

**Schedule M**  
**MANDATE OF THE AUDIT COMMITTEE**

**1. Constitution**

The Audit Committee (in this mandate, also referred to as the “Committee”) is constituted by the Board of Directors in order to support it in exercising its oversight, communication and disclosure functions.

The Committee reviews its mandate annually.

**2. Appointment and Membership**

The Committee consists of at least three directors.

At the Board meeting that follows the annual meeting of shareholders, the Board of Directors appoints the directors who make up the Committee and its Chair. The Committee must be comprised of members who are not employees or officers of the Bank or a subsidiary and a majority of whom are not affiliated with the Bank. All Committee members must meet the independence requirements established by the Board and must be financially literate as stipulated by *National Instrument 52-110 – Audit Committees*.

Unless they are replaced in the interim by decision of the Board, the Committee members remain in office until the Board meeting that follows the next annual meeting of shareholders.

**3. Compensation**

Committee members receive the compensation for their services established by resolution of the Board.

**4. Meetings**

The Committee meets at least once every quarter.

Committee meetings may be held without notice (provided the members waive such notice) as often as the members deem appropriate and at the location determined by them.

The Committee Chair, the President and Chief Executive Officer, the Chief Financial Officer, the officer in charge of internal audits, and the external auditor can call for a meeting to be held.

The external auditor receives notice of, and may attend, Committee meetings.

**5. Quorum**

Quorum at Committee meetings are constituted by a majority of the members.

**6. Chair**

As designated by the Board of Directors, the Committee Chair chairs the Committee meetings. In the Chair’s absence, the members present may elect a Chair *pro tempore* from among themselves.

The external auditor, the officer in charge of internal audits, and the officer in charge of regulatory risk management may communicate directly with the Chair.

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### **7. Procedure**

The procedure for Committee meetings is the same as that for meetings of the Board of Directors.

### **8. Powers of the Committee**

In carrying out its mandate, if it deems appropriate, the Committee may:

- (a) call a meeting of directors;
- (b) communicate or meet privately with any officer or employee of the Bank, as well as with its internal or external auditors;
- (c) call on the services of external resources independent of the Bank, and determine and pay the related fees in compliance with the Board's policy regarding the use of external advisors.

### **9. Secretary**

The Secretary of the Bank or any other officer designated by the President and Chief Executive Officer of the Bank carries out the duties of secretary with respect to the Committee's mandate and those assigned by the Committee Chair.

### **10. Functions**

The Committee fulfills its statutory obligations and exercises the following functions delegated to it by the Board, as well as any other functions that may be delegated to it by the Board from time to time:

#### **10.1 Oversight Functions**

*With respect to the external auditor:*

- 10.1.1 Recommend the appointment or dismissal of the external auditor to the Board.
- 10.1.2 Ensure the external auditor's competence, independence, and the adequacy of its resources, review and, if applicable, approve the scope of its mission and letter of engagement, and recommend its compensation to the Board.
- 10.1.3 Ensure the competence and independence of the audit firm's partner in charge of the Bank's account, and ensure a periodic rotation of that person.
- 10.1.4 Approve the external audit plan and ensure that the scope is appropriate, risk-based, and that it addresses major areas of concern.
- 10.1.5 Approve the external auditor's oversight policy.
- 10.1.6 Approve the policy on approval of services provided by the external auditor (including non-audit-related services) and regarding the hiring of partners, employees and former partners and employees of external auditors.
- 10.1.7 Determine if a periodic comprehensive evaluation of the external auditor is necessary.

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- 10.1.8 Disclose the results of the external auditor's annual evaluation, as well as the processes and criteria used to arrive at that evaluation.

