Toronto Transit Commission

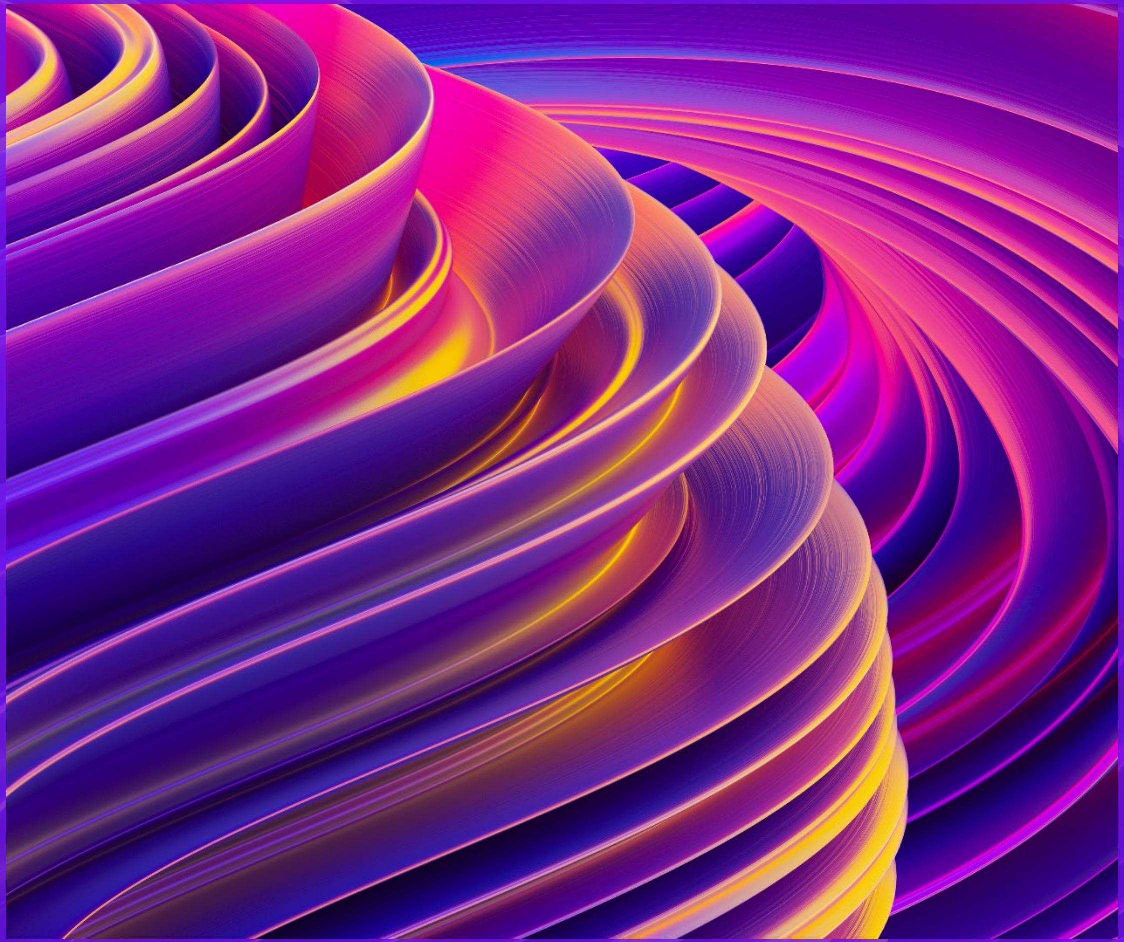
Audit Findings Report for the year ended December 31, 2025

KPMG LLP

Licensed Public Accountants

Prepared as of May 8, 2026 for presentation to the Audit, Finance and Risk Management Committee on May 26th, 2026

kpmg.ca/audit



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Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.

Click on any item in the table of contents to navigate to that section.

Audit highlights

No matters to report

Matters to report – see link for details

Status

We have completed the audit of the consolidated financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

Significant changes

Significant changes since our audit plan

There were no significant changes to our audit plan which was originally communicated in the audit planning report.

Risks and results

Presumption of the risk of fraud involving improper revenue recognition

Management override of controls

Other risks of material misstatement

- Passenger services revenues
- Unsettled accident claims
- Employee future benefits liabilities
- Tangible capital assets
- Related party transactions and balances

Policies and practices

Accounting policies and practices

Misstatements

Corrected misstatements

Uncorrected misstatements

Surplus for the year	(in $’000s)
As currently presented	$758,145
Uncorrected misstatements	($1,671)
As a % of the balance	-0.2%

Total assets	(in $’000s)
As currently presented	$16,695,255
Uncorrected misstatements	($6,167)
As a % of the balance	-0.03%

Control deficiencies

Significant deficiencies

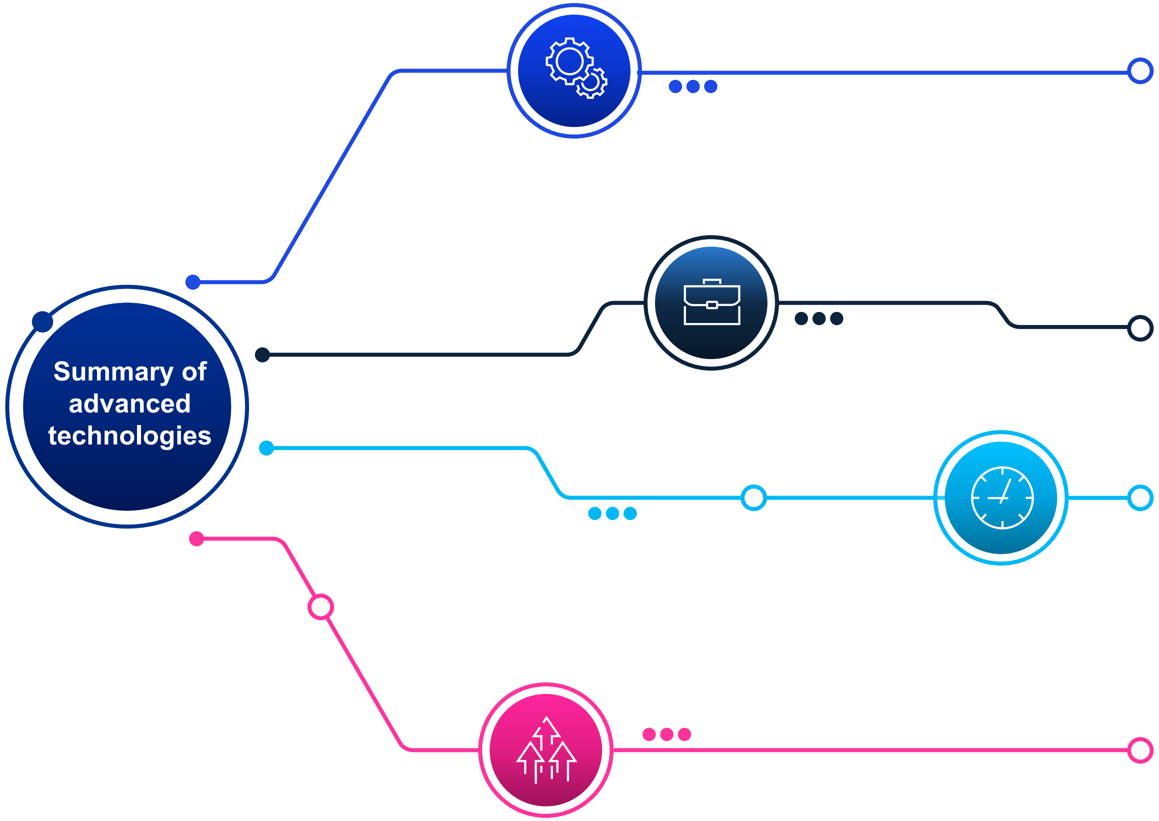
- We did not identify any significant control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. See slide 18 for certain required communications regarding control deficiencies.

