

Board of Directors Governance Policies

The Co-operators Board of Directors maintains a fulsome Board Policy Monograph that details its oversight functions to help achieve the Board Mandate. The monograph includes policies pertaining to regulatory activities and governance best practices which are reviewed by the standing committees and board of directors at scheduled intervals to maintain their relevance and accuracy. Although there is a diverse and robust suite of policies included in the monograph, policies identified in the Integrated Annual Report are detailed below.

Conflict of Interest Policy

Background:

The Insurance Companies Act, Canada, as amended governs the activities of most of the insurance companies within The Co-operators group of companies. This Act has specific statutory requirements related to acts or policies which the board of directors is required to establish or identify. One such requirement is the requirement to ensure that procedures have been established to resolve conflicts of interest, including techniques for the identification of potential conflict situations and for restricting the use of confidential information. This includes the requirement for the board or a board committee to exercise oversight over this process.

By motion of the board as at November 13, 1992, the board approved a “Conflict of Interest” policy to comply with the requirements of the Insurance Companies Act. Since that time a number of other policies have been adopted both by the board and by the Company with respect to Conflicts of Interest, a Code of Ethics and Director Conduct. In reviewing the company’s various policies in this regard it has been determined that it is desirable to update and consolidate references herein to those various policies. The Acts governing the four primary companies to which this policy applies also have specific provisions with respect to conflicts of interests by officers or directors.

Policy:

The Co-operators endorses business activity, premised on professional ethics, in a working environment free from real, perceived or potential conflicts of interest. Activity which compromises objective business decisions and/or results in inappropriate personal gain is prohibited.

A high standard of conduct is also expected with respect to the use and disclosure of information which is confidential to the company, to directors or employees of the company, to policyholders or to any other person where by agreement or the operation of law the information is required to be maintained in a confidential manner.

Procedure:

The following procedures are provided for clarification purposes only and in no way limit the scope of the general rules established by this policy.

1. The Compliance Officer shall prepare and distribute annually a conflict of interest declaration form for officers and directors of the Company to be distributed no later than January of each year;
2. That the Compliance Officer annually prepares a summary of the number of officers and directors who have or who have not completed a conflict of interest form, and with respect to those who have completed the form, note any conflicts which had been identified and how they had been resolved;

Conflict of Interest Policy (continued...)

3. That the Compliance Officer's report noted in 2 hereof shall be presented to the meeting of the Corporate Governance and Conduct Review Committee following the collection of the information in each year;
4. The Senior Vice-President, Human Resources of the Company and his or her designate(s) are responsible for ensuring that staff members are aware of and understand policies relating to ethical conduct, in particular the Company's Code of Ethics which includes the Conflict of Interest Policy for staff and the Corporate Opportunities for Senior Management Policy. The appropriate level of Management is also responsible to ensure that those policies are complied with, that appropriate 'sign-offs' are obtained as required by those policies, and that conflict of interest situations are appropriately resolved in accordance with those policies;
5. A director or officer of the Company shall not participate in discussions or vote on matters which relate to any person or entity in which they have a material interest.) A director or officer shall declare the potential conflict as soon as is practicable before the matter is discussed and absent him or herself from the board meeting which is dealing with such a matter.
6. Directors appointed to the board of directors of a subsidiary company of The Co-operators pursuant to board Policy No. 20 (Subsidiary Board Governance) shall absent him or herself from any discussion at the Board of the parent company related to the subsidiary company where his or her duty as a fiduciary of the parent company and the subsidiary may conflict, or where the appropriateness of a course of action of the subsidiary with respect to any action or transaction is being questioned by the parent board, or where a corporate opportunity has or is being proposed to be presented to the parent board by the subsidiary company.
7. Directors or officers attending board meetings who believe they may have a conflict of interest on matters before the board shall disclose its existence to the board at the time they realize that they have a conflict of interest or as soon as is reasonably practicable thereafter and request that the declaration of the conflict of interest be entered into the minutes of the meeting.
8. Disclosure by a director or officer as provided herein shall be made:
 - (a) at a meeting at which an issue related to his or her potential conflict of interest is first considered;
 - (b) where a director's interest is in an issue which did not put him or her into a potential conflict of interest position at the first meeting at which it was discussed, at the first meeting after he or she becomes so interested;
 - (c) where a director's interest is in an issue which puts him or her in a potential conflict of interest situation after the issue is discussed, at the first meeting after he or she becomes so interested; or,
 - (d) if a person who has an interest in an issue, which puts him or her in a potential conflict of interest, later becomes a director, at the first meeting after he or she becomes a director.

