



Canadian Light Source Inc.

Board of Directors

Finance and Audit Committee Terms of Reference

0.13.1.12 Rev. 1

Date: 2013-05-06

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Signature

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Original on File – Signed by:

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Corporate Administrative Assistant

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Reviewer#2

Finance and Audit Committee Chair

Approver

Governance & Nominating Committee Chair

The Finance & Audit Committee Terms of Reference were approved at a meeting of the CLSI Board of Directors on March 7, 2013.

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1.0 SCOPE/PURPOSE

The Finance and Audit Committee provides oversight for:

- a. Review and evaluation of capital and operating budgets;
- b. The financial sustainability of the CLS;
- c. Systems and management practices as to internal control;
- d. External auditors including performance, qualifications, independence and audit of the CLSI financial statements;
- e. Financial and Risk management as delegated by the Board; and
- f. Corporate process for monitoring compliance with laws and regulations (other than HSE and Human Resource) and its code of ethics.

2.0 AUTHORITY

The Finance and Audit Committee has the authority to:

- a. Conduct or authorize investigations into any matters within its scope of responsibility;
- b. Obtain full access to all books, records, facilities and personnel of CLSI;
- c. Retain independent counsel, accountants and others to advise the Committee or assist in its duties.

The Committee oversees and reviews the performance of the external auditors and CLSI staff who assist the audit. The Committee relies on them to provide independent and objective assessments of the systems and management practices to provide assurance as to control and safeguarding of assets, the compliance of transactions with the law, economical and efficient management of resources and effective conduct of operations.

3.0 MEMBERSHIP

The Finance and Audit Committee includes at least three members and not more than five members of the Board of Directors. In accordance with the corporate bylaws it is required that the Finance and Audit Committee be chaired by a University of Saskatchewan representative.

3.1. INDEPENDENCE AND EXPERTISE

Members will be sufficiently versed in financial matters in order to understand accounting practices and policies and major judgments involved with financial statements. At least one member should have accounting or related financial management expertise.

3.2. TERM OF OFFICE

Members will normally be appointed for a three-year term, renewable for no more than one term; with the exception of ex-officio University of Saskatchewan member which is a required member in accordance with the Corporate Bylaw. To ensure continuity, terms will be staggered with typically one seat filled each year, as appropriate. Any member

may be removed or replaced at any time and shall cease to be a member of the Committee upon ceasing to be a Director.

3.3. COMMITTEE CHAIR

- a. A representative of the University of Saskatchewan will Chair the Finance and Audit Committee.
- b. The Chair of the Committee is responsible for facilitating the effective performance of the Committee. The Chairperson is not an executive of the Corporation in the sense that the Chairperson is not responsible for the management of any aspect of the Corporation's business.

In discharging his/her responsibility, the Chairperson will, from time to time:

- I. provide leadership to the Committee on specific issues,
- II. act as a servant to the Committee in meeting Committee requirements, or
- III. in accordance with the direction of the Committee, act as the spokesperson for the Committee.

Without limiting the generality of the responsibility of the Chairperson as described above, the Chairperson shall carry out the following:

PRE-COMMITTEE MEETING MATTERS

- a. Schedule Committee meetings, in consultation with the Corporate Secretary, if and when necessary;
- b. Set the agenda for Committee meetings, in consultation with the Corporate Secretary and other members of the Committee or management as appropriate;

CONDUCT OF COMMITTEE MEETINGS

- a. Know the minimum number of members required to be present to constitute a quorum and if a quorum is present, to declare the meeting properly constituted;
- b. Provide effective Committee leadership, overseeing all aspects of the Committee's direction and administration in fulfilling its Terms of Reference;
- c. Retain, oversee and terminate, in conjunction with the Committee, independent advisors to assist the Committee in its activities or assist an individual member if and when necessary;
- d. Chair all meetings and executive sessions of the Committee;
- e. Conduct the meeting so as to ascertain the sense or wishes of the members and attain consensus;
- f. Ensure that the Committee meets in non-management executive sessions, as necessary;
- g. Ensure that the culture of the Committee encourages full and constructive participation from all the members; and
- h. Undertake the internal assessment of the performance of the Committee annually.

CONDUCT OF COMMITTEE MEETINGS

- a. Report the results of each Committee meeting on a timely basis as necessary, independent of the next meeting scheduled;
- b. Initiate action to implement decisions;
And
- c. Provide feedback to Committee members related to their contributions to the Committee.

3.4. COMMITTEE SECRETARY

The Corporate Secretary will act as secretary to the Finance and Audit Committee.

3.5. RESOURCES

The Chief Finance & Administration Officer will act as a resource to the Committee.

The Committee may invite other officers, directors, CLSI employees or outside resources as it sees fit from time to time. In order to aid in maintaining confidentiality, the observer(s) will be required to sign an agreement of confidentiality.

