

Policy Sponsor: CFO and Financial Services

Summary: Defines allowable services and pre-approval requirements for external auditor services. **This policy must be approved by the Audit Committee.**

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1. BACKGROUND

This policy applies to the engagement of the independent auditor providing attestation services on the financial statements of OAC and the Investment Entities. Consistent with The Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as they relate to reporting issuers (i.e., publicly listed companies), this policy also applies to services to portfolio companies where OAC and/or the Investment Entities are in a position to:

- a. control by virtue of a more than 50 per cent ownership interest the portfolio company's financial management and reporting; or
- b. exert significant influence over portfolio companies which are material to OAC.

For the purpose of this policy, "significant influence" shall be presumed where OAC has an ownership interest in a portfolio company of less than 50 per cent but greater than 20 per cent and "material" shall mean where the fair value of OAC's interest in a portfolio company exceeds 10 per cent of OAC consolidated assets.

2. EXTERNAL AUDITOR ENGAGEMENT

The OAC's external auditors (the "Auditors") are appointed by the OAC Board and report to the OAC Board through the Audit Committee. Their appointment is reviewed at least every five years at which time an assessment will be made whether to assess the OAC's arrangement with the incumbent audit firm by issuing an RFP to qualified audit firms.

2.1 Restrictions on Services that the Auditors May Provide

To preserve the Auditors' independence, the Auditors are restricted from providing services to the OAC where they act in any capacity where they could reasonably be seen to:

- function in the role of management;
- audit their own work; or
- serve in an advocacy role on behalf of the OAC.

Except as otherwise permitted and pre-approved hereby, the Auditors will not be permitted to provide any services in the following areas:

- a. bookkeeping and related functions;
- b. financial information systems design and implementation;
- c. appraisal, valuation, fairness opinions or contribution-in-kind reports;
- d. actuarial services;
- e. audit services outsourcing;
- f. management functions;
- g. human resources functions;
- h. broker-dealer, investment advisor or investment banking services;
- i. legal services;
- j. expert services other than those pre approved in Section 2.2; and
- k. tax services provided to Management members (or their immediate family) who have a role in financial reporting.

2.2 Allowable Range of Services

Engagement of the Auditors involving services that fall into the following service definitions are allowable under this policy:

Type of Service	Description
Audit Services	
Financial statement audit	<ul style="list-style-type: none"> • Recurring audit of consolidated financial statements including subsidiary company and statutory audits and tax provision services and accounting consultations required to perform an audit in accordance with Generally Accepted Auditing Standards. • Quarterly reviews. • Review of tax provisions reported in the consolidated and other financial statements as part of the audit of the financial statements. • Management review of complex accounting and disclosure issues with the Auditors in order to reach an audit judgment.
Regulatory filings	<ul style="list-style-type: none"> • Audit or review of statutory and regulatory filings including prospectuses and registration statements.
Internal control attestation services	<ul style="list-style-type: none"> • Advice on public company practices, documentation and attestation services relating to the report on internal controls over financial reporting.
Audit Related Services	
Employee benefit plan audits	<ul style="list-style-type: none"> • Audit of pension and other employee benefit plans and funds for investments with such plans.
Financial, commercial and tax due diligence in connection with acquisitions and divestitures	<ul style="list-style-type: none"> • Assistance in financial, commercial and tax due diligence, including review of financial statements except where the auditor of the target company is the same as the OAC's auditor and the OAC is able to influence the selection of the due diligence advisor. In the case where the OAC is not in a position to influence the due diligence advisor then use of the OAC's auditor is allowable. • Accounting consultation and audits in connection with acquisitions and divestitures.

Type of Service	Description
Other attest services	<ul style="list-style-type: none"> Attest services that are not required by statute or regulation (e.g., real estate cost certificates; payout calculations for OMERS incentive plans).
Application and general control reviews	<ul style="list-style-type: none"> Documentation and attestation of IT and general controls related to specific applications, including overall general computer controls.
Consultation regarding GAAP	<ul style="list-style-type: none"> Discussions, analysis, review and testing of impact of new pronouncements, acquisition accounting, and other GAAP topics. Assistance in understanding new accounting and disclosure requirements and the gaps vs OAC current practices.
Financial statement translation	<ul style="list-style-type: none"> Review of translation of statutory or regulatory financial statements and related information.
Tax Services	
Tax compliance	<ul style="list-style-type: none"> Compilation and review of income, capital, sales, use, property, excise, local, commodity (e.g. VAT, HST, etc) tax returns, filings and forms. Consultation regarding handling of items for tax returns, required disclosures, elections, and filing positions available.
Tax consulting	<ul style="list-style-type: none"> Assistance with tax audits, examinations or requests for information. General tax advice including advice on technical interpretations, applicable laws and regulations, and tax accounting except for initial tax structuring of new investments. Assistance with tax appeals that are not in front of a tax court or its equivalent.
Transfer pricing	<ul style="list-style-type: none"> Advice and assistance with respect to transfer pricing matters, including preparation of benchmarking reports used by the company to comply with taxing authority documentation requirements regarding royalties, services and inter-company pricing and assistance with tax exemptions.
Customs and duties	<ul style="list-style-type: none"> Compliance reviews and advice on compliance in the areas of tariffs and classification, origin, pricing, and documentation. Assistance with customs audits or requests for information.
Expatriate tax services	<ul style="list-style-type: none"> Preparation of individual income tax returns as permitted by regulation, advice on impact of changes in local tax laws and consequences of changes in compensation programs or practices. Compliance and advice in relation to benefits and compensation, stock options, and tax equalization policies.
Other Services	
Valuation	<ul style="list-style-type: none"> Review of valuations prepared by the OAC or third parties. Assistance in connection with tax-only valuations.
Benchmarking	<ul style="list-style-type: none"> Benchmarking, surveys and other advice related to best practices with respect to financial reporting practices and other business processes.
Information services	<ul style="list-style-type: none"> Provision of accounting, tax and reporting literature and access to online data bases.
Other	<ul style="list-style-type: none"> Fact finding services and forensic investigations under the supervision of the audit committee; environmental audits; non-financial systems design and implementation.

