

## **CALGARY MUNICIPAL LAND CORPORATION (“CMLC”)**

### **AUDIT**

#### **BOARD COMMITTEE MANDATE**

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1. Pursuant to Section 5 of Replacement Bylaw No. 1 of CMLC (the “Corporation”) a committee of the directors to be known as the Audit Committee (hereinafter referred to as the “Committee”) is hereby established.
2.
  - (a) The Committee shall be comprised of a minimum of three independent non- management directors, none of whom shall have any interest in, or business or other relationship with the Corporation that may, or may reasonably be perceived to, interfere with the exercise of their independence from management and the Corporation.
  - (b) If not an appointed member of the Committee, the Chair of the Board may attend Committee meetings at his discretion but shall not be entitled to vote except as required by Section 7(b).
3. The members of the Committee shall be financially literate or become financially literate within a reasonable period of time after being appointed. Further, at least one member of the Committee shall have accounting or related financial management expertise. For purposes hereof, “financially literate” shall mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporations’ financial statements.
4. The members of the Committee shall be appointed or reappointed at the meeting of the Board of Directors (the “Board”) immediately following each Annual General Meeting of the Shareholder of the Corporation. Each member of the Committee shall continue to be a member thereof until his/her successor is appointed, unless he/she shall resign or be removed by the Board or he/she shall cease to be a director of the Corporation. Where a vacancy occurs at any time in the membership of the Committee, it shall be filled by the Board.

5. The board shall appoint a Chair of the Committee. If the Chair of the Committee cannot be present at any meeting of the Committee, the Chair shall, in advance of the meeting, designate another member of the committee, as Chair. Failing which, the chair of the Committee shall be chosen by the Committee from among the members present. At all meetings of the Committee, every question shall be decided by a majority of the votes cast on the question. In the case of an equality of votes, the motion shall be lost and the person acting as chair of the meeting shall not be entitled to a second or casting vote.
6. The Committee has the authority to investigate any activity of the Corporation. All employees are to cooperate as requested by the committee. All information received by the Committee in connection with any investigation will be made available for examination by a director of the Corporation upon request to the Chair of the Committee
7. The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provide that:
  - a) A quorum for meetings shall be two members, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other;
  - b) In circumstances where a quorum cannot be constituted as in 7(a), the Chair of the Board may be considered in establishing quorum and shall be entitled to vote for the duration of the meeting;
  - c) The Committee shall meet at least semi-annually; and
  - d) Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee, at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of meeting; and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. The external auditors are entitled to attend Committee meetings at the expense of the Corporation, if requested by the Chair. A meeting of the committee may be called by the Chair or CEO of the Corporation, by a member of the Committee or the external auditors. Notwithstanding the provision of this paragraph, the Committee shall at all times have the right to determine who shall and shall not be present at any part of the meeting of the Committee.

8. The Committee shall:

- a) in connection with its advisory functions:
  - (i) review and upon satisfaction recommend to the Board for approval all annual, interim and other financial statements of the Corporation, all annual and interim reports and annual information forms, management discussion and analysis and other public financial documents, if deemed required;.
  - ii) review and be satisfied with the policy and procedures in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements;
  - iii) review the external auditors' advice in respect of the Corporation's accounting systems and policies and representation letters given to the external auditors by management.
  - iv) review with Management and report to the Board, on an annual basis, on the financing plans of the Corporation.
  - v) at the conclusion of a Committee meeting, meet in camera with the external auditors, if present, and report to the Board on such meeting;
  - vi) review recommendations of the officers of the Corporation as to the appointment or reappointment of external auditors as well as qualifications in the case of new auditors and make recommendations to the Board with respect to the nomination and remuneration of external auditors to be appointed at each Annual General Meeting of the Shareholder.
  - vii) if a change in external auditors is proposed, the Committee will review the reasons for the proposed change as well as obtain a response from the incumbent auditor;
  - viii) oversee the work of the external auditors engaged for the purpose of preparing or issuing an audit report or related work;
  - ix) receive periodically, reports on the nature and extent of compliance with requirements regarding statutory deductions and remittances, including deductions and remittances under the Income Tax Act (Canada), the Excise Tax Act (Canada), the Canada Pension Plan Act, the Employment Insurance Act (Canada), the Alberta corporate Tax Act and the Health Insurance Premiums Act. (Alberta) and the nature and extent of non-compliance together with the reasons therefor, and the plan and timetable to correct deficiencies and report to the Board on the status of such matters;

