



# Mandate of the Audit Committee

## CANADIAN WESTERN BANK

Approved May 28, 2019





## 1.0 Purpose of the Committee

The purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the:

- 1.1 integrity of the financial statements, other financial information and certain disclosure documents provided by the Bank to its shareholders, the public and others;
- 1.2 qualifications and independence of the external auditors;
- 1.3 performance of the Bank's internal and external auditors; and
- 1.4 adequacy of CWB Financial Group's internal controls.

The Committee does not conduct audits or determine that CWB Financial Group's financial statements are complete, accurate and in accordance with International Financial Reporting Standards. The external auditor is responsible for planning and carrying out, in accordance with professional standards, an audit of CWB Financial Group's annual financial statements and reviewing the Bank's quarterly financial information. Management of CWB Financial Group is responsible for the preparation, presentation and integrity of the financial statements and for maintaining appropriate accounting and financial reporting principles, policies, and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

CWB Financial Group is the Bank and its federally regulated subsidiaries.

## 2.0 Organization of the Committee

The Board will at least annually appoint at least three independent directors to the Committee. The Board will appoint one Committee member to act as the Chair of the Committee. Each Committee member shall satisfy the independence, financial literacy and experience requirements of all applicable regulatory requirements (including Multilateral Instrument 52-110 Audit Committees) and one Committee member shall be considered a financial expert, as such qualifications are interpreted by the Board in the exercise of its sound business judgment.

## 3.0 Meetings of the Committee

For the Committee to transact business, three members of the Committee must be present and a majority of those directors present must be resident Canadians. The Committee shall meet at least once a quarter and shall schedule a sufficient number of meetings (whether in person or by teleconference) to carry out its mandate. Any member of the Committee or the external auditors may call a meeting. At least quarterly, the Committee shall have separate private meetings with the external auditors and Chief Internal Auditor, the Chief Financial Officer, and management to consider any relevant matters. The Chair, or in his or her absence another member of the Committee, will preside at each meeting of the Committee.

## 4.0 Reporting to the Board

The Committee shall report after each meeting to the Board about its activities and make recommendations as it deems desirable in the circumstances.



## 5.0 Outside Advisors

The Committee has the authority to retain and set the remuneration of, at the Bank's expense, independent advisors and consultants to advise the Committee as it determines necessary to carry out its duties. The Committee may request any officer or employee of the Bank, or the Bank's internal or external auditors or legal counsel, to attend a meeting of the Committee or to meet with any advisors of, or consultants to, the Committee.

## 6.0 Duties and Responsibilities of the Committee

The Committee shall have the following specific duties and responsibilities:

- 6.1 prior to approval by the Board, review the Bank's annual filings, including annual audited financial statements, annual Management's Discussion and Analysis ("MD&A"), the Annual Information Form ("AIF") and any other documents and information that are incorporated by reference in the AIF of the Bank, and report and make a recommendation thereon to the Board;
- 6.2 prior to approval by the Board, review the interim reports to shareholders, including the interim quarterly financial statements and the interim MD&A, and report and make a recommendation thereon to the Board;
- 6.3 periodically review and assess the adequacy of management's procedures for the review of financial information extracted or derived from the financial statements that is to be publicly disclosed and has not otherwise been reviewed by the Committee;
- 6.4 prior to approval by the Board, review the Bank's earnings press releases;
- 6.5 discuss significant issues regarding accounting principles and financial statement presentations, including significant changes in the selection or application of accounting principles, analyses prepared by management or the external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements of CWB Financial Group;
- 6.6 meet with the external auditors to discuss the annual and interim financial results and the returns referred to within this mandate and receive and review any reports of the external auditors thereon;
- 6.7 approve the audit plan and review the terms of the external auditors' engagement, the qualifications of the engagement team, the materiality threshold for the audit, any proposed changes in accounting policies, their presentation and input concerning significant risks and key estimates and judgments of management;
- 6.8 recommend to the Board the appointment, terms of engagement and remuneration of the external auditors for CWB Financial Group, who shall report directly to the Committee;
- 6.9 oversee the resolution of disagreements between management and the external auditors regarding financial reporting;
- 6.10 review the independence of the external auditors, including obtaining from the auditors a statement describing all relationships between the auditors and CWB Financial Group and discussing such relationships with the auditors;



