



# AUDIT COMMITTEE

## TERMS OF REFERENCE

### Purpose

The purpose of the Audit Committee of the Board of Directors (the "**Committee**") is to assist the Board of Directors (the "Board") of Keyera Corp. in fulfilling its responsibilities in relation to financial matters. The Committee's role includes monitoring and overseeing the quality of the financial reporting and systems of internal control and the financial risk management of Keyera Corp. and its subsidiaries, including Keyera Partnership (collectively Keyera Corp. and its subsidiaries being referred to as "**Keyera**"). The Committee shall serve as the ultimate authority to which Keyera Corp.'s internal and external auditors are accountable.

### Mandate

Management is responsible for preparing the interim and annual financial statements of Keyera and for maintaining systems of risk assessment, risk management and internal controls to provide reasonable assurance that assets are protected and that transactions are authorized, recorded, and reported properly. The Committee is responsible for reviewing and monitoring management's actions and for overseeing the work of the external auditor.

1. Financial Performance and Reporting. The Committee has responsibility for monitoring and reviewing financial performance and reporting by Keyera. The Committee shall:
  - (a) receive quarterly reports from management with respect to the financial performance of Keyera;
  - (b) review with management and the external auditors the financial reporting of Keyera in connection with the annual audit and the preparation of financial statements, including, without limitation, the judgment of the external auditors as to the quality and appropriateness of the accounting principles as applied in that financial reporting;
  - (c) receive the report of the external auditors on the annual financial statements of Keyera;
  - (d) review with the external auditors, (i) the annual financial statements of Keyera; (ii) the audit of those financial statements; and (iii) the report of the external auditors thereon; in order to confirm that the external auditors are satisfied with the disclosure to them of appropriate information and the content of the financial statements;
  - (e) review with management and make recommendations to the Board of Directors relating to (i) the audited annual financial statements of Keyera, and (ii) Management's Discussion and Analysis ("MD&A") in respect of Keyera's annual financial statements, and (iii) the accompanying report of the Chief Executive Officer and press release;
  - (f) receive the report of the external auditors on Keyera's interim financial statements;
  - (g) review with management and the external auditors (i) Keyera's interim financial statements, (ii) the review of those financial statements, and (iii) the auditor's report on their review and review with management the MD&A in relation thereto (along with the



accompanying report of the Chief Executive Officer and press release) and make recommendations to the Board relating to the interim financial statements, MD&A and related documents;

- (h) review and make recommendations to the Board with respect to Keyera's Annual Information Form and those aspects of Information Circular related to the Committee (including with respect to the appointment of auditors);
  - (i) review and make recommendations to the Board of Directors relating to any prospectus required to be filed in connection with an offering of securities by Keyera;
  - (j) receive a report from the general counsel each quarter and review with management, and, if necessary, the external auditors and legal counsel, any litigation, claim or contingency, including tax assessments (collectively "Claims"), that could have a material effect upon the financial position of Keyera and the manner in which such Claims may be, or have been, disclosed in the financial statements;
  - (k) review with management accounting practices, policies, significant estimates and instances of management override of controls and the financial impact thereof; and
  - (l) review accounting, tax and financial aspects of the operations of Keyera as the Committee considers appropriate.
2. Financing Strategy and Oversight. The Committee has responsibility for overseeing Keyera's financing strategy. The Committee shall:
- (a) review with management Keyera's dividend policy, dividend recommendations, financial structure, proposed financings and overall financing strategy.
3. Relationship with the External Auditors. The Committee has responsibility for the relationship with the external auditors relating to audit, review and attest services. The Committee shall:
- (a) subject to applicable law and the rights of shareholders and the Board, be directly responsible, for the appointment, compensation, and retention of the external auditors and oversight of their work relating to their audit (including resolution of disagreements between management and the external auditors regarding financial reporting), their preparation or issuance of an audit report, or their performance of other audit, review or attest services for Keyera;
  - (b) be responsible for requiring the external auditors to report directly to the Committee;
  - (c) review and approve the audit plans of the external auditors of Keyera;
  - (d) meet separately with the external auditors to discuss matters of mutual interest, and to consider any matter that the external auditors recommend that the Committee bring to the attention of the full Board;



