

# Pattern Energy Group Inc.

## Audit Committee Charter

As of August 2, 2016

### 1. Introduction

The Audit Committee (the “**Committee**” or the “**Audit Committee**”) of **Pattern Energy Group Inc.** (the “**Company**”) is a committee of the Board of Directors (the “**Board**”). The Committee shall provide assistance to the Board in fulfilling its oversight responsibility to the Company’s shareholders relating to: (i) the integrity of the Company’s financial statements; (ii) the effectiveness of the Company’s internal controls over financial reporting; (iii) the Company’s compliance with legal and regulatory requirements; (iv) the external auditor’s qualifications and independence; (v) the performance of the Company’s internal audit function and external auditors; and (vi) the Company’s risk management. In addition, the Committee shall prepare the Audit Committee report that U.S. Securities Exchange Commission (“**SEC**”) proxy rules require to be included in the Company’s annual proxy statement.

### 2. Membership

#### *Number of Members*

The Committee shall be composed of three or more members of the Board.

#### *Independence of Members*

Each member of the Committee shall qualify as an “independent director” within the meaning of National Instrument 52-110 – *Audit Committees*, NASDAQ Section Rule 5605(a)(2) and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as each may be amended from time to time.

#### *Chair*

At the time of the annual appointment of the members of the Audit Committee, the Board shall appoint a chair (the “**Chair**”) of the Audit Committee. The Chair will be responsible for managing the responsibilities and functions of the Committee. The Chair’s primary functions are to develop the agenda for each Committee meeting, lead Committee meetings, facilitate the operations and deliberations of the Committee, foster communications among Committee members and ensure the Committee carries out its responsibilities in a timely and effective manner. The Chair will be the Committee’s primary contact with the Board with respect to the dealings of the Committee.

#### *Financial Literacy of Members*

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, 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 Company's financial statements. One or more members of the Committee shall qualify as an "audit committee financial expert" under Item 407(d)(5)(ii) of SEC Regulation S-K.

Each member of the Committee shall be entitled to rely on the integrity of those persons within the Company and of the professionals and experts (including the Company's internal auditor (or others responsible for the internal audit function, including contracted non-employee or audit or accounting firms engaged to provide internal audit services) and the Company's external auditor) from which the Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts.

Further, auditing literature, particularly Statement of Accounting Standards No. 71, defines the term "review" to include a particular set of required procedures to be undertaken by independent auditors. The members of the Committee are not independent auditors, and the term "review" as used in this Charter is not intended to have that meaning and should not be interpreted to suggest that the Committee members can or should follow the procedures required of auditors performing reviews of financial statements.

Members shall not serve on more than three public company audit committees simultaneously unless the Board determines that such simultaneous service would not impair the member's ability to serve effectively on the Committee.

### ***Term of Members***

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board. Unless a Chair is elected by the Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

### ***Retention of Advisors***

If the Committee determines that it is useful for the Committee to carry out its duties, the Committee may engage, or seek advice from, at the expense of the Company, independent counsel or other advisors (whether financial, accounting or otherwise). The Committee has the authority to set reasonable compensation and provide for reimbursement of expenses for any advisors engaged by the Committee. The Committee will retain independent advisors selectively, and only to assist, not replace, Committee decision making. Prior to retaining an independent advisor, the Chair of the Committee will provide advance notice to the Board.

The Committee shall have available appropriate funding from the Company as determined by the Audit Committee for payment of:

- compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- compensation to any advisors employed by the Committee; and
- ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

### **3. Meetings**

#### ***Number of Meetings***

The Committee shall meet at least quarterly and may meet as many additional times per year as necessary to carry out its responsibilities. Meetings may take place telephonically or in person.

#### ***Quorum***

A majority of members of the Committee will constitute a quorum. No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present in person or attending by telephone or other electronic means. The Committee may also exercise its powers by written resolution signed by all members of the Committee entitled to vote on such resolution at a meeting of the Committee.

