

## UNEP FI Principles for Sustainable Insurance: Annual disclosure of progress

Launched at the United Nations Conference on Sustainable Development in 2012, the United Nations Environment Programme Finance Initiative's (UNEP FI) Principles for Sustainable Insurance (PSI) serve as a framework for insurers to consider and address environmental, social and governance (ESG) risks and opportunities. In collaboration with other leading insurers and reinsurers, we were actively involved in the development of these principles and are proud to be a founding signatory, and the first in North America. We are committed to advancing these principles throughout our business and serving as a strong advocate for the principles within the broader insurance industry.

Our progress in advancing the principles in this aspirational framework is discussed throughout our [2022 Integrated Annual Report](#), with specific actions summarized below, including page references in the report.

### **Principle 1: We will embed in our decision-making environmental, social and governance (ESG) issues relevant to our insurance business.**

In 2022, we produced our seventh integrated annual report, which amalgamates our sustainability, governance and annual reporting and reflects our progress made towards our purpose of financial security for Canadians and our communities.

We completed the final year of our 2019-2022 strategic plan, which has sustainability integrated throughout. One of our strategic objectives was to "integrate and embed co-operative and sustainability principles in all areas of our business, including decision-making, action and processes". We were also guided by our Enterprise Long-Term Goals to 2030 that align with the United Nations Sustainable Development Goals (SDGs). Co-operators endorses all seventeen of the SDGs and have aligned our 2030 Enterprise Long-Term Goals to them. In 2022, to ensure we are meaningfully and strategically aligning our organization to the SDGs, we developed a framework to help illustrate our impact as an insurer, an investor, a business, and a co-operative. While we have endorsed all the SDGs, we acknowledge that there are key goals and targets where our strategic focus can have more relevant and significant impact (pages 104-107).

The Board of Directors' [Sustainability Committee](#) oversees progress related to our sustainability objectives, goals and initiatives. In October 2022, we held our annual joint board-management sustainability meeting, which included members of our Board Sustainability Committee, the chairperson of the Board, our president and CEO, and our Sustainability Leadership Committee (comprised of executives from across our group of companies). The meeting provided an opportunity to evaluate our progress on embedding sustainability, and to explore opportunities to engage members and clients through sustainability.

The board oversees the management of our climate-related risks and strategy, primarily executed through the Sustainability Committee and the Risk Committee. In addition to their own meetings, the Sustainability and Risk committees gather annually for a joint meeting to review our status around climate-related risks and initiatives (page 91).

We catalyze resilience and sustainability in how we handle claims, using more environmentally-conscious practices. In 2022, we launched two resilient and sustainable claims options for Co-operators clients in Edmonton and Calgary, drying-in-place and soft contents cleaning. Following every claim, we supply clients with a list of vendors, contractors and repair shops committed to energy conservation, emissions reduction and more (page 30).

In 2022, we contributed to a rich array to community organizations that are building environmental resilience, enriching social wellness, creating a more inclusive economy and championing a co-operative society. Our community investments supported organizations that focus on youth and marginalized communities (pages 39-42). We also partnered with organizations that are reducing environmental impacts (page 39).

In 2015, we became a Certified Living Wage Employer in Guelph, ON, the location of our head office. Based on the National Living Wage Framework, the living wage is set independently by each participating community. We have since adopted a living wage in all Canadian communities where the standard has been established (page 69).

We offer a range of insurance and wealth solutions that enable a sustainable, low-carbon, resilient community, with 28.2% of our revenue coming from sustainable products and services (page 109). We have embedded sustainability attributes into core insurance and wealth products, such as our Comprehensive Water endorsement and Sustainable Mutual Funds (pages 25-27).

Achieving the WELL Building Health & Safety rating at our key corporate locations demonstrates our commitment to healthy and safe workplaces for our people (page 71). We've also completed decommissioning projects using the partner-led DIVERT program to reduce waste as much as possible (page 72). Co-operators new head office in Guelph, Canada, earned a Zero Carbon Design certification from the Canada Green Building Council and is also on track to be certified to the LEED Gold and WELL Platinum standards (page 73).

