

# Audit Committee

## 1. Mandate

The mandate of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities including:

- Overseeing and monitoring the integrity of Cordy's accounting and financial processes, financial statements and system of internal controls regarding accounting and financial reporting and accounting compliance;
- Overseeing and monitoring the qualifications, independence and performance of Cordy's external auditors;
- Overseeing audits of Cordy's financial statements;
- Overseeing and monitoring Cordy's compliance with legal and regulatory requirements;
- Providing an avenue of communication among the external auditors, management and the Board;
- Reviewing and approving management's identification of principal financial risks and monitoring the process to manage such risk; and
- Reporting regularly to the Board.

The Audit Committee has the authority to conduct any review or investigation appropriate to fulfilling its responsibilities. The Committee shall have unrestricted access to personnel and information, and any resources necessary to carry out its responsibility. The Committee has the authority to engage independent advisors, paid for by Cordy, to help it make the best possible decisions on financial reporting, accounting policies and practices, disclosure practices, and internal controls at Cordy. Engaging independent advisors at the expense of Cordy requires the authorization of the Board Chair or the Chair of the Governance Committee.

## 2. Reporting

The Committee shall report to the Board.

## 3. Composition and Qualifications

The Audit Committee shall consist of not less than three outside Directors, all of whom shall qualify as Independent Directors within the meaning of applicable laws, rules and regulations and any other relevant consideration as determined by the Board.

Audit Committee members will include only duly-elected Directors and at least one member shall have accounting or related financial management expertise. In particular, at least one member shall have:

- Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
  - Experience actively supervising a principal financial officer, principal accounting officer, controller public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
  - Experience overseeing or assessing the performance of companies or public accountants with respect to preparation, auditing or evaluation of financial statements;
- or

- Other relevant experience.

In addition to the qualities set out for Directors, Audit Committee members should have:

- An understanding of generally accepted accounting principles and financial statements;
- The ability to assess the general application of such principles in connection with the accounting for estimates and accruals
- Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are relevant to Cordy or experience supervising one or more persons engaged in such activities;
- An understanding of internal controls and procedures for financial reporting; and
- An understanding of Audit Committee functions.

#### **4. Appointment of Committee Members**

Members of the Committee shall be appointed at a meeting of the Board, effective after election of Directors at the annual meeting of shareholders, provided that any member may be removed or replaced at any time by the Board and shall, in any event, cease to be a member of the Committee upon ceasing to be a member of the Board.

The Chair of the Audit Committee shall be appointed annually by the Board.

#### **5. Vacancies**

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

#### **6. Committee Meetings**

The Committee shall meet at least four times annually. The meetings will be scheduled to permit timely review of the interim and annual financial statements. Additional meetings may be held as deemed necessary by the Chair of the Audit Committee or as requested by any member or by the internal or external auditors.

Committee meetings may be held in person, by video conference, by means of telephone or by a combination of any of the foregoing. The Committee can conduct all or part of any meeting in the absence of management.

#### **7. Notice of Meeting**

Notice of the time and place of each meeting may be given orally, or in writing, or by facsimile, or by electronic means to each member of the Committee at least 48 hours prior to the time fixed for such meeting.

A member may in any manner waive notice of the meeting. Attendance of a member at a meeting shall constitute 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 was not lawfully called.

#### **8. Quorum**

A majority of Committee members, present in person, by video conference, by telephone or by any combination thereof shall constitute a quorum. In addition, if an ex officio, non-voting member's presence is required to attain a quorum of the Committee, then that member shall be allowed to cast a vote at the meeting.

## **9. Attendance at Meetings**

The Committee may, by specific invitation, have other resource persons in attendance. The Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee.

Directors, who are not members of the Committee, may attend Committee meetings, on an ad hoc basis, upon prior consultation and approval by the Committee Chair or by a majority of the Committee.

## **10. Minutes**

The Corporate Secretary or some other person designated by the Audit Committee shall be Secretary to the Audit Committee.

The full Board of Directors shall be kept informed of the Committee's activities by a report following each Committee meeting.

## **11. Specific Responsibilities**

In carrying out its mandate, the Audit Committee is expected to:

- a. Financial Controls and Reporting Systems
  - Review reports from management outlining any significant changes in financial risks facing Cordy;
  - Review the management letter (if any) of the external auditors and Cordy's responses to suggestions made;
  - Review any new appointments to executive positions with financial reporting responsibilities;
  - Satisfy itself that Cordy has appropriate systems of internal control for the safeguarding of assets and for financial reporting necessary to ensure compliance with legal and regulatory requirements;
  - Obtain assurance from both internal and external auditors regarding the overall financial control environment and the adequacy of accounting system controls;
  - Satisfy itself that the internal and external audit functions have been effectively carried out and that any matters which the internal or external auditors bring to the Audit Committee's attention are being addressed;
  - Establish procedures for:
    - ♦ the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
    - ♦ the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters; and
  - Review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.
- b. Quarterly Financial Statements and Press Releases
  - Review the quarterly financial statements and press releases with management and the external auditors and recommend their approval to the Board.
- c. Annual Financial Statements and Other Financial Information

- Review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements;
  - Receive and review summaries of material transactions and other complex matters whose treatment in the annual financial statements merits advance consideration;
  - Review the annual financial statements with management and external auditors and recommend their approval to the Board;
  - Review Cordy's external legal counsel report on the status of any material pending or threatened litigation, claims and assessments;
  - Review the financial information contained in Cordy's Annual Report, including management's Discussion and Analysis, and other publications including the Information Circular, the Annual Information Form, as well as any prospectus or similar document issued from time to time by Cordy and recommend their approval to the Board;
  - Review any serious difficulties or disputes with management encountered during the course of the audit, including any restrictions on the scope of the external auditors' work or access to required information;
  - Review the use of off-balance sheet financing including management's risk assessment and adequacy of disclosure;
  - Review reports from management outlining any significant changes in risks relating to financial instruments such as foreign exchange hedging, derivatives, etc., and
  - Review adequacy of insurance coverage including Directors' and officers' liability coverage.
- d. External Audit Terms of Reference, Reports, Planning and Appointment
- Recommend to the Board each year the appointment of the external auditors, their terms of engagement and remuneration;
  - Review the audit plan with the external auditors and management; and
  - Discuss in private with the external auditors, matters affecting the conduct of their audit and other corporate matters.
- e. Self Evaluation
- Annually review the Audit Committee Terms of Reference.

The duties and responsibilities of a member of the Committee are in addition to those duties set out for a member of the Board of Directors.