

AUDIT COMMITTEE CHARTER

FCC Board of Directors

Last revised: December 9, 2020 (Board Minute No. 20/21:09:03)

OVERALL RESPONSIBILITIES

The Audit Committee of the Board of Directors has the mandate to assist the Board in fulfilling its oversight responsibilities with respect to the financial affairs of the corporation by:

- ensuring the integrity, accuracy and timeliness of financial reporting
- ensuring adequate systems of internal controls over financial reporting and disclosure
- ensuring compliance with laws, regulations and ethical conduct concerning the financial affairs of the corporation
- encouraging a culture of open, candid and direct communication channels between the Board, committees of the Board, management, internal auditors, the external auditor, and special examiners
- overseeing an effective internal audit function

The Audit Committee is also responsible for oversight of the corporation's independent audit and relationship with the Auditor General of Canada.

RESPONSIBILITIES AND DUTIES

The Audit Committee is responsible for performing the following duties and responsibilities on behalf of the Board:

- A. Financial reporting
- B. Legal and ethical conduct
- C. External auditors
- D. Internal auditors
- E. Internal controls

A. Financial reporting

Responsibility:

The Audit Committee is responsible to support the Board in its oversight of the financial reporting process.

Duties:

1. Obtain reasonable assurance from management that the process for preparing financial reports and statements is reliable and consistent and that the resultant statements fairly present in all material respects the financial condition, results of operations and cash flow of the corporation.
2. Review, approve and recommend to the Board the annual audited financial statements. Consider whether they are complete and consistent with information known to committee members, with particular attention to:
 - a. significant accounting and financial reporting issues, including complex or unusual transactions, and significant accounting principles and policies
 - b. significant estimates and judgments underlying the financial statements, including the rationale behind those estimates as well as the details on material accruals and reserves
 - c. Management's Discussion & Analysis section of the annual report
3. Review and approve quarterly financial statements that are published or issued.
4. Review any material proposed changes in accounting standards and/or regulation relevant to the financial statements and approve any material changes in accounting policies.
5. Review and recommend to the Board for approval the corporation's financial plan, which is included in its annual corporate plan. This includes the corporation's capital and operating budgets and the corporation's borrowing plan.

B. Legal and ethical conduct

Responsibility:

The Audit Committee is responsible for seeking confirmation that management has put in place adequate systems and practices to provide reasonable assurance of compliance with laws, regulations and standards of ethical conduct.

Duties:

1. Review the annual report on compliance with the Code of Conduct to ensure integrity and effectiveness.
2. Review management's established procedures for the receipt, retention and treatment of complaints received by the corporation and the confidential, anonymous submission by employees of concerns as part of the whistleblower program.
3. Semi-annually obtain reasonable assurance from management that the processes for reviewing and approving Board of Director and CEO's out-of-pocket expenses are reliable and consistent and in compliance with government directives.
4. Semi-annually review the reasonableness of the travel, hospitality, learning events, vehicle operating costs and other expenses incurred by the CEO.
5. Semi-annually review the reasonableness of the annual retainers, per diems, travel, learning and other expenses incurred by each director.
6. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
7. Review the findings and reports of examinations by regulatory agencies concerning the financial affairs of the corporation.
8. Have access to all employees, officers and agents of FCC to conduct or authorize investigations into any matters that the committee believes are within the scope of its responsibilities.

C. External auditors

Responsibility:

The Audit Committee is responsible for overseeing the external audit of the corporation.

Duties:

1. Review the external auditor's scope, approach, areas of audit risk, materiality limits, and extent of testing for the annual or special audit as well as other examinations to be performed prior to audit commencement, including co-ordination with the internal auditors.
2. Discuss and review with external auditors their judgment about the quality, appropriateness and acceptability, and consistent application of the accounting principles and policies, including significant management estimates, as well as the completeness and accuracy of the financial statements and related financial disclosure.
3. Consider and review with management and the external auditor any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
4. In connection with its oversight responsibilities, the Audit Committee is directly responsible for the resolution of disagreements between management and any auditor regarding the corporation's financial reporting.
5. Review the content of management's representation letters.
6. Review the content of significant letters and reports from the external auditor, management's responses and subsequent follow-up.
7. Review and advise the Board with respect to the special examination report.

D. Internal auditors

Responsibility:

The Audit Committee has the ultimate responsibility for the internal audit function and oversees its performance.

Duties:

1. Review and approve the Internal Audit charter at least annually.
2. Establish unfettered access and a functional reporting line from the Vice-President, Internal Audit to the committee, and seek assurances from the Vice-President, Internal Audit that Internal Audit is independent and has the appropriate status and visibility throughout the corporation.
3. At least annually, review and approve the annual audit plan, including the risk assessment methodology and any significant changes to ensure the plan is appropriate, risk-based and addresses all relevant activities and significant risks over a measurable cycle.

4. At least annually, review and approve the organizational structure of Internal Audit as well as the budget and resources of the Internal Audit function.
5. Consider and review with management and Internal Audit:
 - a. significant Internal Audit findings during the year and management's responses to the related recommendations
 - b. the timeliness and appropriateness of actions taken by management to address Internal Audit recommendations
 - c. any difficulties encountered in the course of the audits, including any restrictions on the scope of their work or access to required information
 - d. any changes required in the planned scope of the Internal Audit workplan
6. Review Internal Audit's compliance with the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.
7. Periodically engage an independent third party to assess the Internal Audit function in accordance with the professional standards of the Institute of Internal Auditors and review the results of that assessment.
8. Authorize investigations into any matter within the Audit Committee's scope of responsibilities.
9. Establish a process to provide for the independent evaluation and review for non-audit duties that are under the direction of the Vice-President, Internal Audit.
10. Participate in evaluating performance of the Vice-President, Internal Audit.
11. Review, recommend and concur in the appointment or removal of the Chief Financial Officer and the Vice-President, Internal Audit.

