2024 Climate Report

Co-operators Group Limited

co-operators

About us

The Co-operators Group Limited (Co-operators) is a leading Canadian financial services co-operative, offering multi-line insurance and investment products and services with over 7,000 employees and over 2,800 licensed insurance representatives across the country, insurance revenue over $6.2 billion and $71.5 billion in assets under administration. Our purpose is to provide financial security for Canadians and our communities. Climate change poses a direct threat to our ability to carry out our purpose. Addressing the climate crisis and supporting a necessary transition to a resilient, sustainable and net-zero future is woven into our strategy and decision-making.

Learn more about The Co-operators Group Limited in our Integrated Annual Report.

About this report

In December 2024, the Canadian Sustainability Standards Board (CSSB) released its first Canadian Sustainability Disclosure Standards (CSDSs); CSDS 1 General Requirements for Disclosure of Sustainability-related Financial Information and CSDS 2 Climate-related Disclosures. These standards mark an important milestone as they will allow Canadian organizations to align to the International Sustainability Standards Board (ISSB) standards released in the previous year.

Co-operators supports the CSSB in the development of sustainability standards that will advance the reliability and comparability of such disclosures.

This report will build from previous iterations and expand towards alignment with CSDS 1 and 2 requirements. This report is also informed by requirements outlined in the Office of the Superintendent of Financial Institutions (OSFI) Guideline B-15 on Climate Risk Management. As CSDS 1 and 2 are not compulsory and the timeline for compliance with OSFI Guideline B-15 is year ending 2025 for our organization, this report is not fully compliant with the full scope of CSDS 1 and 2 or OSFI Guideline B-15.

The accompanying disclosures cover a reporting period from January 1, 2024 to December 31, 2024. Unless otherwise noted, all information is presented for the year ended and as at December 31, 2024. This report provides an overview of our approach to identifying and managing climate-related risks and opportunities.

Unless otherwise stated or indicated by the context of this report, "Co-operators," "we," "us" and "our" refers to the consolidated The Co-operators Group Limited, including its wholly owned subsidiaries. The following are the significant subsidiaries which are represented in this report:

- Co-operators Financial Services Limited (CFSL)
  - Co-operators General Insurance Company (CGIC)
    - The Sovereign General Insurance Company (Sovereign)
    - CUMIS General Insurance Company (CUMIS General)
  - Co-operators Life Insurance Company (CLIC)
    - CUMIS Services Incorporated (CUMIS Services)
    - The CUMIS Group Limited (CUMIS)
  - Addenda Capital Inc. (Addenda)
  - Co-operators Financial Investment Services Inc. (CFIS)
  - Federated Agencies Limited
  - Premier Managers Holdings Corporation (PMHC)
  - The Edge Benefits Inc. (Edge)
  - Smart Employee Benefits Inc. (SEB)
  - Carson Dunlop and Associates (CDA) (since February 1, 2024)

Insurance is Co-operators' core and largest business and is regulated under the Insurance Companies Act (Canada). CGIC provides personal lines, commercial and farm coverages. CLIC provides life, health and travel insurance, annuity coverages and wealth management for both individuals and groups. The insurance operations are licensed to write many classes of insurance, in all provinces and territories in Canada. Co-operators also acts in the investment management market through Addenda, which provides institutional and private investment management. CFSL has a 96.71% controlling interest in Addenda. Other businesses undertaken by subsidiaries of Co-operators support or are ancillary to the insurance and investment management businesses.

"Extreme weather events in Canada in 2024 resulted in a record-breaking $8.5 billion in insured losses across the industry, mainly from just four events. This does not account for uninsured losses, nor the immeasurable emotional and social impacts that follow from these events. It's increasingly imperative that we continue to expand our business model and evolve our products and services to enable Canadians to enhance their resilience. This will help our society navigate rising risk and recover with strength when catastrophic events do occur."

Rob Wesseling,
President and
Chief Executive Officer

Caution Regarding Forward-Looking Statements

This report contains forward-looking statements and forward-looking information, including statements regarding the operations, objectives, strategies, financial situation and performance of Co-operators. These statements, which appear in this report (including the documents incorporated by reference herein), generally can be identified by the use of forward-looking words, such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “plan,” “would,” “should,” “could,” “trend,” “predict,” “likely,” “potential” and “continue,” or the negative thereof and similar variations. These statements are not guarantees of future performance, and they involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements or information.

In addition, this report may contain forward-looking statements and information attributed to third-party industry sources. By its nature, forward-looking information involves numerous assumptions, as well as known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Such forward-looking statements and information speak only as of the date of this report.

Forward-looking statements and information in this report include, but are not limited to, statements with respect to: our growth expectations, including negative growth; the impact of changes in governmental regulation on our company; possible changes to our expense levels; changes in tax laws; anticipated benefits of acquisitions and dispositions; and the impact of the global pandemic on our operations and financial position.

We believe that the expectations reflected in the forward-looking statements and information are reasonable; however, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, levels of activity, performance or achievements. Consequently, we make no representation that actual results achieved will be the same, in whole or in part, as those set out in the forward-looking statements and information. Some risks and other factors are beyond our control and could cause results to differ materially from those expressed in the forward-looking statements and information contained in this report, and the documents incorporated by reference herein. These include, but are not limited to: actual inflation compared to expected inflation; our ability to implement our strategy or operate our business as we currently expect; our ability to accurately assess the risks associated with the insurance policies that we write; unfavourable capital-market developments or other factors, which may affect our investments; the cyclical nature of the property and casualty (P&C) insurance industry; our ability to accurately predict claims frequency; the frequency and severity of weather-related events; climate change; government regulations; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; our reliance on advisors to sell our products; our ability to successfully pursue our acquisition strategy; our participation in the Facility Association (a mandatory pooling arrangement among all industry participants); terrorist attacks and ensuing events; the occurrence of catastrophic events; our ability to accurately predict the ultimate amount of claims related to major or catastrophic events that have not been fully settled; our ability to maintain our financial-strength ratings; our ability to alleviate risk through reinsurance; our ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); our reliance on information technology and telecommunications systems; impacts of new or changing technologies, including those impacting personal transportation; breaches or failure of information-system security and privacy, including cyber terrorism; our dependence on key employees; and general economic, financial and political conditions.

Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements and information contained in this report are expressly qualified by this cautionary statement. We are under no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations, except as otherwise required by applicable legislation.

2024 Highlights

Governance

Climate-related metrics included in long-term incentive plan for all senior management (VP level and above)

Began work to formalize or revise mandates for management level committees with responsibilities related to climate

Risk Management

Completed financial materiality assessment on climate-related risks and opportunities

Approval of climate risk appetite statement by senior management

Strategy

Established resilience investing initiative to develop opportunities to invest in innovative climate resilience and climate-adapted infrastructure projects to complement existing impact and climate transition investments

Developed a new long-term climate scenario analysis for our property and casualty operations

Participated in the United Nations-led and convened Forum for Insurance Transition to Net Zero

Ongoing commitment as a member of the United Nations-convened Net-Zero Asset Owner Alliance

Metrics and Targets

Carbon neutral

in our operations

32.1%

reduction in operational emissions (scopes 1-3) from 2019 base year

52.6%

of total investment portfolio in impact, climate transition, and resilience investments

$7.1 billion

in impact and climate transition investments

39.9 tonnes

of carbon dioxide equivalent per million dollars invested

Governance

Co-operators' governance structure ensures there is appropriate of oversight to monitor, manage and oversee climate-related risks and opportunities. Board and management level committees and business groups actively work to oversee the strategic objectives and targets.

Board level

The Board of Directors (Board) oversees our management of climate-related risks and opportunities. While relevant to all Board committees, this is primarily executed through the Sustainability Committee and the Risk Committee. The Board and its committees take climate-related risks and opportunities into account while overseeing overall strategy, major transactions, and risk management practices. The Board must also consider trade-offs between competing priorities and rely on risk appetites to guide these decisions. In addition to ongoing meetings where the committees individually assess progress towards our climate targets and monitor and review climate-related risks and opportunities, the Sustainability Committee and Risk Committee hold an annual joint meeting to review our status on climate-related risks and opportunities, including progress on our climate-related disclosures.

Sustainability Committee

The Sustainability Committee supports the Board in fostering a culture of sustainability while leading practices and providing oversight of the sustainability performance of Co-operators. The purpose of the committee is to monitor implementation of the Sustainability Policy and of the organization's efforts towards its vision of being "a catalyst for a resilient and sustainable society." This includes monitoring emerging sustainability and climate-related issues, risks and opportunities and advising on the sustainability and resilience components of corporate strategy and stakeholder engagement.

