

Canada Media Fund/Fonds des Médias du Canada

Audit Committee Charter

A. Mandate

The primary function of the Audit Committee (the “Committee”) is to assist the Canada Media Fund/Fonds des medias du Canada (the “Corporation”) in fulfilling its corporate governance and oversight responsibilities with respect to accounting and financial reporting processes, internal financial controls, external audit function, investments and risk management practices.

B. Authority

The Committee is empowered to make such enquiry and investigation and require such information and explanation from management as it considers reasonably necessary. The Committee shall have direct and unrestricted access to the external auditors, officers and employees and information and records of the Corporation. The Committee has the authority to select retain and terminate, at the Corporation’s expense, special independent external legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

C. Membership

1. The Committee shall be comprised of at least three Directors:
 - (a) all of whom are financially literate (i.e., 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 accounting issues that can reasonably be expected to be raised by the financial statements of the Corporation); and
 - (b) at least one of whom is financially sophisticated (i.e., has past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that results in his or her financial sophistication).
2. Members and the Chair of the Committee shall be appointed by the Board.
3. The Corporate Secretary shall be secretary of the Committee.

D. Meetings

1. The Committee will meet at least once each calendar quarter. Any member of the Committee, Executive Management or the Corporate Secretary may call a meeting of the Committee. The external auditors may ask a member to call a meeting of the Committee.
2. The quorum for each meeting is a majority of members (present in person or by telephone). In the absence of the chair of the Committee, the other members of the Committee may appoint one of their members as chair of a meeting. The chair of a meeting shall not have a second or casting vote.

3. The Chair of the Committee or his or her delegate shall report at the next meeting of the Board following each meeting of the Committee. The Committee reports to the Board on its activities, findings and recommendations.
4. The Chair of the Committee and the appropriate members of the Corporation's management, are responsible for developing the Agenda for the meetings. The Agenda and the related briefing materials will be provided in advance to the members to allow members an appropriate period of time to prepare for the meeting.
5. Each meeting will include an in-camera session without management present unless the members of the Committee determine that this is not necessary.
6. The Committee will invite officers and employees of the Corporation, the external auditors, and outsiders with relevant experience and expertise to attend or participate in its meetings if it considers this appropriate.
7. The external auditor of the Corporation is entitled to receive the agenda for every meeting of the Committee and, at the expense of the Corporation, to attend and be heard at the meeting.

E. Duties and Responsibilities

1. Accounting Policies
 - (a) Review all of the Corporation's significant accounting policies and all major issues regarding accounting principles and financial statement presentations (including any significant changes in the Corporation's selection or application of accounting principles).
 - (b) Review major changes to the Corporation's finance and accounting policies and practices.
 - (c) Review with the external auditor and management the extent to which changes or improvements in financial or accounting practices, as previously reported to the Committee, have been implemented.
2. Financial reporting process and financial statements
 - (a) Inquire as to the integrity of the Corporation's financial reporting processes, and any major issues as to the adequacy of internal controls, thereby receiving reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements.
 - (b) Review significant accounting and reporting issues, including complex or unusual transactions and areas requiring significant judgement.
 - (c) Review recent professional and regulatory pronouncements and understand their impact on the financial statements.
 - (d) Review issues related to liquidity, investments and reserves.
 - (e) Annually review and approve the Corporation's investment policies.
 - (f) Periodically assess the adequacy of procedures in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements.

- (g) Discuss with the external auditor the quality and not just the acceptability of the Corporation's accounting principles.
- (h) Review the quarterly financial statements with management and recommend the annual audited financial statements to the Board for its approval.
- (i) Review the findings or comments of any regulatory or governmental agencies concerning the financial information of the Corporation and responses by Management to material information requests in this regard from such agencies.