Audit Quality

Learn more about how we deliver audit quality.

Technology highlights

As previously communicated in our audit planning report, we have utilized technology to enhance the quality and effectiveness of the audit.



KPMG Clara for Clients

Secure cloud based audit platform we use to plan, execute and manage the audit while providing management with access at every step.

KPMG Clara Workflow

KPMG workflow tool that drives execution of the audit by enabling easy access to relevant audit guidance, templates, and integrated engagement management.

Caseware International (IDEA)

One way we use application software ("IDEA") is to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for testing. As well to import, prep, explore and visualize large data sets.

DataSnipper

DataSnipper uses optical character recognition and robotic process automation to automate vouching procedures.

We imported your documents into the tool, which automatically matched specified excel data to the corresponding documents, leaving an audit trail behind for review by our audit team members.

KPMG's software audit tools are intended to be used as internal enablement tools in conjunction with the performance of audit services. Information resulting from use of software audit tools may not be used as a basis for management's conclusions as to the fairness of presentation of its financial statements or form a part of the internal control.

Status

As of the date of preparation of this Audit Findings Report, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing engagement quality control review
- Receipt of annual updated program letter of agreement related to Provincial Gas Tax
- Completion of legal inquiries follow up procedures
- Receipt of the PRESTO CSAE 3416 report
- Completing our discussions with the Audit, Finance and Risk Management Committee
- Obtaining evidence of the Board of Director's approval of the financial statements
- Subsequent event procedures up to the financial statement approval date
- Receipt of the signed management representation letter (to be signed upon the approval of the financial statements)

We will update the Audit, Finance and Risk Management Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor's report is provided in **Appendix B: Draft auditor's report**, will be dated upon the completion of any remaining procedures.

KPMG Clara for Clients (KCc)

Real-time collaboration and transparency

We leveraged **KCc** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCc to coordinate requests with management.

Learn more

Significant risks and results

We highlight our significant findings in respect of **significant risks.**

Presumption of the risk of fraud involving improper revenue recognition

RISK OF **FRAUD**

Significant risk	Estimate?
This is a presumed risk of material misstatement due to fraud. This risk has not been rebutted. Audit standards require us to assume there are generally pressures/incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition. This can be perpetrated through revenue cut-off or manual journal entries and other adjustments related to revenue recognition.	No

Our response

- Our audit approach consisted of evaluating the design and implementation of selected relevant controls. We tested journal entries that meet specific criteria. This criteria was designed during the planning phase of the audit and is based on areas and accounts that are susceptible to manipulation through management override. We also designed search filters that allowed us to identify any unusual journal entries
- As part of our audit approach to address the inherent risk of error in revenue recognition, we substantively tested revenues (both recognized and amounts held as deferred at year end). We also incorporated an element of unpredictability into the journal entries and revenue testing.
- We reviewed controls implemented pertaining to revenue recognition and performed walkthroughs of key controls surrounding the revenue process

Conclusion

- We did not identify any issues related to fraud risk associated with revenue recognition.

Significant risks and results

Management override of controls

RISK OF FRAUD

Significant risk	Estimate?
Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities	No

Our response

- As this risk is presumed risk and is not rebuttable, our audit methodology incorporated the required procedures in professional standards to address this risk.
- We performed procedures consistent with professional standards to address this risk. These procedures include the following:
  - Testing of journal entries and other adjustments;
  - Performing retrospective review of estimates;
  - Evaluating the business rationale of significant unusual transactions.

Conclusion

- We did not identify any issues or concerns regarding management override of controls.

Other risks of material misstatement and results

Passenger services revenues

Area of focus	Estimate?
Total passenger services revenue for the year was $1.03B (2024 - $1.03B). Of this amount, passenger services revenue earned related to PRESTO was $984M (2024 - $970M). Additionally, there was unearned revenue from PRESTO of $16M (2024 - $15M), which is recorded as deferred revenue as at December 31, 2025, and expected to be recognized as revenue in fiscal 2026.	No

Our response

- As passenger services revenue is significant, in our testing, we took a combined approach to test the operating effectiveness of controls, and substantively test the account balance.
- We obtained an understanding of management's processes surrounding passenger services revenue, including PRESTO revenue, and analyzed the revenue recognition policy in the context of the Public Sector Accounting Standards ("PSAS") on revenue recognition
- We obtained a direct third-party confirmation of passenger revenue from Metrolinx and reconciled the amounts from the confirmation to the total revenue amounts reflected in the TTC financial reporting records, as well as deferred revenue amounts. Additionally, we reviewed the relevant service agreements between Metrolinx and the Toronto Transit Commission.
- We reviewed a sample of monthly reconciliations performed by management, which reconciles TTC records to Metrolinx data to bank payment.
- We performed control testing over the cash and ticket collection process.
- We vouched cash deposits to supporting documentation and reconciled bank deposits to the general ledger.
- The PRESTO CSAE 3416 report remains outstanding and will be reviewed upon receipt.

Conclusion

- No exceptions were noted during testing.

Other risks of material misstatement and results

Unsettled accident claims

Area of focus	Estimate?
TTC Unsettled accident claims is a significant and complex estimate representing a liability computed by management's actuarial expert, based on an actuarial assessment of the claims liability on the basis mandated by the Financial Services Regulatory Authority of Ontario.	Yes – Unsettled accident claims is a calculation as determined by actuarial experts. This calculation involves numerous inputs and assumptions.

