



**OPTIVA INC.**  
**(the "Company")**

**CHARTER FOR THE AUDIT COMMITTEE**

**1. Constitution and Purpose**

The committee shall be established by resolution of the Board of Directors (the "**Board**") of the Company and shall be known as the Audit Committee (the "**Committee**"). The purpose of the Committee is overseeing the accounting and financial reporting processes of the Company and audits of its financial statements.

**2. Composition, Qualification and Membership**

- 1) The members of the Committee shall be appointed by the Board from amongst the directors of the Company (the "**Directors**") and shall be comprised of not less than three members. All of the members of the Committee shall be independent Directors, as that term is defined under National Policy 58-201.
- 2) All members of the Committee must be financially literate, as that term is defined under National Instrument 52-110.
- 3) The Chairman of the Committee, who shall be an independent non-executive Director, shall be appointed by the Board, which shall determine the period for which he/she shall hold office.
- 4) Any member may be removed and replaced at any time by the Board. The Board shall fill vacancies in the Committee by appointment from among the members of the Board. If a vacancy exists on the Committee, the remaining members shall exercise all its powers so long as a quorum remains in office.
- 5) A quorum for decisions of the Committee shall be two members.

**3. Attendance at meetings**

- 1) The Committee may at each meeting appoint one of their members or any other attendee to be the Secretary of the Committee.
- 2) The Committee may also invite other members of management to attend meetings and give presentations with respect to their area of responsibility, as considered necessary by the Committee.
- 3) The Chairman of the Board, the Chief Executive Officer and Chief Financial Officer of the Company and a representative of the external auditors of the Company (the "**Company's Auditors**") may, if invited by the Chairman of the Committee, attend and speak at meetings of the Committee. Other Board members may also, if invited by the Chairman of the Committee, attend and speak at meetings of the Committee.
- 4) On a quarterly basis, representatives of the Company's Auditors shall meet the Committee without any executive Directors being present, if requested.



- 5) The Chair of the Committee may attend, when possible, at the Annual General Meeting of the Company, in order to respond to any shareholder questions on the activities and responsibilities of the Company.

#### **4. Frequency of meetings**

- 1) The Committee shall meet at least quarterly and at such other times as the Chairman of the Committee shall require. The Company's Auditors, the Board or any member of the Committee may request a meeting if they consider that one is necessary.
- 2) At least seven days' notice of any meeting of the Committee shall be given, although such notice may be waived or shortened with the consent of all the members of the Committee.

#### **5. Authority**

- 1) The Committee is authorised by the Board to investigate any matter within its responsibility. The Committee is authorized to have direct communication with the Company's Auditors. The Committee is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Committee shall have unrestricted access to the books and records of the Company.
- 2) The Committee is authorized to engage, at the cost of the Company, independent counsel and other advisors as it determines necessary to carry out its duties. The Committee is authorized to set and pay compensation for any advisors that it employs. In obtaining outside advice, the Committee will act in consultation with the Chairman of the Company.
- 3) The powers of the Committee may also be exercised by resolution in writing signed by all the members of the Committee.

#### **6. Duties**

##### **The Committee shall oversee:**

- (1) appoint and compensate the Company's Auditor.
- (2) the Company's financial reporting process.
- (3) the Company's system of internal controls and risk management.
- (4) the Company's compliance with laws and regulations.
- (5) other matters referred by the Board

##### **6.1 Appoint, oversee, and compensate the Company's Auditor**

- (a) to consider and make recommendations to the Board, to put before the shareholders for approval at a general meeting, in relation to the appointment, re-appointment and removal of the Company's Auditors and to approve the remuneration and terms of engagement of the Company's Auditors;
- (b) to require the Company's Auditors to report directly to the Committee;
- (c) to discuss with the Company's Auditors, before an audit commences, the nature and scope of the audit, and other relevant matters and ensure co-ordination where more than one audit firm is involved;



- (d) to review and monitor:
  - (i) the independence and objectivity of the Company's Auditors; and
  - (ii) the effectiveness of the audit process;taking into consideration relevant professional and regulatory requirements;
- (e) Oversee disclosure controls and procedures, and internal control over financial reporting;
- (f) to discuss problems and reservations arising from an audit, and any matters the Company's Auditors may wish to discuss (in the absence of management where necessary);
- (g) to review the Company's Auditors' management letter and management's response;
- (h) to develop and implement a pre-approval policy on the engagement of the Company's Auditors to supply non-audit services to the Company and its subsidiaries, taking into account relevant ethical guidance regarding the provision of non-audit services by the Company's Auditors; and to report to the Board, identifying any matters in respect of which the Committee considers that action or improvement is needed and to make recommendations as to the steps to be taken as they arise;
- j) to consider the major findings of the Company's Auditors, or any internal investigations and management's response, including the resolution of disagreements between management and the Company's Auditors regarding financial reporting;
- k) to, at least annually, review the qualifications and performance of the lead partners(s) of the Company's Auditors and determine whether it is appropriate to adopt or continue a policy of rotating lead partners of the external auditors;

