



It's our world.

Message to Stakeholders

Our first Integrated Annual Report marks an important shift in how we present our performance to our members, clients and their communities. In a rapidly changing world, we believe that an integrated examination of our strategy, governance, and financial and non-financial performance in relation to the world around us will help us thrive.

Emerging risks of a changing world

Our operating environment is marked with challenges, from interest rates near historically low levels, to technological disruptions, to shifting demographics. Meanwhile, a changing climate is bringing extreme weather and natural disasters to Canadian communities at a greater frequency and severity than ever before.

In Canada, the impacts of severe weather and natural disasters are increasingly prominent. In 2016, the worst wildfire in Canada's history engulfed Fort McMurray and the surrounding area, forcing the evacuation of over 90,000 residents and resulting in industry-wide insured losses exceeding \$3.5 billion, not including the billions of dollars in uninsured losses still being assessed. As Canadians increasingly find themselves on the frontlines of such catastrophes, we must take responsibility and work across sectors to engage in better planning and education to build safer, more resilient communities.

Opportunities to lead

While we take a full view of the challenges we face, we see opportunities to create long-lasting prosperity for Canadians, ensuring our clients can thrive in the midst of rapid change.

We continue to roll-out products that address clients' unmet needs, recognizing that we have further to go. In 2016, we expanded the reach of Comprehensive Water, an insurance product that covers overland flood and surface water damage, and are working to offer this product to all areas in Canada. We aren't there yet. Currently, this product is only available in Alberta and Ontario, and while we've phased its roll-out to ensure flood models and data accurately reflect the risk, increasing flood risks across the country demand that we act faster to expand our advocacy efforts to ensure communities are better prepared.

Our clients once again rewarded us with customer satisfaction scores at the top of our industry. With an ambition to become the industry leader in client engagement by 2018, we must not be complacent. To keep pace with evolving needs in the digital era, we will improve our online service offerings, and are committed to delivering a seamless and fully interactive experience by the end of 2017.

We aim to integrate co-operative and sustainability principles into all areas of our business, from products to partnerships. We're making investments that have positive social and environmental impact and advocating to make our communities more resilient. As part of our commitment to sustainability, we have reduced our net carbon emissions by 72 per cent since 2010, and are on track to be carbon neutral equivalent by 2020.

Financial strength in the face of change

Throughout it all, we've remained competitive. Growth continues to enable our organization to adapt, innovate and protect clients' financial security. We've sharpened our strategic focus and become more competitive and responsive, better anticipating our clients' needs.

Despite the challenges encountered in 2016, our capital position remains strong. Due to the profitability and diversity of our companies beyond Property and Casualty insurance, such as our Life insurance operations and strong investment returns, the group of companies earned net income after tax of \$234.6 million.

Future Outlook

As an organization, we're at a time of change, with the recent retirement of president and chief executive officer, Kathy Bardswick. To ensure the continued strength and stability of our organization, our Board of Directors led a rigorous recruitment and selection process, appointing Robert Wesseling to the helm in the fall of 2016. We're confident in our direction and cognizant of the growing risks we face as an organization and society. We embrace a shared responsibility to develop integrated solutions to the challenges in our midst. We have the knowledge, capacity and capability needed to build resiliency, and must embrace a willingness to act, together.



Robert Wesseling

Robert Wesseling
President and Chief Executive Officer



John Harvie

John Harvie
Chairperson, Board of Directors

We're meeting our clients' needs

Our success is dependent on our ability to understand and respond to clients' diverse needs, providing effective products and solutions that protect their financial security, resiliency and social well-being.

Engaging clients

J.D. Power (Auto and Home)

Our clients rate us at the top of our industry.



Highest in Customer Satisfaction among Auto insurers in the Ontario, Alberta and Atlantic regions



Ranked second among Home insurers in Ontario and the Atlantic region; third in Western Canada

Net Promoter Score

We conduct surveys with our Commercial, Farm, Group Benefits and Credit Union clients typically every two years to measure their satisfaction. Scores range from +100 (where all clients are promoters of the business) to -100 (where all clients are detractors).

49

Commercial

41

Farm

32

Group Benefits

40

Credit Unions

Meeting unmet needs

We offer clients a range of products and services in a continuous effort to provide long-term solutions to the challenges facing Canadians today.

Comprehensive Water

Provides coverage to protect property from overland flood and surface water damage (only available in Alberta and Ontario in 2016).

144,821

Number of Comprehensive Water policy endorsements

Target: 333,288 by end of 2018

Acceptional Life®

Provides Life insurance for survivors of illnesses including cancer, heart attack and stroke.

\$62m

Face amount of Acceptional Life® policies sold

Target: An additional \$85m by end of 2017

Co-op Guard®

Provides specific products and services that are customizable to the unique needs of co-operatives.

