

The Co-operators Sustainability Report **2014**

About our cover: Convergence

As we reflect on our performance over the past four-year strategy period, and anticipate where our upcoming strategy will take us, we are at a point of convergence.

MISSION VISION VALUES

MISSION STATEMENT

The Co-operators: financial security for Canadians and their communities.

Our Vision

The Co-operators aspires to be valued by Canadians as...

- > a champion of their prosperity and peace of mind
- > a leader in the financial services industry, distinct in its co-operative character, and
- > a catalyst for a sustainable society.

Statement of Values

At The Co-operators we...

- > strive for the highest level of integrity
- > foster open and transparent communication
- > give life to co-operative principles and values
- > carefully temper our economic goals with consideration for the environment and the well-being of society at large
- > anticipate and surpass client expectations through innovative solutions supported by mutually beneficial partnerships.

Co-operative Principles

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation among co-operatives
7. Concern for community

Public Accountability Statement

Federally regulated financial institutions with more than \$1 billion in equity are required to publish information outlining their contributions to the Canadian economy and society in the form of a yearly Public Accountability Statement. We invite you to read through this report to learn more about our social, economic and environmental impacts, and how we are contributing to safer, more resilient communities. Please see [page 44](#) for more information about our Public Accountability Statement.



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GRI materiality disclosures (G4-17 to G4-27) are denoted throughout this report with the following symbol: ✖

message TO STAKEHOLDERS



John Harvie and Kathy Bardswick

As we complete one strategy period and embark upon another, we find ourselves simultaneously reflecting on our accomplishments and looking towards the future with anticipation. Standing on a firm foundation and viewing our business through a sustainability lens, we are confident we will reach new heights in the coming four years.

We established a path towards our vision to become a catalyst for a sustainable society with our ambitious 2011–2014 Sustainability Strategy. In this four-year plan, we challenged ourselves by setting a number of far-reaching goals. While we made significant advances in many areas and we have much to be proud of, there are some targets that we did not achieve. We believe we need to do more, as an insurer committed to sustainability, to increase Canadians' resiliency in the face of growing risks. Further, we recognize that we have an opportunity to heighten awareness of our sustainability commitment amongst key stakeholders, including our employees, advisors, clients and member-owners; in fact, this is an important aspect of our vision to become a catalyst for a sustainable society.

Our group of companies achieved many milestones during the 2011–2014 corporate strategy period, but we also encountered some unexpected challenges. We planned for a slow yet steady economic recovery, but ongoing volatility and persistently low interest rates have become the new normal. We planned for significant storm losses, but record-breaking weather events tested us. Within this four-year period, thousands of clients were affected by catastrophic flooding, hail, wind storms and wildfires. Some of our proudest moments came during these challenging times, when our employees and advisors did their utmost to help clients in need.

We made strides in improving the client experience in recent years, which helped us reach unprecedented levels of client growth and new highs in client satisfaction in 2014. The Co-operators Group Limited demonstrated its financial strength,

Sustainability is aligned with our commitment to co-operative values and principles. With a focus on long-term thinking and long-term action, we believe they are inextricably linked.

earning net income after tax of \$177.4 million in 2014. We also made progress in our advocacy efforts, both in our communities and on the global stage. We are particularly proud of our continuing role in generating a national conversation around the unmet need of overland flood insurance for Canadians.

We take pride in our people and we aim to develop a positive working environment. While our overall employee engagement score improved by five percentage points this year to 78%, we fell short of our 80% target. Even so, we were pleased that this score earned us a place on the “50 Best Employers in Canada” list for the 12th consecutive year.

Evolution

Our commitment to sustainability is aligned with our commitment to co-operative values and principles. With a focus on long-term thinking and long-term action, we believe they are inextricably linked. With this in mind, our strategic approach is evolving. We will no longer have a stand-alone sustainability strategy — instead sustainability is integrated into the 2015–2018 corporate strategy. When a sustainable approach becomes simply ‘the way we do things,’ we will know that it is fully embedded in our organization.

In developing our 2015–2018 strategy, a number of systemic issues and evolving trends provided context, such as increasing pressures on the health care system; the need to focus on mental health, particularly among youth; growing income disparity among Canadians; and our aging population. Consumer expectations are continuing to evolve, and technology is presenting us with opportunities to meet these new demands. In addition, climate change is resulting in more extreme weather events and placing ever-greater pressure on Canada’s aging infrastructure.

Leadership

We engaged with researchers at the University of Waterloo to undertake a study assessing the viability of overland flood insurance in Canada, just months before the devastating floods hit Alberta and Ontario in 2013. Stakeholders across the country were very receptive when the report was released later that year, and it resulted in some very productive discussion. This included the 2014 Partners for Action Roundtable, an event that convened a wide range of stakeholders, representing all levels of government, non-governmental organizations and a variety of business sectors. These groups collaborated to identify and prioritize the approaches needed to strengthen flood resiliency in Canadian communities.

We participated in a number of other exciting initiatives in 2014. We sit on Corporate Knights’ Council for Clean Capitalism, which achieved a major milestone when Ontario launched Canada’s first green bond offering. We were the first Canadian insurance company to sign the Montreal Carbon Pledge, through which we committed to measuring and publicly disclosing the carbon footprint of our investment portfolio. In addition, we are participating in the United Nations Environment Programme’s Inquiry into the Design of a Sustainable Financial System, which seeks to mobilize capital and transition to a prosperous, inclusive and sustainable global economy. It is inspiring to see these types of healthy conversations happening at the national and international level, acknowledging that we need systems that benefit everyone, not just the few.

Values

We are a proud member of Imagine Canada, contributing 3.5% of our pre-tax profits — a total of \$4,999,603 — to Canadian co-operatives, non-profits and charities in 2014.

In 2014, IMPACT! The Co-operators Youth Program for Sustainability Leadership was recognized as the “Clean 50 — Top Project of the Year.” We were included in *Maclean’s* “Top 50 Socially Responsible Corporations in Canada” and we placed third amongst financial co-operatives on Corporate Knights’ list of the most sustainable co-operatives in the world. In addition, Sustainalytics ranked us first out of 143 global insurance and reinsurance organizations for our environmental, social and governance performance. This recognition serves as reinforcement that we are approaching our sustainability journey in a comprehensive and balanced manner — one that reflects our role as a co-operative insurer, a community builder and a values-driven employer.

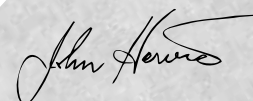
Future

With sustainability embedded in our corporate strategy, we believe there is even greater opportunity to catalyze sustainable change. At the same time, we acknowledge this may be the most challenging part of our sustainability journey so far. With strong and supportive leadership from our Board of Directors, added to the determination and support of our employees and advisors, we are confident we will meet our goals.

Thank you for your interest in our 2014 Sustainability Report.



