



## **AUDIT COMMITTEE CHARTER**

**February 2010**

A committee of the board of directors (the "Board") of Brookfield Asset Management Inc. (the "Corporation") to be known as the Audit Committee (the "Committee") shall have the following terms of reference:

### **MEMBERSHIP AND CHAIRPERSON**

Following each annual meeting of shareholders, the board of directors of the Corporation shall appoint from its number three or more directors (the "Members" and each a "Member") to serve on the Committee until the close of the next annual meeting of shareholders of the Corporation or until the Member ceases to be a director, resigns or is replaced, whichever occurs first.

The Members will be selected by the board on the recommendation of the Governance and Nominating Committee. Any Member may be removed from office or replaced at any time by the board. All of the Members will be Independent Directors. In addition, every Member will be Financially Literate and at least one Member will be an Audit Committee Financial Expert. Members may not serve on more than two other public company audit committees, except with the prior approval of the board.

The board shall appoint one Member as the chairperson of the Committee. If the chairperson is absent from a meeting, the Members shall select a chairperson from those in attendance to act as chairperson of the meeting.

### **RESPONSIBILITIES**

The Committee shall:

- (a) oversee the work of the Corporation's external auditor (the "auditor") engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;
- (b) review and evaluate the auditor's independence, experience, qualifications and performance and determine whether the auditor should be appointed or re-appointed and nominate the auditor for appointment or re-appointment by the shareholders;
- (c) where appropriate, terminate the auditor;
- (d) when a change of auditor is proposed, review all issues related to the change, including the information to be included in the notice of change of auditor required, and the orderly transition of such change;

- (e) review the terms of the auditor's engagement and the appropriateness and reasonableness of the proposed audit fees;
- (f) at least annually, obtain and review a report by the auditor describing:
  - (i) the auditor's internal quality-control procedures; and
  - (ii) any material issues raised by the most recent internal quality control review, or peer review, of the auditor, or review by any independent oversight body such as the Canadian Public Accountability board or the Public Company Accounting Oversight board, or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review;
- (g) at least annually, confirm that the auditor has submitted a formal written statement describing all of its relationships with the Corporation; discuss with the auditor any disclosed relationships or services that may affect its objectivity and independence; obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs and is an independent public accountant within the meaning of the federal securities legislation administered by the United States Securities and Exchange Commission and of the Independence Standards of the Canadian Institute of Chartered Accountants, and is in compliance with any independence requirements adopted by the Public Company Accounting Oversight board; and, confirm that it has complied with applicable laws with the rotation of certain members of the audit engagement team;
- (h) review and evaluate the lead partner of the auditor;
- (i) ensure the regular rotation of the audit engagement team members as required by law, and periodically consider whether there should be regular rotation of the auditor firm;
- (j) meet privately with the auditor as frequently as the Committee feels is appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern to the Committee or the auditor, including:
  - (i) planning and staffing of the audit;
  - (ii) any material written communications between the auditor and management;
  - (iii) whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;
  - (iv) the extent to which the auditor is satisfied with the nature and scope of its examination;

- (v) whether or not the auditor has received the full co-operation of management of the Corporation;
  - (vi) the auditor's opinion of the competence and performance of the Chief Financial Officer and other key financial personnel;
  - (vii) the items required to be communicated to the Committee in accordance with generally accepted auditing standards;
  - (viii) all critical accounting policies and practices to be used by the Corporation;
  - (ix) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;
  - (x) any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with management and management's response; and
  - (xi) any illegal act that may have occurred and the discovery of which is required to be disclosed to the Committee pursuant to the United States Securities Exchange Act of 1934;
- (k) pre-approve or approve, if permitted by law, the appointment of the auditor to provide any audit service or non-prohibited non-audit service and, if desired, establish detailed policies and procedures for the pre-approval of audit services and non-prohibited non-audit services by the auditor. The Committee may delegate this responsibility to one or more Members to the extent permitted by applicable law provided that any pre-approvals granted pursuant to such delegation must be detailed as to the particular service to be provided, may not delegate Committee responsibilities to management and must be reported to the full Committee at its next scheduled meeting;
- (l) resolve any disagreements between management and the auditor regarding financial reporting;
- (m) review, and, where appropriate, recommend for approval by the board, the following:
- (i) audited annual financial statements, in conjunction with the report of the external auditor;
  - (ii) interim financial statements;
  - (iii) annual and interim management discussion and analysis of financial condition and results of operation;
  - (iv) reconciliations of the annual or interim financial statements; and

