

# OMERS Administration Corporation

## AUDIT & ACTUARIAL COMMITTEE MANDATE

### Purpose

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

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

### Composition

The Committee is to be comprised of up to seven Directors, the majority of whom should meet the standard of financial literacy or possess relevant actuarial or pension experience. 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 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 on a periodic basis OAC's accounting, financial reporting and other related policies designated in this Mandate.
2. Reviewing quarterly OAC's full-year 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 Accounting Standards for Pension Plans and 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 Press Release and on the corporate website with the annual audited financial statements.
7. Recommending to the OAC Board approval of the annual audited Financial Statements and Mid-Year Statements prepared by Management.
8. Recommending to the OAC Board approval of the Front Section and Management's Discussion and Analysis content to be included in the OMERS Annual Reports and other material public announcements regarding financial matters.

**B. Funding Risks and Actuarial Matters**

9. At least once every five years, recommending the appointment of the external actuary to the OAC Board to undertake annual valuations of the OMERS Pension Plans, and the general terms of engagement and remuneration of the external actuary.
10. Recommending actuarial methods and assumptions of all OMERS Pension Plans to the OAC Board.
11. Recommending annual valuations of all OMERS Pension Plans to the OAC Board.
12. Recommending actuarial valuations of all OMERS Pension Plans for filing with the appropriate regulator.
13. Recommending funding policies of all OMERS Pension Plans to the OAC Board.

14. Monitoring funding risk through trend analysis, sensitivity testing and financial forecasts prepared by Management and report to the OAC Board and SC on key risks and options to manage them.
15. Reviewing plan design and contribution rate proposals and decisions made by the SC regarding impact on the current membership, funding and investment strategy.
16. Reviewing with Management and the External Actuary significant changes to actuarial and funding principles and standards.
17. Reviewing the representation letter provided by Management to the External Actuary in conjunction with the annual valuation.
18. Evaluating the performance of the External Actuary and, if appropriate, confirming the continued appointment of the External Actuary.

**C. System of Internal Control and Disclosures**

19. Monitoring internal control over financial reporting and information systems (including security of information and recovery plans), including by receiving the internal control and disclosure certifications issued by the CEO and CFO and obtaining an overview of the process leading up to certification.
20. Reviewing with the Global Head of Internal Audit the scope and the results of the Internal Audit evaluation of OAC's internal controls, including controls over disclosures, and the results of this work.
21. Reviewing with the External Auditor the scope and the results of their evaluation of OAC's internal controls, including controls over disclosures.

**D. Insurance Risk Management and Fraud Risk Management**

22. Monitoring the Fraud Risk Program and approving the Fraud Framework.
23. Reviewing the executive risk insurance management program and insurance coverage of significant business risks implemented by Management.

**E. Internal Audit Function**

24. Approving the mandate, the strategic plan/annual audit plan of Internal Audit as proposed by the Global Head of Internal Audit.
25. Approving the hiring, succession recommendations and compensation awards/payments for the position of the Global Head of Internal Audit.
26. Reviewing performance of the Global Head of Internal Audit.
27. Monitoring the independence of the Global Head of Internal Audit and ensuring there are no restrictions or limitations placed on the Global Head of Internal Audit in access to information or in the conduct of the work of Internal Audit.
28. Reviewing audit reports prepared by Internal Audit together with Management's responses and follow-ups to significant issues arising from these reports.
29. Ensuring open communication occurs among the Audit & Actuarial Committee, the External Auditor and the Global Head of Internal Audit.

**F. External Audit of the Financial Statements**

30. Recommending to the OAC Board the appointment of the External Auditor, including the general terms of engagement and remuneration process.
31. Annually approving the fee for the External Auditor for the upcoming audit year.
32. Approving the annual audit plans of the External Auditor.
33. Monitoring the independence of the External Auditor in accordance with the External Auditor Independence Policy and pre-approving non-audit assignments performed by the External Auditor.
34. Reviewing with the External Auditor the findings of the annual audit of OMERS and its consolidated subsidiaries and entities.
35. Reviewing the representation letter provided by Management to the External Auditor in conjunction with the annual audit.
36. Evaluating the performance of the External Auditor and, if appropriate, confirming the continued appointment of the External Auditor.

**G. Organization's Processes for Monitoring Compliance with Policies, Laws and Regulations and the Code of Conduct and Ethics**

37. Monitoring compliance with policies, 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.
38. Recommending the OAC's Code of Conduct and Ethics to the Board for approval and ensuring appropriate director and employee training and that an acknowledgment process exists. Where breaches have been identified by Management, ensuring that steps have been taken to address the breaches in a timely manner.
39. Reviewing the mandate of the Compliance function on a biennial basis.
40. Reviewing reports on compliance with policies, including Personal Trading Policy covering Directors, officers and employees.

**H. Whistleblower Mechanism (Ethics Hotline) and Special Investigations**

41. 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.

**I. Other**

42. Reviewing and assessing Management's responses to material information requests from government and regulatory authorities other than ordinary course requests.
43. Reviewing reports summarizing Director travel and expense claims that have been already processed by Management.

44. Reviewing expenses incurred by the Sponsors Corporation (SC) reimbursable by OAC that have been already processed by Management.
45. Reviewing investment performance reports to the SC prior to delivery to the SC.
46. Reviewing material legal claims against OAC including pension-related claims.
47. Annually reviewing tax-related matters across the enterprise throughout the year.
48. Reviewing reports on OMERS Investment Management financial reporting.

### **Audit & Actuarial Committee Management and Reporting**

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

49. may retain external advisors to provide accounting, audit, legal, actuarial and any other expertise the Committee deems appropriate or necessary when required following the Board-approved selection process;
50. will ensure members are provided with the appropriate resources and education to fulfil the Committee's responsibilities;
51. will conduct *in camera* sessions after every meeting with the External Auditors, Global Head of Internal Audit, and members of the Senior Executive Team;
52. will annually review its mandate, evaluate the Committee's performance in fulfilling its mandate, report findings to the OAC Board, and review Committee strategic initiatives for the following year;
53. will annually review and recommend Corporate and Pension expenses to the Board; and
54. will annually approve a work plan to ensure that the Committee fulfils its mandate and completes its work plan efficiently and effectively.

### **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 fulfils its mandate and completes its work plan efficiently and effectively; and
- move the Committee's discussion towards a constructive and timely resolution.

## 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
- an oral report from the Committee Chair at the next scheduled OAC Board meeting.

## Applicable Policies

The Committee is responsible for approving the following policies:

- Anti-Bribery & Corruption
- Anti-Fraud Framework
- Anti-Terrorist Financing & Money Laundering
- External Auditor Independence
- Financial Disclosure
- Institutional Trading
- Investigation of Complaints
- Personal Trading
- Valuation of Investments

## HISTORY

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Effective Date: *January 1, 2019*

Approval Dates: *November 23, 2007, November 20, 2008, December 17, 2008, December 17, 2009, October 21, 2010, December 16, 2010, December 15, 2011, December 14, 2012, December 13, 2013, December 12, 2014, February 26, 2015, December 10, 2015; May 19, 2016, December 15, 2016, December 14, 2017, December 13, 2018*