- 6.11 review the quality of the external audit and the engagement team, including conducting annual, and periodic comprehensive, reviews and the establishment and monitoring of audit quality indicators. Report to the Board on the effectiveness of the external audit, including any quality issues raised by the Canadian Public Accountability Board;
- 6.12 review and approve non-audit services to be completed by the external auditors, for all but de minimus engagements, to ensure independence of the external auditors;
- 6.13 review and approve all services, not already addressed, to be completed by the external auditors for any entity within CWB Financial Group, including non-federally regulated subsidiaries. The Committee may delegate to one or more Committee members the authority to grant approval of such services, provided the decision of such members is reported to the full Committee at its next meeting;
- 6.14 review and approve hiring partners, senior employees and former partners and senior employees of the present and former external auditors of CWB Financial Group;
- 6.15 require the management of CWB Financial Group to establish and maintain disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”) to support the CEO/CFO certification on the design and effectiveness of the DC&P and ICFR, including procedures designed to identify, monitor and manage audit-related risks. Review, evaluate and approve those procedures;
- 6.16 oversee the finance and internal audit functions, and, in particular:
  - 6.16.1 Finance function
    - a. recommend to the Board, jointly with the Human Resources Committee, the appointment or removal of the Chief Financial Officer of the Bank;
    - b. in conjunction with the Human Resources Committee, annually approve the position description of the Chief Financial Officer and his/her annual objectives;
    - c. annually assess the effectiveness of the Chief Financial Officer and convey its appraisal of the Chief Financial Officer’s performance against stated position description and objectives as input to the Human Resources Committee and the Chief Executive Officer into the compensation approval process;
    - d. review the appointment of each Chief Financial Officer of an entity within CWB Financial Group;
    - e. review and approve on a regular basis the mandate of the Chief Financial Officer and the finance function;
    - f. review the effectiveness of the finance function; and
    - g. annually review and approve the function’s budget and resources.
  - 6.16.2 Internal Audit function
    - a. recommend to the Board, jointly with the Human Resources Committee, the appointment or removal of the Chief Internal Auditor of the Bank;



- b. annually approve the mandate of the Chief Internal Auditor of the Bank;
  - c. annually assess the effectiveness of the Chief Internal Auditor and convey its view of the Chief Internal Auditor's performance against stated goals and objectives as input to the Human Resources Committee and the Chief Executive Officer as input into the compensation approval process;
  - d. annually review and approve the internal audit department charter and audit plan;
  - e. review the effectiveness and independence of the internal audit function;
  - f. meet with the Chief Internal Auditor of the Bank and with management of the Bank to discuss reports on internal audit activities and findings and the effectiveness of the internal control procedures established for CWB Financial Group; and
  - g. annually review and approve the function's budget and resources.
- 6.17 review correspondence received from regulators and external auditors, together with management's responses thereto, concerning the effectiveness of internal controls and other matters that fall within the responsibility of the Committee;
- 6.18 communicate directly with the internal and/or external auditors as the Committee deems necessary;
- 6.19 review such returns of CWB Financial Group as the Office of the Superintendent of Financial Institutions may specify;
- 6.20 review such investments and transactions that could adversely affect the well-being of CWB Financial Group as the external auditors or any officer of the Bank may bring to the attention of the Committee;
- 6.21 receive a quarterly report from management on significant estimates or judgments, including the allowance for credit losses;
- 6.22 receive a quarterly report from the Bank's Disclosure Committee;
- 6.23 act as the audit committee for the Bank, Canadian Western Trust Company and Valiant Trust Company, including the review of the annual audited financial statements and report thereon to each respective board before approval is given;
- 6.24 receive a quarterly report of complaints, including confidential, anonymous submissions regarding accounting, internal accounting controls, auditing matters or fraud and receive reports of all such complaints;
- 6.25 review the Committee's mandate annually and make recommendations for changes to the Board;
- 6.26 perform such other functions and tasks as may be mandated by regulatory requirements or the Board; and
- 6.27 prepare any report from the Committee that may be required to be included in the Bank's management proxy circular or that the Board elects to include on a voluntary basis.