

APPENDIX C

Comparison to the materials published June 27, 2003

MULTILATERAL INSTRUMENT 52-110
AUDIT COMMITTEES

Table of Contents

PART 1	DEFINITIONS AND APPLICATION
1.1	Definitions
1.2	Application
1.3	Meaning of Affiliated Entity, Subsidiary Entity and Control
1.4	Meaning of Independence
<u>1.5</u>	<u>Meaning of Financial Literacy</u>
PART 2	AUDIT COMMITTEE RESPONSIBILITIES
2.1	Audit Committee
2.2	Relationship with External Auditor
2.3	Audit Committee Responsibilities
2.4	<i>De Minimis</i> Non-Audit Services
2.5	Delegation of Pre-Approval Function
<u>2.6</u>	<u>Pre-Approval Policies and Procedures</u>
PART 3	COMPOSITION OF THE AUDIT COMMITTEE
3.1	Composition
3.2	Initial Public Offerings
3.3	Controlled Companies
3.4	Events Outside Control of Member
3.5	Death, Disability or Resignation of Member
<u>3.6</u>	<u>Temporary Exemption for Limited and Exceptional Circumstances</u>
<u>3.7</u>	<u>Majority Independent</u>
<u>3.8</u>	<u>Acquisition of Financial Literacy</u>
<u>3.9</u>	<u>Restriction on Use of Certain Exemptions</u>
PART 4	AUTHORITY OF THE AUDIT COMMITTEE
4.1	Authority
PART 5	REPORTING OBLIGATIONS
5.1	Required Disclosure
5.2	Management Information Circular
PART 6	VENTURE ISSUERS
6.1	Venture Issuers
6.2	Required Disclosure
PART 7	U.S. LISTED ISSUERS
7.1	U.S. Listed Issuers

PART 8 **EXEMPTIONS**
8.1 Exemptions

PART 9 **EFFECTIVE DATE**
9.1 Effective Date

**MULTILATERAL INSTRUMENT 52-110
AUDIT COMMITTEES**

**PART 1
DEFINITIONS AND APPLICATION**

1.1 Definitions – In this Instrument,

“accounting principles” ~~mean a body of accounting principles that are generally accepted in a jurisdiction of Canada or a foreign jurisdiction and include, without limitation, Canadian GAAP, U.S. GAAP and International Financial Reporting Standards;~~¹ “AIF” has the meaning ~~set out~~ ascribed to it in National Instrument ~~51-102 *Continuous Disclosure Obligations*~~ 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

“AIF” has the meaning ascribed to it in National Instrument 51-102;

~~“asset-backed security” means a security that is primarily serviced by the cash flows of a discrete pool of mortgages, receivables or other financial assets, fixed or revolving, that by their terms convert into cash within a finite period and any rights or other assets designed to assure the servicing or timely distribution of proceeds to security holders;~~²

“asset-backed security” has the meaning ascribed to it in National Instrument 51-102;

“audit committee” means a committee (or an equivalent body) established by and among the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer, and, if no such committee exists, the entire board of directors of the issuer;

~~“audit committee financial expert” means, with respect to an issuer, a person who has: (a) an understanding of financial statements and the accounting principles used by the issuer to prepare its financial statements;~~ “services” means the professional services rendered by the issuer’s external auditor for the audit and review of the issuer’s financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

¹ ~~This definition has been adopted from proposed National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currencies*.~~

² ~~This definition has been adopted from National Instrument 44-101 *Short Form Prospectus Distributions* and proposed National Instrument 51-102 *Continuous Disclosure Obligations*.~~

~~(b) — the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;~~

~~(c) — experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer’s financial statements, or experience actively supervising one or more persons engaged in such activities;~~

~~(d) — an understanding of internal controls and procedures for financial reporting; and~~

~~(e) — an understanding of audit committee functions;~~

“credit support issuer” has the meaning ascribed to it in section 13.4 of National Instrument 51-102;

“designated foreign issuer” has the meaning ~~set out~~ascribed to it in National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;

“exchangeable security issuer” has the meaning ascribed to it in section 13.3 of National Instrument 51-102;

“executive officer” of an entity means a ~~person~~an individual who is:

(a) a chair of the entity, ~~if that person performs the functions of the office on a full-time basis;~~;

(b) a vice-chair of the entity, ~~if that person performs the functions of the office on a full-time basis;~~;

(c) the president of the entity;

(d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production;

(e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or

(f) any other ~~person~~individual who performs a policy-making function in respect of the entity;³

³ ~~This definition is derived from proposed National Instrument 51-102 and Ontario Securities Commission Rule 14-501 *Definitions*.~~

~~“financially literate” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer’s financial statements;~~

“foreign private issuer” means an issuer that is a foreign private issuer within the meaning of Rule 405 under the 1934 Act;

“immediate family member” means an individual’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the individual or the individual’s immediate family member) who shares the individual’s home;

“investment fund” has the meaning ~~set out~~ascribed to it in National Instrument 51-102 ~~Continuous Disclosure Obligations~~;

“marketplace” has the meaning ~~set out~~ascribed to it in National Instrument 21-101 *Marketplace Operation*;

“MD&A” has the meaning ~~set out in~~ascribed to it in National Instrument 51-102;

“National Instrument 51-102” means National Instrument 51-102 *Continuous Disclosure Obligations*;

“non-audit services” means ~~any services provided to an issuer by its external auditor, other than those provided to the issuer in connection with an audit or review of the financial statements of the issuer;~~services other than audit services;

“SEC foreign issuer” has the meaning ascribed to it in National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers;

“U.S. marketplace” means an exchange registered as a ‘national securities exchange’ under section 6 of the 1934 Act, or the Nasdaq Stock Market;

“venture issuer” means an issuer that does not have any of its securities listed or quoted on any of the Toronto Stock Exchange, ~~the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the Pacific Exchange~~ U.S. marketplace, or a marketplace outside of Canada ~~or~~and the United States:⁴ of America.