507

Total number of Co-op Guard® clients

Target: 458 by end of 2016

en-route Auto Program®

Provides discounts for safer, more environmentally sustainable driving behaviours (only available in Ontario in 2016).

38,257

Number of en-route Auto Program® active vehicles

Target: 100,000 by 2020

Claims paid by type

When disaster strikes, clients need to know and trust that they are protected. Being there for our clients in their time of need is why we exist.

Claims and benefits paid to clients in 2016

- Property damage (44%)
- Collision repairs (20%)
- Injuries (16%)
- Death and disability (10%)
- Other (6%)
- Medical and dental (4%)



What causes property damage?

- Fire (40%)*
- Water (24%)
- Other (15%)
- Wind/hail/ice (13%)
- Theft/vandalism (8%)

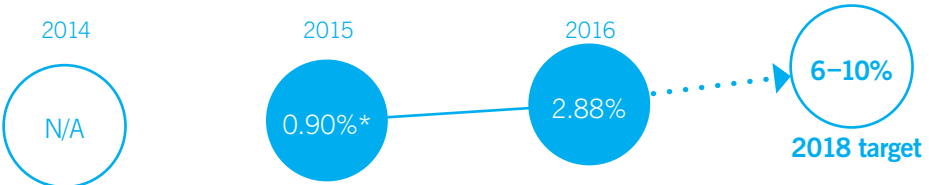
*Fire represents a larger-than-normal proportion due to the unprecedented wildfire in Fort McMurray in 2016.

We're building resilient communities

We take our role seriously to protect communities and the environment, and work to ensure clients are well-equipped to face the issues that can impact their lives.

We invest to have an impact

We have set the ambitious goal to place six to ten per cent of our invested assets in impact investments by the end of 2018. These investments intentionally and measurably address environmental and social challenges, while generating an appropriate risk-adjusted financial return.



*Restated from 0.52 per cent, following detailed review completed in 2016.

We invest in communities

For the past 20 years, we have been recognized as an Imagine Canada Caring Company, donating more than one per cent of our annual pre-tax profit to charities and non-profit organizations.



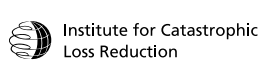
We engage and recognize our members

We survey our member organizations and return a portion of profit to them, for doing business with us and actively participating in our governance processes.



We advocate for resiliency

We advocate for solutions and work with multiple stakeholders to shift the industry, economy and communities towards sustainability and resiliency.



We're reducing our carbon footprint

We're on our way to becoming carbon neutral equivalent by 2020, the result of a multi-phased approach to reducing our carbon impacts.



We're strong and stable

To remain resilient and competitive over the long-term, we need to be able to rise to new challenges. The continued growth and diversification of our business, the people we employ, and our organizational culture have kept us strong and stable amidst rapid change.

2016 Financial highlights

Our co-operative principles enable us to take a long-term view of our organization and financial performance. In today's volatile economic environment, we rely on sound capital management with a reasonable return on investment.

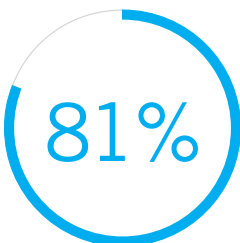
THREE-YEAR FINANCIAL HIGHLIGHTS

(in millions of dollars, except return on equity)	2016	2015	2014
Total assets	14,541	13,465	12,917
Insurance and investment contract liabilities	7,428	6,976	6,775
Members' and shareholders' equity	2,302	2,171	2,044
Participating policyholder account	744	679	660
Non-controlling interests	302	294	289
Total equity	3,348	3,144	2,993
Property and Casualty direct written premium	2,858	2,695	2,410
Life direct written premium	825	828	954
Net earned premium	3,308	3,176	3,156
Net investment income	399	319	562
Claims and benefits expense, net of reinsurance	2,203	2,086	2,360
Net income — attributable to participating policyholders	58.2	29.2	30.1
Return on participating policyholder equity	8.9%	4.8%	5.2%
Net income — attributable to members and shareholders	162	157	130
Return on members' and shareholders' equity	7.7%	8.1%	7.2%

Employee engagement score

Our strength and stability is sustained by the people we employ. We're committed to creating a work environment in which they feel respected, and recognized for their efforts.

For the past 14 years, we've been recognized as an Aon Best Employer, earning platinum-level recognition since it was introduced in 2015.