E. Internal controls

Responsibility:

The Audit Committee monitors the system of internal control and ensures senior management establishes and maintains adequate and effective internal control systems and processes.

Duties:

1. The Audit Committee reviews management's policies and systems of internal control to ensure compliance with applicable laws, regulations and guidance, including internal control over financial reporting and disclosure and to review, evaluate and approve these procedures.
2. Consider and review with management, the external auditor and Internal Audit:
 - a. the effectiveness of the corporation's internal control system, including information technology security and control
 - b. any significant findings and recommendations of the external or internal auditors together with management's responses, including the timetable for implementation of recommendations

MEMBERSHIP AND MEETINGS

1. **Membership:** The committee is comprised of a minimum of four members, all of whom must be independent of management of the corporation and free from any business or other relationship that could impair, or be perceived to impair, the exercise of independent judgment. Members should consult with the Corporate Secretary to discuss and clarify any potential areas of conflict of interest.
2. **Skills and experience:** Committee members should have the skills and experience to fulfil their responsibilities or be ready and willing to obtain them through appropriate information and training. All members should be financially literate (or be willing and able to acquire the necessary knowledge within a reasonable period of time) and the committee will have at least one financial expert. The definition of and criteria for "financial literacy" and "financial expert" will be as determined by the Board from time to time and directed to the Audit Committee.
3. **Appointment:** The committee Chair and members of the committee are appointed by the Board and serve at the pleasure of the Board until replaced. Any member of the committee may act as committee Chair but cannot also be the Board Chairperson or CEO. The committee secretary is the Corporate Secretary or designate, who need not be a director. If the position of committee Chair is vacant or if the Chair is absent or unable to act, the Board Chairperson may designate, or the committee may elect, an acting committee Chair for the meeting.
4. **Reporting to Board:** At the first meeting of the Board following each committee meeting, the committee Chair reports on the activities and findings of the committee and, where applicable, presents the committee's recommendation(s) to the Board for approval.
5. **Advisers:** Where the committee believes there are skills and experience required of its members that

cannot sufficiently be provided by them, the committee may supplement its capacity through the appointment of an adviser. An adviser participates at the pleasure of the committee. An adviser is not a member of the committee, but has the ability to fully participate in the discussion. An adviser cannot be an employee of the corporation and has no right to vote. The corporation may provide remuneration and may agree to indemnify the adviser as the committee recommends and the Board approves, in consultation with the corporation and its legal advisers. Nothing in this paragraph will be interpreted as precluding the committee, at any time or from time to time, from engaging internal or external consultants to assist the committee in carrying out its duties.

6. **Quorum:** A quorum consists of three committee members, not including any adviser(s). In the case of a tied vote, the committee Chair has, in addition to the Chair’s original vote, a deciding vote.
7. **Meetings:** The committee meets at least four times each year. Meetings are held at the call of any committee member and may also be called at the request of management, Internal Audit or the external auditor. Committee members are given at least 48 hours’ notice of a meeting. The Chief Financial Officer and Vice-President, Internal Audit attend meetings. When legal or risk issues are being discussed, the Vice-President, Law and Corporate Secretary and/or Chief Risk Officer or their delegates will also attend.
8. **In-camera:** At each meeting, the committee meets separately in-camera with the Chief Financial Officer, the external auditor, the internal auditor, other senior management representatives and/or the committee itself to discuss the relationship between them and any problems or issues related to the audits and the financial affairs of the corporation.
9. **Conduct of meetings:** Meetings may be held in person or by teleconference, video conference or other electronic means.
10. **Agenda and materials:** The committee Chair establishes agendas in consultation with committee members, management and the internal auditors and ensures materials are circulated to members in sufficient time for review before the meeting.
11. **Information needs:** The committee should have access to accurate, relevant and timely financial and non-financial information, industry and other external data to determine industry benchmarks and best practices, and other comparative information that is prepared on a consistent basis.
12. **Governance:** On an annual basis, the committee:
 - reviews and assesses the adequacy of this charter and makes recommendations to the Corporate Governance Committee with respect to any proposed changes for approval by the Board
 - outlines a schedule of activities and agendas (workplan) for its meetings
 - assesses and confirms that all responsibilities outlined in this charter and the workplan have been carried out

History:

Enacted May 29, 2002	Board Minute No. 02/03:01:08
Reviewed (no changes) October 27, 2004	Audit Committee Minute No. 04/05:03:08
Revised December 5, 2006	Audit Committee Minute No. 06/07/05:08
Revised January 31, 2007	Board Minute No. 06/07:08:06:05
Revised October 22, 2008	Board Minute No. 08/09:03:05.01
Revised October 21, 2009	Board Minute No. 09/10:03:04
Revised June 1, 2011	Board Minute No. 11/12:01:09.02
Revised August 21, 2013	Board Minute No. 13/14:02:03
Revised December 10, 2014	Board Minute No. 14/15:05:10.01
Revised December 9, 2015	Board Minute No. 15/16:04:10
Revised December 7, 2016	Board Minute No. 16/17:04:06
Revised October 18, 2017	Board Minute No. 17/18:03:08
Revised October 2, 2018 (no changes)	Board Minute No. 18/19:04:08
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