

**Purpose** The Audit Committee, on behalf of the Board of Directors, is to provide oversight and ensure the adequacy of the company's accounting, financial and accountability (aka sustainability) reporting process, internal control framework, audit and other functions to ensure compliance with all appropriate standards and regulations.

**Objectives** The objectives of the Audit Committee are to:

- assist the Board to fulfill its oversight responsibilities, including accountable management of funds, efficiency and effectiveness of controls, and the safeguarding of assets and member deposits;
- ensure compliance with laws, regulations and policies;
- ensure reliability of external financial and accountability reporting;
- ensure independence of the internal audit function;
- ensure financial resource allocation as proposed by management is aligned with the strategic business plan;
- have input into the overall direction of all audit/assurance efforts;
- engage external auditors/assurance providers and provide appropriate oversight of their work; and
- promote effective and timely resolution of internally and externally identified control deficiencies.

**Membership and Quorum** Members of the Committee are appointed by the Board. The Board may fill a vacancy that occurs in the Committee at any time. The Committee will be comprised of not less than 4 members of the Board. A quorum for any meeting will be a majority of members. (FIA s. 103). In the event of a tie vote, the Committee Chair will cast the deciding vote.

A majority of Committee members should be literate with financial and audit practices which can be demonstrated through past experience on an Audit Committee and/or through business experience. At least two Committee members should have financial and accountability reporting experience.

The Board Chair shall not serve on the Audit Committee.

If feasible, the Chair of the Risk Committee will also be a member of this committee.

**Chair and Vice Chair** The Chair of the Committee will be ratified by the Committee, after it has taken into account a recommendation from the Board. The Vice Chair of the Committee shall be elected by the Committee at the first constituted meeting of the Committee following the Annual General Meeting.

In the event of a tie vote, the Committee Chair will cast the deciding vote.

**Authority** The Audit Committee fulfils its role on behalf of the Board and makes recommendations to the Board on matters of financial and non-financial reporting and internal controls. The Committee has authority to conduct or authorize investigations into matters within its scope of responsibility.

The Committee has the authority to:

- retain outside counsel, accountants, auditors or others to advise the Committee and to determine the compensation for such advisors subject to the Board policy for engaging of independent advisors;
- seek any information it requires from employees and other stakeholders, and meet as necessary;
- meet with any executive, the Director of Internal Audit, external auditors, and/or regulators without Management being included if the Committee so desires or at the request of any of these parties;
- ensure the external auditor is given notice of every meeting of the Committee; and the auditor must appear when requested to do so by the Committee;
- convene a meeting of the Committee at the request of the auditor, a member of the Audit Committee, or any Director, to consider any accounting, internal control, or audit/assurance matter the auditor, member or Director, as appropriate, believes should be brought to the attention of the Committee; and
- ensure ongoing integrity of financial and non-financial reporting from Management.

**Responsibilities** The following responsibilities are recurring activities performed by the Committee, with the understanding that the Committee may carry out additional functions as may be appropriate in response to:

- changing business, legislative, or regulatory conditions; and
- other responsibilities or duties delegated to the Committee by the Board.

<b>List of Committee Responsibilities</b>	
Control Framework	<p>The Audit Committee obtains assurance that the elements of control (resources, systems, processes, structure and tasks) are in place to safeguard members' assets.</p> <p>The Audit Committee:</p> <ul style="list-style-type: none"> <li>• jointly with the CEO, recommends the appointment and dismissal of the Chief Financial Officer to the Board for approval;</li> <li>• ensures that Vancity's activities are managed within an appropriate framework of values and control;</li> <li>• ensures that Vancity has necessary policies and procedures to safeguard members' assets, in compliance with legal, regulatory and ethical requirements; and that such policies and procedures are reviewed regularly by the Committee;<sup>1</sup></li> <li>• ensures that the internal auditors are not restricted or impeded in the conduct of their responsibility by other personnel of Vancity;</li> <li>• ensures procedures are in place for confidential, anonymous submission by employees of Vancity of concerns regarding questionable accounting or auditing matters;</li> <li>• confirms that the CFO has unfettered access to the Audit Committee, including the ability to meet in camera with the Committee as required, to ensure transparency and effective oversight;</li> <li>• reviews and approves Vancity's hiring policies regarding current and former employees and partners of the current and former external auditors/assurance providers: and</li> </ul>

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<sup>1</sup> Without duplicating the work of the Governance Committee

