

UNEP FI Principles for Sustainable Insurance: Annual disclosure of progress

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

Our progress in advancing the principles in this aspirational framework is discussed throughout our [2021 Integrated Annual Report](#), with specific actions summarized below, including page references in the report.

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

In 2021 we continued to respond to the global pandemic while always keeping the well-being of our members, clients, employees, the co-operative sector, and Canadian communities at the forefront. Since mid-March of 2020, roughly 90% of our workforce has maintained a remote-work posture. In 2022 and beyond, we will embrace multiple work models to accurately align with the work being done (pages 56-57). We continued to provide financial relief to clients (page 18). We expanded community investment to organizations that support youth and marginalized communities (pages 30-31) and supported low-income communities internationally (page 33).

We continued to execute our 2019-2022 strategic plan with sustainability integrated throughout. One of our strategic objectives is to "integrate and embed co-operative and sustainability principles in all areas of our business, including decision-making, action and processes". We are also guided by our Enterprise Long-Term Goals to 2030 that align with the United Nations Sustainable Development Goals (SDGs). Co-operators endorses all seventeen of the SDGs and have aligned our 2030 Enterprise Long-term Goals to nine on which we have the greatest expertise and can make the most impact (pages 90-91).

In 2021 we produced our sixth integrated annual report, which amalgamates our sustainability, governance and annual reporting and reflects our progress made towards our mission of financial security for Canadians and their communities.

The Board of Directors' [Sustainability and Citizenship Committee](#) oversees progress related to our sustainability objectives, goals and initiatives. In October 2021, we held our annual joint board-management sustainability meeting, which included members of our Board Sustainability and Citizenship Committee, the chairperson of the Board, our president and CEO, and our Sustainability Leadership Committee (comprised of executives from across our

group of companies). The meeting provided an opportunity to evaluate our progress on embedding sustainability into our strategy, and to explore opportunities to engage members and clients through sustainability. This year our full board supported numerous sustainability initiatives (page 84).

In 2015, we became a Certified Living Wage Employer in Guelph, ON, the location of our head office. Based on the National Living Wage Framework, the living wage is set independently by each participating community. We have since adopted a living wage in all Canadian communities where the standard has been established (page 68).

We offer a range of insurance and wealth solutions that enable a sustainable, low-carbon, resilient community, with 22.6% of our revenue coming from sustainable products and services (page 93). We have embedded sustainability attributes into core insurance and wealth products, such as our Comprehensive Water endorsement and the Healthy at Home virtual program (page 18, 25, 26, 40).

We continue to implement our Impact Investing Strategy (an approach to investing that seeks to create both financial returns and positive social or environmental impact). By the end of 2021, 21.2% of Co-operators assets were invested as impact investments, exceeding our goal of having 20% of assets that are impact investments by 2022. Our majority-owned asset management company, Addenda Capital's impact fixed income pooled fund continues to grow, and this year they launched two Climate Transition funds, both funded with \$50 million each from Co-operators. These funds will invest in stocks of public companies that have mapped their road to transition toward net zero (pages 40-42, 94).

In 2021, we worked with the Canadian Centre for Diversity and Inclusion (CCDI) to focus on identifying barriers to inclusion and to inform the development of holistic diversity and inclusion within our organization. We built momentum and awareness through an array of employee-focused communication points and learning opportunities, education for the board and senior leadership, and a Truth and Reconciliation workshop. Resources and guides to help build understanding of foundational IDEA (Inclusion, Diversity, Equity, Accessibility) topics are regularly promoted to employees. On the National Day of Truth and Reconciliation, we issued a public statement of support, as well as a commitment to meaningfully integrate principles of Truth and Reconciliation into our governance, business decisions and social impact frameworks. We recognize that our necessary transformation will not happen overnight. This is critical meaningful work that must be integrated into all aspects of our business, and we are committed to ongoing evaluation (pages 58-63, 65, 80-83).

