

Research Nova Scotia

Finance, Audit and Risk Committee - Terms of Reference

1. Mandate

The Finance, Audit and Risk (FAR) Committee is a committee of the Board of Directors and these Terms of Reference are approved by a motion of the Board.

The Committee provides advice and makes recommendation to the Board and management of Research Nova Scotia on risk, audit and financial management issues.

The Committee has decision-making powers, on behalf of the Board of Directors, where explicitly referenced in these terms of reference, or where the Board has otherwise passed a resolution conferring such powers.

In the event of any conflict, inconsistency or ambiguity between these terms of reference and the bylaws of the Corporation, the bylaws prevail.

The Committee is responsible for the policies and practices relating to the integrity of financial reporting of the Corporation as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; compliance with policies and laws; and overseeing the external auditor. The Committee is also responsible for identifying principal risks to the business and ensuring appropriate risk management techniques are in place.

The Committee makes recommendations to the Board of Directors regarding financial reporting and the system of internal controls.

2. Membership

The FAR Committee includes members with relevant experience in financial management with representation from academic institutions, government, and industry.

The Committee is composed of no fewer than three (3) and no more than four (4) Directors identified by the Board of Directors. The term for Committee members is three (3) years, renewable once. The Secretary-Treasurer of the Board of Directors is an *ex officio* member of the Committee.

The Chair of the FAR Committee is the Secretary-Treasurer of the Board of Directors.

In addition to the Director members, the CEO and CFO of Research Nova Scotia are *ex officio* members, and are non-voting. An additional administrative staff person will attend meetings to record meeting minutes.

Committee members are not permitted to appoint proxies or delegates to attend meetings on their behalf.

3. Procedures

The Finance, Audit and Risk Committee will meet quarterly prior to Board meetings, but may meet more frequently at the request of the Chair of the Committee or any two members of the Committee.

Meetings are typically held by conference call, but in the event of an in-person meeting, Committee members are compensated for travel expenditures as per RNS travel policies.

The Chair of the Committee will approve agendas and minutes for distribution to members of the Committee. Agendas and support documentation will be distributed to Committee members at least five business days prior to the meeting.

A majority of Committee members, present in person or by telephone, will constitute a quorum. Attendance for the meetings will be recorded and meeting minutes will document the actions, decisions and recommendations from each meeting. Minutes will be sent to all Committee members on a timely basis.

Motions will be used to approve decisions, recommendations to the Board, and acceptance of any documentation (e.g. minutes, agenda, quarterly financial statements, etc.)

The Committee shall report to the Board following each meeting.

The Committee shall act only on the affirmative vote of a majority of the members at a meeting or by written consent by email. The Chair is not entitled to a casting vote.

If the Committee cannot establish quorum at the beginning of the meeting, or attendance falls below quorum during the meeting, resolutions requiring approval must be deferred to the next meeting, or approval can be obtained by email.

4. Duties and Responsibilities

The FAR Committee is responsible for:

Finance

- a. Reviewing the Corporation's annual and interim financial statements and recommending that the financial statements be approved by the Board.
- b. Reviewing any required financial disclosures (including the financial component of reports to the Minister of Labour and Advanced Education, submissions under the Public Sector Disclosure Act, tax filings, and regulatory submissions to government agencies).

- c. Developing financial policies and processes, including banking arrangements and financial delegations, for approval by the Board, and thereafter for monitoring their implementation.
- d. Developing the investment policy for approval by the Board, and thereafter for monitoring its implementation.
- e. Reviewing the annual management budget and recommending its approval to the Board

Audit

- f. Recommending the nomination of the external auditor to the Board be nominated for purposes of preparing or issuing the auditor's report or performing other audit, review or attest services for the Corporation.
- g. Approving the audit plan.
- h. Reviewing and discussing with management and the external auditors the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, and the external auditor's written communications to the Committee and to management.
- i. Reviewing the performance of the auditors and recommending their re-appointment to the Board for the following year as appropriate.

Risk

- j. Reviewing the Corporation's state of compliance with policies, laws and regulations, reviewing findings of regulatory and auditor examinations, and recommending any consequent amendments to the Board as required.
- k. Identifying the principal risks of the business and ensuring appropriate risk management techniques are in place. This will involve enquiry by management regarding how risks are managed and the effectiveness of the risk mitigation strategies, with advice to the Board on any changes.

The Committee shall have such other powers and duties as may from time to time be delegated or assigned to it by Board resolution.

5. Conflict of Interest

Conflict means a real, potential or perceived conflict of interest of a Committee Member where financial, professional or personal considerations may compromise, or have the appearance of compromising, the judgement of a Committee Member in carrying out his or her duties as a Committee Member.

Members must declare any actual or perceived Conflict of Interest (COI) with matters being discussed at the meeting. COI can be declared at the beginning of the meeting or before a topic is discussed. The conflicted Committee member must recuse themselves from the discussion.