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## AUDIT AND CONDUCT REVIEW COMMITTEE CHARTER

### Purpose

1. An Audit and Conduct Review Committee (hereinafter called the “**Committee**”) of the Board of Directors (hereinafter called the “**Board**”) of the Business Development Bank of Canada (“**BDC**”) is established to assist the Board to oversee and objectively assess the accuracy and integrity of its financial statements, internal controls, accounting standards, legal and regulatory compliance, management information systems and the independence of its External Auditors, the Chief Financial Officer (“**CFO**”), the Chief Audit Executive (“**CAE**”), the Chief Compliance Officer (“**CCO**”), the Chief Anti-Money Laundering Officer (“**CAMLO**”) and the Ombudsperson. The Committee also has responsibility for the oversight of standards of business conduct and ethics. The Committee promotes an overall corporate culture of quality financial reporting and ethical behaviour and encourages management to demonstrate a strong commitment to integrity and to prevention and detection of wrongdoing and fraud.

### Composition and Operation

2. Composition of the Committee

The Committee shall be composed of a minimum of three directors (“**Members**”), appointed by the Board to hold office until such time as a successor is appointed or the Member resigns, is removed or otherwise ceases to be a Director of the Board.

The Board shall appoint one Member as the Chairperson of the Committee (“**Chairperson**”). If the Chairperson is absent or unable to act, the Committee may elect an Acting Chairperson for the meeting.

Officers or employees of the Bank or any of its subsidiaries are not eligible to be appointed Member of the Committee.

All Members of the Committee shall be independent, as determined by Canadian securities legislation requirements, and free from any relationship that, in the opinion of the Board, could interfere with the exercise of their independent judgment or their ability to represent their own professional view as a Member of the Committee.

All Members of the Committee shall be financially literate, and at least one Member, shall have a background in accounting or related financial management expertise, financial literacy includes the ability to read and understand financial statements, including the notes, that present a breadth and level of complexity of accounting issues generally comparable to issues that can reasonably be expected to appear in BDC’s financial statements. It also includes the ability to understand accounting policies, judgments, and estimates and the ability to ask challenging and probing questions of senior management and of the Internal and External Auditors.

These requirements are consistent with Treasury Board Guidelines for Audit Committees in Crown Corporations and Other Public Enterprises.

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### 3. Operation of the Committee

For the purposes of carrying out its duties or any that are referred to it by the Board and to investigate any matter brought to its attention, the Committee shall have access to all books, records and personnel of the BDC.

The Committee may:

- i. conduct examinations, investigations or inquiries, and engage special legal, accounting or other advisors to assist, on terms and conditions as the Committee deems appropriate;
- ii. direct the External Auditors or the CAE to examine or consider a specific matter or area or to perform a supplemental review; and
- iii. approve fees to be paid to the External Auditors and any advisors retained by the Committee for such services.

### 4. Meetings

The Committee shall meet at the call of its Chairperson at least quarterly. Meetings may be called by any Member of the Committee, the Chairperson of the Board, the External Auditors, the CAE, the Ombudsperson, the CCO, the CAMLO or the Special Examiners during a special exam.

The Committee shall collaborate with the Board Risk Committee on issues relevant to both committees.

#### Quorum

For the transaction of its business, the majority of Members of the Committee shall constitute the quorum ("**Quorum**"). A Director who fulfills the requirements to serve as a Committee Member may be requested by the Committee Chairperson to attend a meeting as a temporary Member if Quorum cannot be reached with the appointed Committee Members.

#### Decisions

Matters presented at a meeting of the Committee for decision shall be decided by a majority of votes.

#### Secretary

BDC's Corporate Secretary, or Assistant Corporate Secretary, shall act as Secretary to the Committee ("**Secretary**"). The Committee may appoint a Secretary for a meeting if the Corporate Secretary and Assistant Corporate Secretary are unavailable to attend.

#### Notice

The Secretary shall give notice of Committee meetings by telephone, email or other electronic communications to Committee Members and the External Auditors, who are

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entitled to attend and participate in each meeting, and to any Special Examiners during a special exam.

#### Minutes of the Meeting

Minutes of Committee meetings shall be prepared by the Secretary who shall, subsequent to the Committee's approval thereof, keep them in a book of minutes.