Kathy Bardswick
President and Chief Executive Officer



John Harvie
Chairperson, Board of Directors

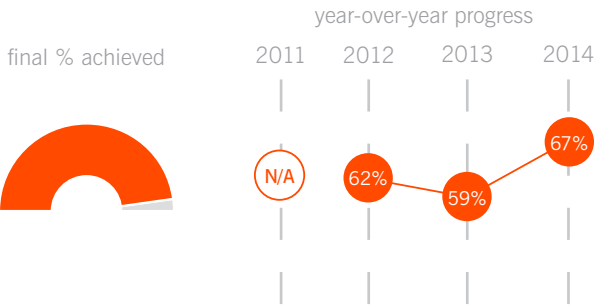
our strategy AND PERFORMANCE AT A GLANCE

As part of our efforts to become a catalyst for a sustainable society, our 2011–2014 Sustainability Strategy included a number of ambitious targets and key performance indicators, including those highlighted below. We made good progress in many areas of our strategy and achieved a number of our four-year goals. At the same time, there were some goals that we did not fully achieve. Included below is an overview of our sustainability performance; you can learn more about our successes and challenges throughout the report.

our people

initial target
70%

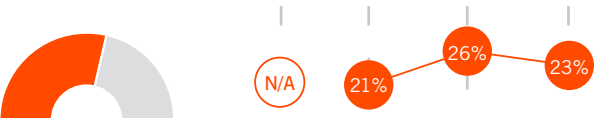
In our annual employee engagement survey, 70% of employees respond “agree” or “strongly agree” to the question: “I am a champion of sustainability with my colleagues, family, friends, and businesses, organizations and others in the community (includes social, environmental and economic sustainability).”



our clients

initial target
40%

40% of clients are aware of The Co-operators commitment to social and environmental responsibility.



initial target
40%

40% of clients are aware that The Co-operators has products with environmental and socially beneficial features.



initial target
20%

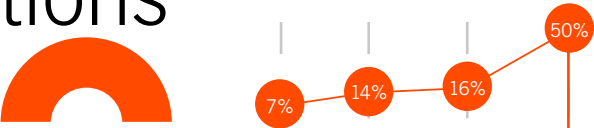
20% of clients indicate our commitment to social and environmental responsibility is one of the reasons they do business with us.



our governance & operations

initial target
50%

50% reduction in net carbon emissions from 2010 level.



Variations in historical emissions data result primarily from updates to emission factors.

initial target
100%

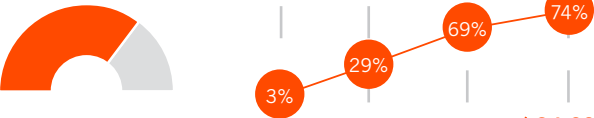
100% of our identified strategic suppliers commit to our Code of Conduct and rank 2 or 3 (out of a possible score of 3) on our sustainability questionnaire.



Results represent percentage of vendors from our original strategic vendor listing. Please refer to [page 30](#) to learn more about our efforts to significantly broaden the scope of our engagement with vendors moving forward.

initial target
100%

100% of relevant leading practices identified in our Sustainability Governance and Management Framework are adopted.

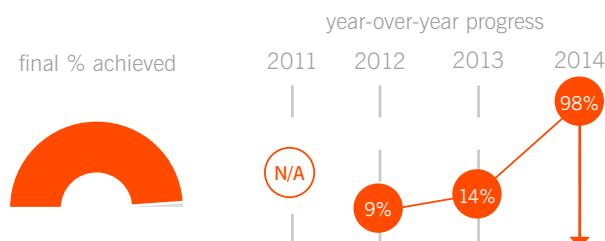


our investments

initial target

100%

100% of The Co-operators assets are managed under our updated Sustainable Investment Policy.



The Policy has been applied across all major asset classes, where eligible. The Policy has not been applied to a small percentage of assets due to the nature of these assets (e.g., short-term investments, policy loans and derivative assets).

our public voice

We have participated in, or led, the following public policy initiatives:

- > To influence government(s) on the following climate change adaptation initiatives:
 - Seek three building code changes that address wind storms and flooding (strapping on garages, extra nails on roofs, backflow valves)
- > To influence government(s) on safety objectives:
 - Seek mandatory installation of fire sprinklers in new homes and all residential care facilities; and,
 - Seek mandatory installation of carbon monoxide detectors in all homes.

Please see [pages 32–34](#) for details on our significant advocacy efforts pertaining to climate change adaptation.

Our work with government to consider building code changes that promote resiliency and prevent losses is ongoing. We have worked with the [Institute for Catastrophic Loss Reduction](#) (ICLR) to identify changes for the National Building Code of Canada review (which will occur in 2015). An amendment was made to the Ontario Building Code requiring extra nails in roofing in 2012.

We have strongly promoted mandatory installation of fire sprinklers in new homes and all residential care facilities. In 2013, the Ontario government announced that all long-term care facilities must be retrofitted with sprinklers.

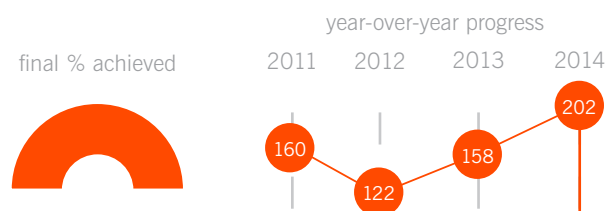
The Hawkins-Gignac Act was passed into law in 2013, making carbon monoxide alarms mandatory in all Ontario homes with fuel-burning appliances or heating systems, fireplaces, or attached garages.

our relationships

initial target

100 youths

100 youth across Canada remain connected to [IMPACT! The Co-operators Youth Program for Sustainability Leadership](#).



The number of attendees at IMPACT! Conferences and/or IMPACT! Champion Training.

In addition, 355 youth remain actively engaged through our IMPACT! online community network.

