



NI 51-102

ANNUAL INFORMATION FORM

CO-OPERATORS GENERAL INSURANCE COMPANY

March 28, 2018

CO-OPERATORS GENERAL INSURANCE COMPANY

ANNUAL INFORMATION FORM

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PRESENTATION OF INFORMATION

In this Annual Information Form (AIF), “Co-operators General”, “we”, “us”, “our” and “the Company” refers to the Co-operators General Insurance Company and its subsidiaries on a consolidated basis. “CGIC” refers to the Co-operators General Insurance Company on a non-consolidated basis.

Unless otherwise indicated, all information in this AIF is presented as at and for the year ended December 31, 2017, and amounts are expressed in Canadian dollars. Financial information is presented in accordance with International Financial Reporting Standards (IFRS). Those sections of the 2017 Management's Discussion & Analysis (MD&A) and the 2017 audited consolidated financial statements referred to in the table of contents are incorporated herein by reference.

Co-operators General is not required to issue a management information circular. Certain information that would normally be included in a management information circular under NI 51-102F5, NI 51-102F6, NI 52-110, and NI 58-101 is included in this document.

This AIF, the 2017 MD&A and the 2017 consolidated financial statements for Co-operators General may be found on www.sedar.com or can be obtained upon request from the secretary of CGIC, 130 Macdonell Street, Guelph, Ontario N1H 6P8.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This AIF contains forward-looking statements and forward-looking information, including statements regarding the operations, objectives, strategies, financial situation and performance of Co-operators General. These statements, which appear in this AIF (including the documents incorporated by reference herein), generally can be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “would”, “should”, “could”, “trend”, “predict”, “likely”, “potential” or “continue” or the negative thereof and similar variations. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements or information. In addition, this AIF may contain forward-looking statements and information attributed to third party industry sources. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Such forward-looking statements and information in this AIF speak only as of the date of this AIF.

Forward-looking statements and information in this AIF include, but are not limited to, statements with respect to: our growth expectations; the impact of changes in governmental regulation on our company; possible changes in our expense levels; changes in tax laws; and anticipated benefits of acquisitions and dispositions.

With respect to forward-looking statements and information contained in this AIF, we have made assumptions regarding, among other things: growth rates and inflation rates in the Canadian and global economies; the Canadian and U.S. housing markets; the Canadian and global capital markets; the strength of the Canadian dollar relative to the U.S. dollar; employment levels and consumer spending in the Canadian economy; and impacts of regulation and tax laws by the Canadian and provincial governments or their agencies. Some of the assumptions we have made are described in the *Outlook* section of our MD&A on page 17.

Although we believe that the expectations reflected in the forward-looking statements and information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, levels of activity, performance or achievements. Consequently, we make no representation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements and information. Some of the risks and other factors, some of which are beyond our control, which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this AIF and the documents incorporated by reference herein include, but are not limited to: our ability to implement our strategy or operate our business as we currently expect; our ability to accurately assess the risks associated with the insurance policies that we write; unfavourable capital market developments or other factors which may affect our investments; the cyclical nature of the property and casualty insurance industry; our ability to accurately predict future claims frequency; the frequency and severity of weather related events; climate change; government regulations; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; our reliance on advisors to sell our products; our ability to successfully pursue our acquisition strategy; actions to be taken in connection with the sale of L'Union Canadienne, Compagnie d'Assurance L'Union Canadienne to Roins Financial Services Limited (RSA Canada); our participation in the Facility Association (a mandatory pooling arrangement among all industry participants); terrorist attacks and ensuing events; the occurrence of catastrophic events; our ability to maintain our financial strength ratings; our ability to alleviate risk through reinsurance; our ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); our reliance on information technology and telecommunications systems; breaches or failure of information system security and privacy, including cyber terrorism; our dependence on key employees; and general economic, financial and political conditions.

Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements and information contained in this AIF are expressly qualified by this cautionary statement. We are not under any duty to update any of the forward-looking statements after the date of this AIF to conform such statements to actual results or to changes in our expectations except as otherwise required by applicable legislation.

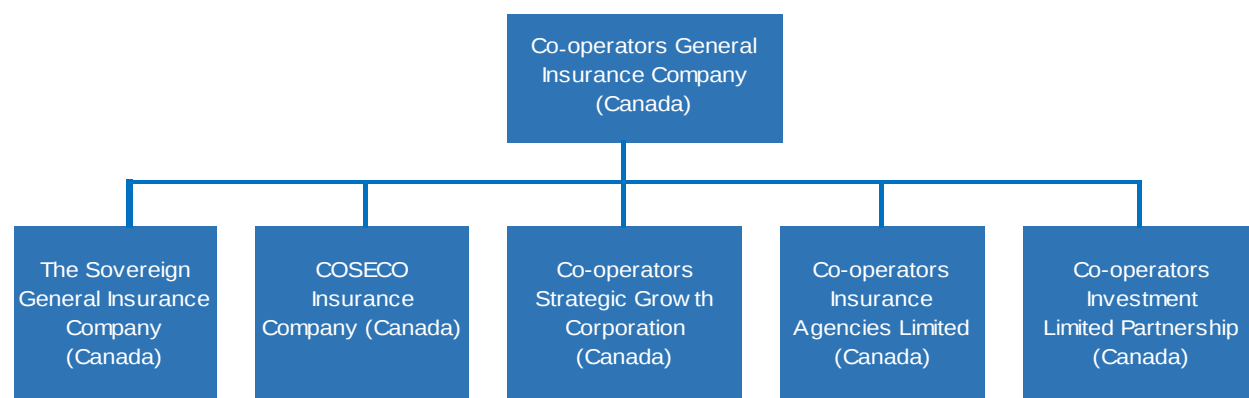
CORPORATE STRUCTURE

Co-operators General was continued under the Insurance Companies Act (Canada) in 1992. The Company is licensed to write most major classes of property and casualty (P&C) insurance, in all provinces and territories in Canada.

Co-operators Financial Services Limited (CFSL) owns all of the voting shares of CGIC. CFSL is wholly-owned by The Co-operators Group Limited. "CGL" and "The Co-operators Group" refers to The Co-operators Group Limited. Further details regarding the number of voting shares and rights can be found in our 2017 audited consolidated financial statements in Note 16 on pages 38 to 40.

CGIC was formed as a result of the amalgamation on February 17, 1983 of two predecessor general insurance companies, Co-operative Fire and Casualty Company and Co-operators Insurance Association. Co-operators General or its predecessors have been carrying on business since 1946. The principal and registered office of CGIC is 130 Macdonell Street, Guelph, Ontario N1H 6P8.

INTERCORPORATE RELATIONSHIPS



Co-operators General holds 100% of the voting rights attached to all the outstanding voting shares or partnership interests of each of its subsidiaries. In December 2017, the Company's wholly owned subsidiary L'Équitable, Compagnie d'assurances Générale (L'Équitable) was dissolved. All of L'Équitable's net assets transferred to CGIC.

As announced on March 15, 2018, Central 1 will remove its ownership interest in the CUMIS insurance operations which is owned by Co-operators Life Insurance company, an associate of Co-operators General Insurance Company. As a result, CUMIS General Insurance Company and CUMIS Life Insurance Company will become fully owned subsidiaries of The Co-operators. On April 1, 2018, CUMIS General Insurance Company will be restructured to become a subsidiary of Co-operators General Insurance Company.

DESCRIPTION OF OUR BUSINESS

GENERAL

Co-operators General is a leading Canadian private sector P&C insurer and one of the largest private sector P&C insurers in Canada based on direct written premiums. Co-operators General carries on business through CGIC and its subsidiaries, The Sovereign General Insurance Company ("Sovereign") and COSECO Insurance Company ("COSECO").

Our principal business is to provide home, automobile, farm and commercial insurance products to individuals and commercial clients. Personal lines, consisting of home and automobile policies, represented 75% (2016 - 75%, 2015 - 75%) of direct written premiums in 2017. Automobile policies represented 62% (2016 - 63%, 2015 - 63%) of Co-operators General's personal lines direct written premiums in 2017. We achieve diversification of insurance risks by insuring a large number of relatively small risks spread across all regions of Canada and in various lines of business.

Our products are distributed through our 2,820 (2016 - 2,753, 2015 - 2,673) licensed insurance representatives throughout Canada. Approximately 48% (2016 - 48%, 2015 - 47%) of our business is written in the province of Ontario. We also distribute automobile and home insurance through employee and association groups and personal and commercial insurance through independent brokers.

Co-operators General insures approximately 804,029 (2016 - 766,000, 2015 - 734,000) homes, more than

1.3 million (2016 - 1.2 million, 2015 - 1.1million) vehicles, 39,000 (2016 - 38,000, 2015 - 37,000) farms and 197,000 (2016 - 218,000, 2015 - 190,000) businesses across all regions of Canada. At December 31, 2017, Co-operators General had 2,695 (2016 - 2,697, 2015 - 2,505) employees.

CGIC also distributes life and wealth management products for Co-operators Life Insurance Company (CLIC), an affiliate of Co-operators General and a subsidiary of CFSL. In addition, the CUMIS Group Ltd., which is 73% owned by CLIC, furthers the group of companies' multi-channel strategy with access to 300 credit unions with more than 5.5 million credit union members in both the P&C insurance sector and the life insurance sector. Other significant associated companies include Addenda Capital Inc., Federated Agencies Limited, HB Group Insurance Management Ltd., Premier Manager Holdings Corporation, and The Edge Benefits Limited.

For additional information regarding our business and strategies including, but not limited to, the general development of the business, discussion of competitive conditions, business cycles, risk factors, additional business descriptions and our financial results, see our 2017 MD&A and the 2017 audited consolidated financial statements.

GOVERNMENT REGULATION

Each of CGIC, Sovereign, and COSECO is a federal P&C insurance company continued under the Insurance Companies Act (Canada) and licensed to carry on P&C insurance business in all of the provinces and territories of Canada.

CGIC, Sovereign and COSECO are subject to regulation and supervision in the jurisdictions in which they carry on business. Insurance regulators oversee matters relating to, among other things, licensing and examination, insurer solvency, capital adequacy, corporate governance practices, outsourcing arrangements, adequacy of the provision for unpaid claims, rate setting in respect of automobile insurance in certain provinces, claims and trade practices, policy forms, limitations on the nature and amount of certain investments, mandated participation in shared insurance markets, financial reporting, transactions with related parties and the amount of dividends that may be paid. Insurance legislation specifies the minimum capital levels that may be held by P&C insurance companies. The level of required capital is determined in accordance with regulations that assign risk weightings to various types of assets and liabilities and to other factors. On an annual basis, insurance companies are required to file their financial statements with the insurance regulators as well as any other information which regulators may, from time to time, request. The regulators examine insurance companies to ensure their compliance with applicable legislation and to confirm their financial condition.

INDUSTRY RANKING

Co-operators General's provincial and territorial ranking based on the most recent available statistics (2016 direct written premiums as reported in *2017 Canadian Underwriter Statistical Issue*) was as follows:

Province/Territory	Ranking	Province/Territory	Ranking
Alberta	4 th	Nunavut	15 th
British Columbia	7 th	Ontario	5 th
Manitoba	6 th	Prince Edward Island	1 st
Northwest Territories	6 th	Quebec	14 th
Nova Scotia	5 th	Saskatchewan	3 rd
New Brunswick	4 th	Yukon Territory	3 rd
Newfoundland	4 th		

Rankings for 2017 are unavailable at this time; however, we do not foresee major changes in our market position.

DIVIDENDS

The following table provides the dividends declared by class of shares:

\$ thousands	2017	2016	2015
Preference Shares			
Class A, series A	311	328	343
Class A, series B	3,388	3,066	2,747
Class B	1	1	1
Class D, series A	69	69	69
Class D, series B	213	213	213
Class D, series C	216	216	216
Class E, series C	5,000	5,000	5,000
Class F, series A	916	916	916
Class G, series A	37	37	37
Common shares	160,000	-	169,500
Total	\$170,151	\$9,846	\$179,042

The Company and its affiliates manage capital at a consolidated level to optimize return on capital. Capital management includes declaring dividends to the parent company. All dividends must be approved in advance by the Board of Directors and 15 days prior notice must be given to the Office of the Superintendent of Financial Institutions before payment. Further information regarding dividend terms can be found in our 2017 consolidated financial statements in Note 16 on pages 38 to 40.