#### Attendance at Meetings

The President and CEO, the CFO, the CAE and the CCO may attend Committee meetings and, upon the Committee's request, any other officer or employee of BDC or special advisor may attend Committee meetings to assist and advise the Committee as required.

#### In Camera Meetings

The Committee shall hold at each meeting *in camera* sessions with Committee Members only, the External Auditors, the CFO, and the CAE.

It shall also meet *in camera* as needed with the CEO, the CCO, the CAMLO, the Special Examiners during a special exam, members of management, special advisors, the Ombudsperson or any other party it deems necessary.

#### Reporting

The Committee shall report to the Board on its activities, findings, and recommendations at the first meeting of the Board following each Committee meeting.

### 5. Governance of the Committee

The Committee shall:

- i. review annually the annual work plan for its meetings. Any matters that arise from time to time will be added to the agenda on an *ad hoc* basis;
- ii. review at least every two years this Charter and evaluate its mandate to ensure that it reflects best practices and is relevant to BDC's business and associated risks and make recommendations to the Governance and Nominating Committee with respect to any proposed modifications for approval by the Board; and
- iii. assess annually its contribution and effectiveness in fulfilling its mandate and provide the results and make recommendations to the Governance and Nominating Committee.

### **Responsibilities and Duties**

6. The Committee provides an open channel of communication between the Board, management, the External Auditors, the finance, internal audit and compliance functions and the Special Examiners.

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7. Financial Reporting

The Committee shall review and make recommendations to the Board on the following:

- i. the annual audited financial statements, the quarterly financial statements and the management's discussion and analysis as well as the annual report and any other report that could materially affect the financial statements; and
- ii. the corporate plan and budgets.

8. Review of the Financial Statements

As part of its oversight of BDC's consolidated financial statements, the Committee shall verify that they are complete, reflect appropriate accounting standards and are fairly presented in accordance with the underlying financial reporting framework in all material aspects, and shall seek assurance from management with respect to their accuracy, completeness and legal and regulatory compliance regarding:

- i. any major financial risks to which BDC is exposed, the steps management has taken to identify, monitor and control such exposure;
- ii. investments and transactions that could materially affect the financial statements;
- iii. key areas of risk for material misstatement in the financial statements;
- iv. reports on any material legal and regulatory matters that might affect the financial statements, including pending legal actions and contingent liabilities;
- v. environmental and social governance disclosures required to be included in the financial reporting, including any such disclosures relating to climate-related matters; and
- vi. changes in accounting standards and financial statement presentations related to compliance with International Financial Reporting Standards.

9. Internal Controls, Information Management Systems and Disclosure

The Committee shall review and monitor the integrity, adequacy and effectiveness of the internal control framework and information management systems, including:

- i. approving the internal control framework over financial reporting and reviewing any exceptions to same;
- ii. obtaining reasonable assurance from management and the CAE on the adequacy and effectiveness of the internal control framework, including for fraud and error identification, prevention and detection, and management of contingencies;
- iii. questioning management and the CAE if there are any incidents of fraud;
- iv. reviewing annually and quarterly attestations on internal controls as well as reports of material internal control weaknesses from the CEO, the CFO, the CAE, the External Auditors and/or the Special Examiners, as well as on the effectiveness of management's corrective actions;

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- v. reviewing any fraud involving management or other employees who have a significant role in BDC's internal controls;
  - vi. overseeing the financial disclosure process, including reviewing reports on the adequacy and effectiveness of BDC's disclosure controls and procedures;
  - vii. recommending BDC's Disclosure Policy for approval by the Board;
  - viii. overseeing cybersecurity and the adequacy of BDC's information technology, including data governance and artificial intelligence, to support its mandate; and
  - ix. reviewing the processes relating to the certification from the CEO and the CFO on the design and effectiveness of internal controls and the disclosure of all transactions, in compliance with International Financial Reporting Standards.

10. Capital Management

The Committee shall:

- i. review and recommend for approval by the Board the Capital Management and Dividend Policy and Capital Allocation Policy;
- ii. review annually with the CFO reports on the efficient and effective use of capital including on funding, the material risks identified for capital quantification and for the amount of capital earmarked and the allocation of capital;
- iii. review with the CFO and the Chief Risk Officer ("**CRO**") the adequacy and effectiveness of the Capital Management Framework and internal controls for capital management;
- iv. review management's proposal with respect to the declaration of a dividend and recommend the payment of a dividend to the Shareholder;
- v. review management's proposal with respect to the repurchase of shares by the Shareholder and recommend the approval of the repurchase to the Board; and
- vi. review any disclosures with respect to regulatory or economic capital in the financial statements and the annual report.

