

## **TIMBERCREEK FINANCIAL CORP.**

### **AUDIT COMMITTEE CHARTER**

#### **1.0 PURPOSE**

1.1 The primary responsibility for the financial reporting, accounting systems and internal controls of Timbercreek Financial Corp. (the “**Corporation**”) is vested in the manager of the Corporation, Timbercreek Asset Management Inc. or such other manager as may be appointed by the Corporation from time to time in accordance with the articles (the “**Articles**”) of the Corporation (the “**Manager**”).

1.2 The Audit Committee is a standing committee of the Board of Directors of the Corporation (the “**Board**”) established to oversee the financial reporting process. The primary responsibilities of the Audit Committee include the following:

- review the integrity of the Corporation’s financial statements, management’s discussion and analysis (“**MD&A**”), annual and interim profit or loss press releases and other financial disclosures of the Corporation;
- monitor the integrity of the financial reporting and disclosure processes and the system of internal controls that the Management and the Board have established;
- monitoring the Corporation’s compliance with legal and regulatory requirements;
- selecting the external auditors for recommendation to the Board;
- reviewing the qualifications, independence and performance of the external auditors; and
- establishing procedures for complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission to the Corporation of concerns regarding questionable accounting or auditing matters.

#### **2.0 MEMBERSHIP AND ORGANIZATION**

##### **2.1 Composition**

The Audit Committee shall consist of not less than three or more than six independent members of the Board. At the invitation of the Audit Committee, members of the Management and others may attend Audit Committee meetings, as the Audit Committee considers necessary or desirable.

##### **2.2 Appointment and Removal of Audit Committee Members**

Each member of the Audit Committee shall be appointed by the Board on an annual basis and shall serve at the pleasure of the Board, or until the earlier of (a) the close of the next annual meeting of the voting shareholders of the Corporation at which the member's term of office

expires, (b) the death of the member or (c) the resignation, disqualification or removal of the member from the Audit Committee or from the Board. The Board may fill a vacancy in the membership of the Audit Committee.

### 2.3 Chair

The Board shall appoint a Chair of the Audit Committee. The Chair shall: be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee's compliance with this mandate, work with management to develop the Audit Committee's annual work-plan, meeting agendas and provide reports of the Audit Committee to the Board. The Chair may vote on any matter requiring a vote and shall provide a second vote in the case of a tie vote.

### 2.4 Independence

Each member of the Audit Committee shall meet the qualification requirements set out in Section 3.1 of National Instrument 52-110, including without limitation the requirement to be independent.

### 2.5 Financial Literacy

Members of the Audit Committee shall be financially literate or agree to become financially literate within a reasonable period of time following the member's appointment. An individual is financially literate if he or she has 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.

### 2.6 Service on Multiple Audit Committees

No member of the Audit Committee may serve on the audit committees of more than two other public companies, unless the Board determines that this simultaneous service would not impair the ability of the member to effectively serve on the Audit Committee.

## **3.0 MEETINGS**

### 3.1 Meetings

The members of the Audit Committee shall hold meetings as are required to carry out this mandate. The external auditors are entitled to attend and be heard at each Audit Committee meeting. The Chair, any member of the Audit Committee, the external auditors, the Chairman of the Board or the Chief Executive Officer may call a meeting of the Audit Committee by notifying the Corporate Secretary of the Corporation who will notify the members of the Audit Committee. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a Chair from their number for a meeting.

### 3.2 Notices of Meetings

Notices of Audit Committee meetings may be provided by: prepaid mail, personal delivery, facsimile, electronic mail or telephone, provided that the method of notification chosen shall be capable of being received by members of the Audit Committee and the external auditors at least 24 hours before an Audit Committee meeting at the member's contact information. Any member of the Audit Committee may in any manner waive notice of an Audit Committee meeting and attendance at an Audit Committee meeting is waiver of notice of the meeting, except where a member attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not properly called.

