

Audit and Finance Committee Terms of Reference

Approved: November 23, 2023

Reviewed: November 21, 2023

1.1 PURPOSE

The Audit and Finance Committee (“**Committee**”) is a committee of the Board of Directors (the “**Board**”) to which the Board has delegated responsibility for oversight over the financial reporting process and audit (external and internal).

Management is responsible for the preparation, presentation and integrity of Central 1’s financial statements and for maintaining appropriate accounting and financial reporting principles and policies, and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

The external auditors are responsible for planning and carrying out, in accordance with professional standards, an audit of Central 1’s annual financial statements and reviews of Central 1’s quarterly financial information.

The Committee’s purpose is to review the adequacy and effectiveness of these activities and to assist the Board in its oversight of:

- a) integrity of Central 1’s financial statements
- b) budgets, forecasts and financial performance indicators
- c) external auditors’ qualifications and independence
- d) performance of Central 1’s internal audit function and external auditors
- e) adequacy and effectiveness of internal controls
- f) Central 1’s compliance with legal and regulatory requirements affecting financial reporting.

The Committee has oversight over budgets. The Committee acts as liaison between the external auditors, internal auditors and the Board. The Committee assists the Board in meeting its responsibilities in ensuring that the review of Central 1’s financial operations and that of its subsidiaries, by the external auditor provides an independent report on the integrity of the financial data and reporting.

The Committee ensures compliance with financial and accounting policies and the Committee may make recommendations to the Board on any matters pertaining to the financial reporting process, including the audit process and internal controls.

The Committee derives its authority from the Board and Article 14A, Rule 6 of Central 1’s *Constitution and Rules*. For the purposes of performing its duties, the Committee shall have the right at all reasonable times to inspect the books and records of Central 1, and its subsidiaries, and to discuss with management, the officers, and external and internal auditors such information and matters pertaining to the financial reporting of Central 1, as it deems necessary.

1.2 COMPOSITION AND TERM OF OFFICE

1.2.1 The Committee shall consist of a minimum of five (5) directors. The members of the Committee shall be elected or appointed annually by the Board at the first meeting of the Board following Central 1’s annual general meeting (“**AGM**”) to hold office until the next AGM, unless the member becomes unable to serve or is removed by the Board. A casual vacancy may be filled, and additional members of the Committee may be appointed by the Board, to hold office until the next AGM.

1.2.2 Each member of the Committee must be able to read and understand financial statements to the level of detail and complexity to which Central 1 reports, including the notes attached thereto.

1.2.3 The members of the Committee must be independent as defined in the Board Structure section of the Board Manual and the majority of the members of the Committee shall not be officers or employees of Central 1 or an affiliate of Central 1.

1.2.4 No more than one representative from any one credit union is permitted to serve on the Committee, except where one representative is serving as an *ex-officio* member of the Committee.

1.2.5 The Chair of the Risk Review and Investment and Loan Committee shall be an *ex-officio* member of the Committee, if not otherwise appointed to the Committee.

1.2.6 The Chair of the Board of Directors shall be an *ex-officio* member of the Committee.

Audit and Finance Committee Terms of Reference

1.2.7 The Committee shall elect one (1) of its members to be its Chair. The Chair of the Committee shall act in accordance with the Position Description: Committee Chair section of the Board Manual.

1.3 OBJECTIVES/DELIVERABLES

1.3.1 Oversight of External Auditors

- a) Selection: the Committee shall annually recommend to the Board the appointment, reappointment or termination of the external auditor. This recommendation shall be done sufficiently in advance of the next annual meeting of Central 1 to allow the Board to seek membership approval. At regular intervals (not greater than every 5 years), the Committee will assess Central 1's external audit requirements and review the appropriateness of undertaking a full Request for Proposal (RFP) process, with such RFP process to be undertaken at the option of the Committee, if it so determines. The Committee shall report annually to the Board on the performance of the external auditor.
- b) Independence: the Committee shall oversee the process to determine the independence of the external auditor. The Committee shall obtain and review a formal written statement from the external auditor describing all relationships between Central 1 and the external auditor that may impact upon its independence. The Committee shall actively discuss with the external auditor any disclosed relationships or services that might impact on the independence or objectivity of the external auditor. The Committee shall report annually to the Board on the independence of the external auditor.
- c) The Committee shall annually review and approve Central 1's policy regarding the hiring of members of the external audit team and former external audit teams.

