



AUDIT AND FINANCE COMMITTEE CHARTER

I. INTRODUCTION

The Audit and Finance Committee (“AFC”) is a committee of the Board of Directors of the Ontario Pharmacists Association (“OPA” or “the Association”), and its primary purpose is to assist the Board of Directors in fulfilling its oversight responsibilities for the following key areas:

- (i) Monitoring the Association’s accounting and financial reporting process and disclosure; and to gain reasonable assurance about the compliance with laws and regulations;
- (ii) Overseeing annual financial audit process in order to gain reasonable assurance about the qualifications, independence and performance of the appointed external auditors and their audit of the Association’s financial statements;
- (iii) Overseeing financial investment management and risk management as delegated by the Board. To engage the professional services of an Investment Management Firm/manager and to gain reasonable assurance about the independence and performance of the appointed external investment manager with respect to their management of the Association invested funds including the compliance with (i) laws and regulations as well as (ii) the statement of investment policies approved by the Association Board of Directors.

II. COMPOSITION

- (i) The Audit and Finance Committee (“AFC”) shall be comprised of not less than 5 members of the OPA Board and a maximum of two non-Board members appointed by the Board.
- (ii) The immediate vice chair of the Board shall be the Chair of AFC. In the event that there is no immediate vice chair, the Board shall appoint a suitable Board member who has previously served AFC to be the chair of the committee.
- (iii) Committee members are appointed by the Board at the beginning of each board year and shall hold office until the committee member resigns, is replaced or ceases to be a director/member, whichever first occurs.
- (iv) A vice chair shall be selected from the committee membership at the first meeting of each board year to act in lieu of the chair should the chair be unavailable or in conflicts of interest.
- (v) The Chief Financial Officer (CFO) of the Association shall attend and participate in all meetings, except the in-camera sessions as appropriate, as an ex-officio.
- (vi) Committee members are expected to be financially literate, i.e. have the expertise and capability to read and understand the financial statements of OPA, and have additional skills that may or preferably include previous audit and finance committee experience, risk management, mergers and



acquisitions, internal control, corporate disclosure or regulatory compliance, and interpersonal skill. While it is not necessary for any one member of the committee to possess all of the skills, it is preferred that each skill item should be present in AFC's total composition.

- (vii) A majority of the members of the committee shall be registered pharmacists in Ontario.

III. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

AFC's role is to oversee the financial affairs and reserve investment management provider of OPA and to assist the Board in monitoring the Association's financial reporting and disclosure, and gaining reasonable assurance that the fundamental activities are conducted effectively.

(i) Financial reporting and disclosure

The financial reporting and disclosure will provide reasonable assurance to the Board on the following:

- That OPA complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies, relating to financial reporting and disclosure;
- That the accounting principles, significant judgments and disclosures which underlie or are incorporated in OPA financial statements are the most appropriate in the prevailing circumstances;
- That OPA's annual financial statements present fairly OPA's financial position as a result of its operations in accordance with:
 - General accepted accounting principles ("GAAP"); and
 - Certain industry related regulatory requirementsand together with management discussion and analysis, i.e. the document containing a complete and integrated view of the Association's historical operations, prospective analysis and financial condition explaining the "why" behind performance and prospects, constitute a fair presentation of OPA's financial conditions;
- That OPA's interim reports compared to the Board approved annual budget are reviewed on a regular basis and that items in the immediate bullet above apply to these reports except for the need to be fully in accordance to GAAP, unless otherwise required; and
- That appropriate information concerning the financial position and performance of OPA is disseminated to the Board in a timely manner.



(ii) Oversight of OPA reserve investment management provider

In providing oversight of the reserve investment management provider, AFC will provide reasonable assurance to the Board on the following:

- That consistent investment objectives, policies, asset allocation, and guidelines are maintained for the reserve funds;
- That proper control procedures to include the engagement, termination and replacement of investment professionals, including fund manager(s) and investment consultant(s) are developed and enacted; and
- That the results of investment performance are reviewed by the committee regularly and communicated to the Board of Directors periodically, at least every 6 months.