1.2 Application – This Instrument applies to all reporting issuers other than:

- (a) investment funds;
- (b) issuers of asset-backed securities;

⁴ ~~_____ This definition is derived from proposed National Instrument 51-102.~~

- (c) designated foreign issuers; ~~and~~
- (d) ~~reporting~~ SEC foreign issuers;
- (e) issuers that are subsidiary entities, if
 - (i) the subsidiary entity does not have equity securities ~~displayed for~~ (other than non-convertible, non-participating preferred securities) trading on a marketplace, and
 - (ii) the parent of the subsidiary entity is
 - (A) subject to the requirements of this Instrument, ~~or~~
 - (B) an issuer that (1) has securities listed or quoted on a U.S. marketplace, and (2) is in compliance with the requirements of that U.S. marketplace applicable to issuers, other than foreign private issuers, regarding the role and composition of audit committees;
- (f) exchangeable security issuers, if the exchangeable security issuer qualifies for the relief contemplated by, and is in compliance with the requirements and conditions set out in, section 13.3 of National Instrument 51-102; and
- (g) credit support issuers, if the credit support issuer qualifies for the relief contemplated by, and is in compliance with the requirements and conditions set out in, section 13.4 of National Instrument 51-102.

1.3 Meaning of Affiliated Entity, Subsidiary Entity and Control –

- (1) For the purposes of this Instrument, a person or company is considered to be an affiliated entity of another person or company if
 - (a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person or company, or
 - (b) the person or company is
 - (i) both a director and an employee of an affiliated entity, or
 - (ii) an executive officer, general partner or managing member of an affiliated entity.

- (2) For the purposes of this Instrument, a person or company is considered to be a subsidiary entity of another person or company if
- (a) it is controlled by,
 - (i) that other, or
 - (ii) that other and one or more persons or companies each of which is controlled by that other, or
 - (iii) two or more persons or companies, each of which is controlled by that other; or
 - (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.
- (3) For the purpose of this Instrument, "control" means the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise.
- (4) Despite subsection (1), a person will not be considered to be an affiliated entity of an issuer for the purposes of this Instrument if the person:
- (a) owns, directly or indirectly, ten per cent or less of any class of voting ~~equity~~ securities of the issuer; and
 - (b) is not an executive officer of the issuer.

1.4 Meaning of Independence –

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a material relationship means a relationship which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of a member's independent judgement.
- (3) Despite subsection (2), the following ~~persons~~individuals are considered to have a material relationship with an issuer:
- (a) ~~a person~~an individual who is, or ~~whose immediate family member is, or at any time during the prescribed period~~ has been, an ~~officer or~~ employee or executive officer of the issuer, ~~its parent, or of any~~

~~of its subsidiary entities or affiliated entities~~unless the prescribed period has elapsed since the end of the service or employment;

- (b) ~~a person who~~an individual whose immediate family member is, or has been, an executive officer of the issuer, unless the prescribed period has elapsed since the end of the service or employment;
- (c) an individual who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
- (e) ~~a person~~d) an individual whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
- (d) ~~a person~~e) an individual who is, or has been, or whose immediate family member is or has been, ~~employed as~~ an executive officer of an entity if any of the issuer's current ~~executives~~executive officers serve on the entity's compensation committee, unless the prescribed period has elapsed since the end of the service or employment;
- (e) ~~a person who accepts, or has accepted at any time during the prescribed period~~f) an individual who
- (i) has a relationship with the issuer pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the ~~audit~~board of directors or any board committee, or as a part-time chair or vice-chair of the board ~~of directors, or any other~~or any board committee; ~~and~~or
- (ii) receives, or whose immediate family member receives, more than \$75,000 per year in direct compensation from the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee, unless the prescribed period

has elapsed since he or she ceased to receive more than \$75,000 per year in such compensation.

- (f) ~~a person~~ an individual who is an affiliated entity of the issuer or any of its subsidiary entities.
- (4) For the purposes of subsection (3), the prescribed period is the shorter of
- (a) the period commencing on ~~January 1, March 30, 2004~~ and ending immediately prior to the determination required by subsection (3); and
 - (b) the three year period ending immediately prior to the determination required by subsection (3).
- (5) For the purposes of clauses (3)(~~b~~)c) and (3)(~~e~~)d), a partner does not include a ~~limited~~fixed income partner whose interest in the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with an internal or external auditor if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(~~ef~~), compensatory fees and direct compensation do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) For the purposes of ~~clause~~subclause 3(~~ef~~)i), the indirect acceptance by a person of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) ~~an immediate family member, or~~
a person's spouse, minor child or stepchild, or a child or stepchild who shares the person's home; or
 - (b) an entity in which such person is a partner, member, an officer such as a managing director occupying a comparable position or executive officer ~~of~~, or ~~a person who~~ occupies a similar position ~~with, an entity that~~(except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer, ~~other than limited partners, non-managing members and~~

~~those occupying similar positions who, in each case, have no active role in providing services to the entity.~~

(8) Despite subsection (3), a person will not be considered to have a material relationship with the issuer solely because he or she

(a) has previously acted as an interim chief executive officer of the issuer, or

(b) acts, or has previously acted, as a chair or vice-chair of the board of directors or any board committee, other than on a full-time basis.

1.5 Meaning of Financial Literacy – For the purposes of this Instrument, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer’s financial statements.

