



## **AUDIT COMMITTEE CHARTER**

### **1. PURPOSE**

Financial reporting and disclosure by Cogeco Inc. (the "Corporation") represents a major aspect of the management of the Corporation's global business and affairs.

The Board is responsible to oversee financial reporting and disclosure of the Corporation.

To assist the Board of Directors in its monitoring of the Corporation's consolidated financial reporting and disclosure, the Board of Directors has established a committee of the Board of Directors known as the Audit Committee for the purpose of overseeing the accounting and financial reporting processes and audits of the consolidated financial statements of the Corporation.

The purpose of the Board of Directors' oversight of the Corporation's financial reporting and disclosure is to gain reasonable assurance, through the Audit Committee, that the following objectives are being met:

- (a) that the Corporation and its subsidiaries comply with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (b) that the accounting policies and practices, significant judgments and disclosures which underlie or are incorporated in the Corporation's consolidated financial statements are the most appropriate in the prevailing circumstances;
- (c) that the Corporation's quarterly and annual consolidated financial statements present fairly the Corporation's financial position and performance in accordance with International Financial Reporting Standards ("IFRS");
- (d) that there is an effective system of internal controls and that the evaluation and testing of the internal controls are appropriate to cover significant risks and are comprehensive, coordinated and cost effective; and
- (e) that financial information in public disclosure documents has been reviewed and that appropriate information concerning the financial position and performance of the Corporation is disseminated to the public in a timely manner.

Although the Audit Committee has the powers and responsibilities set forth in this Charter, the role of the Audit Committee is oversight. The members of the Audit Committee are not full-time employees of the Corporation and may or may not be accountants or auditors by profession and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Audit Committee to conduct audits or to determine that the Corporation's consolidated financial statements and disclosures are complete and accurate, and in accordance with IFRS and applicable rules and regulations. These are the responsibilities of senior Management, the External Auditors and other specialists retained by the Corporation.

## **2. COMPOSITION AND QUALIFICATION**

The Audit Committee is appointed annually by the Board of Directors and consists of a minimum of three Directors from among the Directors of the Corporation. Every Audit Committee member must be independent, as defined in and in compliance with National Instrument 52-110 ("NI 52-110") and subject to the independence exemptions provided for therein.

The members of the Audit Committee are appointed at the first meeting after the annual meeting of the shareholders, or at any other meeting if a vacancy arises. The Board of Directors appoints one of the members of the Audit Committee each year as its Chair.

Subject to the exemptions provided for in NI 52-110, all members of the Audit Committee should be "financially literate" and, as such, able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's consolidated financial statements.

In contributing to the Audit Committee's discharging of its duties under this mandate, each member of the Audit Committee shall be entitled to rely in good faith upon:

- (a) Consolidated financial statements of the Corporation represented to him or her by the President and Chief Executive Officer ("President and CEO") or Senior Vice President and Chief Financial Officer ("CFO") of the Corporation or in a written report of the External Auditors to present fairly the consolidated financial position of the Corporation in accordance with IFRS; and
- (b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

In contributing to the Audit Committee's discharging of its duties under this mandate, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board of Directors are subject. The essence of the Audit Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the fundamental accounting and reporting activities are being conducted effectively, that the financial reporting and disclosure objectives are being met and that a proper system of internal controls is in place, so as to report accordingly to the Board of Directors. These duties extend to evaluating and, where appropriate, recommending replacement of the External Auditors.

## **3. OPERATING PRINCIPLES AND GUIDELINES**

The Audit Committee fulfills its responsibilities within the context of the following principles and guidelines:

- (a) The Committee Chair and the other Audit Committee members have direct, open and frank communications throughout the year with senior Management, other committee chairs and Board members, the External Auditors, the Vice President, Internal Audit and Risk Management and other key committee advisors as applicable.
- (b) The Committee, in consultation with senior Management and the External Auditors, develop annually an Audit Committee Work Plan responsive to the Audit Committee's responsibilities as set out in this Charter.

- (c) The Audit Committee, in consultation with senior Management and the External Auditors, participates in a process for review of important financial topics and emerging standards that have the potential to impact the Corporation's consolidated financial reporting and disclosure.
- (d) The Audit Committee meeting agendas are the responsibility of the Committee Chair in consultation with Committee members, senior Management, the Vice President, Internal Audit and Risk Management and the External Auditors, as appropriate.
- (e) The Committee communicates its expectations to senior Management, the Vice President, Internal Audit and Risk Management and the External Auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from senior Management, the Vice President, Internal Audit and Risk Management and the External Auditors and posted on the electronic portal of the Corporation one week in advance of meeting dates for all the topics on the agenda.
- (f) The External Auditor's ultimate responsibility is to the Board of Directors through the Audit Committee, as representatives of the shareholders. The External Auditors must report directly to the Audit Committee.
- (g) The Committee may, in addition to the External Auditors, at the expense of the Corporation and after consultation with senior Management, engage independent counsel or other advisors, which the Committee determines are necessary to carry out its duties.
- (h) At each regular scheduled meeting of the Committee, the Committee members meet in private sessions among themselves only; with the External Auditors only; with the Vice President, Internal Audit and Risk Management only and with representatives of senior Management only.
- (i) The Committee, through its Chair, reports after each Committee meeting to the Board of Directors at its next regular meeting or earlier if required.
- (j) The Audit Committee meets at least four times per year on a quarterly basis and holds special meetings as circumstances require. The timing of the meetings, and calling of and procedure at meetings, are determined by the Committee, provided that:
  - (i) at all Audit Committee meetings a majority of the members shall constitute a quorum; and
  - (ii) the acts of the Audit Committee at a duly constituted meeting require no more than the vote of a majority of the members present and that, in any circumstances, a resolution or other instrument in writing signed by all members of the Audit Committee shall avail as the act of the Audit Committee.

