

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 [2023 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 2023, we produced our eighth 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 embarked on the first year of our 2023 to 2026 strategic plan, which has sustainability integrated throughout. One of our strategic objectives is to “use our expertise to support our clients’, members’, and global co-operative community’s advancement towards a sustainable and financially secure future.”. We are 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 (pages 12 to 13). 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 142 to 145).

The Board of Directors’ [Sustainability Committee](#) oversees progress related to our sustainability objectives, goals and initiatives. In October 2023, 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 lead in 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. For further details see the Governance section of our [2023 Climate Report](#).

Our Resilience and Sustainability program rolled out nationally in 2023, with claims processes designed to reduce environmental impact while saving claims costs. With costs saved, we are reimagining and enhancing our products and services to help our clients rebuild with sustainability and resilience in mind (page 34 to 35).

In 2023, we contributed to a rich array of 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, organizations that are reducing environmental impacts, research into how to build financial security, as well as the co-operative sector (page 112 to 121).

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.

We offer a range of insurance and wealth solutions that enable a sustainable, low-carbon, resilient community, with 24.7% of our revenue coming from sustainable products and services (page 15). We have embedded sustainability attributes into core insurance and wealth products, such as our Comprehensive Water endorsement (page 30) and Sustainable Mutual Funds (pages 46).

Our investment strategy focuses on investments that generate strong financial returns alongside positive environmental, social and economic benefits. We've committed that 60% of our assets will be invested in impact or climate transition investments by 2030. In 2023, the share of our investments that were impact or climate transition had reached 48.4%, representing \$5.9 billion (page 58 to 60).

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 56 to 58).

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. As of 2023 we track this indicator as part of our overall strategy as well. We've consistently met our targets of increasing our score and, in 2023, we reached an overall baseline of 3.93, an increase from 3.79 in the previous year (page 94).

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. We want to better understand gaps in representation, barriers for under-

represented groups, and opportunities to better represent the diversity of Canada. Throughout 2023, we pursued a number of activities to support this initiative (page 77).

In 2023 we continued to further embed IDEA throughout our organization. We made changes to our HR systems to be more gender inclusive, and developed an IDEA Learning Pathway, a progressive series of certifications (page 95). We now have 10 employee resource groups that foster an inclusive and equitable workplace and give a voice to historically marginalized or under-represented groups (page 96 to 97). Our board has emphasized the advancement of IDEA at the governance level over the past two years, and in 2023 finalized their IDEA in Governance Strategy (page 132 to 135).

In 2023, we launched a Reconciliation Strategy as an important initiative within our broader inclusion, diversity, equity and accessibility (IDEA) Strategy. Highlights of our progress in 2023 include 53 employee learning sessions provided throughout the year, National Day of Truth and Reconciliation events held across the country, and the launch of our Indigenous Youth Employability Initiative (page 98 to 103).

Recognizing the importance of linking sustainability goals to compensation, relevant executives (vice-presidents, senior VPs, executive VPs) and employees have goals related to social, environmental, or economic sustainability or our co-operative identity in their annual plans. As an example, 13% of annual performance goals for our Executive Vice-President, Finance were related to co-operative identity/sustainability in 2023.

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, we have linked our net zero operations targets to our president and CEO's long-term incentive plan for 2023 and will expand these targets to our vice presidents in 2024 (page 83).

In our investments, we will reduce the financed emissions 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 61).

We have progressed along our journey in reporting climate-related financial disclosures. For detailed information on climate-related milestones, governance, strategy, risk-management and targets and metrics see our [2023 Climate Report](#).

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. In 2023, we provided coverage to more than 700,000 Canadian households

through Comprehensive Water, and we expanded our overland flood and sewer back-up coverage options for commercial clients. (page 30).

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.

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 2023, we improved coastal modelling and updated fluvial models, accelerated our work on a wildfire-simulation tool (page 40 to 41).

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 44). As part of these mutual fund solutions, we offer our retail investing clients Sustainable Investment Portfolios that take environmental, social and governance factors into account (page 44).

Our Corporate Venture Capital fund invests in like-minded companies that support our goal of building financial, social and environmental resilience of Canadians and our communities. In 2023, we invested in one of the largest Canadian ClimateTech funds, Active Impact Investments, which focuses on providing capital to early-stage private companies across North America that can achieve venture scale and profitability while solving urgent environmental issues. In 2022 alone, Active Impact's portfolio companies mitigated over 285,000 tCO₂e (tonnes of carbon dioxide equivalent) and saved/treated over 136 million litres of water (page 80).

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 2023, 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 71). Further, we are a founding member of Wildfire Community Preparedness Day, supporting this annual event across the country (page 39).

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. We made significant progress in 2023, committing up to \$5 million in financing to facilitate resilient home rebuilding in Lytton BC (page 70).

Despite the strong economic case for investing in climate adaptation, public funds are limited. We are currently working in partnership with ICLEI Canada and 10 Canadian municipalities to develop resilient infrastructure project profiles that private investors could help realize. To date, we have held several project planning meetings with municipal staff from climate, finance and engineering departments to shortlist projects and possible financing mechanisms. (page 71).

Co-operators became the first Canadian insurer and second Canadian organization to join the UN-convened Net Zero Asset Owner Alliance, an international group of institutional investors who are working to transition investment portfolios to net zero emissions by 2050 or sooner. Following this, our asset management company, Addenda Capital, signed on to the Net Zero Asset Managers Initiative, a global movement of financial institutions managed by six international investor networks (page 65).

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.

Co-operators actively contributed to the development of the National Adaptation Strategy in 2023 through participation in advisory tables, engagement via the Climate Proof Canada coalition and a comprehensive independent submission outlining our specific recommendations, which included encouraging that the strategy create the space to consider the role of private finance in building climate-resilient infrastructure in Canada. (page 71).

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. In 2023, we contributed to working groups to produce recommendations on data, disclosure, capital allocation and a sustainable finance taxonomy (page 65).

Through Addenda Capital, we are a founding supporter of Climate Engagement Canada, a coalition that now includes 41 companies with \$5.2 trillion in assets under management. This finance-led initiative is focused on engaging top emitters on the Toronto Stock Exchange who have significant opportunity to transition Canada toward its net zero targets (page 65).

We continue to partner with organizations to champion youth mental health such as Enactus Canada and the Grove Hubs (page 115 and 117).

As part of its mandate to support young, underserved Canadians in building their financial security, Co-operators Community Funds (CCF) seeks to foster conditions that increase Indigenous youth representation in the workforce and their ability to compete in the labour market. As part of our ongoing commitment to reconciliation, and to develop a program that addresses gaps and meets the needs of Indigenous youth, we gathered in *Mîni Hrpa* (Banff, AB) to begin the process of co-creating an Indigenous youth employability program (page 102).

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 twelfth year of disclosing progress toward each of the Principles. We invite you to read our [2023 Integrated Annual Report](#) to learn more about our efforts to integrate and embed co-operative and sustainability principles throughout our organization.