Related Information: Appendix 1 - Central 1 Credit Union Audit and Finance Committee Restriction on Employment of Members of External Audit Team

1.3.2 Compensation of External Auditors

Upon resolution of members of Central 1 that the remuneration of the external auditors is to be set by directors, the Committee will have the responsibility for recommending the remuneration of the external auditors to the Board. In the case of an external auditor appointed to fill a casual vacancy, the Committee shall have sole responsibility for setting the compensation of such auditor without resolution of the members.

1.3.3 Pre-approval of Services

The Committee shall pre-approve all audit and non-audit services, including the provision of tax advice (other than "de minimus" non-audit services provided to Central 1 and its subsidiaries as defined in NI 52-110). If necessary, the Chair shall be authorized to provide such pre-approval throughout the year, with any such approvals being reported to the next regularly scheduled meeting of the Committee.

The Committee shall oversee Central 1's policy on services provided by its external auditor.

Related Information: Appendix 2 - Central 1 Credit Union Audit and Finance Committee Pre-Approval of Services Provided by Central 1's External Auditor

1.3.4 Reporting of External Auditors

- a) The external auditors shall report directly to the Committee, and the Committee shall have responsibility for overseeing the activities of the external auditors, including resolution of any disagreements between management and the external auditors regarding financial reporting. The Committee shall review, prior to the commencement of the audit, the audit engagement letter, audit plans and scope of the external audit, identifying special areas of concern to the external auditor. The Committee shall annually approve the audit plan. The Committee will monitor the audit process, the annual audit report and the findings of the examination after its completion.
- b) Accounting Policies: the Committee shall review with management and the external auditors the appropriateness of accounting policies and approve any changes thereto.
- c) Reports: the Committee shall review all written or oral reports made by the external auditor. Such reports may include:
 - i. Current and prospective changes in accounting policies and practices;
 - ii. Alternative treatment of financial information within generally accepted accounting principles;

Audit and Finance Committee Terms of Reference

- iii. Review of transactions or investments, as brought forward by either the auditors or management, which could adversely affect the financial wellbeing of Central 1; and
 - iv. Any other written communications between the external auditor and Central 1's management.
- d) **Review of Reportable Events:** the Committee shall review all reportable events (occurrences in the relationship between Central 1 and the external auditor which may have been a contributing factor in the resignation or termination of the external auditor) including disagreements, unresolved issues or consultations, as defined in NI 52-102, whether or not there is a change of the auditors.
- e) ***In-Camera Meetings:*** the Committee shall have an in-camera meeting with the external auditors at every Committee meeting, at which the external auditors are in attendance.

1.3.5 Oversight of Internal Auditor

- a) **Oversight:** The Head of Internal Audit shall report directly to the Committee, and the Committee shall have responsibility for reviewing and approving the Internal Audit Policy; overseeing the activities of the internal audit function, including reviewing and approving the annual internal audit plan and identifying special areas of concern for internal audit review.

The Committee will monitor internal audit activities and the findings of examinations, including the status of identified control weaknesses and management's corrective action.

The Committee will review and concur in the appointment, replacement, reassignment, or dismissal of the Head of Internal Audit. On behalf of the Committee, the Chair shall provide input concerning the performance review and compensation of the Head of Internal Audit.

The Committee will regularly review the organizational structure of the internal audit function and annually review and approve the function's budget and resources.

