

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 [2020 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 2020 we responded 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. Prior to wide-spread lockdowns, we proactively moved our entire workforce to a work-from-home environment, to protect employees and communities, and we provided support and resources to our employees (see pages 18-19, 87). We provided financial relief to clients (see pages 31, 38). We provided capital and relief funding to the co-operative sector, and increased community investment to organizations that support youth and marginalized communities (see pages 49-53).

In 2020 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 process." We are also guided by our Enterprise Long-Term Goals to 2030 that align with the United Nations Sustainable Development Goals (see pages 16-17).

The Co-operators endorses all 17 of the Sustainable Development Goals (SDGs) and have aligned our 2030 Enterprise Long-term Goals to nine SDGs on which we have the greatest expertise and can make the most meaningful impact (see pages 102-103).

In 2020 we produced our fifth integrated annual report, which amalgamates our sustainability, governance, and annual reporting, and reflects our progress 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 November, 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 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, and explore opportunities for sustainability-driven innovation.

In 2015, we became a Certified Living Wage Employer in Guelph, ON, the location of our head office. Based on the National Living Wage Framework, the living wage is set independently by each participating community. We have

since adopted a living wage in all Canadian communities where the standard has been established. We also monitor salaries and identify and address any gaps in gender pay; in 2020 our analysis showed that no wage gap existed across equivalent salary grades (see page 85).

We offer a range of insurance and wealth solutions that enable a sustainable, low-carbon, resilient society. We have embedded sustainability attributes into core insurance and wealth products, such as Home and Auto, and Life (our Comprehensive Water endorsement and Impact Fixed Income Pooled Fund are examples of this — see pages 37 and 58).

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 2020, 20.8 per cent of The Co-operators assets were invested as impact investments, exceeding our goal of having 20 per cent of assets that are impact investments by 2022 (see page 58-61). Combining our net purchases of impact investments with capital expenditures on our future headquarters building (targeting LEED-Gold certification) yields our total Clean Investments (as defined by Corporate Knights). These investments totaled \$630.8 million in 2019 and \$298.4 million in 2020.

In 2020, we worked with the Canadian Centre for Diversity and Inclusion (CCDI) to focus on collecting insights to identify barriers to inclusion and inform the development of holistic diversity and inclusion strategy within our organization (see pages 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 (see page 90). As an example, 29 per cent of annual performance goals for our Executive Vice-President and COO, Co-operators Life Insurance Company and President and COO, CUMIS were related to co-operative identity/sustainability.

In 2020 we created a sustainability eLearning course to enable employees to bring a “sustainability lens” to their work. It empowers staff to connect their work to our vision of being a catalyst for a sustainable society and was completed by 82 per cent of corporate employees (see page 90).

We track our corporate carbon footprint, and in 2020 we reached our goal of becoming carbon neutral equivalent, compared to our 2010 baseline level (see page 62 and [Carbon Footprint Reporting](#)).

We have progressed along our journey to integrate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), following our public endorsement of its recommendations in 2017. Our second report of our TCFD activity can now 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. In 2020, we upgraded our Ontario flood model to include Great lakes storm surge (see page 37, 103).

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 pages 42-43).

We help our clients and their communities understand and adapt to the impacts of climate-related risk, through initiatives such as eAlerts and eReminders (messages sent to clients in advance of imminent extreme weather events and seasonal weather patterns), our FireWatch tracking application and Wildfire Community Preparedness Days (see page 34, 54).

Our Corporate Venture Capital fund invests in start-ups such as BlueDot, a Toronto-based HealthTech company that tracks and predicts the spread of infectious disease globally. BlueDot was among the first to identify the COVID-19 outbreak and to advise its clients on pandemic response strategy (see pages 95-97).

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.

Co-operators Community Funds' \$2 million Pathways to Employability Initiative supported #impactCOVID: Road to Recovery Project. #impactCOVID is a two-phase, youth-led program launched in partnership with the Canadian Council for Youth Prosperity (CCYP), RBC Future Launch, and Magnet, focused on employability and quality work for marginalized youth.

We partner with organizations such as Kids Help Phone and Enactus to champion mental health among youth (see page 53).

We've disclosed the carbon footprint of our equity portfolio since 2015 as a signatory to the Montreal Climate Pledge. In 2020, the Partnership for Carbon Accounting Financials (PCAF), a global partnership of financial institutions, released a standard for accounting and reporting of greenhouse gases in financial services companies' investment and lending portfolios. We used the PCAF methodology to calculate the [financed emissions \(carbon footprint\)](#) of our listed equity and corporate bond portfolios in 2020, and we recalculated our financed emissions for 2018 and 2019.

In 2019, we announced the renewal of our partnership with 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. In 2020, P4A issued Canadian Voices on Flood Risk 2020, highlighting the continued lack of flood-risk awareness and preparedness amongst Canadians living in high-risk flood areas (see page 54).

We provided input and expertise to support Canada's Expert Panel on Sustainable Finance, and publicly endorsed the Expert Panel's final report in 2019. In 2020, we participated in efforts to implement the recommendations of the report, including the development of a Canadian taxonomy for transition finance led by the Canadian Standards Association (see page 56).

Through the United Nations Environment Programme Finance Initiative (UNEP-FI) TCFD pilot group, we helped develop tools to inform climate strategies and financial disclosures (aligning with the recommendations of the Task Force on Climate-related Financial Disclosures) (see page 56).

In collaboration with groups such as the P4A Network, UNEP-FI, World Bank Insurance Development Forum (IDF), Corporate Knights, Smart Prosperity Institute, and the Accounting for Sustainability CFO Leadership Network, we seek to raise awareness of sustainability issues, risks/opportunities and catalyze positive change (see pages 54, 56-57).

Our innovation areas of focus have addressed environmental and social issues, and in 2020 focused on exploratory research into Financial Inclusion and Resiliency (see page 98).

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 ninth year of disclosing progress toward each of the Principles. We invite you to read our 2020 Integrated Annual Report to learn more about our efforts to integrate and embed co-operative and sustainability principles throughout our organization.