

## CHARTER OF THE AUDIT COMMITTEE

### Audit Committee

#### 1. Membership and Quorum

- A minimum of three directors who shall all be (except to the extent permitted by applicable laws, rules and regulations as determined by the Board of Directors) independent.
- All the members of the Audit Committee shall be financially literate or shall become financially literate within a reasonable period of time after their appointment to the Audit Committee; a member of the Audit Committee 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 Bombardier's financial statements.
- Quorum: a majority of the members.

#### 2. Frequency and Timing of Meetings

- Normally, in conjunction with the meetings of the Board of Directors of Bombardier (the Board of Directors).
- At least four times a year and as necessary.

#### 3. Chairman of the Audit Committee

One of the members of the Audit Committee shall act as its Chairman. The responsibilities of the Chairman of the Audit Committee include the following:

##### A. PROVIDING LEADERSHIP TO ENHANCE THE AUDIT COMMITTEE'S EFFECTIVENESS

- ensuring that the Audit Committee works as a cohesive team and providing the leadership essential to achieve this;
- ensuring that the resources available to the Audit Committee (in particular timely and relevant information) are adequate to support its work.

##### B. MANAGING THE AUDIT COMMITTEE

- setting the agenda of the Audit Committee, in consultation with the Senior Vice President and Chief Financial Officer, and prior to the meeting of the Audit Committee, circulating the agenda to the members of the Audit Committee;
- adopting procedures to ensure that the Audit Committee can conduct its work effectively and efficiently, overseeing the Audit Committee structure and composition, scheduling and management of meetings;
- ensuring that the conduct of the Audit Committee meetings provides adequate time for serious discussion of relevant issues;
- ensuring that the outcome of the meeting of the Audit Committee and any material matters reviewed at such meeting are reported to the Board of Directors at its next regular meeting.

#### 4. Mandate of the Audit Committee

##### A. PURPOSE

###### i. OVERSEEING FINANCIAL REPORTING AND AUDIT

The Audit Committee is a Committee of the Board of Directors formed to assist it in fulfilling its oversight responsibilities in relation to:

- the financial reporting process;
- the independent auditor; and
- the Corporate Audit Services and Risk Assessment.

###### ii. MONITORING RISK MANAGEMENT

The Audit Committee further assists the Board of Directors in fulfilling its oversight responsibilities in relation to:

- risk management matters;
- the financing activities of Bombardier;
- retirement plan fund management;
- environmental matters; and
- any additional matters delegated to the Audit Committee by the Board of Directors.

##### B. OBJECTIVES

The objectives of the Audit Committee are:

- to help the directors meet their responsibilities with respect to accountability;
- to assist in maintaining good communication between the directors and the independent auditor;
- to assist in maintaining the independent auditor's independence;
- with the assistance of the Senior Vice President and Chief Financial Officer, to ensure that an appropriate system of internal accounting and financial controls and appropriate risk management frameworks are maintained in view of the significant risks and exposures facing Bombardier;
- to maintain the credibility and objectivity of financial reports;
- to investigate and assess any issue that raises significant concern to the Audit Committee, with the assistance, if so required by the Audit Committee, of the Chief Audit Executive (or the executive performing an equivalent function), and/or the independent auditor.

##### C. MEETINGS

- Any member of the Audit Committee or the independent auditor or the Chief Audit Executive (or the executive performing an equivalent function) may request a meeting of the Committee.

- The Chairman of the Board of Directors, the President and Chief Executive Officer, and the Senior Vice President and Chief Financial Officer shall attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving all or some of these officers as determined by the Audit Committee.
- The President and Chief Executive Officer may, at his option, only attend that part of the meeting of the Audit Committee during which the quarterly or annual, as the case may be, consolidated financial statements of Bombardier, the related management's discussion and analysis and the press release to be issued on the consolidated financial statements are reviewed by the Audit Committee members.
- Each of the independent auditor and the Chief Audit Executive (or the executive performing an equivalent function) shall have direct access to the Audit Committee and shall receive notice of and have the right to attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving him or her.
- As relates to finance and risk management: the Treasurer shall have direct access to the Audit Committee and shall receive notice of and attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving him or her.
- The President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, the Chief Audit Executive (or the executive performing an equivalent function) or any other representative of management whose presence is requested by the Chairman of the Audit Committee or any of the Audit Committee members, and the independent auditor shall meet separately with the Audit Committee, in a private session held during the course of a meeting, at least once annually.
- Minutes of the meetings of the Audit Committee shall be kept by the Corporate Secretary. Supporting documents reviewed by the Audit Committee shall be kept by the Corporate Secretary. A copy of the minutes of any meeting or of any supporting document shall be made available for examination by any director of Bombardier upon request to the Corporate Secretary.

