**PUBLIC SECTOR PENSION INVESTMENT BOARD**
**(PSP INVESTMENTS)**

# TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

**Approved by the Board of Directors on August 13, 2026**

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## INTRODUCTION

The Audit Committee (the "Committee") is a standing committee of the Board of Directors (the "Board") of the Public Sector Pension Investment Board ("PSP Investments"). The Committee has been established in accordance with the *Public Sector Pension Investment Board Act* (the "Act").

The Committee must be comprised of at least three Directors, all of whom must be financially literate[1] and otherwise eligible under section 27 (1.1) of the Act. The Committee reports to the Board on its activities, findings and recommendations.

Pursuant to the *Financial Administration Act* ("FAA"), the Auditor General of Canada (the "Auditor General") will be the external auditor of PSP Investments unless the Auditor General waives this requirement. An external audit firm may also be appointed joint external auditor of PSP Investments with the Auditor General each a "Joint External Auditor" and collectively the "External Auditors").

## DUTIES AND RESPONSIBILITIES

Subject to the duties and responsibilities of the Board, and to the requirements of the Act, the Audit Committee will perform the following duties:

### 1. Financial Reporting

(a) Require Management of PSP Investments, in respect of itself and each of its subsidiaries, to keep books of account and records for each Pension Plan Account, including the record of investments held by each Pension Plan Account in accordance with the requirements of the Act;

(b) Review and recommend to the Board for approval the consolidated financial statements of PSP Investments and the financial statements (together with the notes thereto) for each Pension Plan Account on a quarterly and on an annual basis and the annual portfolio returns against related benchmarks of PSP Investments;

(c) Meet with Management and the External Auditors to discuss the quarterly and annual consolidated financial statements of PSP Investments and the auditors' report;

[1] An individual who is "financially literate" is someone who can read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by PSP Investments' financial statements.

(d) Review all investments and transactions that could materially adversely affect the return on PSP Investments' investments that are brought to the Committee's attention by the External Auditors or Management;

(e) Discuss any communications from External Auditors commenting on significant concerns on the part of the External Auditors;

(f) Review and recommend to the Board for approval, the Management Discussion and Analysis ("MD&A") section of PSP Investments' Annual Report and all other Financial Information or sustainability-related information contained within the Annual Report;

(g) Review and approve prior to public disclosure

i. Press releases of PSP Investments which accompany financial statements to the extent such press releases discuss the financial position, performance or operating results of PSP Investments; and

ii. All other public disclosures of Financial Information, including Sustainability-Related Financial Information of PSP Investments or of the Pension Plan Accounts, to the extent that the information has not been previously approved by the Committee or by the Board.

(h) Review the appropriateness of accounting policies and financial and/or sustainability reporting practices, any significant proposed changes in financial or sustainability reporting and accounting policies and practices, and any new or pending developments in accounting and reporting standards that may affect PSP Investments or the Pension Plan Accounts; and

(i) Review the key estimates and judgments of Management that may be material to the financial reporting of PSP Investments.

## 2. Internal Controls

(a) Require Management to implement and maintain appropriate, reliable and effective internal control procedures, to report on accurate, appropriate and timely management and Financial Information and/or Sustainability-Related Financial Information;

(b) Review, evaluate and approve internal control procedures established by Management in accordance with Section 2(a);

(c) Obtain reasonable assurance by discussion with and reporting from Management, the Chief Internal Auditor, and the External Auditors, that: (i) the information systems, security of information and recovery plans are adequate and reliable; and

(ii) the internal control procedures required for PSP Investments to conduct business are properly designed and effectively implemented; and

(d) Meet regularly with the Chief Internal Auditor of PSP Investments and with members of Management as appropriate, to discuss the effectiveness of the internal control procedures.

