



## **AUDIT AND FINANCE COMMITTEE OF THE BOARD OF DIRECTORS MANDATE**

### **PURPOSE**

The primary purpose of the audit and finance committee (the “committee”) is to assist the board of directors (“board”) in fulfilling its oversight responsibilities for (a) the accounting and financial reporting processes, (b) the internal controls, (c) the external auditors, including performance, qualifications, independence, and their audit of the corporation’s financial statements, (d) the performance of the corporation’s internal audit function, (e) financial matters and risk management of financial risks, (f) the corporation’s process for monitoring compliance with laws and regulations (other than environmental and safety laws) and its code of conduct and ethics, and (g) prevention and detection of fraudulent activities. The committee shall also prepare such reports as required to be prepared by it by applicable securities laws.

In addition, the committee provides an avenue for communication between each of the internal auditor, the external auditors, management, and the board. The committee shall have a clear understanding with the external auditors that they must maintain an open and transparent relationship with the committee and that the ultimate accountability of the external auditors is to the board and the committee, as representatives of the shareholders. The committee, in its capacity as a committee of the board, subject to the requirements of applicable law, is directly responsible for the appointment, compensation, retention, and oversight of the external auditors.

The committee has the authority to communicate directly with the external auditors and internal auditor.

The committee shall make regular reports to the board concerning its activities and in particular shall review with the board any issues that arise with respect to the quality or integrity of the corporation’s financial statements, the performance and independence of the external auditors, the performance of the corporation’s internal audit function, or the corporation’s process for monitoring compliance with laws and regulations other than environmental and safety laws.

### **COMPOSITION**

The board shall appoint annually, from among its members, a committee and its chair. The committee shall consist of at least three members and shall not include any director employed by the corporation.

Each committee member will be independent pursuant to the standards for independence adopted by the board.

Each committee member shall be financially literate with at least one member having accounting or related financial expertise, using the terms defined as follows:

*“Financially literate”* means 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 issues that can reasonably be expected to be raised by the corporation's financial statements; and

*“Accounting or related financial expertise”* means the ability to analyse and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

In addition, where possible, at least one member of the committee shall qualify as an “audit committee financial expert” within the meaning of applicable securities law.

Members of the committee may not serve on the audit and finance committees of more than three public companies (including Cameco's) without the approval of the board.

## **MEETINGS**

The committee will meet at least four times annually and as many additional times as the committee considers necessary to carry out its duties effectively. The committee will hold separate closed sessions with the external auditors, the internal auditor, the chief financial officer and other members of management at each regularly scheduled meeting.

A majority of the members of the committee shall constitute a quorum. No business may be transacted by the committee except at a meeting of its members at which a quorum of the committee is present.

The committee may invite such officers, directors and employees of the corporation as it may see fit from time to time to attend at meetings of the committee and assist thereat in the discussion and consideration of any matter.

A meeting of the committee may be convened by the chair of the committee, a member of the committee, the external auditors, the internal auditor, the chief executive officer or the chief financial officer. The secretary, who shall be appointed by the committee, shall, upon direction of any of the foregoing, arrange a meeting of the committee. The committee shall report to the board in a timely manner with respect to each of its meetings.

## **DUTIES AND RESPONSIBILITIES**

To carry out its oversight responsibilities, the committee shall:

### **Financial Reporting Process**

1. Review with management and the external auditors any items of concern, any proposed changes in the selection or application of major accounting policies and the reasons for the change, any identified risks and uncertainties, and any issues requiring management judgement, to the extent that the foregoing may be material to financial reporting.
2. Consider any matter required to be communicated to the committee by the external auditors under applicable generally accepted auditing standards, applicable law and listing standards, including the external auditors' report to the committee (and management's response thereto) on: (a) all critical accounting policies and practices used by the corporation; (b) all material alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed

