

## **CORPORATE GOVERNANCE AND CONDUCT REVIEW COMMITTEE TERMS OF REFERENCE**

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### **Mandate**

The Corporate Governance and Conduct Review Committee's role is to:

- develop and recommend policies and practices to maintain high standards and best practices in corporate and co-operative governance;
- serve as a centre of self-reflection to build and enhance governance effectiveness through Board and Director Education and performance management programs;
- carry out Board responsibilities with respect to the Self-Dealing provisions as set out in Part XI of the Insurance Companies Act, the other sections of the Insurance Companies Act which specifically mandate or reference the Conduct Review Committee;
- carry out Board responsibilities with respect to matters involving conflicts of interests and the conduct of related parties to The Co-operators and without limiting the generality of the foregoing, responsibilities of the Board concerning those matters as set out in the Appendices, and
- consider and receive the Chief Compliance Officer reports on Compliance related matters.

The Committee also conducts an annual review of and advises management on the Board of Directors budget.

### **Responsibilities:**

#### **Governance**

1. Monitor and consider best practices and trends in corporate governance and related regulatory requirements, e.g. OSFI Corporate Governance Guideline.
2. Act as the contact and monitoring Committee for governance compliance and Board process and structure issues, including:
  - Articles
  - Ordinary By-law No. 1
  - Board Policy Monograph
  - Share Monograph
  - Board of Directors Manual
  - Board Mandate
  - Board Election/Populating Committees Process
  - Board Committee Terms of Reference
  - Annual Report(s) Corporate Governance Statement
  - Annual Information Form (AIF) Corporate Governance Information

3. Oversee Board effectiveness programs including Board, Individual Director and Chairperson of the Board performance management systems, orientation, training and development.
4. Conduct an annual review of and advise management on the Board of Directors budget.

## **Compliance**

1. Ensure management establishes procedures for complying with the requirements of The Insurance Companies Act and regularly reviews those procedures.
2. Receive, review and consider the annual report from management with respect to related party transactions which have been approved by management in accordance with the Insurance Companies Act
3. Review and recommend for approval to the Board of Directors, where applicable, proposed transactions with related parties of the company in accordance with the Self-Dealing provisions of the Insurance Companies Act.
4. Review the practices of the company to ensure that any transactions with related parties of the company that may have a material effect on the stability or solvency of the company are identified.
5. Establish a list of related parties and ensure that the list of related parties is current.
6. Ensure adherence to Board policies related to: related parties; conflict of interest and Director Conduct.
7. Receive, review and discuss all significant and critical compliance related issues reported by Audit Services.
8. Review the Compliance and related reports as presented by the Chief Compliance Officer.
9. Hold an in-camera session at each regularly scheduled meeting with the Chief Compliance Officer.
10. The Corporate Governance and Conduct Review Committee oversees the Chief Compliance Officer function in the Company. Specifically, the Committee:
  - a. discusses with management the appointment of the Chief Compliance Officer and his or her compensation and other terms of employment;
  - b. approves the Chief Compliance Officer mandate and annual budget;
  - c. holds periodic discussion with management on the performance of the Chief Compliance Officer;
11. Through discussion with management, satisfies itself that succession plans are in place to ensure that a temporary replacement for the Chief Compliance Officer will be available if needed and that a pool of qualified candidates exists for consideration for permanent appointment to the position. After each meeting of the committee, report to the Directors on all transactions and other matters reviewed by the committee.

## **Composition & Appointment**

The Corporate Governance and Conduct Review Committee include the Chairperson of the Committee along with three other members of the Board (Directors).

The Chairperson and other Committee members are elected in accordance with the Board's Populating Committees process at the Board Re-organization meeting, held immediately following the Annual General Meeting of the Company.

The Corporate Governance and Conduct Review Committee must not consist of a majority of persons affiliated with the company and must not have any officers or employees of the company or any of its subsidiaries as members of the committee. Members of the committee must meet any other qualifications for Conduct Review Committee members established by law or by any authority having regulatory power over the company.

Members of the committee must declare in a timely manner any relationship to the company that may interfere or be perceived to interfere with the exercise of their independence from the Company and its management.

The Board of Directors may fill a vacancy that occurs in the Committee at any time.

### **Authority**

The Committee fulfills its responsibilities on behalf of the Board and makes recommendations to the Board on governance, conduct and compliance structure, process and policies.

The Committee has the authority to engage outside advisors and to call upon other resources as noted below to assist in the execution of its responsibilities.

The Committee is empowered to approve related party transactions in accordance with the provisions of the Insurance Companies Act and within Board approved limits.

## **Organization and Procedures**

### **Chairperson**

The Chair of the Committee is elected by the Board at the Board Re-organization meeting.

