



**THE CO-OPERATORS GROUP LIMITED
COMMITTEES OF THE BOARD**

TERMS OF REFERENCE – AUDIT COMMITTEE

Mandate

- The Audit Committee of the Board of Directors assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the company, and such other duties as directed by the Board. The committee's purpose is to oversee the accounting and financial reporting processes of the company, the audits of the company's financial statements, the qualifications of the public accounting firm engaged as the company's independent auditor to prepare or issue an audit report on the financial statements of the company, and the performance of the company's internal audit function and independent auditor. The committee reviews and assesses the qualitative aspects of financial reporting to shareholders, and other key stakeholders and compliance with significant applicable legal, ethical, and regulatory requirements. The committee is directly responsible for the appointment (subject to member approval), compensation, retention, and oversight of the independent auditor. Management, on the other hand, is responsible for the preparation, presentation and integrity of the interim and annual financial statements and related disclosure documents. Management is also responsible for maintaining appropriate accounting and financial reporting policies and systems of internal controls and procedures that are in compliance with accounting standards, applicable laws and regulations and that provide reasonable assurances that assets are safeguarded and that transactions are authorized, executed, recorded and reported properly.
 - The committee serves as the Audit Committee of The Co-operators Group Limited, Co-operators Financial Services Limited, Co-operators General Insurance Company, Co-operators Life Insurance Company, The Sovereign General Insurance Company, COSECO Insurance Company, CUMIS General Insurance Company and CUMIS Life Insurance Company. It will fulfill a monitoring role with respect to the other subsidiaries and affiliates within The Co-operators Group Limited.
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Responsibilities

- The committee shall perform the duties set out in these Terms of Reference and shall perform such other duties as may be necessary or appropriate under applicable law or stock exchange rules, may arise from time to time from business or economic issues, or as may be delegated to the committee by the board from time to time, including such duties as are specified in the company's board guidelines.
- A detailed listing of the committee's responsibilities is attached in Appendix A.

Composition & Appointment

- The Audit Committee consists of five members of the Board of Directors of The Co-operators Group Limited. Members of the committee must meet any other qualifications for Audit Committee members established by law or by any authority having regulatory power over the company, including the independence requirements of National Instrument 52-110 and of the Insurance Companies Act (Canada) as amended from time to time.
 - Members of the committee will be elected each year at the first meeting of the Board of Directors following the annual general meeting of the company. The Board may appoint members to fill any vacancies that arise during the year. At no time shall the committee comprise fewer than three members.
 - The Chairperson of the Audit Committee will be elected from among board members who have been nominated for the position and hold the qualifications identified in the Role of the Chairperson of the Audit Committee document. These attributes include: being independent-minded, able to provide leadership, having no direct or indirect material relationship with the company, have management experience, financial management training and knowledge of various components of the organization.
 - If the Chair of the Committee is not present at any meeting of the Committee, one of the members of the committee who is present at the meeting shall be chosen by the committee to preside at the meeting.
 - In electing members to the committee, the board will choose people who it believes
 - are independent and financially literate within the meaning of the Ontario Securities Commission Multilateral Instrument 52-110;
 - have an inquiring attitude, objectivity and sound judgment;
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- possess a general understanding of the company's business and are prepared to take the necessary instruction and to review the necessary material to deepen that knowledge and understanding; and
 - are willing to devote the necessary time to become familiar with the company and prepare for and attend meetings.
- Each member of the committee must have the ability to read and understand a set of financial statements that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the company's financial statements.
 - The effectiveness of the committee will be strengthened if at least one member has experience in financial management or accounting.
 - 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.

Authority

- The Audit Committee shall have the power to conduct or authorize investigations into any matters within the committee's scope of responsibilities. The committee shall be empowered to retain independent counsel, accountants, or others to assist in the conduct of any investigation. The Chairperson of the committee will inform the Chairperson or, as appropriate, the Vice-Chairperson of the Board of Directors whenever such action is taken.
 - The committee shall have access to any information, documents and records that are necessary in the performance of its duties and the discharge of its responsibilities.
 - The external auditors report to the board and the committee. The committee has the authority to communicate directly with the external auditors.
 - To provide for the independence of the Audit Services' department, the Chief Internal Auditor (Vice-President, Audit Services) will report functionally to the Audit Committee and administratively to the Executive Vice-President Finance and Chief Financial Officer (CFO) of The Co-operators Group Limited. The Vice-President, Audit Services has the right of direct access to the CEO and the Chairperson of the Audit Committee should the need arise.
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Organization and Procedures

Chairperson

- As noted above, the Chairperson of the committee will be elected each year at the first meeting of the board following the annual general meeting of the company.
- The Chairperson of the committee shall have the duties and responsibilities set forth in Appendix B.

