

# **CAC 2000 Limited**

## **Audit Committee Charter**

### **PURPOSE**

To assist the Board of Directors in fulfilling its accountability for the efficient and effective performance in relation to:

- The integrity of the Company's financial statements;
- The Company's compliance with legal and regulatory requirements;
- The adequacy of the independent auditor's qualifications and independence;
- The internal controls and operational environment;
- The Company's risk identification, measurement and control processes.

### **SCOPE**

The Committee shall provide oversight of the audit, compliance and risk management functions of the Company on behalf of the Board of Directors.

### **AUTHORITY**

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope. It is empowered to:

- Oversee the work of the public accounting firm employed by the organization to conduct the annual audit. This firm will report directly to the audit committee.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees, all of whom are directed to co-operate with the Committee's requests, or from external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.
- Review and make recommendations to the Board on policies and offer advice regarding proposed modifications to the Company's Governance Structure.
- Discuss with management the Company's major policies with respect to risk assessment and risk management.

### **COMPOSITION**

The Audit Committee shall consist of at least three and no more than six members of the Board of Directors all of whom shall be non-executive members. Committee members shall be appointed by the Board, which shall also appoint the Chairman of the Committee. The simultaneous membership of an Audit Committee member on more than two other Audit Committees requires a Board determination that such simultaneous membership does not impair the ability of such member to serve effectively.

Each committee member will be both independent and financially literate. At least one member will be an experienced Chartered Accountant.

## **MEETINGS**

The Committee is required to meet at least four times a year, with authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting, in person or via tele-conference or video conference. The Committee will invite members of management, auditors or others to attend meetings to present reports and provide pertinent information, as necessary. It will meet separately, periodically, with management and with external auditors. It will also meet periodically in executive session.

Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. The Committee is required to maintain written minutes of its meetings, to send these to the CAC 2000 Board and to ensure that they are maintained with the books and records of the Company.

## **QUORUM**

The quorum for a meeting of the Committee shall be fifty percent of the membership appointed from time to time, with a minimum of two members.

## **RESPONSIBILITIES**

The Committee will carry out the following responsibilities:

### ***Financial Statements***

- Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:
  - Complex or unusual transactions and highly judgmental areas;
  - Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles;
  - The effect of regulatory and accounting initiatives on the financial statements of the Company;
- Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements;
- Review with management and the external auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management;
- Discuss the annual audited financial statements and quarterly financial statements with management and the external auditors.

### ***Internal Controls***

- Consider the effectiveness of the Company's internal control system, including information technology security and control.
- Understand the scope of the external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

### **External Audit**

- Review the external auditors' proposed audit scope and approach.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Present its conclusions with respect to the independent auditor to the full board.
- Set clear hiring policies for employees or former employees of the independent auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

### **Compliance**

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor's observations.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

### **Risk**

- Overseeing the overall spectrum of risk to which the Company is exposed in the conduct of its affairs.
- Ensuring that appropriate policies, procedures and strategies are established and implemented on an enterprise-wide basis for managing the Company's risk exposures.
- Monitoring and reporting to the Board on the risk identification, measurement and control processes.

### **REPORTING RESPONSIBILITIES**

Regularly report to the Board of Directors about Committee activities and issues that arise with respect to the quality or integrity of the Company's financial statements; the Company's compliance with legal and regulatory requirements; the performance and independence of the Company's independent auditors.

- Provide an open avenue of communication between the external auditors and the Board of Directors.
- Report annually to the Board, describing the committee's composition, responsibilities and how they were discharged, and any other pertinent information.
- Review any other reports that the Company issues that relate to the Audit Committee's responsibilities.

### **POLICIES – REVIEW AND RECOMMENDATIONS**

- Perform other activities related to this charter as requested by the Board of Directors.
  - Institute and oversee special investigations as needed.
  - Review and assess the adequacy of the Committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
  - Confirm annually that all responsibilities outlined in this charter have been carried out.
  - Evaluate the Committee's and individual members' performance at least annually.
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