11. Oversight of Function of the Chief Financial Officer and Finance Functions

11.1 The Committee shall oversee the Finance Department as well as the CFO function who is a member of Senior Management and reports to the President and CEO and ensure that the CFO is independent from businesses activities.

11.2 The Committee shall also:

- i. review and approve the appointment, removal and succession planning of the CFO and, as the case may be, recommend the approval to the Board;
- ii. review and approve annually the mandate of the CFO and the mandate of the Finance Department;

- iii. assess annually the performance and effectiveness of the CFO and convey its views to the Human Resources Committee as input into the compensation approval process for the CFO; and
- iv. oversee that the CFO has unfettered access to the Committee.

## 12. Oversight of Internal Audit Function

12.1 The Committee shall oversee the Internal Audit function and the CAE who reports functionally to the Committee and administratively to the CEO and is independent from the businesses whose activities the CAE reviews. The Committee shall:

- i. review recommendations from the Human Resources Committee on the appointment, removal and succession planning of the CAE and, as the case may be, recommend their approval to the Board;
- ii. review and approve on a regular basis the mandate of the CAE and the CAE's function;
- iii. review and approve on a regular basis the organizational structure as well as the budget and resources of the Internal Audit function; and
- iv. annually assess the performance, independence and effectiveness of the CAE and CAE function and make recommendations to the Human Resources Committee for the CAE's compensation, which shall be aligned with risk management objectives.

12.2 The Committee shall approve the annual internal audit plan, including the methodology, key areas of focus, planned audits, performance measures and internal audit resources.

The Committee shall review:

- i. the results and follow-ups reports of internal audit activities, including any material issues reported to management and the timing, execution and effectiveness of management's responses and action plans;
- ii. the status of identified control or risk management systems weaknesses reviewed with the CAE;
- iii. any issues brought forward by the CAE, including any difficulties encountered by the Internal Audit function such as audit scope, information access or resource limitations; and
- iv. any unresolved issues between management and Internal Audit to ensure they are resolved.

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13. Oversight of Compliance Function

13.1 The Committee shall oversee the activities of the Compliance Function and ensure that the CCO is independent from businesses activities. The Committee shall review and approve on a regular basis:

- i. the mandate of the CCO and the Compliance Function, including its work plan and objectives; and
- ii. the adequacy of the organizational structure, budget and resources of the Compliance Function.

13.2 The Committee shall:

- i. review and recommend for approval by the Board the Regulatory Compliance Policy;
- ii. review and discuss annual reports from the CCO on BDC's compliance with applicable laws and regulations, the effectiveness of BDC's compliance controls, any follow-up on outstanding issues and any reports by regulators related to the Compliance Function, including on related risks, and incidents;
- iii. oversee procedures to restrict the use and disclosure of confidential and personal information;
- iv. review reports related to the use and disclosure of client and employee information;
- v. review with the CCO the status of identified control weaknesses with respect to Legal and Regulatory Compliance and the timing, execution and effectiveness of management's responses and action plans; and
- vi. provide a forum for the CCO to have unfettered access to the Committee.

14. Oversight of the CAMLO Office

14.1 The Committee shall oversee the activities of the CAMLO, who reports to the Executive Vice-President and CRO, and ensure that the CAMLO:

- i. is independent from the lines of business and has no line of business responsibilities; and
- ii. has unfettered access to the Committee to raise any compliance issues or concerns with respect to the Know Your Client, Anti-Money Laundering, Anti-Terrorist Financing and Sanctions Policy ("**KYC/AML/ATF/S Policy**").

14.2 The Committee shall:

- i. review and recommend for approval by the Board the KYC/AML/ATF/S Policy; and
- ii. review the CAMLO's report on the design and operating effectiveness of internal controls with respect to KYC/AML/ATF/S; and review with the CAMLO

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the status of identified control weaknesses and the timing, execution and effectiveness of management's responses and action plans.