*With respect to financial reporting:*

- 10.1.9 Oversee the integrity and quality of financial statements and ensure that the institution's accounting practices are prudent and appropriate.
- 10.1.10 Discuss the quality of financial statements with the external auditor and ensure that the financial statements fairly present the Bank's financial situation, results, and cash flows.
- 10.1.11 Discuss the audit results, financial statements and related documents, audit report and any related concern of the external auditor with Management and the external auditor.
- 10.1.12 Hold regular meetings with the external auditor (without the presence of Management) to understand all issues that may have been discussed during meetings between the auditor and Management in the course of the audit and how those issues were resolved, as well as to determine the extent to which accounting practices being used by the Bank are appropriate relative to the importance of the issue.
- 10.1.13 Review the external auditor's recommendation letter which follows the annual audit and the corresponding follow-ups, significant changes to accounting practices, the main value judgments on which the financial reports are based, and how these reports are drafted.
- 10.1.14 Review the annual and interim financial statements, management reports and the press releases regarding annual and interim results, the annual information form, as well as any statement required by regulatory authorities prior to their publication and recommend their adoption by the Board.
- 10.1.15 Review prospectuses relating to the issuance of securities of the Bank.
- 10.1.16 Examine all investments and transactions likely to undermine the Bank's financial situation that are reported by the external or internal auditor or an officer, including loans referred to in Section 328 of the Bank Act, and meet with the external auditor to discuss them.
- 10.1.17 Recommend the declaration of dividends to the Board and review the related press release.
- 10.1.18 Review the annual financial statements of the subsidiaries supervised by the Office of the Superintendent of Financial Institutions (Canada) and recommend their adoption by the Board of Directors for each of the subsidiaries.
- 10.1.19 If applicable, review and approve transfers of tax between the Bank and its subsidiaries.
- 10.1.20 Review and approve the financial statements of the pension plans offered by the Bank to its employees.

*With respect to the internal audit function:*

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- 10.1.21 Approve the charter of the internal audit function.
- 10.1.22 Approve the selection and ensure the competence and independence of the officer in charge of internal audits.
- 10.1.23 Ensure that internal audit activities have a sufficient status, degree of independence and visibility, and that they are subject to periodic reviews.
- 10.1.24 Approve the internal audit plan and ensure that its scope is appropriate, risk-based, that it addresses major areas of concern, and that it is reviewed with appropriate frequency.
- 10.1.25 Discuss the material findings and recommendations with the officer in charge of internal audits, and follow up on them.
- 10.1.26 Periodically review the performance of the officer in charge of internal audit.

*With respect to internal controls:*

- 10.1.27 Ensure that Management implements appropriate internal controls and management information systems; review, assess and approve such systems, and ensure their integrity and effectiveness, including the elements comprised in any certification required by regulations.
- 10.1.28 Meet with the external auditor, the officer in charge of internal audits and Management to discuss the effectiveness of the implemented internal control and management information systems and the measures taken to rectify any material weaknesses and deficiencies.
- 10.1.29 Ensure that Management implements procedures regarding the receipt, retention and handling of complaints received with respect to accounting and internal accounting or audit controls, as well as regarding anonymous submissions by employees on questionable accounting or audit matters.
- 10.1.30 Approve the policy on the handling of complaints and comments about suspicious accounting activities and ensure that the policy is respected.

*With respect to supervisory agencies:*

- 10.1.31 Meet with regulatory authorities, discuss their findings and recommendations, and follow up on them.

## **10.2 Communication and Disclosure Functions**

- 10.2.1 Approve the way by which shareholders and other stakeholders can communicate with the Bank.
- 10.2.2 Ensure that adequate procedures are in place to examine the communication of financial information to the public excerpted or derived from financial statements.
- 10.2.3 Recommend to the Board of Directors that they approve the financial information disclosure policy and ensure that the policy is respected.
- 10.2.4 Report to shareholders on the Bank's performance.

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**11. Reporting**

The Committee reports on its activities to the Board of Directors verbally at the Board meeting that normally follows the Committee meeting, and in writing at the subsequent Board meeting.

The Committee also reports yearly on its activities to shareholders through the Bank's Management Proxy Circular.