

# OMERS Administration Corporation

## AUDIT COMMITTEE MANDATE

### Purpose

The Audit Committee assists the Board of Directors (the “OAC Board”) of OMERS Administration Corporation (the “OAC”) in fulfilling its oversight responsibilities for the:

- (A) integrity of the financial reporting process and financial statements;
- (B) system of internal control and disclosures;
- (C) risk management and fraud risk management;
- (D) Audit Services function;
- (E) external audit of the financial statements;
- (F) organization’s processes for monitoring compliance with laws and regulations and the Code of Conduct;
- (G) whistleblower mechanism (Ethics Hotline) and special investigations; and
- (H) other.

### Composition

The Committee is to be comprised of five Directors, the majority of whom should meet the standard of financial literacy. A member shall be considered “financially literate” if, in the view of the OAC Board, 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 the OAC’s consolidated financial statements.

Committee members will be recommended for Board approval by the Board Chair. Members will serve for one-year terms. The OAC Board may reappoint any or all members of the Committee for additional one-year terms.

### Meeting Schedule and Frequency

The Committee will meet four times per year and additional times as needed to carry out its duties effectively as determined by the Committee Chair.

## Responsibilities

The Committee fulfills its purpose by carrying out the following duties:

- A. Integrity of the Financial Reporting Process and Financial Statements
  - 1. Approving the OAC's key accounting, financial reporting, funding and audit policies and practices at least annually.
  - 2. Reviewing the OAC's quarterly financial forecast and results against budget and any other financial information required by OAC's policies.
  - 3. Reviewing with Management and the External Auditor, significant accounting principles and disclosure issues, including complex or unusual transactions, highly judgmental areas such as reserves or estimates (e.g. significant subjective investment valuations), significant changes to accounting principles, and alternative treatments under Canadian GAAP/IFRS for material transactions.
  - 4. Reviewing with Management the effect of any off-balance-sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a significant current or future effect on financial condition, changes in financial condition, financial results, liquidity, expenditures, or any other significant financial statement item.
  - 5. Reviewing with Management all significant related party transactions for the purposes of appropriate disclosure.
  - 6. Receiving Management reports on the consistency of the financial information contained in the News Release and on the corporate website with the annual audited financial statements and quarterly unaudited financial statements.
  - 7. Recommending to the OAC Board approval of the annual audited financial statements and the quarterly unaudited financial statements.
  - 8. Recommending to the OAC Board approval of the management discussion and analysis content to be included in the OMERS Annual and Quarterly Reports and other material public announcements regarding financial matters.
  - 9. Reviewing and assessing significant proposed changes to accounting standards by relevant accounting bodies.
  
- B. System of Internal Control and Disclosures
  - 10. Monitoring internal control over financial reporting and information systems (including security of information and recovery plans) to obtain reasonable assurances they are operating effectively throughout the enterprise.
  - 11. Reviewing with the Chief Auditor ("CA") the scope and the results of Audit Services evaluation of OAC's internal controls, including controls over disclosures, and the results of this work.

12. Reviewing with the External Auditor the scope and the results of their evaluation of OAC's internal controls, including controls over disclosures, and the results of this work.
  13. Reviewing the internal control management letters received from the External Auditor.
  14. Reviewing the internal control certifications and disclosures signed off by the CEO and the CFO and obtaining an overview of the process leading up to certification.
- C. Risk Management and Fraud Risk Management
15. Monitoring the Fraud Risk Program.
  16. Reviewing the executive risk insurance management program and insurance coverage of significant business risks.
  17. Reviewing material legal claims against the OAC.
- D. Audit Services Function
18. Approving the mandate, and the strategic and annual audit plans of Audit Services.
  19. Reviewing the hiring and succession recommendations from the CEO for the position of the CA.
  20. Recommending to the OAC Board the appointment of the CA in consultation with the CEO.
  21. Monitoring the independence of the CA and ensuring there are no restrictions or limitations placed on the CA in access to information or in the conduct of the work of Audit Services.
  22. Reviewing audit reports prepared by Audit Services together with Management's responses and follow-ups to significant issues arising from these reports.
  23. Ensuring open communication occurs among the Audit Committee, the External Auditor and the CA.
- E. External Audit of the Financial Statements
24. Recommending to the OAC Board the appointment of the External Auditor, including the general terms of engagement and remuneration process.
  25. Annually approving the fee for the External Auditor for the upcoming audit year.
  26. Approving the annual audit plans of the External Auditor.
  27. Monitoring the independence of the External Auditor in accordance with the External Auditor Approved Services Policy and pre-approving non-audit assignments performed by the External Auditor.
  28. Reviewing with the External Auditor any significant changes in financial reporting and accounting practices.