As at December 31, 2017, our publicly issued preferred shares consist of Class E preference shares, Series C which are listed on the TSX and trade under the symbol CCS.PR.C.

For the Class E shares only, 7 trading days prior notice must be given to the TSX before the Record Date.

DESCRIPTION OF CAPITAL STRUCTURE

Description of terms and designations of each class of authorized security and material characteristics are provided in our 2017 consolidated financial statements in Note 16 on pages 38 to 40.

RATINGS

Rating agencies issue several types of ratings. A Financial Strength Rating (FSR) provides guidance to policyholders of an insurance company's ability to meet its obligations to policyholders. An Issuer Credit Rating (ICR) provides guidance to investors of a company's ability to meet its senior obligations. A Preferred Share Rating (PSR) provides guidance to investors on the credit worthiness of the preferred shares issued by a company.

Our ratings from approved rating organizations are described below. A security rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

A.M. Best

Company	Rating Type	Current Rating	Outlook	Date of Most Recent Report
Co-operators General	FSR	A-	Stable	October 5, 2017
Co-operators General	ICR	a-	Stable	October 5, 2017
Sovereign	FSR	A-	Stable	October 5, 2017
Sovereign	ICR	a-	Stable	October 5, 2017

The FSR rating of A- is in the second highest of seven categories of A.M. Best's FSR scale and represents A.M. Best's opinion that a company has an excellent ability to meet its ongoing insurance obligations.

The ICR rating of a- is in the third highest of nine categories of A.M. Best's ICR scale and represents A.M. Best's opinion that a company has an excellent ability to meet its ongoing senior financial obligations.

Dominion Bond Rating Service (DBRS)

Company	Rating Type	Current Rating	Outlook	Date of Most Recent Report
Co-operators General	FSR	A (low)	Stable	January 23, 2017
Co-operators General	ICR	A (low)	Stable	January 23, 2017
Co-operators General	PSR	Pfd-2 (low)	Stable	January 23, 2017

The FSR rating of A (low) is in the third highest of ten categories in DBRS's FSR scale and represents DBRS's opinion that a company has good financial strength, has substantial capacity for the payment of policyholder obligations and any qualifying negative factors are considered manageable. Under DBRS's rating methodology, the FSR is also the ICR.

The PSR rating of Pfd-2 (low) is in the second highest of six categories in DBRS's PSR scale and represents DBRS's opinion that a company's protection of dividends and principal is substantial, but earnings, the balance sheet and coverage ratios are not as strong as higher rated insurers.

Standard & Poor's (S&P)

Company	Rating Type	Current Rating	Outlook	Date of Most Recent Report
Co-operators General	FSR	A-	Positive	October 25, 2017
Co-operators General	ICR	A-	Positive	October 25, 2017
Co-operators General	PSR	P-2	n/a	October 25, 2017

The FSR rating of A- is in the third highest of ten categories in S&P's FSR scale and represents S&P's opinion that a company has strong financial security characteristics but is more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated insurers.

The ICR rating of A- is in the third highest of ten categories in S&P's ICR scale and represents S&P's opinion that a company has strong capacity to meet its financial commitments; however, adverse economic conditions or changing circumstances are somewhat more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation compared to obligor's in higher categories.

The PSR rating of P-2 corresponds to a BBB rating on S&P's global scale and is in the fourth highest of eight categories in S&P's PSR scale and represents S&P's opinion that a company has adequate capacity to meet its financial commitments; however adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

MARKET FOR SECURITIES

2017 Trading Price and Volume Chart

Class E Series C			
TSX symbol: CCS.PR.C			
Month	Low \$	High \$	Shares #
January	22.91	24.44	42,780
February	23.25	24.26	39,932
March	23.51	23.91	47,134
April	23.93	24.65	29,219
May	24.01	24.58	34,871
June	24.00	24.35	38,730
July	23.50	24.24	43,299
August	23.69	24.15	62,421
September	23.25	23.84	20,875
October	23.50	24.09	67,269
November	23.79	24.10	74,467
December	23.65	24.05	66,608

SALES OF UNLISTED SECURITIES

Information on the issuance and redemption of unlisted securities during the year is provided in our 2017 consolidated financial statements in Note 16 on pages 38 to 40.

EXECUTIVE OFFICERS

The following are the Executive Officers of Co-operators General as at December 31, 2017.

Executive Officer Name and Municipality of Residence	Position
ROBERT WESSELING Guelph, Ontario	President and Chief Executive Officer
LISA GUGLIETTI Guelph, Ontario	Executive Vice-President, Chief Operating Officer, P&C Manufacturing
PAUL HANNA Guelph, Ontario	Executive Vice-President, Member Relations, Governance and Corporate Services
KATHLEEN HOWIE ¹ Oakville, Ontario	Senior Vice-President, General Counsel and Associate Secretary
FRANK LOWERY ² Toronto, Ontario	Senior Vice-President, General Counsel and Associate Secretary
RICK MCCOMBIE Guelph, Ontario	Executive Vice-President and Chief Client Officer
STEVEN PHILLIPS Oakville, Ontario	Executive Vice-President, Chief Operating Officer, Sovereign
CAROL POULSEN Burlington, Ontario	Executive Vice-President and Chief Information Officer
BRUCE WEST Waterloo, Ontario	Executive Vice-President, Finance and Chief Financial Officer

¹ Kathleen Howie was appointed Senior Vice-President, General Counsel and Associate Secretary on October 30th, 2017

² Frank Lowery retired from his position as Senior Vice-President, General Counsel and Associate Secretary effective December 31st, 2017

Each of the executive officers of Co-operators General has been engaged in his or her principal occupation or has held an occupation with the same employer for more than five years, with the exception of:

- Kathleen Howie, who prior to October 30, 2017 was Senior Vice-President and General Counsel, Zurich Insurance Company Ltd. (2013 - 2017)
- Steven Phillips, who prior to January 9, 2017 was Strategy Consultant, S.K. Phillips Strategic Consulting (2016, 2013), Senior Vice President, Contact Centres, Retail Distribution, Canadian Imperial Bank of Commerce (2014 - 2015), and Head of Global Strategy, Acquisitions & Strategic Alliances, Assurant Solutions (2008 - 2012)

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the normal course of carrying on our business, we become the subject of claims and are involved in various legal proceedings. We are not currently involved in any material legal proceedings, nor are we aware of any pending or threatened proceedings, that we believe would have a material adverse effect upon our financial condition or results of operations. We believe we have established adequate reserves in respect of legal proceedings to which we are a party.

There were no actions taken against the Company by regulators during the year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material transactions with directors or executive officers or a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of Co-operators General's outstanding voting securities other than transactions with CGL and subsidiaries of CGL as described below under *Material Contracts*.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for our Class E preference shares, Series C is Computershare Trust Company, at its principal offices in Toronto, Ontario.

MATERIAL CONTRACTS

Except as described below, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to the Company and that were entered into in the most recently completed financial year, or before the most recently completed financial year but that are still in effect.

The Company entered into an Inter-company Services Agreement dated January 1, 2016 (replacing the January 1st 2013 agreement, amended annually thereafter) whereby it receives management and executive services from its ultimate parent company CGL. CGL and CFSL incur among other things, the direct costs for the Board of Directors, governance, senior executives, legal, compliance, enterprise risk management, member relations and co-operative business development, sustainability and citizenship, audit, tax, finance, strategic planning, financial accounting services, corporate actuarial, corporate reinsurance, communications, marketing, human resources, information technology, enterprise procurement and other corporate services. The management fee charges are structured on a cost-recovery basis and allocated among the subsidiaries of CGL through various allocation methods that take into consideration factors such as consumption, cost drivers and time spent. This is an annually renewable contract. In addition to those services described above, in the normal course of business, we obtain other services from related companies that are under the common ownership of our ultimate parent, CGL. Details of these management fees can be found in the *Related Party Transactions* section of our 2017 MD&A, on page 16.

On June 5, 2012 the Company entered into a Share Purchase Agreement ("SPA") with RSA Canada whereby the Company sold all of its shares in L'Union Canadienne to RSA Canada. The SPA was amended three times by the (i) Consent, Amendment and Agreement made as of August 20, 2012, (ii) Amending Agreement made as of August 30, 2012, and (iii) Amendment Agreement made as of September 30, 2012. The transaction contemplated by the SPA closed on October 1, 2012. As part of this transaction, the Company, as reinsurer, and L'Union Canadienne, as cedant, entered into a quota share reinsurance agreement whereby CGIC assumed, subject to the terms and conditions of this reinsurance agreement, 100% of any and all liability that may accrue to L'Union Canadienne as a result of (i) certain claims relating to the aggregate or other materials coming from either the Carrière B&B Inc. quarry or the Carrière Maskimo Inc. quarry located in Trois-Rivières, and (ii) the class action claim related to the January 1998 ice storm in Quebec.

Copies of these agreements are available on SEDAR.

INTEREST OF EXPERTS

Co-operators General's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditor's report dated February 14, 2018 in respect of Co-operators General's consolidated financial statements which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of changes in shareholders' equity, income, comprehensive income and cash flows for the years then ended, and the related notes. PricewaterhouseCoopers LLP has advised that they are independent with respect to Co-operators General within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

Co-operators General's appointed actuary on February 14, 2018 was Apundeeep Lamba, Fellow, Canadian Institute of Actuaries, who has prepared an appointed actuary's report dated February 14, 2018, included in the audited consolidated financial statements of Co-operators General for the year ended December 31, 2017. The appointed actuary's report is in respect of Co-operators General's policy liabilities for its balance sheet as at December 31, 2017 and their change in statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods. Apundeeep Lamba's interest in CGIC's securities of any class represents less than one per cent of the outstanding securities of the same class.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

There is no indebtedness of independent directors to Co-operators General under any program except routine indebtedness. Certain executives are indebted to CGIC as at February 28, 2018. The indebtedness relates to participation in the programs listed below.

SHARE PURCHASES

A share purchase plan is available to provide interest free loans to eligible employees and executives on their 1st, 5th, and 10th year anniversary and every five year anniversary thereafter with the Company to purchase Class A Preference Shares, Series B. The loans are repayable from the proceeds of the dividends payable on the shares and from payroll deductions and are typically repaid over a period of eight to ten years. The purchased shares are held by Co-operators General as security on the loan until the loan has been fully repaid. The amount of the loan made available to each employee is based on salary and years of service.

OTHER

There are two components to the home relocation plan provided to employees. It is comprised of the housing differential loan and the home equity advance loan.

Housing Differential Loan

This loan is available to assist employees who are moving to a community with increased housing costs. An interest free loan of up to \$25,000, for a maximum term of five years, may be used to help bridge the excess costs. The loan, which is provided by a third party, is guaranteed by the ultimate parent, CGL. On default of the loan, CGL would settle with the company for which the employee worked. Any such loans are to be approved by the business unit executive vice-president and reported to the Senior Vice-President Human Resources and Workplace Services. Loans in excess of \$25,000 are exceptions approved by the President and Chief Executive Officer due to the higher cost of housing in certain locations. The outstanding amounts are listed in the table below.

Home Equity Advance Loan

An equity advance is available only to executive officers, district managers and directors who participant in the guaranteed home sale plan. Any such loans are to be approved by the Senior Vice-President Human Resources and Workplace Services. A cash advance of up to ninety-five percent of the equity in the old location property for purposes of a new home purchase is available. The equity is based on the higher of the sale price to an outside buyer or guaranteed plan price, less any remaining mortgage principal, liens or advances. The advance is interest free for up to ninety days for the deposit, down payment, land purchase and/or construction of a new home. All advances are re-paid upon the sale of the property.

SUMMARY OF INDEBTEDNESS

The following table summarizes the aggregate indebtedness to Co-operators General and its subsidiaries of current executive officers and employees of Co-operators General, its affiliates or its subsidiaries. This indebtedness consists of a preferred share purchase plan, a housing differential loan or a home equity advance loan. If employment ends and there are amounts outstanding, the full amounts are to be repaid in full by the individual.

