

TERMS OF REFERENCE: AUDIT COMMITTEE

I. PURPOSE

- A.** The Audit Committee (the “**Committee**”) acts in an advisory and oversight capacity to assist the BCLC Board of Directors (the “**Board**”) in fulfilling its financial oversight responsibilities relative to BCLC’s strategic goals and Mandate established by the Government of British Columbia (“**Government**”) acting in the public interest.

The Committee will:

- i. monitor the processes that are in place to maintain the integrity of BCLC’s financial, social purpose and ESG information which is provided to the public and Government;
 - ii. oversee the effectiveness of BCLC’s systems of internal control over financial, social purpose and ESG reporting;
 - iii. review, recommend and oversee the External Auditor;¹
 - iv. oversee the performance of BCLC’s internal Audit Services department (“**Audit Services**”);
 - v. review the findings of other audit type services provided to BCLC by external audit service providers;
 - vi. oversee the financial aspects of the BCLC Pension Plan and collaborate with the People & Culture Committee for overall Pension Plan oversight;
 - vii. monitor BCLC’s compliance with laws, regulations and policies that may apply;
 - viii. take into account any relevant considerations, including financial, social, environmental and stakeholder considerations in its planning, oversight and decision making; and
 - ix. undertake other matters that may be requested of the Committee by the Board from time to time.
- B.** The primary responsibility for the financial reporting, information systems, and internal controls of BCLC is vested in Management and is overseen by the Board.
- C.** The Audit Committee is responsible for ensuring the Audit Services Annual Audit Plan (“**AAP**”) is aligned with key risk areas identified through the Enterprise Risk Management (“ERM”) program established with the oversight of the Board and the Risk Committee.

¹ For the purposes of this Terms of Reference, “External Auditor” is defined as that independent firm of Chartered Professional Accountants that have been specifically engaged to audit BCLC’s annual consolidated financial statements. The Committee recognizes that there may be other external audit service providers (including the External Auditor) and regulators that perform audit type mandates for BCLC. In such circumstances these providers are referred to throughout this Terms of Reference as “external audit service providers”.

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II. COMPOSITION AND OPERATIONS

- A.** The Committee will be composed of not fewer than three Directors and not more than five Directors.
- B.** All members of the Committee will be financially literate and at least one will have appropriate accounting or related financial expertise.²
- C.** The Committee is anticipated to meet at least five times per year, once each quarter and an additional meeting to approve the annual audited financial statements, annual report and such other documents as required by Government.
- D.** The External Auditor will be advised of the names of the Committee members and will receive notice of and be invited to attend meetings of the Committee, and to be heard at those meetings on matters relating to the External Auditor's duties.
- E.** The Committee will meet with the External Auditor as it deems appropriate to consider any matter that the Committee or the External Auditor determines should be brought to the attention of the Board.
- F.** The Committee shall have access to Management, documents and resources as needed to fulfill its responsibilities, and, through the Corporate Secretary, is provided with the resources necessary to carry out its responsibilities.
- G.** The Committee is responsible for maintaining free and open communication between the Board, the Committee, Management (including Audit Services), the External Auditor and other external audit service providers, and to determine that all parties are aware of their respective responsibilities in regards to Committee duties;
- H.** The Committee will review and approve minutes after each meeting, which will be accessible to all Board members.
- I.** The Committee will report regularly to the Board with respect to its activities.
- J.** The Committee will be supported by a Management Lead designated by the President & CEO ("CEO), typically the Chief Financial Officer.

² The Board has defined being "financially literate" as: the ability to read and understand financial statements prepared in accordance with Canadian Public Sector Accounting Standards (PSAB) and International Reporting Standards (IFRS). Where there is a requirement for a Committee member to have appropriate accounting or related financial expertise this means the Committee member will have the ability to analyze and understand a full set of financial statements, including the notes attached thereto prepared in accordance with PSAB and IFRS; have an understanding of the significant processes and internal controls required by Management to prepare such financial statements; and have an understanding of the significant Internal and external audit processes and procedures required to audit such financial statements for an organization with comparable complexity to that of BCLC.

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- K. Administrative support will be provided by the Corporate Secretary or the Assistant Corporate Secretary.
- L. Through the Corporate Secretary, the Committee may retain and compensate such legal or other advisors as it considers necessary in discharging its oversight role, in keeping with budget, financial and procurement policies.

III. DUTIES AND RESPONSIBILITIES

The Committee has the responsibilities and powers set out in these Terms of Reference. Management is responsible for the preparation, presentation and integrity of BCLC's financial statements, for the appropriateness of the accounting principles and reporting policies that are used by BCLC and for establishing and maintaining internal control over financial reporting. The External Auditor is responsible for auditing BCLC's annual consolidated financial statements.