- (v) all other audited or unaudited financial information contained in public disclosure documents, including without limitation, any prospectus, or other offering or public disclosure documents and financial statements required by regulatory authorities;
- (n) discuss earnings press releases and other press releases containing financial information (to ensure consistency of the disclosure to the financial statements), as well as financial information and earnings guidance provided to analysts and rating agencies including the use of “pro forma” or “adjusted” non-GAAP information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;
- (o) review the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation’s financial statements;
- (p) review disclosures made to the Committee by the Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or operation of the Corporation’s internal control over financial reporting which are reasonably likely to adversely affect the Corporation’s ability to record, process, summarize and report financial information, and any fraud involving management or other employees;
- (q) review the effectiveness of management’s policies and practices concerning financial reporting, any proposed changes in major accounting policies, the appointment and replacement of management responsible for financial reporting and the internal audit function;
- (r) review the adequacy of the internal controls that have been adopted by the Corporation to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records and any special audit steps adopted in light of material control deficiencies;
- (s) meet privately with the person responsible for the Corporation’s internal audit function as frequently as the Committee feels appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern;
- (t) review the mandate, budget, planned activities, staffing and organizational structure of the internal audit function (which may be outsourced to a firm other than the auditor) to confirm that it is independent of management and has sufficient resources to carry out its mandate. The Committee will discuss this mandate with the auditor; review the appointment and replacement of the person in charge of the Corporation’s internal audit and review the significant reports to management prepared by the internal auditor and management’s responses;
- (u) review the controls and procedures that have been adopted to confirm that material information about the Corporation and its subsidiaries that is required to be disclosed

under applicable law or stock exchange rules is disclosed and to review the public disclosure of financial information extracted or derived from the issuer's financial statements and periodically assess the adequacy of these procedures;

- (v) review periodically, the Corporation's policies with respect to risk assessment and management, particularly financial risk exposure, including the steps taken to monitor and control risks;
- (w) review periodically, the status of taxation matters of the Corporation;
- (x) set clear policies for hiring partners and employees and former partners and employees of the external auditor;
- (y) review, with legal counsel where required, such litigation, claims, tax assessments, transactions, material inquiries from regulators and governmental agencies or other contingencies which may have a material impact on financial results or which may otherwise adversely affect the financial well-being of the Corporation;
- (z) review periodically the Corporation's susceptibility to fraud and oversee management's processes for identifying and managing the risks of fraud; and
- (aa) consider other matters of a financial nature as directed by the board.

## REPORTING

The Committee will regularly report to the board on:

- (a) the auditor's independence;
- (b) the performance of the auditor and the Committee's recommendations regarding its reappointment or termination;
- (c) the performance of the internal audit function department;
- (d) the adequacy of the Corporation's internal controls and disclosure controls;
- (e) its recommendations regarding the annual and interim financial statements of the Corporation and any reconciliation of the Corporation's financial statements, including any issues with respect to the quality or integrity of the financial statements;
- (f) its review of any other public disclosure document including the annual information form and the annual and interim management's discussion and analysis of financial condition and results of operations;
- (g) the Corporation's compliance with legal and regulatory requirements, particularly those related to financial reporting; and
- (h) all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

**COMPLAINTS PROCEDURE**

The Committee will establish a procedure for the receipt, retention and follow-up of complaints received by the Corporation regarding accounting, internal controls, disclosure controls or auditing matters and a procedure for the confidential, anonymous submission of concerns by employees of the Corporation regarding such matters.

**REVIEW AND DISCLOSURE**

The Committee will review this Charter at least annually and submit it to the Governance and Nominating Committee together with any proposed amendments. The Governance and Nominating Committee will review the Charter and submit it to the board for approval with such further amendments as it deems necessary and appropriate.

This Charter will be posted on the Corporation's web site at [www.brookfield.com](http://www.brookfield.com). The Management Information Circular of the Corporation will state that this Charter is available on its web site and is available in print to any shareholder who requests a copy. This Charter will also be reproduced in full as an appendix to the Corporation's Annual Information Form.