2008–2010 Sustainability Strategy
Key theme: Getting our house in order

Highlights: 2011–2014 Sustainability Strategy

Key theme: Becoming a catalyst for a sustainable society

2008–2010

2011

2012

2013

2014

- Held our second conference for [IMPACT! The Co-operators Youth Program for Sustainability Leadership](#)
- Ranked first on the “50 Best Corporate Citizens in Canada” list by Corporate Knights
- Developed an Insurance Product Sustainability Assessment tool, in collaboration with The Natural Step Canada
- Launched our “[Sustainability at Home](#)” toolkit, offering tips for making daily sustainable decisions

- Commissioned [research](#) to explore the risks and opportunities related to insuring homes against overland flood damage
- Steadfastly supported our clients in a year where insured losses reached the highest in Canadian history (due to extreme weather-related events, including the devastating floods in southern Alberta and Toronto, Ontario)
- Initiated a partnership with [Habitat for Humanity](#) to donate salvageable claims materials to local ReStore outlets
- [Placed first](#) on the “Most Sustainable Co-operatives in the World” list by Corporate Knights

Became the first (and remain the only) North American insurer to sign on to the [United Nations Environment Programme Finance Initiative \(UNEP FI\) Principles for Sustainable Insurance](#)

Addenda Capital (our investment company) became a signatory to the United Nations-backed [Principles for Responsible Investment](#) initiative

Became a founding member of the [Corporate Knights Council for Clean Capitalism](#)

Launched the [National Co-op Challenge](#) and joined co-operatives worldwide to promote the International Year of Co-operatives

Convened the Partners for Action Roundtable discussion with a broad group of key stakeholders, to identify and prioritize the conditions necessary to improve Canada’s flood resiliency

Announced a three-year partnership with Bullfrog Power as part of our carbon emission reduction plan

Became the first Canadian insurance company to sign the [Montreal Carbon Pledge](#)

Held our third conference for IMPACT! The Co-operators Youth Program for Sustainability Leadership

Our President and CEO was invited to join [UNEP’s Inquiry into the Design of a Sustainable Financial System](#)

our SUSTAINABILITY JOURNEY

When we embarked on our Sustainability Strategy in 2008, we did so separately and distinctly. We were trying to figure out what we needed to do differently from a sustainability standpoint.

We embarked on a series of initiatives, over two strategy periods, that demonstrated our commitment. At the same time, we were incorporating a more acute view of what it meant to be a co-operative insurer and thinking about how we should manifest this difference in the marketplace.

We have made significant progress on our sustainability journey. We recognize that the seven co-operative principles — and our dedication to bringing them to life — are aligned with our commitment to sustainability. With this in mind, we felt our strategy needed to be integrated.

The co-operative model facilitates sustainability. And, to be sustainable within the context of our commitments, is to bring our co-operative principles to life.

— Kathy Bardswick, President and CEO

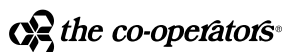
**Co-operative
principles align
with sustainability**

Co-operative Principles

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation among co-operatives
7. Concern for community

company PROFILE

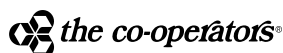
The Co-operators group of companies is made up of a number of different organizations, each focused on different areas of our business. We are 100% Canadian-owned and operated.



The Co-operators Group Limited is the co-operative holding company for The Co-operators group of companies.



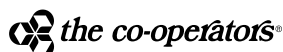
Co-operators Financial Services Limited is a Canadian holding company that consolidates all of The Co-operators insurance and investment management operations.



Co-operators General Insurance Company provides Home, Auto, Farm and Commercial insurance through an exclusive advisor network across Canada. This network also distributes Life insurance and Wealth Management products for Co-operators Life Insurance Company.



The Sovereign General Insurance Company is a trusted source of risk solutions for Canadian business.



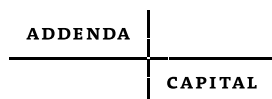
Co-operators Life Insurance Company provides Life and Health insurance, as well as Wealth Management products, to individuals and groups across Canada.



Federated Agencies Limited collaborates with strategic business partners from across the group of companies to provide the best available Personal, Commercial and Financial Services products to our clients, including our member-owners and their members.



HB Group Insurance Management Ltd. and **COSECO Insurance Company** offer Auto and Home insurance through three contact centres to employer groups, affinity groups, associations and credit union members. Business developed by HB Group is primarily insured by COSECO.



Addenda Capital Inc. provides discretionary investment advisory services to pension plans, insurance companies, endowments, foundations, governments, corporations and mutual funds, as well as the companies of The Co-operators Group Limited.



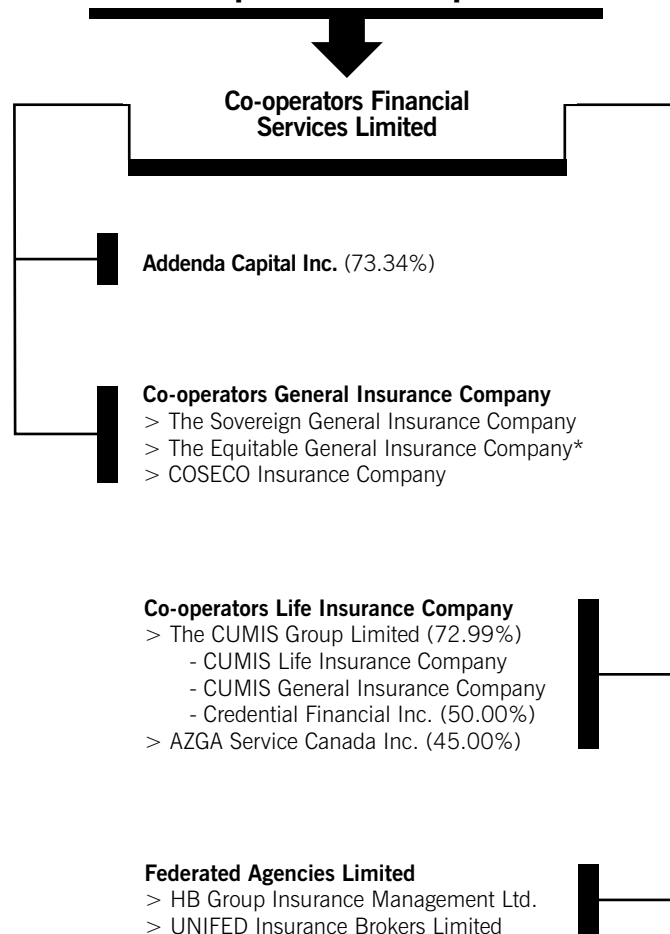
The CUMIS Group Limited is the leading provider of insurance-related products and services to credit unions, caisses populaires and their members in Canada.



Credential Financial Inc. is a national Wealth Management firm offering a full suite of products and services to over 225 credit unions and independent financial institutions.

THE CO-OPERATORS GROUP LIMITED ORGANIZATIONAL CHART
Headquartered in Guelph, Ontario, The Co-operators Group Limited is the co-operative holding company for The Co-operators group of companies. Its membership includes co-operative organizations and credit union centrals.

The Co-operators Group Limited



**non-operating entity*

BUSINESS PROFILE

The Co-operators is a leading Canadian-owned, multi-product insurance and financial services organization.

