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Proxy Disclosure Audit Committee Transparency



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Background

The Canadian Centre for Audit Quality (CCAQ) has analyzed the audit committee disclosures made in the annual Management Proxy Circular (or the Management Information Circular) documents of companies in the Toronto Stock Exchange 60 (TSX 60) for fiscals 2022, 2023 and 2024¹. The purpose of this analysis was to better understand how audit committees at the largest Canadian publicly traded companies are disclosing the manner in which they exercise their oversight of audit quality, and the extent to which they communicate their processes to investors.

In their evaluation of the auditor, audit committees consider several factors, including the auditor's performance, specific company knowledge and industry expertise, audit methodologies used, technologies applied in the audit process, including the use of artificial intelligence, the quality of communication, and the potential disruption and costs that an auditor change can impose on the company.

We believe that detailed disclosure in the Management Proxy Circular (MPC) of decision-useful information regarding the processes performed by the audit committee as they discharge their oversight responsibilities, the unique factors considered by the audit committee when reviewing the performance of an auditor, and how these activities lead to either the reappointment of the incumbent auditor or re-tendering of the audit can be helpful to investors.

1. Date ranges included in the analysis: 2022 fiscal year proxy statements refer to MPCs filed between October 1, 2022 and September 30, 2023, 2023 fiscal year proxy statements refer to MPCs filed between October 1, 2023 and September 30, 2024, and 2024 fiscal year proxy statements refer to MPCs filed between October 1, 2024 and October 30, 2025.



New This Edition

Considering the evolving national and international developments in anti-money laundering (AML) and anti-terrorist financing (ATF) and recognizing the importance of robust whistleblower protections, an essential component of effective AML/ATF frameworks, we have introduced a new section in this year's edition.

We have also expanded our analysis of disclosures related to board composition and skills, as well as the audit committee's responsibility over certain emerging risks to include expertise and risk oversight of the use of artificial intelligence (AI). AI adoption among Canadian businesses is accelerating, with 12.2% of businesses reporting the use of AI to produce goods or deliver services in Q2 2025, double the rate from

the previous year, driven primarily by the increased use of applications such as text analytics, data analytics, virtual agents and deep learning^{2,3}. As the integration of AI into core business functions accelerates, it is increasingly important for boards and audit committees to understand the associated risks of AI adoption to ensure effective oversight and safeguard stakeholder interests.



2. Statistics Canada. The Daily — Business Use of Artificial Intelligence, Second Quarter 2025. Published August 14, 2025. <https://www150.statcan.gc.ca/n1/pub/11-621-m/11-621-m2025008-eng.htm>
3. Per IBM, "Deep learning is a subset of machine learning that uses multilayered neural networks, called deep neural networks, to simulate the complex decision-making power of the human brain." Source: Holdsworth J, Scapicchio M. *What Is Deep Learning?* IBM Think. Published June 17, 2024. <https://www.ibm.com/think/topics/deep-learning>



Overview of the Audit Committee Disclosure Results

The 2024 results reflect a slight improvement over 2023 in the amount and depth of audit committee disclosures, with opportunities for continued enhancement in certain areas, such as audit fees and its connection to audit quality (Q5-Q8), artificial intelligence risk oversight (Q16), and disclosure related to anti-money laundering and terrorist financing (Q17).

Management Proxy Circular Disclosure Query

Audit Quality Assessment of the External Auditor

- Q1** Is there disclosure related to a discussion of Audit Committee considerations in appointing or (re) appointing the external auditor?
- Q2** Is there disclosure of the length of time the auditor has been engaged?
- Q3** Is there disclosure related to a discussion about how the Audit Committee considers the length of auditor tenure?
- Q4** Is there disclosure related to a discussion of the use of Canadian regulatory best practices for the assessment of auditor performance, such as the use of a comprehensive review every five years, or the use of an Audit Quality Indicator (AQI) assessment?
- Q5** Is there disclosure related to a discussion of audit fees and its connection to audit quality?
- Q6** Is there disclosure related to a discussion of how non-audit services may impact independence?
- Q7** Is there a statement that the Audit Committee is responsible for fee negotiations?
- Q8** Is there an explanation provided for a change in fees paid to the external auditor?
- Q9** Is it stated that the evaluation of the external auditor is at least an annual event?
- Q10** Is there disclosure of a discussion on audit partner mandatory rotation requirements?



Audit Committee Composition and Responsibilities

- Q11** Is it disclosed that the board of directors has a cybersecurity expert?
- Q12** Is it disclosed that the Audit Committee is responsible for cybersecurity risk oversight?
- Q13** Is it disclosed that the board of directors has an ESG or sustainability expert?
- Q14** Is it disclosed that the Audit Committee is responsible for ESG oversight?
- Q15** Is it disclosed that the board of directors has an AI expert?
- Q16** Is it disclosed that the Audit Committee is responsible for AI risk oversight?

