



## MANDATE OF THE FINANCE AND AUDIT COMMITTEE

AUGUST 30, 2017

### I. GENERAL

#### 1. Purpose of the Committee

The purpose of the Finance and Audit Committee (the “**Committee**”) is to assist the board of directors (the “**Board**”) of the Beer Store (“**TBS**”) in fulfilling its responsibilities relating to finance and audit matters, in all cases in accordance with the terms of the unanimous shareholders agreement dated January 1, 2016 between TBS and its shareholders, as amended from time to time (the “**Shareholders Agreement**”). If there is any inconsistency between a provision in this Mandate and a provision in the Shareholders Agreement, the provision in the Shareholders Agreement will govern.

#### 2. Authority of the Committee

- (a) The Committee has the authority to delegate to individual members or subcommittees of the Committee.
- (b) In performing its functions, the Committee is entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors.
- (c) The Committee shall have the authority to retain and approve the reasonable fees and retention terms of its outside advisors.
- (d) The Committee will have unrestricted access to TBS management, employees, books and records as required to fulfill this Mandate.

### II. PROCEDURAL MATTERS

#### 1. Composition of the Committee

The Committee will be composed of a minimum of three members as follows:

- (a) at least one member must be an Independent Director (as defined in the Shareholders Agreement)<sup>1</sup>;
- (b) at least one member must be a Major Shareholder Nominee (as defined in the Shareholders Agreement) of Labatt; and
- (c) at least one member must be a Major Shareholder Nominee of Molson,

and provided, however, that an equal number of Major Shareholder Nominees of each of Labatt and Molson, must together constitute a majority of the members of the Committee for so long as Labatt and Molson are entitled to nominate and elect a majority of the directors of TBS pursuant to Section 4.1(e) or Section 4.1(g) of

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<sup>1</sup> Section 4.9(b) of the Shareholders Agreement.

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## **2. Member Qualifications**

- (a) Every Committee member must be a director of TBS.
- (b) Every Committee member must have the ability to read and understand financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can be expected to be raised by TBS's financial statements.
- (c) At least one member of the Committee must have accounting or related financial management experience or expertise.

## **3. Member Appointment and Removal**

- (a) Members of the Committee will be appointed by the Board, based on the recommendations of the Governance and Human Resources Committee. The members of the Committee will be appointed at the time of each annual meeting of shareholders of TBS and will hold office until the next annual meeting of shareholders of TBS or until they are removed by the Board or until they cease to be directors of TBS, in each case, in accordance with the terms of the Shareholders Agreement.
- (b) Subject to and in accordance with the terms of the Shareholders Agreement and Mandate of the Board of Directors, where a vacancy occurs at any time in the membership of the Committee, such vacancy may be filled by the Board on the recommendation of the Committee, and will be filled by the Board if the membership of the Committee falls below the minimum composition requirements for the Committee in Section II.1 above.

## **4. Committee Structure and Operations**

### **(a) Chair**

- (i) The Board will appoint one member of the Committee to act as Chair of the Committee. The Chair of the Committee may be removed at any time at the discretion of the Board.
- (ii) The Chair of the Committee will chair meetings of the Committee, but will not be entitled to a second or casting vote. If the Chair of the Committee is absent from any meeting, the Committee will select one of the other members of the Committee to preside at that meeting.
- (iii) The Chair of the Committee will act as the effective leader of the Committee consistent with the Position Description for Chairs of Committees.

### **(b) Meetings**

- (i) The Chair of the Committee will determine the schedule and frequency of Committee meetings. However, the Committee will meet at least four times per year.
- (ii) The *Business Corporations Act* (Ontario) ("**OBCA**") provides that the auditor of TBS or a member of the Committee may also call a meeting of the Committee.
- (iii) The Chair of the Committee will be responsible for developing and setting the agenda for Committee meetings with the assistance of the most senior officer of TBS responsible for finance and the Secretary. Appropriate materials will be provided to the Committee in advance of meetings, although the Committee recognizes that in certain cases this may not be possible. Materials presented to the Committee should be as concise as possible, while

providing sufficient information for the members to make an informed judgment.

(c) **Notice**

Written or electronic notice of any meeting of the Committee will be given to each member of the Committee at least five business days prior to the scheduled date of such meeting, unless such notice is waived by all of the members.