The committee reviews and recommends policies, strategies and priorities to enable the integration of sustainability across the organization. This includes advising on policies, standards and performance of sustainable investing activities. The committee advises the Board on the sustainability impacts of key decisions and monitors and advises on measures to enhance sustainability governance practices at the Board and subsidiary boards.

The committee is comprised of a member of each of the other five Board committees to integrate sustainability across the governance structure. Members of the committee provide all other board committees with a report of the Sustainability Committee activities at every meeting.

Risk Committee

The Risk Committee oversees the Enterprise Risk Management (ERM) Program, including risk identification, risk appetite, risk management framework and policies, risk analysis and evaluation, risk monitoring and reporting, and program compliance. Annually, it examines the Company's capital needs in relation to its risk profile for the approval of the Board.

The committee provides oversight of our Chief Risk Officer and offers guidance and advice to senior management on strategic direction linked to our top risk issues, including climate-related risk, while also providing oversight of our sustainable investment strategy which is managed by the Management Investment Committee. The Risk Committee is comprised of four members of the Board.

Activity during 2024

In 2024, the Board received several updates from senior management including a presentation on resilience investing and its alignment to our strategy. They also received the annual report on our Sustainability and Citizenship team's activity which included a review of progress on our net zero targets, integration of sustainability initiatives across the organization and member engagement on sustainability.

The Sustainability Committee met five times to oversee how the organization is performing against its sustainability objectives. Key highlights related to climate include:

- Discussed engagement with member organizations and other stakeholders on climate action.
- Reviewed progress towards 2025 and 2030 climate targets.
- Received an update on the resilience strategy and provided strategic input into the next phase of our resilience investing initiative.
- Received annual presentation on sustainable investing, including a review of risks and opportunities, policies, strategies and performance for our climate-focused impact investments and climate transition investments.
- Received an update on development of the carbon footprint reduction plan, the approach to emissions management and the path to achieving our net zero operations target.
- Oversaw progress towards integration and embedment of sustainability-related performance into senior management goals, including climate-related goals.
- Received an update on climate-related disclosures including OSFI Guideline B-15 and new sustainability and climate reporting standards and progress towards compliance.
- Discussed sustainable meeting practices of the Board and its committees.
- Reviewed the Board's own annual sustainability targets.

The Risk Committee met four times throughout the year to review and monitor all aspects of risk management, including climate-related risks. Key highlights related to climate include:

- Monitored climate-related physical and transition risks.
- Monitored progress on sustainable investing goals and emerging opportunities.
- Received updates on OSFI Guideline B-15, Standardized Climate Scenario Exercise and Climate Risk Returns.

Additionally, the Sustainability Committee and Risk Committee hold an annual joint meeting. Highlights from this meeting include:

- Reviewed trends in Sustainability-related regulation and disclosure.
- Participated in an Institute of Corporate Directors webinar on scope 3 emissions.
- Received updates on climate risk management from various business areas including:
  - ERM – update on OSFI Guideline B-15, Standardized Climate Scenario Analysis and Climate Risk Returns.
  - Finance – update on climate-related disclosures.
  - Actuarial – update on climate-related stress testing and scenario analysis.
  - Addenda – update on sustainable investing.
- Discussed our approach to nature and other sustainability risks and opportunities on the horizon.

Climate competence

The Board determines whether it has the appropriate skills and competencies available to oversee strategies designed to respond to climate-related risk and opportunities through the Governance and Co-operative Identity Committee (GCIC). The Board uses a skills matrix to define the optimal composition of the Board reflective of its current and future needs in consideration of its oversight responsibilities and succession. On an annual basis, directors complete a self-assessment of their skills against the various competencies of the skills matrix which includes sustainability as one of competencies. The GCIC also considers various education opportunities for the Board to be scheduled through the year. For example, the Board received a presentation on sustainable investing and green bonds in May 2024. There is a requirement to complete a sustainability eLearning course for all new directors as outlined in the Board Annual Sustainability Targets.

Management level

The governance of climate change cascades down from the Board and its committees to the executive management team, which is responsible for the execution of the corporate strategy. The executive management team allocates resources and ensures the organization has the capabilities to meet its climate-related targets, helps clients understand and manage their climate-related risks and steadily increases the proportion of the organization's investment portfolio in climate-related and resiliency-building investments. From the executive management team, mandates for climate action continue to cascade down to various business areas.

Sustainability metrics are included in the CEO and senior management's long-term incentive plan (LTIP). Senior management refers to VP level and above. These metrics account for 15% of the LTIP with 10% relating directly to climate-related targets. 5% is related to our target on the percentage of invested assets in impact, transition and resilience investments and 5% is related to our operational emission reduction targets.

The Climate Executive Leadership Committee meets monthly to discuss climate-related risks and opportunities and provides oversight of climate risk management and reporting. A formalized mandate is currently under development and expected to be finalized in 2025.

The Management Investment Committee provides strategic direction and oversight of the investment, hedging, and asset liability management activities. This management committee is responsible for regular reporting to the Board's Risk Committee, ensuring that climate and sustainability impacts of our investments are a focus area. The execution of our investment strategies is largely performed through our subsidiary, Addenda.

The Resilience Investing Executive Steering Committee provides oversight and strategic direction for resilience investing. This committee works with the Management Investment Committee to consider resilience investments through regular investment decision making processes. The mandate for this committee is currently under review and changes are expected to be finalized in 2025.

The Management Risk Committee is a strategic decision-making body responsible for understanding and acting on the risks faced by our organization, including climate-related risks. It helps to set the tone at the top for a strong risk culture and supports our ERM mandate.

The Management Insurance Risk Committee retains oversight and final decision-making authority for items related to insurance risk, including risks derived from climate change.

Co-operators Sustainability and Citizenship department also plays a key role in supporting initiatives at the management level. The team is tasked with supporting the embedment of sustainability into strategy and the integration of sustainability principles throughout the organization, including our investment and insurance related functions.

Activity during 2024

Several developments and initiatives were enacted in 2024, including:

- Launched our TomorrowStrong™ coverage that offers additional funds to allow clients to rebuild in resilient ways.
- Participated in the United Nations-convened Net-Zero Asset Owner's Alliance (NZAOA) and the United Nations-led and convened Forum for Insurance Transition to Net Zero (FIT).
- Affirmed alignment with the NZAOA's positions on thermal coal and oil and gas.
- Joined the Climate and Equity Lab as a national partner, initially founded by Gore Mutual in 2023 in collaboration with Social Innovation Canada and York University's Faculty of Environmental and Urban Change.
- Conducted a pilot program to understand how we might collaborate with credit unions to meet their needs associated with quantifying physical climate risk.
- Continued preparations for OSFI Guideline B-15 as well as the Climate Risk Returns and the Standardized Climate Scenario Exercise.

Business Operations: Climate-related roles and responsibilities

Below are some examples of the climate-related roles and responsibilities within our business operations. This demonstrates our strategy to embed sustainability across the organization as a means of achieving our organizational purpose and strategy. This list is not exhaustive, and we expect these roles and responsibilities to evolve as we continue our journey to net zero and resilient business practices.

Sustainability and citizenship – Continue to drive the integration of sustainability principles, including climate considerations, into strategy and across the organization, particularly into investment and insurance related functions.
Enterprise strategy and planning – Incorporate climate and sustainability-related considerations into strategic planning, including setting objectives, metrics and targets.
Underwriting and actuarial – Develop underwriting strategies related to managing climate-related risks. Continued calibration of climate-related risk such as flood and wildfires. Continue to develop climate scenario methodology.
Pricing and product development – Embed climate change factors into product pricing. Further development of innovative products such as Comprehensive Water and TomorrowStrong™.
Reinsurance – Consider the impact of climate change on risk appetite and reinsurance. Integrate sustainability principles into counterparty decision-making.
Claims – Develop and implement more sustainable practices to reduce emissions and waste, primarily executed through our property and casualty operations.
Investment – Enact Co-operators climate commitments in our investing strategy policy.
Asset management – Continue to embed sustainability principles into investment decision making by investing in climate impact and accelerating climate transition investing. Contribute to climate strategy through public policy advocacy and industry engagement.
Enterprise risk management – Continue to integrate climate-related issues into risk appetite calibration, Own Risk and Solvency Assessment (ORSA) reporting and OSFI Guideline B-15 readiness.
Financial reporting – Produce the Climate Report, monitor disclosure standards and regulations.
Human resources – Adapt executive compensation programs for inclusion of climate-related metrics.
Information technology – Through the Green IT program, work to minimize our impact on the environment through sustainable practices such as cloud storage, reduced energy consumption and increasing the useful life of equipment.