	<ul style="list-style-type: none"> <li>ensures that at least one-third of the audit committee must be unaffiliated directors, and the committee must review key financial, audit, and regulatory reports before directors can approve them.<sup>2</sup></li> </ul>
Financial Reporting	<p>The Audit Committee will provide oversight to the reporting of financial results.</p> <p>The Audit Committee:</p> <ul style="list-style-type: none"> <li>reviews and approves material accounting policies used for Vancity's financial reporting including any significant changes from year to year;</li> <li>reviews and approves management's methodology of determining provisions and adequacy thereof, where these provisions are reflected in the financial statements;</li> <li>ensures that an effective process is in place, including having appropriate internal controls, to provide reasonable assurance that financial reporting has integrity and provides for reliable and fairly presented financial statements;</li> <li>receives and reviews the annual audited financial statements and recommends them to the Board for approval;</li> <li>receives quarterly dashboard of key metrics for financial performance; and</li> <li>reviews and has oversight of all financial audits.</li> </ul>
Other Publicly Reported Organizational Targets and Commitments	<p>The Audit Committee will provide oversight to the reporting of non-financial results.</p> <p>The Audit Committee:</p> <ul style="list-style-type: none"> <li>reviews policies and standards for Vancity's accountability reporting including any significant changes from year to year;</li> <li>receives and reviews Management's annual plan and performance indicators for the Annual integrated Report; ensures that an effective process is in place, including having appropriate internal controls, to provide reasonable assurance that accountability reporting has integrity, includes material issues, and provides for reliable and fairly presented reporting that is consistent with any financial information disclosed;</li> <li>receives and reviews the Annual Integrated Report, including audited supplementary reports such as Accountability Statements, Climate Report, etc., considers the appropriateness and materiality of all measures and forwards it to the Board for approval; and</li> <li>receives and reviews quarterly progress updates on public targets and commitments and on significant aspects of non-financial performance, as available.</li> </ul>
Internal Audit Function	<p>The Audit Committee:</p> <ul style="list-style-type: none"> <li>jointly with the CEO, recommends the appointment and dismissal of the head of Internal Audit to the Board for approval;</li> </ul>

<sup>2</sup> As per section 115 of the *Financial Institutions Act*

	<ul style="list-style-type: none"> <li>• provides written input with regards to the annual performance review of the Head of Internal Audit;</li> <li>• approves the remuneration of the Vice President, Internal Audit;</li> <li>• annually reviews and approves the Internal Audit mandate;</li> <li>• confirms the annual work plan of Internal Audit while ensuring that effort is reflective of the risk profile of Vancity;</li> <li>• confirms that the internal audit function deploys a risk based internal audit methodology in the conduct of its work;</li> <li>• receives and reviews the results of all internal audits and follow-up reviews to ensure appropriate action has been taken;</li> <li>• ensures that the Internal Audit function has a direct reporting line to the Committee;</li> <li>• ensures independence from management control of the auditing process;</li> <li>• ensures proper resources are available to enable Internal Audit to execute on its mandate including reviewing the quality and competence of staff appointed to conduct the work;</li> <li>• ensures conduct of the internal audit function consistent with professional standards and evolving standards for the profession;</li> <li>• receives and reviews reports from Internal Audit providing progress against the internal audit plan;</li> <li>• receives reports from Internal Audit on its assessment of the system of internal control across Vancity and trends of improvement or weakness evident from Internal Audit's work and observations, given the risk profile;</li> <li>• provides direction to Management with respect to the correction of internal control deficiencies and monitors resolution;</li> <li>• provides an opportunity for Internal Audit to meet for discussions of material issues, with or without Management, as appropriate in circumstances; and</li> <li>• ensures that periodically the performance of the internal audit function is evaluated including thorough discussions by the Committee, the use of internal surveys, and the use of external evaluators.</li> </ul>
<p>External Auditors (Financial and Accountability)</p>	<ul style="list-style-type: none"> <li>• The Audit Committee: recommends to the Board (which in turn recommends to the members) the appointment of the external auditor and directly engages the external auditors;</li> <li>• discusses the scope and timing of the audit work with the external auditor with particular reference to significant financial accountability issues, and approves the engagement letter;</li> <li>• discusses conflicts between the external auditor and Management and confirms resolution of conflicts;</li> <li>• approves the external auditor's annual fees for the conduct of the financial audits and accountability assurance engagements;</li> <li>• sets the policy for the engagement of the external auditor for the conduct of other services;</li> </ul>