We continue to implement our Impact Investing Strategy (an approach to investing that seeks to create both financial returns and positive social or environmental impact). By the end of 2022, 23.6% of Co-operators assets were invested as impact investments, exceeding our goal of having 20% of assets that are impact investments by 2022 (pages 50-52).

Our asset management company, Addenda Capital, invests to generate compelling returns while considering the challenges of our time. Addenda offers sustainable investing strategies that aim to foster positive social and environmental changes and open the path to a cleaner future, including impact investing, climate transition funds, and more (pages 48-49).

The Global Diversity, Equity and Inclusion Benchmark is the global best practice for diversity, equity, and inclusion. Each year, we conduct an enterprise-wide audit to see how we measure against the benchmarks, tracking progress on our IDEA (Inclusion, Diversity, Equity,

Accessibility) strategy. We've consistently met our targets of increasing our score and, in 2022, we reached an overall baseline of 3.79, an increase from 3.29 in the previous year (page 74).

In late 2022, as part of our commitment to IDEA, we launched a voluntary self-identification survey to collect data from employees that will enable a deeper understanding of our workforce. The survey is an important way for us to track equity in the organization and will continue to work on this in 2023 as an opportunity to grow in our ability to identify and take action on systematic barriers for equity-deserving groups (page 77).

We built momentum and awareness of IDEA through an array of employee-focused communication points and learning opportunities, and education for the board and senior leadership. In 2022, we launched a mandatory IDEA Foundation course for all employees and mandatory Unconscious Bias training for leaders. We also established Employee Resource Groups, and took steps to embed IDEA principles into recruitment and succession planning (page 75). Our board established IDEA principles, guidelines and processes and is developing an IDEA in Governance Strategy (pages 92-93).

On the National Day of Truth and Reconciliation, over 950 employees from across our group of companies participated in learning sessions. These sessions explored the principles of decolonization and reconciliation. To support employees in Truth and Reconciliation, we launched a Reconciliation Community of Practice, where employees can engage in dialogue, ask questions and learn from one another (pages 75-76).

Recognizing the importance of linking sustainability goals to compensation, as part of our 2019-2022 strategy, all executives (vice-presidents, senior VPs, executive VPs) and other relevant employees were required to include in their annual plans at least one goal related to social, environmental, or economic sustainability or our co-operative identity. As an example, 29% of annual performance goals for our Executive Vice-President/COO, CLIC & CUMIS were related to co-operative identity/sustainability in 2022. Sustainability will continue to be further integrated into our business decisions, processes, and actions, including executive compensation (page 110).

Since 2020 we have maintained our carbon neutral status. In 2021, we set a target to be net zero in our operations by no later than 2040. To incentivize progress and hold us to account, in 2022 our Board of Directors initiated the process of tying progress toward our net zero operations targets to our president and CEO's long-term incentive plan in 2023 (pages 44-45).

In our investments, we will reduce the economic emission intensity by 25% from 2020 levels (including public equities and publicly-traded bond portfolios) by 2025. By no later than 2050, our entire investment portfolio will be net zero (page 45).

We have progressed along our journey to integrate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Our fourth TCFD report can be found at [cooperators.ca/reports](https://cooperators.ca/reports).

**Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.**

We first launched Comprehensive Water – our innovative product solution that protects clients from the risk of flood – in Alberta in 2015 and made it available to all homeowners in Canada by 2018. It offers easy-to-understand, broad coverage (including coastal and storm surge), even in high-risk areas. We were the first company to offer this type of coverage in the Canadian residential property marketplace and have made it available to all risk types and all property types. Through this endorsement, we provide insurance protection for 672,674 Canadian households against one of Canada’s most significant climate risks (page 26).

We send Weather Alerts to clients in advance of extreme weather events and other seasonal weather patterns that may put their property or safety at risk (page 32).

We raise awareness to prepare communities for climate-related risks. In 2021, we launched the Climatic Hazards and Advanced Risk Modelling (CHARM) platform. We share our leading-edge climate-risk modelling capabilities and expertise with others, through consultations that further other organizations’ understanding of their own climate-related risks and exposures. In 2022, our CHARM team of climate experts conducted a pilot project to develop flood and wildfire risk reports for a large Canadian credit union to determine the climate-related risk exposure of their lending portfolio (page 32).

