



Climate change: The key challenge of our times

Canadians, our communities and businesses are increasingly impacted by a changing climate. As average global temperatures continue to rise, disruptions to atmospheric and ocean currents and precipitation patterns are causing greater volatility and affecting the livability of many regions across the country. Climate risks and perils are expanding, and there has been a stark increase in catastrophic losses in recent decades¹, fueled by increasing risk of extreme weather and natural disasters. Combined, the failure to address and prepare for climate change poses pressing socio-economic risks to our societies in Canada and globally.²

Urgent action is needed to address the causes and impacts of climate change through mitigation and adaptation. There is compelling evidence that the current pace of global climate change is largely attributable to human activities³. Capping and reducing global carbon emissions is therefore a key mitigation element of the Paris Agreement, which aims to keep global temperature rise this century below two degrees Celsius compared to pre-industrial levels. In the meantime, societies will need to build significant capacity and resiliency to deal with the inevitable effects of a changing climate; a key adaptation element of the Paris Agreement.⁴

The Co-operators believes that we, and the insurance industry more broadly, have a unique and important role to play in addressing climate change because of our expertise in identifying, assessing and mitigating risk. Driven by our co-operative values, we're committed to providing viable financial solutions to address challenges posed by a changing climate, supporting the transition to a low-carbon economy and acting as a catalyst and a convener of positive change.

Our climate commitment outlines our pledge to prioritize actions we will take to address one of the key challenges of our times and protect the financial security of current and future generations.

“ *We're committed to building sustainable, climate-resilient communities to protect the financial security and peace of mind of Canadians.* ”
- Robert Wesseling, President and Chief Executive Officer



Guided by our co-operative principles

The [seven global co-operative principles](#) outlined by the International Co-operative Alliance guide our decision-making and approach to business. Among these principles, 'concern for community' highlights our commitment to invest in communities and advocate for social, financial and environmental sustainability. We strongly believe this includes proactively addressing the challenges related to climate change.⁵

¹ See for example Insurance Bureau Canada fact book 2017: http://assets.ibc.ca/Documents/Facts%20Book/Facts_Book/2017/Fact-Book-2017.pdf

² See for example: business risk (WEF Global Risk Report 2018 - http://www3.weforum.org/docs/WEF_GRR18_Report.pdf); systemic risk to stability of our global financial system (Mark Carney – Breaking the tragedy of the horizon - <https://www.bis.org/review/r151009a.pdf>); cost of inaction (Economist Intelligence Unit, 2015 - https://www.eiuperspectives.economist.com/sites/default/files/The%20cost%20of%20inaction_0.pdf).

³ See for example: IPCC, Climate Change 2013: The Physical Science Basis – Summary for Policymakers (AR5 WG1): https://www.ipcc.ch/pdf/assessment-report/ar5/wg1/WG1AR5_SPM_FINAL.pdf

⁴ See Paris Agreement: http://unfccc.int/paris_agreement/items/9485.php

⁵ <https://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

OUR CLIMATE COMMITMENT

We strive to be a champion and catalyst of a sustainable, climate-resilient society. Sustainability and citizenship are fully integrated within our governance model, including active Board oversight. We have established the following climate commitments, through the lens of our roles as a business, an insurer, an investor and a co-operative:



As a business:

1. We will be carbon neutral equivalent by 2020.
2. We support the Paris Agreement and its aim to keep global temperature rise this century below 2 degrees Celsius.
3. We acknowledge the urgency of transitioning to a low-carbon economy, and support initiatives to incentivize greenhouse gas ("GHG") reductions through carbon pricing.
4. We will further integrate climate change into our governance and risk management processes, building on the established mandates of our Board and management committees.
5. We support and will systematically adopt the recommendations of the Financial Stability Board-sponsored Task Force on Climate-related Financial Disclosures, including disclosures of our climate change governance, strategy and risk management practices and related metrics and targets as they are developed.



As an insurer:

6. We will help our clients understand and manage their climate-related risks and impacts and offer incentives to lower their risk exposures.
7. We will continue to develop innovative products and services to address gaps in climate-related coverage, ensure that premiums appropriately reflect individual risk-levels, and ensure availability of products and services from coast to coast to coast.



As an investor:

8. We will systematically incorporate climate change considerations in our investment decisions and products.
9. We will steadily increase our targeted level of impact investments that, beyond providing financial returns, intentionally and measurably address environmental and societal impacts. This includes seeking climate mitigation and adaptation benefits through investments in renewable energy, green buildings and low-carbon transportation.
10. We will engage with companies in our investment portfolios to advocate for effective climate change risk management, along with relevant and consistent climate disclosures.