Anti-Money Laundering

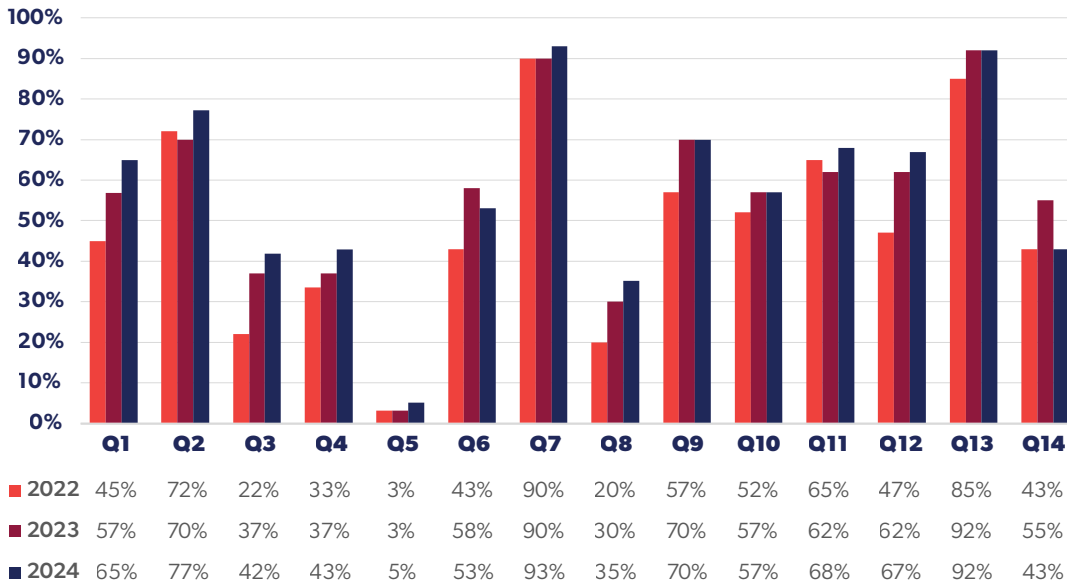
- Q17** Is there disclosure related to anti-money laundering and anti-terrorist financing and/or whether the audit committee is responsible for assessing the risks associated with anti-money laundering or anti-terrorist financing regimes?
- Q18** Is there disclosure regarding the company's whistleblower or ethics hotline?
- Q19** Is it disclosed that the Audit Committee is responsible for reviewing financial whistleblower or ethics hotline complaints?



The results for Questions 1 through 14 are summarized in the chart below, highlighting that Canada’s largest companies continue to enhance the level of detail in their proxy circular disclosures. Notably, there is increased transparency around key areas such as the auditor assessment process and the audit committee’s

oversight of emerging issues, including ESG and cybersecurity. The findings for Questions 15 through 19 are addressed within their respective sections, and a comprehensive summary of all questions and results is provided in **Appendix 1**.

TSX 60 Disclosure Trends 2022 - 2024



To evaluate the proxy disclosures made, we have developed a series of questions to assess the quality and breadth of proxy disclosures for the TSX 60 from 2022 to 2024. Further information on the questions we used to assess the disclosures, and the resulting analysis, can be found in the next section. We believe that opportunities still exist within the largest Canadian public companies to improve their audit committee disclosure in the proxy filings.

It is important that disclosures made by audit committees in the proxy not be boilerplate, vague or lacking specificity to the company, its auditor, or its particular circumstances. Otherwise, the disclosure will have no real value to investors as they assess the performance of the audit committee and could result in investors resorting to using simpler metrics, such as auditor tenure, to make voting decisions.



Audit Committee’s Responsibility Over Audit Quality

The audit committee and the board of directors are responsible for the oversight of their company’s financial statements and other corporate reporting. As part of this process, oversight over the external auditor is an important responsibility. Enhanced audit committee disclosure of the activities that they perform to discharge these responsibilities, as well as others, can lead to positive audit quality outcomes.

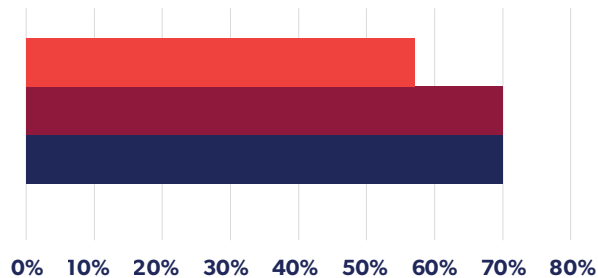
Each year presents an opportunity for the audit committee to clearly communicate in their MPC how it is fulfilling its responsibilities and contributing to audit quality, offering transparency to investors. This annual communication to investors should include the processes that the audit committee has developed to

exercise their oversight over the external auditors, how they utilize those processes, and how audit committee members conclude on their annual (Q9) performance assessment of the auditor and the overall audit quality of their financial information.

2022 - 2024 TSX 60 Filers: Annual Auditor Assessment

Q9: Is it stated that the evaluation of the external auditor is at least an annual event?

- 2022 TSX 60 Filers
- 2023 TSX 60 Filers
- 2024 TSX 60 Filers



Discussion that could be helpful to investors to understand the audit committee’s auditor assessment process is the disclosure of what factors the audit committee considers when re-appointing an auditor, including tenure, partner rotation, audit firm and audit team industry knowledge, and the company’s experience and relationships with the audit team. Clear disclosures that reflect the audit committee’s active role and responsibility in selecting and retaining a qualified external auditor, an essential action supporting audit quality, are crucial. Sharing the factors that the audit

committee considered, including both advantages and challenges in retaining an auditor, along with any unique circumstances that occurred during the year, helps convey the depth of the audit committee’s engagement and provides valuable insight for their key stakeholders.

Another effective disclosure in the proxy communication is whether the audit committee is implementing governance best practices on the assessment of auditor performance, including the performance of periodic comprehensive reviews at least every five years,



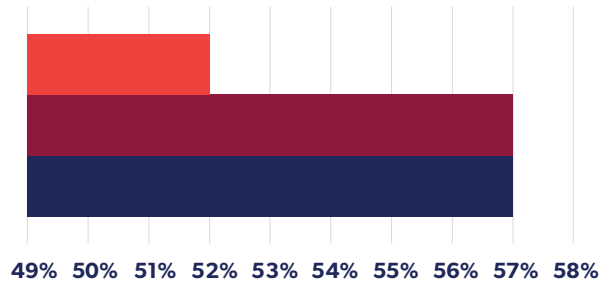
along with the use of Audit Quality Indicators (AQIs)⁴. Many stakeholders and regulators believe that the performance of periodic comprehensive reviews by the audit committee at least every five years⁵, along with the use of AQIs, is the preferred approach to addressing institutional familiarity threats as compared to mandatory firm rotation or a mandatory retendering process (Q4). This is due to other regulatory safeguards in place within Canada, including mandatory partner and engagement quality partner rotation.