### 3.3 Secretary and Minutes

The Corporate Secretary, his or her designate or any other person the Audit Committee requests, shall act as secretary at Audit Committee meetings. Minutes of Audit Committee meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Audit Committee for approval.

### 3.4 Quorum

A majority of the members of the Audit Committee shall constitute a quorum. If a quorum cannot be obtained for an Audit Committee meeting, members of the Board who would qualify as members of the Audit Committee may, at the request of the Chair or the Chairman of the Board, serve as members of the Audit Committee for that meeting.

### 3.5 Resident Canadian Majority

The Audit Committee shall not transact business at an Audit Committee meeting unless a majority of the members present are "residents of Canada" under the Income Tax Act (Canada).

### 3.6 Access to Management and Outside Advisors

The Audit Committee shall have unrestricted access to management and employees of the Manager and the Corporation, and, from time to time may hold unscheduled or regularly scheduled meetings or portions of regularly scheduled meetings with the Chief Auditor, the external auditors, the Chief Financial Officer or the Chief Executive Officer. The Audit Committee shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the compensation for these advisors without consulting or obtaining the approval of the Board or any officer of the Corporation. The Corporation shall provide appropriate funding, as determined by the Audit Committee, for the services of these advisors.

## **4.0 ACCOUNTABILITIES AND RESPONSIBILITIES**

The Audit Committee shall have the accountabilities and responsibilities set out below as well as any other accountabilities as assigned by law or regulation or that are specifically delegated to the Audit Committee by the Board.

## (1) Financial Reporting

(a) General — The Audit Committee is responsible for reviewing the integrity of the Corporation's financial statements, MD&A, annual and interim profit or loss press releases and other financial disclosures prior to the public disclosure of such materials by the Corporation. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements MD&A, annual and interim profit or loss press releases and other financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Corporation. The external auditors are responsible for auditing the Corporation's annual consolidated financial statements.

(b) Review of Annual Financial Reports — The Audit Committee shall review the annual consolidated audited financial statements of the Corporation, the external auditors' report thereon and the related management's discussion and analysis (MD&A) of the Corporation's financial condition and results of operations and managements report that they present fairly, in all material respects in accordance with International Financial Reporting Standards (“IFRS”), or any other generally accepted accounting principles in which the financial statements of the Corporation are prepared from time to time, the financial condition, results of operations and cash flows of the Corporation. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.

(c) Review Considerations — In conducting its review of the annual financial statements, the Audit Committee shall:

(i) meet with management and the external auditors to discuss the financial statements and MD&A;

(ii) review the disclosures in the financial statements;

(iii) review the audit report or review report prepared by the external auditors;

(iv) discuss with management, the external auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;

(v) review critical accounting and other significant estimates and judgments underlying the financial statements as presented by management;

(vi) review any material effects of regulatory accounting initiatives, significant transactions or off-balance sheet structures on the financial statements as presented by management;

(vii) review any material changes in accounting policies and practices and their impact on the financial statements as presented by management or the external auditors;

(viii) review management's and the external auditors' reports on the effectiveness of internal control over financial reporting;

(ix) review results of the Corporation's whistleblowing program; and

(x) review any other matters, related to the financial statements, that are brought forward by the internal auditors, external auditors, management or which are required to be communicated to the Audit Committee under accounting policies, auditing standards or applicable law.

(d) Review of Public Disclosure — The Audit Committee must 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, other than the disclosure in the MD&A and annual and interim profit or loss press releases, and must periodically assess the adequacy of such procedures.

## (2) External Auditors

(a) General — The Audit Committee shall be responsible for oversight of the work of the external auditors engaged for the purpose of providing services (the “**Auditor Services**”) such as the following: preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, and auditing and reviewing the Corporation's financial statements and internal controls over financial reporting. The Audit Committee is also responsible for the resolution of disagreements between management and the external auditors regarding financial reporting .