Strategy

Confronting the climate crisis is at the core of the organization's strategy. We strive to invest our assets and operate our businesses for positive impact, to offer products and services that build resilience, and to advocate for policies, initiatives and ideas that will move our society towards a more sustainable future.

Co-operators has identified the following climate-related risks that could reasonably be expected to have a material financial impact on our organization.

Risks	Type	Entity	Description and Response	Time Horizon
Increase in frequency and severity of extreme weather events	Physical	P&C	Over time, climate change has led to a trend of increasing claims in our property and casualty insurance portfolio. Without building resilience, this trend will lead to an increasing protection gap between insured losses and total economic losses. Broadly passing these additional costs on to policyholders is not a sustainable business model nor consistent with our purpose. Our ability to maintain and grow profitability is highly dependent on our ability to accurately estimate and price for these extreme weather events and to mitigate losses effectively to the best extent possible, by investing in, advocating for, and enabling climate resilience.	Current
Affordability and availability of property coverage	Transition	P&C	Climate change may lead to higher premiums and reduced reinsurance availability, affecting propertly coverage and availability. In turn, this could lead to increased government intervention. We aim to reduce this risk through innovative claims processes that strive to reduce costs and product innovation that enables the resiliency for our clients. Also, through participation in industry adaptation and prevention projects to better understand how we can partner with other institutional stakeholders to reduce the probability of losses related to extreme weather events and their corresponding impact on premiums and coverage for our customers.	Current
Increase in mortality and morbidity	Physical	Life	Climate change may impact our life insurance operations. Specifically, mortality and morbidity caused by rising temperatures and rise in catastrophic weather events such as flooding, wildfires and heatwaves. These events may also lead to increased health issues including the spread of infectious diseases and viruses. Accordingly, we test the health risk from an epidemic, that may be worsened by the impacts of climate change, in our company's financial condition testing.	Short-term (1-3 years) and ongoing
Risk exposure accumulation	Physical	P&C	Risk exposure accumulation is the risk of large aggregate losses from a single event or peril due to the concentration of insured risk exposed to that single event or peril. One of the biggest drivers of our insured losses is due to changes in exposure – we expect that adverse changes in exposure will continue to accumulate in the coming years. We have invested resources into tools such as through our Climatic Hazards and Advanced Risk Modelling (CHARM) platform to ensure that our understanding of our risk exposure is as accurate as possible. We will use this understanding to support profitability and assess new areas of unmet needs of Canadians.	Current
Asset depreciation and lower investment returns	Transition	All	Climate change may impact the value of our investment portfolio as companies are further impacted by climate change. Climate change may lead to fluctuating market conditions such as deteriorating credit ratings or reduced yields. This may lead to adverse financial performance for those companies and by extension, us. Addenda factors in climate risk to their investment approach and is in regular dialogue with investees to advocate for increased disclosures of climate risks and management responses.	Short-term (1-3 years) and ongoing
Regulatory	Transition	All	The expansion of regulatory requirements, such as OSFI Guideline B-15, will create the need for expanded professional knowledge and skills which will also increase costs to maintain compliance. Additionally, the amendment to the Competition Act through Bill C-59 which introduced anti-greenwashing provisions increases risk as failure to comply can yield substantial fines. We are investing in upskilling and/or resources to fill the gap these new regulations are presenting. Further, as Canada faces challenging socioeconomic conditions and shifting political landscapes, it is unclear how governments and regulators will manage these pressures. We face the risk of additional or changing regulations that we must be prepared to manage.	Short-term (1-3 years) and ongoing
Reputation	Transition	All	As societal expectations evolve, there is potential for our reputation to suffer and have a negative impact on our business results. This can stem from society holding divergent views on climate change and other sustainability-matters. Varying expectations from a broad stakeholder group can pose a risk to our ability to succeed in achieving our purpose.	Short-term (1-3 years) and ongoing

Risks	Type	Entity	Description and Response	Time Horizon
Third-party	Transition	All	All organizations have their own set of priorities. While climate initiatives play a key role in Co-operators' strategy, we do not operate in isolation. There are inherent risks to our success through our third-party relationships including vendors, customers, regulatory bodies, etc. By identifying and gathering information on potential risks from third-party sources, we can look to mitigate the impacts third parties may have on us achieving our climate targets. Continuing to advocate for positive climate action in our industry will also play an important role to help us limit our third-party risks.	Short-term (1-3 years) and ongoing
Legal	Transition	All	Litigation risks relate to the adverse impact that could arise from parties seeking to recover losses suffered from climate change. Globally, there has been an increase in number of legal challenges brought forward to remedy injury and losses from the consequences of climate change inaction. New laws and regulations may create additional legal risk for insurance providers. Co-operators must be conscious of this emerging risk profile.	Short-term (1-3 years) and ongoing
Shifting market demand	Transition	All	As society transitions towards net zero, shifts in consumer behaviour and demand in various sectors will change. These shifts could negatively impact the performance our invested assets or our clients which in turn could negatively impact the performance of our business operations.	Long-term (5+ years)
Emerging technologies	Transition	All	Technology is rapidly evolving as governments and businesses look to mitigate and adapt to climate change. These new technologies can be expensive to develop and implement, putting pressure on businesses and the financial markets to maintain competitiveness and profitability.	Long-term (5+ years)

Similar to the tracking of climate-related risks, we look to opportunities to adapt and implement solutions to contribute to positive impact activities.

Opportunities	Entity	Description and Response	Time Horizon
Innovative product solutions	All	Designing innovative product solutions to enable and empower community resilience is key to achieving our purpose. In recent years, we developed a Comprehensive Water product that covers all Canadians, regardless of their level of flood risk which includes storm surge coverage. We also launched the equivalent flood product for the commercial market, which is a joint coverage that includes sewer back-up. In 2024, we launched our TomorrowStrong™ coverage that offers additional funds to allow clients to rebuild with resilience after a claim.	Current
Developing new tools to mitigate climate-related risks for clients	All	We have invested in building the risk expertise, technological capabilities, and strategic partnerships to utilize leading-edge modelling and analytics that enable us to better assess climate risk. This encompasses several programs, including accurately tracking wildfire progression to enable more timely underwriting actions, expanding and targeting our efforts to notify users of impending extreme weather events; building tools to more precisely monitor risk accumulation to identify clients at a high-risk of being impacted by climate change; and developing advanced flood models and simulations to improve flood risk identification and monitoring, and to support better targeting of resilience investments that will build climate resilience in communities across Canada. These new tools are used to better inform decisions related to how we design and deliver our insurance products. While these efforts are primarily focused on our property and casualty operations, opportunities to develop tools within our life operations also exist.	Current
Advance advocacy and enhance involvement by stakeholders	All	Large-scale change will require a collective effort. We have the opportunity to help shape the future through our continued advocacy and demonstrating our climate positive actions within our industry. As part of an ongoing effort to build resilient communities, we have partnered across sectors on research and resources that empower communities to prepare and act ahead of climate-related events such as floods and wildfires. These efforts can yield positive results for our business as there is the potential to reduce costs from claims, help maintain affordable prices for clients and enhance the reputation for our business. We work with several organizations such as Partners for Action, FireSmart Canada, Climate Proof Canada and the Institute for Catastrophic Loss Reduction to name a few.	Current
Coalition building	All	Reaching net zero will require transformational change. This change can only come about by building alliances and coalitions between industry and government. By pooling the resources and expertise of industry and government, we will have the best chance possible to achieve our long-term net zero goals and succeed in achieving our purpose.	Current
Operational efficiency – net zero	All	We achieved our target of becoming net carbon neutral in 2020, offsetting 100 percent of our remaining operational scopes 1-3 emissions after efficiencies and reductions have been achieved. We have set the target to become net-zero in our operations by 2040. To achieve this, Co-operators will continue to reduce its emissions and those across its value chain (scopes 1, 2 and 3) by engaging across the enterprise on our decarbonization pathways.	Long-term (5+ years)
Enhancement of supply chains	All	We have the opportunity to enhance our supply chains to work with vendors that will aid in the advancement of climate-related goals. Our property and casualty operations have begun to include more sustainable practices such as drying in place and soft contents cleaning that will reduce waste and in turn reduce emissions from the need to purchase new material.	Long-term (5+ years)

Investments

A core aspect of our overall climate strategy is the management of our investments. This is demonstrated through our commitment to the NZAOA which we joined in 2021. We have set net-zero and asset allocation targets on our investments, including interim targets which are reviewed and updated regularly. We report progress towards these targets at least annually. Co-operators climate investing strategy is guided by core principles which form an integral part of our broader mandate with Addenda:

- <u>Purpose and vision</u>: We are driven by our purpose to provide financial security for Canadians and our communities and vision to be a catalyst for a resilient and sustainable society.
- <u>Science based</u>: Our positions are aligned with the Paris Agreement and the best available scientific literature.
- <u>Leading</u>: We boldly advance leading climate-related investment practices that address climate mitigation and climate resilience.
- <u>Catalyzing</u>: We are active owners and collaborative advocates for enabling public policies and leveraging our resources and capabilities.
- <u>Consistent</u>: We are consistent in our policies and practices across companies and lines of business.
- <u>Continuous improvement</u>: We carry the intention to raise our ambition level through new interim targets regularly.
- <u>Grounded</u>: We consider "transition" in the real economy and concentrate on what is relevant to our clients, communities and the Canadian economy.
- <u>Accountable</u>: We set clear and ambitious portfolio-wide targets, and are transparent about our own progress, challenges and performance.