(d) **Quorum**

A quorum for any meeting of the Committee will consist of:

- (i) an equal number of Major Shareholder Nominees of each of Labatt and Molson, who together must constitute a majority of the members present at any meeting of the Committee for so long as Labatt and Molson are entitled to nominate and elect a majority of the directors of TBS pursuant to Section 4.1(e) or Section 4.1(g) of the Shareholders Agreement; and
- (ii) at least one Independent Director<sup>2</sup>.

(e) **Attendees**

- (i) The OBCA provides that the auditor of TBS is entitled to receive notice of every meeting of the Committee and, at the expense of TBS, to attend and be heard at every meeting, and, if so requested by a member of the Committee, must attend every meeting held during the term of office of the auditor. The auditor is also entitled to attend at the expense of TBS and be heard at meetings of the Board on matters relating to the auditor's duties.
- (ii) Board members who are not Committee members shall, upon providing reasonable advance notice to the Chair of the Committee, be permitted to attend meetings of the Committee as observers without voting rights.
- (iii) The Committee may invite such other directors, officers and employees of TBS and advisors as it sees fit from time to time to attend meetings of the Committee and assist in the discussion and consideration of matters relating to the Committee.
- (iv) Members may attend meetings of the Committee in person, by telephone or by video conference or other communication facilities that permit all individuals participating in the meeting to hear and communicate with each other simultaneously, and a member participating in such a meeting by such means will be deemed to be present at the meeting.

(f) ***In Camera Sessions***

At the end of each Committee meeting, the Committee will meet with the auditor (and then without the auditor) without any members of management or any other persons present (other than the Secretary (or his or her designate), who may be invited to continue to take minutes). At least annually the Committee will meet separately with the TBS head of internal audit and separately with a senior member of TBS management in the finance department.

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<sup>2</sup> Section 4.10 of the Shareholders Agreement.

**(g) Records**

Minutes of meetings of the Committee will be recorded by the Secretary of TBS (or his or her designate) and will be subsequently presented to the Committee for review and approval. The Secretary will maintain a copy of the minutes of all meetings of the Committee.

**5. Committee and Mandate Review**

- (a) The Committee will conduct an annual assessment of its effectiveness and contribution, including a review of its compliance with this Mandate, in accordance with the process developed by the Board. The Committee will report the results of such assessment to the Board.
- (b) The Committee will also review and assess the adequacy of this Mandate on an annual basis and will recommend changes to the Board. Any changes to this Mandate must be approved by the Board, including the approval of a majority of the Independent Directors then in office.<sup>3</sup>

**6. Reporting to the Board**

The Committee will regularly report to the Board on all significant matters it has considered and addressed and with respect to such other matters that are within its responsibilities, including any matters approved by the Committee or recommended by the Committee for approval by the Board.

**III. RESPONSIBILITIES**

**1. General**

The Committee is responsible for:

- (a) overseeing TBS's financial and other reporting, internal controls and management information systems;
- (b) identifying the principal risks of TBS's business related to finance and audit matters and overseeing the implementation of appropriate systems to manage these risks; and
- (c) overseeing TBS' compliance with applicable laws and regulations and its compliance with all significant policies and procedures approved by the Board from time to time in relation to finance and audit matters.

**2. Financial and Other Reporting**

**(a) Quarterly Unaudited Financial Statements**

The Committee is responsible for:

- (i) meeting and reviewing with management, and if applicable the independent auditors, the unaudited financial statements of TBS for and as at the end of each quarter, and a related discussion of variances from the Annual Budget (as defined in the Shareholders Agreement);

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<sup>3</sup> Section 4.9(d) of the Shareholders Agreement.