More than \$38.3 billion in assets under administration

Insures more than 743,000 homes, 1.1 million vehicles and protects 617,000 lives

Provides coverage to more than 36,000 farms and nearly 145,000 businesses

It offers a wide range of Wealth Management products including mutual funds

And provides institutional investment and asset management services

The Co-operators has the 6th largest share of the Property and Casualty (P&C) market in Canada with 5%

4,348 employees

487 exclusive advisors with 688 retail outlets

Serves approximately 315 credit unions with more than 5.3 million members

200,000 employees insured through Group Benefit plans

Provides Credit insurance to nearly 640,000 Canadians

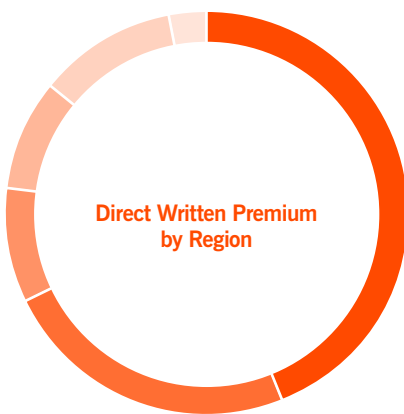
TIC Travel Insurance Coordinators merged with AZGA Service Canada Inc. (Allianz Global Assistance Canada), effective December 31, 2014. This report does not include TIC's 2014 activities, unless otherwise noted.

financial HIGHLIGHTS

Our 2014 financial highlights are found here. A three-year financial review can be found in our online report at www.cooperators.ca/sustainability_report. Our 2014 Annual Summary can be found online at www.cooperators.ca >> [About Us](#) >> [Corporate Information](#) >> [Annual Report](#).



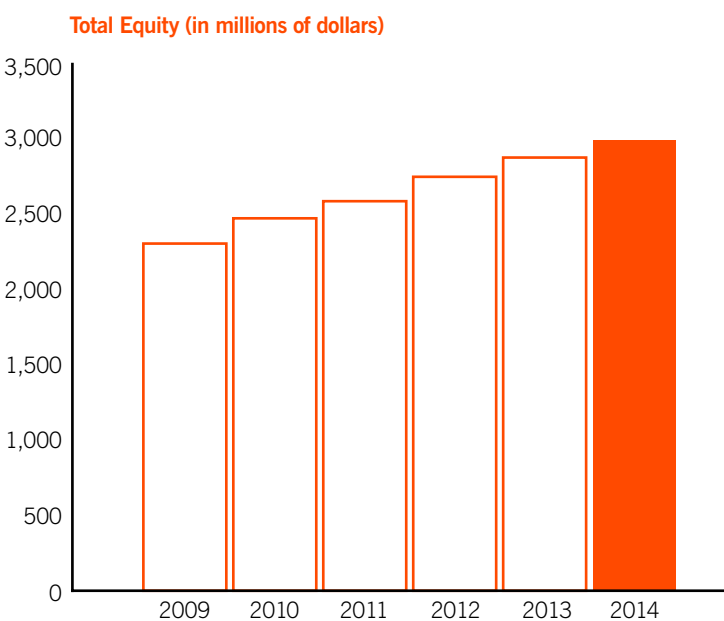
- Co-operators General (52%)
- Co-operators Life (20%)
- CUMIS Group (11%)
- The Sovereign General (10%)
- COSECO (7%)



- Ontario (44%)
- Alberta (24%)
- Atlantic (9%)
- Manitoba/Saskatchewan (9%)
- British Columbia (11%)
- Quebec (3%)



- Bonds (61%)
- Stocks (20%)
- Mortgages (15%)
- Short-term investments (2%)
- Other (2%)



our PEOPLE

We attract and develop personal champions of sustainability through our dynamic, progressive workplace.

We aim to create an environment where employees and advisors are champions of sustainability.

The success we have achieved on our sustainability journey so far is due to the commitment and dedication of our leaders, employees and advisors working in communities across Canada. We cannot simply depend on policies and strategies to make our vision a reality, we need people to implement our plans and approach their day-to-day work through a sustainability lens. As we aim to further embed sustainability into the organization, we ask ourselves what success will look like. When we see more and more of our people owning that question, making a personal commitment and contribution to sustainability in their lives and in their roles at work — then we will know.

As a values-based organization, we support our people and strive to create an enjoyable, respectful workplace where employees can build their careers and find the work-life balance they need to succeed.

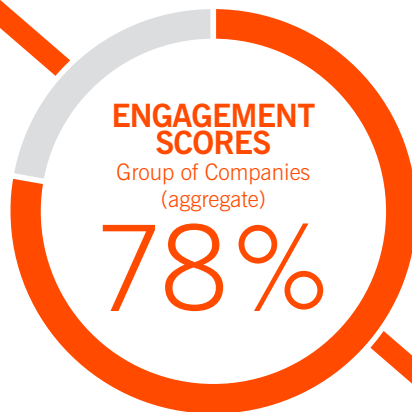
Employee Engagement

We strongly believe that an engaged workforce is a vital component of a successful company. Our confidential annual employee engagement survey,¹ administered by Aon Hewitt, was completed by 89% of employees this year. After our aggregate engagement score dipped to 73% in 2013, we were pleased to see our 2014 score for the group of companies rise by five percentage points to 78% — just below our target of 80%.

The engagement score at Co-operators Life improved significantly this year as well (from 57% to 66%), which helped to increase the aggregate score for the group of companies.

Good scores in “career opportunities,” “trust in our senior leadership,” and “health and wellness” contributed to our improved overall score in 2014. We are pleased with the improvements achieved this year, but we also appreciate our employees’ candour as the issues they identify give us direction for improving their work experience. As in previous years, “work processes and procedures” and “tools and resources” were identified as areas of concern, however, scores in these areas are trending upwards as we build our capabilities. For example, across the group of companies we are making significant investments in technology and software solutions. This includes our new Human Resources Information System, which takes all human resources tracking online, building efficiencies and reporting capabilities. There is more work to be done to fully maximize this system’s capabilities; however, we are pleased that this new tool is responding well to employee concerns about tools and resources, while moving us closer to paperless human resources administration.

1. According to Aon Hewitt, employee engagement is driven by leadership quality, effective rewards, strong workplace culture and values, enabling productivity, and the support of performance and development.



ENGAGEMENT SCORES BY COMPANY

Addenda Capital: 75%
Co-operators General*: 81%
Co-operators Life: 66%
CUMIS: 80%
The Sovereign General: 79%

**Includes engagement scores from
The Co-operators Group Limited and HB Group.*

Our employee engagement results compare well to the “Best Employers” score of 77% and earned The Co-operators Group Limited a place on the [“50 Best Employers in Canada”](#) list — the 12th consecutive year that we have received this honour. Co-operators General, HB Group and Addenda Capital are included in this recognition. The Sovereign General was included on the list of the [“50 Best Small & Medium Employers”](#) for the fifth time and CUMIS for the sixth time.

Support from our employees is essential to our success in reaching our sustainability goals. For this reason we are pleased to note that 85% of employees state that “their personal values are very similar to those of this organization” and 94% believe we are a “socially and environmentally responsible organization.”

