

## **TERMS OF REFERENCE AUDIT COMMITTEE**

1. A committee to be known as the Audit Committee be and is hereby established as a standing committee of the Board of Directors (the "Board").
  
2. **Overall Purpose and Objectives**

The Audit Committee will review and approve for release the quarterly financial statements of the Corporation, review the quarterly financial statements of the subsidiaries once they have been approved by the subsidiaries' Board, review and recommend to the Board for approval the annual financial statements of the Corporation, review the annual financial statements of the subsidiaries once they have been approved by the subsidiaries' Boards and review the financial reporting process, the audit process, the system of internal control and management of enterprise risks related to technology and legal and regulatory compliance, including the Corporation's processes for identifying, assessing, monitoring, and managing such risks. In performing its duties, the committee will maintain effective working relationships with the Board, management, the Vice President, Audit and the Auditor General.
  
3. **Organization**
  - Two-thirds (2/3) of the membership of the Committee must be unaffiliated directors within the meaning of section 4(5) of the Act.
  - All members of the Committee shall be outside directors and otherwise independent of management. At least one member of the Committee should also be a member of the Investor Services Committee.
  - The Chairman of the Board will be an ex officio member.
  - The President and CEO, the Auditor General or representative and the Vice President, Audit are entitled to attend and be heard at all meetings.
  - A quorum in a meeting will be three (3) members.
  - The Secretary of the Audit Committee will be the Secretary to the Board.
  - Meetings of the Audit Committee are at the call of the Chair as notified by the Secretary. If the Chair is unwilling to call a meeting, a meeting may be called by the Auditor General, the Vice President, Audit, a member of the committee or a director by notifying the Chair and the Secretary with the reason for calling a meeting.
  - Each meeting shall include an in-camera session, with members of management, the Vice President, Audit and the Auditor General or his representative present only by invitation.
  
4. **Roles and Responsibilities**

To carry out its purpose, the responsibilities of the Audit Committee are to:

  - (a) **Internal Control**

- review with operations, financial, and accounting personnel, the Vice President, Audit and the Auditor General the adequacy and effectiveness of the banking, accounting, and financial controls of ATB and its subsidiaries and discuss any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable.

## **(b) Financial Reporting**

### **i) General**

- review the Corporation's and its subsidiaries' significant accounting policies and any changes thereto including the specific principles involved and their method of application;
- review the underlying estimates and other significant decisions made by management of the Corporation and its subsidiaries in preparing financial disclosures;
- review the methods used by the Corporation and its subsidiaries to account for significant unusual transactions, and understand the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- review the Corporation's and its subsidiaries' management analysis of financial reporting issues and judgments made in connection with the preparation of the financial statements, including analysis of the effects of alternative GAAP methods on the financial statements;
- review with the Corporation's and its subsidiaries' management the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements;
- review with the Auditor General and the Vice President, Audit, the auditor's judgments about the quality, not just the acceptability, of the Corporation's and its subsidiaries' accounting policies. Discussions should also cover such matters as the clarity of the Corporation's financial disclosures, the relative degree of conservatism in the financial statements as a result of the selection of accounting policies and the significant judgments made in formulating accounting estimates;
- review with the Vice President, Audit and Auditor General any fraud, illegal acts, or other similar issues arising within the Corporation or its subsidiaries; and
- review significant accounting and reporting issues, arising within the Corporation or its subsidiaries' including recent professional and regulatory pronouncements and emerging issues, and understand their impact on financial disclosures. review and make recommendations to the Board for approval regarding the appointment of Auditors of any subsidiary

## **ii) Annual Financial Statements**

- review the Corporation's annual financial statements and management discussion and analysis to determine whether they are complete and consistent with the information known to committee members and reflect appropriate accounting principles and recommend the annual financial statements and management discussion and analysis to the Board for approval;
- review the annual financial statements of any subsidiary of the Corporation following approval by their respective Board to determine whether they are complete and consistent with information known to Committee members and reflect appropriate accounting principles, and where appropriate, recommend that the statements of any subsidiary go back to their respective Board for resolution of any Committee concerns;
- review complex and/or unusual transactions affecting the Corporation or any subsidiary, such as restructuring charges and derivative disclosures;
- review judgmental areas such as judgments involving valuation of assets and liabilities, provisions and allowances, and commitments and contingencies for the Corporation or any subsidiary;
- meet with management, the Vice President, Audit and the Auditor General to review the financial statements of the Corporation and any subsidiary and the results of their audit; and
- review and approve the annual report of the Corporation before its release.