- b) **Reports:** The Committee shall receive and review all written or oral reports made by Internal Audit and, in particular, recommendations for changes in internal control procedures or processes. The Head of Internal Audit will report to the Committee the response or determination of management with respect to any findings or recommendations.

The Risk Review and Investment & Loan Committee shall be provided access to Internal Audit reports prepared for the Committee.

1.3.6 Review of Financial Statements

The Committee shall review and discuss with management and the external auditors Central 1's annual audited financial statements and Central 1's unaudited quarterly financial statements as well as non-consolidated financial statements and summarized financial statements. In addition, the Committee shall review the financial statements of Central 1's subsidiaries.

In reviewing the financial statements, the Committee shall, as applicable:

- a) Ensure that they are complete and consistent with the information known to the Committee;
- b) Review the contents of management's representation letters to the external auditors;
- c) Discuss with management and the external auditors whether they reflect appropriate accounting policies;
- d) Discuss any actual or proposed changes in accounting or financial reporting and consider their impact on the financial statements;
- e) Discuss any related party transactions; and
- f) Discuss any unusual, complex or significant events, such as legal actions, claims or contingencies or areas where significant judgment has been exercised, such as valuations, provisions and reserves.

The Committee will recommend to the Board the approval of Central 1's consolidated financial statements, non-consolidated financial statements and summarized financial statements.

1.3.7 Review of Financial Disclosures

The Committee shall review the contents of all periodic public disclosure documents (other than the annual corporate governance disclosure approved by the Conduct Review and Corporate Governance Committee and statement of executive compensation approved by the Human Resources Committee) and event driven disclosure documents for which the Committee's review is deemed necessary by the Disclosure Committee before release, including the

Audit and Finance Committee Terms of Reference

Management Discussion & Analysis, any prospectus and any financial report, statement or return (including associated press releases) that requires the approval of the Board before filing or release and make recommendations to the Board as it deems advisable.

The Committee must satisfy itself that adequate procedures are in place for the review of Central 1's public disclosure of financial information extracted from or derived from the financial statements (i.e. press releases, information posted to Central 1's website and any other form of public communication). While this information is currently vetted through the Disclosure Committee, the Committee must assess the adequacy of the disclosures made by management through the Disclosure Committee and the adequacy of management representation on that Committee. The Committee shall review the Disclosure Policy at least every two years and, if deemed advisable, recommend changes to the Board.

The Committee shall review the return of Central 1 that is to be filed with the Superintendent under Section 127(1) of the FIA and any other reports, transactions or matters required to be reviewed by the Committee under the Financial Institutions Act or Credit Union Incorporation Act, and to the extent any returns are required to be approved by the Board, make recommendations to the Board regarding such returns.

1.3.8 Controls and Procedures

a) Oversight:

- The Committee shall provide oversight of Central 1's internal accounting controls, of its disclosure controls and procedures and of its Ethical Reporting Policy.
- The Committee shall require management to implement and maintain appropriate systems of internal control, including internal controls over financial reporting and for the prevention and detection of fraud and error.
- The Committee shall receive and review reports from other board committees with regard to matters that could affect financial reporting, including the major financial and business risks to which Central 1 is exposed, and management's actions to monitor and control such exposures.
- The Committee shall,
 - i. Have direct and unfettered access to the CFO;
 - ii. Provide feedback to and receive feedback from the CEO on performance and qualifications of the Chief Financial Officer ("CFO") on an annual basis; and
 - iii. review and recommend the appointment, replacement, or reassignment of the CFO to the Board.

