



Audit Committee Charter

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Purpose of the Audit Committee

The Audit Committee (the **"Committee"**) is appointed by the Board of Directors (the **"Board"**) to assist the Board in fulfilling its oversight responsibilities for Northland Power Inc. (the **"Corporation"**) with respect to the accounting and financial reporting requirements, the systems of internal controls, management information systems, financial risks and risk management, the external audit, and monitoring compliance with laws and regulations applicable to the Corporation, any other corporations, trusts, partnerships or other entities which may be owned or controlled by the Corporation (the **"Entities"**), and any other duties as set out in this Charter or delegated to the Committee by the Board.

The Committee shall also report the results of its activities to the Board.

The Committee shall also report its recommendations to the Board with respect to the financial statements and other certifications and filings of the Corporation, the appointment of auditors and the compensation of the auditors.

Meetings and Procedures

The Committee shall meet at least four times a year or more frequently if necessary.

Meetings of the Committee may be held at the call of the Chair of the Committee (the **"Chair"**) or upon request by two members on two days' prior notice to all members or, by agreement of all members of the Committee, without notice and may be held at the offices of the Corporation or at such other location as the Chair may determine. Meetings may also be held by conference telephone call where all members of the Committee can hear each other. A quorum for all meetings of the Committee shall be a majority of the members. The Chair shall be responsible for agendas for the Committee and agendas and briefing materials shall be prepared and circulated in advance of the meeting.

The Committee may determine its own procedures and shall keep minutes of its proceedings and report on its activities at each meeting of the Board.

Audit Committee Responsibilities

1. Annual Review of Audit Committee Charter

The Committee shall maintain this Committee Charter which sets out the Committee's mandate and responsibilities, and review at least annually this Charter to ensure that it conforms to the requirements of National Instrument 52-110 (the **"Audit Committee Rule"**) and the requirements of any other relevant securities regulations.

2. The External Auditor

Management is responsible for the preparation of the financial statements of the Corporation and, as applicable, the Entities. The external auditor is responsible for auditing those financial statements.

The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an 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. The Committee must recommend to the Board:

- (A) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation and the Entities; and
- (B) the compensation of the external auditor.

The Committee shall require the external auditor to report directly to the Committee and shall monitor the independence and performance of the external auditor of the Corporation through annual assessments. Based upon the annual assessments, the Committee shall recommend the re-appointment or replacement of the auditors to the Board. The Committee must review and approve the hiring policies, as applicable, of the Corporation and the Entities regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

3. Pre-Approval of All Audit and Non-Audit Services

The Committee shall approve all audit and pre-approve all non-audit services to be provided to the Corporation and, as applicable, the Entities by the Corporation's external auditor. The Committee satisfies the pre-approval requirement if it adopts specific policies and procedures for the engagement of the non-audit services, provided that: (a) the pre-approval policies and procedures are detailed as to the particular service; (b) the Committee is informed of each non-audit service; and (c) the procedures do not include delegation of the Committee's responsibilities to management. The Committee may delegate to one or more of its members the authority to pre-approve all non-audit services, provided that such pre-approval must be presented to the Committee at its first scheduled meeting following such pre-approval.

The Committee satisfies the pre-approval requirement if: (1) the aggregate amount of non-audit services that were not pre-approved is reasonably expected to be no more than 5 per cent of total fees paid to the external auditor during the fiscal year in which the services are provided; (2) the services were not recognized as non-audit services by the Corporation at the time of the engagement; and (3) the services are immediately brought to the attention of the Committee and approved, prior to the completion of the audit.

4. Internal controls and integrity of financial statements and processes

The Committee shall oversee the Corporation's systems of internal controls, including IT systems and shall monitor the integrity of the financial statements, including any confidential or other disclosures of potential fraud.

5. Review of Financial Matters

The Committee will review management's plans and strategies around treasury risk management, corporate finance and financial capital allocation, including reviewing financing transactions at the corporate and project development level, such as offerings of debt and equity securities and obtaining, amending or extending credit facilities, and recommending the same to the Board.

6. Review of Financial Statements and other Filings

The Committee shall review the Corporation's financial statements, management's discussion and analysis, annual, interim earnings press releases and other press releases disclosing financial information, prospectuses, and disclosures of forward-looking financial information, and shall determine whether to recommend approval thereof to the Board before such documents are publicly disclosed by the Corporation.

The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, financial forecasts, and must assess the adequacy of such procedures on an annual basis.

7. Compliance with Laws and Regulations

The Committee shall receive regular reports with respect to compliance with laws and regulations having a material impact on the financial statements, including but not limited to tax matters.