Aggregate Indebtedness at February 28, 2018		
Purpose	To the company or its subsidiaries \$	To another entity \$
Share purchases	15,526,695	Nil
Other	Nil	433,456

Loans to executive officers of greater than \$50,000 during 2017 are listed in the table below. No amounts were forgiven in 2017.

Name and principal position	Involvement of the company or subsidiary	Largest amount outstanding during 2017	Amount outstanding as at February 28, 2018	Financially assisted securities purchased during 2017	Security for indebtedness
		\$	\$	Number of shares	
Share purchases:					
Rick McCombie, Executive Vice-President and Chief Client Officer	Company	94,458	76,795	1,465	Shares
Robert Wesseling, President and Chief Executive Officer	Company	87,285	72,538	1,192	Shares
Bruce West, Executive Vice-President, Finance and Chief Financial Officer	Company	57,822	49,839	682	Shares

EXTERNAL AUDITOR

PricewaterhouseCoopers LLP is the independent auditor of Co-operators General.

CORPORATE GOVERNANCE

OVERVIEW

CGL, the ultimate parent of Co-operators General, is a Canadian co-operative with 43 member organizations. Co-operators General is governed by the Insurance Companies Act (Canada) which defines requirements of our governance including measures on related party conduct, compliance and independence. National Instrument 52-110 provides additional specific guidance for independence requirements for Audit Committees. Co-operators General complies in all significant respects with the applicable rules and legislation.

BOARD OF DIRECTORS

The Board of Directors (board) is composed of 23 directors, all but one of whom are independent of Co-operators General. The one non-independent director, the President and Chief Executive Officer, is required by the Insurance Companies Act (Canada) to be on the board.

The 22 independent directors are also the directors of the board of Co-operators General's ultimate parent company CGL.

As a matter of policy, the board holds in-camera sessions without management in attendance in conjunction with every board meeting. There were 16 such sessions without management in attendance in 2017. The board also has in place a policy that allows individual directors and board committees to independently engage external advisors.

The Chairperson and Vice-Chairperson of CGL's board are elected from its directors and are independent. John Harvie was elected as the Chairperson of the CGL board and is also the Chairperson of Co-operators General. Mr. Harvie regularly attends board committee meetings to keep current on all Co-operators General issues. Alexandra Wilson was elected as the Vice-Chairperson of the CGL board and is also the Vice-Chairperson of Co-operators General.

At CGL's Annual General Meeting (AGM) held in April of each year, there may be some change in CGL's directors and therefore in Co-operators General's directors. Board committee membership is established after each AGM and committees remain in place until the following AGM.

The committees in place as of December 31, 2017 are: Audit, Corporate Governance and Conduct Review, Risk and Compensation, and Sustainability and Citizenship. In addition, the CGL Board has a Member and Co-operative Relations Committee which is not reflected in the Co-operators General table below.

The following are the directors of Co-operators General as at December 31, 2017:

Director name and municipality of residence	Director since	Expiry of term	Principal occupation
DON ALTMAN ^(S) Toronto, Ontario	April 2013	April 2018	Retired
PHIL BAUDIN ^(S*) Vancouver, British Columbia	April 2013	April 2018	Retired
DENIS BOURDEAU Embrun, Ontario	April 2009	April 2018	Farmer
DANIEL BURNS ^(A) Vancouver, British Columbia	April 2007	April 2018	Lawyer and Entrepreneur
LOUIS-H. CAMPAGNA ^(S) Québec, Québec	April 2015	April 2018	Firefighter
GILLES COLBERT ^(A) Unity, Saskatchewan	April 2015	April 2018	Retired
HAZEL CORCORAN Calgary, Alberta	April 2016	April 2018	Executive Director, Canadian Worker Co-operative Federation
ROGER HARROP ^(R) Fergus, Ontario	April 2012	April 2018	Farmer
JOHN HARVIE ^(R) Chairperson, Board of Directors Moncton, New Brunswick	April 2011	April 2018	Retired
RICK HOEVENAARS London, Ontario	December 2017	April 2018	Executive Vice President of Finance and Chief Financial Officer, Libro Credit Union
GERI KAMENZ ^{(R)(A)1} Spencerville, Ontario	April 2014	April 2018	Farmer
RÉJEAN LAFLAMME ^(CG*) Gatineau, Québec	April 2010	April 2018	Consultant with Tango RJ Consultant Inc.
DENIS LAVERDIÈRE ^(A) Paquetville, New Brunswick	November 2008	April 2018	Retired
JIM LAVERICK ^{(A*)2} Spruce Grove, Alberta	April 2011	April 2018	Retired
MICHAEL MAC ISAAC ^(CG) Inverness, Nova Scotia	April 2014	April 2018	Retired
MARILYN LOEWEN MAURITZ ^(CG) Vancouver, British Columbia	April 2017	April 2018	Interim President & Chief Executive Officer, Central 1 Credit Union
BOB PETRYK ^(R) Calgary, Alberta	April 2016	April 2018	Managing Director, Petwin Capital Group
COLLETTE ROBERTSON ^(CG) Regina, Saskatchewan	April 2014	April 2018	Retired
DAVE SITARAM ^(CG) Bowmanville, Ontario	April 2013	April 2018	Retired
JOCELYN VANKOUGHNET ^(S) Carman, Manitoba	April 2014	April 2018	Farmer
ROBERT WESSELING Guelph, Ontario	December 2016	April 2018	President and Chief Executive Officer, CGL

Director name and municipality of residence	Director since	Expiry of term	Principal occupation
JACK WILKINSON Belle Vallee, Ontario	April 2007	April 2018	Farmer
ALEXANDRA WILSON ^(R*) Vice-Chairperson, Board of Directors Ottawa, Ontario	April 2000	April 2018	CEO, The Agency for Co-operative Housing

¹ Geri Kamenz was elected to the Audit Committee effective December 7th, 2017.

² Jim Laverick was elected Chairperson of the Audit Committee effective November 1st, 2017.

(A) Audit Committee

(R) Risk and Compensation Committee

(CG) Corporate Governance and Conduct Review Committee

(S) Sustainability and Citizenship Committee

* Denotes committee chairperson

Each of the directors of Co-operators General has been engaged in his or her principal occupation or has held an occupation with the same employer for more than five years, with the exception of:

- Denis Laverdière, who prior to May 2017 was Executive Vice-President, Distribution, la Fédération des caisses populaires acadiennes
- Marilyn Loewen Mauritz, who prior to March 2015 was General Counsel and Corporate Secretary for Interfor Corporation (2007 - 2015) and Secretary and General Counsel for International Forest Product Ltd (2007 - 2014)

ATTENDANCE RECORD OF DIRECTORS

The following is a summary of the attendance record of Co-operators General's directors at board meetings in 2017. In instances when a director's responsibilities changed during the year, their attendance is expressed over the number of meetings he/she was eligible to attend. The Member and Co-operative Relations Committee attendance is not included in the table below as it is a CGL board specific committee only.

	Board	Audit Committee	Corporate Governance and Conduct Review Committee	Risk and Compensation Committee	Sustainability and Citizenship Committee
Name	6 meetings	5 meeting	5 meetings	9 meetings	4 meetings
Don Altman	6				4
Phil Baudin	6				4
Denis Bourdeau	6				
Daniel Burns	6	3/5			
Louis-H. Campagna	6				4
Johanne Charbonneau ¹	2/2			1/1	
Gilles Colbert	6	5			
Hazel Corcoran	6				
Roger Harrop	6			9	
John Harvie ²	6	3	3	9	
Rick Hoevenaars ³	1/1				
Geri Kamenz	6	2/2		8/8	
Réjean Laflamme	6		5		
Denis Laverdière	6	3/3			
Jim Laverick	6	3/5			
Michael Mac Isaac	6		1/1		

	Board	Audit Committee	Corporate Governance and Conduct Review Committee	Risk and Compensation Committee	Sustainability and Citizenship Committee
Name	6 meetings	5 meeting	5 meetings	9 meetings	4 meetings
Marilyn Loewen Mauritz ⁴	4/4		4/4		
Emmet McGrath ⁵	5/5	5			
Bob Petryk	5/6			9	
Collette Robertson	6		5		
Dave Sitaram	6		5		
Jocelyn VanKoughnet	6				4
Robert Wesseling ⁶	6	2		8	
Jack Wilkinson	6				
Alexandra Wilson	5/6			9	

¹ Served as Director until April 2017.

² John Harvie is the chairperson of Co-operators General and a member of the Risk and Compensation Committee.

Mr. Harvie regularly attends other committee meetings to keep current on all Co-operators General issues.

³ Elected director in December 2017.

⁴ Elected director in April 2017.

⁵ Resigned as director effective October 31, 2017.

⁶ Robert Wesseling is the President & CEO of Co-operators General. Mr. Wesseling attended two Audit Committee meetings and eight Risk and Compensation Committee meetings, but is not a member of the Risk and Compensation Committee or the Audit Committee. He regularly attends committee meeting to keep current on all Co-operators General issues.

No directors are directors of other reporting issuers in Canada or elsewhere, other than the following:

- Daniel Burns is a director of Rubicon Minerals Corporation.
- Rick Hoevenaars is a director of Central 1 Credit Union.
- Emmet McGrath is a director of UEX Corporation.

MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for setting the broad direction of Co-operators General by:

- Participating in developing and giving final approval to the core values and mission of Co-operators General and monitoring performance;
- Approving the process for selecting the President and CEO and appointing the President and CEO and Secretary; and
- Representing Co-operators General to a variety of external constituencies.

The Board of Directors is responsible for:

- Ensuring the financial viability of Co-operators General;
- Ensuring that Co-operators General is a good corporate citizen;
- Ensuring that Co-operators General maintains a leadership role within the insurance industry;
- Ensuring that Co-operators General provides a leadership role in the co-operative movement;
- Monitoring the operations of Co-operators General;
- Regularly reviewing the work of the board and its committees; and
- Communicating with CGL member organizations, policyholders, management, regional committees, corporate secretaries of members, other co-operatives and industry and government.

The Board of Directors communicates with and receives feedback from CGL members, shareholders, policyholders, staff, management and other interested persons at or by virtue of:

- Annual or special general meetings of the companies;
- Regional committee and Annual General Meetings of the members of The Co-operators Group Limited;

- Community Advisory Panel meetings;
- Annual reports by the Senior Vice-President Human Resources and Workplace Services to the Board as well as other management reports;
- Co-operators General's resolution process;
- Participation in industry advisory bodies, groups or organizations;
- Communications from the Office of the Superintendent of Financial Institutions for Canada and other regulatory bodies or officials; and
- Membership in Co-operatives and Mutuals Canada, provincial co-operative associations, the International Co-operative and Mutual Insurance Federation and its affiliated or related organizations.

The Board of Directors acknowledges responsibility for the stewardship of Co-operators General, including:

1. Responsibility for:

- To the extent feasible, satisfying itself as to the integrity of the President and CEO and other senior managers within the group of companies and that the CEO and other senior managers create a culture of integrity throughout the organization;
- Adopting a strategic plan and a planning process which involves a four year plan which is reviewed and approved at least annually, which takes into account, among other things, the risks and opportunities of Co-operators General;
- The identification of the principal risks of Co-operators General's business, and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning;
- Adopting a communications policy for Co-operators General;
- Co-operators General's internal control and management information systems; and
- Developing Co-operators General's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to Co-operators General.

2. Responsibility to act on behalf of the shareholders of Co-operators General and in the interests of the users of its services, including on behalf of the shareholders and policyholders and staff of Co-operators General and to direct Co-operators General's activities in order to help attain its corporate mission.