Meetings

- The committee will meet at least four times each year or more frequently as may be required to fulfill its mandate.
- The committee will reserve time to meet privately with each of the external and internal auditors at each of its regular meetings and, as necessary, with management. The committee will also meet privately with the Appointed Actuary annually at the meeting where the annual financial statements are approved to discuss these statements and the annual returns filed by the actuary in accordance with the requirements of the Insurance Companies Act (Canada).
- The Chairperson of the committee or any member of the committee may call a special meeting of the committee or of the Board of Directors with reasonable notice.
- Notice of the time and place of every meeting shall be given in writing to each member of the committee at least 48 hours prior to the time fixed for such meeting.

Quorum

- Three members of the committee shall constitute a quorum for the transaction of business.

Resources

- The CFO, other members of management and the external and internal auditors will attend meetings of the committee as may be required to provide information and to answer inquiries.
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Organization and Procedures *cont'd*

Supporting Materials and Minutes

- The company's Corporate Secretary, or that person's designate, serves as Secretary to the committee.
- The agenda and supporting materials for meetings are to be distributed to the committee by email or through other electronic means no less than four business days in advance of the meeting.
- The Secretary records minutes of every meeting, circulating them to the Chairperson and to the Vice-President of Corporate Finance shortly after the meeting takes place. After these two individuals 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. They will be also tabled for review and approval at the next regular Audit Committee meeting.

Reporting

- The committee will report on its actions and activities at the next meeting of the Board of Directors, making such recommendations to the board as it deems appropriate. Should business circumstances dictate, a summary of the Committee's activities, decisions, and recommendations, will be provided to the Board on a more frequent basis.
- The committee will report annually on its composition and mandate to the members and shareholders of the company through the Annual Information Form.

Annual Work Plan and Schedule

- The committee adopts a work plan and schedule of activities at its first meeting following its election each year. This will be based on the listing of activities outlined in Appendix A.

Committee Effectiveness

- The committee will receive education and training as necessary to enable it to fulfill its mandate effectively. Not less than one day per year will be devoted to this activity.
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- The committee will review these Terms of Reference annually to ensure their continued conformance with statutes, regulations and guidelines of regulatory bodies as may be applicable to the company and with best practices of audit committees and will recommend any changes it deems necessary to the Board of Directors.
- The Board of Directors will assess the committee's performance at such regular intervals as it deems appropriate for the assessment of board committees.

Attachments

- Appendix A – Audit Committee Responsibilities
 - Appendix B – Role of the Chairperson of the Audit Committee
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APPENDIX A – AUDIT COMMITTEE RESPONSIBILITIES

Financial Reporting

- The Audit Committee will review with management and the external auditors:
 - The appropriateness of the company's accounting and financial reporting;
 - THE FINANCIAL PERFORMANCE OF THE OPERATIONS, INCLUDING DRIVERS OF VARIANCES FROM PLAN
 - Any significant changes to the company's accounting and financial reporting as such changes are recommended by management or the external auditors;
 - The accounting treatment AND FINANCIAL PERFORMANCE IMPACTS of significant ISSUES, risks and uncertainties or significant business developments;
 - Any material with relevant proposed changes in accounting standards, policies or regulations;
 - Key estimates and judgments of management that may be material to the company's financial reporting;
 - Significant auditing and financial reporting issues discussed during the fiscal period and the method of resolution;
 - The approach and nature of financial information to be disclosed to rating agencies at least once a year; and
 - The report of the company's disclosure committee.
 - Before the following information is disclosed to the public or regulators, as applicable. The committee will review and discuss with management and the external auditors and approve or, if appropriate, recommend for approval by the board
 - The annual audited consolidated financial statements, together with the report of the external auditors and the Appointed Actuary, of the appropriate companies;
 - The annual Management Discussion and Analysis and certifications provided by the CEO and CFO for Co-operators General Insurance Company;
 - The annual earnings press release for Co-operators General Insurance Company;
 - The interim unaudited financial statements of Co-operators General Insurance Company and accompanying Management Discussion and Analysis and earnings press release;
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- Other returns of the company as the Office of Superintendent of Financial Institutions for Canada (OSFI) may specify;
- Any OFFERING MEMORANDUM, prospectuses and registration statements; and
- Review and recommend for approval the company's disclosure policy and the disclosure controls that have been adopted by the company to confirm that material information about the company, which is required to be disclosed under applicable law or stock exchange rules, is disclosed on a timely basis.

