

# Audit and Pension Investment Committee Mandate VIA Rail Canada Inc.

## 1. PURPOSE

The Board of Directors (“Board”) has delegated to the Audit & Pension Investment Committee the responsibility for oversight and monitoring of the following:

## 2. DUTIES AND RESPONSIBILITIES

### 2.1 Financial Reporting

The Committee shall review and recommend for approval to the Board:

- a) the Corporation’s financial reporting and disclosure in the Annual Report and financial statements that are included therein and the financial components of the related press release as provided by the *Financial Administration Act* (as defined below); and
- b) the Corporation’s financial reporting and disclosure in the quarterly reports, the financial statements, the MD&A and the financial components of the related press release.

The Committee shall ensure:

- c) the quality and integrity of the Corporation’s financial reports including the Corporation’s accounting principles, policies, disclosures, reserves, key estimates and judgments.

### 2.2 Corporate Plan and Annual Operating and Capital Budgets

The Committee shall review and recommend for approval to the Board:

- a) the financial components of the five (5) year Corporate Plan; and
- b) the annual operating and capital budgets and ensure their alignment with the strategic orientations approved by the Board of Directors.

The Committee shall review and assess:

- a) the financial assumptions, forecasts and risks associated with the Corporate Plan while highlighting any discrepancies perceived in terms of the Corporation’s strategy as known at the time;
- b) the viability and practicability of the proposed operating and capital budgets; and

- c) the financial performance and the progress in implementation of the annual operating and capital budgets including reports on actual results, variance in the budgets and success in meeting goals.

### **2.3 Internal Auditor and Internal Controls**

The Committee shall review and recommend Board approval of:

- a) the appointment and termination of the internal auditors of the Corporation; and
- b) the annual internal audit plan of the Corporation.

The Committee shall review and assess

- c) internal audit reports;
- d) the reports from management on follow up to mitigate areas of concern and internal control weaknesses identified;
- e) reports from management, to obtain reasonable assurance that the internal control systems and procedures are properly designed and effectively implemented, including steps taken as part of the prevention, identification and detection of fraud with respect of material misstatement of the financial statements;
- f) the findings and recommendations resulting from the internal auditors' examination; and
- g) the Corporation's practices regarding non-auditing services performed by the internal auditor and the amount of fees to be paid for such services.

### **2.4 External Auditor (Office of the Auditor General of Canada)**

The Committee shall review and recommend Board approval of:

- a) the annual audit plan;
- b) the annual auditors' report on the Corporation, which examines the financial statements, accounts and records of the Corporation;
- c) the reports from management on follow-up to mitigate areas of concern and internal control weaknesses identified;
- d) the reports from management, to obtain reasonable assurance that the internal control systems and procedures are properly designed and effectively implemented, including steps taken as part of the prevention, identification and

detection of fraud with respect of material misstatement of the financial statements; and

- e) the findings and recommendations resulting from auditors' examination.

The Committee shall review and assess:

- f) the scope of any special examination;
- g) advise the Board with respect to the plan and reports referred to in the FAA with respect to special examination and:
  - review special examination reports prepared by the external auditors and provide feedback before it is made final and submitted to the Board for information;
  - review the adequacy of management's draft responses and action plans resulting from any special examination and provide feedback before the report is made final and submitted to the Board for information; and
  - review follow-up reports on the timing, execution and effectiveness of any agreed upon management actions resulting from any special examination.

## **2.5 External Auditor Pension Plans**

The Committee shall review and recommend Board approval of:

- a) the appointment and termination of the auditors for the Corporation's pension plans; and
- b) the annual audit plan.

The Committee shall review and assess

- c) the pension annual report, which examines the financial statements, accounts and records of the pension plans;
- d) the reports from management on follow-up to mitigate areas of concern and internal control weaknesses identified;
- e) the reports from management, to obtain reasonable assurance that the internal control systems and procedures are properly designed and effectively implemented, including steps taken as part of the prevention, identification and detection of fraud with respect of material misstatement of the pension financial statements;
- f) the findings and recommendations resulting from auditors' examination; and

- g) the pension plans and supplemental retirement plans investment performances, policies and related matters thereto.

## **2.6 Pension Investment Matters**

The Committee shall review and recommend Board approval of:

- a) the actuarial valuations of pension funds for unionized and non-unionized employees as well as funding requirements based on such actuarial valuations;
- b) the Corporation's investment policies as well as recommended changes to such policies in order to maintain prudent investment practices based on appropriate risk assessment;
- c) the selection of the investment managers of the pension funds, subject to exceptions defined in the investment policies of the pension funds; and
- d) the pension plans annual financial statements.

The Committee shall review and assess:

- e) the appropriate implementation of the investment policies;
- f) at least quarterly, the management of assets or any other issue related to the Registered Defined Benefit Pension Plans;
- g) at least annually, the management of assets or any other issue related to the Supplemental Retirement Plans and the Registered Defined Contribution Pension Plans; and
- h) the performance of the investment managers within the parameters of the investment policies approved by the Board.