3. Responsibility to meet Co-operators General's legal obligations and responsibilities.

Co-operators General, its shareholders and policyholders expect directors sitting on the Board of Directors to:

- Regularly and diligently attend board meetings unless incapacitated or for other good reason they are not able to attend;
- Read and, through more formal study, become familiar with Co-operators General and the industry;
- Be aware of and familiar with their responsibilities as directors under the Insurance Companies Act (Canada) and provincial insurance companies acts as well as any other relevant or applicable legislation;
- Serve on board committees and to represent Co-operators General in other organizations;
- Participate in board discussions and decision-making, keeping in mind the welfare of the respective organizations, CGL members and shareholders, as the case may be, and those whom they serve including co-operatives, credit unions, shareholders and policyholders;
- Analyze operational and financial reports, seek pertinent information and ask discerning questions;
- Be alert to the need for new services and products and to monitor environmental change;
- Provide an avenue that policyholders may follow to communicate suggestions and/or concerns;
- Act in a manner which recognizes that a director has no power in his or her own right, other than acting as a reasonably diligent director would in discharging his or her fiduciary duty to Co-operators General and other than as may be vested in him or her by resolution of the board;
- Participate in delegate orientation;
- Share the responsibility of the board with respect to communicating with CGL members, shareholders and policyholders;
- Be accountable to CGL delegates and members in the region from which the director was elected;
- Represent the Co-operators General board in that region; and
- Where applicable, to act as a policyholder director and with a view to representing the best interests of said policyholders.

BOARD CONTROL OF SIGNIFICANT DECISIONS

The board oversees the activity of management and in some cases, particularly where mandated by the Insurance Companies Act (Canada), exercises management functions for Co-operators General. Any matter required by law to be reviewed by the board and major decisions, such as significant investment transactions, including the Investment Policy of Co-operators General and potential acquisitions, joint ventures, financings, divestitures, or other significant business arrangements, must be submitted to the board for prior approval. The board has a manual that sets out the respective roles of the various committees of the board as well as the obligations of directors. The board also maintains a set of board policies setting out board oversight or governance of management and the board's operating practices.

The board reviews the financial statements, participates actively in developing the strategic business plans for Co-operators General each year and monitors Co-operators General's progress in achieving its financial and business plans throughout the year. It also actively participates in the four year planning process and the monitoring and evaluation of each four year plan as it unfolds.

POSITION DESCRIPTIONS

Co-operators General has written position descriptions for the Chairperson and the Vice-Chairperson of the board and for the chairperson of the Audit Committee, which are set out in the Board Manual. All are elected by the board.

The chairperson(s) of the Corporate Governance and Conduct Review, Risk and Compensation, and Sustainability and Citizenship committees are also elected directly by the board and can hold no other position on board standing committees. There are no written position descriptions for these chairpersons, but the Terms of Reference of each committee set out the expectations of all of the members of these committees, including the chairperson.

The board has a written position description for the CEO. It has also adopted a board policy (the Delegation of Power to Manage to the President and CEO Policy) which sets out the authority to manage delegated to the CEO by the board. The board conducts a formal annual review of the performance of the CEO. The results of this review are discussed in an annual in-camera meeting that commences without the participation of the CEO and completes with the CEO in attendance.

DIRECTOR TERM LIMITS AND OTHER MECHANISMS OF BOARD RENEWAL

Directors are elected as directors of CGL for a three-year term. Directors of CGL also serve as directors of Co-operators General; CGIC directors are elected for a one year term. The director terms for CGL are staggered to ensure continuity on the Board and minimize turnover in any one year. There have been no term limits adopted for the directors of either CGL or Co-operators General as the current nomination and election process has been effective in generating director turnover and board renewal. Director tenure is measured and reported on a yearly basis in the company's annual Integrated Report appendices. The average number of years of service for the current directors is six years. Various tools (e.g., Director Skills Matrix) and processes (e.g., CGL Democratic Structure Review and governance assessments) are in place to assess board effectiveness and renewal. The number of directors per region is set out in Ordinary By-law No. 1 of CGL. Directors are elected through the following process:

- CGL members appoint two delegates within their region as their representatives at Regional and Annual General Meetings;
- Delegates in each region nominate director candidates, which determines 15 (at-large) of the 22 directors. The remaining 7 directors are nominated by the Credit Union Centrals, four of which are nominated by Central 1 Credit Union.
- In order to be nominated as a director, persons need to be nominated at a region meeting, and have served as a delegate or an alternate delegate of The Co-operators for at least one full year, and attended two region meetings within a twelve month period, or have previously served as a director of CGL;
- Directors are elected from the nominees at the Annual General Meeting of CGL by the CGL members as represented by their appointed delegates; and
- As a wholly owned subsidiary, CGIC's parent elects the directors of CGL and the CEO as its directors each year. The Insurance Companies Act (Canada) requires the CEO to be a director of Co-operators General.

ORIENTATION AND CONTINUING EDUCATION

As reported above, the directors of CGIC are effectively chosen by the CGL members. Depending on how long they have served as delegates to CGL before being elected to the board, they may not at first have significant knowledge of the insurance industry.

Educational development begins when potential directors are delegates. Delegates meet three times a year, at two regional meetings and at the AGM. At each of these meetings there are presentations and education sessions with respect to Co-operators General and its business and progress in the period up to the time of the meeting. Recognizing that the delegate body is the pool of candidates from which potential directors are nominated and elected, a Delegate Skills Matrix was introduced in 2017 to inform and support the delegate appointment process. The delegates completed self-assessments of their skill levels against the matrix to produce a delegate skills heat map that identified areas of strength and opportunities for development for future education sessions.

Once elected, directors come to the head office for a two day New Director Orientation session. This session involves presentations from representatives of all key areas in Co-operators General and involves a complete review of Co-operators General's structure, governance, business and the role of directors. A second orientation session is held mid-year to provide the new directors with additional education and information.

On an ongoing basis, the board and its committees are provided a range of educational sessions on topics germane to Co-operators General. Formal board education days are also offered throughout the year. In addition, two of the board's meetings each year are reserved for board/management seminars to provide educational content, discuss and determine annual and long-term strategy, and perform the annual governance assessment.

In 2013, the board implemented a Director Development Program (DDP). All directors participated in this customized competency-based program to support their ongoing learning and development and enhance governance performance. The DDP, which concluded in 2016, included a launch event followed by eight modules: Knowledge of the Business: Life Insurance; Strategic Thinking and Decision Making; Risk Governance; CEO Compensation, Performance Management and Succession; Audit, Compliance and Regulatory Frameworks; and Financial Governance. In 2016 the program's capstone module was delivered, in which the directors participated in a board simulation activity that provided an opportunity to showcase their skill development over the duration of the program. An independent, third-party evaluation of the DDP was conducted to assess the effectiveness of the program and inform future board and director development.

In 2017, a Director and Board Development Learning Pathway was introduced that looks at all director and board activities as a part of a whole. The program seeks to utilize the biannual board education days to maintain focus on competencies and introduce new content, while simultaneously developing and offering new approaches to learning that are customizable to directors based on their individual backgrounds and experience. In 2017 the biannual board education days focused on the subjects of: Investment Management; Presenting Ideas with Impact; Top Risks Facing the Insurance Industry; Artificial Intelligence; Canadian Climate Change Policy; and Wealth Management. The integrated approach to education encourages director participation in a variety of activities, including but not limited to committee education sessions, webinars, conferences, and accredited designations.

The board, by policy, has also allocated up to \$15,000 per director per three year term (on the CGL board) to be used towards their continuing education as it applies to their role as a director. A comprehensive calendar highlighting external education opportunities was introduced in 2017 to support and encourage independent training and development activities. Each director works with the Chairperson to identify their own areas of need for development and is expected to apply their educational budget towards this development. In 2017, directors completed a total of 71 days of individual training and development activities.

ETHICAL BUSINESS CONDUCT

Co-operators General is a member of a co-operative group of companies. Co-operatives follow a set of principles adopted by the International Co-operative Alliance encompassed in the 'Statement on Co-operative Identity'. These principles include such things as one member, one vote, concern for community and co-operative education. Ethical business conduct has been a cornerstone of doing business for Co-operators General since its very beginnings.

The board has adopted a number of policies relating to director conduct including the Code of Conduct, Director's Access to Corporate Opportunities Policy, and human resource policies applicable to directors. Similar policies are in place with respect to staff. The Senior Vice-President Human Resources and Workplace Services reports annually to the board on experience under, compliance with, and maintenance of staff ethics policies. A copy of any of these policies can be obtained by writing to the Corporate Secretary at The Co-operators Group, 130 Macdonell Street, Guelph, Ontario, N1H 6P8.

Co-operators General's ethics policies include a procedure for the handling of confidential and/or anonymous complaints relating to accounting, auditing or internal control issues. Staff who wish to submit a complaint or concern can do so by calling or utilizing the e-Web reporting system called ConfidenceLine. Employees may raise bona fide concerns without reprisal. Individuals are assured that all information they provide will be treated in a confidential, discreet manner. Concerns will be properly investigated, on a case-by-case basis.

The board's Corporate Governance and Conduct Review Committee is responsible for fulfilling certain requirements of the Insurance Companies Act (Canada), particularly those relating to self-dealing, the maintenance and monitoring of the Board Conduct Policy, and for ensuring that conflicts of interest are identified and dealt with.

Directors and officers are required annually to file a statement disclosing any interests or involvements that they may have in entities or transactions in which Co-operators General may be involved. These are reviewed by Co-operators General's General Counsel who reports on any issues raised to the Corporate Governance and Conduct Review Committee, which then reports to the board.

Directors also have confidential access to independent legal advice at company expense with respect to issues involving their role as directors, particularly conflicts of interest and they are advised and do regularly use such counsel.

The Access to Corporate Opportunities Policy prohibits the offering of corporate opportunities to directors unless such

opportunities have already been offered to an identifiable market, such opportunities are on market terms and conditions and other requirements with respect to diligence, form and transparency have been complied with.

No material change report was filed in 2017 that pertains to the conduct of a director or an executive officer which constitutes a departure from this code.

With a few minor exceptions, the Insurance Companies Act (Canada) requires that directors who have a conflict of interest in a transaction in which Co-operators General is involved declare that interest and not participate in any meeting where that issue is being discussed. The Conflict of Interest Declaration Notice is included in all board reports to remind directors of their obligations. Directors have declared conflicts of interest and absented themselves from a meeting when and as required.

In compliance with the Public Accountability Statement requirements under the Insurance Companies Act, CGL publishes an annual Integrated Report which reviews the activities of CGL's companies, including Co-operators General, which has equity exceeding \$1 billion, along with the activities of regulated companies owned by CGL.

The Chief Compliance Officer of CGL makes compliance reports to the Corporate Governance and Conduct Review Committee. The Chief Compliance Officer solicits feedback from various roles across The Co-operators group of companies to prepare reports on compliance. Although the reports are exceptions-based, in the process of doing this review any major divergence from regulations, industry guidelines, company policy, including ethical business conflict, is identified and reported on.

DIVERSITY IN GOVERNANCE

BOARD OF DIRECTORS

One of the co-operative principles we operate under is democratic control. The diversity of our board is a product of this democratic control and reflects the nature of our member organizations. The Board of Directors believes it is important to articulate and communicate the desired skills, knowledge, experience and attributes of members serving on its board and board committees. A Director Skills Matrix has been adopted by the board and is shared with our membership to guide their nomination and election of candidates to serve on The Co-operators board. The Company recognizes and values diversity, including age, culture, ethnicity, gender, geographic and sectoral representation, and skill.

REPRESENTATION OF WOMEN ON THE BOARD AND AMONG EXECUTIVE OFFICERS

BOARD OF DIRECTORS

In 2016, the board implemented a Representation of Women on the Board policy, establishing a target to achieve at least 30% women directors by 2020 and 50% women directors longer term. 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. The policy requires the Company to communicate its goals and expectations to our member organizations through the annual Delegate Appointment and Director Nomination processes. Members are asked to appoint at least one woman of its two delegates and are asked to consider our goals when nominating and electing individuals to serve on our Board of Directors. The policy also requires the Company to 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. In 2017, the Company hosted a Women's Delegate Forum at its AGM; published a newsletter highlighting the importance of representation of women on the board to achieve strong governance outcomes; held a mentorship webinar for delegates; and reported on the progress of representation of women within its delegate body and on the board to its members and the broader public in the annual Integrated Report.

The Corporate Governance & Conduct Review Committee is 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 Corporate Governance & Conduct Review Committee 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.