Conflict of Interest Policy (continued...)

9. Every director and officer shall keep confidential all information respecting the business or transactions of the company, particularly information with respect to clients of the company, staff and company proprietary interests, including law suites in which the company is either the plaintiff or a defendant and shall disclose such information only in the following circumstances and only if in such circumstance it is not otherwise prohibited by the operation of law:
 - (a) to a person acting in a confidential or professional relationship with the Company;
 - (b) to a financial institution with which the Company has transactions which may involve confidential matters;
 - (c) to a credit granting or to a reporting agency, on a confidential basis and where permitted by law;
 - (d) to the Office of the Superintendent of Financial Institutions for Canada or to any other regulatory authority where permitted or required by applicable law;
 - (e) to protect the interests of the Company, where permitted by law;
 - (f) with the prior written consent of the person to whom the confidential information relates and where it is otherwise permitted by law;
 - (g) to any other person entitled to the information by the operation of law.
10. To the extent information at board or other meetings of the Company is intended to be confidential, the Chair or the appropriate management person will indicate the items to be discussed which are to be kept as confidential by the board and Management.
11. Where confidential information is disclosed by a director or officer, the person disclosing the information has the obligation to forthwith advise the Chairperson of the board (in the case of directors and the Chief Executive Officer) or the appropriate CEO, Senior Vice-President or Vice-Presidents in the case of management.

Code of Conduct Policy

Background:

The board of directors of The Co-operators oversees the management of the Company. It ensures that management operates in accordance with codes of conduct and procedures to ensure that staff and the Company discharge their fiduciary duties with the utmost good faith, to the highest standard and with a view to the best interests of the Company. Given the different roles played by the board, directors and staff, codes of conduct must be in place and appropriate for each. As fiduciaries of The Co-operators the board of directors and each director collectively and individually commit ourselves to upholding the highest standards of conduct in serving the best interests of The Co-operators. That is the purpose and background to this policy.

Policy:

The board of directors and each director of The Co-operators commits him or herself to:

1. Discharge his or her duty in good faith, competently, diligently, in accordance with best practices applicable to directors and with a view to the best interests of the Company;
2. Hold the highest level of integrity as our standard of conduct;
3. Ensure that the Company complies both with the spirit and the intent of applicable laws, including those intended to promote good corporate citizenship and accountability;
4. Ensure that the Company complies both with the spirit and the intent of the principles of the International Cooperative Alliance;
5. Ensure that the Company conducts itself in the communities it serves as a good corporate citizen; promote, support and encourage by example management practices which reinforce our mission and core values, equitable employment practices, anti-harassment policies, ethical practices and dealings; conduct our dealings with and on behalf of the company observing the highest standard of ethics and in a manner to avoid possible conflicts of interests;
6. Participate fully in the democratic structure of The Co-operators including attending all or substantially all of meetings of the board of directors of the Company as well as the region committee meetings in the regions from which the director was nominated or who he or she represents as well as the Annual General Meeting or any Special General Meetings of the Company.

Procedure:

1. Any allegations of conduct unbecoming a director of The Co-operators pursuant to this policy may be referred to the board of directors for appropriate action;
2. Any allegation made under 1 shall be considered by the Corporate Governance and Conduct Review Committee;
3. The Corporate Governance and Conduct Review Committee shall meet in-camera, shall hear any evidence which it deems appropriate, including the evidence of any advisors it chooses to consult and shall give the affected director the opportunity to be heard and to examine evidence produced before it prior to making any decision or rendering any judgment;

Code of Conduct Policy (continued...)

