

## AUDIT COMMITTEE MANDATE

### A. Overview and Purpose

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to overall financial stewardship of the Edmonton Regional Airports Authority (“Edmonton Airports”). The Audit Committee’s primary objective is to review and gain reasonable assurance (but not to ensure) that:

1. Edmonton Airports complies with all applicable laws and regulations or other requirements of governments or agencies relating to financial reporting and disclosure.
2. The accounting policies, significant judgments and disclosures underlying or incorporated in Edmonton Airports’ financial statements are the most appropriate in the circumstances.
3. Edmonton Airports’ quarterly and annual financial statements are accurate and present fairly Edmonton Airports’ financial position and performance in accordance with Generally Accepted Accounting Principles (GAAP).
4. Appropriate and accurate information concerning the financial position and performance of Edmonton Airports is contained in other disclosure documents such as Management’s Discussion and Analysis (MD&A).
5. Edmonton Airports’ accounting functions are performed in accordance with a system of internal controls designed to capture and record properly and accurately all of Edmonton Airports’ financial transactions.
6. Edmonton Airports’ internal financial controls are regularly assessed for effectiveness and efficiency.
7. Edmonton Airports’ financial statements are properly prepared by management.
8. Edmonton Airports’ annual financial statements are appropriately audited and reported on by appointed external auditors and can be recommended to the Board for approval.
9. Financial risks are identified and being effectively managed within Edmonton Airports’ tolerance for financial risks.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as anyone in the organization. All necessary and requested information provided by management shall be of high quality, complete, accurate and on a timely basis such that the Committee can discharge its responsibilities. The Audit Committee has the ability to retain, at Edmonton Airports’ expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. Except for approving quarterly unaudited financial statements and the annual audit

plan, the Audit Committee shall have no approval or decision-making authority unless provided for in this Audit Committee Mandate, or otherwise delegated by the Board.

## **B. Responsibilities and Scope**

### Financial Reporting

1. Review Edmonton Airports' annual audited financial statements and related documents (eg. MD&A) and recommend to the Board for approval prior to release or distribution. Review includes discussion with management and external auditors of significant issues regarding accounting principles (including any changes), practices, and significant management estimates and judgments. Receive and review the external auditors' report on the audit findings.
2. Receive and review written representations from management as to the integrity of Edmonton Airports' internal control and financial reporting systems and the conformity of Edmonton Airports' financial statements with GAAP appropriate in the circumstances. Discuss and review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and the steps management has taken to monitor and control such risks. Inquire as to the adequacy of internal controls to identify any payments or procedures that might be deemed illegal or improper.
3. Review significant findings prepared by the external auditors and the internal audit function together with management's responses, including the status of previous recommendations.
4. Review with management and the external auditors Edmonton Airports' quarterly financial results and related documents and approve them prior to the release of Edmonton Airports' quarterly financial statements.
5. Periodically, assess and be satisfied that adequate procedures are in place for the review of Edmonton Airports' public disclosure of financial information extracted or derived from Edmonton Airports' financial statements.

### External Auditors

1. The external auditors are accountable to the Audit Committee and the Board. The Audit Committee shall oversee the work of the external auditors, including resolution of any disagreements between management and the external auditors regarding financial reporting. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board the appointment of the external auditors or approve any discharge of auditors when circumstances warrant.
2. Review and recommend to the Board the fees and any other significant compensation to be paid to the external auditors.

3. Pre-approve all non-audit services to be provided to Edmonton Airports or any subsidiaries by the external auditors and be satisfied that any approvals do not impair the external auditors' independence.
4. Review the external auditors audit plan and engagement letter– discuss and approve audit scope, staffing, locations, reliance upon management, and internal audit and general audit approach.
5. Review and discuss all matters required to be communicated to audit committees by the external auditors in accordance with the standards established by the Canadian Institute of Chartered Accountants (CICA).
6. Consider the external auditors' judgments about the quality and appropriateness of Edmonton Airports' accounting principles as applied in Edmonton Airports' financial reporting.
7. Receive from management a copy of all representations provided to the external auditors.
8. Receive a copy of all correspondence between the external auditor and management.
9. Establish policies governing hiring of any partners or employees, or former partners or employees, of the external auditor.

