

AFSC BOARD OF DIRECTORS
FINANCE & AUDIT COMMITTEE TERMS OF REFERENCE

I. Purpose

To assist the Board of Directors (the “**Board**”) in its oversight responsibilities on matters relating to AFSC’s: (i) fiscal management and financial reporting; (ii) internal controls; (iii) internal and external audit; and (iv) compliance with relevant laws.

II. Independence and Conflicts of Interest

Independence: All members of the Finance & Audit Committee (the “**Committee**”) shall be independent directors of AFSC and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

Conflicts of Interest: Where a matter for decision in which a Committee member has reasonable grounds to believe that the Committee member or an associated person has an actual or apparent private interest is before the Committee, the Committee member must declare that interest and withdraw from the meeting without participating in the consideration of the matter or voting on the matter.

III. Composition and Meetings

Composition: The Committee shall be comprised of at least four members. The Chair of the Board shall be an *ex-officio* and voting member of the Committee, and the remaining members of the Committee shall be appointed by the Board to serve at the pleasure of the Board. The Board may designate one or more alternates to the Committee at the request of the Committee Chair in order to meet the quorum requirements for a Committee meeting. If an alternate is so appointed for a meeting, then that alternate is a member of the Committee only for that meeting. Each year, the Board and the HR & Governance Committee shall review Committee membership.

Appointment and Role of Chair: The Board shall appoint the Chair of the Committee. The Chair of the Committee serves as both the Committee's contact with the Board and with management, providing leadership to enhance the Committee's effectiveness. The Chair is responsible for overseeing the Committee's meetings, as well as the process of informing the Board of its activities and related recommendations. The Committee members present at a meeting may elect one of their number to serve as the meeting's chair if the Chair of the Committee is not present.

Frequency of Meetings: The Committee will convene at least four times annually, or more often as necessary. As part of its duty to foster open communication, the Committee should meet at least annually with management and the Office of the Auditor General, and should meet during each of the regularly scheduled meetings with the Chief Audit Officer in separate sessions to discuss any matters that the Committee, or each of these groups, believe should be discussed privately.

Timing and Venue of Meetings: Meetings will be convened by the Chair as required and at the request of the Office of the Auditor General or the Chief Audit Officer. The

Committee shall meet to allow adequate time for all Board members to be well informed of the deliberations and recommendations of the Committee for considering the Committee's report at the Board meeting. The meetings may be held virtually, either by an online video platform or by teleconference. The Committee may also meet in-camera as required.

Quorum: A quorum is defined as a majority of the Committee members present at the meeting, including the Chair. The Committee Chair at a meeting will call an alternate to attend at the meeting if a member is required to meet quorum.

Minutes: Minutes of all Committee meetings must be maintained and made available to the Board. If necessary, AFSC will arrange for administrative support to record minutes at meetings.

Voting: Every Committee member, including the Chair and all *ex-officio* members, has the right to vote. A motion to bind all members of the Committee may be passed by the affirmative votes of a majority of the Committee members present at any meeting of the Committee at which a quorum is present. If there is a tie in the Committee vote, the Board will decide the motion. The Committee Chair at the meeting in which there is a tie will present the motion for resolution to the Board at the next Board meeting.

IV. Responsibilities and Duties

1. Fiscal Management and Financial Reporting

Review the annual budget and three-year business plan and variances from budget and report to the Board.

Review and recommend to the Board the approval of quarterly and annual financial statements. Ensure compliance with generally accepted accounting principles and full and complete disclosure of financial transactions in the annual financial statements.

Review significant accounting and reporting issues, including complex and/or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements.

Review and recommend to the Board approval of the report on investments held by AFSC.

2. Internal Controls

Consider and make recommendations to improve the effectiveness of AFSC's internal control system.

Review the internal audit and external audit plans to ensure the combined evaluation and testing of internal controls are comprehensive, well-coordinated, cost effective and appropriate to business operations.

3. Internal and External Audit

Review and approve the scope and objectives of the annual internal audit plan and the annual audit plan of the Office of the Auditor General, including coordination of the external audit effort with AFSC's internal audit function.

Ensure that the annual internal audit plan considers, and is in harmony with, AFSC's risk management framework.

Review internal and external audit reports on significant findings and recommendations together with management's responses.

Monitor and protect the independence of the Internal Audit function by overseeing the department and ensuring it is adequately resourced to fulfil Internal Audit's mandate.

At least twice a year, review with management the action taken in response to any recommendations made by the Office of the Auditor General or Internal Audit.

At least once every three years, review and approve the Internal Audit Charter.

Approve decisions regarding the appointment and removal of the Chief Audit Officer.

4. Compliance with Relevant Laws and Regulations

At least twice a year, review outstanding legal actions by and against AFSC. Report to the Board any significant issues which may arise from any of these actions, and any financial repercussions for which the financial statements have not made provision.

Ensure procedures are in place to be able to independently deal with concerns from AFSC Board members and employees relating to unethical or fraudulent activities, or serious infractions of the Code of Conduct and Ethics, by any AFSC personnel.

Ensure adequate systems are in place to monitor AFSC's compliance with relevant laws.

5. Other

Annually review the Committee Terms of Reference to ensure continued relevance and appropriateness, and recommend updates to the Board if necessary.

Annually perform a self-assessment of Committee performance.

Review and provide input on disclosures regarding the role of the Committee in AFSC's annual report.

Perform other duties and responsibilities as may from time to time be delegated by the Board.