Currently, 5 of the 23 CGIC board member positions are held by women, which represents 22% of the Co-operators General directors. This is consistent with the previous year. The 2017 Director Nomination process (for candidates to serve on the board for the 2018 – 2021 term) resulted in two women (22%) out of a total of nine nominees for at-large director positions, a decrease from 2016 Director Nomination process that resulted in four women (50%) out of a total of eight nominees. Representation of women within the delegate pool increased from 28% in 2016 to 32% in 2017..

EXECUTIVE OFFICERS

The Company does not have specific policies or targets in place regarding the representation of women among its executive officers. Policies or targets have not been adopted because a candidate's eligibility for a position is based on a number of factors focused on knowledge and skills specifically required for the job. The Company reports annually to the Board of Directors regarding the development of senior management, succession plans and processes in place for key management positions. Part of the metrics used for this report includes the number of women in the general succession planning pool, as well as the number of women in senior leadership positions. Currently, 12 out of 47 executive positions are held by women, which represent 26% of the executive team.

DIVERSITY OF SKILL ON THE BOARD

In 2017, the board identified the need to explore aspects of diversity beyond Representation of Women and selected to focus on diversity of skill. The Company implemented a Delegate Skills Matrix adapted from its Director Skills Matrix, recognizing that the delegate body is the pool of candidates from which potential directors are nominated and elected. The Delegate Skills Matrix is intended to inform and support CGL's members in the delegate appointment process to ensure that the Region Committee is comprised of individuals that collectively possess a healthy balance of skills, expertise and perspectives and to determine education needs for future delegate development at region and annual meetings.

DELEGATE DIVERSITY ANNUAL REPORT CARD

A Delegate Diversity Annual Report Card inspired by the Canadian Board Diversity Council's annual report card was also established in 2017. This report will enable the Company to establish a baseline from which it can track and monitor progress and will inform the development of new tactics and future decision-making.

DIRECTOR COMPENSATION

Directors of Co-operators General are compensated as directors of CGL, excluding the CEO who receives no compensation in his capacity as a director. Co-operators General has a management agreement with CGL with respect to a number of services provided, including the services of directors. In 2017, Co-operators General paid 61.4% of the total management fees paid to CGL. The Inter-company Services Agreement covering these management fees is discussed in the *Material Contracts* section.

The Risk and Compensation Committee of the board is responsible for compensation matters. It reviews the director compensation plan periodically in accordance with the compensation policy of the board. A majority of the Risk and Compensation committee members have experience in executive compensation and risk management.

BOARD OF DIRECTORS COMPENSATION PHILOSOPHY

A skilled and dedicated board of directors is essential to the effective governance of The Co-operators group of companies. In compensating the Chair and members of the board of directors for their service, the Company wishes to:

- offer a compensation package that, taken as a whole, is competitive within the Canadian marketplace for multi-line insurance companies and co-operatives of similar size and scope of business to that of The Co-operators;
- maintain consistency with the Company's philosophy for the compensation of its executives and other employees.

PRINCIPLES

The following principles will guide the development of the Company's Director Compensation Plan:

- Our compensation practices should motivate directors to keep the long-term interests of the Company in the forefront at all times.
- Compensation should put service before personal gain, while being sufficient to attract directors of appropriate skill and experience.
- Compensation should vary with the responsibility, expected time commitment and potential risk associated with different positions within the board. Accordingly, the Chair of the board, chairs of board committees and members of boards of directors of subsidiary companies will receive additional compensation.
- Compensation should promote full attendance at board and committee meetings, while recognizing that the core responsibilities of a director and risks assumed do not vary directly with the time spent attending meetings. Accordingly, cash compensation will take the form of a fixed retainer, supplemented by a per diem fee for attendance at meetings and other approved activities.
- Compensation should recognize that directors come from widely varying distances to attend meetings. Accordingly, fees will be paid for travel time.
- Directors should be fully reimbursed for reasonable out-of-pocket expenses incurred in the performance of their duties as directors.
- Members of the board should be encouraged to higher performance through continuous learning and development. Accordingly, financial support will be available for approved activities.

PROCESS

In its capacity as the board's compensation committee, the Risk and Compensation Committee will:

- review this statement from time to time and recommend changes, as appropriate, for the board's consideration;
- Every three years, conduct or cause to be conducted a deliberative and objective review of the Director

Compensation Plan;

- recommend, for the board's approval, periodic adjustments to all forms of director compensation.

Director compensation will be disclosed to the appropriate regulators and, in the aggregate, to the general public.

CURRENT COMPENSATION

In 2017 a comprehensive review of the directors' compensation was initiated, with the assistance of a major consulting firm. A survey was conducted of peer organizations including smaller banks, public insurers, co-operatives and, fraternal, and mutual insurance companies. Any adjustments to the board's rates of compensation coming out of the survey's findings will be recommended to the board of directors for approval in 2018. In accordance with board policy, the next compensation review is scheduled to be conducted in 2020. A comprehensive review of CEO compensation is performed at the same time as the director compensation review.

Current compensation paid to directors (other than the CEO) as of December 31, 2017 by CGL is as follows:

- The Chairperson receives an annual retainer of \$90,000;
- All other directors receive an annual retainer of \$28,000;
- The chairperson of the Audit Committee receives an additional annual retainer of \$12,000;
- The chairperson of the Risk and Compensation Committee receives an additional annual retainer of \$10,000;
- The chairperson(s) of other standing board committees (Corporate Governance and Conduct Review, and Sustainability and Citizenship) receive an additional annual retainer of \$8,000; and the chairperson(s) of the CGL board committee, Member and Co-operative Relations, receives an additional annual retainer of \$8,000;
- All directors receive a per diem of \$750 a day for attendance at board meetings, board committee meetings and other approved functions.

Name	Directors' compensation fees earned ¹ \$	Share-based awards and other compensation ² \$	Total ⁷ \$
Don Altman	53,125	-	53,125
Phil Baudin	66,750	-	66,750
Denis Bourdeau	57,250	-	57,250
Daniel Burns	63,625	-	63,625
Louis-H. Campagna	64,750	-	64,750
Johanne Charbonneau ³	18,600	-	18,600
Gilles Colbert	59,500	-	59,500
Hazel Corcoran	58,375	-	58,375
Roger Harrop	57,625	-	57,625
John Harvie	155,250	-	155,250
Rick Hoevenaars ⁴	4,207	-	4,207
Geri Kamenz	65,125	-	65,125
Réjean Laflamme	62,250	-	62,250
Denis Laverdière	60,250	-	60,250
Jim Laverick	67,875	-	67,875
Michael Mac Isaac	59,875	-	59,875
Marilyn Loewen Mauritz ⁵	32,275	-	32,275
Emmet McGrath ⁶	64,833	-	64,833
Bob Petryk	65,875	-	65,875
Collette Robertson	55,750	-	55,750
Dave Sitaram	62,500	-	62,500
Jocelyn VanKoughnet	62,500	-	62,500
Jack Wilkinson	77,900	-	77,900
Alexandra Wilson	80,375	-	80,375

¹ The table includes per diems but does not include any amounts paid as reimbursement for expenses.

² Co-operators General does not use shares, share options , or other share-based compensation methods, other non-equity incentive plan compensation, pension benefits or any other compensation to compensate its directors.

³ Served as a director until April 2017.

⁴ Elected as a director in Decmeber 2017.

⁵ Elected as director in April 2017.

⁶ Resigned as director effective October 31, 2017.

⁷ Amounts disclosed represent total compensation by CGL. In 2017 61.4% (2016 - 60.9%, 2015 - 67.9%) of the amount allocated to CGL's subsidiaries was attributed to Co-operators General for services rendered. Refer to the Inter-company Services Agreement discussed in the Material Contracts section for details.

BOARD COMMITTEES

All board committees are comprised of independent directors. In line with governance best practices, the board periodically conducts a review of its committee structure, ensuring that our committees support our key areas of focus and reflect the future requirements of the organization. The committees were last revised in April 2013. The following are brief summaries of some of the key responsibilities of the board committees at Co-operators General (excluded is the Member and Co-operative Relations Committee, as it is a CGL board specific committee) as defined by the terms of reference which have been adopted for that committee:

CORPORATE GOVERNANCE AND CONDUCT REVIEW COMMITTEE

The Corporate Governance and Conduct Review Committee develops and recommends policies and practices to (a) maintain high standards and best practices in corporate and co-operative governance and (b) build and enhance

governance effectiveness through board and director education and performance management programs. On behalf of the board, the committee provides oversight to the Company's compliance function; carries out responsibilities with respect to the Self-Dealing provisions of the Insurance Companies Act; and, deals with any other matters mandated by, or arising from, the Act, as amended. In addition, it deals with matters involving conflicts of interests and the conduct of related parties to The Co-operators. The committee also reviews and advises management on the Board of Directors budget.

RISK AND COMPENSATION COMMITTEE

The Risk and Compensation Committee oversees The Co-operators group of companies' Enterprise Risk Management Program, including identification of key risks, risk appetite, risk management policies, risk measurement and assessment, risk monitoring and reporting and program compliance. The committee provides guidance and advice on strategic issues linked to the top risks and discharges the board's responsibilities in relation to lending and investment programs. The committee ensures that the Company's responsibilities related to The Co-operators Retirement Plan are fulfilled; develops compensation programs for the Board of Directors and President and CEO, for the board's approval; administers the CEO compensation and performance management programs; and ensures that effective management succession plans are in place.

SUSTAINABILITY AND CITIZENSHIP COMMITTEE

The Sustainability and Citizenship Committee provides oversight of the sustainability performance of the Co-operators group of companies. It reviews and recommends policies, strategies and annual plans to advance toward the sustainability vision, and monitors strategy and policy implementation and stakeholder engagement. The committee advises the board on the sustainability impact of key decisions, as well as emerging sustainability issues, risks and opportunities. It also provides oversight of The Co-operators Foundation programs.

AUDIT COMMITTEE

The responsibilities of the Audit Committee are discussed in detail under the heading *Audit Committee Information*.

ASSESSMENT OF PERFORMANCE OF DIRECTORS AND OFFICERS

The board conducts regular performance reviews to assess the effectiveness of the Board of Directors, individual directors, Chairperson of the Board, and board committees. It also performs an annual performance review of the President and CEO and the Executive Vice-President, Member Relations, Governance and Corporate Services.

BOARD OF DIRECTORS EVALUATION

Policy: Annually the board will conduct a formal review of the board's performance as a "board"; individual director performance as "directors"; Chairperson of the board performance and the performance of standing board committees.

Procedures:

- The annual board evaluation process will be conducted in the fourth quarter of each year. All directors and senior management (those regularly in attendance at board meetings) will participate in the process;
- The annual board evaluation process will be a key agenda item at the December board/management seminar, and as such, an appropriate amount of time will be dedicated to this item on the agenda;
- In conjunction with the annual board evaluation process, the board and senior management will participate in an action-planning session to discuss the annual evaluation results and deal with issues/opportunities requiring attention as a result of the review;
- A formal action plan to address the issues/opportunities will be identified and adopted by the board;
- The annual board evaluation process and associated action planning session will be facilitated by a resource determined by the Corporate Governance and Conduct Review Committee; and
- The Member Relations, Governance and Corporate Services area will be responsible for working with the Corporate Governance and Conduct Review Committee to facilitate the annual review/action planning process.

In 2017, the board completed a formal governance assessment with the assistance of an independent, third-party consultant. The assessment focused on governance outcomes as opposed to traditional structural and process inputs. The process invited participation from the directors and senior management to identify the board's impact, value and contributions to the success of the Co-operators group of companies and to take appropriate steps to improve its effectiveness.

INDIVIDUAL DIRECTOR ASSESSMENT

At the conclusion of a 2016 evaluation of the effectiveness of the board's governance processes, it was recommended to combine several evaluation processes and conduct them every other year. It was decided to conduct the IDA and Chairperson of the Board Evaluation simultaneously on a biennial basis. The board, therefore, did not complete a formal IDA process in 2017 in pursuit of conducting a board of directors evaluation.

Policy: Annually, individual directors, who have served on the board for one full year, participate on a peer-to-peer basis in an Individual Director Assessment (IDA) program. The purpose of this program is to measure and assess the contributions and effectiveness of directors. The assessment focuses on key performance criteria as identified by the board.

