



EquityLine Mortgage Investment Corporation  
**Audit Committee Charter**  
August 4, 2020

## 1. Equity Line MIC - Audit Committee Charter

### 1.1. Purpose and Role

The Board of Directors (the “Board”) of EquityLine Mortgage Investment Corporation Inc. (the “Corporation” or the “Company” or “ELMIC”) has established an Audit Committee (the “Committee”) for the purpose of providing the Board with recommendations relating to oversight of the integrity of the financial and related information of the Corporation, including its financial statements, the internal controls and procedures for financial reporting and the processes for monitoring compliance with legal and regulatory requirements and to review the independence, qualifications and performance of the external auditor of the Corporation. Management is responsible for establishing and maintaining those controls, procedures and processes and the audit committee is appointed by the Board to review and monitor them.

### 1.2. Composition

The Committee shall consist of no fewer than three Directors who are not employees of the Company and who have been appointed by the Board. The Board shall appoint the Chair of the Committee (the “Chair”), who shall appoint the Secretary of the Committee. All members of the Committee must be “financially literate,” (i.e., have the ability to read and understand a balance sheet, an income statement and a cash flow statement).

The Board shall appoint the Chair of the Audit Committee.

### 1.3. Authority

The Board has delegated to the Committee the duties and powers specified in section 171 of the *Canada Business Corporations Act* (the “CBCA”). The Committee has the authority to conduct or authorize investigations into any matter within its scope of responsibility. It is empowered to:

- Determine the public accounting firm to be recommended to the Corporation’s shareholders for appointment as external auditors, and, subject to applicable law, be directly responsible for the compensation and oversight of the work of the external auditors. The external auditors will report directly to the Committee;

- Resolve any disagreements between management and the external auditors regarding financial reporting;
- Pre-approve all auditing and permitted non-audit services performed by the Corporation's external auditors;
- Retain independent counsel, accountants, or others to advise the Committee or assist in its duties;
- Seek any information it requires from external parties or employees - all of whom are directed to cooperate with the Committee's requests;
- Meet with the Corporation's officers, external auditors or outside counsel, as necessary; and
- Delegate authority, to the extent permitted by applicable legislation and regulation, to one or more designated members of the Committee, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full Committee at its next scheduled meeting.

#### 1.4. Meetings

The Committee shall hold such meetings as are required to carry out this mandate, generally on a day different than the regularly scheduled Board meeting. Any member of the Committee may call meetings of the Committee by contacting its Chair or the Corporate Secretary. The Chair shall preside over all Committee meetings, and in the absence of the Chair, the members of the Committee present may appoint a chair from their number for that meeting.

The agenda for each meeting shall be established by the Chair, taking into account suggestions from other Directors and the President and CEO. Meeting materials and information shall be distributed in advance of each meeting so as to provide adequate time for review.

Directors are expected to attend, in person or by electronic means, all meetings of the Committee, to come to such meetings fully prepared, and to remain in attendance for the duration of the meeting. Where a Director's absence from a meeting is unavoidable, the Director should, as soon as practicable after the meeting, contact the Chair for a briefing on the substantive elements of the meeting.

Notices of meetings shall be sent to all Committee members and, for informational purposes, to the Board Chair, to all other Directors and to the CEO of the Corporation.

At the invitation of the Committee, senior management and others may attend its meetings as the Committee considers necessary or desirable.

### 1.5. Quorum

A majority of members of the Committee, present in person, by teleconference or by videoconference will constitute a quorum.

### 1.6. Chair

The Board will, following the annual general meeting of shareholders, appoint the Chair of the Committee from among the members of the Committee. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. The Chair of the Committee shall be responsible for developing and setting the agenda for Committee meetings; determining the time, place and frequency of Committee meetings; and such duties and responsibilities as are set down in the document, "Position Description for a Committee Chair".

The Chair or a designate shall report to the Board on material matters arising at Committee meetings and, where applicable, shall present the Committee's recommendations to the Board for its approval.

### 1.7. Duties and Responsibilities

The Board has delegated to the Committee the duties and powers specified in section 171 of the CBCA and, without limiting these duties and powers, the Committee will carry out the following responsibilities.

## 1. Financial Statements

- a. Review significant accounting and reporting issues for their effect on the financial statements. These issues include: complex or unusual transactions and highly judgmental areas; major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles; and the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation.
- b. Review analyses prepared by management and/or the external auditors, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of new or revised accounting methods and standards on the financial statements.
- c. Review with management and the external auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the external auditors' activities or on access to requested information, and the resolution of any significant disagreements with management.
- d. Review and discuss the annual audited financial statements with management and the external auditors, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"), including the discussion of critical accounting estimates included therein.