The Committee, in carrying out its responsibilities, believes that its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The Committee will take appropriate actions to monitor the overall corporate tone for quality financial reporting, sound business risk practices and ethical behaviour.

Subject to the powers and duties of the Board, the Committee will be accountable for the following duties:

A. Financial Statements and Other Financial Information

- i. The Committee will review and recommend for approval to the Board the following financial information and any other financial information that will be made available to Government:
 - a. BCLC's quarterly revised forecast and projections;
 - b. BCLC's business plan, operating and capital budgets;
 - c. BCLC's Service Plan;
 - d. BCLC's annual audited consolidated financial statements;
 - e. the annual unaudited financial statements of any BCLC subsidiary company;
 - f. BCLC's quarterly financial statements;
 - g. BCLC's Annual Service Plan Report; and
 - h. BCLC's *Financial Information Act* report.
- ii. The Committee will review and discuss:
 - a. the appropriateness of accounting policies and financial, social purpose and ESG reporting practices;

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- b. any significant proposed changes in financial, social purpose and ESG reporting and accounting policies and practices to be adopted by BCLC;
- c. any new or pending developments in accounting and reporting standards that may affect BCLC; and
- d. Management's key estimates and judgments that may be material to financial, social purpose and ESG reporting.

B. Internal Control and Information Systems, and Financial Resources

The Committee will review and obtain reasonable assurance that Management has designed and implemented appropriate internal control and information systems which are operating effectively to produce accurate, appropriate and timely financial, social purpose and ESG information. This includes:

- i. assessing BCLC's internal control and information systems in relation to financial, social purpose and ESG data by reviewing with Management, the respective reports of Audit Services, the External Auditor and other external audit service providers issued throughout the year;
- ii. monitoring compliance with statutory and regulatory obligations;
- iii. reviewing the appointment of the Chief Financial Officer taking into consideration, among other factors, previous employment by BCLC's External Auditor; and
- iv. reviewing the adequacy of accounting and finance resources.

C. Internal Audit

The BCLC internal Audit Services group ("**Audit Services**") reports functionally into the Chair of the Audit Committee and administratively to the CEO. The Audit Committee will oversee Audit Services and its relationship with the External Auditor and with Management; the CEO will coordinate its relationship to the Risk Management function.

The Audit Committee oversight of Internal Audit includes:

- i. reviewing and approving on an annual basis, in consultation with the CEO and Management, the Audit Services Charter;
- ii. reviewing and approving on an annual basis, in consultation with the CEO and Senior Management, the mandate, goals, resources and planned audit activities set out in the Audit Services AAP, including planned interactions with the External Auditor and other external audit service providers;
- iii. reviewing and ensuring the AAP is addressing key risks identified through the ERM program;

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- iv. reviewing any restrictions being placed on Audit Services from carrying out its AAP or significant problems being encountered;
- v. reviewing Audit Services' quarterly audit reports and approving any significant changes to the AAP that may be required;
- vi. meeting quarterly with the Director of Audit Services without Management present;
- vii. annually reviewing the performance of the Director of Audit Services and confirming Audit Services' compliance with the Audit Services Charter;
- viii. providing feedback to the CEO on the Committee's assessment of the performance of the Director of Audit Services; and
- ix. reviewing and approving, in consultation with the CEO and Management, proposed changes to the position of the Director of Audit Services.

D. External Audit

The External Auditor is ultimately responsible to the Committee and the Board as representatives of Government. The Committee will review the planning and results of the work of the External Auditor and BCLC's ongoing relationship with the External Auditor. This includes:

- i. reviewing and recommending to the Board the engagement of the External Auditor;
- ii. reviewing the External Auditor's annual audit plan covering the audit of the annual consolidated financial statements of BCLC, including but not limited to, the following:
 - a. engagement letter;
 - b. objectives and scope of the external audit work;
 - c. changes in applicable accounting and auditing standards;
 - d. materiality limit;
 - e. areas of audit risk;
 - f. staffing;
 - g. timetable; and
 - h. proposed fees;
- iii. meeting with the External Auditor to discuss BCLC's annual consolidated financial statements and the External Auditor's report thereon including the appropriateness of accounting policies and underlying estimates;
- iv. reviewing with and advising the Board with respect to the planning, conduct and reporting of the External Auditor's work, including but not limited to:

