

# **THE CALDWELL PARTNERS INTERNATIONAL INC**

## **CHARTER AND TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**Updated October 7, 2021**





# Charter and Terms of Reference of the Audit Committee

## ROLE AND OBJECTIVE


The Audit Committee (the “Committee”) is a committee of the board of directors (the “Board”) of The Caldwell Partners International Inc. (“Caldwell”) to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management’s reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information. The primary objectives of the Committee are as follows:



1. To assist directors in meeting their responsibilities in respect of the review and approval of the financial statements of Caldwell and related documentation;
2. To provide a communication link between independent directors and external auditors;
3. To enhance the external auditor’s independence;
4. To assure the credibility and objectivity of financial reports; and
5. To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.


## MEMBERSHIP OF COMMITTEE

1. The Committee shall be comprised of at least three (3) directors of Caldwell, none of whom are members of management of Caldwell and all of whom are “unrelated directors” (as such term is used in the Report of the Toronto Stock Exchange on Corporate Governance in Canada) and “independent” (as such term is used in Multilateral Instrument 52-110 – Audit Committees (“MI 52-110”) unless the Board shall have determined that the exemption contained in Section 3.6 of MI 52-110 is available and has determined to rely thereon.
2. The Board shall appoint the Committee Chair.
3. All of the members of the Committee shall be “financially literate” (as defined in MI 52-110) unless the Board shall determine that an exemption under MI 52-110 from such requirement in respect of any particular member is available and has determined to rely thereon in accordance with the provisions of MI 52-110.

## CHARTER AND RESPONSIBILITIES OF COMMITTEE

1. The Committee shall provide oversight on the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting. The external auditors must report directly to the Committee.
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2. The Committee shall satisfy itself on behalf of the Board with respect to Caldwell's Internal Control Systems and its ability to:
    - Identify, monitor and mitigate business risks; and
    - Ensure compliance with legal, ethical and regulatory requirements.
  3. The primary responsibility of the Committee is to review the annual and interim financial statements of Caldwell and related management's discussion and analysis ("MD&A") prior to their submission to the Board for approval. The process should include but not be limited to:
    - Reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;
    - Reviewing significant accruals, reserves or other estimates;
    - Reviewing accounting treatment of unusual or non-recurring transactions;
    - Reviewing disclosure requirements for commitments and contingencies;
    - Reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
    - Reviewing unresolved differences between management and the external auditors; and
    - Obtaining explanations of significant variances with comparative reporting periods.
  4. Unless reviewed by the entire Board, the Committee is to review the financial statements, prospectuses, MD&A, annual information forms ("AIF") and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of Caldwell's disclosure of all other financial information, and must periodically assess the adequacy of such procedures.
  5. With respect to the appointment of external auditors by the Board, the Committee shall:
    - Recommend to the Board the external auditors to be nominated;
    - Recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors shall report directly to the Committee;
    - Perform an annual assessment of external auditors as recommended by the Canadian Public Accountability Board to review the suitability of the existing external audit firm.
    - Approximately every five years perform a more in-depth periodic review of external auditors as recommended by the Canadian Public Accountability Board to review the continued appropriateness of the existing external audit firm.
    - Discuss with the external auditors all significant relationships such auditors have with the Corporation to determine the auditors' independence;
    - When there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
    - Review and pre-approve any non-audit services to be provided to Caldwell or its subsidiaries by the external auditors and consider the impact on the independence of
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such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member report to the Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Committee from time to time.

6. Review with external auditors (and internal auditor if one is appointed by Caldwell) their assessment of the internal controls of Caldwell, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee shall also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Caldwell and its subsidiaries.
7. The Committee shall review risk management policies and procedures of Caldwell (eg. hedging, litigation and insurance).
8. The Committee shall establish a procedure for:
  - The receipt, retention and treatment of complaints received by Caldwell regarding accounting, internal accounting controls or auditing matters; and
  - The confidential, anonymous submission by employees of Caldwell of concerns regarding questionable accounting or auditing matters.
9. The Committee shall review and be apprised of any intent of Caldwell regarding the hiring of partners and employees who work on Caldwell's account and former partners and employees of the present and former external auditors of Caldwell.
10. The Committee shall have the authority to investigate any financial activity of Caldwell. All employees of Caldwell are to cooperate as requested by the Committee.
11. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at the expense of Caldwell without any further approval of the Board.

## **AUTHORITY**

1. The Committee shall have the authority to:
  - Engage independent counsel and other advisors as it determines necessary to carry out its duties; and
  - Set and pay the compensation for any advisors employed by the Committee; and
  - Communicate directly with the internal and external auditors.

## **REPORTING OBLIGATIONS**

1. Caldwell must include in its AIF the disclosure required by Form 52-110F1.
  2. If management of Caldwell solicits proxies from the security holders of Caldwell for the purpose of electing directors to the Board, Caldwell shall include in its management information circular a cross-reference to the sections in the AIF that contain the information required in the paragraph set forth directly above.
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## MEETINGS AND ADMINISTRATIVE MATTERS

1. At all meetings of the Committee every motion shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote.
2. The Chair shall preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee present shall designate from among the members present the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board unless otherwise determined by the Board.
4. Meetings of the Committee should be scheduled to take place at least four times per year (see "Schedule A"). Minutes of all meetings of the Committee shall be taken. The Chief Operating and Financial Officer shall attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chair.
5. The Committee shall meet with the external auditor at least once per year, including at least one in camera meeting (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor and the Committee consider appropriate.
6. Agendas, approved by the Chair, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of Caldwell as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee.
8. Any member of the Board Directors may attend any Committee meeting as an ex-officio member at his discretion.
9. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
10. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of Caldwell.
11. Any members of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold such office until the close of the next annual meeting of shareholders following appointment as a member of the Committee.
12. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chair of the Board by the Committee Chair.

## SCHEDULE "A"

### Example of Audit Committee Meeting Agenda for Year

		Scheduled Meetings			
		Oct/Nov	Jan	Apr	Jul
<b>I.</b>	<b>Audit Committee Purpose</b>				
	Conduct special investigations	*	*	*	*
<b>II.</b>	<b>Audit Committee Composition and Meetings</b>				
	Assess independence and financial literacy of Audit Committee				X
	Establish number of meetings				X
	Audit Committee Chair to establish meeting agenda				X
	Enhance financial literacy - update on current financial events	X	X	X	X
	Executive sessions with auditors, management, committee	*	*	*	*
<b>III.</b>	<b>Audit Committee Responsibilities and Duties</b>				
	Review charter, publish in proxy/annual information form				X
	Review annual financial statements - discuss with management, auditors	X			
	Consider internal controls and financial risks	X			
	Review quarterly results and findings	X	X	X	X
	Recommend appointment of auditors	X			
	Approve audit fees			X	
	Discuss auditor independence			X	
	Review annual audit plan			X	
	Review annual audit report	X			
	Perform annual assessment of external auditor	X			
	Discuss year-end results	X			
	Discuss quality of accounting principles	X	*	*	*
	Review legal matters with counsel	*	*	*	*
	Review press release/report to shareholders	X	X	X	X
	Perform other activities as appropriate	*	*	*	*
	Maintain minutes and report to Board of Directors	X	X	X	X
	Review related party transactions	*	*	*	*