

## **Audit Committee Mandate**

The Canadian Securities Administrators' National Instrument 52-110, *Audit Committees* defines specific requirements for Audit Committees of reporting issuers which applies to Clearwater Seafoods Incorporated (the "**Corporation**" or "**Clearwater**"). One of these requirements is that the Corporation's Audit Committee (the "**Committee**") have a written charter that sets out its mandate and responsibilities.

### **1. Purpose**

The Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting of the Corporation as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; compliance with policies and laws; and overseeing the external auditor. The Committee is also responsible for identifying principal risks of the business and ensuring appropriate risk management techniques are in place.

The Committee charges management with developing and implementing procedures to:

- (a) ensure internal controls are appropriately designed, implemented and monitored; and
- (b) ensure reporting and disclosure of required information is complete, accurate, and timely.

The Committee will make recommendations to the board of directors of the Corporation (the "**Board**") regarding items relating to financial and regulatory reporting and the system of internal controls, following the execution of the Committee's responsibilities as described in this mandate.

### **2. Composition**

The Committee will consist of at least 3 directors, all of whom shall qualify as independent directors pursuant to applicable securities laws. The Board may approve the appointment of a non-independent director as a member of the Committee if such appointment is recommended by the Corporate Governance Committee and meets the requirements under all applicable securities laws and regulatory rules for membership on the Committee.

All members of the Committee will be financially literate as defined by applicable securities laws. If a member upon appointment to the Committee is not financially literate as required, the person must become financial literate within a reasonable period of time following their appointment, as determined by the Board.

Any independent member who loses their independence status will be required to resign from the Committee within the applicable period of time required under applicable securities laws.

The Board will replace the member within such period with an independent director recommended by the Corporate Governance Committee. If it is the Chair of the Committee who loses independent status, the Corporate Governance Committee shall immediately designate another member of the Committee to act as Chair.

Members of the Committee and its Chair will be appointed annually by the Board, on the recommendation of the Corporate Governance Committee.

Committee members may be removed or replaced at any time by the Board, upon the recommendation of the Corporate Governance Committee, and will, in any event, cease to be a member of the Committee upon ceasing to be a member of the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board upon the recommendation of the Corporate Governance Committee.

### **3. Procedures**

The Committee will meet at least four times per year and at least once every fiscal quarter or more frequently as it deems necessary to fulfill its responsibilities.

A majority of Committee members, present in person, by telephone, or by other permissible communication facilities will constitute a quorum. Attendance for the meetings will be recorded and any materials that are intended to be reviewed or discussed will be distributed in advance. The Committee will appoint a secretary, who need not be a member of the Committee or a director of the Corporation, to keep minutes, which will document the actions, decisions and recommendations from each meeting. Minutes will be sent to all Committee members on a timely basis.

The Committee shall report to the Board following each meeting.

The Committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous written consent. The Committee may establish subcommittees consisting of one or more members to carry out such duties as the Committee may delegate.

The Chair will have a vote on all matters but will not have any casting or tie-breaking vote. The Chair will call the meetings and set an agenda in consultation with management and the Chair of the Board.

Notice of meetings shall be given to the external auditor of the Corporation, and meetings can be convened at the request of the external auditor.

#### **4. Authority**

The Committee has the authority to engage and set the compensation of independent counsel and other advisors, at the Corporation's expense, as it determines necessary to carry out its duties.

The Committee has the authority to communicate directly and meet with the external auditor, without management involvement. The external auditor reports directly to the Committee.

#### **5. Specific Duties & Responsibilities**

- (a) The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. As part of this, the Committee will:
  - i. Recommend to the Board the external auditor to be nominated for purposes of preparing or issuing the auditor's report or performing other audit, review or attest services for the Corporation and the compensation of the external auditor;
  - ii. Review the audit plan;
  - iii. Confirm auditor independence;
  - iv. Ensure that the external auditor is in good standing with the Canadian Public Accountability Board and will enquire if there are any sanctions imposed by the CPAB on the external auditor;
  - v. Ensure that the external auditor meets the rotation requirements for partners and staff on the Corporation's audit;
  - vi. Review and discuss with management and the external auditors the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, and the external auditor's written communications to the Committee and to management;
  - vii. Meet with the auditors separate from management;
  - viii. Review the performance of the auditors; and
  - ix. Pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor. The Committee may

delegate to the Chair (provided the Chair is an independent member of the Committee) or any other independent member of the Committee the authority to pre-approve non-audit services, with such pre-approved services to be presented to the Committee at the next scheduled Committee meeting following such pre-approval.

- (b) In addition, the Committee will review:
  - i. the Corporation's annual and interim financial statements, MD&A as well as annual and interim earnings press releases and recommend the approval of same to the Board prior to public disclosure of such information;
  - ii. the financial disclosure provided in the Corporation's Annual Information Form;
  - iii. the disclosure provided in the Corporation's Management Information Circular; and
  - iv. any other filings as required pursuant to securities laws from time to time.
- (c) The Committee ensures that adequate procedures are in place for the review of financial information extracted or derived from the Corporation's financial statements as contained in the Corporation's other public disclosures, and must periodically assesses the adequacy of those procedures.
- (d) The Committee establishes procedures for:
  - i. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - ii. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (e) The Committee reviews and approves the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company. The Committee will ensure that the policies prohibits hiring any partners, employees and former partners and employees of the present and former external auditor of the Corporation until the passage of three years subsequent to the date of their last employment by the present or former external auditor of the Corporation.
- (f) The Committee will, with respect to ensuring the integrity of disclosure controls and internal controls over financial reporting, understand the process utilized by

the CEO and CFO to comply with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. This will also involve the assessment of internal controls and any disagreements between management and the auditor regarding the state of internal controls.

- (g) The Committee will obtain and review reports on the Corporation's state of compliance with policies, laws and regulations, review findings of regulatory and auditor examinations, review processes for communicating code of conduct violations and monitoring for compliance and obtain regular updates from legal counsel regarding compliance matters.
- (h) The Committee will undertake a process to identify the principal risks of the business and ensure appropriate risk management techniques are in place. This will involve enquiry of management regarding how risks are managed and the effectiveness of the risk mitigation strategies, including those related to fraud prevention and detection processes.
- (i) The Committee will annually assess the effectiveness of the Committee and the contribution of individual members of the Committee.
- (j) The Committee will annually review this mandate and provide recommendations to the Board on any proposed amendments resulting from such review.