- x) review any policy that delegates financial authorities from the Board of Directors to Management including, but not limited to, the Delegation of Authority Limits.
  - xi) review with officers of the Corporation, on an annual basis, and recommend to the Board, for approval, changes as considered advisable on the following:
    - a) the risks inherent to the Corporation's businesses, facilities and strategic direction;
    - b) the overall financing of risk (including insurance coverage);
    - c) the risk retention philosophy and the resulting uninsured exposure of the Corporation; and
    - d) loss prevention policies, risk management programs, standards and accountabilities of the Corporation in the context of competitive and operational consideration.
  - xii) annually review work plan and work load for the Vice President Finance & Administration for the Corporation.
- b) in connection with the exercise of its powers:
- i) review material related party transactions;
  - ii) engage and compensate independent counsel and other advisors that the Committee determines are necessary to carry out its duties;
  - iii) communicate directly with the external auditor as the Committee considers necessary to carry out its duties;
  - iv) communicate the Committee's expectations regarding the external auditor's performance and evaluate the auditor's past performance;
  - v) review the audit plan of the external auditor of the Corporation and inquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal control or fraud or other illegal acts. Review significant recommendations made by the auditors for the strengthening of internal controls;
  - vi) review as required the adequacy and effectiveness of internal controls over the accounting and financial reporting systems within the Corporation including management's response to the internal control recommendations of the external auditor.
  - vii) review any changes in accounting policies and the financial impact thereof and review any major areas of management judgement

and estimates that have a significant effect upon the financial statements;

- viii) review semi-annually with management, the external auditor and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation, and the manner in which these matters have been disclosed in the financial statements;
- ix) review annually with management material covenants in credit and loan agreements;
- x) review the information prepared for inclusion in the Corporation's annual information form required by applicable securities laws in relation to the Committee, its composition, expertise and policies, among other things;
- xi) review the disclosure provided by the Chief Executive Officer and Vice President, Finance & Administration in connection with:
  - a) the annual certification obligations pursuant to applicable laws, if any;
  - b) significant deficiencies and material weaknesses in the design or operation of internal controls that could adversely affect the corporation's ability to disclose information required to be disclosed by it under applicable securities laws within the time periods required; and
  - c) any fraud, whether or not material, that involves management or other employees with a significant role in the Corporation's internal controls;
- xii) monitor the independence of the external auditor through written disclosures and meetings with the auditor and by reviewing the independent auditor's account of the total fees derived from the audit client for management advisory services, during the past year and a description of such services;
- xiii) directly or by delegation to the Audit Committee Chair and Vice President, Finance & Administration, acting together, pre-approve non-audit related services provided by the external auditors and the fees related thereto and assess the impact of such non-audit related services on the independence of the external auditors;
- xiv) review the basis and amount of the external auditors' fees in light of the number and nature of reports issued by the auditors, the quality of the internal controls, the size, complexity and financial condition of the Corporation and the extent of internal audit and other support provided by the Corporation to the external auditors;

- xv) annually review all material consulting engagements for the effective and efficient use of consultants and to confirm that external audit firms were not contracted for audit services;
  - c) report to the Board after each Committee meeting, required during the year and, upon request, at the end of each fiscal year, table report to the Board with respect to its activities during the preceding year with such recommendations as are deemed desirable in the circumstances;
  - d) Formally assess its effectiveness on a yearly basis.
8. In instances where members of the Committee believe that in order to properly discharge their fiduciary obligations to the Corporation it is necessary to obtain the advice of external experts, the Chair shall, at the request of the Committee, engage the necessary experts. The Board shall be kept appraised of both the selection of the experts and the expert's findings through the Committee's regular reports to the Board.
9. The Committee shall meet in camera for a part of each meeting of the Committee.