The Chairperson will hold no other office with any of The Co-operators group of companies, other than as a nominee of The Co-operators on an entity or an organization which is neither a related party of The Co-operators nor transacts any business directly or indirectly with The Co-operators or any of its subsidiary companies.

### **Meetings**

The Corporate Governance & Conduct Review Committee meets four times a year, or more often as may be required to discharge its responsibilities.

Meetings are held in conjunction with regularly scheduled Board meetings, unless otherwise required.

Meetings are held at the call of the Chair.

Notice of each meeting must be given to every member of the Committee not less than seven days in advance of the meeting. With the unanimous consent of all members, the notice period may be shortened or waived. Attendance of a Director at a meeting of the Committee, unless his or her attendance is to object to the lack of appropriate notice, is deemed to be waiver of notice.

The Committee normally meets in person but, with the agreement of all of its members, may conduct business through electronic means. Members of the Committee may participate in meetings by conference call or other means of communication permitting all persons participating in the meeting to hear each other.

The Committee will hold regularly scheduled in-camera meetings with the Chief Compliance Officer.

The Committee will meet in-camera without any Management present at the end of each regularly scheduled meeting.

### **Quorum**

A majority of the Committee (3 Directors) constitutes a quorum.

## **Organization and Procedures** *cont'd*

### **Resources**

The Associate Secretary and Senior Director, Corporate Governance and the VP & Chief Compliance Officer serve as the lead resources to the Committee. They as well as the Executive Vice-President, Member Relations, Governance and Corporate Services, and Sr. VP General Counsel & Corporate Secretary, receive notice of all meetings of the Committee and will attend all or some of the meetings on a as needed basis.

The Committee may invite, as it sees fit from time to time, other employees of the Company or other persons to attend its meetings and to advise it during its deliberations.

The Committee may retain such outside consultants and advisers, at Company expense, as it deems necessary to fulfill its duties.

In order to properly carry out its responsibilities with respect to its mandate, the Committee may retain the services of external professionals at the Company's expense.

To keep abreast of current and emerging issues, the Committee will meet at least once a year with an external governance and/or compliance expert.

### **Supporting Materials and Minutes**

The Company's Corporate Secretary, Associate Secretary or their designate(s) shall serve as Secretary to the Committee.

The agenda and supporting material for meetings are to be made available to the Committee on the Board Portal no less than seven days in advance of the meeting.

The Secretary records the minutes of every meeting, circulating them to the Chair of the Committee and to members shortly after the meeting takes place. After Committee members have had an opportunity to review them and provide any corrections, the minutes are prepared for distribution to the full Board at the next Board of Directors meeting. Considering that Committee meetings normally take place in conjunction with Board meetings, where this is the case, the minutes will be distributed at the following Board meeting (e.g. minutes of the Feb. Committee meeting held in conjunction with the February Board meeting would be distributed to the Board in the April Board Report).

## **Organization and Procedures** *cont'd*

### **Reporting**

The Committee Chairperson is provided an opportunity to provide an update at each Board of Directors meeting.

The committee will report to the full Board of Directors of each of the companies for which it serves as the Corporate Governance and Conduct Review Committee following each of the committee's meetings, making such recommendations to the Board as it deems appropriate.

Within 90 days after the year-end of the company the Committee will report to the Superintendent on proceedings, all transactions and other matters reviewed by the Committee during the year.

### **Annual Work Plan and Schedule**

The Committee adopts a work plan and annual schedule of activities at its first meeting following its election each year.

### **Committee Effectiveness**

The Committee performs an annual review and evaluation of its performance, including a review of its compliance with these terms of reference.

The committee will receive education and training as necessary to enable it to fulfill its mandate effectively.

The Committee reviews these terms of reference each year, ensuring continued conformance with statutes, regulations and guidelines of regulatory bodies as may be applicable to the company and with best practices of Corporate Governance and Conduct Review Committees and recommending any changes it deems necessary to the Board of Directors for approval.

A Corporate Governance & Compliance Reference Guide and any other orientation support are made available to new members joining the Committee following their election and prior to attending their first Committee meeting.

### **References:**

Corporate Governance & Conduct Review Committee Reference Guide  
Related Party Transactions Regulations

## **ATTACHMENTS**

Annual Work Plan

Appendix 1 Legal Requirements

Appendix 2 Procedures for Review of Transactions with Related Parties of the Company pursuant to section 204(3) (a) and Part XI of the Insurance Companies Act, Canada, as amended

Appendix 3 Flow Chart for the Review of Transactions ....

**Date of last review:** June 2016

**Approved by the Board:** August 2016

## **APPENDIX I: Legal Requirements**

The *Insurance Companies Act* requires federally regulated insurance companies to establish a Conduct Review Committee (s165), which shall have the following duties (s204 (3)):

- (a) Establish procedures for the review of transactions with related parties of the company to which Part XI applies;
- (b) Review all proposed transactions with related parties of the company in accordance with Part XI; and
- (c) Review the practices of the company to ensure that any transactions with related parties of the company that may have a material effect on the stability or solvency of the company are identified.