Procedures:

- IDAs are distributed in August each year;
- Each director completes a self-assessment and assesses the performance of all of his/her peers. The President and CEO and executive vice-presidents regularly in attendance at the Board of Directors meetings also participate in the IDA process for the purpose of providing feedback on each directors' effectiveness;
- A confidential summary of the results, inclusive of comparison information including high, low and median scores for the entire director group, as well as any comments, is produced for each director. A copy of each director's report is also shared with the Chairperson of the board;
- It is recommended that directors discuss their feedback report with the Chairperson of the board; the annual debrief meetings are considered optional, either at the director's request or at the request of the Chair. Directors should take the information into consideration when developing their annual, individual training and development plan; and
- Individual director meetings with the Chairperson of the Board should be scheduled in conjunction with regularly scheduled board and committee meetings throughout the October to February timeframe. It is suggested that on average, 30 minutes should be set aside for each meeting. The Corporate Secretary supports the scheduling of such meetings.

CHAIRPERSON OF THE BOARD EVALUATION

Policy: The annual Chairperson evaluation process will consider the role, responsibilities, desired competencies, personal qualities and behaviors for the position and will provide the Chairperson with feedback on his/her effectiveness in the role.

Procedures:

- The annual Chairperson of the board evaluation process will be conducted in August each year, to co-ordinate with the annual IDA process. It is understood that the incumbent will have served one term in the role as chairperson, prior to participating in the evaluation process;
- All directors who have served on the board for a period of one year or more will have the opportunity to participate in the process. The President and CEO and executive vice-presidents regularly in attendance at the Board of Directors meetings also participate in the process for the purpose of providing feedback on the chairperson's effectiveness;
- The evaluation is completed utilizing an online surveytool;
- A confidential summary of the results, inclusive of prior year comparison information, as well as any comments, is produced for the Chairperson of the board; and
- The Chairperson of the board is to discuss his/her evaluation results report with the Corporate Governance and Conduct Review Committee at their first regularly scheduled meeting following receipt of the report and will take the information into consideration when developing his/her annual individual training and development plan.

COMMITTEE EVALUATION

There is an established board committee evaluation process whereby each committee performs a self- assessment and the board assesses the effectiveness of each committee. The results of each committee's self- assessment are shared with the respective committee. The results of the board's assessment of committee effectiveness are shared with the whole board. In 2017, a board committee evaluation focused on governance outcomes was conducted in conjunction with the board of directors' evaluation.

As a best practice, board committees establish a Reference Guide and Annual Workplan to guide the focus of their committee work to achieve their role and responsibilities as set out in their respective Terms of Reference.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the Company, no director or executive officer of the Company, is, or has been in the last ten years, a director, chief executive officer or chief financial officer of any company that was subject to a cease trade order or similar order or an order that denied the issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, (a) while that person was acting as a director, chief executive officer or chief financial officer or (b) after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting as a director, chief executive officer or chief financial officer. Further, to the knowledge of the Company, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company is, or has been within the last ten years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to

bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of the Company, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or has a receiver, receiver manager or trustee appointed to hold their assets.

DEMOCRATIC STRUCTURE REVIEW

The Co-operators Group Limited, the ultimate parent of Co-operators General, has a regularly scheduled review of its democratic structure every ten years. This would normally include a review of key governance issues of The Co-operators Group Limited and its subsidiaries such as Co-operators General Insurance Company. Among other things it also normally focuses on board size and effectiveness. The board may also at any time commence a Democratic Structure Review outside of the ten-year time-frame as well as review the structure or operations of the subsidiary boards, including Co-operators General. The next Democratic Structure Review is scheduled for 2020.

AUDIT COMMITTEE INFORMATION

TERMS OF REFERENCE

Throughout these terms of reference “Company” means CGL or all of the companies for which the committee serves as Audit Committee, including Co-operators General, as the context requires. “Board of Directors” means the board of directors of CGL and “board of directors” means the board of each of the companies for which the committee serves as the 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; and
- The committee serves as the Audit Committee of CGL, CFSL, CGIC, CLIC, Sovereign, L'Équitable and COSECO. It will fulfill a monitoring role with respect to the other subsidiaries and affiliates within CGL.

RESPONSIBILITIES

The committee shall perform the duties set out in this charter and shall perform such other duties as may be necessary or appropriate under applicable law or stock exchange rules, 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.

Chair

The chair 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. A complete list of duties and responsibilities is set forth in The Co-operators Group Audit Committee Terms of Reference.

COMPOSITION AND 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 AGM 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 chairperson 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 other 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;
 - 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 becoming familiar with the Company and preparing for and attending 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; and
- 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.

MEETINGS

- The committee will meet at least four times each year or more frequently as may be required to fulfill its mandate. Three members of the committee shall constitute a quorum for the transaction of business. The Chief Financial Officer (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;
- 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 return 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 with reasonable notice; and
- 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.

ACCESS TO INFORMATION

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.

FINANCIAL REPORTING

The Audit Committee will review with management and the external auditors:

- The appropriateness of the Company's accounting and financial reporting;
- 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 of significant risks and uncertainties or significant business developments;
- Any material 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;
- Review with management at least annually the approach and nature of financial information to be disclosed to rating agencies; and
- The report of the Company's disclosure committee.

The committee will review with management and the external auditors and approve or, if appropriate, recommend for approval by the board before the following information is disclosed to the public or regulators, as applicable:

- The annual audited consolidated financial statements, together with the report of the external auditors and the appointed actuary, of the appropriate companies;

- The annual MD&A and certifications provided by the CEO and CFO for Co-operators General;
- The annual earnings press release for Co-operators General;
- The interim unaudited consolidated financial statements of Co-operators General and accompanying MD&A and earnings press release;
- Other returns of the Company as the Superintendent of Financial Institutions for Canada may specify;
- Any 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 that is required to be disclosed under applicable law or stock exchange rules is disclosed on a timely basis.

OTHER REPORTING

- 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 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 and Financial Condition Report prepared by external actuary. Approve external actuary engaged to perform peer reviews;
- Receive and approve the AIF; and
- Receive the annual reports of the appointed actuaries and statutory returns prepared by him/her.

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);
- Review, evaluate and approve the procedures noted above;
- As required, meet with the Vice-president, Audit Services and other management as required to discuss the effectiveness of the Company's internal control procedures and the status of identified control weaknesses;
- Review 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;
- Review certification on the review of internal control over financial reporting required under applicable securities laws;
- Review reports from management and Vice-President, Audit Services regarding any significant deficiencies and material weaknesses in the operation of the Company's internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and 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 internal 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 and reasonable attempts to resolve complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential and anonymous submission from employees of the Company respecting accounting, auditing or internal control matters.

EXTERNAL AUDITORS

The external auditors report to the board and the Audit Committee. The committee has the authority to communicate directly with the external auditors. The committee shall evaluate and be responsible for the Company's relationship with the external auditors, including an assessment of their independence. Specifically, the committee will:

- Review and propose the approval of appointment, reappointment, remuneration or removal of the external auditor of the Company to the members, shareholders and policyholders as the case may be. 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 approve the engagement letter;
- Periodically assess the auditor's continuing performance and qualifications;
- Perform a formal assessment of the external audit engagement at least once every 5 years;
- Review the terms of the external auditors 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 cooperation 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.
- 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, taking into account 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 will annually, review the procedures for approval of non-audit services by external auditors;
- 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

To provide for the independence of the Audit Services' department, the Vice-President, Audit Services will report functionally to the Audit Committee and administratively to the Executive Vice-President Finance and CFO of The Co-operators Group Limited. The Vice-President, Audit Services has the right of direct access to the CEO and the chair of the Audit Committee should the need arise. In overseeing the internal audit function, the committee will:

- Review periodically the Internal Audit charter, audit coverage, planned areas of audit focus, staffing/resources, and organizational structure of the internal audit function and, if appropriate, recommend changes;
- Review and approve the planned areas of audit focus and the annual audit plan;
- 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 practice, 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 on the 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 3 years.

OVERSIGHT OF THE CHIEF FINANCIAL OFFICER AND VICE-PRESIDENT, AUDIT SERVICES

The committee oversees the CFO and internal audit function in the Company. Specifically, the committee:

- Discusses with management (i.e., with the CEO and CFO respectively) 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;
- Holds periodic discussion 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.

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.

REPORTING TO THE BOARD OF DIRECTORS

- 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; and
- The committee will report annually on its composition and mandate to the members and shareholders of the Company through the AIF.

COMMITTEE DEVELOPMENT

- The committee will receive education and training as necessary to enable it to fulfill its mandate effectively. Not less than one day a year will be devoted to this activity;
- 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; and
- The Board of Directors will assess the committee's performance at such regular intervals as it deems appropriate for the assessment of board committees.

AUDIT COMMITTEE MEMBERS

The five members of the Audit Committee as of the date of this AIF are all independent and financially literate. Their qualifications and education are outlined below:

Daniel Burns

Daniel Burns joined The Co-operators board in April 2007. He was the chairperson of the Sustainability and Conduct Review committees, and also served as a member of the CEO Search and Executive committees. Daniel was a delegate to The Co-operators representing Central 1 Credit Union from May 2005 to April 2007.

Daniel is a director of Rubicon Minerals Corporation. He is the former chairperson of Central 1 Credit Union, Credit Union Central of Canada, Canadian Central's National Legislative Affairs Committee, and the World Council of Credit Unions. He also served as director of the Canadian Co-operative Association.

Daniel is a lawyer, accountant and entrepreneur. He is the CEO of BNW Travel Management Ltd. He is a member of the Law Society of British Columbia and of the Chartered Professional Accountants of Ontario.

Daniel is a graduate of the University of Western Ontario, receiving a Bachelor of Arts in Economics degree; University of British Columbia, Juris Doctor (Law); the University of Toronto, Master of Business Administration; and the University of St. Gallen, Switzerland, Executive Master of Business Administration. He also holds the Certified Director Designation from the Institute of Corporate Directors.

Gilles Colbert

Gilles Colbert joined The Co-operators board in April 2015 and is a member of the Audit Committee. He served as a delegate to The Co-operators representing Credit Union Central of Saskatchewan (SaskCentral) from September 2012 to April 2015.

Gilles is currently on the board of directors of SaskCentral, where he represents the Peer Group 3 Saskatchewan Credit Unions and is co-chair of the Audit and Risk Committee.

Gilles was in the credit union system for 30 years and has completed the Canadian Securities Course. He was the general manager at Unity Credit Union for 16 years before his retirement in 2000.

Denis Laverdière

Denis Laverdière joined The Co-operators board in November 2008. He previously served on the Member and Co-operative Relations, Audit and Investment Policy committees. Denis was a delegate to The Co-operators representing UNI Coopération financière (formerly La Fédération des caisses populaires acadiennes limitée) from May 2002 to October 2008.

Denis retired as executive vice-president, distribution at UNI coopération financière in the spring of 2017, after 30 years of service with the organization.

Denis holds a Bachelor's degree in Administrative Sciences from Université Laval, as well as the Chartered Professional Accountant, Certified General Accountant designation.

Geri Kamenz

Geri Kamenz joined The Co-operators board in April 2014. He is a member of the Risk and Compensation and Audit committees and former member of the Sustainability and Citizenship Committee. Geri served in the capacities of alternate delegate and delegate to The Co-operators representing the Ontario Federation of Agriculture from June 2007 to April 2014.

Geri stepped down as chairperson of the Ontario Farm Products Marketing Commission at the end of 2016, having served in the position for over eight years as the longest-serving chairperson in the history of the Commission. He served as president of the Ontario Federation of Agriculture from 2006 to 2008.

Geri owns and operates a first-generation multiple-enterprise farm business. He was formally educated as an Aviation Engineering Technologist and pilot and served in the Canadian Armed Forces and in commercial flying before pursuing a career in agriculture.

Jim Laverick (Chairperson)

Jim Laverick joined The Co-operators board in April 2011 and is the chairperson of the Audit Committee. He also served as a member of the CEO Search, Risk and Compensation, Executive, and Investment Policy committees. Jim was a delegate to The Co-operators representing United Farmers of Alberta (UFA) Co-operative Limited from May 2008 to April 2011.