Co-operators invests our own assets in ways that generate competitive financial returns alongside positive environmental, social and economic benefits. We have committed to having 60% of our invested assets in impact, climate transition or resilience investments by the end of 2030.

Impact investments create both compelling financial returns and positive social and/or environmental impacts that are measured, tracked, and reported. Climate transition investments focus on companies that support climate transition and are making and progressing on net-zero commitments. We believe these net-zero commitments can help navigate shifts in consumer preferences, technologies, business strategies, and policies that are underway and likely to accelerate the transition to net-zero emissions. Resilience investing seeks to develop opportunities to invest in innovative climate resilience and climate-adapted infrastructure.

Through Addenda, we are also an asset manager for both institutional and retail clients and our strategy aims to support our clients' efforts to achieve their net-zero targets. Addenda has been a member of the Net Zero Asset Manager (NZAM) initiative since 2021 and despite NZAM's pause on tracking climate commitments, Addenda remains committed to the original climate goals and net-zero targets.

For more information about Addenda's approach to climate, impact and sustainability, please visit http://www.addendacapital.com.

Insurance

To continuously strive towards meeting our purpose, consideration of climate-related risks and opportunities is at the forefront of our underwriting operations and business development. We continue to develop climate-related products and services that are designed to increase protection to Canadians and our communities. As climate risks increase, it is critical that adequate insurance protection is available, but in Canada, coverage has historically been limited or unavailable to populations who are most at risk. We continue to offer our Comprehensive Water product, Canada's first flood insurance product to be available to all Canadians, even those at highest risk, and which also covers storm surge. This product is priced according to the individual property's level of risk, which sends an important price signal to the market where the risk is high, in an effort to incentivize risk reduction at both the household and community level. At the end of 2024, over 739,000 Canadian households were covered through our Comprehensive Water product.

In 2024, we launched our TomorrowStrong™ coverage that offers additional funds to allow clients to rebuild with resilience after a claim. We are also expanding our claims operations to include more sustainable practices such as drying in place, soft contents cleaning, and piloting a bumper and windshield recycling program to help reduce waste.

We continue to innovate and create solutions which allow us to better manage and understand climate-related risks and how they impact our insurance liabilities. Through our CHARM team, we have developed, and are using, sophisticated risk models to understand our exposure to climate-related risks from natural hazards like floods and wildfires, plan for financial impact of climate-related scenarios, and inform decisions related to how we design and deliver our insurance products. Furthermore, we take the opportunity to share our expertise with others, through consultations that further other organizations' understanding of their own climate-related risks and exposures.

Advocacy and engagement

A key element of our climate strategy is advocacy and engagement. Transformational change in the broader economy can only happen through coordinated efforts between governments, industries, and other organizations.

Co-operators and Addenda are working with municipalities, Indigenous partners, scientists and businesses to find opportunities that will accelerate the development of climate-resilience projects which aim to unlock private investment that will be needed to increase protection to Canadians, our economy and our environment from climate-related risks. In 2024, we explored community resilience opportunities including wildfire risk-reducing forest management practices, post-disaster home reconstruction that rebuilds dwellings to be net-zero optimized and climate resilient and stormwater management improvements that will enable the development of new resilient housing in flood-prone watersheds. We continue to advance system change efforts, working in partnership with the Federation of Canadian Municipalities, ICLEI Canada, the Institute for Catastrophic Loss Reduction, Climate Proof Canada, and the Climate Bonds Initiative.

We look for opportunities to support and enhance the resiliency of our industry. Through a climate risk manager pilot program conducted in 2024, we partnered with eleven credit unions in British Columbia and Ontario to understand how their needs could be met through advanced flood and fire exposure assessments. These assessments were powered by our CHARM team. Through this pilot, participating credit unions are better equipped to anticipate and mitigate the impact of these severe events.

We also look for opportunities to support our clients. In 2024, to support businesses in navigating the risks and impacts of climate-related losses, our wholly owned subsidiary, Sovereign, launched a Nat Cat Radar tool that uses satellite imagery, government data and Sovereign insurance policy information to proactively identify our business clients who are at risk of active wildfires.

Additionally, our President and CEO Rob Wesseling is a member of the Insurance Development Forum Steering Committee and on the United Nations Office for Disaster Risk Reduction's Investor Advisory Boards. Roger Beauchemin, President and CEO of Addenda, sits on the Advisory Panels of both Climate Engagement Canada and the Institute for Sustainable Finance. The participation by top executives in these advisory roles demonstrates our commitment to advancing our industry to a more sustainable and resilient future.

For a full listing of our climate and sustainability partners, please refer to the back of this report.

Climate scenario analysis

Climate-related scenario analysis is used to assess the resilience of our climate strategy and business model from the impacts of climate-related risks. The development of these scenario analyses and stress testing tools for insurers continue to evolve and we expect our analyses to change and improve as best practices emerge from the market.

Property and casualty operations

Our property and casualty operations continue to refine our climate scenario analysis and stress testing which in 2024 saw the development of long-term scenarios. The potential impacts of climate change on our property and casualty operations include physical risk arising from an increase in frequency and severity of climate events that could disrupt our insurance operations and increase insurance risks. Transition risks are also a factor as the economy shifts to a lower carbon economy and as such, both types of risk are considered in the below scenarios. We have leveraged the "Using Scenario Analysis to Access Climate Transition Risk" report which was released in 2022 by the Bank of Canada and OSFI to derive transition risk scenarios that are aligned with the Paris Agreement commitments.

Medium-term analysis

This scenario was presented to senior management and the Risk Committee in their Financial Condition Testing (FCT) report which considers a five-year time horizon. This scenario considers catastrophic events from multiple perils. Climate change was also considered to impact our planned major events claims leading to higher reinsurance costs.

The analysis used an internal catastrophe model which is calibrated based on historical data. In the prior year, assumptions were used from specific historical and modelled events. This change to an internal model for 2024 resulted in more severe physical risk impacts. All assumptions were modelled nationally, however, physical risk assumptions from some perils are derived using models that consider weather patterns at a more granular level. The assessment of the impacts is performed at the 99th percentile (solvency) and the 95th percentile (going concern) levels of risk. The levels of risk tested are more severe than minimum FCT requirements as we believe the modelling at more severe levels enables us to better plan for, mitigate and respond to these risks. The result of this analysis concluded that our property and casualty operations remained solvent under the tested scenarios and the company would be able to honour its financial obligations. The negative impacts of the scenarios can be reduced with management intervention.

Long-term analysis

In 2024, we developed a new long-term analysis which considered a thirty-year time horizon. For physical risk impacts, we chose the Intergovernmental Panel on Climate Change (IPCC)'s Representative Concentration Pathways (RCP) 8.5 scenario as a worst-case scenario to help establish an upper bound on quantification of climate-related physical risk. In 2025, we expect to test alternative scenarios. For transition risk analysis, we selected a range of scenarios from the aforementioned report by OSFI and the Bank of Canada. There is significant uncertainty in our assumptions for both physical and transition risk. The result of this analysis concluded that our property and casualty operations remained solvent under the scenarios tested and the company would be able to honour its financial obligations. The negative impacts of the scenarios can be reduced with management intervention.

Life operations

Our life operations completed a climate change solvency scenario which was presented to senior management and the Risk Committee in their FCT report which considers a five-year time horizon. The potential impacts of climate change to our life operations include increased life and health risks from extreme weather conditions, strengthening of insurance contract liabilities due to adverse experience, reputational demand, and devaluation of assets exposed to fossil fuel related industries. We expect mortality and morbidity risks are the underwriting risks most likely to materialize.

