

CANADIAN SCHOLARSHIP TRUST FOUNDATION

AUDIT AND RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

1. Mandate

The Audit and Risk Management Committee is a standing committee of the board of directors of Canadian Scholarship Trust Foundation (the “Foundation”). Its mandate is to assist the board in fulfilling its oversight responsibilities in respect of the Foundation and its subsidiaries and the other entities it controls, including the trusts, plans, funds and investment vehicles it sponsors from time to time (collectively, the “CST Group”) in respect of (a) its financial reporting, internal financial controls and systems and public offering documents, (b) its risk assessment and management practices, and (c) its policies and practices in respect of regulatory compliance, conflict of interest, business ethics and market conduct in all matters except the investment function (which is the responsibility of the Investment Committee).

It is the responsibility of management to manage the business and affairs of the CST Group. In particular, it is management and not the committee that is responsible for the planning and conduct of the audit and for determining that the financial statements are complete, accurate, fairly presented, and in accordance with Canadian generally accepted accounting principles, and that all regulatory requirements applicable to the CST Group are scrupulously observed.

In exercising its business judgment, the committee shall rely on the information and advice provided by senior management, the outside auditors, the internal auditor, if any, and internal financial and compliance personnel. The committee shall endeavour, with that support, to ensure that the CST Group fully and fairly represents its financial condition and the results of its operations in all dealings with third parties.

2. Duties

In order to discharge its mandate the Audit and Risk Management Committee shall:

A. Outside Auditors

A.1 Annually recommend to the board (a) the selection of the outside

auditors taking into account their independence and effectiveness and the terms of their engagement, and (b) the amount of the auditors' fees.

- A.2 Annually review with the outside auditors and senior financial management the scope of the external audit for the current year, and, if proposed, any significant changes from the original audit plan.
- A.3 Require the outside auditors to represent to the committee annually (i) that the auditors have reviewed these terms of reference as amended from time to time, (ii) that all matters which the auditors are required to raise for discussion have been brought to the attention of the committee, and (iii) the details of all non-audit relationships between the audit firm and the CST Group.
- A.4 Review with the outside auditors any significant relationships disclosed under A.3 and satisfy itself on a continuing basis as to the outside auditors' objectivity and independence.
- A.5 Review the evaluation of internal financial controls by external auditors.
- A.6 Direct the outside auditors to promptly contact the chair of the committee with respect to any significant issue or disagreement concerning the accounting policies or practices employed by the CST Group, the financial statements, or any other matter that is not resolved to the auditors' satisfaction.
- A.7 Meet privately with the outside auditors at each meeting of the committee, without management present, to ensure full and free discussion of all matters which could impact on the integrity of the financial administration or the financial information of the CST Group.
- A.8 Review the performance of the outside auditors at least annually.
- A.9 Review and approve all requests for non-audit services to be performed by the outside auditors for the CST Group before such work commences.
- A.10 Request that the outside auditors provide to the committee, at least annually, an oral and/or written report describing the outside auditors' internal quality assurance policies and procedures as well as any material issues raised in the most recent internal quality assurance reviews, quality reviews conducted by the Canadian Public Accountability Board, or any inquiry or investigation conducted by government or regulatory authorities.

B. Financial Statements/Offering Documents

- B.1 Review (i) the draft annual financial statements and accompanying continuous disclosure documents and (ii) any interim financial statements to be provided to third parties (other than monthly operating reports required to be filed with bankers), with senior financial management and the outside auditors to determine that

the outside auditors are satisfied with the quality and appropriateness of the disclosure and content of the statements, including the nature and extent of any changes in accounting principles, and recommend approval of annual financial statements to the board prior to their release.

- B.2 Advise senior financial management and the outside auditors that they are expected to provide the committee a timely analysis of significant emerging financial reporting issues and practices that may impact the CST Group.
- B.3 Discuss with senior financial management and the outside auditors their qualitative judgments as to the appropriateness, as well as the acceptability, of the accounting policies and financial disclosure practices used or proposed to be adopted, including the clarity of financial disclosure, and any alternative accounting policies or practices that could have been employed.
- B.4 Unless there is a meeting of the committee planned in conjunction therewith, require senior financial management to meet with the chair of the committee prior to any regularly scheduled meetings of the board to review the most recent internal interim financial reports and any accounting issues or changes in accounting policies or financial disclosure practices which have arisen or have been adopted or proposed since the prior meeting of the board.
- B.5 Review all offering documentation by which plans or other investment vehicles may be proposed for submission to regulatory authorities in respect of the distribution activities of the CST Group prior to the submission of such documentation to the board for approval, including the discussion of such documentation with senior financial management and the outside auditors to confirm the quality and appropriateness of the disclosure and content of such documentation.

C. Internal Audit Function

- C.1 Until instituted, review with senior management at least annually the appropriateness of establishing within the CST Group an internal audit function.
- C.2 Upon the establishment of an internal audit function, recommend amendments to these terms of reference to provide for the oversight of the internal audit function.

