



TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

I. PURPOSE

- A.** The primary function of the Audit Committee (the “Committee”) is to assist the Board in fulfilling its oversight responsibilities for ICBC and its subsidiaries by reviewing:
- i) the financial information that will be provided to the Government and the public;
 - ii) the Corporate Risk Management Framework which establishes ICBC’s approach to risk management;
 - iii) the Internal Audit Charter;
 - iv) the systems of internal controls and information systems that Management has established; and
 - v) all audit processes.
- B.** Primary responsibility for the financial reporting, information systems, risk management and internal controls of ICBC and its subsidiaries is vested in Management and is overseen by the Board.

II. COMPOSITION AND OPERATIONS

- A.** The Committee shall be composed of not fewer than three directors and not more than five directors.
- B.** All members of the Committee should be independent.
- C.** All members of the Committee shall be financially literate and at least one will have accounting or related financial experience.¹
- D.** ICBC’s auditors shall 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 auditor’s duties.
- E.** The Committee shall meet with the external auditor as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the Board.
- F.** The Committee shall meet at least four times each year.

¹ The Board has defined “financial literacy” as: the ability to read and understand a statement of financial position, income statement and a cash flow statement. Where there is a requirement for a director to have accounting or financial experience this means the director shall have the ability to analyze and understand a full set of financial statements, including the notes attached.



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- G. The Committee has access to ICBC's senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.
- H. The Committee provides open avenues of communication among management, employees, external and internal auditors and the Board of Directors.
- I. The secretary to the Committee shall be either the Corporate Secretary or his/her delegate.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will perform the following duties:

AUDIT COMMITTEE RESPONSIBILITIES

A. Financial Statements and Other Financial Information

The Committee will review and, where appropriate, approve or recommend for approval to the Board:

- i) review and recommend approval of ICBC's annual audited financial statements;
- ii) review and recommend approval of ICBC's quarterly financial statements;
- iii) review the appropriateness of Management's policies and practices with respect to the provision for unpaid claims, reserves and surplus;
- iv) review and recommend approval of any financial results advisements;
- v) review and approve the accounting assumptions used to develop the year-end pension and post-retirement benefit plan obligations and the following year's pension and post-retirement benefit plan expense;
- vi) review and recommend approval of the annual audited statements of the Management and Confidential Pension Fund and the Supplemental Retirement Plan "A" for Designated Officers of which ICBC is the legal Administrator;
- vii) review and recommend approval of the quarterly financial outlooks;
- viii) review and recommend approval of the assumptions used to develop the annual Corporate budget;
- ix) review and recommend approval of the annual Corporate budget;

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- x) review the appropriateness of accounting policies and financial reporting practices used by ICBC, particularly with reference to automobile insurance industry practices;
- xi) review and recommend approval of any significant proposed changes in financial reporting and accounting policies and practices to be adopted by ICBC;
- xii) review any new or pending developments in accounting and reporting standards that may significantly affect ICBC;
- xiii) review Management's key estimates and judgments that may be material to financial reporting; and
- xiv) review and recommend approval of the transfer of Excess Optional Capital to the Province of BC (subject to the approval of the audited financial statements), as required.

B. Risk Management

Initial oversight responsibilities for risk management are conducted by the Committee on behalf of the Board. These responsibilities include:

- i) review and recommend for approval to the Board the Corporate Risk Management Framework which establishes ICBC's approach to risk management at least once every five years;
- ii) understand the material financial risks inherent in executing the Corporation's objectives; and except for those risks that are monitored by another Committee, receive quarterly updates from Management on the risks monitored by this Committee to understand the status of strategies to address such risks so there is consistency between management and the Committee as to the tolerance for the potential exposure (impact and duration) presented by such risks; and
- iii) review the organization and independence of the risk management function, including oversight by an independent consultant to be conducted at least once every five years.

C. Internal Control and Information Systems

The Committee will review and obtain reasonable assurance that internal controls and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

- i) review Management's steps to implement and maintain appropriate internal control procedures including a review of material policies supporting the preparation of accurate and reliable financial information;

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- ii) monitor compliance with statutory and regulatory obligations;
- iii) obtain reasonable assurance that the information systems are properly designed, implemented, protected and reliable through discussions with and reporting from Management, the internal auditor and the external auditor;
- iv) obtain reasonable assurance that internal controls are properly designed and effectively implemented through discussions with and reporting from management, the internal auditor and the external auditor; and
- v) review adequacy of business continuity plans.