Recognizing the importance of linking sustainability goals to compensation, as part of our 2019-2022 strategy, all executives (vice-presidents, senior VPs, executive VPs) and other relevant employees were required to include in their annual plans at least one goal related to social, environmental, or economic sustainability or our co-operative identity. As an example, 33% of annual performance goals for our Executive Vice-President Finance and CFO were related to co-operative identity/sustainability (page 94).

In 2020 we achieved our goal of becoming carbon neutral equivalent compared to our 2010 baseline. In 2021, we took these targets further, announcing our commitments to become net-zero in our operations and investments within mid-century timeframes. We've expanded

the boundary of our operational carbon footprint and set an interim target to reduce by 45% by 2030 from 2019 baseline. In our investments, we will reduce emissions of our public equities and publicly traded bond portfolios by 20% by 2026, and set new interim targets every four years (pages 36-37, 94).

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

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

We first launched Comprehensive Water – our innovative product solution that protects clients from the risk of flood – in Alberta in 2015 and made it available to all homeowners in Canada by 2018. It offers easy-to-understand, broad coverage (including coastal and storm surge), even in high-risk areas. We were the first company to offer this type of coverage in the Canadian residential property marketplace and have made it available to all risk types and all property types. Through this endorsement, we provide insurance protection for 669,035 Canadian households against one of Canada’s most significant climate risks (page 18).

We raise awareness to prepare communities for climate-related risks. In 2021, we launched the Climatic Hazards and Advanced Risk Modelling (CHARM) platform. CHARM provides a view on active wildfires and a visualization of current exposures. This enables targeted, real-time decisions that include advising nearby clients of their risk. Through Weather Alerts, we inform clients in advance of extreme weather that may put their property or safety at risk (page 27).

With research showing that Canadians lack financial knowledge and access to advice, we set out to provide investments and wealth planning and advice services, regardless of current financial status. We launched a Co-operators-branded mutual fund dealer and offer holistic financial solutions for clients of all levels of wealth (page 19).

Our Corporate Venture Capital fund invests in start-ups such as Emmertech, which is focused on agtech and agribusiness innovation. Emmertech seeks to reduce the impact of agriculture on the climate and help increase yields while decreasing costs for farmers (pages 76-77).

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

Our partnerships support the sustainability of our communities, to ensure they are prepared and can recover with strength when challenges occur. In 2021, we announced a new multi-year commitment with Partners for Action (P4A) at the University of Waterloo’s Faculty of Environment. P4A is dedicated to advancing flood resiliency in Canadian communities (page 30). As a founding member of Wildfire Community Preparedness Day, we continue to

support this annual event across the country (page 30). We worked with the Institute for Catastrophic Loss Reduction (ICLR) and the City of Barrie on a tornado-protection rebate program, and with the ICLR and the City of Calgary on programs that protect against hail (page 27).

As part of our ongoing work with United Nations Principles for Sustainable Insurance, we became the first Canadian insurer to join the UN-convened Net-Zero Asset Owner Alliance. This group is working together to transition investment portfolios to net-zero by 2050. Addenda Capital also signed on to the Net Zero Asset Managers initiative (page 35).

We worked with The Bank of Canada, the Office of the Superintendent of Financial Institutions (OSFI), and a small group of Canadian financial institutions to pilot the use of climate-change scenarios. This work aims to enhance the understanding, disclosure, governance, and management of climate-related risks (page 35, TCFD report).

To further climate action, this year we participated with groups such as Climate Proof Canada, Canada's Sustainable Finance Action Council, and the Prince of Wales's Accounting for Sustainability (A4S) Project (page 35).

We continue to partner with organizations to champion youth mental health such as Kids Help Phone and Enactus Canada (page 30, 34).

Co-operators Community Funds' Pathways to Employability was launched in 2020 to provide life skills training and employment reskilling opportunities for marginalized youth in the wake of COVID-19. Participants developed a youth-led recovery plan and a youth engagement toolkit (page 31).

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

As a PSI signatory, we are committed to publicly disclosing our progress in advancing the Principles. This marks our tenth year of disclosing progress toward each of the Principles. We invite you to read our [2021 Integrated Annual Report](#) to learn more about our efforts to integrate and embed co-operative and sustainability principles throughout our organization.