Aggregated Employee Engagement Scores

2015: 80% 2014: 78%

Target: Maintain 80% or better every year

Our organization

Democratic structure

43 members

appoint

118 delegates

Board composition

22 directors

- 5 Women
- 1 Visible Minority
- 1 Person of Aboriginal origins
- 8 French-speaking
- Ranging in age from 46 to 72
- 7 Regions represented
(British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Atlantic)

While our Board of Directors is well-rounded and highly skilled, we recognize the value of diversity, and a need to improve upon representation of women at the board level. Our goal is to have women comprise 30 per cent of the Board by 2020, and achieve 50/50 representation in the long-term.

to the

7 region committees

22-member Board of Directors

who nominate the

The Co-operators difference

- > Co-operative values guide our approach to business and our commitment to invest in communities, with a focus on meeting Canadians' unmet needs.
- > We pursue profit to protect the financial security of Canadians and their communities.
- > We are committed to environmental, social and governance best practices.

Did you know?

The Co-operators was founded by a group of rural Canadians who were determined to create a co-operative organization that could provide insurance to meet their needs. We are governed by our common co-operative principles.

The Co-operators Group Limited

Company structure

Co-operators Financial Services Limited

is the co-operative parent company of

This Canadian holding company consolidates all of our insurance, brokerage and investment management operations.



Protecting Canadians' homes, automobiles, farms and businesses

Co-operators General Insurance Company



Protecting Canadians' lives, well-being and financial prosperity

Co-operators Life Insurance Company



Protecting Canada's credit unions and their members

The CUMIS Group Limited



Providing specialized protection for businesses

The Sovereign General Insurance Company
Premier group of companies



Providing benefits to self-employed individuals

The Edge Benefits Inc.



Protecting employees through group benefits

HB Group Insurance Management Ltd.
COSECO Insurance Company
Co-operators Life Insurance Company



Growing and protecting our clients' money

Addenda Capital Inc.
Credential Financial Inc.



Providing specialized protection to Canadians

Federated Agencies Limited

Business profile

The Co-operators is a leading Canadian, diversified, integrated, multi-line insurance and financial services organization.

> \$44.9 billion in assets under administration, which includes assets under management from both our clients' institutional investments and our Wealth Management products, as well as our company assets

> Insures 805,000 homes, 1.3 million vehicles and protects 629,000 lives

> Provides coverage to 38,000 farms and 295,000 businesses

> The Co-operators has the 6th largest share of the Property and Casualty (P&C) market in Canada with 5.5%, and the 8th largest share of the Life insurance market with 1.6%

> 4,992* employees

> 500 exclusive financial advisors

> 645 retail outlets

> Serves approximately 300 credit unions with more than 5.5 million members

> Insures more than 175,000 employees through Group Benefit plans

> Provides Creditor Life insurance to 617,000 Canadians

*Includes employees from Premier group of companies and The Edge Benefits Inc. Non-financial reporting items for these two entities have not been included in this brochure, unless otherwise noted.

Mission, Vision, Values

Mission Statement

The Co-operators: financial security for Canadians and their communities.

Our Vision

The Co-operators aspires to be valued by Canadians as ...

- > a champion of their prosperity and peace of mind
- > a leader in the financial services industry, distinct in its co-operative character, and
- > a catalyst for a sustainable society.

Statement of Values

At The Co-operators we ...

- > strive for the highest level of integrity
- > foster open and transparent communication
- > give life to co-operative principles and values
- > carefully temper our economic goals with consideration for the environment and the well-being of society at large
- > anticipate and surpass client expectations through innovative solutions supported by mutually beneficial partnerships.

Global Co-operative Principles

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training, and information
6. Co-operation among co-operatives
7. Concern for community

Learn more

For more detailed information, including an integrated and transparent assessment of our financial and non-financial performance, the challenges we faced and the opportunities we seized, we invite you to read our inaugural 2016 Integrated Annual Report online at www.cooperators.ca/integrated-report.

Our member organizations

> We are governed by 43 member organizations, including co-operatives, credit union centrals and representative farm organizations. A complete list of our members is available in the full report.

Awards/Recognition

- > Aon Best Employers (Platinum)
- > Co-operatives and Mutuals Canada's Co-op of the Year
- > Corporate Knights Best 50 Corporate Citizens in Canada
- > Governance Professionals of Canada's Excellence in Governance: Best Practices in Sustainability and Environmental, Social and Governance (ESG)

Affiliations

- > Co-operatives and Mutuals Canada
- > Imagine Canada
- > International Co-operative Alliance
- > International Cooperative and Mutual Insurance Federation
- > LOMA and LIMRA International, Inc.
- > Responsible Investment Association
- > Smart Prosperity
- > The Accounting for Sustainability CFO Leadership Network
- > United Nations Environment Programme — Finance Initiative

The Co-operators

Priory Square, Guelph, ON N1H 6P8
Phone: (519) 824-4400
www.cooperators.ca / service@cooperators.ca
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