#### ***Calling of Meetings***

The Chair, any member of the Audit Committee, the Chairman of the Board, or the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Audit Committee by notifying the Company's Corporate Secretary 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 temporary chair from their number for a meeting.

#### ***Minutes; Reporting to the Board***

The Committee will maintain appropriate records, including minutes of its meetings and copies of written reports provided to it or prepared by it. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board and unless otherwise directed by the Committee, to the Chief Financial Officer. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board. Approved minutes shall be provided to the Company's Corporate Secretary for maintaining with the Company's legal records.

#### ***Attendance of Non-Members***

The external auditors are entitled to attend and be heard at each Audit Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Company, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with the internal auditor and management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate.

#### ***Meetings without Management***

The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which management is not present.

## *Procedure*

The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board.

## *Access to Management*

The Committee shall have unrestricted access to the Company's management and employees and the books and records of the Company.

## **4. Duties and Responsibilities**

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by:

- any exchange upon which securities of the Company are traded, or
- any governmental or regulatory body exercising authority over the Company, as may be in effect from time to time (collectively, the “**Applicable Requirements**”).

## *Financial Reports*

### (a) **General**

The Audit Committee is responsible for overseeing the integrity of the Company's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company. The external auditors are responsible for auditing the Company's annual consolidated financial statements and for reviewing the Company's unaudited interim financial statements.

### (b) **Review of Annual Financial Reports**

The Audit Committee shall review the annual consolidated audited financial statements of the Company, the external auditors' report thereon, the related management's discussion and analysis of the Company's financial condition and results of operation (“**MD&A**”), and the Company's annual report on Form 10-K and parallel reports contemplated by the Canadian Securities Administrators (the “**CSA**”) (collectively, the “**Annual Financial Reports**”). After completing its review of the annual consolidated financial statements and the related Annual Financial Reports, the Audit Committee shall make recommendations as to their approval by the Board.

### (c) **Review of Interim Financial Reports**

The Audit Committee shall review the interim consolidated financial statements of the Company, the external auditors' review report thereon, the related MD&A and the Company's quarterly report on Form 10-Q and parallel reports contemplated by the CSA (together, the “**Interim**

**Financial Reports**”). After completing its review of the interim consolidated financial statements and the related Interim Financial Reports, the Audit Committee shall provide their approval or make recommendations as to their approval by the Board.

(d) **Review Considerations**

In conducting its review of the annual financial statements or the interim financial statements, the Audit Committee shall:

- (i) meet with management and the external auditors to discuss the financial statements, Annual Financial Reports and Interim Financial Reports 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 and external legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements, and the manner in which these will be, or have been, disclosed in the Company’s financial statements;
- (v) review with the external auditor the accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
- (vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under U.S. GAAP;
- (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (viii) review management’s report on the effectiveness of internal controls over financial reporting;
- (ix) meet with the external auditors to discuss all material written communications between the external auditor and management, such as any management letter, management representation letter, reports on observations and recommendations on internal controls, independent auditor’s engagement letter, independent auditor’s independence letter, schedule of unadjusted audit differences and a listing of adjustments and reclassifications not recorded, if any;

- (x) review the factors identified by management as factors that may affect future financial results;
- (xi) review results of the Company's Audit Committee whistleblower program; and
- (xii) review any other matters, related to the financial statements that are brought forward by the internal or external auditors, management or which are required to be communicated to the Audit Committee under accounting policies, auditing standards or Applicable Requirements.

(e) **Review of Other Financial Disclosures**

The Audit Committee shall review financial disclosure in a filing, prospectus or other securities offering document of the Company, press releases (except as provided below) disclosing, or based upon, financial results of the Company and any other material financial disclosure, including financial guidance provided to analysts, rating agencies or otherwise publicly disseminated and shall make recommendations as to their approval by the Board; provided, that press releases disclosing, or based upon, interim financial results of the Company may be approved by the Committee.