The scenario testing for 2024 used more severe shocks to mortality and morbidity than prior year which allowed us to examine the impact of a more adverse scenario. Both transition and physical risks were considered. Assumptions made include rising food and energy prices due to inflation, short-term interest rate decreases, higher credit spread/asset default and market value decreases for assets linked to the fossil fuel industry. The selected scenario is expected to be at least the 95th percentile over the scenario horizon. Sources for this scenario testing used include the recent OSFI standardized climate scenario exercise and the Canadian Institute for Actuaries' Practice Resource Document.

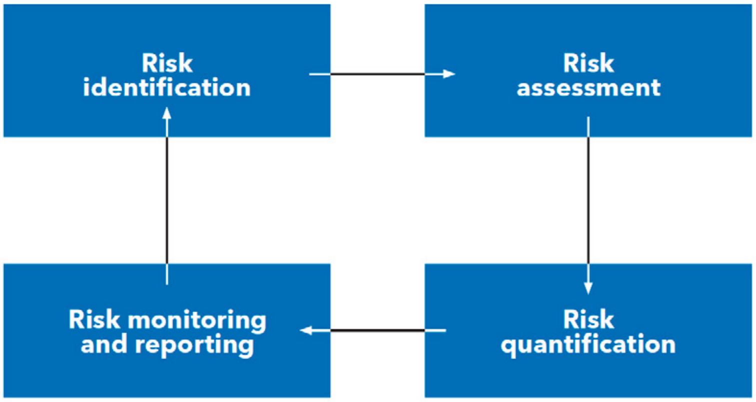
This scenario was calibrated as a solvency scenario. Severe climate change could plausibly challenge the company's mortality and morbidity experience at the level tested, however our life operations remained solvent and well within regulatory capital requirements under this scenario.

Risk Management

Climate-related risks are integrated within the organization's overall risk management framework and related assessment mechanisms. Our risk management practices are influenced by our co-operative identity; we apply a consultative and community-based approach that takes a comprehensive longer-term view of our business and seeks to incorporate sustainability principles in line with our Sustainability Policy.

Successful application of our ERM Framework results in alignment between our articulated risk appetite, capital plans, business strategies and operating plans. As risks and strategies evolve, our continuous cycle of risk identification, risk assessment, risk quantification and risk monitoring and reporting ensures that we adapt to the changes within our organization and our operating environment. A comprehensive set of risk controls supports our overall ERM approach.

ERM integration ensures that our ERM activities do not occur in isolation of business activities and are embedded in our risk culture.



Key components of ERM
- Risk appetite, tolerances, limits
- Capital management

Risk Controls
- Risk governance architecture
- Board and risk committees
- Three lines of defence operating model
- Performance management and compensation

ERM integration
- Business planning and decision making
- Risk culture
- ERM champions

Through our risk assessment process, we determine if risks are sufficiently mitigated, identify the need for adequate control, acknowledge the dependencies we may have, and discuss alternative mitigation options that may be available to us.

Our risk monitoring and reporting tools are designed to provide relevant, accurate and timely information on our material risks. For example, our risk dashboard provides a comparative of our ongoing risk profile against our articulated risk appetite. Our comprehensive stress testing program, which includes climate-related scenarios, reflects the assessment of our risk profile under moderate to severe stress and the discussion of risk controls to mitigate the exposure.

Top risks are defined as those risks that could prevent us from fulfilling our purpose and/or realizing our strategic goals. They are assessed on a residual basis, reflecting the controls we have in place to mitigate our risks. Top risks are refreshed as part of the top risk workshop process on a biennial basis, which was last completed in 2024, and confirmed annually as part of the ORSA process. Furthermore, our top and emerging risks are synthesized into a report provided to the Risk Committee which highlights the potential impacts of the risk, and why it matters. Climate-related impacts have been identified as one of our organization's top risks over the long term.

We employ a "three lines of defence" model which provides a comprehensive and holistic approach to risk management, comprising risk identification, assessment and mitigation, control and monitoring, and reporting. We seek to apply this approach in managing all climate-related physical and transition risks, including policy, legal, technological, market and reputational risks.

First Line – Business unit employees
- Risk identification, assessment, mitigation
- Monitoring and reporting
- Alignment of business and operation strategies with risk appetite

Second Line – Independent oversight functions, including but not limited to Actuarial, Governance, Enterprise Legal, Finance, Enterprise Compliance and Enterprise Risk Management
- Provides independent oversight of risks and helps to build and monitor first line controls
- Guidance in their area of expertise
- Establishing appropriate risk controls as appropriate

Third Line – Internal and external auditors
- Provide independent assurance to the Board and senior management
- Assessing the effectiveness of governance risk management and controls

Activity during 2024

Preparations continued in 2024 to ensure our risk management policies and disclosures meet OSFI Guideline B-15 issued by OSFI in March 2023 with requirement implementation for our organization for fiscal year 2025. This includes completion of a readiness self-assessment, development of a roadmap to compliance, sessions with various business areas to provide a background of the regulation and delegation of responsibilities over action items to evolve our risk management practices across the organization.

Our climate risk appetite statement was approved by senior management in 2024. This appetite statement is in the process of being incorporated into the appropriate frameworks and this work will continue into 2025.

Co-operators conducted a financial materiality assessment to identify climate-related risks and opportunities that could reasonably affect financial position, performance, or cashflows. This assessment was conducted through stakeholder surveys and provided meaningful insight into the likelihood and magnitude that a risk or opportunity could reasonably impact the organization financially. The assessment results will enable our business units to focus efforts on the areas that can have the greatest impact.

Climate-related risk approach

Co-operators applies a climate-related risk approach for our investments and our insurance operations. These processes aid in the overall risk management process to minimize the impacts of climate-related risks.

Investments

Co-operators Investment Policy guides our overall approach to investment management including risk management and policies related to sustainability, impact and climate transition investing. The Board carries out the responsibilities of these policies through the Risk Committee. The Management Investment Committee also plays a key role, providing the strategic direction and oversight of the investment activities of the organization. Our investment management firm, Addenda, leads in the implementation of these policies, including those on climate transition. Addenda is continually trying to improve understanding of various transition and physical climate-related risks that could impact our investments as well as helping seek climate-related investment opportunities. As an asset manager for both institutional and retail clients, Addenda recognizes that by integrating climate considerations into investment decision-making, the resilience of our investment portfolios is improved over the long-term.

Addenda's investment teams are evolving their practices and processes to support the integration of physical and transition risk assessment and management throughout the investment lifecycle. Addenda's approach is adapted for each asset class to identify and assess climate-related risks and opportunities.

Addenda's Sustainable Investing Team also plays a role in managing risk and driving climate awareness. They support the portfolio managers during research, due diligence, and review processes by:

- Conducting training sessions and building capacity on topics such as carbon emissions accounting and Canada's transition to net zero.
- Updating investment teams on emerging best practices for climate risk management.
- Conducting in-depth investment-specific reviews, when requested by investment teams.
- Establishing and evolving Addenda's internally developed approach in assessing climate investments in renewable energy, clean transportation, and energy efficiency impact solutions within the fixed income market.
- Preparing presentations to investment teams and management on proxy voting trends including on climate change.
- Driving engagement efforts with policymakers, standard-setters and portfolio companies on topics including climate risk and emissions reduction.

Insurance

Co-operators dedicates significant resources to anticipate and prepare for the many impacts of climate change. We preserve our capital while managing costs through reinsurance risk transfer mechanisms. For our property and casualty operations, reinsurance protections are designed to cover for catastrophes within given exposure limits, thereby protecting our insurance entities from excessive catastrophic event losses. Our insurance companies are responsible for controlling exposures to individual catastrophes and defining reinsurance requirements based on our overarching risk appetite and capital profile. Moreover, our counterparty credit risk exposure is minimized by spreading our reinsurance program across many trusted partners and setting robust financial standards of eligibility.

The materiality and timing of climate-related impacts to our reinsurance arrangements depend on many factors, including global mitigation and adaptation efforts, global climate-related natural catastrophic events, geography of our portfolio, insurance products and coverage, risk type, etc. There is inherent uncertainty in the modeling of natural perils and climate change. Our catastrophe reinsurance strategy is based on a relatively near-term outlook with treaties commonly placed for one-year periods. This is aligned with the short-tail nature of the underlying property and casualty business and our ability to re-price that business annually (and continuously manage the underlying portfolio). However, we recognize climate-related risks are apparent in short, medium, and long-term scenarios and have the potential to impact our profitability and our ability to achieve our purpose. It is widely accepted that climate change is resulting in more severe weather events and increasing the frequency of such events. Our property catastrophe reinsurance program helps us manage the financial impact of these events by receiving recoveries from reinsurers when the events are above the attachment point of our reinsurance treaty. Reinsurers are aware of the impact of climate change and use this in consideration of their pricing and offering of reinsurance capacity.