A significant improvement over the 2013 results of 59%, the 2014 survey showed that 67% of employees agreed or strongly agreed with the following statement: “I am a champion of sustainability with my colleagues, family, friends, and businesses, organizations and others in the community (includes social, environmental and economic sustainability).” While we were pleased to see this eight percentage point increase, the result was still short of the 70% goal for 2014.

We recently refreshed our sustainability orientation program.² This e-learning course tells the story of our sustainability journey, explains key areas of our strategy, and shows examples of our employees making a difference through their jobs and in their communities. It is a required element in our new employee orientation and is also available to existing employees, and advisors and their teams, with the intention of increasing understanding of and engagement with our sustainability vision.

A total of 1,072 people have accessed the training (to the end of 2014). We hope this training positively impacts our scores in future years.

Our new hire survey asks if working for an employer that is socially responsible and sustainable is important to them. When first hired, 77% said “yes” to this question. After six months working with us, seeing our co-operative values in action and learning about our commitment to sustainability, 97% agree. This question helps to quantify our ability to recruit employees who share our values, and it shows the effectiveness of our employee orientation programs in articulating our co-operative, sustainability-focused culture.

Embracing Change

Our travel company, TIC Travel Insurance Coordinators, merged with Allianz Global Assistance Canada on December 31, 2014. A significant reason for pursuing this partnership was Allianz’ access to global networks, which will provide our clients with a better travel insurance experience. The new company is one of the largest travel insurance providers in the country, and Co-operators Life, which owned TIC, is a significant stakeholder (with 45% ownership).

We committed to open and transparent communication with our TIC employees to ensure a seamless transition. At TIC and across the group of companies, 283 employees completed resiliency training in 2014. We have hosted these workshops for a number of years and feedback from employees is consistently positive, indicating that they are better equipped to manage change after completing the training.

We are proud of our corporate culture. Our employees value our co-op identity and our commitment to collaboration. That said, to meet our new strategic goal to become the leader in client engagement, all of our human resources policies, practices and processes must be aligned. We are not simply aiming for better service, but putting the client at the centre of all our

2. The program was first made available in December 2013. However, communication and support materials were released in 2014, which promoted awareness amongst the intended audience.

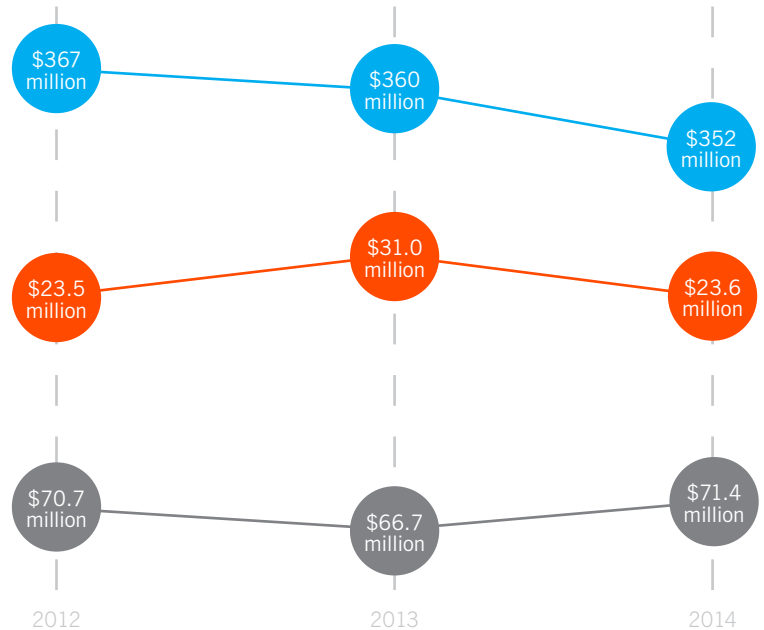
EMPLOYEE WAGES, INCENTIVES AND BENEFITS

Totals represent salaries, incentive program amounts and benefits paid in calendar year.

Total
employee salaries

Total
employee incentive program

Total
benefits



decisions. Going forward, we will continue to review our tools and our training programs to ensure that they reinforce our strategic goals.

Recognizing and Rewarding

Annual performance reviews are an important method for planning, measuring and recognizing performance for all employees. Our new Human Resources Information System allows for improved reporting on sustainability goals.³ Members of our senior management team have at least one sustainability-related goal in their performance plans, and it is tied to a bonus. This practice, started in 2013, will continue going forward. We anticipate that, ultimately, this process will help to further embed sustainability throughout the organization.

We were honoured with the “Most Strategic Client of the Year” award by our BETTER

Recognition and BRAVO program partner, O.C. Tanner, Canada. BRAVO is our recognition program, which rewards our top employees for exceptional performance with an invitation to an off-site conference.

Nominations are submitted by peers, which offers a

discerning glimpse into the value employees bring to their work on a daily basis. The criteria recognize activities that showcase our co-operative and sustainable values, and the program is aligned with our strategic areas of focus, such as the “Client Experience.”

Our BETTER Recognition program continues to prove a successful tool for fostering a culture of appreciation. Through the easy-to-use website, employees can send a co-worker an electronic thank-you card for demonstrating recognition-worthy behaviours. More than 27,000 eThanks were sent across the organization in 2014.⁴

Total Rewards

Our Total Rewards program is a communication tool that summarizes employee compensation, including a comprehensive benefits package,⁵ development and career opportunities, performance and recognition, and initiatives that promote a healthy work-life balance. In an effort to remain competitive and meet our employees’ needs, we review our Total Rewards program regularly.

Development

To remain competitive in an ever-changing environment and to support employees’ career goals, we strongly support education and training. For example, we promote the training offered by the Insurance Institute of Canada.

We pay all course fees and are one of the Institute’s largest subscribers, with 1,770 registrations annually.⁶ Employees enrol in a wide variety of programs that support their daily work requirements and their longer-term career aspirations: this year we invested \$771 per employee on external education programs, which compares well to the most recent Conference Board of Canada benchmark of \$705. We also have an internal education team, Organizational Development, which offers a comprehensive selection of courses.

As part of our commitment to supporting the co-operative business model, we invest in and promote co-operative education. Internally, we offer the Co-operative Experience e-learning program. It teaches employees about the fundamentals of the co-operative model, how our co-operative governance structure works, and what we do to promote co-op development. We are also an active supporter of the Saint Mary’s University [Masters of Management – Co-operatives and Credit Unions program](#), with eight employees currently working towards the degree, or the affiliated diploma option. A total of 13 employees have graduated from the program since its inception in 2003.