- (ii) if applicable, discussing the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under applicable auditing standards; and
- (iii) based on these reviews, approving the quarterly unaudited financial statements of TBS for delivery to the shareholders of TBS, which delivery must occur as soon as practicable, but in any event within 45 days after the end of each quarter of TBS's financial year.<sup>4</sup>

**(b) Annual Audited Financial Statements**

The Committee is responsible for:

- (i) meeting and reviewing with management and the independent auditors the audited annual financial statements of TBS (together with the audit report of the independent auditors), including (1) major issues regarding accounting principles and financial statement presentations, including significant changes in the selection or application of accounting principles, (2) major issues regarding the adequacy of internal controls and steps taken in light of material deficiencies, and (3) the effects of regulatory and accounting initiatives on the financial statements;
- (ii) discussing (1) the results of the annual audit, (2) any difficulties the independent auditors encountered in the course of their audit work, including any restrictions on the scope of the auditors' activities or on access to requested information, and any significant disagreements with management, (3) management's response to any difficulties encountered in the course of the auditors' audit work, and (4) any other matters required to be communicated to the Committee by the independent auditors under applicable auditing standards; and
- (iii) based on these reviews, making a recommendation to the Board as to whether the audited annual financial statements of TBS (together with the audit report of the independent auditors) should be approved by the Board and (1) delivered to the shareholders of TBS, which delivery must occur as soon as practicable, but in any event within 90 days after the end of each financial year of TBS, and (2) made available to the public on TBS's website.<sup>5</sup>

**(c) Annual Operations Report**

The Committee is responsible for:

- (i) meeting and reviewing with management TBS's annual operations report, which will include among other things details of the amount and use of capital expenditures incurred in the year to which the report relates; and
- (ii) based on this review, making a recommendation to the Board as to whether the annual operations report should be approved by the Board and made available to the public on TBS's website.<sup>6</sup>

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<sup>4</sup> Section 5.3(a)(i) of the Shareholders Agreement.

<sup>5</sup> Sections 5.3(a)(ii) and 5.4(a) of the Shareholders Agreement.

<sup>6</sup> Section 5.4(b) of the Shareholders Agreement.

**(d) Annual Budget and Annual Business Plan**

The Committee is responsible for:

- (i) meeting and reviewing with management a detailed budget and detailed business plan for each financial year, together with an analysis of the impact of such budget on the Rate Sheet (as defined in the Shareholders Agreement); and
- (ii) based on this review, making a recommendation to the Board as to whether this detailed budget and detailed business plan should be approved by the Board (which once approved in accordance with the Shareholders Agreement will become the Annual Budget and Annual Business Plan as defined in the Shareholders Agreement) and delivered (together with the analysis of the impact of such Annual Budget on the Rate Sheet) to the shareholders of TBS, which delivery must occur as soon as practicable, but in any event within 30 days after the beginning of each financial year of TBS.<sup>7</sup>

**3. Internal Controls and Management Information Systems**

The Committee is responsible for:

- (a) discussing with management, the internal audit department, and the independent auditors TBS's internal control over financial reporting (with particular emphasis on the scope and performance of the internal audit function), and reviewing and discussing with the internal audit department the results of the internal audit program in relation to internal controls;
- (b) reviewing and discussing TBS's systems of internal control over financing reporting and the adequacy and effectiveness of assessments of such controls by the President and Vice-President, Finance;
- (c) inquiring of TBS's management as to the existence of any significant deficiencies in the design or operation of internal controls that could adversely affect TBS's ability to record, process, summarize and report financial data, any material weaknesses in internal controls, and any fraud, whether or not material, that involves management or other employees who have a significant role in TBS's internal controls;
- (d) reviewing TBS's fraud prevention and detection procedures
- (e) reviewing TBS's controls and financial reporting systems to ensure merchandising, marketing, promotions and shelf space data for brewers is complete and accurate; and
- (f) otherwise overseeing TBS's management information systems

**4. Audit Matters**

**(a) Independent Auditors**

The Committee is responsible for:

- (i) recommending the appointment of the auditors to the shareholders of TBS and retaining, compensating and evaluating the independent auditors, including having sole authority to

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<sup>7</sup> Section 5.3(a)(iii) of the Shareholders Agreement.

approve all audit engagement fees and terms, with a view to the independent auditors ultimately being accountable to, and reporting directly to, the Committee and the Board;