Other Reporting

- In addition to financial reporting, the committee will also be responsible for other reporting. Specifically, the committee will:
 - Review legal and regulatory matters that may have a material effect on the financial statements, related company financial compliance policies and programs, and reports received from regulators;
 - RECEIVE OTHER FINANCIAL REPORTING AND IMPACT ANALYSIS AS REQUIRED IN SPECIAL CIRCUMSTANCES;
 - REVIEW THE COMPANY'S ANNUAL OPERATING PLAN;
 - Receive periodic reports from management on current and potential litigation involving the company that is out of the course of ordinary business;
 - Receive periodic reports from management on the valuation of investments, goodwill and intangible assets;
 - Review all external actuarial peer reviews of the Appointed Actuary's Report prepared by external actuary. Approve external actuary engaged to perform peer reviews;
 - Receive and approve the Annual Information Form;
 - Receive the annual reports of the Appointed Actuary and statutory returns prepared by him/her.
 - Receive other ad hoc financial reporting updates where requested by the Committee

Internal Controls

- In overseeing the company's internal control procedures and management's reporting on them, the committee will:
 - Require the management of the company to design, implement and maintain appropriate internal control procedures (including controls related to the prevention, identification and detection of fraud);
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- Review, evaluate and approve the procedures noted above;
 - As required, meet with the Vice-President, Audit Services, and other members of management as required to discuss the effectiveness of the company's internal control procedures and the status of identified control weaknesses;
 - Review the adequacy and management's assessment of the operating effectiveness of the company's internal controls over financial reporting contained in the interim and annual filings under applicable securities laws, as well as any public disclosures of financial information extracted or derived from the company's financial statements;
 - Review certification on the design and evaluation of internal control over financial reporting required under applicable securities laws;
 - Review reports from management and the Vice-President, Audit Services regarding any significant deficiencies and material weaknesses that may exist in the operation of the company's internal controls over financial reporting, which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information. Any fraud involving management or other employees who have a significant role in the Company's internal controls, and any significant changes in internal control over financial reporting that are disclosed in regulatory filings;
 - Review management's recommendations for rectifying such deficiencies and weaknesses and review, as appropriate, the implementation of such recommendations;
 - Review, as required, correspondence relating to inquiries or investigation by regulators concerning internal controls;
 - Review management's assurance reporting that controls and procedures are in place, which confirms that the company is in compliance with certain regulations and policies as described, and has appropriately filed documents and remitted amounts as required;
 - Review such investments and transactions that could adversely affect the well-being of the company as the auditor or any officer of the company may bring to the attention of the committee; and
 - Ensure procedures are established for the receipt and retention of complaints, and reasonable attempts to resolve such complaints, as received by the company regarding accounting, internal accounting controls, or auditing matters and the confidential and anonymous submission from employees of the company with respecting to accounting, auditing or internal control matters.
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External Auditors