*D. DUTIES AND RESPONSIBILITIES*

- As they relate to the Board of Directors and financial reporting:
  - a. Assist the Board of Directors in the discharge of its oversight responsibilities to the shareholders, potential shareholders, the investment community, and others relating to Bombardier's financial statements and its financial reporting practices and the system of internal accounting and financial controls, the corporate audit and risk assessment function, the management information systems, the annual external audit of Bombardier's financial statements and the compliance by Bombardier with laws and regulations and its own Code of Ethics.
  - b. Maintain a free and open line of communication with the management of Bombardier, the Chief Audit Executive (or the executive performing an equivalent function) and the independent auditor.
  - c. Review, before their disclosure, Bombardier's quarterly consolidated financial statements, the related management's discussion and analysis and the press release on the quarterly financial results and, if appropriate, recommend to the Board of Directors their approval and disclosure.
  - d. Review, before their disclosure, Bombardier's annual audited consolidated financial statements, the related management's discussion and analysis, and the press release on the annual consolidated financial results and, if appropriate, recommend to the Board of Directors their approval and disclosure.

- e. Review the presentation and impact of significant, unusual or sensitive matters such as disclosure of related party transactions, significant non-recurring events, significant risks and changes in provisions, estimates or reserves included in any financial statements.
  - f. Obtain explanations for communication to the Board of Directors for all significant variances between comparable reporting periods.
  - g. Review any litigation, claim or other contingency, including tax assessments and environmental situations, that could have a material adverse effect upon the financial position or operating results of Bombardier, and the manner in which these matters are disclosed in the financial statements.
  - h. Review the appropriateness of the accounting policies used in the preparation of Bombardier's financial statements, and consider recommendations for any material change to such policies.
  - i. To the extent not previously reviewed by the Audit Committee, review and, if appropriate, recommend to the Board of Directors the approval of all financial statements included in the prospectus and other offering memoranda and all other financial reports required by regulatory authorities and requiring approval by the Board of Directors.
  - j. Review the statement of management's responsibility for the financial statements as signed by the management of Bombardier and included in any published document.
  - k. Ensure that adequate procedures are in place for the review of Bombardier's public disclosure of financial information extracted or derived from Bombardier's financial statements, other than the public disclosure referred to in paragraph c) or d) above, and periodically assess the adequacy of those procedures.
  - l. Ensure that procedures are in place for: (i) the receipt, retention and treatment of complaints received by Bombardier regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of Bombardier of concerns regarding questionable accounting or auditing matters.
  - m. Where there is to be a change of independent auditor, review all issues related to the change, including any differences between Bombardier and the independent auditor that relate to the independent auditor's opinion or a qualification thereof or an independent auditor's comment.
  - n. Monitor the application of, and, if need be, review and make appropriate recommendations to management in order to update the Corporate Disclosure Policy of Bombardier.
- As they relate to the independent auditor:
    - a. Explicitly affirm that the independent auditor is independent and accountable to the Board of Directors and the Audit Committee, and in that context, work constructively with the independent auditor to build an effective relationship that allows for full, frank and timely discussion of all material issues, with or without management, as appropriate in the circumstances.
    - b. Recommend to the Board of Directors a firm of independent auditors for submission to the shareholders of Bombardier.
    - c. Review and make recommendations to the Board of Directors with respect to the fees payable for the external audit.
    - d. For each fiscal year, in accordance with the terms and conditions of the then current Audit and Non-Audit Services Pre-Approval Policy adopted by the Audit Committee, review and approve the terms of the independent auditor's (i) annual audit services engagement letter and (ii) the

quarterly review services engagement letter; each of these letters shall be signed by the Chairman of the Audit Committee.

- e. For each fiscal year, in accordance with the terms and conditions of the then current Audit and Non-Audit Services Pre-Approval Policy adopted by the Audit Committee, review and approve the scope of the (i) annual audit and of other audit related services and (ii) the quarterly review services to be rendered by the independent auditor; in that context, ensure that the independent auditor has access to all books, records, facilities and personnel of Bombardier.
  - f. Review with the independent auditor the contents of its report with respect to the annual consolidated financial statements of Bombardier and the results of the external audit, any significant problems encountered in performing the external audit, any significant recommendations further to the external audit and management's responses and follow-up in that context and ensure that the independent auditor is satisfied that the accounting estimates and judgments made by management's selection of accounting principles reflect an appropriate application of generally accepted accounting principles.
  - g. Review any significant recommendations by the independent auditor to strengthen the internal accounting and financial controls of Bombardier.
  - h. Review any unresolved significant issues between management and the independent auditor that could affect the financial reporting or internal controls of Bombardier.
  - i. To the extent practicable, assess the performance of the independent auditor at least once a year.
  - j. Ensure that the independent auditor shall not provide the following services to Bombardier:
    - bookkeeping or other services related to the accounting records or financial statements of Bombardier;
    - financial information systems design and implementation;
    - appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
    - actuarial services;
    - internal audit outsourcing services;
    - management functions;
    - human resources;
    - broker or dealer, investment adviser, or investment banking services;
    - legal services; and
    - expert services unrelated to the audit.
  - k. All non-audit services shall require the prior approval of the Audit Committee in accordance with the terms and conditions of the then current Audit and Non-Audit Services Pre-Approval Policy adopted by the Audit Committee.
  - l. Review and approve Bombardier's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditor of Bombardier.
- As they relate to the Chief Audit Executive (or the executive performing an equivalent function):
    - a. At least four times a year, in conjunction with the Board of Directors' meetings, review the report of the Chief Audit Executive (or the executive performing an equivalent function) on the results of the work that the Corporate Audit Services and Risk Assessment function has performed and with respect to its organization, staffing, and independence.
    - b. Review and, if appropriate, approve the annual Corporate Audit Services and Risk Assessment plan.