Metrics and Targets

Co-operators has implemented several metrics and set targets to help manage climate-related risks and opportunities relating to our business operations and our investing activities.

Metrics and targets used to assess climate-related risk and opportunities

Metric	Description	Target	Interim target	Base year	Base year results	2024 results	Change from base year
Emissions of our operations	Our target includes scopes 1, 2 and 3 excluding category 15 which is captured in our investment target. Results are expressed in tonnes of carbon dioxide equivalent.	Net zero by 2040	45% reduction by 2030	2019	32,126	**21,816**	**-32.1%**
Emissions of our investments	We are targeting our entire investment portfolio to be net zero. Results are expressed in tonnes of carbon dioxide equivalent and includes scope 1 and 2 emissions of listed equity, corporate bonds and scope 1 from sovereign debt. We do not currently have an interim target on the absolute emissions of our investments but rather we are using the intensity target in the row below to track our progress.	Net zero by 2050	N/A	2020	485,238	**518,801**	**+33,563**
	To track our progress towards net zero, we have set an interim intensity target. This target relates to listed equity and corporate bonds only. The results are presented as tonnes of carbon dioxide equivalent per million dollars invested.	N/A	25% reduction by 2025	2020	44.8	**39.9**	**-10.9%**
% of investments in impact, resilience or climate transition	The percentage of our total investment portfolio that is invested in impact, resilience, or climate transition investments, all of which contribute to more resilient, sustainable communities.	60% by 2030	50% by 2026	N/A	N/A	**52.6%**	**N/A**
# of focused investor engagements	We aim to engage in an ongoing dialogue (at least once every two years) with firms that are the biggest contributors to portfolio emissions about their climate transition plans and actions.	20[1]	N/A	N/A	N/A	**29**	**N/A**

[1] This target is once every two years rather than annually.

Operational targets

We have a target to reduce the emissions of our operations by 45% by 2030 from our 2019 base year and achieve net zero by 2040. This includes both direct emissions (scope 1) and indirect emissions (scopes 2 and 3), including emissions resulting from corporate offices, Financial Advisor offices, fleet vehicles and business travel. Reflecting our commitment to leadership and to ensure our carbon accounting is aligned with the realities of hybrid and virtual work modes, our target also includes emissions from employee commuting and working from home, and information technology assets and services.

Investment-related targets

Our invested assets are a significant lever we can use to catalyze climate action for a net-zero future. By the end of 2025, our goal is to reduce the financed emissions intensity of our investments by 25% from 2020 levels (for public equities and publicly-traded bond portfolios). By no later than 2050, our goal is for our entire investment portfolio to be net zero. Along the way, we will set new interim targets and disclose our progress toward these goals at least annually. We have not yet formalized which emissions metrics we will use to determine success toward our net-zero target and in the interim are using absolute emissions. As at December 31, 2024, our financed emissions intensity was 39.9 tonnes of carbon dioxide equivalent per million dollars invested which represents a decrease of 10.9% from 2020. We chose to use 2020 as our base year to align with our commitments to the NZAOA. The economic and environmental impacts of the COVID-19 pandemic resulted in the lowest financed emissions intensity since we began disclosing this metric and is putting strain on the performance of this metric, however, we remain committed to our targets.

We also have a target to have 60% of our invested assets in impact, resilience or climate transition investments by 2030 and an interim target of 50% by 2026 which was exceeded in this year; however, this will be a metric that will be monitored year over year as our portfolio mix changes. For 2024, the result of 52.6% (2023 – 48.8%) is equal to $7.1 billion (2023 - $5.9 billion).

We have set a target related to our investor engagements as a means of assessing our desire to catalyze climate action that drives corporate boards and management to manage their climate risk and transition their business models. This target is ongoing, and we aim to engage in dialogue with 20 firms, at least every two years, that are the biggest contributors to our portfolio emissions. In 2024, we achieved this target, however, this engagement work will continue to aid the achievement of our long-term net zero targets.

Co-operators carbon inventory

The following table summarizes our absolute gross greenhouse gas emissions:

Emissions from operations (tCO_2e)	2024	2023[2]
Scope 1		
Corporate offices		
Fuel oil	**2**	3
Natural gas	**1,228**	1,446
Fleet	**410**	435
Total Scope 1	**1,640**	1,884
Scope 2		
Corporate offices		
Electricity[3]	**2,207**	2,271
Steam	**74**	70
Total Scope 2	**2,281**	2,341
Scope 3 from operations		
Category 1 - Purchased goods and services		
IT services	**1,853**	1,620
Category 2 - Capital goods		
IT assets	**1,435**	1,160
Category 6 - Business travel		
Auto travel	**417**	438
Air travel	**3,462**	2,940
Category 7 - Employee commuting		
Employee commuting	**2,809**	2,617
Working from home	**3,007**	2,976
Category 14 - Franchises		
Advisor and service offices	**4,912**	4,971
Total Scope 3 from operations	**17,895**	16,722
Total emissions from operations	**21,816**	20,947
Emissions from investments (tCO_2e)	**2024**	2023[4]
Scope 3 Category 15 - Investments[5]	**518,801**	554,462
Total emissions (tCO_2e)	**2024**	2023[2,4]
Total emissions	**540,617**	575,409

[2] Figures have been restated to align with calculation methodology used in 2024.
[3] Scope 2 emissions from electricity are calculated using the location-based method. There were no contractual instruments in place for the current or prior year.
[4] Figures have been restated due to the inclusion of absolute emissions of sovereign debt.
[5] Includes scope 1 and 2 emissions of listed equity, corporate bonds and scope 1 from sovereign debt.

Carbon inventory from operations

Performance

At the end of 2024, our greenhouse gas emissions were 32.1% (2023 - 34.8%) below 2019 base-year levels, although higher than in 2023. Increases were seen in air travel, IT assets, IT services, commuting and working from home, which are all related to increased business activity. These were partially counteracted by decreases associated with office space consolidation, including the move to our new headquarters in Guelph, Ontario. While we expected a significant increase in emissions from IT assets, we saw only a small increase because a major vendor revised its product carbon footprint methodology.

In 2024 we continued to work within business areas across the enterprise to identify and implement initiatives to drive us towards our net zero commitment. We conducted a targeted IT vendor survey, incorporated carbon footprint data in IT asset selection, and updated our travel policy and added messages to our travel booking system to encourage lower impacts from travel. Reaching our targets will require a collective effort from across our organization, as well as action in society, and we'll continue to seek opportunities to reduce emissions internally while advocating for value chain and societal change.

We have provided inventories of our absolute greenhouse gas emissions from our operations disaggregated by our two insurance operations in Appendix 1.

Restatements

The results for 2023 have been restated to 20,947 tCO2e. The results previously published were 21,311 tCO2e. The following changes led to restatements:

- Updated electricity emission factors to the most recent available data (2022) in Canada's National Inventory Report.
- Revised IT Services results based on restatements of emissions made by our IT services vendors and added previously unavailable data.
- Updated the results for energy consumption in small corporate offices and Financial Advisor and service offices, which use the most recent available energy intensity data (2021) derived and extrapolated from Canada's Comprehensive Energy Use Database.
- Corrected air travel data to include missing data and data that was excluded in error.

Carbon neutrality

In 2020 we were carbon neutral in our operations relative to our boundary at that time, and since 2021 we have maintained carbon neutrality relative to our revised boundary. Carbon neutrality was achieved for 2024 through the following:

- Purchases of renewable energy certificates and carbon offsets specifically for our Financial Advisor and service offices, to make them 'carbon neutral'.
- Purchases of carbon offsets in an amount equivalent of the remaining total of our scopes 1, 2 and 3 emissions.

We require that the carbon offsets we purchase be verified to a recognized verification standard, aiming to ensure additionality, accuracy, permanence, and the absence of significant social or environmental harm. Beyond verification, we avoid any offsets from projects where there is evidence that calls into question the quality of the offsets. The offsets we use are also included on public registries to confirm that they are unique and not double-counted. Our offset purchases in 2024 included a waste composting facility and IT assets reuse project.