**ASSESSMENT**

At least annually, the Governance and Nominating Committee will review the effectiveness of this Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the corporate governance guidelines adopted by the board. The Committee will also conduct its own assessment of the Committee's performance on an annual basis.

**ACCESS TO OUTSIDE ADVISORS AND SENIOR MANAGEMENT**

The Committee may retain any outside advisor including legal counsel, at the expense of the Corporation, without the board's approval, at any time. The Committee has the authority to determine any such advisor's fees.

The Corporation will provide for appropriate funding, for payment of compensation to any auditor engaged to prepare or issue an audit report or perform other audit, review or attest services, and ordinary administrative expenses of the Committee.

Members will meet privately with senior management as frequently as they feel is appropriate to fulfill the Committee's responsibilities, but not less than annually.

**MEETINGS**

Meetings of the Committee may be called by any Member, the Chairman of the board, the Chief Executive Officer or Chief Financial Officer of the Corporation, the internal auditor or the auditor. Meetings will be held each quarter and at such additional times as is necessary for the Committee to fulfill its responsibilities. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes of the meeting and deliberations of the Committee.

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time. Matters decided by the Committee shall be decided by majority vote. Subject to the foregoing, the Business Corporations Act (*Canada*) and the by-laws, and unless otherwise determined by the board, the Committee shall have the power to regulate its procedure.

Notice of each meeting shall be given to each Member, the internal auditor, the auditor, and to the Chairman of the board and the Chief Executive Officer of the Corporation. Notice of meeting may be given orally or by letter, facsimile or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting and attendance at a meeting is deemed waiver of notice. The notice need not state the purpose or purposes for which the meeting is being held.

The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Committee may require the auditors to attend any or all meetings.

#### **DEFINITIONS**

Capitalized terms used in this Charter and not otherwise defined have the meaning attributed to them below:

**“Independent Director”** means a director who has been affirmatively determined by the board to have no material relationship with the Corporation, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. In addition to any other requirement of applicable securities laws or stock exchange provisions, a director who:

- (a) is an employee, or whose immediate family member is an executive officer, of the Corporation is not independent until three years after the end of such employment relationship;
- (b) is receiving, or whose immediate family member receives, more than US\$50,000 per year in direct compensation from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than US\$50,000 per year in compensation;
- (c) is affiliated with or employed by, or whose immediate family member is employed in a professional capacity by, a present or former internal or external auditor of the Corporation is not independent until three years after the end of the affiliation or employment relationship with the auditor;

- (d) is employed as, or whose immediate family member is employed as, an executive officer of another company where any of the present (at the time of review) members of senior management of the Corporation serve on that company's compensation committee is not independent until three years after the end of such service or the employment relationship; and
- (e) is an executive officer or an employee of, or whose immediate family member is an executive officer of, another company for which the Corporation accounts for at least 2% or US\$1 million, whichever is greater, of such other company's consolidated gross revenues, in each case is not independent until three years after falling below such threshold.

Additionally, an Independent Director for the purpose of the Audit Committee specifically may not:

- (a) accept any consulting, advisory, or other compensatory fee from the Corporation or any of its subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or
- (b) be an affiliated person of the Corporation or any of its subsidiaries (within the meaning of applicable rules and regulations).

For the purposes of the definition above, the term Corporation includes any parent, subsidiary or other affiliated entity of the Corporation.

In addition to the requirements for independence set out in paragraph (c) above, Members of the Audit Committee must disclose any other form of association they have with a current or former external or internal auditor of the Corporation to the Governance and Nominating Committee of the board of directors for a determination as to whether this association affects the Member's status as an independent director.

**"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 Corporation's financial statements.

**"Audit Committee Financial Expert"** means a person who has the following attributes:

- (a) an understanding of generally accepted accounting principles and financial statements;
- (b) the ability to assess the general application of such 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 Corporation'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;

acquired through any one or more of the following:

- (f) 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;
- (g) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- (h) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or other relevant experience; or
- (i) other relevant experience.

This charter of the Audit Committee was reviewed and approved by the board of directors of the Corporation on February 18, 2010.