. proposed fees;
- iv. meet with the external auditor to discuss the Corporation's annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;
- v. review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:
  - a. any difficulties encountered, or restrictions imposed by management during the annual audit;
  - b. any significant accounting or financial reporting issue including the resolution of any disagreement between management and the external auditors;
  - c. the auditor's evaluation of the Corporation's system of internal controls, procedures and documentation;
  - d. the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weakness; and

- e. assess the performance and consider the annual appointment of external auditors for recommendation to the Board;
- vi. review and receive assurances on the independence of the external auditor;
- vii. review and pre-approve the non-audit services to be provided by the external auditor's firm and consider the impact on the independence of the external audit; and
- viii. meet periodically with the external auditor without management present.

#### 4.3 Risk Management

4.3.1 In addition to such other risk management duties as may from time to time be expressly assigned to the Committee by the Board, the Committee shall:

- i. approve, review, and oversee the process, framework, policies, principles, and operating procedures developed by management to identify, evaluate, and oversee the appropriate management of applicable risks including risk governance, risk competencies, risk management strategies, risk exposure including those related to:
  - a. financial solvency and appropriate budgeting;
  - b. adequacy of risk management systems;
  - c. reliability and integrity of financial and other operational information;
  - d. reputation risk and community relations;
  - e. business disaster and business continuation plans;
  - f. executive officer and Board member succession planning;
  - g. dissemination of press releases and dissemination of information in the public domain;
  - h. adequacy and effectiveness of financial systems and business controls;
  - i. compliance with corporate policies, procedures and regulations;
  - j. safeguarding of assets;
  - k. economical and efficient use of resources;
  - l. adequacy and effectiveness of systems design and implementation;
  - m. effectiveness of functions against stated objectives and strategies;
  - n. adequacy of benchmarking processes and practices and key performance indicators; and
  - o. disclosure of due diligence and other information of the Corporation to third parties, including the Corporation's lenders;
- ii. review and advise on the risk impact and liabilities of the strategic plans, operational plans and budget and any strategic projects as requested by the Board;
- iii. review the Corporation's insurance policies and recommend to the Board the appropriate levels of insurance required;
- iv. document in board resolutions that appropriate corporate protocols were taken, legal tests met, and appropriate advice sought in response to identified risks; and
- v. ensure that management keeps the Board up to date and fully informed about strategic issues and commercial and regulatory changes affecting the Corporation and the market in which it operates.

#### 4.4 Other

4.4.1 The Committee shall:

- i. review material litigation and its impact on financial reporting; and
- ii. establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

## **5. Accountability**

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- 5.1 The Committee shall report its discussions to the Board by distributing the minutes of its meetings and where appropriate, by oral report at the next Board meeting.

## **6. Standards of Liability**

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- 6.1 Nothing contained in this Charter is intended to expand applicable standards of liability under statutory, regulatory or other legal requirements for the Board or members of the Committee. The purposes and responsibilities outlined in these terms of reference are meant to serve as guidelines rather than inflexible rules and the Committee may adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

Policy No. CEC-GOV-05

Pages: 5 (+1 Schedule A)

Original Version Approved: 2019/03/27

Current Version Approved: 2020/07/21

Date of Next Review: 2024/07

**SCHEDULE "A"**  
**AUDIT AND RISK COMMITTEE CHAIR POSITION DESCRIPTION**

**1. Appointment**

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1.1 The Chair of the audit and risk committee (the "**Audit Committee**") of the board of directors of the Corporation (the "**Board**") will be determined by the members of the Committee.

**2. Duties of the Audit Committee Chair**

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1.2 In addition to fulfilling his or her duties as an individual director, the duties of the Chair of the Audit Committee are to:

- a) serve as the Audit Committee's role model for responsible, ethical and effective decision making;
- b) lead the Audit Committee in discharging all duties set out in the Audit Committee Charter and as are delegated to the authority of the Audit Committee by the Board;
- c) take reasonable steps to ensure that the Audit Committee members execute their duties pursuant to the Audit Committee Charter;
- d) manage the affairs of the Audit Committee to ensure that the Audit Committee is organized properly and functions effectively;
- e) ensure that notice of all meetings of the Audit Committee are provided to the external auditor;
- f) preside at, and together with the members of the Audit Committee, management, external auditors and advisors, as appropriate, call, schedule and prepare the agenda for each meeting of the Audit Committee;
- g) ensure that the Audit Committee meets in closed sessions with the external auditors;
- h) coordinate with the Chief Financial Officer, Corporate Secretary, management and the external auditors to ensure that:
  - i. documents are delivered to members in sufficient time in advance of Audit Committee meetings for a thorough review;
  - ii. matters are properly presented for the member's consideration at meetings;
  - iii. members have an appropriate opportunity to discuss issues at each meeting;
  - iv. members have an appropriate opportunity to question management, employees and the external auditors regarding financial results, internal controls, the collection of financial information and all other matters of importance to the Audit Committee; and
  - v. members work constructively towards their recommendations to the Board;
- i) communicate with each Audit Committee member to ensure that:
  - i. each member has the opportunity to be heard and participate in decision making; and
  - ii. each member is accountable to the Audit Committee;
- j) arrange for the preparation, accuracy and distribution of all minutes of the Audit Committee to:
  - i. members of the Audit Committee;
  - ii. each member of the Board;
  - iii. the external auditor; and
  - iv. the Executive Director and the Chief Financial Officer;
- k) ensure that the Audit Committee, following each meeting:
  - i. reports to the Board regarding its activities, findings and recommendations; and
  - ii. makes Audit Committee information available to any director upon request; and
- l) assist in maintaining effective working relationships between Audit Committee members, the Board, the Executive Director and the Chief Financial Officer, external auditors, advisors, executive officers and management.