

MANDATE OF THE AUDIT COMMITTEE

1. Establishment

There is hereby established a committee of the Board of Directors called the Audit Committee.

(section 13.3)

2. Composition

The Committee is composed of independent members of the Board of Directors. The Committee must include members with accounting or financial expertise.

(section 13.4)

3. Guests

Other Board members may take part in Committee meetings on a regular or occasional basis without being members of the Committee, or having voting rights.

The Chair of the Board of Directors may take part in any meeting of the Committee.

(section 13.7)

Upon invitation by the Committee, any other person may attend, in whole or in part, a meeting, when the Committee considers it necessary or desirable.

4. Meetings

Regular meetings are held on the dates, at the times and locations set by the Board of Directors. They are called through a notification sent to members by the secretary or the assistant-secretary on behalf of the Committee Chair. They are held without notice if the members consent to the holding of such meetings. The presence of a member at a meeting indicates his consent.

An extraordinary meeting may be called at any time by the Committee Chair, the Chair of the Board, the President and Chief Executive Officer, one of the Committee members, the Internal Auditor, the Executive Vice-President and Chief Financial Officer and the external auditors.

The Committee members regularly meet before or after a meeting without management being present. Any Committee member may ask the Chair that a Committee meeting, or any part of it, be held without management being present.



5. **Quorum**

Quorum at Committee meetings shall be constituted by a majority of the members.

In the absence of a quorum, the Chair of the Board may, if he is not a member of the Committee, and at the request of the Committee Chair, serve as a member for this meeting and have voting rights.

6. **Chair**

The Committee Chair, as designated by the Board of Directors from among independent members, chairs the Committee meetings. When the Committee Chair is unable to attend a meeting, the Chair of the Board or a member of the Committee may act as Chair for this meeting.

7. **Secretary**

The secretary or assistant secretary of la Caisse may serve as secretary of the Committee.

8. **Mandate**

The Audit Committee of la Caisse's Board of Directors plays an essential role in the good financial governance of la Caisse with regard to overseeing: (i) the reporting of financial information; (ii) risk management and internal controls (iii) internal auditors; and (iv) external auditors.

Oversee financial reporting

- a) Review and propose to the Board of Directors for approval a financial disclosure policy and review it periodically;

(section 13.2)
- b) Monitor the quality and integrity of la Caisse's accounting and financial reporting process through discussions with management, the external auditors, and the internal auditors;
- c) Review the financial statements with the Auditor General and the external auditor appointed by the Government and submit them to the Board of Directors for approval;

(section 13.1 (3), 13.8 (8 and 9))
- d) Prior to public disclosure, review press releases that accompany financial statements (to the extent such releases discuss the financial position, performance, or operating results of la Caisse);
- e) Review any activity likely to be detrimental to la Caisse's financial health that is brought to its attention by the internal auditor or an officer and verify the consistency of disclosure with the documents reviewed by the Committee;



(section 13.8 (6))

- f) Review the results of the external audit, any significant problems encountered in performing the audit, and management's response and/or action plan related to any Management letter issued by the external auditors and any significant recommendations contained therein.

Oversee risk management and internal controls

- g) See that internal control mechanisms are put in place and ensure that they are sufficient and effective, including internal controls aimed at preventing and detecting fraud and corruption; appraise the integrity of information disclosure controls and information systems, and report on this to the Board of Directors;

(section 13.2, 13.8 (1))

- h) Make sure that a plan for the optimal utilization of la Caisse's resources is put in place and follow up on that process;

(section 13.8 (3))

- i) Ensure that a risk management process is put in place;

(section 13.8 (2))

- j) Review la Caisse's delegations of authority;

- k) Review the fiscal aspects inherent to la Caisse's activities;

- l) Request that a special audit be carried out if necessary;

- m) Review with the Executive Vice-President, Legal Affairs and Secretariat, any matter of a legal nature arising from litigation, claims or non-compliance with regulations that could have a significant effect on la Caisse's financial position.

