

PSPP CORPORATION BOARD OF DIRECTORS

Finance and Audit Committee Terms of Reference

Date: April 9, 2019

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The PSPP Corporation Board of Directors (the Board) established a Finance and Audit Committee (FAC) to assist the Board in fulfilling its obligations and oversight responsibilities relating to financial planning and reporting, the audit process, actuarial, and the system of corporate controls and risk management.

The FAC is a standing committee of the Board and reports to the Board.

1. Responsibilities

The FAC shall prepare an annual FAC Activities Schedule to ensure that the following responsibilities are scheduled and fully addressed. The Activities Schedule shall be presented to the Board annually for review.

1.1 Financial

- a) Review the Corporation's annual operating budget.
- b) Liaise with PSPP Sponsor Board regarding budget and PSPP Sponsor Board expenses.
- c) Review reports regarding monthly financial results and budget exceptions.
- d) Periodically review signing authority and limits of the CEO and other expenditure officers.
- e) Ensure compliance by the Corporation with legal and regulatory requirements in respect of financial disclosure and reporting.
- f) Advise and make recommendations to the Board, for direction or final approval by the Board, regarding:
 - Annual operating budget for PSPP Corporation.
 - Signing authority for the Corporation and limits.
 - Any new or pending developments in accounting and/or reporting standards.
 - All financial matters of which the Committee has knowledge that may materially affect the Corporation.
- g) Fulfill such other financial duties as may be assigned to the FAC by the Board.

1.2 Audit

- a) Review the audit plan and audit report with the Auditor.
- b) Determine accounting principles/standards with the Auditor with a view to maintaining accounting best practices for the Corporation and the Plan.
- c) Review and obtain the necessary assurances respecting the quality and integrity of the financial statements of the Corporation and the Plan.
- d) Establish and conduct a fair process for selecting an independent Auditor for the Corporation and the Plan.
- e) Review and evaluate the independence and performance of the Auditor.
- f) Determine, while considering the recommendations of the actuary, the assumptions to be used in the accounting valuation.
- g) Meet privately with the Auditor in the absence of management to discuss pertinent matters annually.
- h) Advise and make recommendations to the Board, for direction or final approval by the Board, regarding:
 - Approval of the audit plan, including scope, materiality, risks, timelines, etc.
 - Approval of the audit report.

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- Approval of accounting standards to be used for the Corporation and the Plan.
 - Approval of the PSPP and Corporation financial statements.
 - Selection or replacement of the Auditor who shall audit the Corporation and the Plan.
 - The terms of the proposed service agreement or audit engagement letter between the Corporation and the Auditor.
 - Any other audits, reviews, or non-audit services to be conducted.
- i) Fulfill such other audit-related duties as may be assigned to the FAC by the Board.

1.3 Risk Management

- a) Review and evaluate annually risks to the Corporation and/or the Plan.
- b) Review an enterprise-wide risk management program to assess the effectiveness of risk mitigation strategies, and countermeasures adopted by the Board, at least annually.
- c) Monitor the management of principal risks that could impact the Corporation and/or the Plan.
- d) Monitor the adequacy of the internal controls and procedures of the Corporation.
- e) Monitor through annual meetings with service providers:
 - The enterprise risk management program and the system of internal controls regarding financial reporting and accounting compliance implemented by Alberta Pensions Services Corporation (APS); and
 - The enterprise risk management program and the system of internal controls regarding financial reporting and accounting implemented by Alberta Investment Management Corporation (AIMCo).
- f) Advise and make recommendations to the Board, for direction or final approval by the Board, regarding:
 - Approval of a Risk Management Framework for the Corporation and the Plan.
 - Internal controls, risk mitigation strategies and countermeasures.
- g) Fulfill such other risk management duties as may be assigned to the FAC by the Board.

