

# 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 were 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 full 2016 Integrated Annual Report, with reference to specific actions summarized below.

## Principle 1

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

- > One of the strategic objectives in our 2015–2018 strategy is to “integrate and embed co-operative and sustainability principles in all areas of our business decision-making, action and process.”
- > In 2016 we integrated our sustainability, governance, and annual reports into one integrated annual report, to reflect our progress towards integrating and embedding co-operative and sustainability principles.
- > The Board of Directors' Sustainability & Citizenship Committee oversees progress related to our sustainability objectives, goals and initiatives ([see Appendices page AP-4](#)). In September, we held our annual joint board-management meeting, which included members of our Board Sustainability & Citizenship Committee, the chairperson of the Board, our president and CEO, and our Sustainability Steering 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.
- > Recognizing the importance of linking sustainability goals to compensation, as part of our 2015–2018 strategy, all executives (vice-presidents, senior VPs, executive VPs) and other relevant employees are required to include in their annual plans at least one bonusable goal related to social, environmental or economic sustainability or our co-operative identity ([see page 42](#)). As an example, in 2016, 4 per cent of non-financial bonusable goals were sustainability-related for our executive vice-president and chief operating officer, Co-operators Life Insurance Company and president and chief operating officer, The CUMIS Group Limited.
- > In 2015, we became a Certified Living Wage Employer in Guelph, ON. Based on the National Living Wage Framework, the living wage is set independently by each participating community. We pay a living wage in all Canadian communities where the standard has been established, and are committed to advocating for our external stakeholders to follow suit ([see page 42](#)).
- > We offer a range of insurance solutions that incorporate sustainability features and have begun to expand the breadth of our sustainable product offering by embedding sustainability attributes into core insurance products, such as Home and Auto, and Life (our Comprehensive Water endorsement and Acceptional Life® are examples of this — [see pages 20–21](#)).
- > 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), with a target to have 6 per cent to 10 per cent of The Co-operators assets as impact investments by the end of 2018 ([see page 40](#)).

## 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 launched Comprehensive Water — our innovative product solution that protects clients from the risk of flood — in Alberta in 2015, and expanded this coverage to Ontario homeowners and farm dwellings in 2016. It offers homeowners easy-to-understand, broad coverage, even in high-risk areas. We were the first company to offer this type of coverage in the Canadian residential property marketplace ([see page 20](#)).
- > A history of serious illness may lead to the denial of life insurance, posing a significant threat to prosperity and peace of mind. In response, The Co-operators launched Acceptional Life® in the spring of 2016, in partnership with Hunter McCorquodale and Consilium Strategic Partners, to provide coverage to Canadians who have been declined standard life insurance products ([see page 21](#)).
- > Our investment company, Addenda Capital, is an active steward of the companies in which it chooses to invest on behalf of its clients. Aligned with a commitment to sustainable investing, Addenda applies environmental, social and corporate governance (ESG) considerations to its investment decisions and actively promotes sustainable financial markets ([see page 34](#)).
- > In collaboration with groups such as Partners for Action, the United Nations Environment Programme Finance Initiative (UNEP FI), World Bank Insurance Development Forum (IDF), Corporate Knights, Smart Prosperity and The Natural Step Canada, we seek to raise awareness of sustainability issues, risks/opportunities and catalyze positive change ([see pages 29, 31, 33](#)).
- > Through the IMPACT! Youth Sustainability Leadership Program, we are empowering post-secondary students and recent graduates to become sustainability champions in communities across Canada ([see page 31](#)).

## 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.

- > We catalyzed the launch of the Partners for Action (P4A) Network at the University of Waterloo's Faculty of Environment. The network is dedicated to advancing flood resiliency in Canadian communities. Through the research, education and advocacy of P4A, Canadians are gaining a better understanding of their levels of risk awareness, the social impacts of flooding, the flood preparedness of major Canadian cities, and the steps that can be taken to build resiliency and better protect communities from devastation ([see page 29](#)).
- > Our relationships with multiple levels of government continue to evolve as we make them aware of our research to better understand the issue of overland flood. In 2016 we engaged with federal and provincial governments on the flood disaster recovery plan ([see page 21](#)).
- > We were the first Canadian insurance company to sign the Montreal Carbon Pledge in 2014 and publicly disclosed the carbon footprint of our equity portfolio in 2015. Our investment company, Addenda Capital, became a signatory in 2015 and was the first Canadian asset manager to disclose the carbon footprints of all its equity funds. We expanded our disclosures in 2016 to include fixed income and preferred-share portfolios ([see page 34, Appendices page AP-38](#)).
- > Through our advocacy efforts and collaboration with various partners, we have been at the forefront in supporting initiatives that advance sustainability principles. Examples of our advocacy efforts in 2016

included our involvement in the World Bank Insurance Development Forum (IDF) to build a more sustainable and resilient global insurance market ([see page 33](#)), and our work with Smart Prosperity toward Canada's transition to a high-efficiency, low-carbon economy ([see page 33](#)).

**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 fifth year of disclosing progress toward each of the Principles. We invite you to read our full 2016 Integrated Annual Report to learn more about our efforts to integrate and embed co-operative and sustainability principles throughout our organization.