



AUDIT COMMITTEE CHARTER

1. Mandate

1.1 The mandate of the Audit Committee (the "**Committee**") is to assist the Board of Directors (the "**Board**") of Canada Mortgage and Housing Corporation ("**CMHC**" or the "**Corporation**") in fulfilling its oversight responsibilities, including with respect to financial reporting, audit processes, internal controls.

2. Composition and Appointment

2.1 Composition

- (a) The Committee shall be comprised of at least three members of the Board. All Committee members shall be members of the Board. The Committee shall not include the President or any other officer or employee of the Corporation or other members of the federal public administration.
- (b) All members of the Committee shall be independent as determined by the Board.
- (c) All members of the Committee shall be "financially literate" as defined in *National Instrument 52-110 – Audit Committees* (or, as necessary, demonstrate a willingness and ability to acquire this skill within a reasonable period of time following the date of appointment). A majority of Committee members shall have financial experience and expertise, and at least one member of the Committee shall be a "financial expert". A "financial expert" means a person who holds a CPA, CA, CGA or similar professional accounting designation and/or has substantial experience in the audit or financial management of large complex corporations.
- (d) Committee membership will be reviewed annually by the Corporate Governance and Nominating Committee to ensure the Committee as a whole includes members with the experience and expertise required to fulfill the Committee's mandate.

2.2 Appointment

- (a) The Board, upon recommendation of the Corporate Governance and Nominating Committee, will appoint Committee members and the Chair of the Committee.

Meetings

2.3 Timing

- (a) The Committee shall hold at least four regularly-scheduled meetings per year.

- (b) The Chair of the Committee, the Vice-President, Audit and Evaluation, the external auditors or the examiner as designated or appointed under section 142 of the *Financial Administration Act* (the “**Examiner**”), or two members of the Committee have the authority to convene additional meetings.

2.4 *Quorum*

- (a) Two members shall constitute a quorum of the Committee. In the case of a lack of a quorum (whether due to a conflict of interest or otherwise), the Chair of the Committee shall identify, subject to approval by the Chair of the Board, an alternate member of the Board to stand in the place of the absent Committee member for the purposes of that particular matter or meeting, and that alternate member shall be entitled to vote in respect of the matter or at the meeting in question.

2.5 *Notice and Attendance*

- (a) In the event that the Chair of the Risk Management Committee is not a member of this Committee, then he or she shall receive notice of each meeting of this Committee and may attend such meetings as a non-voting observer.
- (b) The Committee will invite the Executive Officers, the Vice-President, Audit and Evaluation, the external auditors or others to attend meetings and provide pertinent information, as necessary. The President will also attend the meetings, unless asked otherwise.
- (c) The Committee shall meet separately (as further set out below) with the Vice-President, Audit and Evaluation and the Chief Financial Officer at each regularly-scheduled meeting, and other selected members of management as considered necessary by the Committee.
- (d) The external auditor and the Examiner shall receive notice of, and may attend, Committee meetings.

2.6 *Joint Meetings*

- (a) Annually, the Committee shall hold a joint meeting with the Risk Management Committee to review the annual risk-based audit plan and if appropriate, other risk-based plans of the Corporation.

2.7 *In Camera Meetings*

- (a) Quarterly, the Committee shall meet *in camera* with no members of management present (with the exception of the Corporate Secretary, as determined by the Chair of the Committee). Any member of the Committee may request that any meeting, or a part thereof, be held without management present.

2.8 *Chair of the Committee*

- (a) The Chair of the Committee shall preside over all Committee meetings.

- (b) In addition, the Chair of the Committee shall:
 - (i) Coordinate the Committee's compliance with this mandate as set forth in this Charter; and
 - (ii) Work with management to develop the Committee's meeting agendas and annual work plan.
- (c) The Chair of the Committee may vote on any matter requiring a vote and shall be entitled to cast a second vote in the case of a tie.
- (d) In the event of the absence or incapacity of the Chair of the Committee, the Chair of the Board will designate a different member of the Committee to act as Committee Chair on an interim basis.

2.9 *Secretary*

- (a) The Corporate Secretary or, in the absence of the Corporate Secretary, the Assistant Corporate Secretary of the Corporation shall act as the Secretary of the Committee.

3. **AUTHORITY**

3.1 The Committee has the authority to conduct or authorize a review of, or investigations into, any matters within the scope of its mandate. Without limiting the foregoing, it has the authority to:

- (a) Retain outside legal counsel, consultants or other advisors, on behalf of and at the cost of the Corporation, as the Committee deems necessary, to advise the Committee or to assist in the conduct of an investigation or fulfilling its responsibilities set out in this Charter;
- (b) Require any information relevant to its mandate from (i) any officer or employee of the Corporation and (ii) any party external to the Corporation which is answerable to the Corporation;
- (c) Obtain full, free, and unrestricted access to the officers of the Corporation, the internal and external auditors of the Corporation, the Examiner, the Superintendent acting pursuant to section 21.2(1) of the *National Housing Act*, and to inside and outside counsel of the Corporation, as necessary and relevant to the Committee's mandate;
- (d) Obtain access to continuing education programs to assist the Committee in fulfilling its responsibilities, and the Corporation will provide appropriate funding for such programs;
- (e) Request, where appropriate, the input of other Board committees on any aspect of the Committee's mandate; and

- (f) Pre-approve all auditing and permitted non-audit services performed by the Corporation's external auditors.