For public company auditors in Canada, there is a regulatory requirement to rotate the lead audit partner every seven years (five years for SEC registrants) with a five-year cooling off period, and a requirement to rotate certain other partners on the audit every seven years with a two-year cooling off period. A quality review partner is similarly subject to a mandatory rotation and “cooling off” period, which is the same as the engagement lead partner.

2022 - 2024 TSX 60 Filers: Mandatory Partner Rotation

Q10: Is there disclosure of a discussion on audit partner mandatory rotation requirements?

- 2022 TSX 60 Filers
- 2023 TSX 60 Filers
- 2024 TSX 60 Filers



As part of their oversight responsibilities, audit committees should incorporate publicly available data sources into their evaluation frameworks. This includes leveraging audit firm inspection results from CPAB (Canadian Public Accountability Board), which can serve as a valuable tool for assessing auditor performance,

identifying systemic issues, and helping to inform on reappointment decisions. Integrating such external benchmarks enhances transparency and supports a more robust approach to promoting audit quality.

4. Please refer to the publication "Enhancing Audit Quality: Canadian Perspectives – Conclusions and Recommendations" jointly authored by CPA Canada and CPAB (Canadian Public Accountability Board) in May 2013 and supported by the Institute of Corporate Directors (ICD) and the Office of the Superintendent of Financial Institutions (OSFI).

5. Please refer to the tool developed for periodic comprehensive reviews of the external auditor by CPA Canada titled "Periodic Comprehensive Review of the External Auditor: Tool for Audit Committees", as originally published in January 2014 and updated in September 2018.



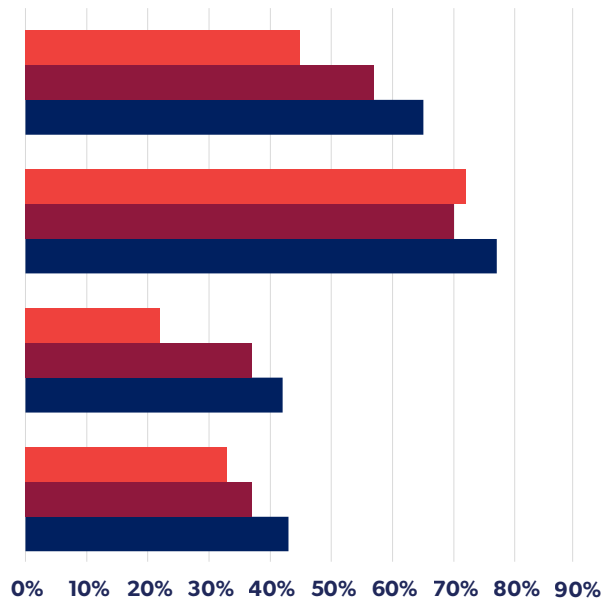
2022 - 2024 TSX 60 Filers: Audit Quality Assessment

Q1: Is there disclosure related to a discussion of Audit Committee considerations in appointing or (re)appointing the external auditor?

Q2: Is there disclosure of the length of time the auditor has been engaged?

Q3: Is there disclosure related to a discussion about how the Audit Committee considers the length of auditor tenure?

Q4: Is there disclosure related to a discussion of the use of Canadian regulatory best practices for the assessment of auditor performance, such as the use of a comprehensive review every five years? or the use of an AQI assessment?



- 2022 TSX 60 Filers
- 2023 TSX 60 Filers
- 2024 TSX 60 Filers

Although the results above show that many TSX 60 companies already have very robust disclosure regarding their assessment of the auditor’s performance, there is still an opportunity for improvement, particularly around the utilization of audit quality governance best practices, as endorsed by the leading audit regulators and accounting membership organizations in Canada. In addition, while many audit committees disclose the

tenure of their external auditor (77% in 2024), fewer provide insight into how tenure length is factored into reappointment decisions (42% in 2024). Improved disclosures would include a thoughtful evaluation of both the benefits and potential drawbacks of long auditor tenure, particularly in relation to audit quality, where applicable.



Audit Fees and Auditor Independence

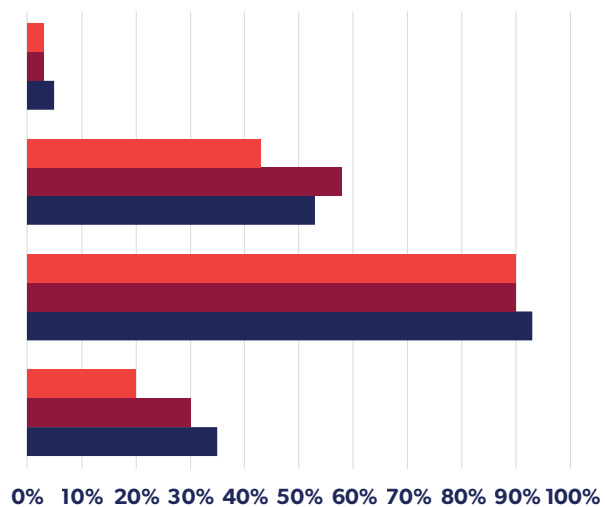
A key opportunity for improvement that we have observed in the MPC documents reviewed continues to be discussion around the audit fees approved by the audit committee and the connection between those fees, auditor independence and overall audit quality (Q5, Q6, Q7). We believe that disclosure can be enhanced when there is a change in audit fees charged, where inflation is not the key factor. We also believe that disclosure can be enhanced when the fee increase is not expected to continue, such as costs related to regulatory activity, material transactions, ERP system implementation, changes in the control environment, etc. (Q8).

Determining and negotiating an appropriate audit fee is a fundamental responsibility of the audit committee. Beyond its financial implications, the audit fee can serve as an indicator of the scope and complexity of the audit.