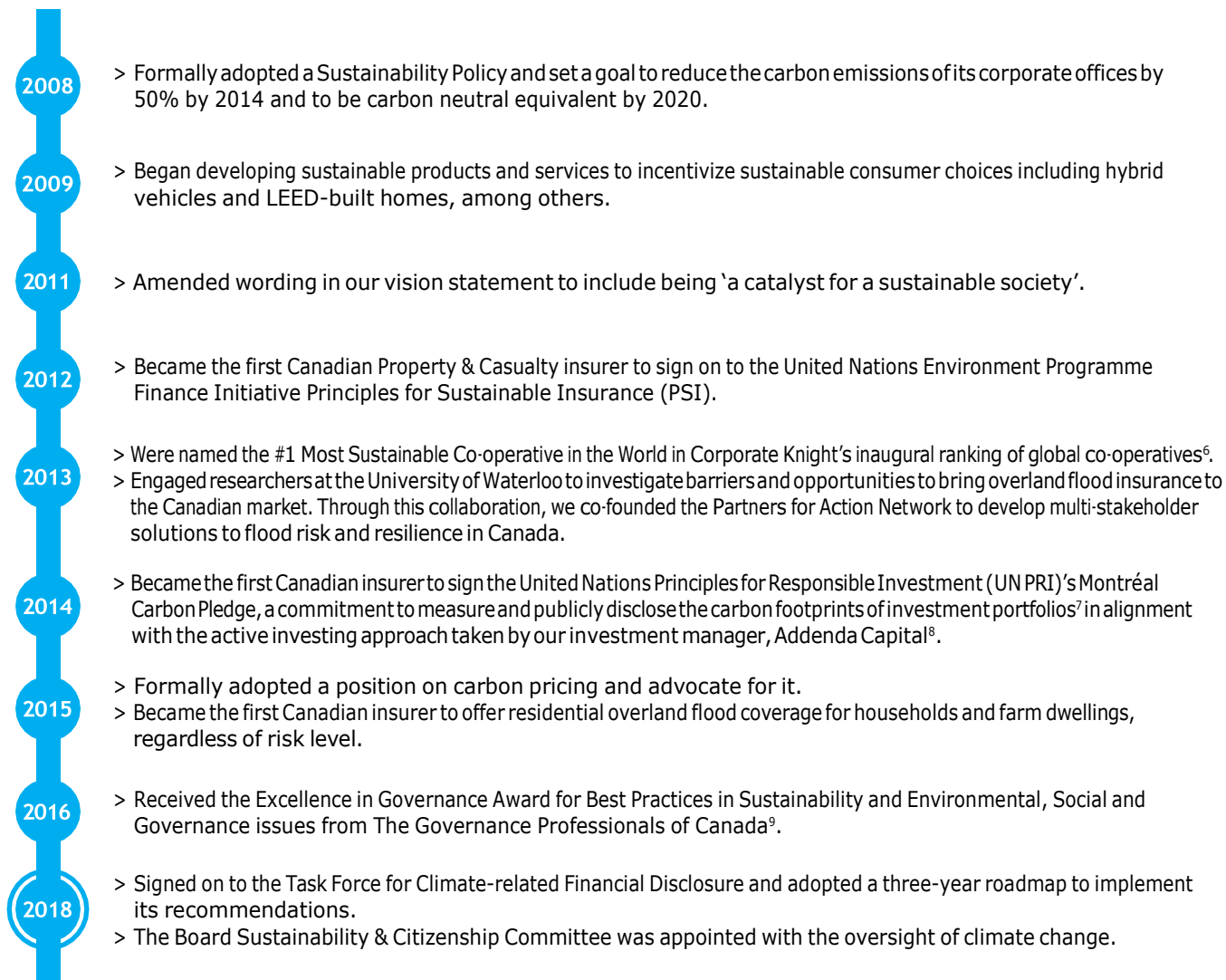


As a co-operative:

11. We will be strong and effective public advocates to catalyze climate change action in interactions with employees and financial advisors, member organizations, clients, investors, business partners, industry groups and governments.
12. We will continue to act as a catalyst and a convener across multiple stakeholder constituencies to help foster sustainable and resilient communities.
13. We will actively share our research and insights on climate-related risks and strategies to advance policy development at the municipal, provincial and federal levels.

OUR SUSTAINABILITY JOURNEY

Climate change has long been part of our business activities, and since we launched our Sustainability Policy in 2008, it has become an integral part of our operations. We are passionate to further our efforts through offering innovative insurance and investment products and services, as well as through our governance, operations, and advocacy. The following timeline identifies some milestones and achievements along the way.



⁶ <http://newsreleases.cooperators.ca/2016-06-07-The-Co-operators-ranked-3-among-50-Best-Corporate-Citizens-in-Canada>

⁷ <https://www.cooperators.ca/en/About-Us/about-sustainability/montreal-carbon-pledge.aspx>

⁸ In 2015 Addenda became a signatory to the Montréal Carbon Pledge and was the first Canadian asset manager to disclose the carbon footprints of all its equity funds.

⁹ <http://www.cscs.org/ega2016>

DISCLOSURES

The Co-operators signed the Global CFO Statement of Support for the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), in collaboration with the Accounting for Sustainability Project (A4S). As one of the founding members of the Canadian chapter of A4S's CFO Leadership Network, The Co-operators strongly supports the recommendations of the TCFD. These recommendations are designed to lead to more effective corporate climate change risk management, and better-informed evaluation of such risks and exposures by lenders, insurers and investors.

In systematically adopting the TCFD recommendations, we will expand disclosure of our governance processes for climate-related risks and opportunities. We will further integrate these risks and opportunities in our strategic planning. We will expand and explain our risk management processes to identify, assess and manage climate-related risks. Finally, we will develop additional metrics and challenging targets to guide and publicly assess our performance against these policy commitments.