- e. Review the annual financial statements and MD&A and determine whether to recommend their approval by the Board.
- f. Review disclosures made by the Chief Executive Officer and the Chief Financial Officer about significant deficiencies or material weaknesses in the design or operation of internal controls or any fraud involving any person who has a significant role in the Corporation's internal controls.
- g. Review and discuss earnings communications prior to their release to shareholders.

## 2. Internal Control

- a. Consider the effectiveness of the Corporation's internal control system, including information technology security and control.
  - i. Understand the scope of internal audits and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
  - ii. Review external auditors' management letters and management's responses to such letters
  - iii. As requested by the Board, discuss with management and the external auditors the Corporation's major risk exposures (whether financial, operational or otherwise), the adequacy and effectiveness of the accounting and financial controls, and the steps management has taken to monitor and control such exposures.
- b. Annually review the Corporation's disclosure controls and procedures, including any significant deficiencies in, or material non-compliance with, such controls and procedures.

## 3. External Audit

- a. Review the external auditors' proposed audit scope, approach and budget.
- b. Oversee the work and review the performance of the external auditors and make recommendations to the Board regarding the appointment or discharge of the external auditors. In performing this oversight and review, the Committee will:
  - i. At least annually, obtain and review a report by the external auditors describing:
    - 1. the external auditors' internal quality control procedures;
    - 2. any material issues raised by the most recent internal quality control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues; and
    - 3. all relationships bearing on the external auditors independence from the Corporation
  - ii. Take into account the opinions of management and corporate finance and accounting employees
  - iii. Review and evaluate the lead partner of the external auditors.
  - iv. On an annual basis receive and review from the external auditors a report on items required to be communicated to the Committee by applicable rules and regulations

- v. Present its conclusions with respect to the external auditors to the full Board of Directors.
- c. On a regular basis, meet separately with the external auditors to discuss any matters that the Committee or external auditors believe should be discussed privately.

#### **4. Compliance**

- a. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- b. Establish procedures for:
  - i. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
  - ii. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- c. Review the findings of any examinations by regulatory agencies, and any external auditors observations made regarding those findings
- d. Review the process for communicating the Code of Conduct to directors, officers and employees, and for monitoring compliance with the Code.
- e. Obtain regular updates from management and the Corporation's legal counsel regarding compliance matters.

#### **5. Reporting Responsibilities**

- a. Report regularly to the Board about Committee activities and issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's external auditors, and the performance of the Internal Financial Control and Reporting system.
- b. Provide an open avenue of communication between the external auditors and the Board.
- c. Report annually to shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by applicable legislation or regulation.
- d. Review any other reports the Corporation issues that relate to Committee responsibilities.

#### **6. Other Responsibilities**

- a. Discuss with management the Corporation's major policies with respect to risk assessment and risk management.
- b. Perform other activities related to this Committee Charter as requested by the Board of Directors.
- c. Institute and oversee special investigations as needed.

- d. Review the appropriateness of hiring an employee from the external auditing firm, or who has worked for the external auditors within some period of time established by the Committee.
- e. Confirm annually that all responsibilities outlined in this Committee Charter have been carried out.

## 7. Funding

- a. The Corporation shall provide for appropriate funding, as determined by the Committee, for
  - i. compensation to the external auditors for the purpose of preparing or issuing an audit report or performing other audit review or attest services as pre-approved by the Committee;
  - ii. compensation to any outside experts employed by the Committee; and
  - iii. ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## 8. Vacancy and removal.

- a. A Director may resign from the Committee or may be removed and replaced at any time by the Board.
- b. Any Committee member automatically ceases to be a member as soon as that member ceases to be a director.
- c. A Director who misses two consecutive meetings without valid reasons is considered to have submitted notice of his or her resignation. The Board will consider whether to accept such notice or pursue other options.
- d. The Board will fill vacancies in the Committee by appointment from among the Directors.
- e. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members will exercise all its powers.

## 9. Secretary and Minutes

- a. The Corporate Secretary of the Corporation or such other person as may be appointed by the Chair, will act as Secretary of the Committee.
- b. The minutes of the Committee will be in writing and duly entered into the books of the Corporation and will be circulated to all Directors.

- 10. **Charter Review** - The Committee, in conjunction with the Governance Committee, shall review and assess the adequacy of this charter from time to time and recommend any changes to the Board for approval.

This charter was last revised and approved by the Board on August 4<sup>th</sup>, 2020.

**Stability**  
**Predictability**  
**Diversification**