The disclosure on how the audit committee considers auditor independence and audit quality during fee negotiations with the external auditor, particularly their policy on non-audit services, can provide key insights into how the audit committee engages with the auditor on services rendered. This also provides insights into whether the auditors are appropriately resourced or utilizing realized experiential and technological efficiencies to improve service and audit quality outcomes. If an audit committee provides additional disclosure on what it considered when approving either an increase or decrease in audit fees, it offers information on what factors contributed to the audit fees charged and whether the audit committee was contemplating audit quality in that determination.

2022 - 2024 TSX 60 Filers: Auditor Fee Assessment and Negotiation

- Q5:** Is there disclosure related to a discussion of audit fees and its connection to audit quality?
- Q6:** Is there disclosure related to a discussion of how non-audit services may impact independence?
- Q7:** Is there a statement that the Audit Committee is responsible for fee negotiations?
- Q8:** Is there an explanation provided for a change in fees paid to the external auditor?



- 2022 TSX 60 Filers
- 2023 TSX 60 Filers
- 2024 TSX 60 Filers



Composition of the Board and Audit Committee

In addition to the traditional oversight responsibilities over the external auditor, financial information and internal controls, audit committee members have increasingly had to expand their risk management roles to incorporate other emerging issues and statutory requirements.

For Canadian issuers, international standard setting and the Canadian sustainability disclosure and assurance standards require audit committee members to educate themselves on sustainability and governance related risks throughout the company’s value chain. Although the Canadian Securities Administrators (CSA) paused “its work on the development of a new mandatory climate-related disclosure rule and amendments⁶” in April 2025, they still believe that use of the standards developed by the CSSB (or the Canadian Sustainability Standards Board) should be encouraged. Disclosure, however, remains voluntary.

Notwithstanding both the CSA and the SEC⁷ pausing or removing mandatory ESG disclosure rules for public interest entities, legislative and regulatory compliance requirements continue to evolve across the value chain. These requirements include Bill C-59⁸, which imposes substantial monetary penalties for non-compliance associated with misleading environmental

benefits claims (or “greenwashing”) and will heighten the scrutiny placed on management and the external auditors. This added pressure may necessitate a more rigorous assessment of whether accrual or contingent liability disclosure is warranted in cases of potential non-compliance with applicable laws and regulations. Therefore, although regulators do not require the adoption of sustainability standards currently, it is vital that audit committees develop or acquire expertise (Q13 and Q14) in these new regulatory and legislative requirements. Being comfortable that an appropriate risk management structure exists within the company to address these emerging issues and engagement with other stakeholders will help to lower the risk that a company will suffer monetary or reputational harm. Almost all entities have ensured that their board contains a director with expertise in “ESG”, however that has not yet translated to a disclosed audit committee oversight mandate over these matters.

6. Canadian Securities Administrators. CSA updates market on approach to climate-related and diversity-related disclosure projects. Published April 23, 2025. <https://www.securities-administrators.ca/news/csa-updates-market-on-approach-to-climate-related-and-diversity-related-disclosure-projects/>

7. The Securities and Exchange Commission (SEC) removed their ESG-related disclosure requirements in March 2025. Source: <https://www.sec.gov/newsroom/press-releases/2025-58>

8. Bill C-59 refers to the Act to implement the *Fall Economic Statement*, which was tabled by the government of Canada in November 2023 and received royal assent on June 20, 2024. This Act includes several provisions that improve the regulations governing “greenwashing” disclosure through the mechanisms provided in the *Competition Act*. Source: <https://ccli.ubc.ca/bill-c-59-anti-greenwashing/>



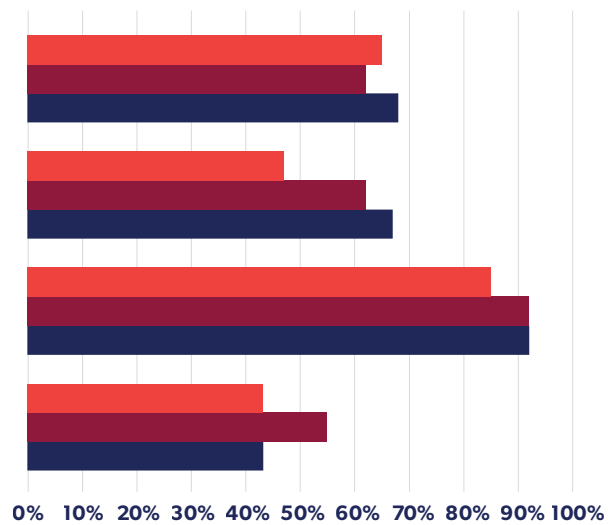
2022 - 2024 TSX 60 Filers: Board and Audit Committee Composition

Q11: Is it disclosed that the board of directors has a cybersecurity expert?

Q12: Is it disclosed that the Audit Committee is responsible for cybersecurity risk oversight?

Q13: Is it disclosed that the board of directors has an ESG or sustainability expert?

Q14: Is it disclosed that the Audit Committee is responsible for ESG risk oversight?



- 2022 TSX 60 Filers
- 2023 TSX 60 Filers
- 2024 TSX 60 Filers

As noted above, another issue that requires the presence of a strong risk management framework is cybersecurity. Large and small Canadian businesses and publicly traded companies can be similarly affected by the volume and growing sophistication of cyber-attacks. Therefore, expertise, or familiarity at the very least, is recommended at both the board and the audit committee level to ensure that the company has robust risk management processes in place to protect the company’s data integrity (Q11 and Q12).

The majority of the boards of TSX 60 companies have directors with expertise in cyber and digital security, and they have disclosed that the audit committee has oversight responsibility over cyber-related risks. There

is, however, still an opportunity for improvement as the cyber threat continues to intensify, as over 30% of entities did not provide disclosure that the audit committee has oversight over cyber security risks, despite improvement over the results from 2023.