- c. Assess the Corporate Audit Services and Risk Assessment reporting lines and make such recommendations as are necessary to preserve the independence of the Chief Audit Executive (or the executive performing an equivalent function).
  - d. Review significant Corporate Audit Services and Risk Assessment findings and recommendations and management's responses thereto.
  - e. Once a year, assess the performance of the Chief Audit Executive (or the executive performing an equivalent function), and if the circumstances so warrant, review and recommend the removal of the then current incumbent and the appointment of his successor and report the findings and conclusions of the Audit Committee to the Human Resources and Compensation Committee and to the President and Chief Executive Officer of Bombardier.
  - f. Once a year, review the terms of the charter of the Corporate Audit Services and Risk Assessment to ensure that they continue to be relevant and, if need be, make any appropriate modifications thereto.
- As they relate to finance and risk management:
    - a. Periodically (i) review with management Bombardier's material risks of a financial nature and the steps management has taken to monitor, control and manage such risks, (ii) review the adequacy of policies, procedures and controls designed by management to assess and manage these risks, and (iii) report its findings and conclusions to the Board of Directors with respect to any of these matters;
    - b. Review any significant or unusual transactions or projects related to Bombardier's ongoing activities (for example, joint ventures, equity investments, unusual long-term contracts, aircraft programs etc.), significant business opportunities, mergers, acquisitions, divestitures, significant asset sales or purchases, or equity investments and report its findings, conclusions and, if appropriate, recommendations to the Board of Directors for its approval; subsequently, monitor, on a periodic basis, the performance of Bombardier in connection with such transactions or projects;
    - c. Periodically review the financial situation of Bombardier, including its:
      - capital structure;
      - liquidity level and requirements;
      - long-term debt repayment profile;
      - short-term capital availability; and
      - dividend policy,and, as required, make appropriate recommendations to the Board of Directors;
    - d. Periodically review current and expected future compliance with covenants under all credit facilities and trust indentures;
    - e. Periodically review Bombardier's relationship with credit rating agencies and the ratings given to Bombardier, including any potential issues concerning such ratings;
    - f. Periodically review customer financing activities and programs offered by Bombardier in support of its business objectives, including off-balance sheet transactions, secured and unsecured financing, equity investments, letters of credit, guarantees or other forms of financial accommodation and the management of the related contingent obligations;

- g. Periodically review policies, procedures and controls with respect to:
    - foreign exchange hedging;
    - interest rates; or
    - derivatives instruments;
  - h. Periodically review Bombardier's insurance program coverage and related insured risks, including coverage for property damage, business interruption, liabilities, and directors and officers;
  - i. Periodically review the fulfillment of Bombardier's obligations towards its various retirement plans and the investment of assets of such retirement plans, and receive appropriate information concerning investment policies, investment performance, actuarial liability profile, funding and accounting deficits and related impact on results, funding policies, compliance reports in relation to various investment policies or legislative requirements and the audited financial statements of the retirement plans;
  - j. Periodically review the corporate management's report on environmental matters; and
  - k. Fulfill any other duties and responsibilities delegated to the Audit Committee by the Board of Directors.
- As they relate to the Audit Committee's terms of reference, each year, review the Charter of the Audit Committee in order to ensure that it continues to be relevant and make recommendations to the Corporate Governance and Nominating Committee or the Board of Directors regarding its responsibilities therein.

## 5. Miscellaneous

If required, the Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors, as well as consultants, and is provided with the appropriate funding for payment of the independent auditors and any advisors or consultants retained by it.

While the Audit Committee has the responsibilities and powers set forth in this mandate, it is not the duty of the Audit Committee to plan or conduct audits or to determine that Bombardier's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the Chief Audit Executive (or the executive performing an equivalent function) and the independent auditor.

Nothing contained in the above mandate is intended to transfer to the Audit Committee the Board of Directors' responsibility to ensure Bombardier's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Audit Committee.

\* \* \* \* \*