(iii) Fundamental Activities

The Board is of the view that the financial reporting and disclosure objective cannot be reliably met unless the following fundamental activities are conducted effectively:

- OPA's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of OPA's financial transactions;
- OPA's internal financial controls are regularly assessed for effectiveness as required; and
- OPA's interim and annual financial statements are prepared promptly by management and reviewed by AFC on a timely basis.

AFC shall develop and present to the Board for approval a process which, amongst other things, will describe the activities in which AFC will engage for the purpose of gaining assurance that the fundamental activities are being conducted effectively and that the financial reporting objective is being met.

To fulfill its responsibilities and duties, the Committee shall:

(1) Financial reporting

- (a) Review and provide guidance to the full Board and management about:
- Policies relating to OPA cash flow, cash management and working capital, member assessments and distributions;
 - Adjustments to OPA's capital structure;
 - Capital and debt issuances;
 - Financial strategies;
 - Working capital and cash flow management;



- Policies for managing interest rate, foreign and exchange, and investment risk;
 - The financial aspects of insurance and risk management;
 - Tax planning and compliance;
 - Proposed mergers, acquisitions, divestitures and strategic investments;
 - Other transactions or financial issues that management desires to have reviewed by the committee.
- (b) Review OPA's annual financial statements with management and the external auditors to gain reasonable assurance that the statements are prepared in accordance with GAAP, complete and represent fairly OPA's financial position and performance, and together with management's discussion and analysis ensure fair presentation of OPA's financial condition and report thereon to the Board before such financial statements are approved by the Board;
- (c) Review OPA's interim financial statements with management to gain reasonable assurance that the statements are complete, represent fairly OPA's financial position and performance, and ensure fair presentation of OPA's financial condition and report thereon to the Board before such financial statements are approved by the Board;
- (d) Receive from the external auditors on their review of the audited annual financial statements;
- (e) Receive from management a copy of the engagement letter provided to the external auditors;
- (f) Receive from the external auditors a copy of the "management letter" and management's response to it;
- (g) Receive from management any additional representations required by AFC;
- (h) Satisfy itself that adequate procedures are in place for the review of OPA's disclosure of financial information extracted or derived from OPA's financial statements (especially ratio and trend analyses) in order to satisfy itself that such information is fairly presented and periodically assess the adequacy of these procedures;
- (i) Obtain summaries of complex financings and other significant transactions, legal and other potentially difficult matters whose treatment in the annual financial statements merits advance disclosure.
- (2) Accounting policies
- (a) Review with management and the external auditors the appropriateness of OPA's accounting policies, disclosures, reserves, key estimates and judgments, including changes or variations thereto and obtain reasonable assurance that they are presented fairly in accordance with GAAP;



- (b) Review major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the accounts of OPA.

- (3) Risk and uncertainty
Acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing OPA and OPA's tolerance for risk and approve risk management policies, AFC shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
 - (a) Reviewing with management OPA's tolerance for financial risk;
 - (b) Reviewing with management (through a risk map or other risk assessment tools) its assessment of the significant financial risks facing OPA;
 - (c) Reviewing with management OPA's policies and any proposed changes thereto for managing those significant financial risks;
 - (d) Reviewing with management its plans, processes and programs to manage and control such risks;
 - (e) Reviewing the adequacy of insurance coverage maintained by OPA; and
 - (f) Reviewing with management, the external auditors and the company's legal counsel, any legal claim or other contingency that could have a material effect upon the financial position or operating results of the Association.

- (4) Compliance with legal, ethical and regulatory requirements
Obtain reasonable assurance that OPA has implemented appropriate systems of internal control to ensure compliance with legal, ethical and regulatory requirements and that these systems are operating effectively by:
 - (a) Ensuring about the policies and procedures that OPA has in place for monitoring compliance with laws and regulations.
 - (b) Informing senior management and external auditors which matters AFC wishes them to report should such matters come to the auditors' attention during the course of the auditors' work;
 - (c) Asking senior management to provide a summary concerning compliance and any changes in the acts or regulations governing OPA; and
 - (d) Considering whether the CFO or others should be asked to undertake special assignments to monitor compliance with regulatory requirements.