Disclosure of the areas of expertise of both board and audit committee members and detailed disclosure of the audit committee’s responsibilities over emerging matters, such as cybersecurity and ESG, is another opportunity to demonstrate the audit committee’s effectiveness in its oversight role.



Artificial Intelligence

The proliferation of AI is reshaping business models and consequently risk landscapes.

With public companies increasingly integrating AI into core functions, from customer service to financial analytics, the need for robust governance and risk management has never been more urgent. Canadian regulators are responding to these developments with increased focus and leadership. Audit oversight bodies such as CPAB are actively publishing thought leadership regarding the implications of AI in the audit process. In one publication, CPAB stresses that while AI can enhance audit quality and efficiency, it must not replace human judgment and ethical oversight⁹. CPA Canada, in collaboration with the American Institute of Certified Public Accountants (AICPA), has emphasized the pivotal role of CPAs in strengthening AI governance, risk management, and assurance. Their joint publications highlight how CPAs can help close the "AI trust gap" by applying professional skepticism, ethical standards, and technical expertise to AI-related decision-making¹⁰.

Federally, Canada is also advancing its legislative framework through the proposed Artificial Intelligence and Data Act (AIDA), a component of Bill C-27 (the Digital Charter Implementation Act, 2022)¹¹. AIDA aims to establish accountability frameworks for high-risk AI systems¹². The legislation introduces obligations across the AI value chain and proposes the creation of an Artificial Intelligence and Data Commissioner to oversee compliance¹³. In the interim, the federal government has launched a Voluntary Code of Conduct on the Responsible Development and Management of Advanced Generative AI Systems, encouraging organizations to adopt principles of safety, fairness and equity, transparency and accountability, human oversight and system validity and robustness¹⁴. In addition, the 2024 Canadian Federal Budget committed \$2.4 billion to support AI infrastructure, safety research, and workforce development¹⁵.

9. Canadian Public Accountability Board. *The use of artificial intelligence in the audit — balancing innovation and risk*. Published September 2024. <https://cpab-ccrc.ca/docs/default-source/thought-leadership-publications/2024-use-of-artificial-intelligence-in-the-audit-en.pdf>

10. American Institute of Certified Public Accountants; CPA Canada. CPA Canada & AICPA series on AI. Published June 5, 2025. <https://www.aicpa-cima.com/resources/download/cpa-canada-and-aicpa-series-on-ai>

11. Parliament of Canada. Bill C-27. Short Title: Digital Charter Implementation Act. <https://www.parl.ca/legisinfo/en/bill/44-1/c-27>

12. Harvey, David. *The current state of AI regulation in Canada*. Richards Buell Sutton LLP. Published March 26, 2025. <https://www.rbs.ca/publications/the-current-state-of-ai-regulation-in-canada/>

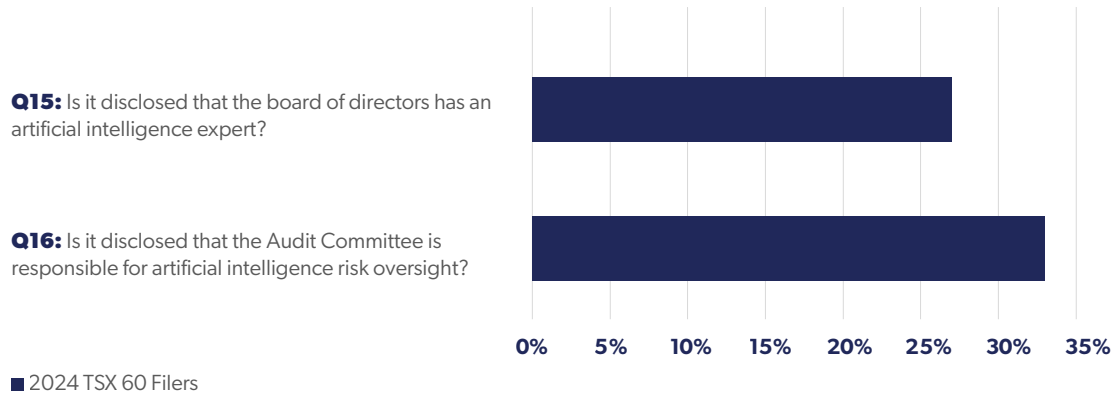
13. Ibid.

14. Ibid.

15. *Federal government launches programs to help small and medium-sized enterprises adopt and adapt artificial intelligence solutions*. Government of Canada. Published October 22, 2024. <https://www.canada.ca/en/innovation-science-economic-development/news/2024/10/federal-government-launches-programs-to-help-small-and-medium-sized-enterprises-adopt-and-adapt-artificial-intelligence-solutions.html>



2024 TSX 60 Filers: Artificial Intelligence Expertise



Together, these developments emphasize the growing importance of AI literacy and governance expertise within boards and audit committees, and there is room for improvement in the quality and quantity of disclosure provided in this key area. We observed that

only 27% of entities reviewed have disclosed that their board contains a director with expertise in “artificial intelligence”, with 33% of entities disclosing that the audit committee has an oversight mandate over AI-related risks in their proxy disclosure.



Anti-Money Laundering and Anti-Terrorist Financing

Disclosure

The government of Canada has tabled the Strong Borders Act (Bill C-2), as well as the Strengthening Canada's Immigration System and Borders Act (Bill C-12)¹⁶ in order to significantly strengthen Canada's anti-money laundering (AML) and anti-terrorist financing (ATF) regime by building on the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. Both bills aim to strengthen the regime, encourage compliance and increase enforcement mechanisms to combat money laundering and terrorist financing in Canada. Once enacted, reporting entities will have to enroll in the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC's) registry and could face enhanced remediation orders carrying penalties up to \$30 million or 3 percent of global gross revenue for non-compliance. Entities who obstruct or retaliate against designated anti-money laundering and/or antiterrorist financing staff can face a summary conviction and/or fines¹⁷.