Methodology

Approach and boundary

Our greenhouse gas inventory is calculated using the operational control approach, as outlined by the World Resources Institute and World Business Council for Sustainable Development's Greenhouse Gas Protocol. The organizational boundary of this inventory includes data from the majority of companies in our group and accounts for 98% of our operations by income.

Carbon dioxide, methane and nitrous oxide are included in all emission totals. Scope 1 emissions are direct emissions from our organization's owned operations, including company-owned or controlled vehicles and buildings. Scope 2 emissions are indirect emissions from purchased electricity, steam, heating, and cooling. Scope 3 emissions are all other indirect emissions generated throughout our organization's value chain. Location-based scope 2 electricity emissions reflect the average emissions intensity of the electricity grid where the consumption has occurred. Market-based scope 2 electricity emissions reflect the emissions from electricity that we have selected through contractual instruments, such as renewable electricity certificates. Beginning in 2022, we no longer purchase renewable electricity certificates for our corporate locations, so our location-based and market-based emissions are the same. We continue to purchase renewable electricity certificates for our Advisor and service office locations, which fall within our scope 3 emissions. The avoided emissions through these purchases are taken into account in determining our net carbon emissions.

Having met our goal to become carbon neutral by 2020, in 2021 we revised our carbon inventory. Scope 1 and 2 emissions were adjusted to include an estimate of emissions from smaller offices, which were previously excluded. We expanded the emissions sources that are included in scope 3 to include our third-party Financial Advisor offices, service offices, IT services, IT assets, commuting and working from home; business travel by air and auto were previously included and remain so.

We selected 2019 as our new base year. This was to ensure we had complete and accurate data, to the extent possible, for each of the new sources included in our inventory. It is also the base year against which we will measure our progress on our goal of being net zero in our operations by 2040.

The scope 3 categories below have been excluded from the inventory because they are not relevant for our business under current methodologies:

- Upstream transportation and distribution (category 4)
- Upstream leased assets (category 8)
- Downstream transportation and distribution (category 9)
- Processing of sold products (category 10)
- Use of sold products (category 11)
- End-of-life treatment of sold products (category 12)
- Downstream leased assets (category 13)

The following emission sources were assessed and deemed to be immaterial:

- Fugitive emissions from buildings (scope 1)
- Fugitive emissions from fleet vehicles (scope 1)
- Emissions from building generators (scope 1)
- Upstream emissions from fleet vehicles (scope 3 category 3)
- Waste from corporate offices (scope 3 category 5)
- Wastewater treatment (scope 3 category 5)
- Business travel by train (scope 3 category 6)
- Business travel in rental vehicles (scope 3 category 6)
- Commuting by public transit (scope 3 category 7)

We expect that these scope 3 sources are material, but they are not included in our inventory at this time due to lack of data availability, on-going development of internal systems and processes and forth-coming methodologies for emissions accounting:

- Purchased goods and services, except IT services, which are included in our inventory (scope 3 category 1)
- Emissions associated with claims activities (scope 3 category to be determined as methodologies are developed)
- Insurance-associated emissions i.e. emissions related to our underwriting portfolio (scope 3 category 15)

We have begun to work on the possibilities of tracking claims-associated emissions through our resilient and sustainable claims options, and we continue to track global developments in emissions accounting in insurance underwriting portfolios. We will continue to explore opportunities to expand on our inventory.

Consumption measurements and calculations

Energy consumption data (electricity, steam and natural gas) for larger corporate offices were obtained from utility bills and building management company records and prorated based on area occupied. Energy consumption in smaller corporate offices, Financial Advisor offices and service offices was estimated using office area and energy intensity. Energy intensity figures for each province or region were derived from the Comprehensive Energy Use Database published by Natural Resources Canada. The most recent results (for 2021, which continue to show lower energy intensity results in many regions) have been extrapolated with the expectation of a recovery to historic levels.

Business travel activity (km of air and auto travel) was collected from internal accounting systems.

IT services were measured via spend. IT services included cloud services, software, external data centres, hosting and telecommunications; it excluded consulting, outsourced staffing and hardware that was included in IT assets. IT assets included counts of laptop and desktop computers, monitors and printers.

Energy use associated with working from home was estimated using human resources records and energy intensity figures from Estimating Energy Consumption & GHG Emissions for Remote Workers by Anthesis. Commuting fuel consumption was estimated using data from an employee commuting survey conducted in 2023 and human resources records.

Electricity, natural gas, fuel oil and gasoline consumption figures were converted between units using the unit conversion factors in the National Energy Board's Energy Conversion Tables. Steam consumption was converted to natural gas consumption using the unit conversion factor in Energy Star Portfolio Manager - Portfolio Manager Technical Reference: Thermal Conversion Factors and the efficiency factor in the EPA's Emission Factors for Greenhouse Gas Inventories, table 7.

Emissions calculations

All emissions were calculated using the global warming potential (GWP) values for the 100-year time horizon, from the IPCC Sixth Assessment Report, 2021 (AR6). In 2024, at the recommendation of the Greenhouse Gas Management Institute, the 100-year GWP used for methane was changed from the CH_4-non fossil figure provided in Chapter 7, to the CH_4 figure provided in the Supplementary Material. This resulted in a very small change to the base year result that did not require a restatement.

Emissions from fuel oil, natural gas, gasoline, and electricity were calculated using emission factors from Environment and Climate Change Canada's National Inventory Report 1990-2022: greenhouse gas sources and sinks in Canada.

Emissions from air travel were calculated using the emission factors in Greenhouse Gas Reporting: conversion factors 2022, published by the government of the United Kingdom (UK). These emission factors were adapted to use the AR6 GWP values. Although new air travel emission factors were released in 2023 and 2024, they incorporated 2021 UK flight load factors that were very low, causing the emission factors to be higher. Load factors for Canadian flights do not align with the 2021 UK data, so we have selected the 2022 emission factors for use in our inventory for 2022 to 2024.

Emissions from IT services were estimated using the published emissions of seventeen of our largest vendors by spend. These vendors' emissions were allocated to us based on our spend and the vendors' total revenue. We used location-based scope 2 emissions, and emissions before carbon offsets to calculate our emissions from these vendors. This allowed us to calculate a sectoral gross emissions intensity rate in CO2e (before offsets) per vendor revenue, which we used to estimate emissions from all other vendors.

When determining our net carbon emissions, the selected IT vendors' market-based emissions and purchases of carbon offsets were included in our determination, along with our own purchases of renewable electricity certificates and carbon offsets. To be conservative, we assumed all other vendors did not purchase any renewable electricity certificates or offsets.

Emissions from IT assets were calculated based on manufacturer carbon footprint documents; where carbon footprint documents for a specific make and model were not available, carbon footprints for products of similar make and model were used, to the extent possible.

Carbon inventory from investments

The following table summarizes our absolute gross financed emissions disaggregated by scope and by asset class:

December 31, 2024	Scope 1	Scope 2	Total[6]
Scope 3 from investments			
Listed equity	**69,275**	**14,291**	**83,566**
Corporate bonds	**141,027**	**17,894**	**158,921**
Sovereign debt[7]	**276,314**	**not measured**	**276,314**
Total emissions from investments	**486,616**	**32,185**	**518,801**

[6] We do not yet track scope 3 emissions from our investments due to current limited data availability and quality.

[7] Sovereign debt refers to the Partnership for Carbon Accounting Financials asset class. We do not yet track scope 2 or 3 emissions for sovereign debt due to current limited data availability and quality. These figures are preliminary given rapidly evolving methodology and data availability.

At Co-operators, we track, monitor and report on the carbon inventory of our investments and seek to manage the climate-related risks and opportunities associated with our investment portfolio. The carbon footprint of our investments represents the GHG emissions emitted by companies in our owned listed equity, corporate bond and sovereign debt portfolios, which is presented in tCO2e emitted. Sovereign debt was calculated for the first time in 2024. We include both scope 1 emissions (direct GHG emissions) and scope 2 emissions (indirect GHG emissions from electricity, steam, heat and cooling). We do not yet track scope 3 emissions from our investments due to current limited data availability and quality.

Methodology

Measuring and understanding carbon footprints and deepening our awareness of climate-related investment risks and opportunities aligns with the approach to active investing taken by Addenda. We use the Partnership for Carbon Accounting Financials (PCAF) methodology to calculate our financed emissions. In 2021, Addenda joined the NZAM initiative and despite the network pausing reporting in early 2025, Addenda remains as committed as ever on climate transition and continued reporting.

The methodology for measuring financed emissions is evolving, and many data gaps exist. The following outlines key data sources, assumptions and methods applied in our approach.