4. Duties and Responsibilities

The Committee will fulfill its statutory obligations and carry out the following duties and responsibilities, as well as any other activities related to its mandate as requested by the Board from time to time.

4.1 Finance Management Function

- (a) Annually, review and approve the budget and resources for the finance and actuarial functions, as it relates to its role as an independent control function.
- (b) Annually, review and assess the effectiveness of the finance function.
- (c) Oversee the function of the Chief Financial Officer, review the mandate of the Chief Financial Officer and, in consultation with the Human Resources Committee, review and approve the appointment, dismissal and evaluation of the Chief Financial Officer.
- (d) Hold regular *in camera* meetings with the Chief Financial Officer to discuss appropriate matters.

4.2 Financial Statements and Reports

- (a) Review and recommend to the Board for approval the annual audited financial statements, and review and advise the Board on the external auditors' report and auditors' management letters.
- (b) Advise the Board on any significant accounting and reporting issues, complex or unusual transactions, and significant judgemental areas.
- (c) Review and approve the unaudited quarterly financial statements of the Corporation and the Management Discussion and Analysis section of the quarterly financial reports, before release; consider the accuracy, integrity and completeness of the information.
- (d) Review with management and external auditors the results of the annual financial audit including any difficulties encountered and any subsequent follow-up.
- (e) Review with management the results of the quarterly financial audits or reviews including any difficulties encountered and any subsequent follow-up.
- (f) Review and advise the Board on the Management Discussion and Analysis section of the annual report, before release; consider the accuracy, integrity and completeness of the information.
- (g) Review with management critical accounting policies and estimates, as well as other areas of measurement and uncertainty underlying the financial statements and the Management Discussion and Analysis section of the annual report.

- (h) Review Form 18-K and any other required filings with the Securities and Exchange Commission in the U.S. or other securities regulators elsewhere.
- (i) Review the actuarial report with respect to the financial statements as well as any related opinions and recommendations.
- (j) Review the annual Dynamic Capital Adequacy Testing report.

4.3 *Internal Audit*

- (a) Oversee internal audits of the Corporation.
- (b) Review the organizational structure and performance of the internal audit function, having regard to its role as an independent control function.
- (c) Review and approve the annual risk-based internal audit plan and any significant changes thereto. Annually, review and approve the budget and resources for the internal audit function.
- (d) Review internal audit's quarterly reports, including progress against the risk-based audit plan, performance standards, performance against operating budget and progress on implementation of action plans by the Corporation.
- (e) Annually, review and approve the mandate of the Vice-President, Audit and Evaluation.
- (f) In consultation with the Human Resources Committee, review and approve the appointment, dismissal and evaluation of the Vice-President, Audit.
- (g) Annually, consider and review with management and the Vice-President, Audit and Evaluation, the performance of the internal audit function.
- (h) Hold regular *in camera* meetings with the Vice-President, Audit and Evaluation, to discuss appropriate matters.

4.4 *External Audit*

- (a) Advise the Board on the selection, evaluation, and independence of the external auditors.
- (b) Oversee the external audits of the Corporation.
- (c) Review and advise the Board on the external auditors' report and management letters.
- (d) Report regularly to the Board on the effectiveness of the external auditors.
- (e) Review audit related expenses and pre-approve permitted non-audit services.

- (f) Review and approve the external annual audit plan with the external auditors, including any material changes to the scope of the audit.
- (g) On a regular basis, meet *in camera* with the external auditors to discuss any matters that the Committee or auditors believe should be discussed. The Chair of the Committee will report to the President on any matters deemed relevant following the meeting.

4.5 *Special Examination*

- (a) Advise the Board on the appointment of the Examiner of the Corporation.
- (b) Review and recommend for Board approval the special examination plan and reports.
- (c) Review and pre-approve the fee for performing the special examination of the Corporation.
- (d) Review with management and the Examiner the results of the special examination and any subsequent follow-up.

4.6 *Internal Controls and Risk Management*

- (a) Oversee the establishment of an internal controls framework, recommend its approval by the Board, and monitor its effectiveness.
- (b) Ensure that management implements and maintains appropriate policies and systems of internal controls.
- (c) Meet with the Vice-President, Audit and Evaluation and with management to assess the effectiveness, adequacy and sustainability of the internal control systems.
- (d) Ensure the Corporation has established a process to investigate complaints related to issues of integrity and behaviour. As part of this process, the Vice-President, Audit, as the Disclosure Officer, will report to the Committee on any allegations and related action under the Corporation's internal disclosure of wrongdoing in the workplace policy.
- (e) Receive reports from the Risk Management Committee as appropriate in connection with internal control procedures.
- (f) Assess management's performance on the matters within the Committee's mandate.

5. **Accountability**

5.1 The Chair of the Committee will:

- (a) Regularly report to the Board on its activities and recommendations;

- (b) Report where necessary to the Risk Management Committee on appropriate issues;
- (c) Review and assess the adequacy of this Charter annually and recommend any changes to the Governance and Nominating Committee and the Board for approval;
- (d) Conduct an annual evaluation of the Committee to assess its contribution and its effectiveness in fulfilling its mandate; and
- (e) Submit a Committee report annually to the Board.

5.2 The Chair of the Committee is authorized to sign the annual audit engagement letter and to sign any additional engagement letter with the auditor with respect to any engagement approved by the Committee or the Board.