Jim is on the board of Addenda Capital Inc., a subsidiary of The Co-operators. He has been a member of the UFA board of directors since 2008 and was chairperson from 2010 to 2014. He also served as a director of the Canadian Co-operative Association along with several other co-operative boards.

Jim joined The Co-operators in 1970. Over a 38-year career, he held a variety of positions of increasing responsibility, retiring in the spring of 2007 as vice-president, western region. Jim holds a Chartered Life Underwriter designation.

PRE-APPROVAL POLICIES AND PROCEDURES FOR NON-AUDIT SERVICES

While it is recognized that the external auditor may have the necessary skills and expertise to provide non-audit services to Co-operators General, a policy has been designed to ensure that the provision of such non-audit services does not impair the auditor's independence.

TAX SERVICES

It is expected that in normal circumstances the external auditor will be able to provide tax services to Co-operators General without impairing his or her independence. Accordingly, the Audit Committee may grant pre-approval to those tax services that have been historically provided by the external auditor and that are consistent with the Chartered Professional Accountants of Ontario (CPAO) rules on auditor independence, provided that the Audit Committee is satisfied that the service will not impair the auditor's independence.

OTHER SERVICES

The Audit Committee may grant either specific or general pre-approval to those other services that it believes will not impair the independence of the auditor and that are consistent with the CPAO rules on independence.

Each year the Audit Committee will determine those services that may be provided over the course of the year by the external auditor and pre-approve those services. The term of any such pre-approval will be 12 months, unless in its

decision the Committee specifically provides for a different period.

All requests for additional services to be provided by the external auditor will be submitted for pre-approval to the Audit Committee, if the service fee will exceed \$200,000. The chairperson of the Audit Committee will be notified if the service fee will exceed \$100,000. Notwithstanding the individual engagement approval limits, once total non-audit engagement fees are expected to exceed \$500,000 in the aggregate for a particular calendar year, specific pre-approval must be obtained, and a revised limit may be established at the Committee's discretion.

EXTERNAL AUDITOR SERVICE FEES

PricewaterhouseCoopers LLP is the auditor of Co-operators General.

Co-operators General's fees paid to PricewaterhouseCoopers LLP relating to services were as follows:

	2017	2016
Audit fees related to the audit year	\$ 826,408	\$ 819,158
Audit-related fees related to the audit year	44,750	56,600
Tax fees related to services rendered during the year	-	-
Other products and fees	44,732	36,297
Total	\$ 915,890	\$ 912,055

Audit-related fees:

- 2017 and 2016 fees are for translation services and project work.

Other fees:

- 2017 and 2016 amounts include fees for software used by insurers to complete regulatory returns, ancillary services related to income benefit replacement claims and business interruption claims and fees for external peer reviews of DCAT reports.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

In accordance with the requirements of applicable Canadian securities legislation, we have included the required information on all forms of compensation paid to person who were, at December 31, 2017 the CEO, the CFO and the three other most highly compensated executive officers whose total base and incentive bonus was in excess of \$150,000 per annum. These executive officers are referred to as the Named Executive Officers (NEOs).

The NEOs and other senior officers of the Company are employed and compensated by Co-operators General's ultimate parent, CGL. Subsidiaries of CGL, including CGIC and its subsidiaries, pay a management fee to CGL for the services of these senior officers as well as other management and administration services. The Inter-company Services Agreement for management fees is discussed in the *Material Contracts* section.

Compensation amounts noted in this section are gross amounts paid to NEOs and not directly attributable to services rendered to Co-operators General. In 2017 61.4% (2016 - 60.9%, 2015 - 67.9%) of the amounts allocated to CGL's subsidiaries was attributed to Co-operators General for services rendered by Robert Wesseling, Bruce West and Carol Poulsen. For Rick McCombie and Steven Phillips, 100% of amounts allocated to CGL subsidiaries was attributed to Co-operators General. Refer to the Inter-company Services Agreement discussed in the *Material Contracts* section for details.

Co-operators General's publicly listed shares are preferred shares. The market price of these shares varies primarily with market interest rates, not the performance of the Company, except to the degree that the Company performance affects its credit quality. Because of the nature of its publicly listed shares, Co-operators General does not use shares, share options, or other share-based compensation methods to compensate its senior officers.

COMPENSATION APPROACH

The executive compensation program is designed to reward both short-term and long-term performance. The compensation program is aligned with our business strategy, mission, vision and values. In addition, the program balances our co-operative nature with the desire to be competitive within the insurance industry. The program is aligned with our long term strategic focus.

The approach adopted for the compensation program is to pay at market-median for similar positions within insurance companies and financial institutions for executive positions other than the CEO. In the case of the CEO, depending on the incumbent's experience and achievements, total cash compensation when target performance is achieved will fall between the 40th and 60th percentile of the amount paid for similar positions by competitor insurance companies, financial institutions and co-operatives. Market positioning is determined by conducting benchmark reviews for base salary and incentive pay

using publicly available data and data from custom surveys, as required.

The Risk and Compensation Committee recommends, for the Board of Directors' approval, a guiding philosophy for the compensation of the Company's President and Chief Executive Officer. The CEO compensation philosophy is reviewed annually, and as appropriate, the Risk and Compensation Committee recommends changes to the board.

Annually, the committee recommends for the board's approval:

- Any adjustment to the CEO's base salary;
- Targets and strategic initiatives for inclusion in the CEO's short-term incentive plan;
- Targets for inclusion in the CEO's long-term incentive plan for the following three years; and
- Payments due under the CEO's short-term and long-term incentive plans.

Every six years, the committee conducts a deliberative and objective review of the CEO Compensation Plan. The committee receives best practice advice on the compensation structure including base salary, annual incentive opportunity, long term incentive opportunity, perquisites, supplemental benefits including pension and on the CEO's employment contract. A complete review of the committee findings is presented to the Board. Every three years, the committee benchmarks the CEO's target total cash compensation against compensation paid to the CEOs of companies with whom the Company competes for talent and recommend to the Board any adjustments that may be needed. Assistance from appropriate external experts is engaged for both the 3-year and 6-year reviews.

In 2017 an independent compensation consultant, Accompass, was retained to conduct a comprehensive review of the short- term and long-term incentive components of the CEO Compensation Plan. Accompass was asked to provide an opinion on how well the plan aligns with the Financial Stability Board Principles for Sound Compensation Practices and the Canadian Coalition for Good Governance Executive Compensation Principles. The Chief Risk Officer was involved throughout the review to ensure the plan was aligned with sound risk management principles. Upon completion of the review and adoption of changes to the plan, including the addition of explicit guidance for the application of risk adjustments to incentive compensation. Accompass determined that the revised plan was strongly aligned with the principles. Willis Towers Watson was then retained to do a competitive analysis of the CEO total cash compensation. Any adjustments to the CEO's rates of compensation coming out of the consultant's review will be recommended to the Board of Directors for approval in 2018.

The CEO is responsible for determining the compensation of the executive officers. The Risk and Compensation Committee retains the right to oversee the compensation of senior management in conjunction with the CEO.

COMPENSATION PHILOSOPHY

CGL's compensation philosophy is aligned with the overall strategic business plan. In designing its executive compensation plans it wishes to achieve the following:

- Attract and retain executives with the skills and vision needed to lead the Company to success;
- Ensure that the executive's leadership is consonant with the Company's business strategy and its mission, vision and values;
- Promote a pay-for-performance culture in which superior performance draws in superior rewards and below- target performance draws lower rewards;
- Motivate executives to strive equally for the Company's operational soundness, its financial success and its long- term sustainability;
- Encourage executives to take risks that are commensurate with the Company's risk appetite and key to the execution of its strategy;
- Provide executives with a market-competitive compensation plan, including salary, incentives, benefits and perquisites, while maintaining reasonable equity and consistency with the compensation provided to the Company's other employees; and
- Provide an income and continuing benefits, commensurate with the executive's years of service, upon the executive's retirement from the Company.

The compensation program is further guided by these principles:

- Total cash compensation when target performance is achieved will be at or near the 50th percentile of the amount paid for similar positions by competitor insurance companies and like-sized co-operatives.
- A significant portion of each executive's total compensation is at risk and depends on the Company's short-term and long-term performance.
- Where appropriate, performance may be assessed in relation to the competition and to the degree of risk the Company assumes in seeking results.

- The scope and responsibilities of the position, as well as the specific skills and experience needed to fulfill them, are compensated through an annual base salary.
- For a fully experienced incumbent, annual changes to the base salary should bear an appropriate relationship to the average market-adjustment awarded the Company's non-executive employees. Short-term incentives are meant to encourage and reward the achievement of annual objectives.
- Long-term incentives should encourage the alignment of the CEO's/executives' interest with the Company's long-term performance against its strategic goals.
- Perquisites provided to executives will be modest in kind and nature.
- Retirement benefits offered reflect base salary and years of service, without consideration for variable compensation paid.

The following describes the different compensation components, which together provide compensation packages that meet the objectives of the company's compensation philosophy:

1. Base Salary - market-competitive fixed rate of pay to attract and retain executives with experience, competencies and skills required to achieve strategic and organizational goals.
2. Short-term Incentive Plan (STIP) - annual cash award with target awards established as a percentage of base salary or eligible earnings to motivate executives to achieve superior short-term organizational and individual performance through corporate, business unit and individual goals.
3. Long-term Incentive Plan (LTIP) - annual cash award with target awards established as a percentage of base salary or eligible earnings based on our success in achieving long-term targets. The plan incorporates financial and market performance, as well as a more holistic assessment of the health of the organization through employee and member engagement.
4. Pension Plan - the pension plan is designed to provide the NEOs with competitive benefits and a retirement income, in order to attract and retain executives with the experience, competencies and skills required to achieve strategic and organizational goals.

ORGANIZATION CULTURE AND BENCHMARKING

The Co-operators is an organization that takes a conservative approach to pay. We provide financial security to our employees through our pay program and our pension program as well as protection for their health and well-being through our group benefits programs. Pay is one component of the employee value proposition. Our approach for all positions is to benchmark against insurance companies for core insurance roles including management and support roles and to benchmark against all industries for non-core insurance roles.

BASE SALARY

The Company has adopted a traditional pay-for-performance system, adjusting salaries over time in accordance with changes to its salary ranges and with individual performance. For executives other than the CEO, salary ranges are designed such that a successful performer meets the market-median with high performers having an opportunity to exceed the market median depending on their level of performance. In the case of the CEO, base salary is viewed as a component of the total compensation package as discussed in the *Compensation Philosophy* section above. When determining base salaries, the goal is to keep the Company from underpaying and risk losing talent to competitors and overpaying and wasting investment dollars. An individual's actual position in the salary range is based on the individual's levels of contribution and performance. Movement within a salary range is the result of an assessment of contributions, performance, skills, competencies and potential. These assessments will normally take place once a year and, together with market adjustments, help management decide how quickly to move employees through the scale. Salary increases are linked to our performance management plan and measurable outcomes of individual contribution and performance.

BENCHMARKING

Multiple surveys are completed and analyzed on a regular basis for base salary and annual incentive pay. The data to benchmark against are available, stable and comparable to our industry. Comparator organizations for benchmarking include insurance and financial services industry participants with operations in Canada that are reasonably similar in size, in terms of revenue. In addition, for the CEO, the comparator group includes large Canadian co-operatives. We review our benchmark positions, as determined by the board from time to time to ensure we maintain our competitive position in the market.