29. Reviewing with the External Auditor the findings of the annual audit of OMERS and its consolidated subsidiaries and entities.
  30. Reviewing the representation letter provided by Senior Management to the External Auditor in conjunction with the annual audit.
- F. Organization's Processes for Monitoring Compliance with Laws and Regulations and the Code of Conduct
31. Monitoring compliance with laws and regulations by receiving reports with respect to compliance with the OMERS Act, the *Pension Benefits Act*, the *Income Tax Act* and other applicable legislation and regulatory requirements, and where there is significant non-compliance, receiving reports of steps taken, or to be taken, to address the matter.
  32. Approving the OAC Code of Conduct and ensuring appropriate director and employee training and acknowledgment processes exist. Where breaches have been identified by Management, ensuring that steps are taken to address the breaches in a timely manner.
  33. Reviewing reports on compliance with personal and insider trading guidelines for Directors, officers and employees.
- G. Whistleblower Mechanism (Ethics Hotline) and Special Investigations
34. Through quarterly reports, reviewing complaints or tips from employees or others relating to matters within the general scope of the Committee arising from the Ethics Hotline or otherwise and ensuring that action is taken in a timely manner.
- H. Other
35. Reviewing the adequacy of financial and accounting resources.
  36. Reviewing and assessing Management's responses to material information requests from government and regulatory authorities.
  37. Reviewing reports summarizing Director and Management travel and expense claims.
  38. Reviewing an annual summary of significant payments made to professional consultants engaged by Management for the Committee's review and information which follow from the Audit Committee's responsibilities.
  39. Review expenses incurred by the Sponsors Corporation reimbursable by OAC.
  40. Review reports on OMERS Investment Management financial reporting.

## Audit Committee Management and Reporting

In addition to the activities required to fulfill its mandate above, the Committee:

41. may retain external advisors to provide accounting, audit, legal and any other expertise the Committee deems appropriate or necessary when required following the Board-approved selection process;
42. will ensure members are provided with the appropriate resources and education to fulfill the Committee's responsibilities;
43. will conduct *in camera* sessions after every meeting with the External Auditors, CA and Senior Management;
44. will annually review its mandate and evaluate the Committee's performance in fulfilling its mandate and report findings to the OAC Board; and
45. will annually approve a work plan to ensure that the Committee fulfills its mandate and completes its work plan efficiently and effectively.

## Review of its Mandate

The Audit Committee recommends amendments to the Committee's mandate and procedures annually and approves a work plan for the Committee.

## Committee Leadership

The role of the Committee Chair is to:

- foster a constructive tone so that the Committee works as a cohesive team;
- assist the Board Chair in developing and fostering a healthy Board culture;
- ensure that the informational needs of Committee members are met;
- promote the independent thinking and decision-making of the Committee;
- build consensus among Committee members;
- ensure meeting time is used effectively;
- monitor Committee activities to ensure the work undertaken is consistent with its mandate;
- work in conjunction with Management to ensure that the Committee fulfills its mandate and completes its work plan efficiently and effectively;
- move the Committee's discussion towards a constructive and timely resolution; and
- ensure the will of the Committee prevails in its recommendations and/or decisions.

## Reporting and Accountability to the OAC Board

Following each Committee meeting, report to the OAC Board on the activities, findings, approvals and any recommendations of the Committee. This will be accomplished by:

- the distribution of the minutes of all Committee meetings to all Directors; and

- a written report at the next scheduled OAC Board meeting.

### Applicable Policies

- Code of Conduct (Corporate)
- External Auditor Approved Services
- Financial Disclosure Policy
- Investigation of Complaints
- Investment Classifications
- Personal and Insider Trading
- Valuation of Private Investments

### HISTORY

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Effective Date: *January 1, 2012*

Approval Dates: *November 23, 2007, November 20, 2008,  
December 17, 2008, December 17, 2009, October 21, 2010,  
December 16, 2010, December 15, 2011*