The CFO of the Corporation, the Vice President, Internal Audit and Risk Management of the Corporation, the Vice President, Corporate Controller of the Corporation and the External Auditors usually attend all Audit Committee meetings.

The minutes of meetings of the Audit Committee are approved by the Committee and delivered to the Board of Directors for its information.

The Secretary or Assistant Secretary of the Corporation acts as the secretary of the Audit Committee.

## **4. RESPONSIBILITIES AND DUTIES**

The Committee is responsible for the following:

### **4.1. Financial Reporting**

- Review, before they are released, the annual consolidated financial statements included in the annual report to shareholders and the External Auditors' report thereon, the Management's Discussion and Analysis ("MD&A") and related news releases and recommend their approval to the Board of Directors.
- Review, before they are released, the interim consolidated financial statements, the MD&A and related news releases and recommend their approval to the Board of Directors.
- Review, before they are released, public disclosure documents, such as a prospectus, annual information form or any other public documents containing consolidated financial statements of the Corporation, and recommend their approval to the Board of Directors.
- Review, before they are released, the guidance provided to financial markets and financial institutions.
- Review the reports of the Disclosure Committee of the Corporation.
- Discuss with senior Management any significant variances between comparative reporting periods and across comparable business units.

### **4.2. Changes in accounting policies**

- Review, with senior Management and the External Auditors, any proposed changes in securities policies or regulations and/or major accounting policies, and key estimates and judgments that may be material to financial reporting of the Corporation and probe whether the underlying accounting policies, disclosures and key estimates and judgments are considered to be the most appropriate in the circumstances.
- Report to the Board in a timely fashion on any proposed changes in securities policies or regulations and/or major accounting policies and key estimates and judgments that may be material to financial reporting and entail significant actual or potential liabilities, contingent or otherwise.
- Discuss with senior Management and the External Auditors the clarity and completeness of the Corporation's consolidated financial disclosures.
- Review, whenever there are significant changes in accounting policies and disclosure requirements, benchmarks submitted by Management of the Corporation's accounting policies and disclosure to those followed in its industry.

### **4.3. Risks and Uncertainties**

- Review the principal business risks facing the Corporation and its subsidiaries identified by senior Management, in the context of its global business and affairs (the "Principal Business Risks") and oversee the implementation by senior Management of appropriate measures to manage these risks.
- Develop reasonable assurance that the Principal Business Risks are effectively being mitigated and controlled by:

- (i) reviewing with senior Management an updated list of such risks as well as ongoing or special actions undertaken to manage each one of these identified risks;
  - (ii) discussing with senior Management its assessment of the residual exposure to the Corporation if any, ensuing from their management of such risks; and
  - (iii) enquiring of senior Management whether existing policies, processes and programs are appropriate to identify, manage and control such risks.
- Review and approve, on an annual basis, the risk appetite framework of the Corporation
  - Review, at least annually, the appropriateness of insurance coverage maintained by the Corporation and its subsidiaries.
  - Review quarterly updates of the Corporation's and its subsidiaries' outstanding contingencies, including legal claims, tax assessments and others, that could have a material effect upon the financial results and condition of the Corporation and the manner in which these matters are being disclosed in the consolidated financial statements.
  - Review, at least annually, the appropriateness of foreign currency, interest rate and other financial risk mitigation practices such as the use of derivative financial instruments.
  - Review, at least annually, the list of guarantees provided by the Corporation and its subsidiaries.

#### **4.4. Financial Controls and Deviations**

- Review annually the plans of the Vice President, Internal Audit and Risk Management and of the External Auditors to gain reasonable assurance that the proposed combined evaluation and testing of the internal controls are appropriate to cover significant risks, comprehensive, coordinated and cost effective.
- Review with senior Management of the Corporation any significant changes to the internal control environment and measures implemented, if any, to address identified control deviations.
- Review procedures for public disclosure of financial information extracted from the Corporation's consolidated financial statements, other than the public disclosure referred to in Section 4.1, and periodically assess the adequacy of these procedures.
- Establish procedures for (a) the receipt, retention and treatment of complaints received by the Corporation and its subsidiaries regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation and its subsidiaries of concerns regarding questionable accounting or auditing matters.
- Receive quarterly reports from the Vice President, Internal Audit and Risk Management on all complaints and anonymous submissions of concern by employees regarding accounting, internal accounting controls or auditing matters, results of any inquiry carried to that effect, and how such matters have or will be corrected.
- Review and understand the processes that support the President and CEO's and the CFO's certification and be satisfied that they constitute a reasonable approach and are diligently performed.