## 3. Internal Audit

(a) Ensure that internal audits are conducted with respect to governance, risk management and control processes for PSP Investments;

(b) Review and approve an annual internal audit plan, including objectives, scope and timing;

(c) Review and approve the internal audit charter;

(d) Review the internal audit function to ensure that the function has the resources needed to fulfill its mandate and responsibilities and maintain its independence, including by requiring that the function be free of any influence that could adversely affect its ability to objectively assume its responsibilities, that there are no restrictions or limitations placed on the Chief Internal Auditor in terms of access to information or the conduct of the internal audit work and ensuring that the Chief Internal Auditor reports to an appropriate line level;

(e) Review the findings of internal audits, including any difficulties or disagreements that arise with Management and Management's response thereto and follow-up on any issues identified; and

(f) On a regular basis, meet separately with the Chief Internal Auditor to discuss any matters that the Committee or the Chief Internal Auditor believes should be discussed privately.

## 4. External Audit

(a) Oversee the annual assessment of the effectiveness of the External Auditors to ensure a high degree of audit quality and independence;

(b) Make recommendations to the Board for recommendation to the Minister with respect to the reappointment or appointment of the Joint External Auditor, when applicable;

(c) If a change in a Joint External Auditor is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditor, and enquire as to the qualifications

of the proposed Joint External Auditor before making its recommendation to PSP Investments' Board;

(d) Examine and approve the terms and engagement letter of the annual external audit plan including objectives, coordination and scope of audits, duties and responsibilities of the External Auditors and timing and estimated budgets of the annual external audits;

(e) Oversee the work of the External Auditors relating to the preparation or issuance of an auditor's report or the performance of other audit, review or services for PSP Investments;

(f) On a regular basis, meet separately with the External Auditors and Management to discuss and review specific issues related to the Committees responsibilities as appropriate; and ensure that there is an effective working relationship between each Joint External Auditor, the Chief Internal Auditor and Management; and

(g) Approve a policy on auditor independence and monitor such independence.

## 5. Special Examination

(a) Oversee the conduct of any special examination under the FAA and review and advise the Board with respect thereto;

(b) Review any special examination plan and examination criteria and oversee coordination with the Chief Internal Auditor;

(c) Review all special examination findings and together with other Board Committees, as appropriate, monitor Management's response to all findings;

(d) Ensure that a report of any special examination is included in PSP Investments' next annual report; and

(e) Review any matters which the special examination brings to the attention of the Committee and Management's response thereto and follow-up on any issues identified.

## 6. Operations

(a) Review and recommend to the Board for approval an annual operating and capital budget and receive periodic reports from Management on significant expenses;

(b) Approve new mandates with service providers entailing a material financial commitment[2] and involving significant enterprise risks that are not otherwise approved by the Board or a committee of the Board;

(c) Oversee the implementation of PSP Investments' technology and digital strategy, including major projects and related risks;

(d) Review and approve a corporate information security policy which sets out the guidelines and general principles to prudently and proactively manage the information security risk (including cyber security) to which PSP Investments is exposed and receive reporting on cyber security risks;

(e) Review PSP Investments' tax strategy and practices and receive periodic reports on significant taxation developments;

(f) Receive reporting on corporate insurance coverage;

(g) Review and approve PSP Investments' procurement policy; and

(h) Review and approve all banking arrangements of PSP Investments and appropriate delegations to Management.

## 7. Employee Pension Plans

(a) Approve the reappointment or appointment of the external auditor of the Pension Plans; and

(b) Approve the annual financial statements of the Pension Plans.

## 8. Governance and Management Oversight

(a) Ensure the creation and maintenance of an appropriate mechanism to report on a confidential and anonymous basis financial fraud, questionable accounting or auditing matters, receive reporting on such matters and ensure that any and all appropriate investigations are undertaken;

(b) Review with the Chief Legal Officer any claim or contingency that could have a significant effect on the financial condition or results of operations of PSP Investments, the manner in which such claim or contingency is being managed and the manner in which it has been disclosed in the financial statements of PSP Investments;

[2] Refers to a non-investment related contract expected to exceed a total contract value of CA $15 million.