- (e) pre-approve significant non-audit engagements, including audit-related activities and other services, of the external auditors and review the fees paid and other terms for these engagements;
  - (f) review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with Keyera in order to determine the external auditors' independence, including, without limitation, (A) requesting, receiving and reviewing, on a periodic basis, a statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to Keyera, (B) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (C) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;
  - (g) periodically consider whether external auditors should be precluded from providing non-audit services to Keyera;
  - (h) assess the effectiveness and performance of the external auditors; and
  - (i) determine whether restrictions should be placed on the recruitment by Keyera of employees and management from the external auditors.
4. Internal Audit and Controls. The Committee has an oversight responsibility for the design, maintenance and assessment of internal controls and the internal audit function by Keyera's management. The Committee shall:
- (a) oversee the internal audit function;
  - (b) review and consider, as appropriate, any significant reports and recommendations issued by Keyera or any external party relating to internal audit issues, together with management's response thereto;
  - (c) receive a report each quarter on management overrides of internal controls and review with management and the external auditors any issues arising from overrides;
  - (d) review with management, and the external auditors, the effectiveness of the disclosure controls and internal controls of Keyera, and review whether those controls are in compliance with legal and regulatory requirements and with the policies of Keyera;
  - (e) establish procedures for the receipt, retention and treatment of complaints received by Keyera regarding accounting, internal controls or auditing matters, including the confidential, anonymous submission by employees of Keyera of concerns regarding illegal activity or questionable accounting or auditing matters;



- (f) review with management, prior to consideration by the Board, the proposed appointment, re-assignment or removal of the Chief Financial Officer of Keyera Corp.;
  - (g) review the adequacy of internal controls and procedures related to the expense accounts of officers of Keyera at the level of Vice-President and above, including officers' use of corporate assets, and consider the results of any reviews by the external auditors; and
  - (h) review the financial aspects of any transactions of Keyera that involve related parties (other than wholly-owned subsidiaries).
5. Risk Management. The Committee has a responsibility for monitoring and reviewing financial risk assessment and management programs. The Committee shall:
- (a) review with management the identification, assessment and management of significant financial risks and exposures;
  - (b) review the processes implemented or proposed by management to identify material financial risks associated with Keyera's businesses, and review management's implementation of appropriate processes and systems to manage and mitigate those risks;
  - (c) review the management of risks associated with Keyera's information technology systems, including the effectiveness of Keyera's cyber security practices; and
  - (d) review management's program to obtain appropriate insurance to mitigate risks and coverage, deductibles and key issues regarding corporate insurance policies.

## Committee and Procedures

### 1. Composition of Committee.

The Committee shall consist of not less than three and not more than six Directors, at least one-half of whom are resident Canadians (as defined in the *Business Corporations Act* (Alberta)), all of whom are independent of Keyera within the meaning of applicable laws, rules, policies, guidelines and requirements, as affirmatively determined by the Board. In addition, all members of the Committee shall be financially literate as determined by the Board from time to time. Determinations as to whether a particular Director satisfies the requirements for membership on the Committee shall be made by the full Board.

### 2. Appointment of Committee Members

Members of the Committee shall be appointed from time to time and shall hold office at the pleasure of the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board. The Board shall fill any vacancy if the membership of the Committee is less than three Directors.



3. Committee Chair

The Board shall appoint a Chair for the Committee.

4. Absence of Committee Chair

If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the meeting.

5. Secretary of Committee

The Committee shall appoint a Secretary who need not be a Director of Keyera Corp.

6. Meetings

The Committee shall meet at least four times per year and shall meet at such other times during each year as it deems appropriate. In addition, the Chair of the Committee may call a special meeting of the Committee at any time. The Committee shall ensure that it meets the external auditors on a regular basis in the absence of management.

7. Quorum

A majority of the members of the Committee shall constitute a quorum.

8. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing (including by way of written facsimile communication) to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided however, that a member may in any manner waive a notice of a meeting; and attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

9. Attendance at Meetings

At the invitation of the Chair of the Committee, one or more officers of Keyera may attend any meeting of the Committee. Any independent director may attend any meeting of the Committee.

10. Procedure, Records and Reporting

Subject to any statute or the articles and by-laws of Keyera Corp., the Committee shall fix its own procedures at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the next quarterly meeting of the Board). The minutes of its meetings shall be distributed to all directors. All independent Directors shall be provided with access to any materials distributed to members of the Committee.



11. Assessment

The Audit Committee should assess from time to time its own performance, considering responsiveness to the Terms of Reference of the Audit Committee and the effectiveness of relationships and communications with management, the internal auditors, the external auditors and the Board of Directors.

12. Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

13. Independent Advisors

The Committee has the authority to retain independent legal, compensation or other advisors to advise the Committee or a member of the Committee independently on any matter. The Committee (subject to the Board's oversight) has the authority to retain and terminate such advisors, including the authority to approve fees and other terms of the retainer.

14. Review of Terms of Reference

The Committee shall review and reassess the adequacy of these Terms of Reference at least annually, and otherwise as it deems appropriate, and recommend changes to the Board.