Building Strength

Our succession planning strategy is evolving. In the past our focus was on priming

3. The first set of results will be available in early 2015.

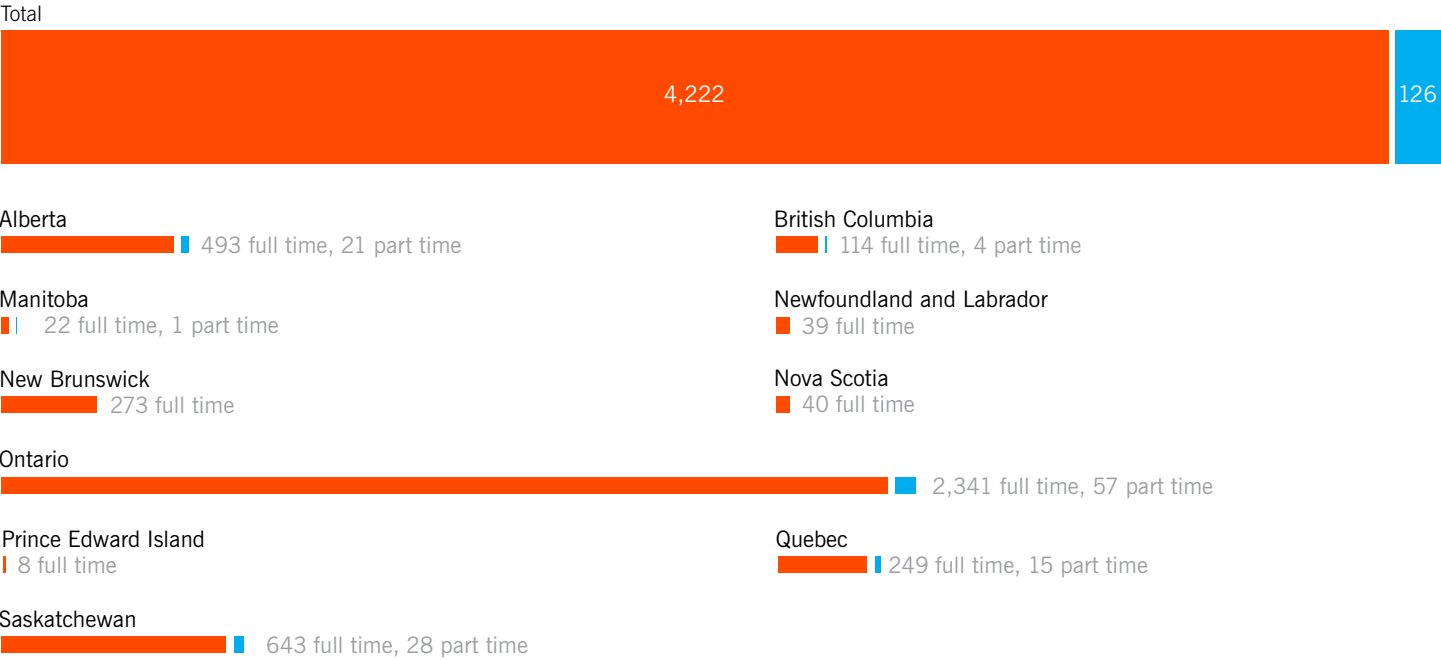
4. A total of 54,674 eThanks have been sent since the program’s launch in October 2012.

5. We fully cover the premiums for Life, Health and Dental insurance for all full-time and part-time employees (with the exception of unionized employees at CUMIS, where a cost-sharing dental program is in place).

6. A three-year average.

WORKFORCE* BY PROVINCE

Full time Part time



*With an average age of 43, our workforce is comprised of 67% females and 33% males. Of our nine senior managers, three are female.

emerging leaders for specific positions. Now we are aiming more broadly, preparing our senior leaders through exposure-based talent development.

We have a number of leadership programs — from BUILD, which focuses on young, emerging leaders to LEAD, which is directed at people managers. These programs provide development opportunities from training to mentorship opportunities. Our focus on developing leadership throughout the organization helps us to identify employees with leadership potential and ensures we have the capacity to fill key roles and promote from within the organization.

A stable, consistent workforce has many benefits including strong client service, productivity and workforce morale. With this in mind, we aim to keep our voluntary turnover rate at least 2% below the Conference Board of Canada's industry benchmark of 7.0%. Our voluntary turnover rate was 4.4% this year, a slight improvement over 2013 (see table on [page 16](#)). Our retention score was 93% in 2014, which was the same as the previous year. Our continued success in these areas is reflected in the fact

that we have many employees who have built decades-long careers with us. Employees' milestone anniversaries are celebrated through service recognition programs, certificates and informal events.

As in any business, we must hire people who are qualified for the job. At the same time, if we are to advance towards our sustainability vision, it is important for us to hire individuals who share our values. We provide equal opportunity when recruiting new employees and we hire the best person for the role, regardless of age, gender, race or religion. We are starting to see more diversity and increased bilingualism⁷ in our executive and senior management levels. However, we do not have a formal diversity strategy in place. In this year's employee engagement survey, 11% of employees self-identified as a visible minority and less than 1% indicated aboriginal roots. A total of 82% of these employees agreed with the statement "our people practices create a positive work environment for me." This is a slight increase over the previous year and is comparable to the score of 81% across all employees; it is also on par with the "Best Employers" score.

PROFESSIONAL DESIGNATIONS



7. Employees can access French language training; in some cases courses are available on-site.



Frederick Guillot, Manager Research – Analytics

Partnering for Progress

Frederick Guillot is an actuarial scientist and a passionate 10-year Co-operators employee. As a member of our Business Intelligence department, he and his team offer a scientific and analytical approach to the business of insurance, helping us better understand our risks.

Since finishing his Masters in Actuarial Science at Laval University in 2005, Frederick has continued to serve as a lecturer at the University. "It's important to develop links between academia and business," Frederick says, "to teach students to apply their knowledge and to provide us with fresh approaches to problem solving." And so, the idea for Actulab.ca was born.

With The Co-operators support, Frederick and his colleagues developed Actulab.ca, a program and workshop where actuarial students are challenged with developing risk assessment models based on real-world business cases. Students participating in the initial March 2014 event (hosted at Laval in collaboration with two other insurers) had three weeks to refine their models, devoting many hours in working towards a solution. Frederick was impressed with the solutions that were submitted, noting that "it was very interesting to see how students approached their assignments in unique and creative ways." A \$1,000 prize (selected randomly) was available to students who submitted their solutions to The Co-operators business case scenario.

Engaging youth is important to us as an organization and the benefits of Actulab.ca are considerable. "This collaboration helps students by offering them the opportunity to apply their knowledge to practical problems," notes Frederick. "We have also found it to be an excellent engagement tool, which can help attract highly talented students."

Actulab.ca was so well received by professors, a course is now offered at Laval that is based on the concept, enabling students to receive a course credit for their efforts. In addition, a second workshop is scheduled to be held at the University of Waterloo in early 2015.

