



**CHARTER OF THE
AUDIT COMMITTEE
OF
COGECO INC.**

**Approved by the Board of Directors on April 4, 2003, revised on October 14, 2004,
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1. PURPOSE

Financial reporting and disclosure by COGECO Inc. (the “Company”) represents a major aspect of the management of the Company’s business and affairs. The purpose of the Board of Directors’ oversight of the Company’s financial reporting and disclosure is to gain reasonable assurance that the following objectives are being met:

- (a) that the Company complies 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 Company’s financial statements are the most appropriate in the prevailing circumstances;
- (c) that the Company’s quarterly and annual financial statements are accurate and present fairly the Company’s financial position and performance in accordance with Canadian generally accepted accounting principles (“GAAP”) or International Financial Reporting Standards (“IFRS”), as applicable;
- (d) that there is an effective system of internal controls; and
- (e) that financial information in public disclosure documents has been reviewed and that appropriate information concerning the financial position and performance of the Company is disseminated to the public in a timely manner.

To assist the Board of Directors in its monitoring of the Company’s financial reporting and disclosure, the Board of Directors has established, and hereby continues the existence of, 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 financial statements of the Company.

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 Company 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 Company’s financial statements and disclosures are complete and accurate, and in accordance with GAAP or IFRS, as applicable and applicable rules and regulations. These are the responsibilities of management, the External Auditors and other specialists retained by the Company.

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 Company. Every Audit Committee member must be independent, as defined in Multilateral Instrument 52-110 (MI 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 MI 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 breath and complexity of the issues that can reasonably be expected to be raised by the Company’s 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) financial statements of the Company represented to him or her by an officer of the Company or in a written report of the External Auditors to present fairly the financial position of the Company in accordance with GAAP or IFRS, as applicable; 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 Board of Directors members 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, so as to report accordingly to the Board of Directors.

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 management, other committee chairs and Board members, the External Auditors, the Senior Director, Internal Audit and other key committee advisors as applicable.
- (b) The Committee, in consultation with 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 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 Company’s financial presentation and disclosure.
- (d) The Audit Committee meeting agendas are the responsibility of the Committee Chair in consultation with Committee members, senior management, the Senior Director, Internal Audit and the External Auditors.

- (e) The Committee communicates its expectations to management, the Senior Director, Internal Audit and the External Auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials and notes assembled in a binder will be received from management, the Senior Director, Internal Audit and the External Auditors 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 and 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 Company and after consultation with management, engage independent counsel or other advisors, which the Committee determines, are necessary to carry out its duties.
- (h) At each meeting of the Committee, the Committee members meet in private sessions among themselves only; with the External Auditors only; with the Senior Director, Internal Audit only; and with 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:
 - (a) at all Audit Committee meetings a majority of the members shall constitute a quorum; and
 - (b) 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 Senior Vice President and Chief Financial Officer ("CFO") of the Company, the Senior Director, Internal Audit of the Company 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 Company 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 financial statements included in the annual report to shareholders and the External Auditors' report thereon and recommend their approval to the Board of Directors.
- Review, before they are released, the interim and year end financial statements, 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, public disclosure documents, such as a prospectus or annual information form, containing consolidated financial statements of the Company, and recommend their approval to the Board of Directors.
- Review, before they are released, the earnings guidance provided to financial markets and financial institutions.
- Review the reports of the Disclosure Committee of the Company.
- Discuss with management any significant variances between comparative reporting periods and across comparable business units.
- Review the annual financial statements of the Company's pension plans and, when required, actuarial valuations of such plans.

4.2. Accounting Policies

- Review, with 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 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 accounting policies and key estimates and judgments that may be material to financial reporting and require significant actual or potential liabilities, contingent or otherwise.
- Discuss with management and the External Auditors the clarity and completeness of the Company's financial disclosures.
- Review, whenever there are significant changes in accounting policies and disclosure requirements, benchmarks submitted by management of the Company's accounting policies and disclosure to those followed in its industry.

4.3. Risk and Uncertainty

Recognizing that it is the Board's responsibility, in conjunction with management, to (1) identify the principal business risks facing the Company, (2) determine the Company's tolerance for risk and (3) approve risk management policies, the Audit Committee focuses on the significant financial risks and develops reasonable assurance that such risks are being effectively managed and controlled by management.

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

4.4. Financial Controls and Deviations

- Review annually the plans of the Senior Director, Internal Audit and External Auditors to gain reasonable assurance that the proposed combined evaluation and testing of the internal controls are appropriate to risks, comprehensive, coordinated and cost effective.
- Review with management of the Company 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 Company's 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 Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, internal accounting controls or auditing matters.
- Receive reports 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 Chief Executive Officer (“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 weaknesses in internal control over Financial Reporting that 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 Laws and Regulations

- Review regular reports from management, concerning the Company’s 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

- Recommend annually to the Board the nomination of the External Auditors for the purpose of preparing or issuing an auditor’s report and conducting quarterly reviews and any other related work for the Company. 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.
- 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 Company.
- Review with the External Auditors the scope of the audit, 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 management and the Company's Internal and External Auditors to assist the Committee to monitor 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 plan, important findings, management letter recommendations for improvement and the Auditors' final report.
- Resolve disagreements between 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 Company or its subsidiaries by the External Auditors, subject to the exemptions provided for in MI 52-110.
- Review and approve the Company's hiring policy regarding partners, employees and former partners or employees of the present and former External Auditors of the Company.
- Review reports of External Auditors concerning planned rotation of partners assigned to the Company'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 at each quarter a confirmation from the External Auditors that there are no defects in their quality control systems according to the Canadian Public Accountability Board (CPAB) and/or that they have not been subject to any sanction by the CPAB.
- Receive in a timely manner notice from the External Auditors of defects in their quality control systems according to CPAB and/or that they are subject to any sanction by the CPAB.

4.7. Relationship with the Senior Director, Internal Audit

- Review the appointment and replacement of the Senior Director, Internal Audit. Report such to the Board.
- Review and approve the Senior Director, Internal Audit annual plan and schedule of audit assignments and annual budget.
- Review 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 Company's Senior Director, Internal Audit 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 Senior Director, Internal Audit to ensure that an appropriate segregation of duties is maintained and that the Senior Director, Internal Audit has direct reporting and access to the Committee on matters affecting the Committee's duties.
- Encourage Senior Director, Internal Audit to share its planning and findings with the External Auditors in order to maximize audit coverage of the Company's operations and financial condition, in a cost-effective manner.

4.8. Other Responsibilities and Issues

- Review and reassess annually the adequacy of this Charter.
- Review disclosure of the Committee's Charter and of the Committee's activities presented in the Company'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 Company's accounting and financial personnel and other resources.
- Be informed of the appointment of the Company's senior financial executives.
- Perform such other functions as may from time to time be assigned to the Committee by the Board.