- (5) Internal audit
Assess periodically the need for an internal audit function and, if needed, is adequately staffed and effectively carried out.



- (6) Financial controls
 - (a) Review both management's overall approach to control and the plans of the CFO and external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective;
 - (b) Inquire specifically about OPA's compliance with its internal control policies and procedures; and
 - (c) Receive regular reports from management, the external auditors and OPA's legal advisors on all significant deviations or any indications/detections of fraud and the corrective activity undertaken in respect thereto.

- (7) Relationship with external auditors
 - (a) Recommend to the membership, through the Board, the need for the annual financial statements of OPA to be audited by external auditors;
 - (b) Negotiate and recommend to the Board the compensation to be paid to the external auditor;
 - (c) Recommend to the membership, through the Board, the terms of engagement of the external auditors;
 - (d) Review the performance of the external auditors annually or more frequently as required;
 - (e) If deemed necessary, receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by OPA;
 - (f) Review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit and the materiality levels which the external auditors propose to employ;
 - (g) Meet with the external auditors in the absence of staff to determine, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to AFC;
 - (h) Establish effective communication processes with management and OPA's CFO and external auditors to assist AFC in monitoring objectively the quality and effectiveness of the relationship among the external auditors, management and the committee; and
 - (i) Act as the mediator for the resolution of disagreements between management and the external auditors with respect to financial reporting.

- (8) OPA Reserves investment management provider (e.g. external fund manager)
 - (a) Review the investment objectives, policies, asset allocation, and guidelines regularly or annually and recommend any changes/revisions for the consideration/approval of the Board of Directors;



- (b) Communicate periodically, at least every six months, to the Board of Directors on the financial status and performance of the reserve fund(s);
- (c) Evaluate reserve fund(s) performance to assure that the fund manager(s) adhere to investment objectives and guidelines; and
- (d) Evaluate the performance of the fund manager(s), and oversee the selection/appointment/replacement of fund manager(s)

(9) Other responsibilities

- (a) Review the annual report;
- (b) Prepare a letter for inclusion in the annual report that describes the committee's responsibilities and how they are carried out;
- (c) Review AFC charter annually;
- (d) Establish and annually review the Board policy to govern board spending;
- (e) Review and recommend to the Board for approval the annual budgets;
- (f) Upon the recommendation of the CEO, consider amendments to the approved annual budgets of OPA, in order to respond to financial exigencies;
- (g) Review the business case for major projects and business investments;
- (h) Approve at each meeting, or at a minimum quarterly the reasonableness of the expenses of the Chair of the Board and the Chief Executive Officer;
- (i) Approve additional engagements of the external auditors for non-audit assignments;
- (j) Investigate any matters that, in AFC's discretion, fall within the Committee's duties; and
- (k) Perform such other functions as may from time to time be assigned by the Board.

IV. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE CHAIR

Working in conjunction with the Board Chair and the CFO, the Chair shall be responsible for general leadership of the committee, including:

- (i) Ensuring committee meetings are duly convened and that quorum is present ;
- (ii) Preparation of the agenda and related materials required for committee meetings;
- (iii) Preparation and fulfillment of an annual committee work plan;
- (iv) Communicating committee expectations and needs e.g. nature, timing, extent to Management with sufficient time and information to allow Management to respond in a reasonable manner and ensure the committee receives all reasonably required and available information, including minutes 7 days in advance of AFC meetings;



- (v) Take reasonable steps to ensure that the responsibilities of the committee as outlined in the charter are understood by all committee members and executed as effectively as possible;
- (vi) Presiding over meetings, ensuring that the agenda is completed in a timely manner;
- (vii) Monitoring discussion while ensuring committee members are encouraged to ask questions and express views;
- (viii) Prior to the approval of the agenda, to determine and confirm the need for an in-camera session;
- (ix) In the event of holding an in-camera session during a meeting, ensuring the session is held in compliance with the in-camera session policy.
- (x) Ensuring the committee reviews and assesses its performance at least annually and periodically reviews its roles and responsibilities; and

For details, please refer to the committee chair job description document.