(b) Appointment and Compensation — The Audit Committee shall review and, if advisable, select and recommend to the Board, subject to shareholder approval (as applicable) (i) the appointment of the external auditors and (ii) the compensation of the external auditors.

(c) Annual Review Report — At least annually, the Audit Committee shall obtain and review a report by the external auditors describing: (i) their internal quality-control procedures and (ii) any material issues raised by their most recent internal quality control review, peer review or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors and any steps taken to deal with any of these issues.

(d) Audit Plan — At least annually, the Audit Committee shall review a summary of the external auditors' annual audit plan. The Audit Committee shall consider and review with the external auditors any material changes to the scope of the plan.

(e) Independence of External Auditors — At least annually, and before the external auditors issue their report on the annual financial statements, the Audit Committee shall: obtain from the external auditors a formal written statement describing all relationships between the external auditors and the Corporation; discuss with the external auditors any disclosed relationships or services that may affect the objectivity

and independence of the external auditors; and obtain written confirmation from the external auditors that they are independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which they belong

(f) Evaluation and Rotation of Lead Partner — At least annually, the Audit Committee shall review the qualifications and performance of the external auditors. The Audit Committee shall obtain a report from the external auditors annually confirming that they are in compliance with all audit firm and regulatory requirements relating to partner rotation and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.

(g) Pre-Approval of Audit and Non-Audit Services — The Audit Committee shall preapprove any retainer of the external auditors for any audit and non-audit service to the Corporation or its subsidiaries in accordance with applicable law. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

(3) Internal Controls — The Audit Committee shall monitor the integrity of the financial reporting and disclosure processes and the system of internal controls that the Management and the Board have established.

(4) Regulatory Reports and Returns — The Audit Committee shall provide or review, as applicable, all reports and returns required of the Audit Committee under applicable law.

(5) Compliance with Legal and Regulatory Requirements — The Audit Committee shall receive and review regular reports from the Chief Compliance Officer, the Corporation's General Counsel, and other management members on: legal or compliance matters that may have a material impact on the Corporation; the effectiveness of the Corporation's compliance policies; and any material reports received from regulators. The Audit Committee shall review management's evaluation of and representations relating to compliance with specific regulatory requirements, and management's plans to remediate any deficiencies identified.

(6) Whistleblowing Procedures — The Audit Committee shall establish, approve and periodically review the procedures for (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation or others of concerns regarding questionable accounting or auditing matters.

(7) Hiring Policies — The Audit Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

(8) Succession Planning — In consultation with the management resources, the Audit Committee shall review succession plans for the Chief Financial Officer of the Corporation.

(9) Adverse Investments and Transactions — The Audit Committee shall review any investments and transactions that could adversely affect the well-being of the Corporation.

(10) Audit Committee Disclosure — The Audit Committee shall review and approve any audit committee disclosures required by securities regulators in the Corporation's disclosure documents.

(11) Assessment of Regulatory Compliance — The Audit Committee shall review management's assessment of compliance with laws and regulations as they pertain to responsibilities under this mandate, report any material findings to the Board and recommend changes it considers appropriate.

(12) Delegation — The Audit Committee may designate a sub-committee to review any matter within this mandate as the Audit Committee deems appropriate.

(13) Review of Charter – The Board will review and reassess this Charter at least once annually to determine whether revisions are necessary. The Audit Committee shall periodically self-assess its performance and effectiveness in fulfilling its role.

(14) Minutes – The minutes of all meetings of the Audit Committee shall be provided to the Board. The Audit Committee shall appoint a secretary who shall record the proceedings of the meetings.

## **5.0 REPORTING TO THE BOARD**

5.1 The Chair shall report to the Board, as required by applicable law or as deemed necessary by the Audit Committee or as requested by the Board, on matters arising at Audit Committee meetings and, where applicable, shall present the Audit Committee's recommendation to the Board for its approval.