15. Oversight of Ombudsperson

The Ombudsperson reports directly to the Committee and administratively to the CEO. The Committee shall oversee the activities of the Ombudsperson and ensure that Ombudsperson is independent and has the resources necessary to fulfill the mandate. The Committee shall:

- i. receive annual reports from the Ombudsperson on any complaints received from employees, suppliers, the public or any other stakeholder;
- ii. review any complaints of accounting irregularities or inadequate accounting procedures; and
- iii. assess any trends or consequences and order action plans or remedial action to be undertaken.

16. External Auditors

The Committee shall review the terms of engagement and compensation of the External Auditors, who report directly to the Committee and are accountable to the Board and recommend to the Board their appointment and terms. The Committee shall receive a recommendation from management regarding the appointment of the External Auditors based on BDC's needs and make a recommendation to the Board which, once approved, is communicated by management to the Privy Council Office who ultimately decides. The Committee shall assess their qualifications, independence, and performance including the rotation of firms. It shall take all reasonable measures to ensure there are no conflicts of interest regarding employees of the External Auditors.

The Committee shall approve the External Auditors' annual audit plan, including the scope, staffing, coordination with Internal Audit, and the fees.

The Committee shall review:

- i. the annual External Auditors report, including the annual audited financial statements and the quarterly financial statements with the External Auditors and management, including the management's discussion and analysis and any material changes recommended by the External Auditors;
- ii. the audit reports and any material correspondence between the External Auditors and management related to audit findings and advise the Board of Directors;
- iii. any unresolved issues between management and the External Auditors and see that issues are resolved; and
- iv. all non-audit services to be provided by the External Auditors and approve them in accordance with the Non-Audit Services Approval Policy.



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17. Special Examinations

The Joint Auditors conduct a Special Examination at least once every ten years. The Committee shall review and advise the Board with respect to special examination plans and reports and shall:

- i. assess and accept to proceed with the plan presented by the Special Examiners, including the scope, staffing and recommend their fees to the Board;
- ii. meet privately with the Special Examiners whenever it deems necessary but at least once during the Special Examination period;
- iii. review the draft Special Examination report prepared by the Special Examiners and provide feedback to the Special Examiners before it is made final;
- iv. review the adequacy of management's draft responses and action plans resulting from the Special Examination and provide feedback to the Special Examiners before the report is made final and submitted to the Board;
- v. review the final Special Examination report and submit it to the Board for information; and
- vi. review with Internal Audit follow-up reports on the timing, execution and effectiveness of any agreed upon management actions resulting from the Special Examination.

18. Integrity and Conduct Review

The Committee is responsible to review the overall effectiveness of BDC's standards of integrity and review reports on BDC's conduct risk, including potential trends.

The Committee shall take all reasonable measures to ensure that management has adequate procedures in place to manage:

- i. compliance with the Code of Ethics including management of any material violations;
- ii. identification and resolution of potential conflicts of interest of employees;
- iii. protection of BDC's confidential information including proper classification, management and destruction of business and personal (employees' and clients') information;
- iv. personal trading of employees; and
- v. officers' and directors' expenses and preapprovals and disclosure of same on the BDC website.

The disclosure of wrongdoing or concerns regarding material financial matters, compliance with legal and regulatory requirements, unethical behaviour and violations of BDC Code of Ethics and BDC Board of Directors Code of Ethics and Conduct; and the reporting of issues to the Ombudsperson with confidentiality protected to the greatest

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extent possible. The Committee shall review periodically and recommend to the Board the Whistleblower Policy.

The Committee shall review quarterly reports on conduct issues and complaints filed in the last period as well as the status of all investigations under the Whistleblower Policy and mechanism to address conduct indicators and prescribe remedial action on the part of management as appropriate.

19. Procurement Activities

The Committee shall oversee procurement at BDC including the activities that govern the acquisition of Goods and/or Services, the identification and selection of vendors, establishment of commercial terms, negotiation of contracts and the actual purchase. The Committee shall:

- i. review and recommend for approval by the Board, the Procurement Policy;
- ii. review and recommend for approval by the Board, contracts in accordance with the Procurement Policy and Directive; and
- iii. receive reports on professional fees and contracts approved by management.

***In contributing to the Committee's discharging of its duties for the above Charter, each Member of the Committee shall be obliged only to exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any Member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board Members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the financial accounting functions are being conducted effectively and BDC's financial reporting and disclosure objectives are being met to enable the Committee to report thereon to the Board.***