We are committed to providing every employee with a workplace free from harassment and discrimination in any form. Our Harassment Policy ensures that employees will treat everyone they work with — including co-workers, vendors and clients — with dignity and respect. A mandatory e-learning module makes employees aware of this guideline, as well as their responsibilities and the procedure for reporting incidents.

As part of our commitment to providing an accessible environment in which all individuals have equal access to our services and programs, in a way that respects the dignity and independence of persons with disabilities, we implemented mandatory accessibility training this year. The program meets new Ontario regulations, but we chose to also extend it across the country. We abide by our Equitable Employment Practice Policy, Religious Accommodation Policy and Workplace Accommodation Policy.

Healthy Body, Healthy Mind

To make the most of our investments, we must be deliberate in our choices. As we consider our responsibility as a co-operative, and the unique contributions each of our companies can make to the social good, we are considering how our partnerships align with the health and wellness issues we would like to focus on. For example, Co-operators Life has chosen to use its expertise and knowledge to support mental health initiatives going forward. This topic is relevant for a life insurance company because of the links to long-term disability needs, group benefits claims, the impact that mental health has on us as an employer, and the significant and personal impact on our employees and our communities.

We believe that healthy people make happier employees. We encourage employees to take advantage of our on-site fitness facilities and classes,⁸ and our health and wellness programming, which includes seminars and wellness challenges, nutritional resources and newsletters. A number of locations have walking work stations and options for on-site massage therapy. Employees have ergonomic work stations, and we bring in consultants to help address any issues when an employee's work environment is causing physical discomfort.

8. Available at some office locations. We offer discounted rates at local facilities for employees at other locations.

VOLUNTARY TURNOVER AND RETENTION RATES

	2012	2013	2014
Conference Board of Canada Industry Benchmark – Retention Rate	88%	88%	89%
The Co-operators Retention Rate	92%	93%	93%
Conference Board of Canada Industry Benchmark – Voluntary Turnover	8.0%	7.3%	7.0%
The Co-operators Voluntary Turnover	4.0%	4.6%	4.4%

Work-life balance is also important to employees' overall well-being. Most employees have flex-time options to make their job fit with personal obligations. Some employees are able to work from home occasionally. We also have some formal programs in place, such as the Regina telework program that launched in 2013 and continued to build momentum in 2014. Satisfaction with the program seems to be influencing the "work-life balance" engagement score at Co-operators Life (increasing from 68% to 73% in 2014), and it is also contributing to our sustainability goals by reducing the amount of office space and commuter travel required.

Our employee assistance program offers 24-hour advice and support for a diverse range of issues ranging from physical and mental health to stress management and nutrition needs. Our average number of sick days per employee was 6.2 days in 2014 — a slight increase from 5.5 days the previous year. This compares well to the Conference Board of Canada's average of seven days.

Learning Experiences

Employees are able to use two paid days per year to volunteer in their communities. In 2014, 1,445 employees contributed a total of 13,044 volunteer hours. This represents a 32% participation rate, a small decrease from 33% the previous year. We continue to promote this benefit and look for new ways to help employees take advantage of their volunteer days.

This year we piloted a new partnership with the [Canadian Co-operative Association](#) to support international volunteering. Two employees applied their skills at a co-operative in Tanzania and two travelled to the Philippines. Each volunteer had an incredibly positive and eye-opening experience, living and working in a new country and culture while supporting co-operative development. In addition to one week paid leave, participants used two weeks of personal vacation time. To cover expenses such as travel and lodging, we contributed \$6,000 per volunteer to the program partner.

Advisor Engagement

Our advisors are active community leaders, serving as ambassadors for causes that are important to them. We want to increase our advisors' visibility so they can be recognized for their substantial contributions to the social fabric of their communities. We emphasize that there are many paths to social, environmental and economic sustainability through the term "community handprint."

Advisors are independent business owners with multiple demands on their time and resources. We piloted the Sustainable Agency Program in 2013 with a goal to create a framework to help advisors build and leverage their sustainability activities, contributing to both their communities and their businesses.

Based on what we learned in the pilot, a revised program launched nationally in 2014. Preliminary results were positive, with 118 advisors achieving Silver level certification; eight of these moved on to also reach Gold in the same year. Even so, this fell short of our initial target to have all advisors reach at least the Silver level of accreditation by the end of 2014; this goal has been extended to the end of 2015.

Regional advisor sustainability committees were established this year to share knowledge and provide peer-to-peer advice for advancing to the next level of certification. Overall, advisor feedback on the Sustainable Agency Program has been positive, as they appreciate being recognized for their important role in our sustainability journey.

our CLIENTS

We enable and encourage our clients to contribute to a sustainable future through our products and services.

We want to be recognized as the sustainable choice for insurance, and we see this as an important part of who we are. Further, we believe claims delivery is an area of opportunity for incorporating sustainability into our operations.

We believe that people come first. We strive to do the right thing for clients and member-owners and we have processes in place to ensure that our actions align with our values. As a co-operative insurer, we take a long-term view of business planning; this approach allows us the flexibility to set rates and settle claims in ways that support our mission, not just our bottom line.

Claims

As an insurer, Claims is the area where our commitment to clients is most evident to the clients themselves. While claims events in 2014 did not capture media attention in the same way as the 2013 floods in southern Alberta and Toronto, numerous weather events — from hail to wind to flood — impacted thousands of Canadians across the country, and we were there to help.

Our Reporting Centre Claims Representatives take calls from across the country and record details of the claim, reassure clients and provide them with information about the claims process. Every year we review our resources and processes, looking for innovative ways to improve our claims service and provide the best service possible for clients in their time of need.

Our approach to claims aligns with our values-based approach to business. When a client reports a claim, we determine the cause of the damage and look for ways that the policy can provide coverage for the loss. That does not mean we pay a claim if there was no coverage in place; but our approach ensures that we look at all the circumstances carefully and fairly. We do not deny claims lightly.

Because a claim is always the result of a loss of some kind, clients are often concerned, upset or frustrated when they first contact us. One of the ways we can best assure clients is to resolve claims as quickly as possible. In fact, this approach works best for everyone. Clients know where they stand, and we avoid a backlog of claims and minimize operational expenses.

Sustainable Claims Solutions

Insurance is primarily an intangible service, except when it comes to claims. Through the property and auto claims process, items such as mildew-covered carpets, smoke-infused furniture, and damaged cars are replaced or repaired. Through sustainable claims solutions we promote responsible consumer choices that lessen our overall impact on the

Life on the Major Event Team is as unpredictable as the weather. We have two “storm teams.” The first was formed in the west in 2008, followed by one in the east in 2012. The teams consist of 13 and seven people respectively. We created a combined Loss Prevention/Claims role this year; through this pilot program, an additional six staff were available to provide support during storm season.

