



Audit and Finance Committee

Committee Mandate

1. PURPOSE

1.1 Committee of the Board

The Audit and Finance Committee (“the Committee”) is a Committee of the Board, with the specific powers delegated as set out in this Charter.

1.2 Purpose of the Committee

The Purpose of the Committee is to assist the Board in the effective discharge of its responsibilities for financial reporting, internal controls, independent auditors, and financial management. The Committee does not relieve any Directors of their responsibilities for these matters.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Association and the power to retain outside counsel, auditors or other experts for this purpose. The Board and the Committee are in place to represent Holstein Canada’s membership.

1.3 Functions of the Committee

The members of the Committee are not employees of the Association and need not be financial or accounting experts.

The Committee:

- a) is not required to personally conduct accounting reviews or audits; and
- b) is entitled to rely on employees of the Association or professional advisors or consultants engaged by the Committee or the Association where:
 - (i) there are reasonable grounds to believe that the employee, advisor or consultant is reliable and competent; and
 - (ii) the reliance was made in good faith and after making an independent assessment of the information.

1.4 Exercise of Powers

The Committee must exercise the powers delegated to it in accordance with any directions of the Board.

The Committee will facilitate open communications among the external auditors, financial and senior management, and the Board of Directors.

2. CODE OF CONDUCT

Committee members must sign a copy of the Committee Member Code of Conduct on an annual basis and abide by all of the duties outlined within the Code of Conduct.

3. COMPOSITION

3.1 Chairperson

The Chairperson of the Audit and Finance Committee will be appointed by the Board at the first regular meeting of the Board following the Annual General Meeting of Members.

3.2 Membership

The Committee shall be appointed annually and consist of at least four (4) members who are able to read and understand financial statements, who shall be:

- a) a minimum of three (3) National Directors, excluding the President and Vice-President; and one (1) of the three (3) Board members so designated shall also serve on the Risk Committee to act as a liaison between the two Committees;
- b) a minimum of one (1) external expert/advisor, as determined by the Board;
- c) The Association's Chief Executive Officer and Controller will serve as Management Advisors to the Committee.

3.3 Expertise

In appointing Members to the Committee, the Board shall have regard to the following composition requirements:

- a) at least one (1) Member of the Committee should have financial expertise; and
- b) at least one (1) member of the Committee must understand the industry in which the Association operates; and
- c) at least one (1) Member of the Committee, other than the Chairperson, shall also serve on the Risk Committee to act as a liaison between the two Committees.

3.4 Skills Development

A Member of the Committee may, with the approval of the Committee Chairperson and at the Association's expense, attend seminars or training courses in respect to issues related to the functions and responsibilities of the Committee.

4. REMOVAL AND VACANCY

Any member of the Committee may be removed and replaced at any time by the Board. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members may exercise all its powers.

5. POWERS OF THE COMMITTEE

5.1 Access to Management

The Committee, in performing its functions, may:

- a) direct any of the following to attend a meeting of the Committee:
 - (i) the external auditor (at least annually); and

(ii) any employee of the Association.

b) to the extent permitted by law, access any document, report, material or information in the possession of an employee or external adviser of the Association.

5.2 Special Investigations

The Committee may initiate special investigations as it sees fit, or as directed by the Board, in relation to matters set out in this Charter.

5.3 Access to Independent Advice

The Committee may obtain independent professional advice to assist it in the proper exercise of its powers and responsibilities, with the cost to be borne by the Association.

6. COMMITTEE RESPONSIBILITIES

6.1 External Reporting

The Committee shall promote an environment in the Association which is consistent with best practice financial reporting and appropriately reflects the financial status of the Association to external parties. In particular, the Committee shall:

- a) review all published financial statements prior to approval by the Board. The review of financial statements should include a discussion with the external auditor of accounting issues, accounting policies adopted and the proposed audit report. Subject always to ultimate Board approval of the published financial statements, the Committee shall have authority to review accounting issues raised, accounting policies adopted and the proposed audit report;
- b) review and assess the appropriateness of the Association's accounting policies and principles. The Committee should discuss with the external auditor its view of the quality and acceptability of Holstein Canada's accounting principles;
- c) review and consider the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting of financial information; and
- d) review proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on the Association;
- e) The Chairperson of the Committee will present the Financial Report to the Annual General Meeting of Members (AGM).