	<ul style="list-style-type: none"> <li>• pre-approves the nature of and fees for other services that can be provided by the external auditor; and annually reviews the nature of, and fees incurred for, other services;</li> <li>• receives any reports by the external auditor, including a report in writing if the external auditor believe circumstances, transactions, or contraventions could materially affect the institution’s viability or operations<sup>3</sup>;;</li> <li>• receives reports from the external auditor, makes enquiries of Management and the auditors, and forwards them to the Board for information;</li> <li>• provides an opportunity to meet for discussions of material issues, with or without Management, as appropriate in the circumstances;</li> <li>• reviews the independent state of the external auditors during the year;</li> <li>• affirms that the external auditor has a direct and independent reporting relationship with the Audit Committee and may communicate with the Committee without restriction, including in camera sessions without management present; and</li> <li>• at least annually, assess, the qualification, expertise and resources, and independence of the external auditor, taking account of relevant standards and ensuring that key partners are rotated at appropriate intervals.</li> </ul>
Budget Review	<p>The Audit Committee:</p> <ul style="list-style-type: none"> <li>• reviews the Vancity Group Annual Budget, including capital plans, and Business Plan and recommends them to the Board for approval;</li> <li>• ensures the financial and capital plan is consistent and aligned with the fiscal framework, and effectively supports the strategic plan; and</li> <li>• monitors through the year delivery against the approved budget.</li> </ul>
Other Duties	<p>The Audit Committee:</p> <ul style="list-style-type: none"> <li>• reviews and recommends for Board approval any new material outsourcing relationships and receives an annual report from Management with respect to the performance of material outsourcing relationships;</li> <li>• reviews and recommends for Board approval any material changes to existing outsourcing relationships;</li> <li>• reviews annually the performance of material service level agreements in accordance with Vancity’s Outsourcing Policy;</li> <li>• reviews and recommends for Board approval any dividends and/or distributions for member shares and/or investment shares;</li> <li>• receives relevant reports from regulatory authorities and approves actions/responses to these reports as necessary;</li> <li>• receives periodic reports regarding potential litigation and progress of cases for the purposes of managing appropriate financial reserves (not for managing risk);</li> </ul>

<sup>3</sup> As per section 123 of the *Financial Institutions Act*

	<ul style="list-style-type: none"> <li>• receives periodic reports and anonymous reporting regarding any misappropriation of funds or other financial matters, as well as matters that are sensitive and may impact the ELT and/or the CEO.</li> <li>• Provide written input to the CEO with regards to the annual performance review of the Chief Financial Officer;</li> <li>• receives minutes from subsidiary Audit Committees as necessary; and</li> <li>• updates these terms of reference as required, giving consideration to changes in the expectations of regulators, members, and current best practice.</li> </ul>
<p>Process for appointing/ dismissing the CFO</p>	<ul style="list-style-type: none"> <li>• Appointment:             <ul style="list-style-type: none"> <li>○ CEO to discuss with Audit Committee, in camera, the competencies required for the role</li> <li>○ CEO to keep Audit Committee chair informed through the recruitment process</li> <li>○ Audit Committee chair may participate in interview/ discussion with final candidate(s)</li> <li>○ CEO and Audit Committee chair report their recommendation to the Audit Committee for formal approval</li> <li>○ Audit Committee reports its recommendation to the Board for formal approval</li> </ul> </li> <li>• Dismissal:             <ul style="list-style-type: none"> <li>○ CEO to discuss with Audit Committee chair and Board chair reasons for dismissal</li> <li>○ Joint Audit Committee/ Board call or email meeting convened to formally approve</li> </ul> </li> </ul>
<p>Process for appointing/ dismissing the VP, Internal Audit</p>	<ul style="list-style-type: none"> <li>• Appointment:             <ul style="list-style-type: none"> <li>○ Audit Committee to discuss with the CEO, in camera, the competencies required for the role</li> <li>○ Audit Committee Chair and the CEO will jointly conduct the recruitment process</li> <li>○ Audit Committee Chair and the CEO report their recommendation to the Audit Committee for formal approval</li> <li>○ Audit Committee reports its recommendation to the Board for formal approval</li> </ul> </li> <li>• Dismissal:             <ul style="list-style-type: none"> <li>○ Audit Committee Chair to discuss with the CEO and Board Chair reasons for dismissal</li> <li>○ Joint Audit Committee/ Board call or email meeting convened to formally approve</li> </ul> </li> </ul>

**Meetings**

The Committee shall meet as required, but not less frequently than quarterly. Meetings are open to other Directors who are non-voting. Special meetings may be convened at the discretion of the Chair. The External Auditors, Director of Internal

Audit, a committee member, or a Director, can also request a meeting of the Committee.

**Reporting**

Minutes of all meetings of the Committee will be made available to the Board. The Chair will provide a report to the Board on matters not yet minuted. The supporting schedules and information received by the Audit Committee will be available for examination by any Director through the board portal.