D. Ethical Business Conduct and Regulatory Compliance

- D.1 Promote the development of high standards of market conduct and business ethics in the affairs of the CST Group (in respect of the investment management function, the development of standards and related oversight is the responsibility of the Investment

- Committee).
- D.2 Review policies and procedures to better assure that the mission of the CST Group, the standard of business ethics expected of employees, enrolment directors and sales agents and, if and when established, all codes of conduct are well articulated and properly disseminated throughout the CST Group and its distribution network.
 - D.3 Review the programs and policies designed by management to assure compliance with applicable regulatory requirements and monitor the results of such compliance by employees, enrolment directors and sales agents.
 - D.4 At each meeting of the committee, meet privately with the compliance officer without other management present (i) to provide open dialogue in respect of compliance by the CST Group with regulatory requirements and approved policies and in respect of the programs and policies of the CST Group relating to business ethics, conflict of interest and other market conduct matters, and (ii) to confirm effective cooperation by senior management and other personnel in respect of compliance issues.
 - D.5 Establish procedures for the receipt, retention and treatment of complaints received by the CST Group regarding accounting, internal controls and auditing matters or other possible violations of internal codes of conduct and other policies or external regulations, whether or not related specifically to financial matters; and the confidential, anonymous submission by employees of the CST Group of concerns regarding matters in respect of which a complaint is made.

E. Risk Management/Internal Controls

- E.1 Provide oversight in respect of the risk management policies and practices of the CST Group, including the identification of risks and the monitoring of processes and steps taken to mitigate risks.
- E.2 Review annually with senior management the adequacy and effectiveness of financial controls and management and information systems, including accounting and budget controls, financial planning and computer operation and security; and discuss these issues annually with the outside auditors in the context of any auditors' management letter.
- E.3 Discuss risk identification and management processes with the outside auditors.

F. General

- F.1 Review the adequacy of these terms of reference at least annually.
- F.2 Conduct or authorize investigations into any matters within the committee's mandate.

The committee may, with the approval of the chair of the board, engage independent advisors in respect of matters within its mandate if it determines that this is necessary to enable it to properly discharge its responsibilities.

3. Membership

- 3.1 The Audit and Risk Management Committee shall be comprised of a minimum of three directors. All members other than those serving as ex-officio shall be appointed by the board.
- 3.2 The Chair of the Board of the Foundation shall be an ex officio member of the committee who shall have the same rights as other members of the committee including the right to be counted towards a quorum and the right to vote.
- 3.3 All committee members shall be independent of the Foundation according to the standards of independence applicable to Canadian publicly listed corporations. Financial literacy shall also be a requirement for appointment as a member of the committee. The chair of the committee shall be a person who, by reason of training or experience, has expertise in financial matters.
- 3.4 A director appointed by the board shall serve as chair of the committee. If the committee chair is not present at a meeting or is unable to act as chair, the committee shall select a chair for the meeting in question.
- 3.5 The appointment of the chair of the committee will be on an annual basis. However, the normal rule will be that a committee chair will serve in the position for three successive one year terms, unless determined otherwise by the board based on an annual evaluation of the committee chair overseen by the Corporate Governance and Human Resources Committee.

4. Meetings

- 4.1 The Chief Executive Officer, at the direction of the committee chair, shall call meetings of the Audit and Risk Management Committee upon notice as required in the bylaws. The committee chair shall call a meeting if requested by the Chief Executive Officer, the chair of the board, the chief financial officer, the compliance officer, the internal auditor (if any) or the outside auditors.
- 4.2 Meetings may be held in person, by telephone or videoconference hook-up, or by any individual member participating by telephone or videoconference hook-up.
- 4.3 A quorum of any meeting of the committee shall be a majority of its members and decisions taken by a majority of those present shall constitute a decision of the committee.
- 4.4 The Chief Executive Officer and the immediate past Chair of the Board shall be entitled to receive notice of, and attend, all meetings of the Audit and Risk Management Committee, unless the chair of the committee determines that it would be appropriate for the meeting, or an item of

business at the meeting, to proceed in their absence. This could occur, for example, if the item of business relates to some alleged conflict of interest. Neither the Chief Executive Officer nor the immediate past Chair of the Board are members of the committee and shall not be counted for the purposes of determining whether a quorum is present.

- 4.5 The outside auditors are entitled to receive notice of, and attend, all meetings of the Audit and Risk Management Committee.
- 4.6 Each meeting of the committee shall include a private session with only committee members present. In addition, meetings shall be structured to provide an opportunity at each meeting for separate private discussions with the internal audit provider (if any), outside auditors and the Chief Financial Officer.
- 4.7 Committee meeting agendas shall be the responsibility of the chair of the committee in consultation with committee members, senior management, the internal audit provider (if any) and the outside auditors.
- 4.8 The committee shall communicate its expectations to management, the internal audit provider (if any) and the outside auditors with respect to the nature, timing and extent of its information needs. The committee expects that written materials will be received from management, the internal audit provider (if any) and the outside auditors at least one week in advance of meeting dates.
- 4.9 The committee may request any officer or employee of the Company or the CST Group's outside counsel to attend a meeting of the committee or to meet with consultants to, the committee.

5. Reporting

- 5.1 Minutes of meetings of the committee shall be maintained in such fashion as the committee shall direct and copies of the minutes shall be distributed to the board prior to its next regular meeting. The committee may determine that minutes of its private sessions shall not be made available to management, including management directors.
- 5.2 At each meeting of the board, the chair shall report on the work of the committee which has been undertaken since the last report.