(c) Serve as the primary liaison, on behalf of the Board, and provide the appropriate forum for all matters related to audits, examinations, investigations or inquiries of the External Auditors or Chief Internal Auditor;

(d) Review the appointment or termination of the Chief Financial Officer and inform the Chief Executive Officer of any concerns or findings;

(e) Approve the appointment or termination of the Chief Internal Auditor;

(f) Review the annual performance evaluation of the Chief Financial Officer with the Chief Executive Officer before such evaluation is presented to the Human Resources and Compensation Committee at year-end; and

(g) Review the annual performance evaluation of the Chief Internal Auditor with the Chief Financial Officer at year-end.

**9. Other**

(a) Undertake, at the request of the Board, such other activities as may be necessary or desirable;

(b) Retain, as necessary, independent counsel, accountants or other specialists to advise the Committee or assist in the conduct of an investigation; and

(c) Review periodically, in consultation with the Governance Committee, the Terms of Reference for the Committee.

## DEFINITIONS

In addition to terms elsewhere defined herein, the following defined terms apply to these Terms of Reference for the Audit Committee:

"**Board Committees**" refers to following committees of the Board: Investment and Risk Committee, Audit Committee, Governance Committee, and Human Resources and Compensation Committee.

"**By-laws**" refers to the by-laws governing the conduct and management of PSP Investments approved and amended from time to time by the Board.

"**Chief Executive Officer**" refers to the Chief Executive Officer of PSP Investments duly appointed by the Board.

"**Chief Financial Officer**" refers to the Chief Financial Officer of PSP Investments duly appointed by the Board.

"**Chief Internal Auditor**" refers to the Chief Internal Auditor of PSP Investments or any person acting in a similar capacity. The Managing Director and Chief Internal Auditor currently acts as Chief Internal Auditor.

"**Chief Legal Officer**" refers to the Chief Legal Officer of PSP Investments duly appointed by the Board.

"**Directors**" refers to members of the Board.

"**Employees**" refers to all personnel employed by PSP Investments and PSP Investments' wholly-owned entities established for the purposes of its operations including Officers, Management and other staff.

"**Financial Information**" refers to data that represents the financial performance, position and cash flows of PSP Investments as well as material accounting policies, judgments, assumptions and estimates used in preparing, structuring and presenting such data.

"**Funds**" refers to the Canadian Forces Pension Fund within the meaning of the Canadian Forces Superannuation Act, the fund established under the regulations made under section 59.1 of that Act for the Reserve Force, the Public Service Pension Fund within the meaning of the Public Service Superannuation Act and the Royal Canadian Mounted Police Pension Fund within the meaning of the Royal Canadian Mounted Police Superannuation Act.

"**Governance Committee**" refers to the Governance Committee of the Board.

"**Human Resources and Compensation Committee**" refers to the Human Resources and Compensation Committee of the Board.

"**Management**" refers to the Officers of PSP Investments and the other members of the senior management team of PSP Investments as may be determined from time-to-time by the Chief Executive Officer and communicated to the Board.

"**Minister**" refers to the President of the Treasury Board.

"**Officers**" refers to those employees who are appointed as officers by the Board in accordance with the Act and By-Law No. 1.

"**Pension Plans**" refers to all Canadian Employee registered retirement plans.

"**Pension Plan Accounts**" refers to the four separate accounts established and managed by PSP Investments for each of the Funds and which receive such Funds' respective transfers of amounts from the Government of Canada.

"**Sustainability-Related Financial Information**" refers to information about PSP Investments' sustainability-related metrics as well as material policies, judgments,

assumptions and estimates used in preparing, structuring and presenting such data, which are useful to primary users of general-purpose financial reports.

These Terms of Reference were most recently reviewed and amended by the Board on August 13, 2026.