3. External auditor

- (a) Be directly responsible for recommending to the Corporation's Members the appointment and replacement of the Corporation's external auditor and for the compensation and the oversight of the work of the Corporation's external auditor. The Committee is responsible for monitoring audit engagement partner rotation requirements.
- (b) The Committee pre-approves the annual audit engagement including fees and terms. The Chair pre-approves all other engagements by the external auditor including fees and terms. In this regard, establish which services the external auditor shall be prohibited from providing. In doing so, consider:
 - (i) whether the skills and experience of the audit firm make it a suitable supplier of the services;
 - (ii) whether there are safeguards in place to help ensure that there is no threat to the external auditor's objectivity and independence in the conduct of the annual audit resulting from providing such services; and
 - (iii) the nature of the services, the related fee levels, and the fee levels individually and in aggregate relative to the audit fee.
- (c) Prior to commencement of the annual audit, examine and approve the proposed audit plan and scope of work.
- (d) Following completion of the annual audit, review with each of Management and the external auditor any significant issues, concerns or difficulties encountered during the course of the audit, including any major issues that arose during the course of the audit that have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgments; levels of misstatements identified during the audit and obtaining explanations from management and, where necessary from the external auditor, as to why certain misstatements might remain unadjusted and at its discretion may review any material correspondence between management and the external auditor related to audit findings.
- (e) Review the audit representation letters with particular attention to non-standard representations.
- (f) Review and monitor the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the Corporation's business and establish whether recommendations have been acted upon and, if not, the reasons they have not been acted upon.

- (g) Discuss with the external auditor those matters that generally accepted auditing standards in Canada require to be communicated with the Committee.
- (h) Meet in-camera with the external auditor.
- (i) Conduct an annual assessment of the effectiveness of the external auditor and report to the Board with regard to the independence and performance of the external auditor. Periodically, conduct a comprehensive review of the external auditor and report the findings to the Board..

4. Internal controls and risk management

- (a) Receive and review reports from management and the internal and external auditors with regard to the reliability and effective operation of the Corporation's internal controls over financial reporting and for the prevention and detection of fraud.
- (b) Discuss guidelines and policies to govern the process by which risk assessment and risk management have been and are handled, even if the primary responsibility for risk assessment and management is assigned to another Board committee. The Corporation's major risk exposures and the steps management has taken to monitor and control such exposures should be discussed.
- (c) Review and approve designated signing authorities for the Corporation and ensure that such internal financial controls are being followed.
- (d) Review on an annual basis corporate insurance coverage.
- (e) Obtain reasonable assurance by discussion with and reports from management that the IT systems, security of information and recovery plans are adequate and reliable.
- (f) Review and make recommendations to the Board regarding any potential conflicts of interest disclosed to the Committee by CMF Associates under the Corporation's *Code of Business Conduct* (CMF Associates are defined as the Corporation's directors, officers and employees, including contract employees and consultants).

5. Internal audit

- (a) Review and approve management's decisions related to the need for compliance/internal audit.
- (b) Annually review and approve the mandate, budget, plan, changes in plan and activities of the internal audit functions.
- (c) Review and approve the appointment of the internal auditor and consult with management on any proposed amendments to the compliance/internal audit arrangements.
- (d) Review significant reports prepared by compliance/internal audit together with management's response and follow-up to these reports.
- (e) On at least an annual basis, review with the Corporation's counsel any legal matters including any claims that could have a significant impact on the Corporation's financial statements. Review the Corporation's compliance with applicable laws and regulations.

6. Whistleblower mechanism

- (a) Administer and monitor compliance with the Corporation's *Code of Business Conduct*, and investigate complaints made by employees and other "CMF Associates" under the Corporation's *Code of Business Conduct*.
- (b) Establish a mechanism for the receipt, retention and treatment of complaints received by the Corporation from persons or entities that are not CMF Associates about accounting, internal accounting controls or auditing matters.

7. Additional Responsibilities

- a. Review the Corporation's annual business plan and budget and recommend to the Board.
- b. Review the disclosure of financial information in the Annual Report and recommend to the Board.;
- c. Review and make recommendations to the Board regarding expense reimbursement policies for Board members and Executive Management.
- d. Review and assess the adequacy of the Committee Charter at a minimum once every two years and in consultation with the Governance and HR Committee, recommend changes for the Board's approval, and ensure appropriate disclosure as may be required by regulation or law.
- e. Annually undertake a review and performance evaluation of itself with the Board against the mandate set out in the Charter.
- f. Confirm annually that all responsibilities outlined in this Charter have been carried out.
- g. Report regularly to the Board, including matters such as the quality or integrity of the Corporation's financial statements, and compliance with legal or regulatory requirements.
- h. The Chair of the Committee has a responsibility to review and approve the expenses incurred by the Board Chair.
- i. Consult with the CEO regarding new candidates for the Corporation's chief financial officer.
- j. .Perform other activities related to this Charter as requested by the Board.

Approved by the Board on June 29, 2016

This document may have been translated from the language in which it was originally drafted. In the event of a discrepancy between the English and French language versions of this document, the version in the original language of drafting shall prevail.