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- a. any difficulties encountered or restriction imposed by Management during the audit work; and
- b. any significant accounting or financial reporting issue;
- v. reviewing the External Auditor's evaluation of BCLC's system of internal controls, procedures and documentation;
- vi. reviewing the post audit or management letter containing any material findings or recommendation of the External Auditor, including Management's response thereto and the subsequent follow-up to any identified internal control weaknesses, then reporting to the Board if any significant issues arise;
- vii. reviewing any other matters the External Auditor brings to the Committee's attention, including at least the communications required by appropriate professional standards in connection with carrying out the audits of BCLC's annual consolidated financial statements;
- viii. reviewing the External Auditor's report, if any, on all material subsidiaries;
- ix. reviewing and approving any non-audit services to be provided by the External Auditor or its affiliates (including estimated fees) and considering the impact of the independence of the External Auditor, with such approvals being provided by the Committee in advance of the External Auditor commencing any such service;
- x. assessing the performance, qualifications and independence, and consider the annual appointment of, External Auditor for recommendation to the Board;
- xi. reviewing and receiving assurances on the independence of the External Auditor, including the results of its own internal quality control findings and those of the auditing profession's regulators pursuant to its reviews of the External Auditor's audits; and
- xii. meeting periodically, and at least annually, with the External Auditor without Management present.

E. Pension Plan

The Audit Committee and the People and Culture Committee ("**PC Committee**") both provide oversight of the BCLC Pension Plan (the "**Plan**") in accordance with the Board-approved governance structure and the Pension Plan Administration Manual ("**PPAM**"). The Audit Committee responsibilities include the following as may be amended from time to time in the PPAM:

- i. appoint an Audit Committee representative to attend Pension Plan Committee meetings and provide regular reports to the PC Committee and the Board on any concerns or emerging issues;
- ii. review performance and funding status of the Plan;
- iii. recommend to the Board funding contributions to the Plan as part of the BCLC budget process;

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- iv. after receiving input from the Pension Committee and Investment Consultant, recommend to the Board any changes in the investment managers;
- v. after discussion with the Pension Committee and PC Committee, if it deems appropriate, recommend any proposed amendments to the Governance Policy, Funding Policy or PPAM to the Board for approval;
- vi. review the Statement of Investment Policy and Procedures on an annual basis and after receiving advice from the Pension Committee and investment manager, recommend any changes in the asset mix to the Board;
- vii. review and recommend to the Board for approval the engagement of the external auditor for the Plan;
- viii. review the audit plan for the audit of the Plan;
- ix. review and recommend to the Board for approval the annual audited financial statements of the Plan;
- x. review and recommend to the Board for approval the actuarial valuations for the Plan;
- xi. review any legal developments related to the Plan; and,
- xii. report to the Board, following each Pension Plan Committee meeting, regarding matters dealt with in the report of the Pension Committee, and any emerging issues.

F. Other

During the course of each fiscal year, the Committee will:

- i. Review budgets and business plans for new initiatives and projects where the cost is over \$10 million to assess financial, social, environmental, public interest and stakeholder implications;
- ii. review significant findings of the work of all third party external audit service providers (which engagements are to be monitored by Audit Services), and consider having any such external audit service provider attend a Committee meeting for such purpose;
- iii. review BCLC's anti-fraud controls and any financial fraud risks identified by Enterprise Risk Management Services;
- iv. retain the opportunity to undertake exit interviews with senior financial staff;
- v. review policies and procedures for the review and approval of Management's expenses;
- vi. review expenses of the Board Chair and the CEO semi-annually.

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IV. ACCOUNTABILITY

The Committee will:

- i. report its discussions to the Board by oral or written report at the next Board meeting;
- ii. on an annual basis, review the Terms of Reference for the Committee and make recommendations to the Board for approval, if appropriate;
- iii. confirm to the Board on an annual basis, the Committee's fulfillment of its mandate for the preceding year.

V. ORIENTATION

Access to relevant orientation materials will be provided by the Corporate Secretary to new members of the Committee. New Committee members will be briefed by the Chair of the Committee on top priorities and issues of the Committee.

VI. EDUCATION

The Committee will regularly update its members with leading practices and educational requirements of audit committees generally in Canada, and specifically with respect to BCLC, in order that the members are able to carry out their responsibilities as set out in this Terms of Reference efficiently and effectively.

As part of the annual Board Evaluation Process, each Committee member will have an opportunity to submit recommendations for potential continuing professional development that would be of benefit to Committee members and permitted by applicable Government expense guidelines.

VII. COMMITTEE TIMETABLE

The timetable on the following page outlines the Committee's anticipated schedule of activities to fulfill its duties during the year.