D. Internal Audit

The Committee will oversee ICBC's internal audit function and the internal audit relationship with the external auditor and with Management. This includes:

- i) review and receive assurances on the independence of the internal audit function and the internal auditor;
- ii) review results of annual internal quality assurance program and an independent Quality Assessment Review to be conducted at least once every five years;
- iii) review and approve the three year audit plan;
- iv) review sufficiency of audit resources quarterly, including annual performance metric results;
- v) review the annual audit budget;
- vi) review the results of major activities, key findings, issues and matters that have an effect on controls, integrity of management and quality of financial reporting as reported by the internal auditor;
- vii) meet periodically and at least quarterly with the internal auditor without management present;
- viii) review proposed changes in the position of head of the internal audit department; and
- ix) annually review and recommend for approval to the Board the Internal Audit Charter.

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E. External Audit

The independent auditor is ultimately responsible to the Committee and the Board of Directors as the representative of the shareholder. The Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

- i) review and recommend for approval to the Board the engagement of the external auditor, and inform Government;
- ii) review the annual external audit plan, including but not limited to the following:
 - i) engagement letter;
 - ii) objectives and scope of the external audit work, including coordination of audit efforts with internal audit;
 - iii) materiality limit;
 - iv) areas of audit risk;
 - v) staffing;
 - vi) timetable; and
 - vii) proposed fees.
- iii) meet with the external auditor to discuss the Corporation's annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;
- iv) review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:
 - i) any difficulties encountered, or restrictions imposed by Management, during the annual audit; and
 - ii) any significant accounting or financial reporting issues.
- v) review the auditors' evaluation of ICBC's system of internal controls, procedures and documentation;
- vi) review the post audit 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;

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- vii) assess the performance of the external auditor annually;
- viii) review the auditor's report on all material subsidiaries;
- ix) review and receive assurances on the independence of the external auditor;
- x) review the non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the external audit in accordance with the External Auditor Independence Policy;
- xi) meet periodically, and at least annually, with the external auditor without management present; and
- xii) any other matters the external auditor brings to the Committee's attention.

F. Code of Ethics

- i) obtain a report from the internal auditor for the receipt and treatment of allegations, including anonymous submissions regarding financial accounting or auditing matters made by employees or others. Review allegations and action taken;
- ii) on a quarterly basis review any allegations received through the anonymous reporting tool, identifiable trends and how substantiated allegations have been addressed. The process of reporting should require NIL reports when no allegations have been received in the period; and
- iii) review any allegations under the Code of Ethics pertaining to the Chief Financial Officer, the Controller and/or the head of the internal audit function.

G. Other

- i) review and recommend to the Board the appointment of the Appointed Actuary;
- ii) annually review insurance coverage of significant business risks and uncertainties;
- iii) review and recommend to the Board the adoption of a Re-insurance Program annually and, at least once every five years, review and recommend adoption of the Re-insurance Risk Management Policy;
- iv) review and recommend to the Board approval of the Optional Minimum Capital Test ("MCT") target ratio;



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- v) review material litigation and its impact on financial reporting, with significant matters brought forward as required at the discretion of Management;
- vi) retain the opportunity to undertake exit interviews with senior financial staff;
- vii) review expenses of the Board Chair and President/Chief Executive Officer (the “CEO”) semi-annually;
- viii) review the terms of reference for the Committee annually and make recommendations for changes to the Board as required;
- ix) review the Spending and Payment Authority annually and make recommendations for changes to the Board as required;
- x) review the Banking Resolution annually and make recommendations for changes to the Board as required;
- xi) in considering the appointment of the Chief Financial Officer, take into consideration, among other factors, previous employment by the Corporation’s external auditor;
- xii) review any changes to the reporting relationship or responsibilities of the Chief Financial Officer; and
- xiii) provide feedback to the Chief Financial Officer on the performance of the head of the internal audit function.

IV. ACCOUNTABILITY

The Committee shall report its discussions to the Board by oral or written report at the next Board meeting.

V. COMMITTEE TIMETABLE

The timetable on the following pages outlines the Committee’s schedule of activities.

Last reviewed by the Committee: October 25, 2016



AUDIT COMMITTEE CALENDAR

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
A. Financial Statements and Other Financial Information													
i)	Review and recommend approval of ICBC's annual audited financial statements						X						
ii)	Review and recommend approval of ICBC's quarterly financial statements	X						X			X		
iii)	Review the appropriateness of Management's policies and practices with respect to the provision for unpaid claims, reserves and surplus						X						
iv)	Review and recommend approval of any financial results advisements						X						
v)	Review and approve the assumptions used to develop the year-end pension and post-retirement benefit plan obligation and the following year's pension and post-retirement benefit plan expense										X		
vi)	Review and recommend approval of annual audited statements of the Management & Confidential Pension Fund and the Supplemental Retirement Plan "A" for Designated Officers of which ICBC is the legal Administrator						X						
vii)	Review and recommend approval of the quarterly financial outlooks	X						X			X		
viii)	Review and recommend approval of the assumptions used to develop the annual Corporate budget										X		
ix)	Review and recommend approval of the annual Corporate budget	X											
x)	Review the appropriateness of accounting policies and financial reporting practices used by ICBC, particularly with reference to automobile insurance industry practices						X						
xi)	Review and recommend approval of any significant proposed changes in financial reporting and accounting policies and practices	X					X	X			X		

NOTE: This Calendar indicates the month in which the Audit Committee will perform the activities set out herein.