- The committee shall evaluate and be responsible for the company's relationship with the external auditors, including an assessment of its independence. Specifically, the committee will:
 - Review and propose the approval of the appointment, reappointment, or removal of the external auditor of the company to the Board of Directors, members, shareholders and policyholders. In a year where the external audit is sent to proposal, the Audit Committee will play an active role in reviewing all audit firm proposals and will have the full and final responsibility for the selection of the external audit firm. The committee will also agree to the scope and terms of the audit engagement and review and recommend for approval by the Board the engagement letter and remuneration of the external auditor;
 - Periodically assess the auditor's continuing performance and qualifications;
 - Perform a formal assessment of the external audit engagement at least once every five years;
 - Review the terms of the external auditor engagement, the annual audit plan and the appropriateness and reasonableness of the proposed audit fees and make recommendations to the board as appropriate;
 - Satisfy itself that the audit plan is risk-based and covers all relevant activities over an appropriate cycle and that the work of the external and internal auditors is coordinated;
 - Review the scope and results of the audit conducted by the external auditors with the external auditors, the Vice-President, Audit Services and management, including:
 - The degree of co-operation the external auditors received from management; any problems experienced by the external auditors in conducting the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
 - The existence of problems or potential problems related to accounting and/or auditing matters and any accounting errors;
 - The appropriateness and quality of all critical accounting policies and practices used by the company and the selection of new policies and practices (including those policies for which management is required to exercise discretion or judgment); and
 - Any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the external auditors' preferred treatment, as well as any other material communications with management.
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- Meet regularly with the external auditors without management present to review and ask the external auditors to report on any audit problems and difficulties, including any significant disagreements, unresolved issues as well as management's response thereto and consultations with management, as well as any other matters the external auditors believe the committee should be aware of in order to exercise its responsibilities;
- Oversee the resolution of any disagreements between the external auditors and management;
- Review all material correspondence between the external auditors and management related to audit findings;
- Evaluate the external auditors' audit performance, considering management's evaluation of such performance;
- Review the reports of the external auditors;
- Establish criteria for the types of non-audit services that an external auditor can and cannot provide, including rules stipulating when advance approval by the Audit Committee is required for new contracts and annually review the procedures for approval of non-audit services by external auditors;
- Pre-approve non-audit related services to be provided by the external auditor and consider proposals for specific non-audit assignments as required by the Procedures for Approval of Audit and Non-Audit Services by External Auditors;
- Review and approve the company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the company;
- Require the external auditors to confirm annually, in writing, that they are independent in accordance with applicable independence rules; and
- Evaluate any concerns raised by OSFI or other stakeholders about the external auditors' independence. The committee shall be notified of the concerns the company receives from its stakeholders, review the basis for the concerns and, in consultation with the external auditors and senior management, determine whether action is required to address them. The committee will oversee the implementation of any remediation plans.

Internal Auditors

- In overseeing the internal audit function, the committee will:
 - Review periodically the internal audit charter, audit coverage and organizational structure of the internal audit function and, if appropriate, recommend changes;
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- REVIEW THE PERFORMANCE OF THE VICE-PRESIDENT, AUDIT SERVICES AND PROVIDE INPUT INTO ANNUAL PERFORMANCE ASSESSMENT
- REVIEW AND APPROVE THE ANNUAL PERFORMANCE OBJECTIVES OF THE VICE-PRESIDENT, AUDIT SERVICES
- Review and approve the planned areas of audit focus, the annual audit plan and staffing/resources;
- Review the reporting relationship and independence of the Vice-President, Audit Services and ensure there are no restrictions or limitations on the functioning of the internal audit department. In support of best practices, the Vice-President, Audit Services will confirm his/her independence annually;
- Review the quarterly report of the Vice-President, Audit Services, together with management's response to any identified weaknesses, including reports on internal controls over various risk categories;
- Review and concur in the appointment, replacement, reassignment, or dismissal of the Vice-President, Audit Services; and
- Review the results of periodic Quality Assessment Reviews performed by Audit Services, including those conducted by an external party/validator at least once every three years.

Oversight of the Chief Financial Officer & Vice-President, Audit Services

- The Committee oversees the CFO and Internal Audit function in the Company. Specifically, the Committee:
 - Discusses with management the appointment of the CFO and Vice-President, Audit Services and his or her compensation and other terms of employment;
 - Approves the CFO's and Vice-President, Audit Services' mandate and annual budget;
 - REVIEW THE ANNUAL PERFORMANCE OBJECTIVES OF THE CFO;
 - Holds periodic discussions with management on the performance of the CFO and Vice-President, Audit Services; and
 - Through discussion with management, satisfies itself that succession plans are in place to ensure that a temporary replacement for the CFO or Vice-President, Audit Services will be available if needed and that a pool of qualified candidates exists for consideration for permanent appointment to the position
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APPENDIX B – ROLE OF THE CHAIRPERSON OF THE AUDIT COMMITTEE

Mandate

In an evolving regulatory environment, where more and more emphasis is being placed on financial accountability, the role of the Audit Committee and in turn, the role of the Chairperson of the Audit Committee, has gained importance within the overall governance process of the organization.

The Chairperson of the Audit Committee, the leader of the committee, is charged with the leadership role of overseeing and monitoring the financial well-being of The Co-operators group of companies. In this role, the Chairperson leads the Audit Committee in fulfilling its obligations as required by the organization and the regulators.

The Chairperson will work closely with senior management, external auditors, internal auditors, and the Chairperson of the Board Directors in fulfilling the responsibilities of this position and the Audit Committee.

