FII audit committee – terms of reference

Purpose of the committee

The primary function of the audit committee is to assist the Board of Directors in the oversight of:

- The Company's performance management, accountability and internal control systems;
- The integrity of the financial statements of the Company;
- The performance of the internal audit function;
- The performance and qualifications of the independent external auditor;
- The Company's compliance with legal and regulatory requirements
- The Company's compliance with Information Technology (IT) standards;
- The Company's compliance with cyber security requirements

The committee makes recommendations to the Board.

Committee membership

The committee shall consist of no fewer than two members. At least one member shall be a director of the Company with expertise in B.C. Government financial reporting and accountability, and at least one shall be selected from outside the Company. Each member of the committee shall be financially literate and at least one member must have a CPA designation and related financial and audit expertise with a recognized audit firm.

The Board shall appoint the members and designate one member, who shall be a Board Member, as Chair of the committee. Committee members may be replaced, and the Chair may be changed, from time to time, by the Board.

Meetings

The committee shall meet at least two times a year to review the financial reports of the company. Meetings will be arranged around specific needs, including reviewing with the auditors and recommending for approval the audited financial statements by a date determined by government, review and approval of the internal audit plan, and reviewing progress with the internal and external auditors. Meetings of the committee should be attended by representatives of the independent auditors, where applicable, the Vice President and Chief Financial Officer, and others where deemed appropriate by the committee. The committee shall meet privately with such groups where it considers it appropriate.

A majority of the number of appointed members shall constitute a quorum for conducting the business of the committee.

The committee chair shall be responsible for calling the meetings of the committee, establishing the agenda with input from management and supervising the conduct of the meeting.

Authority and responsibilities

The committee has authority to appoint or replace the independent auditor, subject to any statutory restrictions. The committee is responsible for approving the compensation and oversight of the work of the independent auditor. The independent auditor will report directly to the committee.

The committee will, to the extent it deems necessary:

- Review and discuss with management and the independent auditor the annual financial statements, audit findings and audit report and recommend them for approval by the Board;
- Review and discuss with management and the independent auditor any significant financial reporting issues and judgements made in connection with the financial statements, including changes in accounting policies, as well as any major issues in the company's internal control framework, and any written communication between management and the auditor including the management letter and schedule of unadjusted differences.
- Discuss with the independent auditor any difficulties encountered in conducting the work, including any restrictions placed on the scope of activities or access to requested information, and any disagreements with management.
- Meet periodically with the independent auditor to review the plans for the audit and any emerging financial disclosure or financial management issues.
- Consider the independence of the Company's auditor throughout the year.

Oversight of the internal control and internal audit

On behalf of the Board, the committee will review the company's performance management system and system of internal controls, and review the annual internal audit plans, internal audit results and the performance and reporting of the company's internal audit function, and follow-up actions taken by the company.

It will discuss with management the major financial and other risk exposures and the steps management has taken to monitor and control those risks, including the company's risk assessments and risk management policies.

The committee has the authority to retain independent legal, accounting or other advisors.

Compliance oversight responsibilities

The committee will:

- Review the company's financial status and its reporting requirements, including adherence to service plan requirements.
- Review service plans and annual reports and other reports and documents that may impact the financial condition or financial status of the company.
- Review the Company's IT plan and IT strategy ensuring effective cyber security management and best practices are implemented by reviewing and testing of the Cyber Incident Response Plan Playbook, delivering annual staff IT Security Awareness Training, understanding and mitigating IT related items under the broader Risk Register, and keeping informed of the

evolving information-security policies, controls, and preparedness activities to protect against cyber risks.

- Review and investigate any matters pertaining to the integrity of Senior Management or Board Members, including conflicts of interest or adherence to standards of conduct, and other matters that may warrant investigation.
- Establish a process for the receipt and treatment of complaints received by the company regarding internal control deficiencies, including provision for the confidential, anonymous submissions by employees of concerns regarding questionable accounting or internal control matters.
- Establish a process to identify any fraudulent activities within the company.

Reports to the Board

The committee will make regular reports to the Board on its activities, findings and recommendations. It will annually review and report on its own performance.

Current audit committee membership

Captain Stephen J. Cutler

FII Board Director

John Desjardins

CA, Canadian Institute of Chartered Accountants
B.Comm., University of British Columbia