Bills C-2 and C-12 complement several recent Canadian AML/ATF measures and were being introduced during the 2025 Financial Action Task Force (FATF)

mutual evaluation for Canada. As Canada anticipates the results of its 2025 FATF review, regulators and reporting entities face a continuing and heightened imperative to demonstrate that this evolving regime is not only technically compliant with the FATF's 40 Recommendations¹⁸ but effectively enforced and risk responsive.

From a disclosure standpoint, public issuers may need to address Bill C-2 and/or Bill C-12's elevated compliance expectations in their Management Information Circulars. An issuer's board of directors and audit committee should be aware of the impact that Bill C-2, Bill C-12 or other similar measures have on their entity's risk exposure, compliance responsibilities and ongoing regulatory responsibilities associated with AML/ATF requirements. The audit committee and board of directors should also be aware of the regulatory and legislative requirements in jurisdictions outside of Canada in which the organization operates, to ensure compliance across the value chain with applicable AML/ATF regimes.

16 Bill C-12, or the *Strengthening Canada's Immigration System and Borders Act*, was tabled on October 8, 2025. It draws on certain elements of the previously tabled Bill C-2, and "reinforces the Government's commitment to equipping law enforcement agencies with the right tools to keep our borders secure, ... [while] combat[ing] transnational organized crime, stop[ing] the flow of illegal fentanyl, crack[ing] down on money laundering, dismant[ing] criminal networks, and improv[ing] the integrity of our immigration system"[1].

Bill C-12 was introduced to fast-track legislation aimed at combating money laundering and organized crime in Canada, while excluding certain elements of Bill C-2, which was introduced in July 2025, that the government considered barriers to the bill's passage. Both bills remain largely controversial.[2]

Sources:

1. <https://www.canada.ca/en/public-safety-canada/news/2025/10/government-of-canada-introduces-new-streamlined-legislation-to-strengthen-border-security-and-keep-canadians-safe.html>

2. <https://amnesty.ca/human-rights-news/joint-statement-bill-c-12-introduction/#:~:text=A%20broad%20coalition%20of%20civil.and%20refugee%20rights%20adopted%20sooner.%E2%80%9D>

17 Department of Justice Canada. Bill C-2: An Act respecting certain measures relating to the security of the border between Canada and the United States and respecting other related security measures. Published June 19, 2025. https://www.justice.gc.ca/eng/cs/sic/pl/charte-charte/c2_2.html

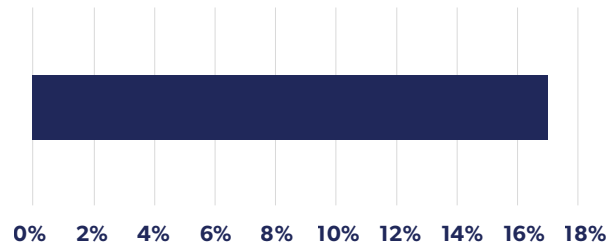
18 FATF Recommendations. Financial Action Task Force. <https://www.fatf-gafi.org/en/topics/fatf-recommendations.html>



Best practice disclosure of AML/ATF related risk factors could quantify the potential scale of regulatory fines and non-compliance orders and explain how the company’s AML/ATF framework has been or will be enhanced to meet the new requirements. Corporate governance disclosure may highlight any new oversight structures, such as appointed compliance officers, and describe changes in risk appetite or escalation protocols necessitated by Bill C-2 and/or Bill C-12’s broader scope and harsher sanctions.

2024 TSX 60 Filers: Anti-Money Laundering and Anti-Terrorist Financing

Q17: Is there disclosure related to anti-money laundering and anti-terrorist financing and/or whether the audit committee is responsible for assessing the risks associated with anti-money laundering or anti-terrorist financing regimes?



■ 2024 TSX 60 Filers

We observed in our review that only 17% of TSX 60 reporting issuers mentioned AML or ATF related risks in their Management Information Circulars, of which the vast majority were Canadian financial institutions. As Canada emerges from the other side of its 2025 FATF review and as the government continues to implement additional legislative levers to combat money laundering and terrorist financing in Canada, reporting issuers may want to consider whether their disclosures could be improved.

Whistleblower Protections

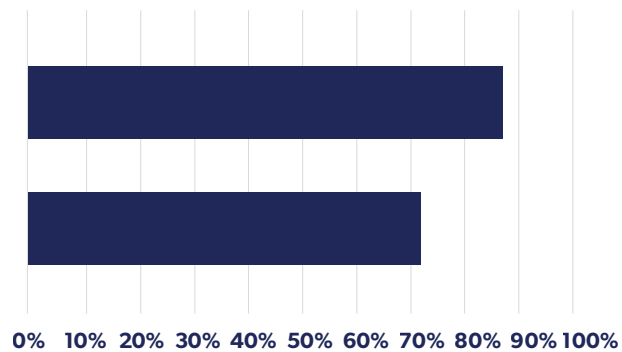
Effective whistleblower protection is indispensable in a robust AML/ATF regime as employees often serve as the first line of defence against illicit financial activity. Front-line staff and compliance analysts can spot nuanced red flags, including unusual client behaviour, transaction patterns that evade automated systems, or internal control lapses that automated systems or management oversight may not immediately capture. When organizations provide secure, confidential channels for employees to report concerns without fear of retaliation, they gain a real-time “early warning system” that helps prevent minor compliance gaps from escalating into major enforcement actions or reputational crises¹⁹.

2024 TSX 60 Filers: Whistleblower Policies

Q18: Is there disclosure regarding the company’s whistleblower or ethics hotline?

Q19: Is it disclosed that the Audit Committee is responsible for reviewing financial whistleblower or ethics hotline complaints?