- with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the external auditors; and (c) any other material written communications between the external auditors and management.
3. Require the external auditors to present and discuss with the committee their views about the quality, not just the acceptability, of the implementation of generally accepted accounting principles with particular focus on accounting estimates and judgements made by management and their selection of accounting principles.
  4. Discuss with management and the external auditors (a) any accounting adjustments that were noted or proposed (i.e. immaterial or otherwise) by the external auditors but were not reflected in the financial statements, (b) any material correcting adjustments that were identified by the external auditors in accordance with generally accepted accounting principles or applicable law, (c) any communication reflecting a difference of opinion between the audit team and the external auditors' national office on material auditing or accounting issues raised by the engagement, and (d) any "management" or "internal control" letter issued, or proposed to be issued, by the external auditors to the corporation.
  5. Discuss with management and the external auditors any significant financial reporting issues considered during the fiscal period and the method of resolution. Resolve disagreements between management and the external auditors regarding financial reporting.
  6. Review with management and the external auditors (a) any off-balance sheet financing mechanisms being used by the corporation and their effect on the corporation's financial statements and (b) the effect of regulatory and accounting initiatives on the corporation's financial statements, including the potential impact of proposed initiatives.
  7. Review with management and the external auditors and legal counsel, if necessary, any litigation, claim or other contingency, including tax assessments, that could have a material effect on the financial position or operating results of the corporation, and the manner in which these matters have been disclosed or reflected in the financial statements.
  8. Review with the external auditors any audit problems or difficulties experienced by the external auditors in performing the audit, including any restrictions or limitations imposed by management, and management's response. Resolve any disagreements between management and the external auditors regarding these matters.
  9. Review the results of the external auditors' audit work including findings and recommendations, management's response, and any resulting changes in accounting practices or policies and the impact such changes may have on the financial statements.
  10. Review and discuss with management and the external auditors the audited annual financial statements and related management discussion and analysis, make recommendations to the board with respect to approval thereof, before being released to the public, and obtain an explanation from management of all significant variances between comparable reporting periods.

11. Review and discuss with management and the external auditors all interim unaudited financial statements and related interim management discussion and analysis and make recommendations to the board with respect to the approval thereof, before being released to the public.
12. Obtain confirmation from the chief executive officer and the chief financial officer (and considering the external auditors' comments, if any, thereon) to their knowledge:
  - (a) that the audited financial statements, together with any financial information included in the annual MD&A and annual information form, fairly present in all material respects the corporation's financial condition, cash flow and results of operation, as of the date and for the periods presented in such filings; and
  - (b) that the interim financial statements, together with any financial information included in the interim MD&A, fairly present in all material respects the corporation's financial condition, cash flow and results of operation, as of the date and for the periods presented in such filings.
13. Review news releases to be issued in connection with the audited annual financial statements and related management discussion and analysis and the interim unaudited financial statements and related interim management discussion and analysis, before being released to the public. Discuss the type and presentation of information to be included in news releases (paying particular attention to any use of "pro-forma" or "adjusted" non-GAAP, information).
14. Review any news release, before being released to the public, containing earnings guidance or financial information based upon the corporation's financial statements prior to the release of such statements.
15. Review the appointment of the chief financial officer and have the chief financial officer report to the committee on the qualifications of new key financial executives involved in the financial reporting process.
16. Consult with the human resources and compensation committee on the succession plan for the chief financial officer and controller. Review the succession plans in respect of the chief financial officer and controller.

### **Internal Controls**

17. Receive from management a statement of the corporation's system of internal controls over accounting and financial reporting.
18. Consider and review with management, the internal auditor and the external auditors, the adequacy and effectiveness of internal controls over accounting and financial reporting within the corporation and any proposed significant changes in them.
19. Consider and discuss the scope of the internal auditors' and external auditors' review of the corporation's internal controls, and obtain reports on significant findings and recommendations, together with management responses.

20. Discuss, as appropriate, with management, the external auditors and the internal auditor, any major issues as to the adequacy of the corporation's internal controls and any special audit steps in light of material internal control deficiencies.
21. Review annually the disclosure controls and procedures, including (a) the certification timetable and related process and (b) the procedures that are in place for the review of the corporation's disclosure of financial information extracted from the corporation's financial statements and the adequacy of such procedures. Receive confirmation from the chief executive officer and the chief financial officer of the effectiveness of disclosure controls and procedures, and whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the corporation's ability to record, process, summarize and report financial information or any fraud, whether or not material, that involves management or other employees who have a significant role in the corporation's internal control over financial reporting. In addition, receive confirmation from the chief executive officer and the chief financial officer that they are prepared to sign the annual and quarterly certificates required by applicable securities law.
22. Review management's annual report and the external auditors' report on the assessment of the effectiveness of the corporation's internal control over financial reporting.
23. Receive a report, at least annually, from the technical committee of the board on the corporation's mineral reserves.