PART 2 AUDIT COMMITTEE RESPONSIBILITIES

2.1 Audit Committee – Every issuer must have an audit committee that complies with the requirements of the Instrument.

2.2 Relationship with External Auditor – ~~An~~ **Auditors** – Every issuer must require its external auditor ~~must~~to report directly to the audit committee.

2.3 Audit Committee Responsibilities –

(1) An audit committee must have a written charter that sets out its mandate and responsibilities.

(2) An audit committee must recommend to the board of directors:

(a) the external ~~auditors~~auditor to be nominated for the purpose of preparing or issuing an ~~audit~~auditor’s report or performing other audit, review or attest services for the issuer; and

(b) the compensation of the external ~~auditors~~auditor.

(3) An audit committee must be directly responsible for overseeing the work of the external ~~auditors~~auditor engaged for the purpose of preparing or issuing an ~~audit~~auditor’s report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between

management and the external ~~auditors~~auditor regarding financial reporting.

- (4) An audit committee must pre-approve all non-audit services to be provided to the issuer or its subsidiary entities by ~~its external auditors or the external auditors of~~ the issuer's ~~subsidiary entities~~external auditor.
- (5) An audit committee must review the issuer's financial statements, MD&A and annual and interim earnings press releases before the issuer publicly discloses this information.
- (6) An audit committee must be satisfied that adequate procedures are in place for the review of the issuer's public disclosure of financial information extracted or derived from the issuer's financial statements, other than the public disclosure referred to in subsection (5), and must periodically assess the adequacy of those procedures.
- (7) An audit committee must establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
- (8) An audit committee must review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external ~~auditors~~auditor of the issuer.

2.4 De Minimis Non-Audit Services – An audit committee ~~may satisfy~~satisfies the pre-approval requirement in subsection 2.3(4) if:

- (a) the aggregate amount of all the non-audit services that were not pre-approved ~~constitutes~~is reasonably expected to constitute no more than five per cent of the total amount of ~~revenues~~fees paid by the issuer ~~to its and its subsidiary entities to the issuer's~~ external ~~auditors~~auditor during the fiscal year in which the services are provided;
- (b) the ~~services were not recognized by the issuer~~issuer or the subsidiary entity of the issuer, as the case may be, did not recognize the services as non-audit services at the time of the engagement ~~to be non-audit services~~; and

- (c) the services are promptly brought to the attention of the audit committee of the issuer and approved, prior to the completion of the audit, by the audit committee or by one or more of its members ~~of the audit committee~~ to whom authority to grant such approvals has been delegated by the audit committee.

2.5 Delegation of Pre-Approval Function –

- (1) An audit committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(4).
- (2) The pre-approval of non-audit services by any member to whom authority has been delegated pursuant to subsection (1) must be presented to the ~~full~~ audit committee at its first scheduled meeting following such pre-approval.

2.6 Pre-Approval Policies and Procedures – An audit committee satisfies the pre-approval requirement in subsection 2.3(4) if it adopts specific policies and procedures for the engagement of the non-audit services, if:

- (a) the pre-approval policies and procedures are detailed as to the particular service;
- (b) the audit committee is informed of each non-audit service; and
- (c) the procedures do not include delegation of the audit committee’s responsibilities to management.

PART 3 COMPOSITION OF THE AUDIT COMMITTEE

3.1 Composition –

- (1) An audit committee must be composed of a minimum of three members.
- (2) Every audit committee member must be a director of the issuer.
- (3) Subject to sections 3.2, 3.3, ~~3.4~~3.4, 3.5 and ~~3.5, 3.6~~, every audit committee member must be independent.
- (4) Subject to ~~section 3.5~~, sections 3.5 and 3.8, every audit committee member must be financially literate.

3.2 Initial Public Offerings –

- (1) ~~If~~Subject to section 3.9, if an issuer has filed a prospectus to qualify the distribution of securities that constitutes its initial public offering, subsection 3.1(3) does not apply for a period of up to 90 days commencing on the date of the receipt for the prospectus, provided that one member of the audit committee is independent.
- (2) ~~If~~Subject to section 3.9, if an issuer has filed a prospectus to qualify the distribution of securities that constitutes its initial public offering, subsection 3.1(3) does not apply for a period of up to one year commencing on the date of the receipt for the prospectus, provided that a majority of the audit committee members are independent.

3.3 Controlled Companies ~~—~~

- (1) An audit committee member that sits on the board of directors of an affiliated entity is exempt from the requirement in subsection 3.1(3) if ~~that~~the member, except for being a director (or member of ~~the audit committee or any other~~a board committee) of the issuer and the affiliated entity, is otherwise independent of the issuer and the affiliated entity.
- (2) Subject to section 3.7, an audit committee member is exempt from the requirement in subsection 3.1(3) if:
 - (a) the member would be independent of the issuer but for the relationship described in paragraph 1.4(3)(g);
 - (b) the member is not an executive officer, general partner or managing member of a person or company that
 - (i) is an affiliated entity of the issuer, and
 - (ii) has its securities trading on a marketplace;
 - (c) the member is not an immediate family member of an executive officer, general partner or managing member referred to in paragraph (b), above;
 - (d) the member does not act as the chair of the audit committee; and
 - (e) the board determines in its reasonable judgement that
 - (i) the member is able to exercise the impartial judgement necessary for the member to fulfill his or her responsibilities as an audit committee member, and

(ii) the appointment of the member is required by the best interests of the issuer and its shareholders.

