



## **MANDATE OF THE AUDIT COMMITTEE**

### **1. Establishment**

The Audit Committee (the «Committee») is constituted by the Bank's Board of Directors in order to support it in exercising its oversight and communication and disclosure functions.

The Committee reviews its mandate annually.

### **2. Appointment and Membership**

The Committee consists of at least three directors.

At the Board meeting that follows the annual meeting of shareholders, the Board of Directors appoints the directors who make up the Committee and its Chair. The Committee shall be formed of members who are not employees or officers of the Bank or a subsidiary and a majority of whom are not affiliated with the Bank. All Committee members must meet the independence requirements established by the Board and are financially literate as stipulated in *Multilateral Instrument 52-110 – Audit Committees*.

Unless they are replaced in the interim by decision of the Board, the Committee members shall remain in office until the Board meeting that follows the annual meeting of shareholders.

### **3. Compensation**

For their services, the members of the Committee receive the compensation established by resolution of the Board.

### **4. Meetings**

The Committee meets at least once every quarter.

Committee meetings may be held without notice provided the members waive such notice, as often as the members deem appropriate and at the location determined by them.

The Committee Chair, the President and Chief Executive Officer, the Chief Financial Officer, the officer in charge of internal audit and the external auditor can demand that a meeting be held.

The external auditor receives notice of and may attend Committee meetings.

## **5. Quorum**

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

## **6. Chair**

The Committee Chair, as designated by the Board of Directors, chairs the Committee meetings. In the Chair's absence, the members present may elect from their number a Chair pro tempore.

The external auditor, the officer in charge of internal audit and the officer in charge of compliance may communicate directly with the Chair.

## **7. Procedure**

The procedure for Committee meetings shall be the same as that for meetings of the Board of Directors.

## **8. Powers of the Committee**

In carrying out its mandate, the Committee, if it deems appropriate, may:

- (a) call a meeting of directors;
- (b) communicate with or meet privately with any officer or employee of the Bank as well as with its internal and/or external auditors; and
- (c) call on the services of resources external to and independent of the Bank and determine and pay the related fees in compliance with the policy of the Board of Directors regarding the use of external advisors.

## **9. Secretary**

The Secretary of the Bank or any other officer designated by the President of the Bank shall carry out, with respect to the Committee's mandate, the duties of the secretary and those assigned by the Committee Chair.

## **10. Functions**

The Committee discharges its statutory obligations and exercises the following functions which are delegated by the Board as well as any other functions that may from time to time delegated to it by the Board:

### **10.1 Oversight Functions**

*With respect to the external auditor:*

- 10.1.1 recommend to the Board the appointment or dismissal of the external auditor;
- 10.1.2 assure itself of the competence, independence and the adequacy of the resources of the external auditor, review and, if appropriate, approve its mandate and engagement letter and recommend its compensation to the Board;

- 10.1.3 assure itself of the competence and independence of the audit firm's partner in charge of the Bank's account and assure itself of his/her periodic rotation;
- 10.1.4 assure itself that the scope of the audit plan is appropriate, risk based, and addresses major areas of concern, and that the audit plan is reviewed with appropriate frequency;
- 10.1.5 oversee the external auditor's activities and resolve all issues that may arise between the external auditor and Management;
- 10.1.6 periodically review the external auditor's performance;
- 10.1.7 establish criteria for any non-audit services that the external auditor may provide, including rules stipulating when advance approval by the Committee is required, and approve such services in advance when required;
- 10.1.8 review and, if appropriate, approve the hiring policies with respect to the partners and employees and former partners and employees of the current and former external auditors;

*With respect to financial statements and reports:*

- 10.1.9 oversee the integrity and quality of financial statements and assure itself that the institution's accounting practices are prudent and appropriate;
- 10.1.10 discuss the quality of financial statements with the external auditor and assure itself that the financial statements fairly present the financial position, the results of operations and the cash flows of the Bank;
- 10.1.11 discuss the audit results, financial statements and related documents, audit report and any related concern of the external auditor with Management and the external auditor;
- 10.1.12 hold regular meetings with the external auditor, without Management present, to understand all issues that may have arisen during meetings between the auditor and Management in the course of the audit and how those issues have been resolved, and to determine the extent to which accounting practices being used by the Bank are appropriate relative to materiality of the item;
- 10.1.13 review the external auditor's recommendation letter which follows the annual audit and the corresponding follow-ups, material changes to accounting practices, the main value judgements on which the financial reports are based and how these reports are drafted;
- 10.1.14 review the annual and quarterly financial statements, management's discussion and analysis and press releases regarding annual and quarterly results, the annual information form and any statement required by regulatory authorities prior to their publication and recommend their adoption by the Board, if appropriate;

- 10.1.15 examine all investments and transactions likely to undermine the Bank's financial position that are reported by the external or internal auditor or an officer, including loans referred to in section 328 of the *Bank Act*, and meet with the external auditor to discuss them;
- 10.1.16 recommend to the Board the declaration of dividends and review the related press release;
- 10.1.17 review and, if appropriate, approve transfers of tax between the Bank and its affiliates;
- 10.1.18 review and, if appropriate, approve the financial statements of the pension plans offered by the Bank to its employees;

*With respect to the internal audit function:*

- 10.1.19 approve the selection of the officer in charge of internal audit and assure itself of his/her competence, independence and the adequacy of his/her resources and of his/her compensation and review and, if appropriate, approve his/her mandate;
- 10.1.20 assure itself that the internal audit activities have a sufficient degree of independence, sufficient status and visibility and that they are subject to periodic reviews;
- 10.1.21 assure itself that the scope of the audit plan is appropriate, risk based, and addresses major areas of concern, and that the audit plan is reviewed with appropriate frequency;
- 10.1.22 discuss with the officer in charge of internal audit his/her material findings and recommendations and follow up thereon;
- 10.1.23 periodically review the performance of the officer in charge of internal audit;

*With respect to internal controls:*

- 10.1.24 assure itself that Management implements appropriate internal control and management information systems, review, assess and approve such systems and assure itself of their integrity and effectiveness, including the elements comprised in any certification required by regulations;
- 10.1.25 meet with the external auditor, the officer in charge of internal audit and Management to discuss the effectiveness of the implemented internal control and management information systems and the measures taken to rectify any material weaknesses and deficiencies;
- 10.1.26 assure itself that Management implements procedures regarding the receipt, retention and handling of complaints received with respect to accounting, internal accounting controls or audit as well as regarding confidential anonymous submissions by employees on questionable accounting or audit matters, and review and, if appropriate, approve the

policy on the handling of complaints and comments about suspicious accounting and audit-related activities and assure itself of its respect;

*With respect to supervisory agencies:*

10.1.27 meet with regulatory authorities, discuss their findings and recommendations and follow up thereon.

## 10.2 Communication and Disclosure Functions

10.2.1 review and, if appropriate, approve the ways by which the shareholders and other stakeholders can communicate with the Bank;

10.2.2 assure itself that adequate procedures are in place to examine communication of financial information to the public excerpted or derived from financial statements, assure itself of their effectiveness, review and, if appropriate, approve the financial information disclosure policy and assure itself of its respect;

10.2.3 report to the shareholders on the Bank's performance.

## 11. Reporting

The Committee reports on its activities to the Board of Directors, verbally at the Board meeting that normally follows the Committee meeting, and in writing at the subsequent Board meeting.

The Committee also reports yearly on its activities to the shareholders in the course of the annual shareholders' meeting.

[Submitted and approved by the Board of Directors on September 2, 2010]