## **2.7 Business Cases & Contract Review**

The Committee shall review and recommend Board approval of the following in accordance with the Authority Matrix and Approval Policy:

- a) highest ranking contract requests exceeding \$3 million;
- b) lowest tender contract requests exceeding \$5 million; and
- c) direct award contract requests exceeding \$200,000.
- d) the business cases for projects or programs in capital or considered out of "normal course of business":
  - exceeding \$10M; or

- with a value between \$5M and \$10M for which at least one of the risk factors is rated as high; and
- e) Periodically review the Authority Matrix and Approval Policy and recommend for approval to the Board any modification or addition elaborated for specific major initiatives to such Authority Matrix and Approval Policy as required from time to time.

The Committee shall be informed of:

- f) business cases for projects in capital or considered out of “normal course of business” with a value between \$5M and \$10M for which no risk factor is rated as high.

## 2.8 Risk Assessment and Insurance Programs

The Committee shall review, identify, evaluate and assess the treatment of risks related to its Committee’s responsibilities and forming part of the Corporation’s Enterprise Risk Management (ERM) framework and provide its input to the Board thereon

The Committee shall also review, identify, evaluate and assess the treatment of the following risks to which the Finance and Pension Investment functions are exposed, and provide its input to the Board,:

- a) fraud and cyber security, including the maturity level of the plans and protocols to address these risks;
- b) the legal and regulatory compliance framework;
- c) the Corporation’s investment policies for its pension funds; and
- d) any other risks related to the finance and pension investment function that may arise from time to time.

The Committee shall also review the adequacy of the Corporation’s insurance programs.

## 3. OPERATING PRINCIPLES AND PROCEDURES

**3.1 Chairpersonship:** The Chairperson of the Committee shall preside at all meetings of the Committee.

**3.2 Absence of Chairperson of the Committee:** Should the Chairperson be absent or unable or refuse or fail to act, the members present may choose a chairperson from among their number unless the Chairperson has already appointed one of the directors to act as the chairperson for this specific meeting.

**3.3 Quorum:** A majority of members of the Committee shall constitute a quorum.

In the event any Committee member declares a conflict of interest with regards to any one or more matters under consideration by the Committee, such Committee member will not attend that portion of the meeting dealing with such matter(s) and the foregoing quorum requirement will be reduced by one (1) or more if many members are in conflict with regards to any decision or recommendation made with respect to such matter(s).

- 3.4 Voting:** A matter to be recommended for approval at a meeting of the Committee shall be decided by consensus. If no consensus is reached in the opinion of the Chairperson of the Committee, the Chairperson of the Committee may call for a vote and such matter shall then be decided by a majority of the votes cast. In the event of an equality of votes, the members shall attempt to resolve the matter by further discussion in order to reach a consensus; however, in the absence of agreement, the Chairperson of the Committee shall then have a casting vote .
- 3.5 Frequency of Meetings:** The Committee shall meet at least four times annually, or more as required.
- 3.6 In camera session:** At each quarterly Committee meeting, the Chairperson of the Committee shall hold in camera sessions with the internal auditor, the external auditor and the Chief Financial Officer.
- 3.7 Supplemental Attendees:** Any person who may possess information that would be useful to the Committee in carrying out its duties may be invited by the Chairperson of the Committee to attend any meeting of the Committee.
- 3.8 Reporting:** The Committee shall report on its activities to the Board after each Committee meeting.
- 3.9 Review of Mandate:** The Committee shall review and assess annually the adequacy of its mandate. In consultation with management, the Committee shall also develop an annual workplan responsive to the Committee’s responsibilities.
- 3.10 Self-assessment:** Upon the recommendation as to the process and timing of the self assessment by the Governance Committee and Board approval thereof, the Committee shall conduct a self-assessment of its performance and the Chairperson of the Committee shall discuss the results with the Chairperson of the Board.
- 3.11 Outside Advisors:** Subject to approval of the Chairperson of the Board, the Committee has the authority to engage outside advisors including, but not limited to, legal counsels, independent audit consultants and other experts, as needed, to review any matter under its responsibility as well as investigate any matter brought to its attention with full access to all books, records, facilities and personnel.

#### 4. COMPOSITION

- 4.1** The Committee shall be appointed by the Board and consist of at least three (3) directors of the Corporation, none of whom may be officers or employees of the Corporation.

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- 4.2** The Chairperson of the Committee shall be appointed by the Chairperson of the Board.
- 4.3** Each member of the Committee shall be financially literate or shall become so within a reasonable period of time after appointment to the Committee. “Financially literate” shall mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity that can reasonably be expected to be raised by the Corporation’s financial statements.
- 4.4** The Chairperson of the Committee shall be a financial expert and ideally that expertise will be evidenced by a Chartered Professional Accounting designation, although in certain circumstances the professional designation requirement may be waived by the Board.
- 4.5** It is desirable that one other member of the Committee has experience or knowledge in financial markets, actuarial services or pension investment management.
- 4.6** The Chairperson of the Board is an ex officio member of the Committee and shall endeavour to attend Committee meetings .
- 4.7** The President and Chief Executive Officer is an ad hoc participant of the Committee and may attend Committee meetings at his/her discretion but shall not be entitled to vote.
- 4.8** The membership of the Committee as well as the chairpersonship shall be reviewed from time to time at the discretion of the Chairperson of the Board.