Regular participants of surveys that we participate in within the insurance, financial services and co-operative industries for the CEO and NEOs are:

Aviva Canada, Inc.	Industrial Alliance Financial Group
Banque Laurentienne	Insurance Corporation of British Columbia
Coast Capital Savings Credit Union	Intact Financial Corporation
Concentra Financial	La Coopérative Federée
Desjardins Financial Security	Manulife Financial (Canadian Operation)
Desjardins General Insurance Group	Munich Reinsurance Group
Economical Insurance Group	National Bank of Canada
Empire Life	RBC Life
Equitable Life of Canada	RSA Canada
Fairfax Financial Holdings (Northbridge Insurance)	Servus Credit Union
Federated Co-operatives Ltd.	TD Insurance
Foresters Financial	Vancouver City Savings Credit Union
Great West Life Insurance Company	Wawanesa
HSBC Bank Canada	

COMPENSATION GOVERNANCE

The Risk and Compensation Committee acts on behalf of the board for compensation matters. For a list of the independent Risk and Compensation Committee members refer to *Corporate Governance* section. A report is presented annually to the board by the Senior Vice-President Human Resources and Workplace Services that includes information on compensation, staffing complement, benefits, employee training, expenses related to compensation and long-term costs of benefits related to staffing.

SUMMARY COMPENSATION

Name and principal position	Year	Salary ¹	Share-based and option-based awards ²	Non-equity incentive plan compensation		Pension value	All other compensation ⁴	Total compensation
				Annual incentive plans ³	Long-term incentive plans ³			
Robert Wesseling President and Chief Executive Officer ⁵	2017	541,000	-	283,065	477,005	22,672	-	1,323,742
	2016	388,223	-	174,747	210,967	946,450	-	1,720,387
	2015	373,692	-	242,422	138,180	82,394	-	836,688
Bruce West Executive Vice-President Finance and CFO	2017	415,425	-	210,909	233,073	102,072	-	961,479
	2016	405,846	-	219,870	210,086	98,350	-	934,152
	2015	412,308	-	286,094	152,402	88,194	-	938,998
Carol Poulsen Executive Vice-President and Chief Information Officer	2017	379,061	-	192,447	212,671	93,872	-	878,051
	2016	381,072	-	195,680	197,262	84,050	-	858,064
	2015	385,169	-	267,258	142,368	94,494	-	889,289
Rick McCombie Executive Vice-President, Chief Client Officer	2017	376,092	-	180,868	211,005	68,530	-	836,495
	2016	363,825	-	170,456	188,334	64,110	-	786,725
	2015	361,423	-	252,061	133,606	69,870	-	816,960
Steven Phillips Executive Vice-President, Chief Operations Officer, Sovereign ⁶	2017	336,538	-	135,934	188,814	88,472	-	749,758
	2016	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-

¹ Salary represents the amount paid in the year.

² NEOs are not compensated using either share-based or option-based awards.

³ Representing amounts earned in the year and paid in a subsequent year.

⁴ The aggregate amount for the year is less than \$50,000 and 10% of total salary and bonus for all NEOs in all periods. This includes benefits and perquisites discussed below.

⁵ The CEO is not compensated for services as a director.

⁶ Steven Phillips was hired in January 2017.

INCENTIVE PLAN AWARDS

SHORT-TERM INCENTIVE PLAN

The STIP is based on a 30% weighting for net income measures, a 30% weighting for growth measures and a 40% weighting for strategic measures. Strategic and other individual goals are determined annually with the CEO for the Executive Officers' plans, or with the Board of Directors for the CEO's plan.

The following summarizes the measures and the weighting for the NEOs' STIP:

Measures	Robert Wesseling Bruce West Carol Poulsen	Rick McCombie	Steven Phillips
Net Income			
CGL net income after-tax compared to annual plan	30%	20%	20%
CGIC and certain subsidiaries and affiliates net income after-tax compared to annual plan	-	10%	-
Sovereign General net income after-tax compared to annual plan	-	-	10%
Total net income measures	30%	30%	30%
Growth			
CGL revenue growth compared to annual plan	15%	15%	15%
Client growth of CGIC and certain subsidiaries and affiliates compared to annual plan	15%	15%	15%
Total growth measures	30%	30%	30%
Strategic measures			
Strategic initiatives and other individual goals	40%	40%	40%
Total strategic and other goals measures	40%	40%	40%

The STIP provides a target opportunity of 50% of base salary for the CEO and 40% of eligible earnings for Executive Officers. The CEO can earn up to 1.6 times the target STIP and Executive Officers can earn up to two times the target STIP amount based on over performance against the objectives. Similarly, a sliding scale is used when calculating the STIP in underperforming years. All amounts are paid annually in cash subject to approval.

The 2017 STIP payout ranges percentage of base salary for NEOs were as follows:

Name	STIP payout ranges		
	Minimum	Target	Maximum
Robert Wesseling	0%	50%	80%
Bruce West	0%	40%	80%
Carol Poulsen	0%	40%	80%
Rick McCombie	0%	40%	80%
Steven Phillips	0%	40%	80%

The following table provides the STIP payout for each NEO based on 2017 results. The awards are paid in 2018 as a one-time sum:

Name	2017 STIP target ¹ \$	2017 STIP Company financial result ² (%)	2017 STIP result (60% financial 40% non- financial) (%)	2017 total STIP (\$)
Robert Wesseling	270,500	123.6%	104.6%	283,065
Bruce West	166,170	123.6%	126.9%	210,909
Carol Poulsen	151,624	123.6%	126.9%	192,447
Rick McCombie	150,437	123.6%	120.2%	180,868
Steven Phillips	134,615	101.6%	101.0%	135,934

¹ CEO STIP target calculated as base salary times target payout percentage. For all other NEOs, the 2017 target is calculated based on the 2017 eligible earnings times the target payout.

² The Company financial result percentage is dependent on the individual's involvement with specific companies within CGL as well as the CGL's consolidated results.

Overall, 2017 is an over-performing year as financial performance measures exceeded targets.

LONG-TERM INCENTIVE PLAN

The LTIP awards are determined based on the following allocations:

Factors	Weight
1 - Retained earnings growth ¹	35%
2 - Employee engagement ²	20%
3 - CGL member engagement ³	15%
4 - Market share growth ⁴	30%
Total financial measures	100%

¹ CGL retained earnings growth over a three year period.

² CGL combined employee engagement score averaged over a three year period.

³ CGL member engagement is determined over a three year period. For the periods during which one survey is completed, only one score is used. For the periods during which two surveys are completed, an average score is used.

⁴ Market share growth is over a three year period for CGL's P&C Operations' direct written premium and certain CLIC product lines.

The awards paid are determined with reference to actual targeted numbers and are not based on subjective performance assessments.

The CEO's LTIP provides a target opportunity of up to 55% (2016 - 50%, 2015 - 45%) of base salary. Other NEOs have a target LTIP payouts at target performance of up to 35% (2016 - 35%, 2015 - 35%) of eligible earnings. The CEO and Executive Officers can earn up to two times the target LTIP amount based on if they over perform against the objectives. All amounts are paid annually in cash, following approval by the board of directors.

The following table provides the LTIP payout for each NEO based on 2017 results. The awards are paid in 2018 as a one-time sum:

Name	2017 LTIP target ¹ \$	2017 LTIP company financial result (%)	2017 total LTIP (\$)
Robert Wesseling	297,550		477,005
Bruce West	145,399		233,073
Carol Poulsen	132,671	160.3%	212,671
Rick McCombie	131,632		211,005
Steven Phillips	117,788		188,814

¹ CEO LTIP target calculated as base salary target payout percentage. For all other NEOs, the 2017 target is calculated based on the 2017 eligible earnings times the target payout.

Overall, the result of the LTIP calculation in 2017 is over performing as all factors exceeded our targets.

BENEFITS AND PERQUISITES

The CEO and executive officers also receive group health coverage such as medical, dental, group life insurance and disability income replacement coverage that is extended to all staff, as well as other benefits normally commensurate with their position such as a company vehicle.

PENSION PLAN BENEFITS

Pension plans for the NEOs comprise of a defined contribution plan provided to all employees and a Supplementary Executive Retirement Plan which is a defined benefit plan that tops-up the defined contribution plan to a calculated amount based on years of service and earnings. The annual pension of NEOs is equal to 2 percent of their final average earnings times credited years of service, to a maximum of 35 years. If retirement occurs before age 60, the amount is reduced by 5 percent for each year prior to 60. Final average earnings for an eligible person is equal to their average base salary over their highest earning 36 consecutive calendar months in their last ten years of pensionable service.

Below are the tables describing the defined benefit plan and the defined contribution plan:

DEFINED BENEFIT PLAN

Name	Number of years of credited service	Annual Benefits Payable					
		At year end	At age 65	Opening present value of defined benefit obligation ¹	Compensatory change ²	Non-compensatory change ³	Closing present value of defined benefit obligation ⁴
		\$	\$	\$	\$	\$	\$
Robert Wesseling	20.9	136,488	186,270	2,284,800	8,100	408,000	2,700,900
Bruce West	10.5	58,435	77,144	840,200	87,500	80,900	1,008,600
Carol Poulsen	6.2	31,418	63,510	447,500	79,300	58,300	585,100
Rick McCombie	38.0	122,434	115,537	1,964,800	42,300	(7,100)	2,000,000
Steven Phillips	1.0	4,215	61,597	-	73,900	8,200	82,100

¹ The accrued obligation at the start of the year is the value of the projected pension earned for service to December 31, 2016. The values have been determined on the 2016 actual earnings adjusted to reflect expected increases in pensionable earnings using the same actuarial assumptions used for determining the pension plan obligation at December 31, 2017. See the below chart for both 2017 and 2016 assumptions.

² Includes the service cost net of the NEOs' contributions, plus plan changes and differences between actual and estimated earnings.

³ Includes the impact of the NEOs contributions, interest on the present value of the defined benefit obligation at the start of the year and any other experience gains and losses.

⁴ The present value of the defined obligation at the end of the year is the value of the projected pension earned for service to December 31, 2017. The values have been determined based on the 2017 actual earnings adjusted to reflect expected increases in pensionable earnings, using the same actuarial assumptions used for determining the pension plan obligation at December 31, 2017. See the below chart for both 2017 and 2016 assumptions.

Significant assumptions for NEOs' SERP	2017	2016
Accrued benefit obligation as of December 31		
Discount rate	3.50%	4.00%
Assumed rate of salary escalation	3.50%	3.50%
Mortality		
Retiring at the end of the reporting period:		
- Average life expectancy for male retiring at age 65	23.3 - 21.6	23.0 - 21.5
- Average life expectancy for female retiring at age 65	25.9 - 24.4	25.0 - 23.9
Retiring 20 years after the end of the reporting period:		
- Average life expectancy for male retiring at age 65	24.8 - 23.2	24.1 - 22.6
- Average life expectancy for female retiring at age 65	27.3 - 25.7	25.9 - 24.9

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics.

Measurement uncertainty exists in valuing the components of the SERP. Each assumption is determined by management based on current market conditions and experiential information available at the time, however, the long-term nature of the exposure and future fluctuations in the actual results makes the valuation uncertain.

DEFINED CONTRIBUTION PLAN

Name	Accumulated value at start of year \$	Compensatory ¹ \$	Accumulated value at year end ² \$
Robert Wesseling	673,392	14,572	761,669
Bruce West	347,002	14,572	404,504
Carol Poulsen	167,250	14,572	207,568
Rick McCombie	1,922,355	26,230	2,122,385
Steve Phillips	-	14,572	27,631

¹ Compensatory includes employer contributions and above-market or preferential earnings credited on employer and employee contributions. Above-market or preferential earnings applies to non-registered plans and means a rate greater than the rate ordinarily paid by the CGL or its subsidiaries on securities or other obligations having the same or similar features issued to third parties; the company does not provide NEOs with such benefits.

² Accumulated value at year end is determined by the sum of accumulated value at start of year, compensatory and noncompensatory amounts.

TERMINATION AND CHANGE OF CONTROL BENEFITS

CGL and the CEO entered into an employment contract, effective December 1, 2016.

The employment contract commits control and management of CGL and its subsidiaries to the CEO. The compensation of the CEO is described above. The employment contract also specifies a termination allowance equal to two times annual base salary, if the CEO is terminated without cause.

The CEO has the right on a change of control to treat it as a without cause termination.

There are no employment contracts or change of control provisions in place for any other NEOs.

DIRECTOR COMPENSATION

Compensation of directors is described in Corporate Governance – Director Compensation.

ADDITIONAL INFORMATION

Additional information about Co-operators General may be found on www.sedar.com including our 2017 Management's Discussion & Analysis and the 2017 audited annual consolidated financial statements.