- b) External Auditor Reporting: The Committee shall consider the external auditors' management letters, recommendations and comments with respect to accounting treatment and internal controls and management's responses and subsequent follow-up of any identified weaknesses.
- c) Internal Auditor: The Committee shall meet with the internal auditor and with management to discuss the effectiveness of internal control procedures and shall approve recommendations for improvements.
- d) CEO/CFO Certification Program: The Committee shall oversee Central 1's CEO/CFO Certification program and the meeting of its obligations under that program.
- e) Procedures for Complaints: The Committee shall establish procedures for the receipt, retention and treatment of complaints received by Central 1 regarding accounting, internal accounting controls or auditing matters. The Committee shall also establish procedures for the confidential, anonymous submission by Central 1's employees of their concerns regarding questionable accounting and internal controls over auditing matters.
- f) Additional Powers: The Committee shall have such other duties as may be delegated to it by the Board, from time to time.
- g) The Committee shall receive material of the Risk Review and Investment & Loan Committee.

Related Information: Ethical Reporting Policy

1.3.9 Oversight of Budgets

- a) The Committee shall review, annually, Central 1's Operating Budget and Capital Asset Budget and recommend their approval to the Board.
- b) At least biennially, the Chief Financial Officer will present the Budget Policy to the Committee for review and recommendation to the Board.

Audit and Finance Committee Terms of Reference

1.4 MEETINGS AND PROCEDURES

1.4.1 The Committee shall meet as it deems necessary to fulfill its duties hereunder, but no less than once each quarter. The time and location of the meetings and the procedures to be followed at such meetings shall be determined, from time to time, by the Committee.

The Board Chair, the Committee Chair, any two (2) members of the Committee, the Head of Internal Audit, the external auditors, or the Corporate Secretary may call meetings of the Committee. The external auditor shall be given notice of, and shall have the right to appear before, every Committee meeting.

The Committee may meet in person, by conference call or by other electronic means.

1.4.2 Whenever possible, seven (7) days' notice of the meeting shall be provided, in writing, to members of the Committee, the external auditors and any invited persons. The agenda and required reports shall be circulated to the Committee (via Diligent or e-mail) one week in advance of the meeting date, whenever possible.

1.4.3 A quorum at any meeting of the Committee shall be a majority of the members of the Committee, excluding any ex-officio members. Decisions of the Committee will be by an affirmative vote of the majority of those members of the Committee voting at a meeting. The Committee may also act by resolution in writing consented to by all the members of the Committee.

1.4.4 The external auditor, the internal auditor, and the provincial Superintendent of Financial Institutions shall have the right to appear before and be heard at any meeting of the Committee and to request the Committee Chair to consider any matter that the requisitioning party believes should be brought to the attention of Directors or members.

1.4.5 The Chair of the Committee shall appoint a Secretary who need not be a director to keep minutes or other records of the meeting.

1.4.6 The Committee will meet "*in-camera*" at each meeting with only the members of the Committee present.

1.4.7 The Committee will meet "*in-camera*" with Internal Audit at every meeting at which Internal Auditor is in attendance.

1.4.8 At least quarterly, the Committee shall meet "*in-camera*" with the Chief Financial Officer.

1.4.9 The Committee may invite any director, officer or employee of Central 1 or any other person, as appropriate, to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee, including: the external auditor, external counsel, Internal Audit, Chief Risk Officer, the President and Chief Executive Officer or any member of executive management.

1.5 MANAGEMENT AND RESOURCES

1.5.1 The Committee shall be resourced by the Chief Financial Officer.

1.5.2 The Committee shall have the authority to engage and determine funding for any independent counsel, accountants, and other external consultants and resources, as it may deem necessary to carry out its responsibilities, provided that all contracts for such services shall be reviewed, where appropriate, by Central 1's Legal Department and that any contract in excess of \$10,000 must be approved by the Chair of the Board or the Board prior to execution. The Committee shall report to the Board on any undertakings to engage such advisors, including the level of compensation.

1.6 RECORDS

The official records of the Committee including all meeting material and minutes are maintained by the Office of the Corporate Secretary. Minutes of every meeting shall be recorded and available to Committee members and the Board.

1.7 ACCOUNTABILITY

The Committee is accountable to the Board. The Chair of the Committee shall report the proceedings of each meeting and all recommendations made by the Committee at such meeting to the Board, at the Board's regularly scheduled meeting.