***Auditors***

(a) **General**

The Audit Committee shall be responsible for oversight of the work of the external auditors, including the external auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work.

(b) **Nomination and Compensation**

The Audit Committee shall appoint the external auditors to be engaged by the Company and shall approve the compensation of such external auditor. The Audit Committee shall have ultimate authority and responsibility to approve all audit and related engagement terms and fees.

(c) **Resolution of Disagreements**

The Audit Committee shall resolve any disagreements between management and the external auditors as to financial reporting matters brought to its attention.

(d) **Discussions with External Auditors**

At least annually, the Audit Committee shall discuss with the external auditors such matters as are required by Applicable Requirements to be discussed by the external auditors with the Audit Committee.

(e) **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.

(f) **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 Company; 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 under the standards of the Public Company Accounting Oversight Board. The Audit Committee shall take appropriate action to oversee the independence of the external auditors.

(g) **Evaluation and Rotation of Lead Partner**

At least annually, the Audit Committee shall review the qualifications and performance of the lead partner(s) of the external auditors and assure the regular rotation of the audit partners as required under Rule 2-01(c)(6) of Regulation S-X.

(h) **Requirement for Pre-Approval of Non-Audit Services**

The Audit Committee shall approve in advance any retention of the external auditors to perform any allowable non-audit service to the Company that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures. 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.

(i) **Approval of Hiring Policies**

The Audit Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

(j) **Communication with Internal Auditor**

The internal auditor shall report regularly to the Committee. The Committee shall review with the internal auditor any significant problem or difficulty the internal auditor may have encountered including, without limitation, any restrictions on the scope of activities or access to required information, and any significant reports to management prepared by the internal auditing department and management's responses thereto.

The Committee shall periodically review and approve the mandate, plan, budget and staffing of the internal audit department. The Committee shall direct management to make changes it deems advisable in respect of the internal audit function.

The Committee shall review the appointment, performance and replacement of the senior internal auditing executive and the activities, organization structure and qualifications of the persons responsible for the internal audit function.

(k) **Financial Executives**

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

***Internal Controls***

(a) **General**

The Audit Committee shall review the Company's system of internal controls.

(b) **Establishment, Review and Approval**

The Audit Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Audit Committee shall consider and review with management and the external auditors:

- (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;
- (iii) any material issues raised by any inquiry or investigation by the Company's regulators;
- (iv) the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and

- (v) any related significant issues and recommendations of the internal or external auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

### ***Risk Management***

The Audit Committee shall periodically discuss the Company's policies with respect to risk assessment and risk management, including the risk of fraud. The Committee also shall discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

The Audit Committee shall review with senior management the Company's overall anti-fraud programs and controls.

The Audit Committee shall at least annually review the adequacy of insurance coverage maintained by the Company.

### ***Compliance with Legal and Regulatory Requirements***

The Audit Committee shall review reports from the Company's Corporate Secretary and other management members on: legal or compliance matters that may have a material impact on the Company; the effectiveness of the Company's compliance policies; and any material communications received from regulators. The Audit Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

### ***Audit Committee Hotline Whistleblower Procedures***

The Audit Committee shall establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Any such complaints or concerns that are received shall be reviewed by the Audit Committee and, if the Audit Committee determines that the matter requires further investigation, it will direct the Chair of the Audit Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the general counsel to reach a satisfactory conclusion.

### ***Audit Committee Disclosure***

The Audit Committee shall prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Company's disclosure documents.

### ***Delegation***

The Audit Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Audit Committee deems appropriate.

### **5. No Rights Created**

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the Audit Committee, functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Certificate and By-laws, it is not intended to establish any legally binding obligations.

### **6. Charter Review**

The Committee shall review and update this Charter annually and present it to the Board for approval.

Adopted: October 2, 2013

Revised: October 30, 2013 and August 2, 2016