

Throughout, “OTPP” refers to the corporate organization, the Ontario Teachers' Pension Plan Board, and “board members” refers to the members appointed to the OTPP.

## **MEMBERS**

Kathleen O'Neill, Chair; Bill Chinery, George Lewis, Cindy Forbes and Gene Lewis

### **1) AUTHORITY**

- a) Primary responsibility for financial reporting, accounting systems, internal controls over financial reporting and corporate governance related matters is vested in senior management and is overseen by the board members. The Audit & Actuarial Committee (“Committee”) is a standing committee of the OTPP established to assist it in fulfilling its responsibilities including financial reporting and financial statement actuarial valuations.
- b) The external actuary, external auditor, and internal auditor are directly accountable to the Committee. The Committee shall have unrestricted access to all OTPP personnel and documents, the external actuary, the external auditor and the internal auditor. The external actuary, the external auditor, and the internal auditor shall have direct access to the Committee at all times.
- c) The Committee is authorized to engage independent counsel and other outside experts as it determines necessary to carry out its duties, and to set and pay the compensation for any advisors engaged by the Committee. The committee chair shall engage the necessary advisors and the board members shall be kept informed of both the selection of the advisors and their advice. Board members may reserve the right to access more detailed information beyond that contained in the Committee reports and recommendations.

### **2) RESPONSIBILITIES**

#### **2.1) Financial Information**

- a) Review and approve the annual financial statements of the Plan and the Retirement Compensation Arrangement and recommend their approval to the board members after discussing the statements and matters such as the selection of, appropriateness and/or changes in accounting policies, note disclosure, major accounting judgments, accruals, actuarial assumptions, valuations, and significant estimates and assumptions with management, the external actuary and the external auditor and amongst members of the Committee.
- b) Review and approve the Management Discussion and Analysis (MD&A) and other financial information in the Annual Report, as well as related external disclosures. Recommend these to the board members for approval.
- c) Review and approve the Financial Valuation Policy on a biennial basis and as needed. Review reports of the Chief Financial Officer on compliance with such policy and significant deviations that have not been rectified.

- d) Review and approve biennially the mandate of OTPP's Disclosure Committee and the Disclosure Policy, which relates to OTPP's public disclosure of financial information extracted or derived from the financial statements.
- e) Review reports of the Chief Financial Officer on valuation risks and on exposure to investments that are not independently priced.
- f) Review the key estimates and judgment of management that may be material to the financial reporting of the OTPP.
- g) Review the annual Administrative Expenses Budget and the Capital Budget for approval by the board members.
- h) Review and approve the semi-annual financial information presented, including the half-year report and related external disclosures. Recommend the approval of the semi-annual financial statements, the half-year report and related external disclosures to the board members.
- i) Review any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the OTPP.
- j) Review any new or pending developments in accounting and reporting standards and securities policies or regulations that may affect the OTPP.
- k) Review the appointment and removal of the Chief Financial Officer.

## 2.2) External Actuary

- a) Directly oversee the work of the external actuary, including:
  - i. The actuary's engagement letter;
  - ii. Considering the recommendations of the actuary as to the assumptions to be used in the financial statement valuations;
  - iii. Reviewing the financial statement actuarial valuations and recommending their acceptance to the board members;
  - iv. Assessing the actuary's performance;
  - v. Recommending the actuary for appointment by the board members as well as a fee for approval by the board members; and
  - vi. Meeting privately with the actuary to discuss pertinent matters.

## 2.3) External Auditor

- a) Directly oversee the work of the external auditor, including:
  - i. The engagement letters for the financial statement audit, any interim reviews and other services related to securities issuances;

- a. The scope of the audit, including materiality, areas of audit risk, timetable, deadlines and co-ordination with internal audit;
- ii. The management letter together with management's response;
- iii. Receiving the auditor's written statement of relationship with the OTPP including non-audit services performed by the auditor;
- iv. Assessing the auditor's objectivity and independence, including rotation of audit partners;
- v. Reviewing the auditor's internal quality control procedures;
- vi. Assessing the auditor's working relationship with management;
- vii. Resolving disagreements between management and the auditor regarding financial reporting;
- viii. Assessing the auditor's performance;
- ix. Conducting a comprehensive review of the auditor focusing on the audit firm, its independence and the application of professional skepticism at least every five years;
- x. Recommending the auditor for appointment by the board members as well as a fee for approval by the board members;
- xi. Approving any other audit, review, attest or non-audit services;
- xii. Meeting privately with the auditor to discuss pertinent matters; and
- xiii. When necessary, recommending the removal of the auditor.

