

# TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

## 1.0 GENERAL PRINCIPLES

Each Committee member will make decisions so as to:

- 1.1 ensure transparency and accountability;
- 1.2 minimize the cost operating the Common Collection System;
- 1.3 promote and encourage effective stewardship of the Common Collection System;
- 1.4 strive for continuous improvement in operations;
- 1.5 maintain a safe and healthy environment for employees;
- 1.6 provide a culture of honesty and integrity; and
- 1.7 ensure each container type (material/size) is self-funding.

## 2.0 DEFINITIONS

In these Terms of Reference the following terms have the meaning ascribed to them:

- 2.1 “ABCRC” means Alberta Beverage Container Recycling Corporation.
- 2.2 “Act” means the *Business Corporations Act* (Alberta).
- 2.3 “Board” means the board of directors of ABCRC.
- 2.4 “Board Chair” means the board chair of ABCRC appointed by the Board.
- 2.5 “Committee” means the Audit Committee.
- 2.6 “Committee Chair” means the chair of the Committee appointed by the Board Chair.
- 2.7 “Common Collection System” means the Alberta collection system that collects and processes all non-refillable beverage containers.
- 2.8 “Directors” mean members of the Board.
- 2.9 “President” means the person appointed by the Board to serve as the most senior operating officer of ABCRC.
- 2.10 “Shareholders” mean the beneficial holders of all of the issued and outstanding shares in the capital of ABCRC.

### **3.0 INTERPRETATION**

In these Terms of Reference, except if defined in Section 2.0 or the context does not permit:

- 3.1 words and expressions defined in the Act have the meaning given to them in the Act;
- 3.2 words importing the singular include the plural and vice versa; and
- 3.3 words importing gender include masculine, feminine and neuter genders.

### **4.0 COMMITTEE**

A committee to be known as the "Audit Committee" is established.

### **5.0 COMPOSITION OF THE COMMITTEE**

The Committee shall consist of not less than three and not more than seven people, all of whom are resident Canadians (as defined in the Act). Each member of the Committee shall be or become financially literate. The majority of the Committee must be Directors but non-director members are allowed. The Board Chair shall be an ex-officio member of the Committee, with full voting rights.

### **6.0 APPOINTMENT OF COMMITTEE MEMBERS**

Members of the Committee shall be appointed at the meeting of the Directors immediately following the annual meeting of Shareholders, having regard to the recommendation of the Governance Committee, and shall hold office until the next annual meeting, or until their successors are appointed.

### **7.0 VACANCIES**

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board, having regard to the recommendation of the Governance Committee, and shall be filled by the Board if the membership of the Committee is less than three people.

### **8.0 COMMITTEE CHAIR**

The Board Chair shall appoint a Director to serve as the Committee Chair.

### **9.0 ABSENCE OF COMMITTEE CHAIR**

If the Committee Chair is not present at any meeting of the Committee, the President or one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

### **10.0 SECRETARY OF THE COMMITTEE**

The Committee shall appoint a recording secretary.

## **11.0 MEETINGS**

The Committee Chair or any two members of the Committee or the auditors may call a meeting of the Committee. The Committee shall meet at its discretion but at least quarterly.

## **12.0 QUORUM**

A majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum. Notwithstanding the Board Chair's status as an ex-officio member of the Committee, the Board Chair shall only be included when determining whether a quorum has been constituted if the Board Chair is present at that meeting. If the Board Chair is not present, a quorum shall be constituted based on the number of remaining members of the Committee.

## **13.0 NOTICE OF MEETINGS**

Notice of the time and place of every meeting shall be given in writing and shall be sent by courier, personal delivery or electronic means at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting; and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

## **14.0 ATTENDANCE AT MEETINGS**

14.1 All Committee members, including the applicable Directors, should strive for 100% attendance at Committee meetings while recognizing that from time to time there may be compelling reasons for a person to miss a meeting. While attendance in person at Committee meetings is preferred, particularly for individuals residing in Calgary, Alberta, participation via telephone or other telecommunication device is acceptable.

14.2 At the invitation of the Committee Chair, one or more officers of ABCRC may attend any meeting of the Committee.

## **15.0 PROCEDURE, RECORDS AND REPORTING**

15.1 The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the meeting of the Board next following each applicable Committee meeting). The Board shall receive the minutes of Committee meetings as consent agenda items, as the Board deems appropriate, at each meeting of the Board and the Committee Chair shall address any recommended motions for the Board, any items excluded or removed from the consent agenda and any other questions raised by Directors at each meeting of the Board.

