

NOVA SCOTIA GAMING CORPORATION
AUDIT COMMITTEE TERMS OF REFERENCE

I. OPERATING PRINCIPLES

The Audit Committee shall fulfill its responsibilities within the context of the following principles:

1. *Committee Values*

The Audit Committee (Committee) expects the management of the Nova Scotia Gaming Corporation (NSGC) and its operator(s) to operate in compliance with its corporate policies and with laws and regulations governing NSGC; to identify and manage risk; and, to maintain strong financial reporting and control processes.

2. *Communications*

The Chair (and others on the Committee) expects to have direct, open and frank communications throughout the year with the CEO, the external auditors, the internal auditors of its operator(s) and any other key Committee advisors as applicable.

3. *Financial Literacy*

All Audit Committee members should be sufficiently versed in financial matters to understand NSGC's accounting practices and policies and the major judgements involved in preparing the financial statements, forecasts and any other significant financial reports.

The Chair of the Audit Committee should preferably have a professional accounting designation.

4. *Annual Audit Committee Meeting Schedule / Work Plan*

The Committee, in consultation with the CEO and appropriate staff, shall develop an annual Audit Committee Meeting Schedule / Work Plan that is responsive to the Committee's responsibilities as set out in the Terms of Reference. In addition, the Committee, in consultation with the CEO and appropriate staff and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact NSGC's financial disclosure.

A proposed annual meeting schedule / work plan is provided.

5. Meeting Agenda

Committee meeting agendas shall be the responsibility of the Chair of the Audit Committee.

6. Committee Expectations and Information Needs

The Committee shall communicate its expectations to the CEO and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from the CEO and the external auditors at least one week in advance of meeting dates.

7. External Resources

To assist the Committee in discharging its responsibilities, the Committee may, at the expense of NSGC, retain one or more persons having special expertise in addition to the external auditors.

8. In-camera Meetings

At each meeting of the Committee, the members of the Committee may meet in private session with the external auditors, with management, and with the Committee members only.

9. Reporting to the Board of Directors

The Committee, through its Chair, shall report after each Committee meeting to NSGC's Board of Directors (Board) at the Board's next regular meeting.

10. Committee Self-Assessment

The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its Terms of Reference and Compliance with its Terms of Reference.

11. External Auditors

The Committee expects that, in discharging its responsibilities to the shareholder, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee. No non-audit services shall be provided to NSGC by its external auditors unless they are pre-approved by the Committee. The Committee will consider the external auditors for these services if it is clearly demonstrated that the auditing firm is superior to other firms or that the performance of the service is enhanced by the external auditors' knowledge of NSGC.

12. Term and Membership

The Board Chair shall make recommendations regarding Committee membership to the Board of Directors, who shall appoint the Audit Committee members. The Committee shall be composed of one independent member and not fewer than two directors, none of whom shall be officers or employees of NSGC.

Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee upon ceasing to be a director of NSGC.

Subject to the foregoing, each member of the Committee shall hold office until such time as a successor has been appointed to the Committee.

13. Independence

Each member of the Committee must be independent. They shall not be officers or employees of NSGC, nor shall they have a material relationship with NSGC, i.e., a relationship that could, in the view of NSGC's Board of Directors, reasonably interfere with the exercise of a member's independent judgement.

Each member shall sign a statement annually, stating that they continue to be independent.

II. OPERATING PROCEDURES

1. The Committee shall meet quarterly. Meetings shall be held at the call of the Chair, upon the request of two (2) members of the Committee or at the request of the external auditors.
2. A majority of Committee members shall constitute a quorum.
3. The Committee Chair shall be appointed by the Chair of the Board of Directors and the Recording Secretary of the Board shall be the Recording Secretary of the Committee or designate.
4. In the absence of the Chair of the Committee, the members shall appoint an acting Chair.
5. A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of NSGC in a timely fashion.
6. The times and places where meetings of the Committee are to be held and the calling of and procedure at such meetings shall be determined from time to time by the Committee.

7. In accordance with NSGC's Reimbursement of Expenses Policy, the Chair of the Audit Committee shall review and approve the Chair of the Board of Directors' expense claims. In accordance with the Corporate Governance Policy, the Chair of the Audit Committee shall approve the Chair of the Board of Directors' fee claims. If the two Chair positions are held by the same person, another designated Board member shall review and approve the claims.
8. The Recording Secretary shall advise NSGC's external auditors of the names of the members of the Committee promptly after their appointment.
9. NSGC's external auditors shall have the right to appear before and be heard by the Committee.