Data sources used were:

- Reported and estimated greenhouse gas emissions data from MSCI ESG Research.
- Market and fundamental data from Bloomberg.
- Index data from MSCI and S&P.
- Canada's official greenhouse gas inventory data.
- The World Bank's data for Canada's purchasing power parity adjusted GDP.

Greenhouse gas emissions data are the most recently available at the time of the analysis (2023 or 2022 year-end) and cover scopes 1 and 2 for listed equity and publicly traded corporate bonds and scope 1 for sovereign debt. To improve our data quality score, where emissions-related datapoints were not available or captured by MSCI (e.g. third-party verification of company-reported emissions), we sourced information directly from companies' public reports. All financial data including Enterprise value including cash (EVIC), Revenue, and Asset Turnover data are from Bloomberg as of December 31, 2024.

Asset classes covered include listed equity and publicly traded corporate bonds which includes our Canadian, U.S., and international companies, as well as our Real Estate Investment Trust (REIT) and preferred share portfolios. The financed emissions represent 47% (2023 – 43%) of our total listed equity and corporate bond portfolios. Our sovereign debt emissions represent 100% coverage (2023 – not measured).

The financed emissions calculations included the invested assets of all companies across Co-operators group of companies which are held and managed by Addenda. Co-operators holds private investments which are not covered in our financed emissions calculations; however, these investments are insignificant to the total valuation of the investment portfolio.

Financed emissions calculations

Our financed emissions are calculated using the operational control approach in line with our approach for operational emissions.

For companies with reported or estimated emissions data from MSCI ESG Research and enterprise value including cash (EVIC) from Bloomberg, we used each company's most recent total scope 1 and 2 emissions, multiplied by the amount Co-operators has invested in the company, divided by the EVIC of the company.

For companies that do not have reported or estimated emissions data from MSCI ESG Research, we estimated our share of the company's financed emissions by multiplying the average carbon emissions intensity at the GICS Sub-industry level using MSCI ESG Research, the GICS industry asset turnover ratios from Bloomberg, and the amount Co-operators has invested in the company (following Option 3c of the PCAF methodology for calculating financed emissions of public equity and publicly-traded bonds).

Data quality

The PCAF methodology includes the concept of a data quality metric. The PCAF data quality score for our listed equity and corporate bond portfolios emissions as at December 31, 2024, were primarily 1 and 2 (relatively high quality) however a portion of the emissions calculation had lower quality scores (3-5). Our weighted PCAF data quality score on our listed equity and corporate bond portfolios was 2.0 (2023 – 2.2). Our weighted PCAF data quality score on our sovereign debt portfolio was 1.0 (2023 – not measured).

Major event losses

As a financial services entity with insurance operations, it is important for us to monitor industry specific metrics. In 2024, insured damage caused by severe weather events surpassed $8.5 billion, the costliest year in Canadian history[8]. Our property and casualty operations were impacted by four weather-related major events in 2024, Central Alberta Hail, Jasper Wildfire, Southern Ontario Wind and Rain, and Québec Hurricane Debbie. These events resulted in higher claims and the losses, net of reinsurance and inclusive of costs relating to reinsurance reinstatement premiums, totalled $220.6 million. While there is variation year over year in our exposure, the trend in major event claims resulting from flooding, wildfires and storm activity shows a marked increase in both the frequency and severity of these events over the past 10 to 15 years.

[8]https://www.ibc.ca/news-insights/news/2024-shatters-record-for-costliest-year-for-severe-weather-related-losses-in-canadian-history-at-8-5-billion

"On the heels of the costliest year for insured losses from extreme weather in 2024, the Canadian Sustainability Standards Board (CSSB) launched its first Canadian Sustainability Disclosure Standards. Co-operators enthusiastically supports the CSSB in their efforts to finalize these standards and maintain alignment to their international counterparts. These standards are an urgent, fundamental step for consistent and high-quality disclosures that will lead to better informed strategic decisions as the economy transitions to a net-zero future."

Karen Higgins,
Executive Vice President,
Finance and Chief
Financial Officer

Climate and Sustainability Partners

- Accounting for Sustainability CFO Leadership Network
- Canadian Alliance for Net-Zero Agri-food
- Canadian Business for Social Responsibility
- Canadian Climate Law Initiative (Addenda)
- Canadian Impact Investing Working Group (Addenda)
- CDP (Carbon Disclosure Project)
  - Climate change program (Addenda and Co-operators)
  - Forests program (Addenda)
- Ceres Investor Network on Climate Risk and Sustainability (Addenda)
- Climate Action 100+ (Addenda)
- Climate Bonds Initiative
- Climate and Equity Lab
- Climate Engagement Canada (Addenda)
- Climate Proof Canada
- Corporate Knights' Council for Clean Capitalism
- Electrifying Canada (Addenda)
- Enactus Canada
- Federation of Canadian Municipalities
- Financial Resilience Institute
- FireSmart® BC
- FireSmart® Canada
- Forum for Insurance Transition to Net Zero, United Nations-led and convened
- Green Bond Principles (Addenda)
- Green Economy Canada
- Home Fire Sprinkler Coalition Canada
- ICLEI Canada (Local Governments for Sustainability)
- Institute for Catastrophic Loss Reduction
- Institute for Sustainable Finance (Addenda and Co-operators)
- Insurance Development Forum
- National Fire Protection Association
- Nature Action 100 (Addenda)
- Net Zero Asset Managers initiative (Addenda)
- Net-Zero Asset Owner Alliance, United Nations-convened
- New Economy Canada (Addenda)
- Partners for Action Network
- Principles for Responsible Investment, United Nations–supported (Addenda)
- Responsible Investment Association (Addenda, CUMIS, Co-operators)
- Shareholder Association for Research and Education (Addenda)
- Smart Prosperity Leaders' Initiative
- United Nations Environment Programme – Finance Initiative's Principles of Sustainable Insurance
- Valuing Water Initiative (Addenda)

Appendix 1

The following tables summarize our absolute gross greenhouse gas emissions from our operations, disaggregated by our property and casualty, life operations and other operations. As our group of companies share many resources, allocation methodologies were used to facilitate this disaggregation.

Emissions from operations (tCO_2e)	2024	2023[9]
Property and casualty operations	**16,477**	15,915
Life operations	**4,335**	4,051
Other	**1,004**	981
Total emissions from operations	**21,816**	20,947

[9] Figures for property and casualty operations have been restated from results presented in our 2023 MD&A to align with calculation methodology used in 2024.

Property and casualty operations

Emissions from operations (tCO_2e)	2024	2023[10]
Scope 1		
Corporate offices		
Fuel oil	**2**	3
Natural gas	**600**	864
Fleet	**323**	332
Total Scope 1	**925**	1,199
Scope 2		
Corporate offices		
Electricity[11]	**736**	888
Total Scope 2	**736**	888
Scope 3 from operations		
Category 1 - Purchased goods and services		
IT services	**1,487**	1,279
Category 2 - Capital goods		
IT assets	**1,183**	985
Category 6 - Business travel		
Auto travel	**373**	391
Air travel	**2,586**	2,141
Category 7 - Employee commuting		
Employee commuting	**2,441**	2,275
Working from home	**2,336**	2,283
Category 14 - Franchises		
Advisor and service offices	**4,410**	4,474
Total Scope 3 from operations	**14,816**	13,828
Total emissions from operations	**16,477**	15,915

[10] Figures have been restated from results presented in our 2023 MD&A to align with calculation methodology used in 2024.
[11] Scope 2 emissions from electricity are calculated using the location-based method. There were no contractual instruments in place for the current or prior year.

Life operations

Emissions from operations (tCO_2e)	2024	2023
Scope 1		
Corporate offices		
Natural gas	**553**	507
Fleet	**84**	98
Total Scope 1	**637**	605
Scope 2		
Corporate offices		
Electricity[12]	**1,350**	1,259
Total Scope 2	**1,350**	1,259
Scope 3 from operations		
Category 1 - Purchased goods and services		
IT services	**271**	251
Category 2 - Capital goods		
IT assets	**141**	127
Category 6 - Business travel		
Auto travel	**31**	35
Air travel	**636**	494
Category 7 - Employee commuting		
Employee commuting	**267**	245
Working from home	**594**	613
Category 14 - Franchises		
Advisor and service offices	**408**	422
Total Scope 3 from operations	**2,348**	2,187
Total emissions from operations	**4,335**	4,051

[12] Scope 2 emissions from electricity are calculated using the location-based method. There were no contractual instruments in place for the current or prior year.

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Available in French ~ Disponible en français
Released May 2 2025 | ICA-2431 (05/25)