#### Internal Audit and Legal Compliance

1. Review and approve management's decisions related to the need, scope and sourcing for internal audit function.
2. Review the mandate, budget, plan, changes in plan, activities, organizational structure, and qualifications of the internal audit function.
3. Review reports prepared by the internal audit function together with management's response and follow-up to these reports.
4. On at least an annual basis, review with Edmonton Airports' management and with external legal counsel if deemed necessary, any legal matters that could have a material impact on the organization's financial statements, Edmonton Airports' compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.
5. Review all reports concerning any significant fraud or regulatory noncompliance that occurs at Edmonton Airports. This review should include consideration of the internal controls that may need to be strengthened to reduce the risk of a similar event in the future.

#### Other Audit Committee Responsibilities

1. Review and reassess the adequacy of this Mandate and the Committee Workplan annually and submit the Mandate to the Board for approval.
2. Regularly assess the effectiveness of the Audit Committee against its Mandate and report the results of the assessment to the Board.
3. Regularly perform a self-assessment of Audit Committee performance including a review of Audit Committee roles and responsibilities, seeking input from executive management, the external auditors, and others as deemed appropriate.
4. Monitor the financial condition of pension plans and the performance of the pension fund.
5. Review in advance the appointment of Edmonton Airports' Chief Financial Officer.
6. Review and approve procedures for the receipt, retention and treatment of complaints received by Edmonton Airports regarding accounting, internal controls or auditing matters and address all concerns or complaints regarding accounting practices, internal controls or auditing matters reported by directors, officers and employees of Edmonton Airports in accordance with Edmonton Airport's Safe Disclosure Policy.
7. Encourage a "tone at the top" that fosters open and direct communication, cooperation and support that demands and rewards the basic values of ethical integrity as well as legal compliance and strong financial reporting and control.
8. Perform any other activities consistent with this Mandate, Edmonton Airports' by-laws, and governing law, as the Audit Committee deems necessary or appropriate or as requested by the Board.

#### **C. Membership and Attendance at Meetings**

1. The Audit Committee shall consist of not less than three (3) directors, each of whom shall be outside directors who are unrelated and free from any relationship that would interfere with the exercise of his or her independent judgment. All members of the Audit Committee shall be financially literate, being defined as able to read and understand basic financial statements. The members of the Audit Committee, including the Audit Committee Chair, shall be recommended by the Governance and Compensation Committee and appointed by the Board.
2. Any director may attend any meeting of the Audit Committee as a non-voting member.
3. Other attendees of Audit Committee meetings in whole or in part shall be at the invitation of the Audit Committee Chair.

**D. Meetings**

1. Meetings are to be held as required and the Audit Committee would normally meet four (4) or five (5) times per year.
2. Meetings may be called by the Audit Committee Chair, the external auditors or any of the Audit Committee members.
3. A quorum for the transaction of business at any meeting of the Audit Committee is a majority of appointed members.
4. The Audit Committee Chair shall prepare an agenda for each meeting with input from management, the Board Chair, the external auditors and Audit Committee members.
5. The Board Secretary shall ensure the delivery of notices, agendas and available related materials to the Audit Committee members No later than the day prior to the date of the meeting; however, it should be a standard practice to deliver the agenda and materials for consideration at the meeting at least five (5) days prior to the meeting except in unusual circumstances.
6. Meetings may be conducted with Audit Committee members present, or by telephone or communication facilities which permit all persons participating in the meeting to hear or communicate with each other.
7. A written resolution signed by all Audit Committee members entitled to vote on that resolution at a meeting of the Audit Committee is as valid as one passed at an Audit Committee meeting.
8. In the absence of the Audit Committee Chair at a meeting, the members will pick a Chair by to act as a replacement at the meeting.
9. The Audit Committee shall meet "*in camera*" with the external auditors, with management, and as an Audit Committee at each meeting, and with internal audit as deemed appropriate.
10. The Board Secretary will prepare minutes of the proceedings of all meetings of the Audit Committee and ensure that they are maintained and provided to Audit Committee members, the Board and the President and CEO.
11. The external auditors shall receive notice of all meetings and have a right to attend and be heard.