15.2 A portion of each Committee meeting will be held in-camera and, where appropriate, minutes kept of the in-camera session.

## **16.0 VOTING RIGHTS**

Questions arising at a Committee meeting shall be decided by a simple majority of the votes cast, excluding abstentions, and in the case of an equality of votes, no member shall be entitled to a casting vote.

## **17.0 THE AUDITORS**

17.1 ABCRC will notify the auditors of the names of the members of the Committee promptly after their appointment.

17.2 The Committee may invite the auditors to attend any meeting of the Committee.

17.3 The Committee shall meet with the auditors as the Committee may deem appropriate to consider any matter which the Committee or the auditors believe should be brought to the attention of the Directors or the Shareholders.

## **18.0 REVIEW OF TERMS OF REFERENCE**

The Committee shall review these Terms of Reference at least annually or otherwise as it deems appropriate and propose recommended changes to the Governance Committee and the Board.

## **19.0 SPECIFIC MANDATE**

The Committee shall, in consultation with the Board Chair and the President:

19.1 review the audit plans of the auditors of ABCRC;

19.2 review the external audit practices and procedures;

19.3 review with management, the auditors and if necessary legal counsel, any litigation, claim or contingency, including tax assessments that could have a material effect upon the financial position of ABCRC, and the manner in which these matters have been disclosed in the financial statements;

19.4 review, discuss with management and recommend to the Board for approval, ABCRC's audited annual financial statements;

19.5 review the annual post-audit or management letter from the auditors and management's response and follow-up in respect of any identified weakness, and inquire regularly of management and the auditors of any significant issues between them and how they have been resolved;

19.6 review the recommendations of management as to the reappointment or appointment of the auditors and make recommendations thereon to the Board, review and approve the basis and the amount of the auditors' fees; it is specifically acknowledged that, pursuant to the Act, the Shareholders have the ultimate responsibility to appoint and replace the auditors and that the auditors

are accountable to the Committee and the Board as representatives of the Shareholders;

- 19.7 review and approve any non-audit related services provided by the auditors, the relevant fees, the impact of these services on the independence of the auditors; and, for greater certainty, annually review a formal written statement from the auditors delineating all relationships between ABCRC and the auditors;
- 19.8 meet separately from management with the auditors and report to the Board on such meetings;
- 19.9 review with the auditors the adequacy and appropriateness of the accounting policies used in preparation of financial statements;
- 19.10 review with management and report to the Board, on an annual basis, ABCRC's obligations pursuant to any indebtedness, liability or obligation, and material contractual obligations of ABCRC;
- 19.11 review with management and report to the Board on ABCRC's risk management policies and procedures;
- 19.12 review and consider any significant reports and recommendations issued by ABCRC or by any external party relating to internal audit issues, together with management's response thereto;
- 19.13 review the quarterly unaudited financial statements;
- 19.14 review periodically management and Director expenditure patterns and to apply the most current travel guidelines and procedures
- 19.15 review and approve the internal control policies and procedures to monitor the effectiveness of ABCRC's internal controls and to monitor compliance with, ABCRC's policies, and code of business ethics;
- 19.16 review and approve management plans regarding any significant changes in accounting practices or policies and the financial impact thereof; and
- 19.17 review with management and others as necessary, issues relating to legal and regulatory responsibilities to monitor ABCRC's efforts to ensure compliance.

**20.0 DUTIES OF THE COMMITTEE CHAIR**

Generally the Committee Chair shall assure the integrity of the Committee process including effectiveness of meetings and the Committee's adherence to these Terms of Reference. Specifically the Committee Chair shall:

- 20.1 except as otherwise provided in these Terms of Reference, call all meetings of the Committee;
- 20.2 set or approve the agenda of all meetings of the Committee called by the Committee Chair;

- 20.3 establish the rules of procedure and rules of order to be followed at meetings of the Committee;
- 20.4 confer with the President regarding all items of business which the President wishes to bring before the Committee;
- 20.5 take reasonable measures to ensure that all Committee members are active and contributing;
- 20.6 confer with the Chair of the Governance Committee with regards to the appointment of new members to, or the rotation of members on the Committee;
- 20.7 together with the President advise the Committee of the business and affairs of ABCRC; and
- 20.8 ensure appropriate communication among the Committee members.

**21.0 LIMITATION OF THE COMMITTEE'S ROLE**

While the Committee has the responsibilities set out in these Terms of Reference, it is not the duty of the Committee to plan or conduct audits or to determine that ABCRC's financial statements and disclosures are complete and accurate and in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO) and applicable rules and regulations. These are the responsibilities of management and the auditors.