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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
xii) Review any new or pending developments in accounting and reporting standards that may significantly affect ICBC	X					X	X			X		
xiii) Review management's key estimates and judgments that may be material to financial reporting						X						
xiv) Review and recommend to the Board approval of the transfer of Excess Optional Capital to the Province of BC, as required						X						
B. Risk Management												
i) Review and recommend for approval to the Board the Corporate Risk Management Framework which establishes ICBC's approach to risk management (at least once every five years)										X		
ii) Receive quarterly updates on the risks monitored by this Committee	X					X	X			X		
iii) Review the organization and independence of the risk management function, including oversight by an independent consultant (at least once every five years)							X					
C. Internal Control and Information Systems												
i) Review Management's steps to implement and maintain appropriate internal control procedures including a review of material policies	X					X	X			X		
ii) Monitor compliance with statutory and regulatory obligations	X					X	X			X		
iii) Obtain reasonable assurance that the information systems are properly designed, implemented, protected and reliable through discussions with and reporting from Management, the internal auditor and the external auditor	X					X	X			X		

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
iv) Obtain reasonable assurance that internal controls are properly designed and effectively implemented through discussions with and reporting from management, the internal auditor and the external auditor	X					X	X			X		
v) Review adequacy of business continuity plans						X						
vi) Review Cyber Security Program										X		
D. Internal Audit												
i) Review and receive assurances on the independence of the internal audit function and the internal auditor						X						
ii) Review results of annual internal quality assurance program						X						
iii) Conduct independent Quality Assessment review (at least once every 5 years)										X		
iv) Review and approve the three-year audit plan										X		
v) Review sufficiency of audit resources	X					X	X			X		
vi) Review the annual audit budget										X		
vii) Review annual performance metrics						X						
viii) Review the results of major activities, key findings, issues and matters as reported by the internal auditor	X					X	X			X		
ix) Meet periodically and at least quarterly with the internal auditor without management present	X					X	X			X		
x) Review and recommend for approval to the Board the Internal Audit Charter										X		

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
E. External Audit												
i) Review & recommend for approval to the Board the engagement of the external auditor, and inform Government							X					
ii) Review external audit plan										X		
iii) Meet with auditor to discuss ICBC's annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates						X						
iv) Review and advise the Board with respect to the planning, conduct & reporting of annual audit						X						
v) Review the auditor's evaluation of ICBC's system of internal controls, procedures and documentation						X						
vi) Review 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						X						
vii) Assess the performance of the external auditor annually							X					
viii) Review the auditor's report on material subsidiaries						X						
ix) Review and receive assurances on the independence of the external auditor						X						
x) Review the non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the external audit in accordance with the External Auditor Independence Policy	X					X	X			X		
xi) Meet periodically, and at least annually, with the external auditor without management present	X					X	X			X		

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
F. Code of Ethics												
i) Obtain a report from the internal auditor for the receipt and treatment of allegations, including anonymous submissions regarding financial accounting or auditing matters made by employees or others. Review allegations and action taken.	X					X	X			X		
ii) On a quarterly basis review any allegations received through the anonymous reporting tool, identifiable trends and how substantiated allegations have been addressed. The process of reporting should require NIL reports when no allegations have been received in the period.	X					X	X			X		
iii) Review any allegations under the Code of Ethics pertaining to the Chief Financial Officer, the Controller and/or the head of the internal audit function	X					X	X			X		
G. Other												
i) Review and recommend to the Board approval of the appointment of the Appointed Actuary						X						
ii) Review insurance coverage of significant business risks and uncertainties							X					
iii) Review and recommend to the Board the adoption of a Re-insurance Program										X		
iv) Review and recommend to the Board the Re-Insurance Risk Management Policy (at least once every five years)										X		
v) Review and recommend to the Board approval of the Optional Minimum Capital Test (MCT) target ratio	X											
vi) Review material litigation and its impact on financial reporting, with significant matters brought forward as required at the discretion of Management	X					X	X			X		
vii) Review expenses of Board Chair and CEO	X						X					

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
viii) Review Committee terms of reference and make recommendations for changes to the Board as required										X		
ix) Review the Spending and Payment Authority and make recommendations for changes to the Board as required										X		
x) Review Banking Resolution and make recommendations for changes to the Board as required	X											
xi) Provide feedback to the CFO on the performance of the head of the internal audit function	X											

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