

National Association of Corporate Directors

AUDIT & FINANCE COMMITTEE CHARTER

Purpose

The Audit & Finance Committee (“Committee”) shall assist the Board of Directors in fulfilling its oversight responsibilities relating to the quality and integrity of NACD’s financial reporting processes, accounting practices and the annual budgeting process. The Committee shall also oversee the adequacy and effectiveness of the Association’s systems of internal controls regarding finance, accounting, and legal and regulatory compliance; as well as the performance, qualifications, and independence of NACD’s independent auditors. The committee reviews and recommends the annual budget for approval, monitors NACD’s investment policies and the performance of invested funds, and oversees long range financial objectives.

In discharging its oversight role, the Committee has the authority to investigate any matter within its area of responsibilities that is brought to its attention, with full access to all of the books, records, facilities, and staff of NACD, and the power to retain outside counsel, auditors, or other experts, as it deems appropriate.

Membership

The Committee shall be composed of three or more independent Directors appointed annually by the Board. The Board shall designate the Chair of the Committee. At least one member of the Committee shall have experience in finance or accounting, or other comparable experience or background that demonstrates an understanding of financial statements, generally accepted accounting principles, internal controls, and procedures for financial reporting, and shall have experience in preparing, auditing, or evaluating financial statements.

Meetings

The Committee shall meet a minimum of two times annually, at least one of which shall be with the outside auditors. The Chair will schedule regular meetings; additional meetings may be held at the request of two or more members of the Committee, the CEO or the Chair of the Board. The Committee shall meet at least once annually or more frequently as circumstances may require with NACD’s investment portfolio manager.

Duties and Responsibilities

In carrying out its oversight responsibilities, the Committee shall:

1. Select, at its sole discretion, independent auditors to audit the financial statements for NACD for each fiscal year, and oversee their work.

2. Review and approve, in advance of signing, the independent auditors' annual engagement letter, including proposed fees, scope of work, as well as any proposed and permitted non-audit engagements.
3. Review and evaluate the independence and performance of the independent auditors.
4. Review with management and the independent auditors the audited annual financial statements, including any comments or recommendations of the independent auditors. Review any disagreements among management and the independent auditors in connection with the annual audit and any restrictions on the scope of work or access to required information.
5. Obtain at least annually from the independent auditors and review a report describing:
 - a. the independent auditors' internal quality-control procedures;
 - b. any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by any governmental or professional authority, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues and if non-audit services have been provided, include in such report a statement disclosing all relationships between the independent auditors and NACD (including a description of each category of services provided by the independent auditors to NACD and a list of the fees billed for each such category).
6. Review and discuss with management and the independent auditors the quality and integrity of NACD's financial reporting processes and internal controls regarding finance, accounting, and legal and regulatory compliance.
7. Provide an open avenue of communication between the independent auditors, management, and the Board by requiring the auditors to bring critical issues to the Committee's attention and by meeting regularly with the auditors regarding significant audit findings and the adequacy and effectiveness of the independent audit function.
8. In connection with the entire Board's responsibility for risk oversight, review and discuss with management any significant risk exposure, financial or otherwise. Also review the underlying practices with respect to risk assessment and risk management. In addition, assess the steps management has taken to monitor, report, and control such risk exposures.
9. Review with NACD legal counsel any significant legal matter that could have a material impact on NACD's financial condition.
10. Develop, and periodically update, a Whistle-Blower Protection policy and procedures regarding the receipt, investigation, retention, and disposition of complaints or reports of

suspected illegal or improper activity, financial or otherwise, from employees or third parties.

11. Develop, and periodically update for approval by the Board (a) a policy for Document Retention and Document Destruction and procedures setting forth standards for document integrity, retention, and destruction; and (b) a policy concerning Related-Party Transactions Involving Directors and Officers.
12. In consultation with the Nominating and Governance Committee, monitor and review NACD's compliance with laws and regulations, its Code of Ethics and any potential violations involving Board members, the CEO, or the CEO's senior leadership team, and its Conflicts of Interest policy, including related party transactions.
13. The CEO's expense reports shall be reviewed by the Chair of the Committee on a regular basis.
14. Develop, and periodically update NACD's policies and procedures for determining that its official public statements on governance and related activities are consistent with its status as a 501(c) (3) organization.
15. Review the proposed annual budget and recommend its adoption to the Board
16. Review NACD's investment policies, strategies, and programs; investment transactions; the performance of NACD's investment portfolios; and NACD's quarterly interim financial reports.
17. Oversee the review of NACD's financial strength in relation to its ongoing strategic plans. Review annually the long-range financial objectives of NACD and their ability to accomplish the stated mission and programs. Report to the Board of Directors annually with regard to such objectives, including recommendations for revisions, if appropriate.
18. Monitor the processes for the financial management of NACD's defined contribution benefit plans for employees and any other retirement benefit plan the Board may adopt.
19. Review and evaluate any proposed mergers, acquisitions, divestitures, or similar transactions, and submit a report to the Board.
20. Report regularly to the Board on the Committee's activities and actions, as appropriate. The Committee should review with the Board any issues that arise with respect to the quality or integrity of the financial statements; the overall control environment, including management controls; compliance with laws or regulations; and reports of any financial disparities. The Committee will maintain minutes of meetings and report to the Board the results of Committee meetings.
21. Annually review the Committee's own performance, and report the results of such review to the Board.

22. Annually review and reassess the adequacy of this charter and recommend any proposed changes to the Board for approval.
23. Perform such other duties as are necessary or appropriate to further the Committee's purposes, or as the Board may from time to time assign to it.

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