3.4 Events Outside Control of Member – ~~If~~ Subject to section 3.9, if an audit committee member ceases to be independent for reasons outside ~~that~~the member's reasonable control, ~~that~~the member is exempt from the requirement in subsection 3.1(3) for a period ending on the later of:

- (a) the next annual meeting of the issuer, and
- (b) the date that is six months from the occurrence of the event which caused the member to not be independent.

3.5 Death, Disability or Resignation of Member – ~~Where~~Subject to section 3.9, if the death, disability or resignation of an audit committee member has resulted in a vacancy on the audit committee that the board of directors is required to fill, an audit committee member appointed to fill such vacancy is exempt from the requirements in subsections 3.1(3) and (4) for a period ending on the later of:

- (a) the next annual meeting of the issuer, and
- (b) the date that is six months from the day the vacancy was created.

3.6 Temporary Exemption for Limited and Exceptional Circumstances – Subject to section 3.7, an audit committee member is exempt from the requirement in subsection 3.1(3) if:

- (a) the member is not an individual described in paragraphs 1.4(3)(f)(i) or 1.4(3)(g);
- (b) the member is not an employee or officer of the issuer, or an immediate family member of an employee or officer of the issuer;
- (c) the board, under exceptional and limited circumstances, determines in its reasonable judgement that
 - (i) the member is able to exercise the impartial judgement necessary for the member to fulfill his or her responsibilities as an audit committee member, and
 - (ii) the appointment of the member is required by the best interests of the issuer and its shareholders;
- (d) the member does not act as chair of the audit committee; and

(e) the member does not rely upon this exemption for a period of more than two years.

3.7 Majority Independent – The exemptions in subsection 3.3(2) and section 3.6 are not available to a member unless a majority of the audit committee members would be independent.

3.8 Acquisition of Financial Literacy – Subject to section 3.9, an audit committee member who is not financially literate may be appointed to the audit committee provided that the member becomes financially literate within a reasonable period of time following his or her appointment.

3.9 Restriction on Use of Certain Exemptions – The exemptions in sections 3.2, 3.4, 3.5 and 3.8 are not available to a member unless the issuer's board of directors has determined that the reliance on the exemption will not materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of this Instrument.

PART 4 AUTHORITY OF THE AUDIT COMMITTEE

- 4.1 Authority** – An audit committee must have the authority
- (a) to engage independent counsel and other advisors as it determines necessary to carry out its duties,
 - (b) to set and pay the compensation for any advisors employed by the audit committee, and
 - (c) to communicate directly with the internal and external auditors.

PART 5 REPORTING OBLIGATIONS

- 5.1 Required Disclosure** – Every issuer must include in its AIF the disclosure required by Form 52-110F1.
- 5.2 Management Information Circular** – If management of an issuer solicits proxies from the security holders of the issuer for the purpose of electing directors to the issuer's board of directors, the issuer must include in its management information circular a cross-reference to the sections in the issuer's AIF that contain the information required by section 5.1.

PART 6 VENTURE ISSUERS

6.1 Venture Issuers – Venture issuers are exempt from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*).

6.2 Required Disclosure –

- (1) Subject to subsection (2), ~~every venture issuer that relies on the exemption in section 6.1 must annually disclose~~ if management of a venture issuer solicits proxies from the security holders of the venture issuer for the purpose of electing directors to its board of directors, the venture issuer must include in its management information circular the disclosure required by Form 52-110F2.
- (2) ~~If a~~ A venture issuer ~~does that is~~ not ~~have~~ required to send a management information circular, ~~the annual to its security holders must provide the disclosure required by subsection (1) must be provided in the venture issuer's~~ Form 52-110F2 in its AIF or annual MD&A.

PART 7 U.S. LISTED ISSUERS

7.1 U.S. Listed Issuers –An issuer that has securities listed ~~on a national securities exchange registered pursuant to section 6 of the 1934 Act or in an automated inter-dealer quotation system of a national securities association registered pursuant to section 15A of the 1934 Act~~ or quoted on a U.S. marketplace is exempt from the requirements of Parts 2 (*Audit Committee Responsibilities*), 3 (*Composition of the Audit Committee*), 4 (*Authority of the Audit Committee*), and 5 (*Reporting Obligations*), ~~provided that~~ if:

- (a) the issuer is in compliance with the requirements of that ~~exchange or quotation system~~ U.S. marketplace applicable to a issuers, other than foreign private issuers, regarding the role and composition of audit committees; and
- (b) if the issuer is incorporated, continued or otherwise organized in a jurisdiction in Canada, the issuer includes in its AIF the disclosure, ~~(if any,)~~ required by paragraph 5 of Form 52-110F1.

PART 8 EXEMPTIONS

8.1 Exemptions –

- (1) The securities regulatory authority or regulator may grant an exemption from this rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

PART 9 EFFECTIVE DATE

9.1 Effective Date –

- (1) This Instrument comes into force on ~~January 1, 2004~~. March 30, 2004.
- (2) Despite subsection (1), this Instrument applies to an issuer commencing on the earlier of:
 - (a) the first annual meeting of the issuer after ~~January~~July 1, ~~2004~~,2004, and
 - ~~(b) — [June 30, 2004].~~
 - (b) July 1, 2005.

[L:\Projects\Corp_Fin\Sarbanes_Oxley\Audit Committee\Final Materials January 2004\Final mi audit cmttee \(January 8 2004\).doc](L:\Projects\Corp_Fin\Sarbanes_Oxley\Audit Committee\Final Materials January 2004\Final mi audit cmttee (January 8 2004).doc)

Document comparison done by DeltaView on January 8, 2004 9:07:38 AM

Input:	
Document 1	file://L:/Projects/Corp_Fin/Sarbanes_Oxley/Audit Committee/Materials published for comment June 27/mi audit cmttee Draft 5.0 June 10 2003.doc
Document 2	file://L:/Projects/Corp_Fin/Sarbanes_Oxley/Audit Committee/Final Materials January 2004/Final mi audit cmttee (January 8 2004).doc
Rendering set	Standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	170
Deletions	114
Moved from	3
Moved to	3
Style change	0
Format changed	0
Total changes	290

FORM 52-110F1
AUDIT COMMITTEE INFORMATION REQUIRED IN AN AIF

1. The ~~audit committee's charter~~ Audit Committee's Charter

Disclose the text of the audit committee's charter.