Our response

- We reviewed the actuarial report prepared by management's actuarial expert for determining unsettled accident claims.
- We obtained assistance from KPMG actuarial specialists to review the methodology and assumptions used by management experts for the determination of the unsettled accident claim liability.
- We assessed the qualifications, competence and objectivity of the actuary as required by the Canadian auditing standards.
- We reviewed the methodology and underlying assumptions used to formulate management's estimate.
- We performed testing of underlying data contained in valuation to source data.
- We performed testing over claims reserve set-up process and claim payment process

Conclusion

- No significant differences were identified during our audittesting.
- We found management's estimate to be reasonable overall in the context of our materiality.

Other risks of material misstatement and results

Employee future benefits liabilities

Area of focus	Estimate?
The TTC's employee benefit liabilities are significant and complex estimates and represents a liability computed by management's actuarial experts. These employee benefit plans encompass post-employment plans, post-retirement plans, and pension plans. As at December 31, 2025, the liability amount was $1.06B (2024 - $980M).	Yes – Employee future benefits is a calculation as determined by actuarial experts. This involves numerous inputs and assumptions.

Our response

- We reviewed the actuarial report prepared by management's actuarial expert for determining employee future benefits liabilities.
- We obtained assistance from KPMG actuarial specialists to review the methodology and assumptions used by management experts for the determination of the employee future benefit liabilities
- We assessed the qualifications, competence and objectivity of the actuary as required by the Canadian auditing standards.
- We reviewed the methodology and underlying assumptions used to formulate management's estimate.
- We assessed the participant data supplied by management to the Actuary for completeness and accuracy.
- We assessed the disclosures in the financial statements against the requirements of the PSAS.

Conclusion

- No significant differences were identified during our audit testing.
- We found management's estimate to be reasonable overall in the context of our materiality.

Other risks of material misstatement and results

Tangible capital assets

Area of focus	Estimate?
The net book value of tangible capital assets ("TCA") as at December 31, 2025 was $14.4 billion (2024 – $13.6 billion). During the year, the TTC recognized $1.652B (2024 - $1.303B) in net additions to TCA. During the year, TTC incurred an amortization expense of $829M (2024 -$777M).	Yes – Estimate is involved in determining useful lives of assets. Useful lives of assets are determined based on asset categories and are consistent year over year.

Our response and findings

- We obtained an understanding of management's processes for accounting for tangible capital assets.
- We reviewed on a sample basis, the additions to tangible capital assets and noted that management has appropriately capitalized the additions from construction in progress to capital assets. We vouched a sample of capital additions to supporting documentation which included non-labour, labour, and overhead costs.
    - For non-labour costs capitalized as TCA, we obtained invoices and Certificates of Payment to verify accuracy and existence of these costs.
    - For labour costs capitalized as TCA, we obtained and vouched a sample of labour costs to approved timesheets to verify accuracy and existence of these costs. We also evaluated the nature of work performed per timesheets to determine if these costs meet the capitalization criteria as per the requirements in the financial reporting framework.
    - For overhead allocation, we obtained an understanding of and reviewed management's allocation process. We performed an analytical procedure comparing current year overhead additions to historical overheads from the past 3 years to determine accuracy and existence of these costs.
- We reviewed that amortization expense is consistent with the TTC significant accounting policies, and recalculated amortization during the year based on the useful lives.
- We reviewed financial statement note disclosure in line with the PSAS.

Conclusion

- There were no significant findings as a result of our audit procedures for tangible capital assets. The amounts reported for tangible capital assets are reasonable and disclosures in the financial statements are in accordance with PSAS.

Other risks of material misstatement and results

Related party transactions and balances

Area of focus	Estimate?
The TTC enters into various transactions with its related parties, including the City of Toronto and City of Toronto affiliated entities.	No

Our response

- We obtained an understanding of management's processes for tracking related parties and related party transactions.
- We reviewed organizational charts to determine whether management's analysis of related parties remains appropriate.
- We obtained confirmations from related parties with whom the TTC had significant transactions with and balances at year-end:
  - We confirmed subsidy funding (both operating and capital) as well as subsidy receivables with the City of Toronto and reconciled to TTC records.
  - We obtained confirmation from the City of Toronto for the indemnified receivable balance outstanding as at year-end relating to unsettled accident claims.
  - We confirmed revenues collected on behalf of the TTC and expenses incurred by the TTC for the Toronto Parking Authority as well as year end receivables and payables and reconciled to TTC records.
- We reviewed financial statement note disclosure in line with PSAS.

Conclusion

- There were no significant findings as a result of our audit procedures for related parties. The amounts reported are reasonable and disclosures in the financial statements are in accordance with the PSAS.

Accounting policies and practices

Initial selection of significant accounting policies and practices

None in 2025.

Description of new or revised significant accounting policies and practices

None in 2025.

Significant qualitative aspects

Significant accounting policies are disclosed in Note 2 to the financial statements.

- *Evaluation & Conclusion:* Our judgments about the quality, not just the acceptability, of the Entity's significant accounting policies as applied in its financial reporting, including such matters as the consistency of the Entity's accounting policies.
- *Appropriateness:* No matters to report.
- *Management bias:* No matters to report .
- *Estimates:* No matters to report .
- *Effect on the financial statements or disclosures:* No matters to report.

Other financial reporting matters

We also highlight the following:

Financial statement presentation - form, arrangement, and content	No matters to report.
Concerns regarding application of new accounting pronouncements	Refer to Appendix D: Newly effective auditing standards. Refer to Appendix E: Newly effective and upcoming changes to accounting standards.
Significant qualitative aspects of financial statement presentation and disclosure	No matters to report.

Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions. As required by professional standards, we request these misstatements be corrected.

Impact of uncorrected misstatements – Not material to the financial statements

- The management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial
- Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements —individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.
- Discussion about the uncorrected misstatements or matters underlying the uncorrected misstatements (e.g. control deficiencies) could potentially cause future-period financial statements to be materially misstated.

Below is a summary of the impact of the uncorrected misstatement:

Surplus for the year	(in $'000s)
As currently presented	$758,145
Uncorrected misstatements	($1,671)
As a % of the balance	-0.2%

Total assets	(in $'000s)
As currently presented	$16,695,255
Uncorrected misstatements	($6,167)
As a % of the balance	-0.03%

Individually significant uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions:

As at and year ended December 31, 2025 (in thousands)		Surplus effect	Financial position		
Description of misstatements	**Nature of Entry**	**(Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Ending Accumulated Surplus (Decrease) Increase**
To adjust for physical inventory count errors. This amount represents an extrapolation of a factual error of $10K based on the sampled population.	Projected misstatement	(6,167)	(6,167)	Nil	(6,167)
To adjust for the impact of accounting for straight line of operating leases over the term of the lease.	Factual misstatement	(152)	Nil	4,144	(4,144)
To adjust provision for litigation expense after settlement finalized in Q1 2026.	Factual misstatement	4,648	Nil	(4,648)	4,648
Total misstatements (Management Representation Letter)		**(1,671)**	**(6,167)**	**(504)**	**(5,663)**

KPMG

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

No significant deficiencies in internal controls were identified during the audit

Our commitment to delivering audit quality

We define '**audit quality**' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity**.