## **6.2 Oversee the Company's financial reporting process,**

- a. to monitor in discussion with the Company's Auditors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them and in particular to review the interim and annual financial statements, including any related management statements, before submission to the Board, focusing particularly on:
  - (a) significant accounting policies and practices, including revenue recognition, and any changes in such accounting policies and practices;
  - (b) major judgmental areas including significant estimates and key assumptions;
  - (c) significant adjustments resulting from the audit;
  - (d) the going concern assumption;
  - (e) compliance with accounting standards;
  - (f) compliance with stock exchange and legal requirements;
  - (g) significant litigation and investigations of regulatory agencies;



- (h) the extent to which the financial statements are affected by any unusual transaction; and
  - (i) significant off-balance sheet and contingent asset and liabilities and the related disclosures;
- b. to review the Company's financial statements, Management's Discussion & Analysis, Annual Information Form and earnings press releases prior to their public disclosure and to ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements;

### **6.3 Oversee the Company's system of internal controls and risk management**

- a. to review management's roles, responsibilities and performance with respect to financial reporting and system of internal control;
- b. to review management's assessment of the effectiveness of the Company's internal control over financial reporting as of the end of the most recent fiscal year;
- c. to oversee the design, implementation and assessment of management's effective system of disclosure controls and procedures, and internal control over financial reporting;
- c. to review any significant deficiencies or material weaknesses identified by management with respect to the Company's internal control over financial reporting and to monitor management's plans for remediation of such control deficiencies or weaknesses on at least a quarterly basis or as necessary;
- d. to review and discuss any fraud or alleged fraud involving management or other employees who have a role in the Company's system of internal control over financial reporting and the related corrective and disciplinary actions to be taken as they arise;
- e. to discuss with management any significant changes in the system of internal control over financial reporting that are disclosed, or considered for disclosure, in the Management's Discussion & Analysis, on a quarterly basis;
- f. to review and discuss with the Chief Executive Officer and the Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual and quarterly filings with the securities commissions;
- g. to review the Company's risk management program established to effectively identify, assess and treat the Company's key risks including the risk of fraud and to receive an annual report thereon;
- h. to monitor and review the effectiveness of any internal audit function, ensure co-ordination between the internal and external auditors and ensure that it is adequately resourced and has appropriate standing within the Company (and where there is no internal audit function, consider annually whether there is a need for an internal audit function and make a recommendation to the Board);
- i. to establish and review on an annual basis procedures for:



- (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
- (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
- (iii) the proportionate and independent investigation of such matters with appropriate follow-up action;

#### **6.4 Oversee the Company's compliance with laws and regulations,**

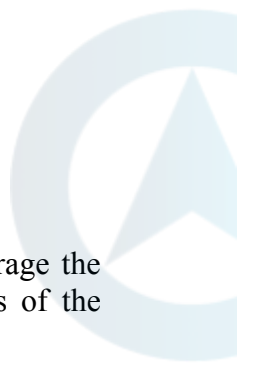
- a. to review the mandate of the Company's Disclosure, Ethics and Compliance Committee in conjunction with the Nomination and Governance Committee, and recommend any changes to the Board on an annual basis;
- b. to review the Company's Policy on Disclosure in conjunction with the Nomination and Governance Committee, and recommend any changes to the Board on an annual basis;
- c. to review the Company's Insider Trading Policy, and recommend any changes to the Board on an annual basis;
- d. to review the Company's Whistle Blower Policy and recommend any changes to the Board on an annual basis;
- e. to review the Code of Conduct and Business Ethics in conjunction with the Nomination and Governance Committee, and recommend any changes to the Board on an annual basis;
- f. on a quarterly basis receive the report of the Disclosure, Ethics and Compliance Committee with respect to the disclosure activities during the quarter, which is the subject of the report;
- g. on an annual basis, receive the report of the Disclosure, Ethics and Compliance Committee with respect to the results of the self-assessment of the Company's Disclosure Controls and Procedures including any control deficiencies identified and to review, consider and make recommendations on related corrective actions to be taken;

#### **6.5 Oversee other matters referred by the board**

- a) to, review the position description of the CFO on an annual basis, and recommend any changes to the Board of Directors for approval;
- b) to review and report to the Board on the financial accuracy of the annual budget; and
- c) to consider other matters referred to the Committee by the Board.

#### **7. Procedures**

- 1) The Secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Board and to the Company's Auditors.
- 2) The Chairman of the Committee shall be available at the Annual General Meeting of the Company to respond to any shareholder questions on the activities and responsibilities of the Committee.



- 3) In setting the agenda for a meeting, the Chairman of the Committee shall encourage the Committee members, management, the Company's Auditors and other members of the Board to provide input in order to address emerging issues.
- 4) The Committee shall set its annual agenda for review and approval by the Board to ensure compliance with the requirements of this Charter.
- 5) The Committee shall conduct an annual self-assessment of its performance and this Charter and shall make recommendations to the Board with respect thereto.
- 6) Members of the Committee shall be provided with appropriate and timely training to enhance their understanding of auditing, accounting, regulatory and industry issues applicable to the Company.
- 7) New Committee members shall be provided with an orientation program to educate them on the Company, their responsibilities and the Company's financial reporting and accounting practices.
- 8) The Committee shall report at regularly scheduled Board meetings on matters coming before the Committee.

## **8. No Rights Created**

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the Committee functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements as well as in the context of the Company's article and By-laws, it is not intended to establish any legally binding obligations.