## **iii) Preliminary Announcements and Interim Financial Statements**

- review with management the process for developing press releases, interim financial statements, management discussion and analysis and any other information to be provided at any media or analysts' briefings, the extent of Vice President, Audit's involvement, and the results of the Auditor General's review of the interim financial statements of the Corporation or any subsidiary and review and approve the interim financial statements and management discussion and analysis of the Corporation for release, and review the interim financial statements of any subsidiary for information following approval by their Boards and regulatory filing;
- assess the fairness of the preliminary and interim financial statements and related disclosures of the Corporation including management discussion and analysis and obtain explanation from management, the Auditor General and Vice President Audit, on whether:
  - actual financial results for the interim period varied significantly from budgeted or projected results;

- any changes in financial ratios and relationships in the interim financial statements are consistent with changes in the Corporation's operations and financing practices;
- generally accepted accounting principles have been consistently applied;
- there are any actual or proposed changes in accounting of financial reporting practices;
- there are any significant or unusual events or transactions;
- the Corporation's financial and operating controls are functioning effectively;
- the preliminary public announcements and interim financial statements contain adequate and appropriate disclosures.

**(c) Internal Audit**

- review and approve the organizational structure of the Vice President, Audit function and ensure no unjustified restrictions or limitations are made to his authority and scope of work;
- review and approve the annual plan, budget, activities and results of internal audit;
- review the qualifications of Vice President, Audit's personnel and concur with the appointment, replacement, reassignment or dismissal of the Vice President, Audit;
- review the effectiveness of the internal audit function;
- meet in camera at each meeting with the Vice President, Audit to discuss any matters that the Committee or auditors believe should be discussed privately;
- ensure that significant findings and recommendations made by the Vice President, Audit are received and evaluated on a timely basis; and
- ensure that management responds appropriately to all recommendations by the Vice President, Audit endorsed by the Committee.

**(d) External Audit**

- annually review the Auditor Generals' proposed audit scope and approach in respect of the Corporation and its subsidiaries
- annually review the integration of the work of the Vice President, Audit with that of the Auditor General for the purposes of the annual audit of the Corporation and any of its subsidiaries and any problems in performance of the audit, including restrictions imposed by management or disputes over significant accounting issues;
- meet in camera with the Auditor General to discuss any matters that the committee or auditors believe should be discussed privately;
- discuss with the Auditor General any significant changes that were made to the initial audit scope or plan;

- ensure that significant findings and recommendations made by the Auditor General are received and evaluated on a timely basis; and
- ensure that management responds appropriately to all recommendations by the Auditor General endorsed by the Committee.

**(e) Risk Management Responsibilities**

- review and recommend to the Board for approval policies in respect of operational risks identified by management, including, without limitation; technology risks associated with disaster recovery; business continuity and systems; risks related to legal and regulatory requirements affecting the Corporation's and its subsidiaries' operations as financial services providers; and, risks related to the competence and effectiveness of employees, all operational processes and centralization;
- review and oversee the application and effectiveness of all operational risk management policies, related standards and procedures, and the control environment with respect to operational risks identified by management, including, without limitation, technology risk and legal and regulatory compliance risk;
- oversee management activities in relation to operational risks identified by management and examine reports on the identification, assessment, monitoring and management of any operational risks from, the President and Chief Executive Officer; the Vice President, Legal & Corporate Secretary and Chief Compliance Officer, with respect to legal and regulatory compliance risks; the Chief Financial Officer, with respect to the corporate enterprise risk management system in regard to identified operational risks; or the Vice President, Audit in regard to the audit of any risk management systems related to operational risks and compliance matters generally; and,
- ensure that outstanding litigation claims and other contingencies that could have a material effect upon the financial position or operating results of the Corporation and its subsidiaries and the financial impact of any enterprise risk management activities have been considered by management and have been appropriately disclosed in the financial statements.

**(f) Reporting Responsibilities**

- regularly update the Board about Audit Committee activities and make appropriate recommendations to the Board for approval; and
- ensure the Board is aware of matters which may significantly impact the financial condition or affairs of the business of the Corporation.

**(g) Other Duties and Responsibilities**

- perform other duties and responsibilities as the Board may hereafter specify by resolution;
- institute special investigations and, if appropriate and with approval of the Chairman of the Board, retain special counsel or advisors to provide advice to the Committee with respect to the performance of its responsibilities;
- review and recommend to the Board for approval the annual financial statements of the ATB Pension Plan after participation in exit conference with Auditor General with respect to such statements;
- periodically review the adequacy and competency of associates in Finance;
- review Management Representation Letter and recommend approval by the Board of the Report to the Minister of Finance on compliance with the Act, the Regulation and the guidelines;
- annually review the policies that apply to outsourcing arrangements and a list of all the Corporation's outsourcing arrangements and recommend their approval or reaffirmation by the Board;
- annually review reporting on the health of each material outsourcing arrangement and recommend review by the Board;
- recommend for approval by the Board, ATB's Legislative Compliance Management (LCM) framework, seeing that it is established and maintained; reviewing sufficient appropriately aggregated information to address issues that are material to ATB; establishing thresholds for the type content and frequency of reports it receives; monitoring remediation progress in respect of material problems; and periodically reassessing the effectiveness of the LCM framework;
- comply with such additional requirements of Directors as are specified in the Act and Regulations and in the By-laws and Resolutions of the Board in effect from time to time to time;
- oversee actions of the Disclosure Committee;
- approve changes to Disclosure Committee Charter;
- periodically review Corporate Communication and Disclosure Policy.