4. The Corporate Governance and Conduct Review Committee may make any recommendation it deems to be reasonable in the circumstances up to and including dismissal from the board;
5. The board of directors shall consider any recommendations of the Corporate Governance and Conduct Review Committee in camera and may make a decision with respect to disciplinary action where appropriate;
6. Any director against whom a finding may be made is entitled to a hearing before the full board before any finding is made;
7. Where The Corporate Governance and Conduct Review Committee proposes in its recommendation to dismiss the director from the board, the proposal of the Committee must be unanimous and must be made in the context of a recommendation to be endorsed by the board of directors, having given the director the opportunity to be heard as required by relevant legislation, to have the members under section 88 (1) of the Canada Cooperatives Act, the shareholder under section 109 (1) of the Canada Business Corporations Act and the shareholder or policyholders as the case may be, under section 181 of the Insurance Companies Act remove the director from office at a meeting specially called for the purpose or at the next regularly scheduled meeting of members, shareholders or policyholders as the case may be, which meeting shall be deemed to be a special meeting called for the purpose;
8. Nothing herein restricts the ability of the board at its own instance to make a recommendation to the members or shareholders as the case may be to dismiss a director from the board as the result of behaviour unbecoming a director.

Representation of Women on the Board Policy

Background:

The Co-operators recognizes and values the benefits of having a diverse Board of Directors and considers diversity a key driver of our co-operative identity, competitive success and governance strength. The Board believes it important for the organization to be governed by a mix of highly qualified directors from diverse backgrounds that contribute a broad range of perspectives and experiences to its discussions and decisions, ultimately promoting the best possible corporate and co-operative governance. While competency and expertise are of paramount importance in all Directors and will not be compromised, diversity on all fronts is viewed as a prime consideration and cornerstone of success. Although The Co-operators definition of diversity encompasses gender; age; ethnicity and culture; geographic and sectorial representation, the Board has decided to highlight gender diversity (representation of women) as a priority area of focus at this time.

Policy:

Recognizing the increasing regulatory expectations (e.g. Ontario Securities Commission) and Board's desire to promote a more inclusive culture representative of the members and communities we serve, this policy was developed to set out the organization's commitment and goals relating to the representation of women on The Co-operators Board of Directors.

The Co-operators governance framework aspires to be reflective of the Canadian demographic. Accordingly, the Board has set a goal for it to be comprised of 30% women by 2020 and 50% by 2025. As the pool from which The Co-operators Directors are nominated and elected is the delegate body, The Co-operators has set a further goal to achieve 50/50 gender balance within the delegate pool.

Procedure:

The Co-operators will:

- communicate its goals and expectations to our member organizations through the annual Delegate Appointment and Director Nomination processes. Members will be asked to:
 - appoint at least one woman of its two delegates; and,
 - consider our goals when nominating and electing individuals to serve on our Board of Directors;
- include a discussion on this policy and related goals in the member annual review meeting with its key member contact(s);
- support the development of a pipeline of candidates by seeking to identify and implement programs and initiatives to promote and support the advancement of women within our governance structure;
- on an annual basis, in consultation with the Corporate Governance & Conduct Review Committee, determine the associated strategies, programs and initiatives to advance the organization toward its stated goals;
- regularly monitor and conduct an annual progress review and gaps identification;
- annually review this policy to identify any needed changes;
- include in its annual Board Governance Assessment process an evaluation of the mechanisms in place to promote an inclusive environment, including consideration of any internal issues that may influence or impede change within the organization and creating an action plan to address them, recognizing that everyone has the ability to be an inclusive leader and catalyst for change;
- from time to time, seek advice and assistance from external experts to advance the organization toward its goals;

Representation of Women on the Board Policy (continued...)

- annually disclose this policy, related goals, progress and gaps to our membership and various external publics in our Integrated Report and required disclosure documents (e.g. Annual Information Form);
- be a catalyst for change by actively encouraging our members to develop their own governance diversity policies and annually disclose their progress towards achieving their objectives.

The Corporate Governance & Conduct Review Committee will be responsible for implementing The Co-operators Representation of Women on the Board policy, related strategies and objectives and for overseeing the Company's compliance with this policy. The CG&CRC will consult with the Member & Co-operative Relations Committee on related matters and will report to the Board at least annually on the organization's compliance and progress.