1.8 EVALUATION OF COMMITTEE EFFECTIVENESS

The Committee shall annually review and assess the adequacy of its mandate. As part of this review, the Committee will review and assess the adequacy of its Terms of Reference on an annual basis taking into account all legislative and regulatory requirements applicable to the Committee, as well as any best practice guidelines, and, if appropriate will

Audit and Finance Committee Terms of Reference

recommend changes to the Conduct Review and Corporate Governance Committee. The Committee shall assess its effectiveness in fulfilling its mandate through its inclusion in reviews of Central 1 Committees led by the Conduct Review and Corporate Governance Committee.

1.9 COMMITTEE OUTPUT

The major annual activities of the Committee are outlined in the schedule on the following page.

1.10 AMENDMENTS

The Board must authorize substantive amendments to these Terms of Reference. The Committee may make administrative amendments, including amendments related to dates, organization, and similar matters.

Audit and Finance Committee Terms of Reference

Routine Outputs – Audit and Finance Committee

Routine Outputs	Q1	Q2	Q3	Q4	Comments
Audited Financial Statements – year end	•				
Interim Consolidated Financial Report		•	•	•	
Management Discussion & Analysis (MD&A)	•	•	•	•	
Financial Report	•	•	•	•	
External Audit Report	•				
Interim Review Findings Report		•	•	•	
Internal Audit Report	•	•	•	•	
Review the Procedures for Ethical Reporting	•	•	•	•	
Annual Report to Board on performance and independence of external auditor	•				
Election of Committee Chair		•			
Provincial Examination (if applicable)		•			
Subsidiary Financial Statements	•				
Set Meeting Dates for Following Year	•				
Audit Plan and engagement letter			•		
Auditor remuneration			•		
Review Committee's Terms of Reference			•		
Provide feedback to and review feedback from the CEO on performance of the CFO. Make recommendations to the Board in accordance with the Audit and Finance Committee's Terms of Reference				•	
Review Finance Policies (when applicable) <ul style="list-style-type: none"> • Budget • Disclosure • Ethical Reporting • Internal Audit • Procurement 					
Assess the adequacy of the processes and procedures followed by the Disclosure Committee and the adequacy of management representation on that Committee, if and as needed.	•	•	•	•	
Central 1's Operating and Capital Asset Budgets				•	
Internal Audit Plan				•	
Incentive Plan <ul style="list-style-type: none"> • Approve Year End Results • Approve Targets for Next Year 	•				

Audit and Finance Committee Terms of Reference

Appendix 1

Central 1 Credit Union Audit & Finance Committee — Restriction on Employment of Members of External Audit Team

Approved: November 23, 2023

1.1 PURPOSE

To maintain the independence of the External Auditor and to prevent a potential conflict of interest Central 1 shall not employ a key member or former key member of the external audit firm in a financial reporting oversight role until a period of one year or more has elapsed from the date the financial statements, on which that person participated in an audit, review or attestation engagement capacity, were filed with the relevant securities regulator. For the purposes of this policy, a key member includes all partners involved in the audit, review or attestation engagement and any employees of the auditor involved in the audit in a management or decision-making capacity.

Audit and Finance Committee Terms of Reference

Appendix 2

Central 1 Credit Union Audit & Finance Committee — Pre-Approval of Services Provided by Central 1's External Auditor

Approved: November 23, 2023

1.1 PURPOSE

Central 1's Audit & Finance Committee shall pre-approve all services to be provided by Central 1's external auditor to Central 1 and its subsidiaries. In addition to audit services, Central 1's external auditors may provide Central 1 with certain other services which are listed in the section below entitled Permitted Services. This document sets forth procedures and conditions whereby permissible non-assurance services provided by the independent auditor will be pre-approved for the entities within the corporate structure of Central 1. Central 1 may not engage its external auditors to perform services that are inconsistent with an auditors' independence. A description of prohibited services is included in the section below entitled Prohibited Services.