2. Composition of ~~audit committee~~ the Audit Committee

Disclose the name of each audit committee member. ~~If a~~ and state whether or not the member is ~~not~~ (i) independent, ~~state that fact and explain why~~ and (ii) financially literate.

~~**3. Audit Committee Financial Expert**~~

~~(a) Disclose the identity of any audit committee financial expert(s) serving on the audit committee.~~

~~If the audit committee does not have an audit committee financial expert serving on the audit committee, state that fact and explain why.~~

~~(b) If an audit committee financial expert's qualifications were acquired other than as a result of:~~

~~(i) 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;~~

3. Relevant Education and Experience

~~(ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions; or~~

Describe the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities as an audit committee member and, in particular, disclose any education or experience that would provide the member with:

~~(iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements;~~

(a) an understanding of the accounting principles used by the issuer to prepare its financial statements;

(b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements, or experience actively supervising one or more persons engaged in such activities; and

~~provide a brief listing of the audit committee financial expert's relevant experience.~~

(d) an understanding of internal controls and procedures for financial reporting.

4. **Reliance on Certain Exemptions ~~from the Instrument~~**

If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied on ~~sections~~

(a) the exemption in section 2.4 (*De Minimis Non-audit Services*),

(b) the exemption in section 3.2 (*Initial Public Offerings*), ~~3.3 (*Controlled Companies*)~~;

(c) the exemption in section 3.4 (*Events Outside Control of Member*),

(d) the exemption in section 3.5 (*Death, Disability or Resignation of Audit Committee Member*) or

(e) an exemption from this Instrument, in whole or in part, granted under Part ~~7 (*Exemptions*)~~, ~~disclose that fact and provide an assessment of whether, and if so, how, such reliance could materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of the Instrument.~~ ~~8 (*Exemptions*)~~.

state that fact.

5. Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied upon the exemption in subsection 3.3(2) (*Controlled Companies*) or section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*), state that fact and disclose

(a) the name of the member, and

(b) the rationale for appointing the member to the audit committee.

6. Reliance on Section 3.8

If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied upon section 3.8 (Acquisition of Financial Literacy), state that fact and disclose

- (a) the name of the member,
- (b) that the member is not financially literate, and
- (c) the date by which the member expects to become financially literate.

5.7. Audit Committee Oversight

If, at any time since the commencement of the issuer's most recently completed financial year, a recommendation of the audit committee to nominate or compensate an external auditor was not adopted by the board of directors, ~~disclose~~state that fact and explain why.

6.8. Pre-Approval Policies and Procedures

If the audit committee has adopted specific policies and procedures for the engagement of non-audit services, describe those policies and procedures.

7.9. External Auditor Service Fees (By Category)

- (a) Disclose, under the caption "Audit Fees", the aggregate fees billed ~~for~~by the issuer's external auditor in each of the last two fiscal years for ~~professional services rendered by an external auditor for the audit and review of the issuer's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements~~audit services.
- (b) Disclose, under the caption "Audit-Related Fees", the aggregate fees billed in each of the last two fiscal years for assurance and related services by ~~an~~the issuer's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under clause (a) above. Include a description of the nature of the services comprising the fees disclosed under this category.
- (c) Disclose, under the caption "Tax Fees", the aggregate fees billed in each of the last two fiscal years for professional services rendered by ~~an~~the issuer's external auditor for tax compliance, tax advice, and tax planning. Include a description of the nature of the services comprising the fees disclosed under this category.

- (d) Disclose, under the caption “All Other Fees”, the aggregate fees billed in each of the last two fiscal years for products and services provided by ~~an~~ the issuer’s external auditor, other than the services reported under clauses (a), (b) and (c), above. Include a description of the nature of the services comprising the fees disclosed under this category.

INSTRUCTION

The fees required to be disclosed by this paragraph 9 relate only to services provided to the issuer or its subsidiary entities by the issuer’s external auditor.

Document comparison done by DeltaView on January 8, 2004 9:08:12 AM

Input:	
Document 1	file://L:/Projects/Corp_Fin/Sarbanes_Oxley/Audit Committee/Materials published for comment June 27/Form 52-110F1 Information in an AIF (v.2.0).doc
Document 2	file://L:/Projects/Corp_Fin/Sarbanes_Oxley/Audit Committee/Final Materials January 2004/Final Form 52-110F1 (January 8 2004).doc
Rendering set	Standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	44
Deletions	26
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	70

FORM 52-110F2
DISCLOSURE BY VENTURE ISSUERS

1. The Audit Committee's Charter

Disclose the text of the audit committee's charter.

2. Composition of the Audit Committee

Disclose the name of each audit committee member and state whether or not the member is (i) independent and (ii) financially literate.

3. Audit Committee Oversight

If, at any time since the commencement of the ~~venture~~ issuer's most recently completed financial year, a recommendation of the audit committee to nominate or compensate an external auditor was not adopted by the board of directors, state that fact and explain why.

4. Reliance on Certain Exemptions

If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied on

- (a) the exemption in section 2.4 (*De Minimis Non-audit Services*), or
- (b) an exemption from this Instrument, in whole or in part, granted under Part 8 (*Exemptions*),

state that fact.