2.3 Pre-Approval Requirements

All allowable services identified in Section 2.2 require pre-approval by the Audit Committee. Engagement of the Auditors involving any of the Audit Related Services, Tax Services and Other Services identified above are deemed pre-approved up to a cumulative maximum of CAD\$2,500,000 in any fiscal year. For Audit-Related Services, Tax Services and Other Services identified above where the total of any fees incurred for the year to date plus any additional fees expected to be incurred for existing work in process plus the expected fees for the proposed engagement are expected to exceed a total of CAD\$2,500,000 cumulatively in any fiscal year, specific pre-approval must be obtained from the Audit Committee.

In the case of a proposed engagement of the Auditors involving any of the Audit-Related Services, Tax Services and Other Services identified above where the fees for the proposed engagement are expected to exceed a total of CAD\$500,000, specific pre-approval must be obtained from the Audit Committee.

In the event that services are commenced by the Auditors where the fees for a particular engagement were expected to be less than or equal to a total of CAD\$500,000 (or cumulatively, year-to-date CAD\$2,500,000), and such fees are subsequently expected to exceed a total of CAD\$500,000 (or cumulatively, year-to-date CAD\$2,500,000), specific pre-approval must be obtained from the Chair of the Audit Committee.

Subject to receipt by Management of a representation by the Auditors that their independence and objectivity would not be compromised, contingent fees will be allowable where the engagement is for a pre-approved service as noted above and where the fees are not expected to exceed CAD\$500,000. Where the services to be provided are outside of the pre-approved services or the fees are expected to exceed CAD\$500,000, the specific approval of the Audit Committee is required and as part of that process the Committee should consider any fee or service contingency as part of their approval process.

It is the responsibility of the Auditors to ensure all non-audit engagements are identified and brought to the attention of the CFO of the OAC, the Senior Vice President, Financial Services and as applicable the appropriate Investment Entity individual to determine whether a particular service is covered by the pre-approved range of services and to maintain an up-to-date record of the value of non-audit services provided in the year. Management should seek the guidance of the Audit Committee Chair where there is any ambiguity about whether a particular service is pre-approved.

2.4 Pre-Approval of Individual Services

Management and/or the Auditors may seek pre-approval by the Audit Committee of the engagement of the Auditors to provide particular services not pre-approved under this policy in certain cases.

Where particular pre-approval is required, the Audit Committee has delegated the authority to effect such pre-approval to the Chair of the Committee subject to a maximum expected fee limit of \$100,000.

Under no circumstances may the Audit Committee or Audit Committee Chair delegate pre-approval responsibilities to Management.

2.5 Services Provided to Portfolio Companies of OAC and the Investment Entities

Subject to receipt by Management of a representation by the Auditors that their independence and objectivity would not be compromised, the Auditors may be engaged for audit, audit-related and non-audit services by the portfolio companies of OAC and the Investment Entities.

Where pre-approval is being requested from either the OAC Audit Committee or from the Chair of the OAC Audit Committee for the Auditor to provide services to a portfolio company, the approval of the portfolio company audit committee should be obtained prior to such expenditures being presented to the OAC Audit Committee or the OAC Audit Committee Chair.

2.6 Engagement Letters

Pre-approved non-audit services must be provided by the Auditors pursuant to an engagement letter with the appropriate OAC’s entity that satisfies each of the following requirements:

- a. the engagement letter must be in writing and signed by the Auditors; and
- b. the engagement letter must set out the particular non-audit services to be provided by the Auditors.

2.7 Reports of Services to the Audit Committee and CFO

The Auditors must report to the OAC’s CFO on a timely basis any engagement for a pre-approved service.

At every regularly scheduled meeting of the Audit Committee, Management and the Auditors must report on all new pre-approved engagements of the Auditors since the last such report based on the information provided by the Auditors and reviewed by Management. The Auditors may comment on the report if they wish to do so. At a minimum, the Audit Committee must receive the following:

- quarterly report on new pre-approved engagements of the Auditors (for review); and
- annual report of fees paid by the OAC and the Investment Entities and portfolio companies to the Auditors, which includes all engagements (for review).

All engagement letters entered into pursuant hereto must be made available to the Audit Committee upon request.

HISTORY

Effective Date:	November 17, 2011
Approval Dates:	May 18, 2011 (<i>Replaces Financial Management and Reporting Policy – Aug. 12, 2010</i>); November 17, 2011
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