1.2 PERMITTED SERVICES

Central 1 may retain its external auditors to perform the following services:

1.2.1 a) Audit and Related Services

- i. Agreed-upon procedures to comply with regulatory reporting matters and/or securitization programs.
- ii. Agreed-upon procedures to scrutineer the voting results of Central 1 Annual General or Special Meetings.

b) Tax Services

- i. Tax Compliance
 - a. Prepare and/or review federal and provincial corporate tax returns and trust returns (including any other applicable returns, forms, elections, designations, or any other tax reporting)
- ii. General Tax Advisory Services relating to Tax Compliance
 - a. Various income, capital, payroll, and indirect tax compliance matters as they arise;
 - b. Canadian, U.S., and International tax advisory services relating to the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS);
 - c. Federal or provincial tax authority compliance matters;
 - d. U.S. corporate tax compliance, including research, advice and correspondence with IRS.
- iii. Specific Tax Advisory and Tax planning services
 - a. Review tax implications and tax compliance requirements relating to complex tax issues or potential transactions (i.e. future state).

c) Other Services

- i. Perform a gap analysis or maturity assessment of the current state of a process, system, organizational structure, policy, controls over financial reporting, etc. against leading practices or other sources (such as client defined future state, accounting or regulatory standard). Provide advice, observations and recommendations.
- ii. Perform accounting research to identify alternative accounting policies, leading practices, examples and KPMG's interpretation of the application of new or revised accounting standards (including IFRS and convergence projects).
- iii. Information Technology Advisory and Risk Management Services (this includes assistance in ensuring that technology processes are operating efficiently)
- iv. Transaction Services (this includes providing assistance in structuring significant acquisitions)
- v. Operational Advisory and Risk Management Services

1.2.2 Prohibited Services

Central 1 may not retain its external auditor to perform any service that is inconsistent with an auditor's independence. Prohibited services include, but are not limited to, the following:

- a) bookkeeping or other services related to the audit client's accounting records or financial statements;
- b) financial information systems design and implementation;
- c) appraisal or valuation services for financial reporting purposes;
- d) actuarial services for items recorded in the financial statements;

Audit and Finance Committee Terms of Reference

- e) internal audit outsourcing services;
- f) management functions;
- g) Human Resources; and
- h) expert witness services.

1.3 POLICY

For permitted services the following pre-approval policies will apply:

- a) **Audit Services:** The Audit & Finance Committee will pre-approve all audit services provided by Central 1's external auditor through its recommendation of the external auditor at Central 1's AGM and through the Audit & Finance Committee's review of the external auditor's annual Audit Plan.
- b) **Pre-Approval of Audit Related, Tax and Other Non-Audit Services:** Central 1 has adopted a general policy procedure to pre-approve non-assurance services to be provided by the independent auditor without obtaining specific pre-approval for each engagement.
 - i. Under this procedure, the Board pre-approves the list of non-assurance services (through the approval of the Audit & Finance Committee Terms of Reference) in 1.2.1 that may be provided by the independent auditor without the need for the auditor to seek specific pre-approval from the Board or Audit & Finance Committee.
 - ii. Unless a non-assurance service shall have received such general pre-approval, it will require specific pre-approval by the Audit & Finance Committee and the concurrence must be provided to the auditor before an engagement letter contracting the non-assurance service is signed.
 - iii. This pre-approved list of non-assurance services remains in effect until amended by the Board.
 - iv. The Audit & Finance Committee will be informed annually of the services on the attached list for which the auditor has been actually engaged.
- c) **Approval of Additional Services:** The Chief Financial Officer will consider all other engagement requests and if deemed acceptable, submit the request to the Chair of Audit & Finance Committee for consideration and approval. The engagement may commence upon approval of the Chair of the Audit & Finance Committee. The full Audit & Finance Committee will subsequently be informed of any additional services, at its next meeting.