KPMG is committed to fulfilling our public interest role in providing robust assurance that can benefit investors and other stakeholders.

Businesses are integrating technology in ways once unimaginable. Geopolitical changes and inflationary pressures continue to drive uncertainty, and businesses need to take action to respond to societal threats like climate change.

The pace and scale of change only strengthens our resolve to ensure the quality, consistency and adaptability of our services are fit for this new future. Audit and assurance quality remains the highest priority at KPMG.

Through sustained innovation, we aim to consistently deliver superior audit quality. Across the global organization:

- KPMG firms have implemented a consistent risk-based approach to our system of quality management to drive audit and assurance quality, enabling us to meet the requirements of the International Standard on Quality Management 1 (ISQM 1).
- We are utilising powerful technologies on audit and assurance engagements, including artificial intelligence, and leveraging our alliances with technology leaders such as Microsoft to further enhance quality and provide even more value through deeper analysis of businesses, no matter their size.
- We believe the same level of rigour, quality, consistency and trust that is applied to financial statement information by companies should also apply to ESG reporting. Therefore, across the global organization we have deployed an assurance methodology, KPMG Clara workflow and learning tools to upskill and build teams to provide assurance on ESG reporting that helps our clients build a more sustainable future.

We encourage you to read our Transparency Report to learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:

KPMG Canada Transparency Report

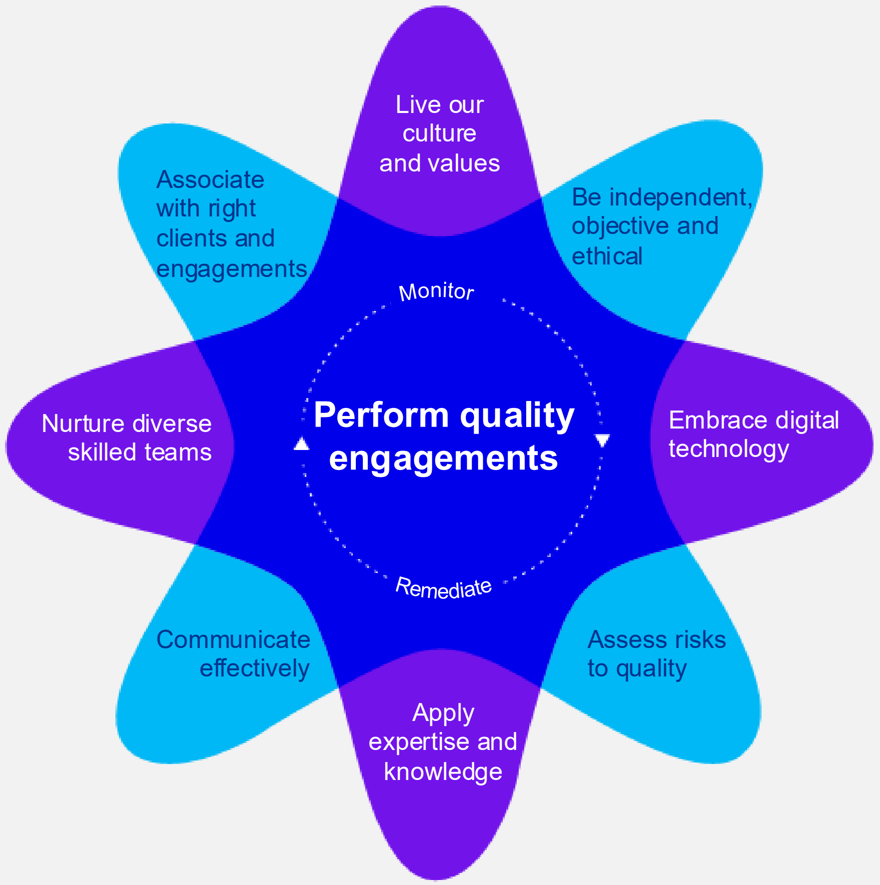
How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. We have strengthened the consistency and robustness of our system of quality management to meet the requirements of ISQM 1 (CSQM 1), issued by the International Audit and Assurance Standards Board. Foundational for quality management, KPMG's globally consistent approach to ISQM 1 drives compliance with the standard and our efforts to strengthen trust and transparency with clients, the capital markets and the public we serve.

Aligned with ISQM 1 (CSQM 1), our SoQM meets the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements.

Our **Global Quality Framework** outlines how we deliver quality and how every KPMG professional contributes to its delivery.

- **'Perform quality engagements'** sits at the core, along with our commitment to continually monitor and remediate to fulfil our quality drivers.
- Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.



Doing the right thing. Always.

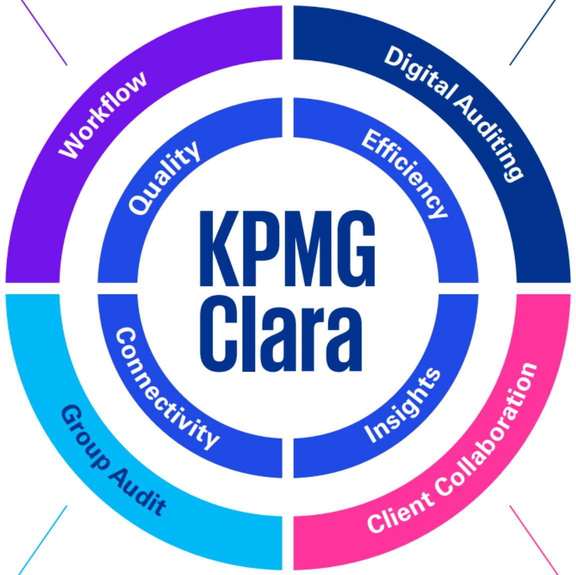
The KPMG Audit

Globally consistent audit and assurance methodology and tools

As a scalable, intuitive cloud-based platform, KPMG Clara is driving globally consistent execution across all KPMG member firms. It enables delivery of KPMG audit and assurance methodologies through data-enabled workflows, which align with the applicable audit and assurance standards and provide an improved experience to audit and assurance professionals.

- Data and AI-driven
- Audit & Assurance including ESG
- Global, risk-based methodology

- "Risk-to-response" analytics
- Gen AI integration
- Search knowledge base



- Enhanced two-way communication
- Tailored scoping
- Group audit connectivity

- Real-time alerts and task tracking
- Interaction with audit team
- Access to insights

- Methodology aligned with professional standards, laws and regulations
- Standardised methodology and guidance
- Deep technical expertise and knowledge
- Quality and risk management policies

- Meeting the applicable standards, including International Standards on Auditing (ISA), standards issued by the Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) – supplemented by KPMG firms to comply with additional local auditing standards and regulatory or statutory requirements.
- Identifying risks of material misstatements and the necessary audit response.