5. Pre-Approval Policies and Procedures

If the audit committee has adopted specific policies and procedures for the engagement of non-audit services, describe those policies and procedures.

6. External Auditor Service Fees (By Category)

- (a) Disclose, under the caption "Audit Fees", the aggregate fees billed by the issuer's external auditor in each of the last two fiscal years for audit fees.
- (b) Disclose, under the caption "Audit-Related Fees", the aggregate fees billed in each of the last two fiscal years for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the audit or review of the ~~venture~~ issuer's financial statements and are not reported under clause (a) above. Include a

description of the nature of the services comprising the fees disclosed under this category.

- (c) Disclose, under the caption “Tax Fees”, the aggregate fees billed in each of the last two fiscal years for professional services rendered by the issuer’s external auditor for tax compliance, tax advice, and tax planning. Include a description of the nature of the services comprising the fees disclosed under this category.
- (d) Disclose, under the caption “All Other Fees”, the aggregate fees billed in each of the last two fiscal years for products and services provided by the issuer’s external auditor, other than the services reported under clauses (a), (b) and (c), above. Include a description of the nature of the services comprising the fees disclosed under this category.

INSTRUCTION

The fees required to be disclosed by this paragraph 5 relate only to services provided to the issuer or its subsidiary entities by the issuer’s external auditor.

7. Exemption

Disclose that the ~~venture~~-issuer is relying upon the exemption in section 6.1 of the Instrument.

Document comparison done by DeltaView on January 8, 2004 9:11:51 AM

Input:	
Document 1	file://L:/Projects/Corp_Fin/Sarbanes_Oxley/Audit Committee/Materials Circulated Dec 17/Form 52-110F2 3.1 (December 17, 2003).doc
Document 2	file://L:/Projects/Corp_Fin/Sarbanes_Oxley/Audit Committee/Final Materials January 2004/Final Form 52-110F2 (January 8 2004).doc
Rendering set	Standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	2
Deletions	5
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	7

**COMPANION POLICY 52-110CP
TO MULTILATERAL INSTRUMENT 52-110
AUDIT COMMITTEES**

**Part One
General**

- 1.1 Purpose** – Multilateral Instrument 52-110 *Audit Committees* (the Instrument) is a rule in each of Québec, Alberta, Manitoba, Ontario, Nova Scotia and Newfoundland and Labrador, a Commission regulation in Saskatchewan and Nunavut, a policy in New Brunswick, Prince Edward Island and the Yukon Territory, and a code in the Northwest Territories ~~and Nunavut~~. We, the securities regulatory authorities in each of the foregoing jurisdictions (the Jurisdictions), have implemented the Instrument to encourage reporting issuers to establish and maintain strong, effective and independent audit committees. We believe that such audit committees enhance the quality of financial disclosure made by reporting issuers, and ultimately foster increased investor confidence in Canada's capital markets.

This companion policy (the Policy) provides information regarding the interpretation and application of the Instrument.

- 1.2 Application to Non-Corporate Entities**— The Instrument applies to ~~all reporting issuers other than investment funds, issuers of asset-backed securities, designated foreign issuers and certain subsidiary entities of reporting issuers. Consequently, the Instrument applies to issuers that are~~ both corporate and non-corporate entities. Where the Instrument or this Policy refers to a particular corporate characteristic, such as a board of directors, the reference should be read to also include any equivalent characteristic of a non-corporate entity.

E.g., for an income trust to comply with the Instrument, the trustees should appoint a minimum of three trustees who are independent of the trust and the underlying business to act as an audit committee and fulfil the responsibilities of the audit committee imposed by the Instrument. Similarly, in the case of a limited partnership, the directors of the general partner who are independent of the limited partnership (including the general partner) should form an audit committee which fulfils these responsibilities.

If the structure of an issuer will not permit it to comply with the Instrument, the issuer should seek exemptive relief.

- 1.3 Management Companies.** The definition of “executive officer” includes any individual who performs a policy-making function in respect of the entity in question. We consider this aspect of the definition to include an individual who, although not employed by the entity in question, nevertheless performs a policy-

making function in respect of that entity, whether through another person or company or otherwise.

1.4 Audit Committee Procedures. The Instrument establishes requirements for the responsibilities, composition and authority of audit committees. Nothing in the Instrument is intended to restrict the ability of the board of directors or the audit committee to establish the committee's quorum or procedures, or to restrict the committee's ability to invite additional parties to attend audit committee meetings.

Part Two **The Role of the Audit Committee**

2.1 The Role of the Audit Committee. An audit committee is a committee of a board of directors to which the board delegates its responsibility for oversight of the financial reporting process. Traditionally, the audit committee has performed a number of roles, including

- helping directors meet their responsibilities,
- providing better communication between directors and the external auditors,
- enhancing the independence of the external ~~auditors,~~ auditor.
- increasing the credibility and objectivity of financial reports, and
- strengthening the role of the directors by facilitating in -depth discussions among directors, management and the external ~~auditors~~ auditor.

The Instrument requires that the audit committee also be responsible for managing, on behalf of the shareholders, the relationship between the issuer and the external auditors. In particular, it provides that an audit committee must have responsibility for:

- (~~i~~a) overseeing the work of the external auditors engaged for the purpose of preparing or issuing an ~~audit~~ auditor's report or related work; and
- (~~ii~~b) recommending to the board of directors the nomination and compensation of the external auditors.