- Review all design and operational effectiveness weaknesses in internal control over Financial Reporting and disclosure controls and procedures that, individually and/or in combination, could have a material impact on the financial reporting, understand the assessment of these weaknesses and the decision process supporting whether identified weaknesses should be disclosed or not in the MD&A and review the completeness and accuracy of the disclosures provided in the MD&A.
- Review, approve and monitor the remediation plan proposed by the President and CEO and the CFO.

#### **4.5. Compliance with tax and financial reporting laws**

- Review regular reports from Management concerning the Corporation's and its subsidiaries' compliance with tax and financial reporting laws and regulations including those necessitating withholdings requirements which can have a material impact on financial statements.

#### **4.6. Relationship with the External Auditors and the internal audit group**

- Recommend annually to the Board the nomination of the External Auditors for the purpose of preparing or issuing an auditors' report and conducting quarterly reviews and any other related work for the Corporation. The Committee will only recommend External Auditors who (a) participate in the oversight program of the Canadian Public Accountability Board ("CPAB") and (b) are in good standing with the CPAB.
- Perform an annual assessment of the External Auditors and, at least every five years, a comprehensive review of the External Auditors.
- Recommend annually to the Board the compensation of the External Auditors.
- Receive a report annually from the External Auditors with respect to their independence and objectivity, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services rendered to the Corporation.
- Review with the External Auditors the audit service plan, the areas of special emphasis to be addressed in the audit, the extent to which the external audit can be coordinated with internal audit activities and the materiality levels which the External Auditors propose to employ.
- Establish effective communication processes with senior Management and the Corporation's Internal and External Auditors to assist the Committee in monitoring objectively the quality and effectiveness of the relationship among the External Auditors, Management and the Committee.
- Oversee the work of the External Auditors, receive quarterly review reports and reports from the External Auditors on the progress against the approved audit service plan, important findings, Management letter of recommendations for improvement and the External Auditors' final report.
- Resolve disagreements between senior Management and the External Auditors regarding financial reporting.
- Meet regularly with the External Auditors in the absence of Management.
- Establish annually a list of services that may not be provided by the External Auditors as a measure to safeguard their objectivity and independence. Ensure compliance of such list of proscribed services with regulatory requirements.

- Pre-approve all non-audit services to be provided to the Corporation by the External Auditors, subject to the exemptions provided for in NI 52-110 and delegate the administration of the pre-approved non-audit services to the Vice President, Corporate Controller. The Vice President, Corporate Controller will report quarterly to the Audit Committee the amounts that were incurred for such services.
- Review and approve the Corporation's policy regarding hiring of professionals from External Auditors.
- Review reports of External Auditors concerning the planned rotation of partners assigned to the Corporation's affairs.
- In the case of resignation or termination of the External Auditors or their replacement, review and approve the change of auditor notice within 30 days after the date of termination, resignation or replacement.
- Receive a quarterly confirmation from the External Auditors that there are no defects in their quality control systems according to the CPAB and/or that they have not been subject to any sanction by the CPAB.
- Review with the External Auditors the inspection findings of the CPAB that are communicated in confidence to the External Auditors when and if the audit file of the Corporation has been subject to a review by the CPAB.

#### **4.7. Relationship with the Vice President, Internal Audit and Risk Management**

- Review the appointment and replacement of the Vice President, Internal Audit and Risk Management and report such to the Board.
- Review and approve the Vice President, Internal Audit and Risk Management's annual plan and schedule of audit assignments, Internal Audit Charter and annual budget.
- Review a list of external audit firms from which Internal Audit can outsource employees on a contractual basis for parts or all of its planned assignments.
- Review the reports of the Corporation's Vice President, Internal Audit and Risk Management with respect to control, financial risk and any other matters appropriate to the Committee's duties. Receive Management's responses to these audit observations and recommendations.
- Review and approve the reporting relationship of the Vice President, Internal Audit and Risk Management to ensure that organizational independence is effectively achieved and that the Vice President, Internal Audit and Risk Management has direct reporting and access to the Committee on matters affecting the Committee's duties.
- Encourage the Vice President, Internal Audit and Risk Management to share his or her planning and findings with the External Auditors in order to maximize audit coverage of the Corporation's operations and financial condition, in a cost-effective manner.

#### **4.8. Other responsibilities**

- Review and reassess annually the adequacy of this Charter and recommend any changes to the Board of Directors.
- Review quarterly the list of related party transactions between the Corporation and Cogeco Communications Inc., as per International Accounting Standard ("IAS") 24.

- Review annually the estimated fees to be paid by Cogeco Communications Inc. to the Corporation under the Management Services Agreement.
- Review disclosure of the Committee's Charter and of the Committee's activities presented in the Corporation's statement of corporate governance practices.
- After consultation with the CFO and the External Auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources.
- Be informed of the appointment of the Corporation's senior financial executives.
- Perform such other functions as may from time to time be assigned to the Committee by the Board.

**Approved by the Board of Directors, as revised on November 2, 2017**