Appendices

A Required communications

B Draft Audit Report

C Management Rep Letter

D New auditing standards

E New accounting standards

F Independence

G Insights

H Technology

Appendix A: Other required communications

Engagement terms

Audit Findings Report – This document.

Engagement Terms – A copy of the engagement letter and any subsequent amendments has been provided to the Audit, Finance and Risk Management Committee

Audit Planning Report – We have provided our audit planning report to the Board and Audit, Finance and Risk Management Committee.

Representations of Management – A copy of the management representation letter is attached. Please see appendix C.

Management Letter – From time to time, we may identify improvement observations as we conduct our audit procedures. These recommendations will be communicated through a management letter.

Independence – All matters related to independence are dealt with directly by the group audit team. We confirm that we are independent of the Entity in accordance with the requirements under the external auditing standards. A copy of our independence letter is attached. Please see appendix F.

CPAB communication protocol

CPAB Communications Protocol

The reports available through the following links were published by the Canadian Public Accountability Board (CPAB) to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- CPAB Audit Quality Insights Report: 2024 Interim Inspections Results
- CPAB Regulatory Oversight Report: 2024 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2025 Interim Inspections Results
- CPAB Regulatory Oversight Report: 2025 Annual Inspections Results

Appendix B: Draft auditor's report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Toronto Transit Commission

Opinion

We have audited the consolidated financial statements of Toronto Transit Commission (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025, and its consolidated results of operations and accumulated surplus, its consolidated remeasurement gains and losses, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the annual report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

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Appendix C: Management representation letter

KPMG LLP
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3
Canada

_____ (Date of FS approval)

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Toronto Transit Commission ("the Entity") or ("TTC") as at and for the period ended December 31, 2025.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in Attachment I to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

1. We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 20, 2025, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:

      - the names of all related parties and information regarding all relationships and transactions with related parties;
      - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

   c) providing you with unrestricted access to such relevant information.

   d) providing you with complete responses to all enquiries made by you during the engagement.

e) providing you with additional information that you may request from us for the purpose of the engagement.

f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

2. We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

3. We have disclosed to you:

   a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   b) all information in relation to fraud or suspected fraud that we are aware of that involves:

      — management;

      — employees who have significant roles in internal control over financial reporting; or

      — others where such fraud or suspected fraud could have a material effect on the financial statements.

   c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, short sellers, or others.

   d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.

   e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

4. All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment, or disclosure, in the financial statements have been adjusted or disclosed.

Related parties:

5. We have disclosed to you the identity of the Entity's related parties.

6. We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7. All related party relationships and transactions/balances have been appropriately accounted for, and disclosed, in accordance with the relevant financial reporting framework.

Estimates:

8. The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

9. We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

10. We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

11. The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Non-SEC registrants or non-reporting issuers:

12. We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

13. We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Other:

14. We confirm that we have provided you with a complete list of service organizations (SO) and sub-service organizations (SSO) and that the relevant complementary user entity controls (CUECs) related to each SO/SSO have been designed and implemented. For the purpose of this representation, a service organization is one as defined in CAS 402.

Yours very truly,

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Mandeep Lali, Chief Executive Officer

____

John Montagnese, Interim Chief Executive Officer

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II - Summary of Audit Misstatements - Uncorrected

Entity:	Toronto Transit Commission (Consolidated)	
For Period Ended:		31-Dec-25
	Amounts in:	CAD
	Method Used to Quantify Audit Misstatements:	**Rollover (IS)**
	Final Materiality:	$ 70,400,000.00

Correcting Entry Necessary at Current Period End								Income Statement Effect - Debit(Credit)		Balance Sheet Effect - Debit (Credit)				Cash Flow Effect - Increase (Decrease)		
ID	**Description of misstatement**	**Factual, judgmental or projected misstatement?**	**Misstatement in accounts and/or in disclosure?**	**Disclosure (if applicable)**	**Accounts (if applicable)**	**Debit**	**Credit**	**Income effect of correcting the balance sheet in prior period (carryforward from prior period)**	**Income effect according to Rollover method**	**Equity**	**Financial Assets**	**Non Financial Assets**	**Liabilities**	**Operating Activities**	**Capital Activities**	**Financing Activities**
1	To adjust for physical inventory count errors. This amount represents an extrapolation of a factual error of $10K based on the sampled population.	**Projected**	**Accounts**	**N/A**	Materials, services and supplies expense	6,166,554			6,166,554	6,166,554				(6,166,554)		
					Spare parts and supplies inventory		(6,166,554)					(6,166,554)		6,166,554		
2	To adjust for straight line of operating leases over the term of the lease.	**Factual**	**Accounts**	**N/A**	Accumulated Surplus	3,992,033				3,992,033				(3,992,033)		
					Materials, services and supplies expense	152,391			152,391	152,391				(152,391)		
					Accrued Rent - Step up Liability		(4,144,424)						(4,144,424)	4,144,424		
3	To adjust provision for litigation expense after settlement finalized in Q1 2026.	**Factual**	**Accounts**	**N/A**	Accounts payable and accrued liabilities	4,648,306							4,648,306	(4,648,306)		
					Wages, salaries and benefits		(4,648,306)		(4,648,306)	(4,648,306)				4,648,306		

	Income effect according to Rollover method	Equity	Financial Assets	Non Financial Assets	Liabilities	Operating Activities	Capital Activities	Financing Activities
Aggregate effect of uncorrected audit misstatements:	1,670,639	5,662,672	0	(6,166,554)	503,882	0	0	0
Financial statement amounts (per final financial statements):	(758,145,000)	(14,220,546,000)	1,981,471,000	14,713,784,000	(2,474,268,000)	233,570,000	(1,701,289,000)	1,433,742,000
Uncorrected audit misstatements as a percentage of financial statement amounts:	-0.22%	-0.04%	0.00%	-0.04%	-0.02%	0.00%	0.00%	0.00%

Attachment III: List of related parties and relationships

The TTC is on the of agencies, boards and commissions of the City of Toronto (the “City”). The TTC also operates Wheel-Trans, a paratransit service for people with disabilities (which is also subsidized by the City) and owns the Toronto Coach Terminal Inc. and its subsidiary, the TTC Insurance Company Limited. The TTC controls the TTC Sick Benefit Association which was incorporated to adjudicate benefit claims to eligible Members of Association unable to work due to illness or disability.