## **External Auditors**

### *(i) External Auditors' Qualifications and Selection*

24. Subject to the requirements of applicable law, be solely responsible to select, retain, compensate, oversee, evaluate and, where appropriate, replace the external auditors, who must be registered with agencies mandated by applicable law. The committee shall be entitled to adequate funding from the corporation for the purpose of compensating the external auditors for completing an audit and audit report.
25. Instruct the external auditors that:
  - (a) they are ultimately accountable to the board and the committee, as representatives of shareholders; and
  - (b) they must report directly to the committee.
26. Ensure that the external auditors have direct and open communication with the committee and that the external auditors meet regularly with the committee without the presence of management to discuss any matters that the committee or the external auditors believe should be discussed privately.
27. Evaluate the external auditors' qualifications, performance, and independence. As part of that evaluation:
  - (a) at least annually, request and review a formal report by the external auditors describing: the firm's internal quality-control procedures; any material issues

raised by the most recent internal quality-control review, or peer review, of the firm, 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 firm, and any steps taken to deal with any such issues; and (to assess the auditors' independence) all relationships between the external auditors and the corporation, including the amount of fees received by the external auditors for the audit services and for various types of non-audit services for the periods prescribed by applicable law; and

- (b) annually review and confirm with management and the external auditors the independence of the external auditors, including the extent of non-audit services and fees, the extent to which the compensation of the audit partners of the external auditors is based upon selling non-audit services, the timing and process for implementing the rotation of the lead audit partner, reviewing partner and other partners providing audit services for the corporation, whether there should be a regular rotation of the audit firm itself, and whether there has been a "cooling off" period of one year for any former employees of the external auditors who are now employees with a financial oversight role, in order to assure compliance with applicable law on such matters; and
- (c) annually review and evaluate senior members of the external audit team, including their expertise and qualifications. In making this evaluation, the audit and finance committee should consider the opinions of management and the internal auditor.

Conclusions on the independence of the external auditors should be reported to the board.

- 28. Review and approve the corporation's policies for the corporation's hiring of employees and former employees of the external auditors. Such policies shall include, at minimum, a one-year hiring "cooling off" period.

*(ii) Other Matters*

- 29. Meet with the external auditors to review and approve the annual audit plan of the corporation's financial statements prior to the annual audit being undertaken by the external auditors, including reviewing the year-to-year co-ordination of the audit plan and the planning, staffing and extent of the scope of the annual audit. This review should include an explanation from the external auditors of the factors considered by the external auditors in determining their audit scope, including major risk factors. The external auditors shall report to the committee all significant changes to the approved audit plan.
- 30. Review and approve the basis and amount of the external auditors' fees with respect to the annual audit in light of all relevant matters.
- 31. Review and pre-approve all audit and non-audit service engagement fees and terms in accordance with applicable law, including those provided to the subsidiaries of the corporation by the external auditors or any other person in its capacity as external auditors of such subsidiary. Between scheduled committee meetings, the chair of the committee, on behalf of the committee, is authorised to pre-approve any audit or non-audit service engagement fees and terms. At the next committee meeting, the chair shall

report to the committee any such pre-approval given. Establish and adopt procedures for such matters.

### **Internal Auditor**

32. Review and approve the appointment or removal of the internal auditor.
33. Review and discuss with the external auditors, management, and internal auditor the responsibilities, budget and staffing of the corporation's internal audit function.
34. Review and approve the mandate for the internal auditor and the scope of annual work planned by the internal auditor, receive summary reports of internal audit findings, management's response thereto, and reports on any subsequent follow-up to any identified weakness.
35. Ensure that the internal auditor has direct and open communication with the committee and that the internal auditor meets regularly with the committee without the presence of management to discuss any matters that the committee or the internal auditor believe should be discussed privately, such as problems or difficulties which were encountered in the course of internal audit work, including restrictions on the scope of activities or access to required information, and any disagreements with management.
36. Review and discuss with the internal auditor and management the internal auditor's ongoing assessments of the corporation's business processes and system of internal controls.
37. Review the effectiveness of the internal audit function, including staffing, organizational structure and qualifications of the internal auditor and staff.