- (ii) providing oversight of the work of the independent auditors, including resolution of disagreements between management and the independent auditors regarding financial reporting;
- (iii) reviewing, assessing and discussing the qualifications, independence and performance of the independent auditors and lead audit partner and reporting its conclusions to the Board;
- (iv) obtaining and reviewing annually a report by the independent auditors describing (1) the firm's internal quality-control procedures, and (2) any material issues raised by the most recent quality-control review of the independent auditors, or by any inquiry or investigation by any governmental or professional authorities, within the preceding five years, respecting any independent audits carried out by the firm and any steps taken to deal with any such items;
- (v) at least annually, considering the independence of the independent auditors and obtaining and reviewing a report by the independent auditors describing all relationships between the independent auditors or their affiliates and TBS or individuals in financial reporting oversight roles at TBS that may reasonably be thought to bear on independence and discuss with the independent auditors the potential effects of any such relationships on independence;
- (vi) reviewing with the independent auditors their audit plan, including discussing scope, staffing, locations, reliance upon management and internal audit, and general audit approach;
- (vii) reviewing and discussing significant findings by the independent auditors, any audit problems or difficulties (including any restrictions on scope of the audit or access to requested information) and management's responses and follow-up;
- (viii) obtaining from the independent auditors in connection with any audit a timely report relating to TBS's annual audited financial statements describing (1) all critical accounting policies and practices used, (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and (3) any other written communications between the independent auditors and management or analyses setting forth significant financial reporting issues and judgments, such as any "management" letter or schedule of unadjusted differences;
- (ix) obtaining from the independent auditors assurance that (1) the audit was conducted in a manner consistent with auditing standards, and (2) the firm has identified and reported any fraud that has come to its attention in connection with its audit of TBS's financial statements;
- (x) pre-approving all audit services, internal control-related services and, to the extent permitted by TBS' policies on non-audit services, all non-audit services provided by the independent auditors; and
- (xi) discussing with management the timing and process for rotation of the lead audit partner, the concurring partner and any other active audit engagement partner and considering whether there should be a regular rotation of the audit firm itself; and

- (xii) establishing hiring policies or guidelines for employees or former employees of the independent auditor.

(b) **Internal Audit**

The Committee is responsible for:

- (i) annually reviewing the internal audit mandate and the audit project plan, including significant changes to the plan, activities, organizational structure and qualifications of the internal audit department;
- (ii) reviewing the performance of the TBS head of internal audit and approving the appointment or replacement of the head of internal audit;
- (iii) reviewing significant reports prepared by the internal audit department and management's responses and follow-up; and
- (iv) reviewing and resolving any significant disagreements between the internal audit department and management that otherwise cannot be resolved and communicating the decision regarding such disagreements to the internal audit department and management.

**5. Other Finance Matters**

The Committee is responsible for:

- (a) monitoring TBS's accounting, financial, hedging and investment policies and strategies, as well as its tax strategies and legal entity structure;
- (b) monitoring TBS's financial condition and its requirement for funds, including with respect to acquisitions and divestitures;
- (c) monitoring the investment performance and funding of TBS's pension funds (provided that nothing in this Mandate will impose on the Committee any fiduciary duties with respect to such pension funds or authority or responsibility for underlying investment decisions by such pension funds); and
- (d) monitoring TBS's debt portfolio, interest rate risk and expense management (including the President's expenses), credit facilities and liquidity.

**6. Risk Management**

The Committee is responsible for:

- (a) reviewing and discussing with management, the internal audit department, and the independent auditors TBS's policies and procedures with respect to risk assessment, enterprise risk management and insurance;
- (b) reviewing and discussing TBS's major financial (including interest and commodity) risk exposures and the steps management has taken to monitor and address such exposures; and
- (c) reviewing and discussing risks related to TBS's systems and procedures.

**7. Compliance**

The Committee is responsible for:



- (a) reviewing and discussing with management its assessment of legal matters that could have a material or significant effect on TBS's financial statements;
- (b) reviewing and discussing with management the sufficiency of TBS's internal legal controls and any issues involving TBS's or its employees' compliance with applicable laws and regulations and significant policies and procedures approved by the Board from time to time in relation to finance and audit matters; and
- (c) establishing and maintaining procedures for (i) the receipt, retention and treatment of complaints received by TBS regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by TBS employees of concerns regarding questionable accounting or auditing matters.

**8. Fiduciary Duties**

Nothing in this Mandate shall impose on the Committee or its members any fiduciary duties beyond their fiduciary duties as Board members as set out in the TBS Shareholders Agreement and applicable laws.