■ 2024 TSX 60 Filers



Upon reviewing the MPCs, we found that over 80% of TSX 60 companies disclosed having a whistleblower policy or an ethics hotline accessible to employees. Additionally, approximately 70% indicated that oversight of the whistleblower or ethics hotline falls, for at least financial reporting matters, under the purview of the audit committee. This is particularly important as regulators and standard-setters globally continue to recognize that

a strong whistleblower framework underpins effective AML/ATF enforcement. Canada’s 2023–2026 AML/ATF Strategy reinforces that private-sector vigilance complements public enforcement efforts²⁰, and regulators like FINTRAC and the FATF mutual evaluation team look for evidence that firms actively encourage and protect internal disclosures of suspicious activity.

¹⁹ Whistleblowing and Internal Reporting in Canadian AML Programs: Policy, Culture, and Legal Risk. Canadian Financial Crime Academy. Available at: <https://www.canadianfinancialcrimeacademy.ca/financial-crime-articles/whistleblowing-and-internal-reporting-in-canadian-aml-programs-policy-culture-and-legal-risk>

²⁰ Department of Finance Canada. Canada’s Anti-Money Laundering and Anti-Terrorist Financing Regime Strategy 2023–2026. Published March 2023. <https://www.canada.ca/en/departement-finance/programmes/financial-sector-policy/canadas-anti-money-laundering-and-anti-terrorist-financing-regime-strategy-2023-2026.html>



Conclusion

The audit committee plays a vital role in the capital markets by discharging their oversight responsibilities of the auditor and the financial information produced by management. They are also responsible for ensuring that there is a risk management process in place that combats all current and emerging internal and external threats to the integrity of the company's financial information. For companies listed on the TSX, the audit committee should be composed of individuals who are independent in accordance with appropriate securities regulation, who are financially literate, and who are not only adequately experienced in the industry in which the company operates, but also in emerging issues and threats such as sustainability, cyber security and AI.

We have observed an overall increase in 2024 over 2023 in the depth and detail of disclosure in the audit committee's assessment of the auditor and factors it considers in that assessment, as well as in the disclosure of board member expertise and audit committee responsibilities over identified emerging issues and threats. At the same time, there continues to be room for improvement, particularly with audit fee negotiation and its link to auditor independence and audit quality. We

added new sections in our report this year that focus on board expertise and audit committee oversight of the risks associated with AI, the risks associated with heightened AML/ATF regimes and regulation, and an entity's disclosure of their whistleblower hotline, where applicable.

We have also included in **Appendix 2 and Appendix 3**²¹ examples of effective disclosure of an entity and its audit committee's oversight over AML/ATF and an audit committee's oversight over its whistleblower or ethics hotline.

Detailed and robust disclosure within the annual MPC provides investors with vital information on how the audit committee is discharging its oversight responsibility over financial information and the processes that it undertakes to ensure that it can perform its role with confidence and with the appropriate level of expertise. This information continues to be vital to investors and other stakeholders across the Canadian capital markets and broader financial reporting ecosystem.

21 For illustrative purposes, examples of effective disclosure relating to an audit committee's assessment of the auditor, fee negotiation, and board and audit committee composition and responsibilities may be found among the MPCs of the following entities; this list is not intended to be exhaustive.

1. Bank of Nova Scotia
2. Magna International Inc
3. TC Energy Corp



Appendix 1: Summary of Disclosure Results

MANAGEMENT PROXY CIRCULAR DISCLOSURE QUERY		YEAR	TSX 60
Q1	Is there disclosure related to a discussion of Audit Committee considerations in appointing or (re)appointing the external auditor?	2024	65%
		2023	57%
		2022	45%
Q2	Is there disclosure of the length of time the auditor has been engaged?	2024	77%
		2023	70%
		2022	72%
Q3	Is there disclosure related to a discussion about how the Audit Committee considers the length of auditor tenure?	2024	42%
		2023	37%
		2022	22%
Q4	Is there disclosure related to a discussion of the use of Canadian regulatory best practices for the assessment of auditor performance, such as the use of a comprehensive review every five years, or the use of an Audit Quality Indicator (AQI) assessment?	2024	43%
		2023	37%
		2022	33%
Q5	Is there disclosure related to a discussion of audit fees and its connection to audit quality?	2024	5%
		2023	3%
		2022	3%
Q6	Is there disclosure related to a discussion of how non-audit services may impact independence?	2024	53%
		2023	58%
		2022	43%
Q7	Is there a statement that the Audit Committee is responsible for fee negotiations?	2024	93%
		2023	90%
		2022	90%



MANAGEMENT PROXY CIRCULAR DISCLOSURE QUERY		YEAR	TSX 60
Q8	Is there an explanation provided for a change in fees paid to the external auditor?	2024	35%
		2023	30%
		2022	20%
Q9	Is it stated that the evaluation of the external auditor is at least an annual event?	2024	70%
		2023	70%
		2022	57%
Q10	Is there disclosure of a discussion on audit partner mandatory rotation requirements?	2024	57%
		2023	57%
		2022	52%
Q11	Is it disclosed that the board of directors has a cybersecurity expert?	2024	68%
		2023	62%
		2022	65%
Q12	Is it disclosed that the Audit Committee is responsible for cybersecurity risk oversight?	2024	67%
		2023	62%
		2022	47%
Q13	Is it disclosed that the board of directors has an ESG or sustainability expert?	2024	92%
		2023	92%
		2022	85%
Q14	Is it disclosed that the Audit Committee is responsible for ESG risk oversight?	2024	43%
		2023	55%
		2022	43%



MANAGEMENT PROXY CIRCULAR DISCLOSURE QUERY	YEAR	TSX 60
Q15 Is it disclosed that the board of directors has an artificial intelligence (AI) expert?	2024	27%
Q16 Is it disclosed that the Audit Committee is responsible for AI risk oversight?	2024	33%
Q17 Is there disclosure related to anti-money laundering and anti-terrorist financing and/or whether the audit committee is responsible for assessing the risks associated with anti-money laundering or anti-terrorist financing regimes?	2024	17%
Q18 Is there disclosure regarding the company's whistleblower or ethics hotline?	2024	87%
Q19 Is it disclosed that the Audit Committee is responsible for reviewing financial whistleblower or ethics hotline complaints?	2024	72%



Appendix 2: Example of Effective Disclosure on a Board or Audit Committee's oversight of an entity's AML/ATF regime

Q17 Is there disclosure related to anti-money laundering and anti-terrorist financing and/or whether the audit committee is responsible for assessing the risks associated with anti-money laundering or anti-terrorist financing regimes?