4.0 PROCEDURES

4.1 MEETINGS

i. Schedule of Meetings

The Finance & Audit Committee will meet at the call of the Chair as required, but not less than twice a year.

ii. Quorum

No business may be transacted by the Committee except at a meeting of its members at which a quorum is present. A majority of members constitutes a quorum.

iii. Meeting Format and Agenda

The standard meeting procedures are noted below:

- a. Meetings may be held in person, by video conference, telephone, or electronic network.
- b. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.
- c. Minutes will be maintained.
- d. The Committee may meet in camera.
- e. The Committee may meet separately with management and with external advisors.

iv. Meeting Attendance

The Chief Financial & Administration Officer will be expected to attend or be available for attendance at the meeting. The Committee has the right to determine who shall and shall not be present at any part of the meeting.

4.2 REPORTING

Regular reports will be provided to the Board concerning its activities, and in particular the integrity of the CLSI financial statements, performance and independence of the external auditor, and corporate process for monitoring compliance with laws and regulations.

All recommendations, directions, decisions and resolutions of the Committee shall be recorded by the Committee Secretary in the minutes of the meetings; such minutes will be circulated to the members of the Committee prior to the next meeting. The deliberations of the Committee will be confidential to the extent legally possible.

The Committee advice to the Board will be in the form of written reports and verbal reports containing recommendations on matters addressed by the Committee. The report will be submitted at the Board meeting following the Committee meeting. The Board of Directors will have the final authority to accept or reject the recommendations of the Committee.

5.0 ROLES AND RESPONSIBILITIES

The Finance and Audit Committee has a 'front line' governance responsibility related to the oversight of the CLSI system of controls, financial reporting, sustainable funding, continuous disclosure and corporate reporting. The Committee is an integral link between the Board, management and the external auditor.

5.1 OVERSIGHT

The Finance and Audit Committee is established to assist the Board with its responsibility for financial oversight, by ensuring:

- a. That the CLS has adequate processes to work within budget.
- b. That CLSI complies with all applicable laws, regulations, rules and policies of governments and funding agencies with respect to financial reporting and disclosure;
- c. That accounting principles and policies, judgments and disclosures which are integral to CLSI financial statements are appropriate and accurately reflect CLSI's financial statements;
- d. That the annual financial statements of CLSI are accurate and in accordance with generally accepted accounting principles ("GAAP"); and
- e. That pertinent financial and related information is disseminated to the appropriate audience (i.e. funding agencies) in a timely manner.

5.2 RESPONSIBILITIES

The Committee will:

- a. Monitor the organization's financial status, including review of capital and operating budgets
- b. Consider overall operating and capital funding strategies;
- c. Ensure that CLSI management establish and operate an effective system of internal controls designed to accurately capture and record financial transactions, safeguard corporate assets and manage financial risks;
- d. Regularly review and assess established internal control systems;
- e. Review and approve accounting policies chosen by management and ensure compliance with and acceptability within GAAP;
- f. Review and approve CLSI interim and annual financial statements including notes, disclosures and management discussions;
- g. Recommend to the Board the appointment of an external, independent auditor;
- h. Ensure independent audit of CLSI annual financial statements, including a review of the plan and scope of the proposed audit;
- i. Review significant observations & findings made by the auditors; monitor management's response and actions;
- j. Assess the performance of the external auditors;
- k. Discuss and advise with respect to compliance with tax and financial reporting laws and regulations;
- l. Review management's assessment of key risks to CLSI, including any actions that might cause serious embarrassment to the entity, such as breaches of corporate code of conduct, and consider how each is managed;
- m. Meet privately with the auditors and with management for a confidential discussion of issues at the end of each meeting; and
- n. Perform any other activities deemed necessary to assist the Board in discharging its Financial Reporting responsibilities.

5.3 WHISTLE BLOWING OVERSIGHT

The Finance and Audit Committee will ensure that CLSI has adequate policies and procedures established for:

- a. the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and
- b. the confidential, anonymous submission by CLSI employees of concerns regarding questionable accounting or auditing matters.

Any complaints or concerns of CLSI employees or other persons regarding accounting, internal accounting controls, or auditing matters will be subject to oversight by the Finance and Audit Committee.

Any employee of the Corporation who submits an accounting or auditing complaint in good faith should have no fear of dismissal or retaliation of any kind.

Upon receipt of a complaint or concern, the Finance and Audit Committee will have it investigated under its direct review, direction and oversight. The Finance and Audit Committee shall have the authority to retain outside legal or accounting expertise in any investigation as it deems necessary. The Finance and Audit Committee will ensure that CLSI management takes prompt and appropriate corrective action when and as warranted in the judgment of the Finance and Audit Committee, including, where appropriate, reporting any violation to the relevant regulatory authorities and the external auditor.

REVISION HISTORY

<i>Revision</i>	<i>Date</i>	<i>Description</i>	<i>Author</i>
A	2011-11-16	Original Draft – Put into CLS Format and included Finance mandate	Erin Weist
0	2011-12-19	Issued for Use	Celeste Bodnaryk
0A	2012-11-27	4.1 Clarified that the Committee will meet as called by the Chair as required, but not less than twice a year	Celeste Bodnaryk
1	2013-05-06	Removal of section 4.3 Confidentiality and moved the confidentiality requirement under 3.5 Resources Issue for Use	Celeste Bodnaryk