8. Complaints and "Whistle Blowers"

The Committee shall establish procedures for:

- (A) the receipt, retention and treatment of complaints received by the Corporation and the Entities regarding accounting, internal accounting controls, or auditing matters; and
- (B) the confidential, anonymous submission by employees of the Corporation or of the Entities of concerns regarding questionable financial reporting, accounting or auditing matters.

9. Financial Risk Management and Insurance

The Committee shall review and report to the Board at least annually significant financial risks, financial risk management strategies, and financial risk management policies for the Corporation

and the Entities in the following areas and such other areas as the Committee may deem appropriate from time to time:

- (A) financial risk management exposures, strategies, policies and board reporting, including foreign currency, interest rate, liquidity and commodity hedging risks; and
- (B) insurance coverage.

Composition of the Audit Committee

1. Number of Members

The Committee shall be composed of at least three directors of the Corporation, appointed by the Board from time to time. Each member of the Committee shall continue to be a member until a successor is appointed unless the member resigns, ceases to be qualified to serve or ceases to be a director. The Chair of the Committee shall be appointed by the Board.

2. Financial Literacy

Every member of the Committee must be financially literate. An Committee member who is not financially literate may be appointed to the Committee, provided that such a member becomes financially literate within a reasonable period of time following his or her appointment.

“Financially literate” means having the ability 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 Corporation’s financial statements.

3. Independence

Each member of the Committee must be a director who is independent for the purpose of the Audit Committee Rule, that is a director who has no direct or indirect material relationship with the Corporation or the Entities, as applicable, other than interests and relationships arising from the holding of shares of the Corporation. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgment. Appendix I to this Charter describes in greater detail the requirements under the Audit Committee Rule and other applicable securities laws in effect as at the date of this Charter concerning the circumstances in which an individual is considered to have a material relationship with an issuer.

4. Position Description - Audit Committee Chair

The fundamental responsibility of the Chair of the Committee is to effectively manage the duties of the Committee with respect to the Corporation:

Key Responsibilities of the Chair

- ensures that the Committee is properly organized, functions effectively and meets its obligations and responsibilities
- establishes the frequency of Committee meetings and reviews such frequency from time to time, as considered appropriate, or as requested by the Board or the Committee
- presides at Committee meetings
- establishes the agenda and related matters for Committee meetings
- liaises and communicates with the Chair of the Board as necessary to co-ordinate input from the Committee for Board meetings
- liaises and communicates with the Corporation's external auditors and internal control service providers as necessary
- on behalf of the Committee, reports to the Board on Committee meetings
- serves as a person to whom confidential disclosures, including possible fraud, may be made under the Corporation's Financial Integrity Policy

Authority and Resources of the Audit Committee

The Committee has the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties. For greater certainty the Committee has the authority to retain, at the Corporation's expense, special legal, accounting or such other advisors, consultants or experts it deems necessary in the performance of its duties;
- (b) set and pay the compensation for any advisors employed by the Committee. The Corporation or the Entities shall at all times make adequate provisions for the payment of all fees and other compensation, approved by the Committee, to the external auditor in connection with the issuance of its audit report, or to any consultants or experts employed by the Committee;
- (c) communicate directly with the internal and external auditors and external internal control service providers; and
- (d) conduct any investigation which it considers appropriate, and to communicate directly with and have direct access to the internal and external auditor as well as officers and employees of the Corporation and the Entities, as applicable.



Confirmed by the Board of Directors on December 9, 2020.

Appendix 1

Meaning of Independence

Part A: Meaning of Independence

1. An Audit Committee member is independent if he or she has no direct or indirect material relationship with the issuer.
2. For the purposes of subsection (1), a **“material relationship”** is a relationship which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgement.
3. Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 1. is a partner of a firm that is the issuer’s internal or external auditor,
 2. is an employee of that firm, or
 3. was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual;
 1. is a partner of a firm that is the issuer’s internal or external auditor,
 2. is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 3. was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer’s current executive officers serves or served at that same time on the entity’s compensation committee; and

- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12-month period within the last three years.
- 4. For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- 5. For the purposes of clause (3)(f), direct compensation does not include:
 - (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- 6. Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
 - (a) has previously acted as an interim chief executive officer of the issuer, or
 - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- 7. For the purpose of Part A, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Part B: Additional Independence Requirements

1. Despite any determination made under Part A, an individual who
 - (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its subsidiary entities,is considered to have a material relationship with the issuer.
2. For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
 - (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.
3. For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.