Oversee internal auditors

- n) Hear the internal auditor on the application of paragraphs g), h), and i);

(section 13.8 (5))

- o) Approve the internal audit plan, including the objectives, audit scope, staffing, and calendar of audit activities;

(section 13.8 (7))

- p) Review matters that may affect the independence of the internal auditor such as the position of the internal audit function within la Caisse's organizational structure;



- q) Review the findings and follow-up of the internal auditor, including any significant disagreements between management and the internal auditor with regard to required systems and controls;
- r) Confirm the appointment and the termination of the internal auditor;
- s) Assess at least annually the effectiveness of the internal audit and communicate annually to the President and Chief Executive Director or to the Executive Vice-President to whom reports the internal auditor his assessment of his effectiveness;
- t) Ensure that the internal auditor has direct access to the Committee Chair and meets with him regularly in the absence of management.

Oversee external auditors

- u) Recommend to the Board of Directors the appointment of an external auditor, subject to section 48 of the *Act respecting the Caisse*;

(sections 13.1 (9), 48)
- v) Evaluate and remunerate the external auditors and monitor their qualifications, performance and independence;
- w) At least annually, review the annual audit plan summary formulated by the external auditors and, together with them, review any major changes made to the plan;
- x) Discuss with the external auditors not only the acceptability but also the quality of la Caisse's accounting principles, including i) all critical accounting policies and practices used, ii) any alternative treatments of financial information that have been discussed with management, the ramifications of their use, and the treatment preferred by the external auditors, and iii) any other material written communications between la Caisse and the external auditors (including any disagreements with management and any audit problems or difficulties and management's response);
- y) At least annually, review a report by the external auditors describing their internal quality-control procedures, any material issues raised by the most recent internal quality control review of their firm, or peer review, or by any inquiry or investigation by government or professional authorities, within the preceding five years, respecting one or more audits carried out by them, and any steps taken to deal with any such issues;
- z) At least annually, review the formal written statement from the external auditors stating all relationships the external auditors have with la Caisse and confirming their independence, and hold discussions with the external auditors as to any relationship or services that may impact their objectivity or independence;



- aa) Review hiring policies for employees or formal employees of la Caisse's firm of external auditors;
- bb) Ensure honest, open communication between the Audit Committee, the external auditor and the internal auditor.

Finance group

- cc) Confirm the appointment or termination of the Executive Vice-President and Chief Financial Officer;
- dd) Annually communicate to the President and Chief Executive Officer his assessment of the effectiveness of the Executive Vice-President and Chief Financial Officer;
- ee) In collaboration with the Human Resources Committee and the President and Chief Executive Officer, review the succession plan for the Executive Vice-President and Chief Financial Officer;
- ff) Ensure that the Executive Vice-President and Chief Financial Officer have direct access to the Committee Chair and meet with him regularly in the absence of management.

Assessment of Committee performance

- gg) Together with the Governance and Ethics Committee, carry out every other year an assessment of the adequacy of its mandate and carry out annually an assessment of its performance.

9. Other mandates

The Committee carries out other mandates entrusted to it by the Board of Directors.

10. Resources

The President and Chief Executive Officer shall see that the Committee has adequate human, material and financial resources, particularly as regards external experts, to perform its functions.

(section 5.13)

When the Committee wishes to use the services of external experts, it shall send, for information purposes, prior notice to the Chair of the Governance and Ethics Committee, with copies to the Chair of the Board of Directors and the President and Chief Executive Officer. This notice shall include a description of the mandate and the budget. The Chair of the Board of Directors shall inform the Board of Directors when such mandates are granted.

To fulfill its responsibilities, the Committee may consult all Caisse records and contact any officer, employee or auditor, if that is justified to exercise its duties.



11. Private meetings

As part of its mandate, the Committee meets privately with the internal and external auditors.

12. Notification of the Board of Directors

The Audit Committee shall notify the Board of Directors in writing on finding operations or management practices that are unsound or not in compliance with laws, regulations or the policies of la Caisse or its wholly-owned subsidiaries.

(section 13.9)

13. Reports

The Committee shall report to the Board of Directors on the results of its work after each of its meetings. This report contains in particular the recommendations that it considers necessary.

The Committee shall also submit to the Board of Directors a summary of its proceedings to be included in la Caisse's annual report. This summary shall discuss the performance of its mandate and the plan for the optimal utilization of la Caisse's resources.

(section 13.6 and 46 (j))

Records of deliberations of the Committee are transmitted to members of the Board of Directors for information once approved.

The numbers in parentheses refer to the corresponding sections in the *Act respecting the Caisse de dépôt and placement du Québec*.
