

FORESTERS INTERNAL AUDIT DEPARTMENT CHARTER

This document describes the, purpose, organization and reporting structure, responsibilities, authorities and standards of practice of the Internal Audit Department ("IAD") of The Independent Order of Foresters and its active subsidiaries¹ ("Foresters").

I. DEFINITION OF INTERNAL AUDIT

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. [As defined by the Institute of Internal Auditors (IIA)].

II. PURPOSE

IAD's purpose is to assist Foresters in meeting its strategic objectives by providing independent and objective assurance to Foresters management and the Board of Directors that the key organizational and procedural internal controls are appropriate and operating effectively; and that policies are being complied with. IAD provides this through proactive risk based audits, special investigation and control consulting services, designed to add value and improve the organization's operations.

III. ORGANIZATION AND REPORTING STRUCTURE

1. The IAD will consist of a Chief Internal Auditor ("CIA") and such other staff as the President & Chief Executive Officer ("CEO") and the Audit and Compliance Committee ("ACC") of the Board of Directors will, from time to time, deem necessary based on the recommendations of the CIA under VI 3.
2. The Chief Internal Auditor will report administratively to the President and Chief Executive Officer ("CEO") and have free and unrestricted access to the Chair of the ACC and the Chairs of any subsidiary Audit Committees, and will report directly to the ACC.

IV. RESPONSIBILITIES

1. Develop the annual enterprise wide Internal Audit Plan, which will include Audit Plans for active subsidiaries, based on an assessment of the inherent and net risks for Foresters operations. The Internal Audit Plan will include any out-of-cycle audit entity exceptions, either earlier or later than established cycle times, with related explanations. Review the Plan(s) regularly with management, the ACC and subsidiary Audit Committees as appropriate and update the Plan(s) as required.

Each subsidiary Audit Committee shall review and approve the subsidiary's annual Internal Audit Plan prior to submission to Foresters International ACC.

The annual Internal Audit Plan is to be recommended to the ACC for approval by the Board.

Once the annual audit plan has been approved, changes may be made to such plan with the approval of the ACC Chair, who will inform the ACC members of the changes at the next scheduled ACC meeting.

For each subsidiary, any changes subsequent to approval of the annual Internal Audit Plan are to be presented to the Subsidiary ACC for approval, then to be provided to the Chair of the Foresters International ACC for approval

2. Examine and evaluate the adequacy and effectiveness of Foresters internal control, risk management and governance processes required to manage the risks identified and report the results and recommendations coming out of audits and other activities of the IAD to the appropriate management personnel and/or branch officers and to the CEO.
3. Recommend effective and efficient means to improve controls, including those related to the identification, prevention and detection of fraud, and follow up with management personnel and/or branch officers on corrective action, as identified in audit reports, until there has been appropriate resolution of the issues.
4. Regularly report to the CEO, the ACC and subsidiary Audit Committees as appropriate, summary information on internal audit activities, including significant findings and recommendations and the results of any investigations on alleged fraudulent activities or unethical behaviour regarding accounting, auditing or internal control matters. Report information should include:
 - the status of the audit plan(s)
 - highlight any changes to the audit plan(s)
 - resource efforts and considerations
 - the follow-up status of outstanding audit issues
 - risks accepted by management
5. Coordinate the internal and external audit activities of Foresters to avoid duplication, and to ensure audit services are comprehensive and efficient. Provide direct assistance to the external auditors where considered beneficial.
6. Investigate errors, irregularities, losses and any allegations of fraudulent or unethical behaviour as requested by management or the ACC or a subsidiary Audit Committee with the purpose of minimizing any losses to Foresters. Ensure appropriate corrective action will be taken, all concerned parties are treated fairly and ethically, and controls are established to the extent possible to minimize the potential for future occurrences.
7. Provide advisory services on control matters, including systems under development, new or revised processes and new or revised company policies.

V. AUTHORITIES

1. The IAD has authority in all jurisdictions in which Foresters operates to examine documents, review policies, plans, procedures and practices and obtain such information and explanations as it considers necessary. The IAD has unrestricted access to all records, activities, officers, agents, employees, branch officers and members of Foresters. However, the IAD is independent from and has no direct authority or responsibility over any of the activities or operations it audits, including establishing or maintaining internal controls.

2. The IAD has the authority and must be free from interference to determine the scope of internal auditing, performing work and communicating results. The CIA will report any interference to the ACC.
3. The appropriate member of management and/or branch officer of Foresters is responsible for providing the Chief Internal Auditor with a written reply, within 15 days of receipt of an audit report, specifying the action being taken thereon. The Chief Internal Auditor is to report to the ACC or subsidiary Audit Committees, as applicable, if no responses are received from management personnel or branch officers after 30 days.
4. Officers, agents, employees, branch officers and members of Foresters are responsible for promptly notifying IAD of any known or suspected cases of unethical behaviour, fraud, loss of property, or significant error, as well as any proposed major changes to systems, policies and procedures.
5. The Chief Internal Auditor has full and unrestricted access to the ACC and subsidiary Audit Committees to discuss any concerns including, but not limited to, those relating to internal control matters, issues relating to the possible misconduct of management and any concerns over limitations placed on the IAD resources or authority that may affect its ability to meet its responsibilities.

VI. STANDARDS OF PRACTICE

1. The Chief Internal Auditor will review the IAD Charter annually and make recommendations for amendments or changes, as necessary, to the CEO, and the ACC for their review and approval.
2. On an annual basis the approved Audit Charter will be provided to the subsidiary Audit Committees for their information. Any suggested changes to the charter from the subsidiary Audit Committees will be taken into consideration and brought to the Foresters International ACC for their review and approval.
3. The Chief Internal Auditor will determine the IAD's necessary organizational structure, staffing and budgetary requirements and audit strategies, processes, procedures and programs within the context of Foresters, the ACC's and subsidiary Audit Committees' overall goals and objectives; to be approved by the CEO and the ACC.
4. In the event where the Chief Internal Auditor is expected to have roles and/or responsibilities that fall outside of internal audit, safeguards must be in place to limit impairments to independence or objectivity. Any changes to the independence of the CIA or the IAD will be reported to the ACC.
5. The IAD and each member of the Internal Audit Department will operate in accordance with Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Standards for the Professional Practice of Internal Auditing as stated by the Institute of Internal Auditors (IIA). This includes periodic external quality assurance reviews (at least once every five years) of the IAD. The level of conformance with the IIA Standards and action plans to address any issues will be reported to the ACC. Internal Audit staff members must also maintain compliance with IIA's continuing professional development requirements.
6. The IAD will also adhere to the subsidiary ACC's local regulatory and jurisdictional internal audit requirements, as applicable.