Responsibilities

- The following is a summary of the responsibilities of the Chairperson:
 - To fully discharge his or her responsibilities as a director of The Co-operators;
 - Work with the CFO and his or her staff to develop Audit Committee agendas, meeting schedules and processes and ensure the work of the committee is effectively completed;
 - Chair all meetings of the committee. In this capacity, the Chairperson will ensure that all agendas are completed, required motions and actions are acted upon and adequate discussion takes place within the committee to deal knowledgeably with issues before the committee;
 - Lead the quarterly review of all continuous disclosure documents of Co-operators General Insurance Company and guide the committee in this process. Lead the committee in approving quarterly statements and business and other financial reports. Sign year-end financial statements;
 - Oversee the relationship with the external and internal auditors, including selection and termination decisions;
 - On behalf of the Audit Committee, approve and sign the annual engagement letter for the external audit as requested of all federally regulated financial institutions;
 - Meet and deal with the external auditors, as may be required at and in between committee meetings, ensuring that all issues of concern to the external auditors are effectively dealt with by the committee;
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- Lead the committee in evaluating the independence of the external auditor;
 - Work with senior management and the external auditor to identify non-audit services and the evaluation of those services for committee approval;
 - Receive and review notifications of any pre-approved non-audit assignments of the external auditor with expected fees that are greater than or equal to \$100,000 but less than \$200,000 in accordance with the Procedures for Approval of Audit and Non-Audit Services by External Auditors;
 - Lead the committee in the evaluation of the external auditors and on behalf of the committee, report on the effectiveness and make recommendations on the appointment of the external auditors, both to the Board of Directors and the members at the Annual General Meeting;
 - Work as required with the CFO and his or her staff to deal with financial issues, with the objective that there is an excellent understanding by committee members of all matters related to the financial stability and well-being of the organization;
 - Oversee the establishment, documentation and monitoring of internal controls and disclosure controls. Lead the committee in assessing the basis of the CEO and CFO certification;
 - Meet regularly with the internal auditor to review issues of concern;
 - Meet with federal and provincial regulators, and any other major stakeholders, as may be required from time to time;
 - Work closely with the Chairperson of the Board of Directors to ensure that the work of the committee interfaces well with the broader agenda of the Board of Directors and the organization;
 - Take personal initiatives to keep abreast of best practices of audit committees and make recommendations from time to time on changes or improvements to the work of the committee, its Terms of Reference and practices;
 - Seek out appropriate education opportunities for committee members, as they relate to the work of the Audit Committee;
 - The Chairperson will provide necessary coaching and feedback to individual members;
 - Report regularly to the Board of Directors on the work of the committee; and
 - Carry out additional responsibilities that may be necessary from time to time, to ensure the effective operation of the Audit Committee.
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Reporting and Other Relationships

- The Chairperson of the Audit Committee will report and relate as follows:
 - Work closely with the Chairperson of the Board of Directors;
 - Report regularly to the Board of Directors;
 - Work closely with the CFO and other senior management in the organization;
 - Make recommendations to the members at the Annual General Meeting on the appointment of external auditors;
 - Meet regularly with the internal auditor;
 - Meet regularly with the external auditor; and
 - Respond to federal and provincial regulators, as necessary, from time to time.

Qualifications

- The person acting as the Chairperson of the Audit Committee must be independent-minded, willing and able to devote the necessary time to the role, able to provide leadership, have the ability to hold management and the external auditors accountable for their actions and have a broad vision for the committee and be able to articulate that vision in the process of providing leadership.
- The Chairperson, as well as all members of the Audit Committee, must not have a direct or indirect material relationship with the company. This means that in the view of the Board of Directors, the relationship of the Chairperson or other Audit Committee members will not reasonably interfere with the exercise of a committee member's independent judgment. The Chairperson, as well as each member of the committee, must also meet other specific independence criteria as noted in Ontario Securities Commission Multilateral Instrument 52-110 and of the Insurance Companies Act (Canada).
- The Chairperson must be able to demonstrate a comprehensive understanding of the company's financial governance policies and processes.
- The Chairperson of the Audit Committee must have management experience, financial management training and knowledge of various components of the organization.

Time Requirement

- In addition to participating at regular board and committee meetings, the Chairperson of the Audit Committee is expected to spend an additional amount of time in fulfilling the requirements and expectations for this position.

Date of last review: July 2020
Approved by the Board: August 2020