The following lists all related parties that had transactions and/or relationships with TTC for fiscal period 2025:

- City of Toronto (including its Agencies and Corporations as attached in Attachment below)
- TTC Insurance Company Limited
- Toronto Coach Terminal Inc.
- TTC Sick Benefit Association
- The TTC Pension Fund Society (also referred to as the TTC Pension Plan)

Board Members 2025*:

- Jamaal Myers – Chair (Dec 2025)
- Joanne De Laurentiis – Vice Chair (Feb 2025)
- Joe Mihevc – Vice Chair (Dec 2025)
- Fenton Jagdeo – Commissioner (Dec 2025)
- Josh Matlow – Commissioner (Dec 2025)
- Dianne Saxe – Commissioner (Dec 2025)
- Julie Osborne – Commissioner (Dec 2025)
- Paul Ainslie – Commissioner (Dec 2025)
- Alejandra Bravo – Commissioner (Dec 2025)
- Liane Kim – Commissioner (Dec 2025)
- Ausma Malik – Commissioner (Dec 2025)

Senior Management as at December 2025*:

- Mandeep S. Lali – Chief Executive Officer
- Michael Atlas – Head of Legal & General Counsel
- Betty Hasserjian – Chief Safety Officer
- Stephanie Davies – Chief Capital Officer
- John Montagnese – Interim Chief Financial Officer
- Josh Colle – Chief Strategy and Customer Officer
- Fortunato Monaco – Chief Operating Officer
- Shakira Naraine – Chief People and Culture Officer
- Karen Thorburn – Executive Director, Corporate Initiatives
- Dhaksayan Shanmuganayagam - Chief Information Officer
- Rich Wong – Chief Vehicles Officer

*Although not explicitly listed, immediate family members are considered included as related parties by this reference.

Attachment IV: City of Toronto List of Agencies and Corporations

Agencies

Service Agencies

- City of Toronto Long-Term Care Committee of Management
- CreateTO
- Exhibition Place Board of Governors
- Heritage Toronto
- TO Live
- Toronto Atmospheric Fund
- Toronto Board of Health and Toronto Public Health
- Toronto Investment Board
- Toronto Police Services Board and Toronto Police Service
- Toronto Public Library Board
- Toronto Transit Commission
- Toronto Zoo Board of Management
- Sankofa Square Board of Management

Community-Based Boards:

- **Arena Boards of Management (8):**
  - George Bell Arena
  - Larry Grossman Forest Hill Memorial Arena
  - Leaside Memorial Community Gardens Arena
  - McCormick Playground Arena
  - Moss Park Arena
  - North Toronto Memorial Arena
  - Ted Reeve Community Arena
  - William H. Bolton Arena
- **Community Centre Boards of Management** (AOCCs) **(10):**
  - 519 Church Street Community Centre
  - Applegrove Community Complex
  - Cecil Community Centre
  - Central Eglinton Community Centre
  - Community Centre 55
  - Eastview Neighbourhood Community Centre
  - Ralph Thornton Community Centre
  - Scadding Court Community Centre
  - Swansea Town Hall Community Centre
  - Waterfront Neighbourhood Centre
- **85 Business Improvement Area (BIA) Boards of Management**

Partnered Agency

- Toronto and Region Conservation Authority

Corporations

City Corporations (7)

- Build Toronto Inc.
- Casa Loma Corporation
- Lakeshore Arena Corporation
- Toronto Community Housing Corporation
- Toronto Hydro Corporation
- Toronto Port Lands Company (Toronto Economic Development Corporation)
- Toronto Seniors Housing Corporation

Partnered Corporations (2)

- Toronto Pan Am Sports Centre Inc.
- Waterfront Toronto (Toronto Waterfront Revitalization Corporation)

Adjudicative Bodies

Quasi-Judicial & Adjudicative Boards (10)

- Administrative Penalty Tribunal
- Committee of Adjustment
- Committee of Revision
- Compliance Audit Committee
- Dangerous Dog Review Tribunal
- Property Standards Committee
- Multi-Tennant House Licensing Tribunal
- Sign Variance Committee
- Toronto Local Appeal Body
- Toronto Licensing Tribunal

Notes: Updated: March 2025

Source: [Microsoft PowerPoint - City of Toronto Agencies and Corporations Chart_March 2025.pptx - Read-Only]

Appendix D: Newly effective and upcoming changes to auditing standards

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

Communications with those charged with governance

Summary of Changes:

New requirements for the auditor to communicate:

- about the relevant ethical requirements, including those related to independence, that the auditor applied to the audit of the financial statements; and
- any enhanced independence requirement that the auditor applied specific to the audit of financial statements of certain entities.

ISA 700/CAS 700

Forming an opinion and reporting on the financial statements

Summary of Changes:

New requirements for the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities WHEN the ethical requirements require public disclosure.

Appendix E: Current developments

Accounting standards

Conceptual Framework for Financial Reporting in the Public Sector

Effective for years commencing on or after April 1, 2026 with early adoption permitted.

- The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.
- The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Financial Statement Presentation

Effective for years commencing on or after April 1, 2026 with early adoption permitted.

- The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation*.
- The proposed section includes the following:
  - Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
  - Separating liabilities into financial liabilities and non-financial liabilities.
  - Restructuring the statement of financial position to present total assets followed by total liabilities.
  - Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
  - Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.
  - A new provision whereby an entity can use an amended budget in certain circumstances.
  - Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

Example of a Typical Implementation Approach

Phase 1

- Understand the existing financial reporting processes.
- Examine chart of accounts and trial balance.
- Review accounting policy.
- Gap assessment and implementation plan.

Phase 2

- Data gathering and financial data analysis.
- Budget and performance reporting.
- System and software impacts.
- Implementation and compliance adjustments

Appendix E: Current developments (continued)

Accounting standards (continued)

Employee Benefits

Effective for years commencing on or after April 1, 2029 with early adoption permitted.

- The Public Sector Accounting Board has issued a new standard PS 3251 *Employee benefits* which will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*.
- The standard uses principles from International Public Sector Accounting Standard 39 *Employee benefits* as a basis for the Canadian standard.
- The standard results in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position.
- The standard also requires that fully funded post-employment benefit plans use a discount rate based on the expected market-based return of plan assets and underfunded plans use a discount rate based on the market yield of government bonds, high-quality corporate bonds or another appropriate financial instrument. A simplified approach to determining a plan's funding status is provided.
- The standard also requires that:
  - Deferral provisions – Remeasurement gains and losses are presented as part of accumulated remeasurement gains and losses.
  - Valuation of plan assets – Upon adoption, public sector entities may continue to recognize non-transferable financial instruments balances that meet the definition of plan assets under existing PS 3250 guidance. This transitional provision does not permit the recognition of additional amount afteradoption that do not meet the revised definition of plan assets.
  - Joint defined benefit plans – Defined benefit accounting is used for measurement of the proportionate share of the plan, instead of previously proposed multi-employer plan accounting which permitted accounting based on defined contribution concepts where insufficient information exists to use defined benefit accounting.
  - Disclosure of other long-term employee benefits and termination benefits – The standard does not include prescriptive disclosure requirements for other long-term employee benefits and termination benefits.
- The standard's guidance will be applied retroactively, with or without prior period restatement.