Although under corporate law an issuer's external auditors are responsible to the shareholders, in practice, shareholders have often been too dispersed to effectively exercise meaningful oversight of the external auditors. As a result, management has typically assumed this oversight role. However, the auditing process may be compromised if the external auditors view their main responsibility as serving management rather than the shareholders. By assigning these responsibilities to an independent audit committee, the Instrument ensures that the external audit will be conducted independently of the issuer's management.

~~2.2 **Review of Financial Statements by Parent's Audit Committee.** Subsection 2.3(5) of the Instrument provides that an audit committee must review financial statements, MD&A and earnings press releases before the issuer publicly discloses this information. Where a subsidiary entity is also subject to the Instrument, we believe that the parent company's audit committee can perform the review function for the subsidiary entity with respect to this information.~~

2.2 **Relationship between External Auditors and Shareholders.** Subsection 2.3(3) of the Instrument provides that an audit committee must be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditors regarding financial reporting. Notwithstanding this responsibility, the external auditors are retained by, and are ultimately accountable to, the shareholders. As a result, subsection 2.3(3) does not detract from the external auditors' right and responsibility to also provide their views directly to the shareholders if they disagree with an approach being taken by the audit committee.

2.3 Public Disclosure of Financial Information. Issuers are reminded that, in our view, the extraction of information from financial statements that have not previously been reviewed by the audit committee and the release of that information into the marketplace is inconsistent with the issuer's obligation to have its audit committee review the financial statements. See also National Policy 51-201 *Disclosure Standards*.

Part Three Independence

3.1 Meaning of Independence. The Instrument generally requires every member of an audit committee to be independent. Subsection 1.4(1) of the Instrument defines independence to mean the absence of any direct or indirect material relationship between the director and the issuer. In our view, this relationship may include commercial, charitable, industrial, banking, consulting, legal, accounting or familial relationships. However, only those relationships which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of a member's independent judgement should be considered material relationships within the meaning of section 1.4.

Subsection 1.4(3) of the Instrument sets out a list of persons that we believe have a relationship with an issuer that would reasonably interfere with the exercise of the person's independent judgement. Consequently, these persons are not considered independent for the purposes of the Instrument and are therefore precluded from serving on the issuer's audit committee. Directors and their counsel should therefore consider the nature of the relationships outlined in

subsection 1.4(3) as guidance in applying the general independence test set out in subsection 1.4(1).

3.2 Derivation of Definition. The definition of independence and associated provisions included in the Instrument have been derived from both the rules promulgated by the SEC in response to the Sarbanes-Oxley Act and the corporate governance rules issued by the NYSE. The SEC rules set out requirements for a member of the audit committee to be considered independent. The NYSE corporate governance rules define independence and outline conditions for a director to be considered independent and also require that audit committee members be independent directors as defined by both the SEC provisions and the NYSE rules. We have mirrored this composite approach to the definition of independence for audit committee members in the Instrument.

3.3 Safe Harbour— Subsection 1.3(1) of the Instrument provides, in part, that a person or company is an affiliated entity of another entity if the person or company controls the other entity. Subsection 1.3(4), however, provides that a person will not be considered to be an affiliated entity of an issuer if the person:

- (a) owns, directly or indirectly, ten per cent or less of any class of voting equity securities of the issuer; and
- (b) is not an executive officer of the issuer.

Subsection 1.3(4) is intended only to identify those persons who are not considered affiliated entities of an issuer. The provision is not intended to suggest that a person who owns more than ten percent of an issuer's voting equity securities is automatically an affiliated entity of the issuer. Instead, a person who owns more than ten percent of an issuer's voting equity securities should examine all relevant facts and circumstances to determine if he or she is an affiliated entity within the meaning of subsection 1.3(1).

Part Four
Audit Committee
Financial Experts

4.1 ~~Definition of Audit Committee Financial Expert.~~ Literacy, Financial Education and Experience

4.1 Financial Literacy. For the purposes of the Instrument, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

In our view, it is not necessary for a member to have a comprehensive knowledge of GAAP and GAAS to be considered financially literate.

- (1) ~~Subsection (a) of the definition of~~ **4.2 Financial Education and Experience.** (1) Item 3 of Form 52-110F1 requires an issuer to disclose any education or experience of an audit committee member that would provide the member with, among other things, an understanding of the accounting principles used by the issuer to prepare its financial statements. Where an issuer prepares its financial statements in accordance with Canadian GAAP, the audit committee financial expert must therefore have an understanding of Canadian GAAP. However, in our view, an individual In our view, for a member to have such an understanding, the member needs a detailed understanding of only those accounting principles of Canadian GAAP which that might reasonably be applicable to the issuer in question. For example, an individual would not be required to have a detailed understanding of the Canadian GAAP accounting principles relating to the treatment of complex derivatives transactions if the issuer in question would not reasonably be involved in such transactions.
- (2) ~~Clause (c) of the definition of audit committee financial expert allows an individual to meet the definition as a consequence of the active supervision of persons engaged in the specified conduct~~ Item 3 of Form 52-110F1 also requires an issuer to disclose any experience that the member has, among other things, actively supervising persons engaged in preparing, auditing, analyzing or evaluating certain types of financial statements. The phrase active supervision means more than the mere existence of a traditional hierarchical reporting relationship between supervisor and those being supervised. A person engaged in active supervision participates in, and contributes to, the process of addressing (albeit at a supervisory level) the same general types of issues regarding preparation, auditing, analysis or evaluation of financial statements as those addressed by the person or persons being supervised. The supervisor should also have experience that has contributed to the general expertise necessary to prepare, audit, analyze or evaluate financial statements that is at least comparable to the general expertise of those being supervised. An executive officer should not be presumed to qualify. An executive officer with considerable operations involvement, but little financial or accounting involvement, likely would not be exercising the necessary active supervision. Active participation in, and contribution to, the process, albeit at a supervisory level, of addressing financial and accounting issues that demonstrate a general expertise in the area would be necessary.
- (3) ~~In addition to determining that a person possesses an adequate degree of knowledge and experience to qualify as an audit committee financial expert, an issuer should also ensure that the candidate embodies the highest standards of personal and professional integrity. In this regard, an issuer should consider any disciplinary actions to which a potential expert~~