6.2 Internal Control and Financial Management

The Committee shall review and consider the appropriateness and adequacy of processes for determining, monitoring and assessing key areas of financial management. In particular, the Committee shall:

- a) align actions with Board direction on matters of financial risk.
- b) have full authority to review and monitor compliance of financial management policies including but not limited to the following:

(i) Financial Records

- Refers to the Association's financial statements and financial management records.
- Contributing factors include appropriate recording, classification, value, or time of recognition, with regard to various transactions that ultimately appear in the Association's financial journals or statements.

(ii) Accounting Principles

- Refers to the use of procedures that are consistent with Generally Accepted Accounting Principles (GAAP) or are appropriate to the circumstances.

(iii) Government / Legal Compliance

- Relates to any litigation, claim or other contingency which could have a material effect upon the financial position or operating results of the Association.
- Review reports concerning material actual and suspected breaches of law, including fraud and theft and assess systems to manage this risk.

(iv) Cost Accountability

- Refers to any expenditure, either capital or expense related that has been incurred by the Association.

(v) Revenue Accountability

- Refers to recording of income or compensation to which the Association is fairly or contractually entitled.

(vi) Safeguarding of Assets

- Considers assets to be the physical head office, equipment or material, cash or claims to monies or data. Safeguarding refers to protection against loss or destruction causing reduction in value or loss due to theft, fraud, vandalism, fire, flood, breakage and similar calamities.

- c) Review management's programs and policies which deal with the adequacy and effectiveness of internal controls over the Association's business processes, including the determination of the financial statements;
- d) review and monitor related party transactions and assess their propriety.

6.3 Insurance Program

The Committee shall review all aspects of the Association's insurance program.

6.4 External Audit

The Committee shall review and assess key areas relating to the external audit of the Association. In particular, the Committee shall:

- a) report its findings to the Board on the appointment, reappointment or replacement and remuneration of the external auditor;
- b) review the terms of engagement for the external auditor;
- c) monitor the effectiveness and independence of the external auditor;
- d) review and assess provision of non-audit services by the external auditor, with particular consideration to the potential to impair, or appear to impair, the external auditor's judgement or independence in respect of the Association;
- e) review and monitor management's responsiveness to the external audit findings; and
- f) on a regular basis meet with the external auditor without the presence of staff.

In addition, the Association may review the scope of the external audit with the external auditor including identified risk areas and approve external audit plans.

6.5 Financial Strategy and Policies

The Committee shall assist the Board of Directors in fulfilling its responsibility in respect of the policies and practices that relate to the management of the financial affairs of the Association. In particular, the Committee shall:

- a) exercise oversight responsibility with respect to strategic financial matters, including those related to investment policies and strategies, mergers and acquisition transactions, financings, and capital structure. Advise and make recommendations to the Board with respect to such matters;
- b) review the Association's Annual Operating budget, including cash plan, balance sheet, and capital expenditure budget and make recommendation and reporting to the Board.

7. COMMITTEE TIME REQUIREMENTS

8.1 Holding of Meetings

- a) The Committee shall meet at least once annually and more frequently as circumstances dictate. Each meeting shall be convened by the Chairperson.
- b) A member of the Committee may request that a meeting of the Committee be convened.
- c) The Committee would hold a conference call on an annual basis to receive the independent auditors' report and to review the year-end financial statements prior to final approval by the Board of Directors.

8.2 Quorum

A majority of members, present in person or by using any technology, shall constitute a quorum.

8.3 Committee Papers

Unless directed by the Committee Chairperson, the Committee Secretary shall distribute in advance of a meeting of the Committee an agenda and any related papers to:

- a) each member of the Committee; and
- b) Controller who serves as the management advisor to the Committee as well as the Chief Executive Officer.

8.4 Committee Minutes

- a) The Committee Secretary shall prepare minutes of meetings and have them reviewed by the Controller and the Committee Chairperson.
- b) Minutes of the meeting shall be approved at the next meeting of the Committee.
- c) The Chief Executive Officer of the Association will appoint a Recording Secretary for the Committee.

8. REPORTING TO THE BOARD

Following a review of the minutes by the Chairperson and the Committee, minutes of each meeting shall be submitted to the Board for consideration of any actions or recommendations.

The Committee Chairperson or a Committee designate must report to the Board after each Committee meeting concerning:

- (i) the actions and recommendations of the Committee; and
- (ii) all matters relevant to the Committee's role and responsibilities.

9. COMPENSATION

Committee members will receive a per diem for attending virtual and in-person meetings in accordance with the Holstein Canada Per Diem guidelines set forth by the Board of Directors.