V. DUTIES AND RESEPNOSIBLITES OF THE COMMITTEE VICE CHAIR

- (i) When the Chair of the committee is not able to attend a meeting of the Committee or when the Chair declares a conflict with any agenda item or where the Chair wishes to step out of the chair role to participate more robustly in a discussion, the Vice Chair shall assume the chair role.
- (ii) Should the Vice Chair not be available, the Chair shall arrange for another member to preside at the meeting in his or her absence, failing which, another member will be chosen by the Committee.

VI. MEETINGS

- (i) The Committee shall meet as often as necessary to carry out its responsibilities. A minimum of four (4) meetings/conference calls per year is required.
- (ii) The Committee shall convene at such times and places designated by its Chair or whenever a meeting is requested by at least two (2) members or at the request of the external auditors.
- (iii) With the exception of emergency situations, a minimum of forty-eight (48) hours written notice of each meeting shall be given to each member.



- (iv) Unless otherwise designated by the Chair, all meetings of the Committee shall take place at the head office of the Association.
- (v) Members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permitted all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.
- (vi) Agendas, approved by the Chair, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
- (vii) The Committee may, on the request of its Chair, make decisions via a consent resolution, which shall be executed by all voting members of the Committee and be deemed a decision of the Committee having full effect with respect to the subject matter.
- (viii) A majority of the members of the committee shall constitute a quorum, and a minimum of three (3) Board members must be present for all votes.
- (ix) Unless AFC otherwise specifies, the Corporate Secretary of OPA (or his/her designate) shall act as secretary at all committee meeting with the exception of the “in-camera” sessions.
- (x) In the event of holding an in-camera session during a meeting, the Committee Chair to ensure that records and reporting are maintained as per the requirements stated in the in-camera session policy.
- (xi) The Committee may, by specific invitation, have other external resources in attendance.

VII. REPORTING

- (i) The Committee will provide, to the Board at its next meeting, a written/verbal report of the material matters discussed and material resolutions passed at the Committee meeting.
- (ii) Approved minutes of the committee meeting will be included in the next regular Board meeting package.



VIII. OPERATING PRINCIPLES

The Audit and Finance Committee shall fulfill its responsibilities within the context of the following principles:

- (i) **Committee Values**
AFC expects all members of Management, the Board and its Committees to operate in compliance with OPA's Code of Conduct, policies and the laws and regulations governing OPA; and to maintain strong financial reporting and control processes.
- (ii) **Continuous Improvement**
The Committee will seek continuous improvement through annually reviewing its role and responsibilities.
- (iii) **Communications**
All members of AFC expect to have direct, open and frank communications with the CEO, the CFO, other Committee Chairs, and the external auditors as applicable.
- (iv) **Annual AFC Work Plan**
In consultation with the management and the external auditors, the Committee shall develop an annual Committee Work Plan responsible to the AFC's responsibilities as set out in this Charter.

In addition, the committee, in consultation with management and the external auditors, shall develop and participate in the process for review of important financial topics that have potential impact on OPA's financial disclosure.

- (v) **Financial Literacy**
All AFC members shall have 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 OPA's financial statements.
- (vi) **Reliance on Experts**
Supporting AFC's discharging of its duties, members of the Committee shall be entitled to rely in good faith upon:
 - the financial statements of OPA presented by an officer of OPA or in a written report of the external auditors to present fairly the financial positions of OPA in accordance with generally accepted accounting principles; and



- any report from legal counsel, accountants, appraisers or any other persons whose professional standing lends credibility to statements made by such person

(vii) External Resources

In addition to the external auditors, the Committee may, after consultation with the Board Chair, retain at the expense of OPA, one or more persons having special expertise to assist the committee in discharging its responsibilities.

IX. LIMITATIONS ON COMMITTEE'S DUTIES

In contributing to the Audit and Finance Committee's discharging of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the AFC's duties is to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met and to enable AFC to report thereon to the Board.

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