#### 2.4) Audit Services Department

- a) Review and approve the annual audit plan which includes the resources, budget and planned activities of the internal audit function.
- b) Review matters which may affect the objectivity and/or independence of the internal audit function.
- c) Review internal audit findings and determine that they are being properly followed up.
- d) Review annually the effectiveness of the internal audit function.
- e) Review and approve the terms of reference of the internal audit function on a biennial basis.
- f) Meet privately with the Managing Director, Audit Services to discuss pertinent matters.
- g) Approve the appointment and removal of the Managing Director, Audit Services.

## 2.5) Accounting Systems and Internal Controls

- a) Obtain reasonable assurance from discussions with and/or reports from management, and reports from external and internal auditors that the OTPP's accounting systems are reliable and the internal controls are operating effectively;
- b) Review the annual internal controls certification;
- c) Review the annual Report on Management's Assessment of Fraud & Error and Report on Entity Level Controls;
- d) Review Quarterly Governance Report from management;
- e) Review periodic reports from management on oversight of operational due diligence at the external fund managers; and
- f) Direct the auditors' examinations to particular areas, at the discretion of the Committee.

## 2.6) Reporting and Governance Matters

- a) Receive an annual report on consulting fees from management;
- b) Review annual reports on the state of the regulatory compliance program, related compliance monitoring/testing and significant regulatory developments;
- c) Review annual reports on compliance with remittance of income taxes and other payroll withholdings;
- d) Review periodic reports on significant taxation developments and strategies to protect the tax-exempt status of OTPP globally;
- e) Establish procedures for receiving and dealing with confidential, anonymous submission by OTPP employees of concerns regarding questionable accounting, internal accounting controls, auditing matters, or other matters required to be reported under the Code of Conduct. Review these procedures on a biennial basis;
- f) Review Quarterly Reports on Whistle-blowing;
- g) Establish the hiring policy regarding partners, employees and former partners and employees of the present and former external auditor. Review the policy on a biennial basis; and
- h) Review and approve the Auditor Independence Policy on biennial basis and as needed.

## 2.7) Other Matters

- a) Review the Terms of Reference of the Committee biennially and present any changes recommended to the Governance Committee for recommendation to the Board.
- b) Advise the board members and carry out such other tasks, consistent with the above matters, as directed by the board members.

### 3) PROCEDURES

#### 3.1) Membership

- a) The Chair of the Committee and the majority of members must 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 the OTPP's financial statements.

#### 3.2) Meetings

- a) A meeting of the Committee may be called by the Chair of the Committee or any other member of the Committee, the Chair of the OTPP, the Chief Executive Officer, the external auditor or the internal auditor.
- b) The external auditor is entitled to receive notice of and to attend meetings of the Committee and to be heard at those meetings on matters relating to the external auditor's duties.
- c) The Committee will report the proceedings of each meeting and all recommendations made by the Committee at such meeting to the Board at the Board's next regularly scheduled Board meeting.
- d) The Committee will meet privately with management to discuss pertinent matters.
- e) The Committee will meet in camera at each meeting to discuss pertinent matters.

### 4) POSITION DESCRIPTION FOR CHAIR OF THE AUDIT & ACTUARIAL COMMITTEE

#### 4.1) The Chair of the Committee shall:

- a) Provide leadership to enhance the Committee's effectiveness by
  - i. Ensuring that the areas of responsibilities of the Committee and management are understood and respected by both;
  - ii. Promoting the independent thinking of the Committee;
  - iii. Building consensus among Committee members; and
  - iv. Overseeing the discharge of the Committee's responsibilities including its reporting to the board members.
- b) Act as the liaison between the Committee and management by working with the Chief Executive Officer or her or his delegate to:
  - i. Carry out the annual calendar of the Committees business;
  - ii. Set the agenda for each Committee meeting; and

- iii. To ensure that proper information is brought to the Committee including regular management reports and documentary materials in support of financial information, internal controls and actuarial valuations.
- c) Review and oversee the investigation of the whistle-blowing reports directed to the Chair of the Committee in accordance with the Procedures for Responses to Whistle-blowing.
- d) Provide the Chair's insight for Enterprise Risk Management by providing input into OTPP's top enterprise risks.