Appendix E: Current developments (continued)

Accounting standards (continued)

Intangible Assets

Proposed to be effective for years commencing on or after April 1, 2030 with early adoption permitted.

- The Public Sector Accounting Standards Board has issued proposed new standard PS 3155 *Intangible Assets* which would replace Public Sector Guideline 8 *Purchased Intangibles*.
- The standard will include foundational guidance on acquired and internally generated intangibles. It excludes intangible assets addressed in other public sector accounting standards and other intangible items such as exploration and extraction costs for non-renewable resources or intangible assets related to insurance contracts.
- The definition of "intangible assets" requires an intangible resource to be separate and identifiable from goodwill. It also requires that the entity has control over the intangible resource, future economic benefits flow from the intangible resource, and the intangible resource is the result of a past transaction and/or other events.
- Internally generated goodwill is not permitted to be recognized as an asset.
- An intangible resource is recognized when it meets the definition of an intangible asset and the asset's cost can be measured in a faithfully representative way. The generation of the asset is classified into a research phase and a development phase. Expenditures from the research phase of an internally generated project are expensed. An intangible asset arising from the development phase can be recognized if it meets certain requirements.
- Intangible assets are initially measured at cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired through a non-exchange transaction are measured at fair value as of the date it is acquired.

Cloud Computing Arrangements

- As part of its intangible assets project, the Public Sector Accounting Standards Board is also developing guidance on cloud computing arrangements. To ensure the development of this accounting guidance reflects current practices and needs, a survey was used to gather insights. The survey will inform the Public Sector Accounting Board about the types of cloud computing arrangements being encountered, magnitude of costs, key arrangement terms, current accounting policies and unique challenges in practice.

Appendix F: Independence

As a firm, we are committed to being and being seen to be independent. We apply the following ethical requirements, including independence requirements, in:

- the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies in Canada("CPA code") that are relevant to audits of financial statements of reporting issuers or listed entities; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA independence rules") that are relevant to audits of financial statements of public interest entities.

The following processes and procedures have been established by the firm to ensure independence is maintained:

- Dedicated ethics & independence partners
- Process for reporting breaches of professional standards and policy, and documented disciplinary policy
- Ethics, independence and integrity training for all staff
- International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest
- Operating polices, procedures and guidance contained in our quality & risk management manual
- Mandated procedures for evaluating independence of prospective audit clients
- Restricted investments and relationships
- Annual ethics and independence confirmation for staff

Statement of Compliance

We confirm that, as of the date of this communication, **we are in compliance** with relevant ethical requirements regarding independence in Canada.

Appendix G: Thought leadership and insights

Half of Public Servants Turn to AI Raising Risks

KPMG survey finds public sector unready for AI, low literacy, need for digital sovereignty.

While less than a quarter (**22 per cent**) of Canadian public sector organizations have adopted artificial intelligence (AI), half of the public servants who use AI in their jobs rely on publicly available AI tools, exposing governments to potential risks including data privacy and security breaches, intellectual property theft and exposure to biased or inaccurate information that can lead to legal and ethical issues, finds a new KPMG in Canada research.

Click here for more information

Intelligent Government

The emergence of generative AI, alongside advanced autonomous and agentic systems, is transforming how government and the public sector innovate and operate. Our findings reveal an actionable blueprint for governments and organizations aiming to leverage AI's potential to drive efficiency, reduce time-to-market and improve patient outcomes. This report provides insights into how they can take a value-based approach to AI that helps to accelerate innovation, unlock new growth opportunities, and maximize the impact of their AI investments.

Click here for more information

KPMG 2025 Canadian CEO Outlook

Our 2025 CEO Outlook survey reveals a compelling paradox: Canadian CEOs are increasingly confident in the growth of their companies and industries, yet their optimism about the Canadian and global economies is waning.

Despite the evolving pressures, CEOs alike are proactively focusing on making their organizations more resilient to external shocks. They are not just reacting to changes, but are actively seeking ways to mitigate external risks, improve productivity and optimize revenue.

Click here for more information

Midyear Observations on the 2025 Board Agenda

Disruption, volatility, and uncertainty aren't new operating conditions by any means. But the assumptions that have long driven corporate thinking - the role of government, geopolitical norms, and consistency in US policies as administrations change, and the speed of technological advances—are being upended. Few business leaders have experienced the scope, complexity, and combination of issues companies are facing today—and many will earn their stripes in the months ahead.

Click here for more information

Accelerate

The Canadian business landscape is experiencing profound interconnected geopolitical, technological and sustainability challenges which are causing compound impacts on the balance sheet. The audit committee's role in stewarding their organization towards increased productivity, resilience, and growth has never been more essential.

Our *Accelerate* series strives to provide audit committees with actionable insights and clear guidance for navigating through these interconnected challenges.

Click here for more information

Appendix G: Thought leadership and insights (continued)

Our latest thinking on the issues that matter most to Boards, Committees and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit Committees and Boards.

Board Leadership Centre

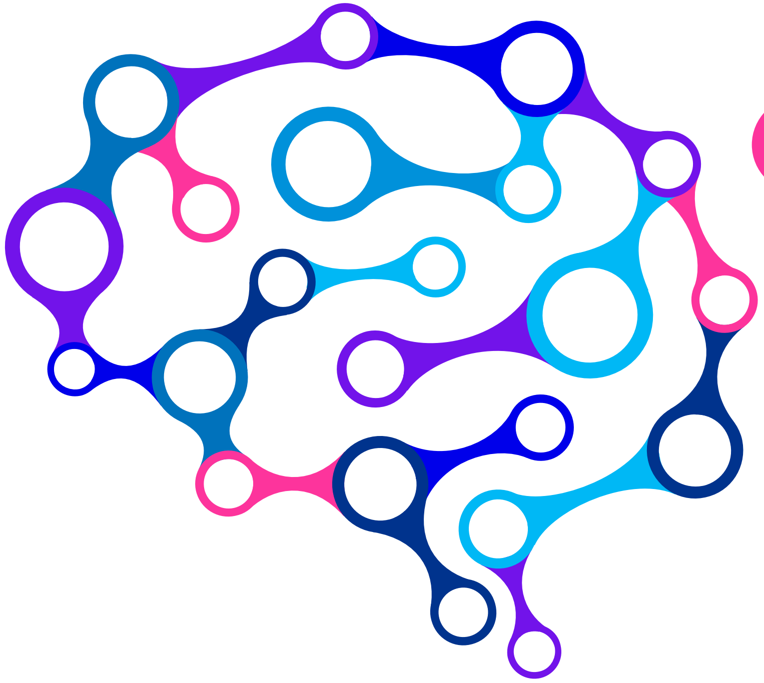
Leading insights to help board members maximize boardroom opportunities.

Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.



Appendix G: Thought leadership and insights (continued)

Lean in Audit™

We have the unique opportunity as your auditors to perform a deeper dive to better understand your business processes that are relevant to financial reporting.

Learn more

What it is

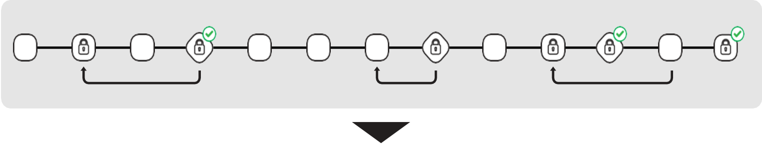
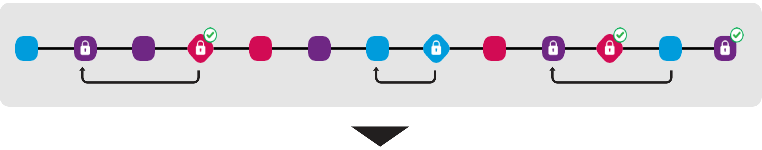
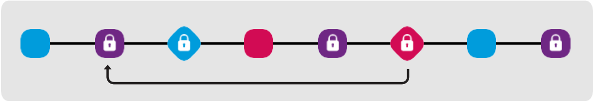
Lean in Audit™ is KPMG's award-winning methodology that offers a new way of looking at processes and engaging people within your finance function and organization through the audit.

By incorporating Lean process analysis techniques into our audit procedures, we can enhance our understanding of your business processes that are relevant to financial reporting and provide you with new and pragmatic insights to improve your processes and controls.

Clients like you have seen immediate benefits such as improved quality, reduced rework, shorter processing times and increased employee engagement.

We look forward to working with you to incorporate this approach in your audit.

How it works

Standard Audit	Typical process and how it's audited	
Lean in Audit	Applying a Lean lens to perform walkthroughs and improve Audit quality while identifying opportunities to minimize risks and redundant steps	
How Lean in Audit helps improve businesses processes	Make the process more streamlined and efficient for all	

Value: what customers want **(maximize)**

Necessary: required activities **(minimize)**

Redundant: non-essential activities **(remove)**

Process controls

Key controls tested

Appendix h: Continuous evolution

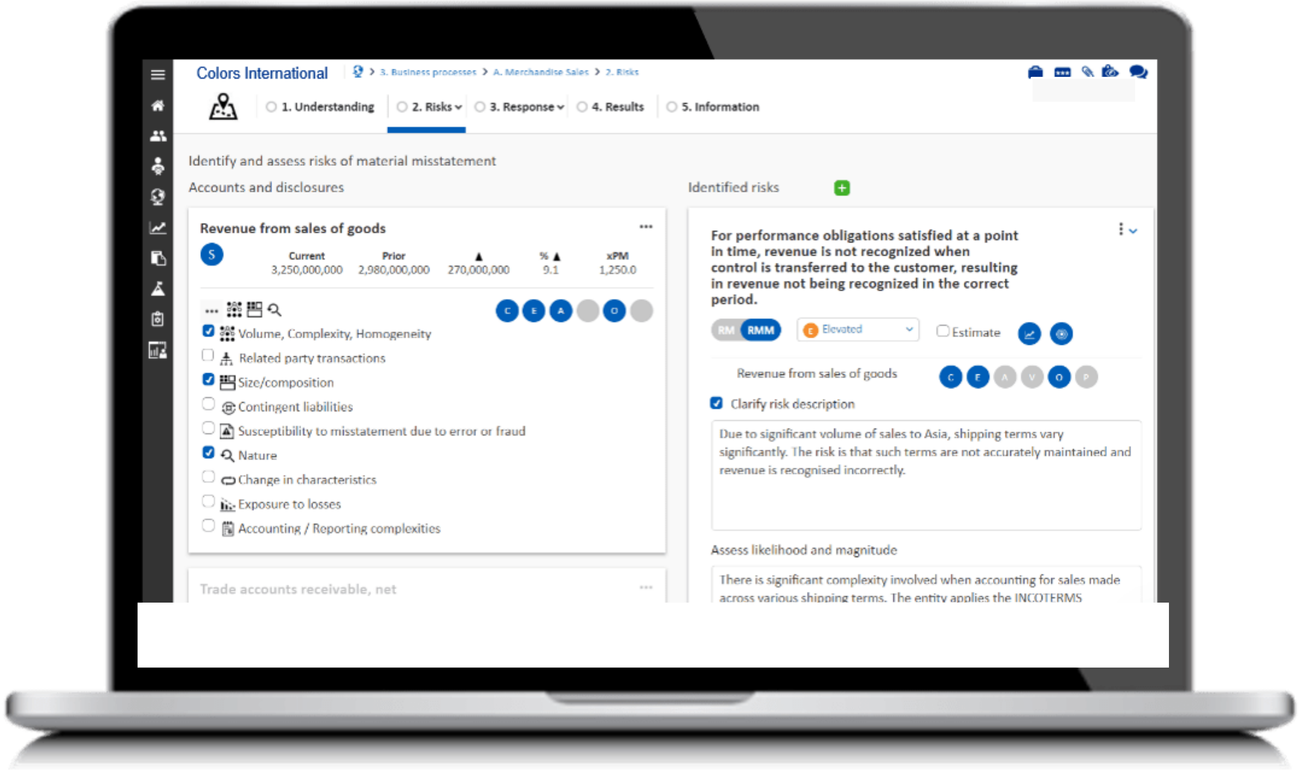
Our investment:
We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model
Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience
Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.

Appendix I: KPMG Clara Generative AI

With our global alliance partner Microsoft, we have embarked on a journey to embed Generative AI into our smart audit platform—KPMG Clara. This will make our auditors more productive and give them the tools to provide quicker feedback, make more insightful connections, and deliver a better audit experience.



AI done right

Although early adoption is key, we are focused on avoiding reliance on a 'black box' so we're building 'explainability' and 'traceability' at the core.

Bolstered productivity

Focused on removing time-consuming low value tasks, we'll apply our skills in other, more judgmental areas or in order to give insights to you.

Quality at our fingertips

We are teaching our model with our knowledge databases to capture our vast experience. This means quality information accessible in seconds.

Secure integration

KPMG Clara has been built on a solid and secure Azure Cloud backbone, allowing us to easily integrate Generative AI in partnership with Microsoft.

https://kpmg.com/ca/en/home.html