EXAMPLE 1

Source: The Toronto-Dominion Bank: Notice of 2025 annual meeting of common shareholders and management proxy circular (Dated April 10, 2025)

Pgs 139-141

The audit committee is responsible for supervising the quality and integrity of the bank's financial reporting, which includes overseeing the integrity of the bank's financial controls and the effectiveness of the internal and external audit functions, compliance and anti-money laundering matters.

...

At each meeting, the committee meets without members of management present, and on a regular basis, meets separately with the shareholders' auditor, the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the General Counsel, the Chief Auditor, the Chief Compliance Officer, and the Chief Anti-Money Laundering Officer.

Past Year Highlights and Actions Taken

During the past year, the audit committee oversaw the implementation of enhancements to the bank's overall internal controls as well as the internal audit and compliance functions, including those related to anti-money laundering. These enhancements are aimed at ensuring the bank continues to identify and remediate operational control weaknesses and that there are robust internal audit and compliance programs that not only satisfy regulatory expectations but also create a stronger foundation for future innovation and growth. In carrying out its responsibilities, the committee particularly focused on the following:

Main Responsibilities	Actions Taken
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Oversight of Internal Controls and Internal Audit	<ul style="list-style-type: none"> Reviewed and approved the internal audit risk assessment methodology and results. Reviewed and approved the annual internal audit plan and related resourcing to ensure that the plan is appropriate, risk-based and is aligned with the risk profile of the bank and stakeholder expectations, and approved any significant changes to the annual plan. Received and discussed regular updates on significant changes to internal audit policies and improvement plans and approved internal audit performance objectives. Reviewed and discussed reports from the bank's Chief Auditor on the effectiveness of overall internal controls, including controls over financial reporting and anti-money laundering. Reviewed and discussed reports from the bank's Chief Auditor on status of the bank's remediation of significant issues, including regulatory findings. Received and considered regular updates from the bank's U.S. Chief Auditor. Received and discussed regular updates from the bank's Chief Auditor on the performance of the internal audit function inclusive of the status of internal and external reviews and regulatory findings owned by internal audit, including those related to anti-money laundering.
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- Evaluated the independence and performance of the bank’s Chief Auditor and overall internal audit function.
- Received and reviewed reports from the shareholders’ auditor, Chief Financial Officer, Chief Auditor, Chief Compliance Officer, and Chief Anti-Money Laundering Officer, and evaluated the effectiveness and independence of each such auditor or officer.
- Jointly with the risk committee, received and oversaw an update on the bank’s remediation efforts related to its U.S. BSA / AML compliance program.

Financial Crimes Risk Management (“FCRM”)

- Reviewed and approved the FCRM department’s annual plan, including its budget, resources and strategic priorities.
- Reviewed and discussed reports prepared by the Chief Anti-Money Laundering Officer for the committee, including with regard to reports by supervisory authorities related to the FCRM program, and on the design and operation of the FCRM program.
- Received updates on AML remediation activities from the Chief Anti-Money Laundering Officer and the U.S. Bank Secrecy Act (BSA) Officer.



Appendix 3: Example of Effective Disclosure on a Board and Audit Committee’s oversight of an entity’s whistleblower policy

Q18 Is there disclosure regarding the company’s whistleblower or ethics hotline?

Q19 Is it disclosed that the Audit Committee is responsible for reviewing financial whistleblower or ethics hotline complaints?

EXAMPLE 2

Source: Bank of Montreal - Notice of annual meeting of shareholders and management proxy circular (Dated April 11, 2025)

Pgs 38-39

AUDIT AND CONDUCT REVIEW COMMITTEE

Oversees the integrity of the bank’s financial and sustainability reporting, including climate disclosures, the effectiveness of internal controls, the qualifications, independence and performance of the independent auditors, compliance with legal and regulatory requirements, transactions involving related parties, conflicts of interest and confidential information, standards of business conduct and ethics, and consumer protection measures and complaints. It also acts as the audit and conduct review committee of certain designated subsidiaries.

...

LEGAL & REGULATORY COMPLIANCE

...

- Reviewed reports from the Chief Ethics Officer and Head, Customer Complaint Appeals relating to whistleblower and customer concerns, the complaints-handling process and complaint metrics, and the Chief Sustainability Officer regarding ESG matters, including climate change related governance, strategy, risk management and disclosure.
- Reviewed quarterly reports on the bank’s compliance with the market conduct obligations of the Financial Consumer Protection Framework (FCPF) under the Bank Act, associated regulations and Financial Consumer Agency of Canada (FCAC) guidelines.
- Maintained continued open engagement with the FCAC.
- Monitored and reviewed reporting on allegations of misconduct.



About the Canadian Centre for Audit Quality

The Canadian Centre for Audit Quality (CCAQ) is an independent not-for-profit Canadian corporation dedicated to supporting Canadian audit firms and public accountants in fulfilling their public interest role, and investors and other stakeholders with public policy and public interest issues. The CCAQ's founding members are the seven largest Canadian independent registered CPA accounting firms.

Methodology

We reviewed the Management Information (or "Proxy") Circulars (MPC) of the TSX 60 as published from October 1, 2024 through October 30, 2025. To present our findings, we analyzed disclosures located in the audit committee report or elsewhere in the MPC.