### **Compliance**

38. Monitor compliance by the corporation with all payments and remittances required to be made in accordance with applicable law, where the failure to make such payments could render the directors of the corporation personally liable.
39. The receipt of regular updates from management regarding compliance with laws and regulations and the process in place to monitor such compliance, excluding, however, legal compliance matters subject to the oversight of the safety, health and environment committee of the board. Review the findings of any examination by regulatory authorities and any external auditors' observations relating to such matters.
40. Establish and oversee the procedures in the code of conduct and ethics policy to address:
  - (a) the receipt, retention and treatment of complaints received by the corporation regarding accounting, internal accounting or auditing matters; and
  - (b) confidential, anonymous submissions by employees of concerns regarding questionable accounting and auditing matters.

Receive periodically a summary report from the senior vice-president, chief legal officer and corporate secretary on such matters as required by the code of conduct and ethics.

41. Review and recommend to the board for approval a code of conduct and ethics for employees, officers and directors of the corporation. Monitor management's implementation of the code of conduct and ethics and the global anti-corruption program and review compliance therewith by, among other things, obtaining an annual report summarizing statements of compliance by employees pursuant to such policies and reviewing the findings of any investigations of non-compliance. Periodically review the adequacy and appropriateness of such policies and make recommendations to the board thereon.
42. Monitor management's implementation of the anti-fraud policy; and review compliance therewith by, among other things, receiving reports from management on:
  - (a) any investigations of fraudulent activity;
  - (b) monitoring activities in relation to fraud risks and controls; and
  - (c) assessments of fraud risk.

Periodically review the adequacy and appropriateness of the anti-fraud policy and make recommendations to the board thereon.

43. Review all proposed related party transactions and situations involving a director's, senior officer's or an affiliate's potential or actual conflict of interest that are not required to be dealt with by an "independent committee" pursuant to securities law rules, other than routine transactions and situations arising in the ordinary course of business, consistent with past practice. Between scheduled committee meetings, the chair of the committee, on behalf of the committee, is authorized to review all such transactions and situations. At the next committee meeting, the chair shall report the results of such review.
44. Monitor management of hedging, debt and credit, make recommendations to the board respecting policies for management of such risks, and review the corporation's compliance therewith.
45. Approve the review and approval process for the expenses submitted for reimbursement by the chief executive officer.
46. Oversee management's mitigation of material risks within the committee's mandate and as otherwise assigned.
47. Undertake such other tasks as may be directed to it from time to time by the board.

### **Financial Oversight**

48. Assist the board in its consideration and ongoing oversight of matters pertaining to:
  - (a) capital structure and funding including finance and cash flow planning;
  - (b) capital management planning and initiatives;



- (c) property and corporate acquisitions and divestitures including proposals which may have a material impact on the corporation's capital position;
- (d) the corporation's annual budget and business plan
- (e) the corporation's insurance program;
- (f) directors' and officers' liability insurance and indemnity agreements;
- (g) the annual approval to elect the end-user exception under Dodd Frank; and
- (h) matters the board may refer to the committee from time to time in connection with the corporation's capital position.

## **ORGANIZATIONAL MATTERS**

49. The procedures governing the committee shall, except as otherwise provided for herein, be those applicable to the board committees as set forth in Part 7 of the General Bylaws of the corporation.
50. The members and the chair of the committee shall be entitled to receive remuneration for acting in such capacity as the board may from time to time determine.
51. The committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to:
  - (a) select, retain, terminate, set and approve the fees and other retention terms of special or independent counsel, accountants or other experts, as it considers appropriate; and
  - (b) obtain appropriate funding to pay, or approve the payment of, such approved fees; without seeking approval of the board or management.
52. 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. The board may fill vacancies on the committee by appointment from among its members. If and whenever a vacancy shall exist on the committee, the remaining members may exercise all its powers so long as a quorum remains in office. Subject to the foregoing, each member of the committee shall remain as such until the next annual meeting of shareholders after that member's election.
53. The committee shall annually review and assess the adequacy of its mandate and recommend any proposed changes to the nominating, corporate governance and risk committee for recommendation to the board for approval.
54. The committee shall participate in an annual performance evaluation, the results of which will be reviewed by the board.

55. The committee shall perform any other activities consistent with this mandate, the corporation's governing laws and the regulations of stock exchanges, as the committee or the board considers necessary or appropriate.
56. A standing invitation will be issued to all non-executive directors to attend the financial oversight portion of each committee meeting.