1.4 Actuarial

- a) Review results of the actuarial valuation of the PSPP.
- b) Establish and conduct a fair process for selecting an independent actuary for the Plan (the Plan Actuary).
- c) Assess the Plan Actuary's performance annually.
- d) Advise and make recommendations to the Board, for direction or final approval by the Board, regarding:
 - Actuarial assumptions and methodologies to be used in the actuarial valuation, based on the Actuary's recommendations.
 - The acceptance of the results of the actuarial valuation of the PSPP.
 - The authorization for the Plan Actuary to file the actuarial valuation reports with the appropriate regulatory authorities.
 - Selection or replacement of the Plan Actuary.
- e) Fulfill such other actuarial duties as may be assigned to the FAC by the Board.

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1.5 Other

- a) Review, at least annually, these Terms of Reference.
- b) Make recommendations to the Board regarding:
 - Any amendments to these Terms of Reference.
 - The appointment of external FAC members, as necessary.

2. FAC Chair and Vice-Chair

The FAC shall designate a Chair and Vice-Chair. Unless otherwise stated, the term of office for the Chair and Vice-Chair shall be three years. Where practical, and at the discretion of the FAC, the Chair and Vice-Chair may rotate between a Director appointed by an employee sponsor organization and a Director appointed by an employer sponsor organization.

2.1 Duties of the FAC Chair

- a) Provide leadership to enhance the FAC's effectiveness by:
 - ensuring its responsibilities are understood and respected by FAC members; and
 - overseeing the discharge of FAC responsibilities.
- b) Carry out the FAC's Activities Schedule.
- c) Set meeting dates and the agenda for each meeting.
- d) Preside over the FAC meeting.
- e) Provide verbal reports to the Board.
- f) Review the minutes of the FAC meeting.
- g) Participate in meetings with the Auditor in between FAC meetings, as required.
- h) Participate in the recruitment and selection of external FAC members, as necessary.

In the absence of the Chair, the Vice-Chair shall assume the duties of the Chair.

3. External Resources

In instances where the FAC deems it necessary to obtain the advice of external advisors to carry out its responsibilities, the FAC may recommend to the Board that the Corporation engage the necessary advisors.

4. Composition

The Board shall appoint the members of the FAC. The FAC shall consist of four Directors from the Board, including two Directors appointed by an employer sponsor organization and two Directors appointed by an employee sponsor organization. At least one Director on the FAC must have a financial or accounting designation and/or relevant senior financial management expertise. The Board may also appoint external members as necessary for the FAC to carry out its responsibilities. The FAC shall be supported by PSPP Corporation staff.

5. Meetings

The FAC shall be responsible for scheduling meetings and may meet as frequently as required but no less than twice per calendar year.

FAC business shall be conducted separate from Board business. A separate meeting package shall be prepared for the FAC, and FAC meetings shall be recorded in separate minutes. The FAC shall maintain minutes of its meetings, which shall record all decisions and actions taken by the FAC. FAC minutes shall be approved by the FAC.

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The FAC may establish rules governing the conduct of FAC meetings. The FAC shall generally follow the rules of order of the Board unless the FAC has otherwise established its own rules.

6. Quorum and Voting

A majority of FAC members, providing the majority includes at least as many Directors as external members, constitutes a quorum. FAC members may make recommendations, put forward motions and vote on FAC business. The FAC shall reach a decision by a majority vote of its members present. In the event of a tie vote, the motion shall be brought forward to the Board for final decision, unless the FAC members in attendance at the meeting unanimously agree that the motion does not need to be brought forward to the Board for decision.

Directors of the PSPP Corporation, who are not FAC members and on providing notice to the FAC Chair, may attend any meeting of the FAC as a non-voting participant.

7. Reporting

Following each FAC meeting, the FAC shall report its activities, discussions and recommendations to the Board by distributing the minutes of its meetings once reviewed by the Chair. The Chair may be asked to provide a verbal report at the Board's next scheduled meeting.

8. Compensation

FAC members shall be compensated in accordance with the Director Remuneration policy, as amended from time to time by the PSPP Sponsor Board.

9. Review

The FAC shall review these Terms of Reference annually.

Approved by the Board: April 9, 2019