~~is, or has been, subject in determining whether that person would be a suitable audit committee financial expert.~~

~~4.2 Liability of Audit Committee Financial Expert.~~

- ~~(1) The primary benefit of having an audit committee financial expert serve on an issuer's audit committee is that the person, with his or her enhanced level of financial sophistication or expertise, can serve as a resource for the audit committee as a whole in carrying out its functions. The role of the audit committee financial expert is therefore to assist the audit committee in overseeing the audit process, not to audit the issuer.~~

~~The Instrument requires an issuer to disclose whether or not an audit committee financial expert is serving on its audit committee. In our view, the mere designation or identification of a person as an audit committee financial expert in compliance with the disclosure obligation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification. Conversely, the designation or identification of a person as an audit committee financial expert does not affect the duties, obligations or liability of any other member of the audit committee or board of directors. The purpose of the disclosure requirement is to encourage issuers to appoint audit committee financial experts to their audit committees. As a result, we believe that it would adversely affect the operation of the audit committee and its vital role in our financial reporting and public disclosure system, and systems of corporate governance more generally, if courts were to conclude that the designation and public identification of an audit committee financial expert affected such person's duties, obligations or liability as an audit committee member or board member. We believe that it would be adverse to the interests of investors and to the operation of markets and therefore would not be in the public interest, if the designation and identification affected the duties, obligations or liabilities to which any member of the issuer's audit committee or board is subject.~~

- ~~(2) A person who is designated or identified as an audit committee financial expert is not deemed to be an expert for any other purpose, including, without limitation, for the purpose of filing a consent pursuant to section 10.4 of National Instrument 44-101 *Short Form Distributions*.~~

Part Five Non-Audit Services

5.1 Pre-Approval of Non-Audit Services. ~~Subsection 2.3(4)~~ Section 2.6 of the Instrument ~~requires an audit committee to pre-approve certain non-audit services. In our view, it may be sufficient for an audit committee to adopt~~ allows an audit committee to satisfy, in certain circumstances, the pre-approval requirements in subsection 2.3(4) by adopting specific policies and procedures for the engagement of non-audit services ~~where~~. The following guidance should be noted in the development and application of such policies and procedures:

- Monetary limits should not be the only basis for the pre-approval policies and procedures ~~are detailed~~. The establishment of monetary limits will not, alone, constitute policies that are detailed as to the particular services to be provided and will not, alone, ensure that the audit committee will be informed about each service.
- ~~the audit committee is informed of each non-audit service, and~~ The use of broad, categorical approvals (e.g. tax compliance services) will not meet the requirement that the policies must be detailed as to the particular services to be provided.
- ~~the procedures do not include~~ delegation of the audit committee's responsibilities to management. The appropriate level of detail for the pre-approval policies will differ depending upon the facts and circumstances of the issuer. The pre-approval policies must be designed to ensure that the audit committee knows precisely what services it is being asked to pre-approve so that it can make a well-reasoned assessment of the impact of the service on the auditor's independence. Furthermore, because the Instrument requires that the policies cannot result in a delegation of the audit committee's responsibility to management, the pre-approval policies must be sufficiently detailed as to particular services so that a member of management will not be called upon to determine whether a proposed service fits within the policy.

5.2 — Pre-Approval By Parent Company's Audit Committee. ~~Subsection 2.3(4) of the Instrument requires an audit committee to pre-approve certain non-audit services that are provided to the issuer or its subsidiary entities. Where a subsidiary entity is also subject to the Instrument, the audit committee of the parent company may pre-approve the services on behalf of the subsidiary entity's audit committee. However, the parent company and subsidiary entity should first examine all relevant facts and circumstances surrounding the engagement or relationship to determine which audit committee, that of the parent or subsidiary entity, is in the best position to review~~ the impact of the service on the external auditor's independence.

Part Six
Disclosure Obligations

6.1 Incorporation by Reference. National Instrument 51-102 permits disclosure required to be included in an issuer's AIF or information circular to be incorporated by reference, provided that the referenced document has already been filed with the applicable securities regulatory authorities.¹ Any disclosure required by the Instrument to be included in an issuer's AIF or management information circular may also be incorporated by reference, provided that the procedures set out in National Instrument 51-102 are followed.

L:\Projects\Corp_Fin\Sarbanes_Oxley\Audit Committee\Materials for Dec 9 Commission Meeting\Subsequent Changes\cp final audit cmttee 4.1 (December 17 2003).doc

¹ See Part 1, paragraph (g) of Form 51-102F2 (Annual Information Form) and Part 1, paragraph (c) of Form 51-102F5 (Information Circular).

Document comparison done by DeltaView on January 8, 2004 9:08:57 AM

Input:	
Document 1	file://L:/Projects/Corp_Fin/Sarbanes_Oxley/Audit Committee/Materials published for comment June 27/cp audit cmttee draft 4.0 (June 10 2003).doc
Document 2	file://L:/Projects/Corp_Fin/Sarbanes_Oxley/Audit Committee/Final Materials January 2004/Final cp audit cmttee (January 8 2004).doc
Rendering set	Standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	43
Deletions	35
Moved from	2
Moved to	2
Style change	0
Format changed	0
Total changes	82