To share lessons on how we’ve adopted and implemented recommendations of the Task Force on Climate-related Financial Disclosures with Canadian credit union members, clients and partners, we led sessions on climate risk and engaged in dialogue on climate action with many of the largest credit unions in the country (page 37).

Regardless of their level of wealth, all clients can benefit from financial advice. With research showing that Canadians lack financial knowledge and access to advice, we set out to provide investments and wealth planning and advice services, regardless of current financial status. We continue to offer Co-operators-branded mutual funds and offer holistic financial solutions for our clients (page 24). In 2022 we launched a new suite of mutual funds to offer our retail investing clients investment options that take environmental, social and governance factors into account (page 25).

Our Corporate Venture Capital fund invests in start-ups such as Vive Crop Protection. This company creates new possibilities in the field of agriculture through the development of products and technologies that increase agricultural grower return on investment, efficiency and sustainability (page 83). We’ve also invested in Geosapiens, a Canadian company specializing in flood risk modelling and analysis, creating collaborative opportunities to better prepare and inform Canadians of flood dangers and mitigate extreme flood events for those most at risk (page 82).

**Principle 3: We will work together with governments, regulators, and other key stakeholders to promote widespread action across society on environmental, social and governance issues.**

Our partnerships support the sustainability of our communities to ensure they are prepared and can recover with strength when challenges occur. In 2022, we continued work with Partners for Action (P4A) at the University of Waterloo's Faculty of Environment. P4A is dedicated to advancing flood resiliency in Canadian communities (page 39). Further, we are a founding member of Wildfire Community Preparedness Day, supporting this annual event across the country (page 32).

Through our resilience investing project, we aim to bring private capital into the climate adaptation conversation, building a business case for investors to fund the infrastructure projects we know are needed to make Canadian communities more resilient and better adapted to climate change (pages 39 and 47).

Working in collaboration with the Institute for Catastrophic Loss Reduction, we helped raise awareness through our advisor network of a Calgary-based roofing rebate program, which offered homeowners a rebate in the installation of impact-resistant roofing to help mitigate severe weather damage (page 32).

As part of our ongoing work with United Nations Principles for Sustainable Insurance, we are the first Canadian insurer to join the UN-convened Net-Zero Asset Owner Alliance, an international group of institutional investors who are working to transition society to net-zero emissions by 2050. In 2022, our asset management company, Addenda Capital, signed on to the Net Zero Asset Managers Initiative (page 46).

We are also part of a Canadian Working Group of the UNEP FI PSI that has convened insurers to better understand how to support an equitable and sustainable transition to a low-emissions society through grassroots, industry, and government engagement (page 46).

Co-operators contributed to the development of the federal government's National Adaptation Strategy through participation in an advisory table, coalitions such as Climate Proof Canada, meetings with government officials and a comprehensive submission to help shape the Strategy (page 46).

We are also active members of Canada's Sustainable Finance Action Council, which makes recommendations on critical market infrastructure needed to attract and scale sustainable finance in Canada (page 46).

Through Addenda Capital, we're a part of the Responsible Investment Association, which was one of four founding investor networks of Climate Engagement Canada. This coalition of financial leaders joined together to drive dialogue between investors and industry with a goal of promoting a just transition to a net zero economy (page 49).

We continue to partner with organizations to champion youth mental health such as Enactus Canada, Jack.org and Kids Help Phone (page 39).

Co-operators Community Funds' Pathways to Employability was launched in 2020 to provide life skills training and employment reskilling opportunities for marginalized youth in the wake of COVID-19. In 2022, this initiative provided over \$815,000 in program funding to 11 partnerships that support the post-pandemic recovery of young Canadians who had lost jobs or education opportunities due to COVID-19 (page 40).

**Principle 4: We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.**

As a PSI signatory, we are committed to publicly disclosing our progress in advancing the Principles. This marks our eleventh year of disclosing progress toward each of the Principles. We invite you to read our [2022 Integrated Annual Report](#) to learn more about our efforts to integrate and embed co-operative and sustainability principles throughout our organization.