**Resources**

The Committee is supported by:

- management including the CEO, Chief Financial Officer (CFO), and Corporate Secretary
- internal and external auditors
- independent external advisers as required

**ANNUAL CALENDAR OF COMMITTEE REPORTS**

Report Name	Agenda*	Type**	Spe Mar	Q1 Apr	Q2 Sep	Q3 Nov	Q4 Feb
<b>STANDING ITEMS</b>							
Audit Committee Minutes	Consent	Decision		✓	✓	✓	✓
Work in Progress and Calendar of Reports	Consent	Information		✓	✓	✓	✓
Vancity Community Investment Bank Audit Committee Minutes	Consent	Information		As needed			
Litigation Report	Consent	Information		✓	✓	✓	✓
Code of Conduct Breaches and Employee Issues related to financial issues ( <i>if required</i> )	Consent	Information		✓	✓	✓	✓
Investment Shares – Qx 20xx Dividend	Consent	Decision (B)		✓	✓	✓	✓
Financial Performance Report	Regular	Information		✓	✓	✓	✓
Internal Audit Report • Includes tracking of audit findings	Regular	Information		✓	✓	✓	✓
<b>POLICIES</b>							
Policy – External Auditor Governance	Consent	Decision		2027			
Policy – Board Transaction Approval	Consent	Decision		2026			
Policy – Management Financial Control	Consent	Decision				2027	
<b>DECISION ITEMS</b>							
<b><i>Committee Composition &amp; Other Accountabilities</i></b>							
Terms of Reference – Audit Committee	Consent	Decision (B)			✓		
Approval of the Outsourcing Agreements ( <i>as necessary</i> )	Regular	Decision (B)		✓	✓	✓	✓
<b><i>Financial Reporting</i></b>							
20xx Vancity Budget	Regular	Decision (B)				✓	
20xx Annual Filings – BCFSAs	Regular	Decision (B)	✓				
20xx Audited Consolidated Financial Statements	Regular	Decision (B)	✓				
20xx Shared Success Payout	Consent	Decision (B)	✓				
Condensed Financial Statements for AGM	Regular	Decision (B)	✓				
Approval of any Dividends and/or Distributions for Member Shares and/or Investment Shares	Regular	Decision (B)	✓				
<b><i>Integrated Reporting – Financial and Accountability Statements</i></b>							
20xx Annual Integrated Audit Planning Report*** • Financial Statement Audit • Accountability Assurance • External Auditor’s Annual Fees	Regular	Decision			✓		
20xx Annual Report Update	Regular	Information					✓
20xx Vancity Annual Report	Regular	Decision (B)		✓			

Terms of Reference for the Audit Committee

Report Name	Agenda*	Type**	Spe Mar	Q1 Apr	Q2 Sep	Q3 Nov	Q4 Feb
<ul style="list-style-type: none"> <li>Accountability Statements and other parts of the integrated reporting suite</li> <li>External Auditor's Assurance Statement</li> </ul>							
External Auditor RFP (TBC)	Regular	Decision (B)	-	-	-	-	-
<b>Internal Audit Function</b>							
Internal Audit Charter	Regular	Decision				✓	
Proposed Internal Audit Plan	Regular	Decision				✓	
VP, IA Remuneration for 20xx	Consent	Decision					✓
<b>INFORMATION ITEMS</b>							
<b>Committee Composition</b>							
Audit Committee Assessment Results (every other year – next due 2026) <ul style="list-style-type: none"> <li>Composition, training needs, self assessment</li> </ul>	Regular	Information			✓		
<b>Personnel /Resource Activities</b>							
Results of Internal Audit Performance Survey	Regular	Information					✓
<b>Control Framework</b>							
Tax Strategy Update	Regular	Information				✓	
<b>Financial Reporting</b>							
Accounting Policy Changes (if required)	Consent	Information				✓	
<b>Integrated Reporting – Financial and Accountability Statements</b>							
Financial Statement Audit Findings Report*** <ul style="list-style-type: none"> <li>Audit Findings Report</li> <li>Assure the Independence of External Audit Firm</li> </ul>	Regular	Information	✓				
20xx Annual Report Plan and Accountability Measures	Regular	Information				✓	
Interim Audit Findings*** <ul style="list-style-type: none"> <li>Financial Statement Audit</li> <li>Accountability Assurance engagement</li> </ul>	Regular	Information					✓
20xx Audit Findings Report Addendum*** (if necessary)	Regular	Information		✓			
Annual Review of the External Auditor Performance <ul style="list-style-type: none"> <li>Comprehensive review every 5 years (next review in 2026)</li> </ul>	In Camera	Information			✓		
<b>OTHER</b>							
Annual Performance Review of Material Service Level Agreements in Accordance with Outsourcing Policy						✓	
Elect Chair and Vice Chair of Committee (not a report)	-	-			✓		

Terms of Reference for the Audit Committee

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Report Name	Agenda*	Type**	Spe Mar	Q1 Apr	Q2 Sep	Q3 Nov	Q4 Feb
Provide written feedback on the performance of the Head of Internal Audit <i>(not a report)</i>							✓
Provide written feedback on the performance of the CFO to the CEO <i>(not a report)</i>							✓

*\*Reports marked as Regular or Consent are used as a guideline only. The Committee Chair and/or Executive Support may change this as necessary.*

*\*\*Approve items marked with a “(B)” requires approval of both the Audit Committee and the Board.*

*\*\*\*Reports are provided by the External Auditor*