(4) A company shall report to the Superintendent on the mandate and responsibilities of the conduct review committee and the procedures established by the committee under paragraph 3(a).

(5) After each meeting of the conduct review committee of a company, the committee shall report to the directors of the company on all transactions and other matters reviewed by the committee.

(6) Within ninety days after the end of each financial year, the directors of a company shall report to the Superintendent on proceedings of the conduct review committee and all transactions and other matters reviewed by the committee during the year.

The Conduct Review Committee shall consist of at least three directors (s204 (1)).

A majority of members must consist of directors who are not persons affiliated with the company and none of the members of the Conduct Review Committee may be officers or employees of the company or a subsidiary of the company (s204 (2)).

The auditor is entitled to receive notice of every meeting of the Conduct Review Committee and to attend and be heard at that meeting. (s353.1).

Reviewed and approved by the Board – August 2016

## **The Co-operators Group – Mandate of the Chief Compliance Officer**

*The following is the revised mandate of the Chief Compliance Officer as presented to the Corporate Governance and Conduct Review Committee at its regularly scheduled meeting on June 6, 2016 and adopted by the Board of Directors at its regularly scheduled meeting on August 2016.*

### **Role**

The Chief Compliance Officer (CCO) is the senior champion for group wide compliance management and is responsible for the implementation of the compliance plan and program across the Co-operators' group of companies. In addition to designing and modifying the compliance plan and program as needed from time to time, the CCO uses the program to detect and prevent non-compliance within the group of companies. CCO directs and plans compliance activities; manages the preparation and submission of compliance related regulatory filings and is the point person for compliance related regulatory inquiries, examinations and submissions. The CCO provides regular compliance reporting to the Corporate Governance and Conduct Review Committee (CG&CRC) to ensure that they clearly understand the compliance obligations and initiatives at the organization and to supply an objective view on whether the Company is operating in compliance with the regulation and policies that are in place. The CCO reports directly to the Senior Vice-President, General Counsel and has direct accountability to the CG&CRC of the Board of Directors. The CG&CRC oversees the CCO and the Compliance function in the Company. Specifically, the CG&CRC:

- Advises management on the appointment of the CCO and his or her compensation and other terms of employment
  - Approves the CCO's mandate and annual budget
  - Holds periodic discussion with management on the performance of the CCO
- Through discussions with management, satisfied itself that succession plans are in place to ensure that a temporary replacement for the CCO will be available if needed and that a pool of qualified candidates exists for consideration for permanent appointment to the position.

### **Authority**

#### *Scope*

The CCO has enterprise-wide authority for the Compliance management function with the exception of Addenda Capital Inc.

#### *Independence and Objectivity*

The CCO has the authority to carry out the responsibilities of the role independent of operational management. Assessments of compliance activities by the CCO and the compliance management function should remain objective.

- The CCO and the compliance management function should not be directly involved in revenue generation or in the management of any business line or product.
- The CCO's compensation should not be linked to the performance of a specific business line.

### *Resources*

The compliance management function should be adequately resourced to carry out this mandate. Resources include the number, qualifications and competencies of staff, and the tools and systems used for compliance assessment, measurement and reporting

### *Access*

The CCO has the right of access to the Company's records, information and personnel. Senior management should ensure that the CCO is informed of any compliance related issues.

The CCO attends all CG&CRC meetings and has direct access to the CG&CRC via quarterly in camera sessions as well as on an ad hoc basis if required.

### *Follow-Up*

The CCO has the authority to follow up on issues and recommendations which, in his/her opinion, have not been properly addressed by management and to escalate, as appropriate, when deemed necessary.

## **Responsibilities**

The Chief Compliance Officer is accountable for carrying out the Compliance Mandate generally and may delegate specific responsibilities under the mandate. Accordingly, the Chief Compliance Officer is responsible for:

- Leading the implementation of the Regulatory Compliance Management (RCM) System and maintaining it;
- Ensuring that the RCM System is sufficiently robust to control compliance with Regulatory Requirements;
- Ensuring material regulatory risks and incidents of non-compliance are identified and appropriately resolved;
- Reporting instances of material non-compliance with Regulatory Requirements to the Conduct Review Committee, including Management's plans and steps taken to resolve the problems; and
- Reporting to the Corporate Governance and Conduct Review Committee on the status of the Company's compliance with Regulatory Requirements, including an opinion on the effectiveness of the RCM System.

The responsibilities of the CCO are described in the Compliance Mandate and Regulatory Compliance Management Policy and the job profile is posted on the intranet "Source".