III. SPECIFIC RESPONSIBILITIES

1. *Financial Reporting*

The Committee shall review and recommend to the Board for approval:

- a) the annual financial statements of NSGC;
- b) any documents containing NSGC's audited financial statements, including the annual report and related documents;
- c) any management report and/or management discussion analysis prepared by management for public release from time to time, including quarterly financial reports; and,
- d) internal financial reports and related financial statements prepared on a monthly basis.

2. *Accounting Policies*

The Committee shall assess the appropriateness of accounting policies and financial reporting used by NSGC, review any significant changes in accounting policies and practices to be adopted by NSGC, and review and assess any new or pending developments in accounting and reporting standards that may affect or impact NSGC.

3. *Risk Management*

Acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing NSGC, the Committee shall determine NSGC's tolerance for risk and approve NSGC's risk management policies.

The Committee shall review with management:

- a) NSGC's tolerance for risk;
- b) its assessment of the significant risks facing NSGC;
- c) NSGC's policies and any proposed changes for managing and mitigating those significant risks; and,
- d) its plans, processes and programs to manage and control such risks.

The Committee shall review regularly with management, the external auditors and NSGC's legal counsel, any legal claims against NSGC or its operators that could have a material effect on NSGC's financial position or operating results and the manner in which these matters have been disclosed in the financial statements.

4. Financial Controls

The Committee shall ensure that appropriate internal control procedures are in place and may examine and consider such other matters in relation to the external audit of NSGC's accounts and in relation to NSGC's financial affairs.

The Committee shall meet with NSGC's management to discuss the effectiveness of the internal control procedures established for NSGC, as well as to review NSGC's summary of internal audit reports prepared by NSGC's operator(s).

5. Regulatory Compliance

The Committee shall review NSGC's systems of internal control for compliance with legal and regulatory requirements, including Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) reporting.

The Committee shall review reportable incidents and matters of regulatory non-compliance that may call into question NSGC's ability to fulfill its regulatory requirements.

"Reportable incident" for the purposes of this section means any occurrence, event or fact that NSGC management knows or has reason to believe may:

1. involve non-compliance with one or more of the following:
 - a) *Criminal Code*;
 - b) *Gaming Control Act*;
 - c) *Video Lottery Terminal Moratorium Act*;
 - d) *Atlantic Lottery Regulations*;
 - e) *Video Lottery Regulations*; and,
 - f) *Casino Regulations*.or;
2. involve material non-compliance with a requirement of the Internal Control Systems of the operator(s) related to the security or integrity of gaming products, systems or operations.

6. Product Security and Integrity

The Committee shall review with management the processes and procedures in place to ensure that products offered maintain a high standard of security and integrity.

The Committee shall meet with security personnel of NSGC's operator(s) to discuss product security and integrity issues as deemed appropriate.

7. External Auditing

The Committee shall meet with the external auditors to discuss NSGC's annual financial statements and transactions. The Committee shall assess the performance of the external auditors annually.

8. Internal Auditing

The Committee shall meet annually with the internal auditors of the operator(s) and review quarterly reports arising from these internal audit departments. The Committee shall review the activities of the Interprovincial Lottery Corporation (ILC) Audit and Risk Management Committee. The Committee shall annually assess the need for an Internal Audit function.

9. Financial and Ethical Complaints Policy

The Board has delegated responsibility for the Financial and Ethical Complaints Policy to the Committee, which shall establish procedures for:

- a) the receipt, retention and treatment of complaints received by NSGC regarding accounting, internal accounting controls, auditing and other ethical matters; and,
- b) the confidential, anonymous submission by NSGC employees of concerns regarding questionable accounting, internal accounting controls, auditing and other ethical matters.

10. Other Responsibilities

The Committee shall have the right, for the purpose of performing its duties, to inspect all of NSGC's books and records and to discuss such accounts and records and any matters relating to the financial affairs of NSGC with management and the external auditors.

The Committee shall generally perform such other duties and exercise such powers as may be directed or delegated to the Committee by the Board.

Revised: August 2007, August 2009, August 2011, September 2014, September 2017, September 2018