Our Major Event Teams are on-call all year, but from May through September – our typical storm season – their bags are always packed. They support local claims staff in providing a swift, ground-level response; it is a challenging job, but it is also a rewarding position that makes a significant difference for our clients and communities.

environment. There is also substantial opportunity to create a positive impact through innovation. We have made solid progress in this pursuit over the last four years.

Our unique partnership with [Habitat for Humanity](#) expanded across Canada in 2014. The program facilitates the donation of salvageable claims materials to local Habitat ReStores, and the profits ultimately support Habitat’s community housing programs. This partnership — the first of its kind in Canada — expands our ability to provide sustainable claims solutions while at the same time supports social sustainability.

Through the Habitat for Humanity program we donated \$44,411 of material, diverting approximately 26,000 kilograms of waste from landfills, over ten months in 2014. We encountered some challenges with the national roll-out including uneven access to ReStore locations and inconsistent data tracking. The limited time and resources available in the midst of disaster recovery efforts also proved to be an issue at times. For example, the effort required to carefully remove fixed cabinets or sort contents for Habitat pick-up can be quite onerous when a community is in the midst of an emergency, such as a flood. That being said, we continue to be very excited about this program and we are striving to keep awareness top of mind for claims staff, and to educate contractors and ReStore employees to ensure the program reaches its full potential.

A number of the sustainable claims solutions introduced in years past have moved beyond the pilot stage and have simply become part of the way we do business. Finding innovative claims handling processes that work for us and our clients is a challenging task, and it is largely dependent on the development of new

solutions from vendors. We will continue to seek new opportunities going forward.

Increased client awareness and our ability to inform client decisions are key factors in the success of the sustainable claims solutions we offer. For example, we maintain a list of “green” collision repair shops that we recommend to clients. These shops have received a “green” designation because, for example, their repair processes are less damaging to the environment, they are committed to energy conservation and recycling, or they use technology to offer quick, paperless service. Although clients are free to choose any repair facility, we have seen a steady increase in the percentage of clients who choose a “green” shop for their vehicle repairs: in 2012 it was 25% and in 2013 that figure rose to 35%. In 2014, we reached 43%, which exceeded our 40% target.

We encourage our Claims Representatives to discuss sustainable claims options with clients. We believe that the more clients understand our commitment to sustainability, the more likely they are to see our rationale, trust our motivations, and select one of our recommended providers. While we must consider the limits of our influence, we continue to explore our options for promoting sustainable solutions.

Sustainability-focused Products

As part of our vision to be a catalyst for sustainability, we aim to offer Canadian consumers a different kind of insurance experience and make it easier for clients to integrate sustainable choices into their lives. The development of sustainability-focused products, and the underwriting of these risks, is largely uncharted territory. It is, however, a challenge we are meeting with enthusiasm.

In fact, satisfying unmet needs goes to the heart of what it means to be a co-operative. For example, this year we focused on the Flood Initiative (please see the feature on

SUSTAINABILITY-FOCUSED PRODUCTS

Totals represent policies-in-force, unless otherwise stated.

Enviroguard®

Envirowise®

LEED home discount

Hybrid

electric vehicle discount

Car-share

program

Community Guard

Windsurance

Power generation

business interruption coverage

Fire sprinkler

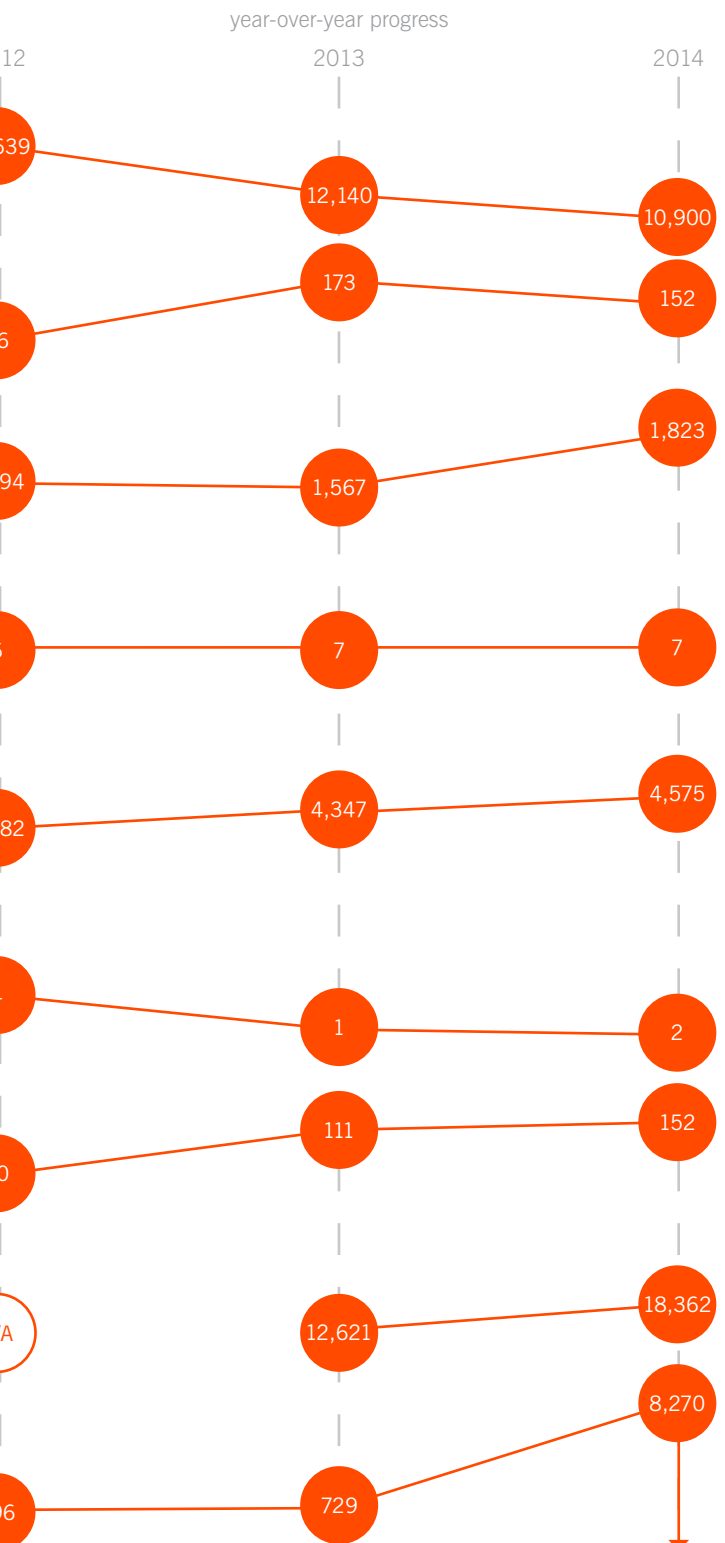
discount

Socially responsible/sustainable

investment

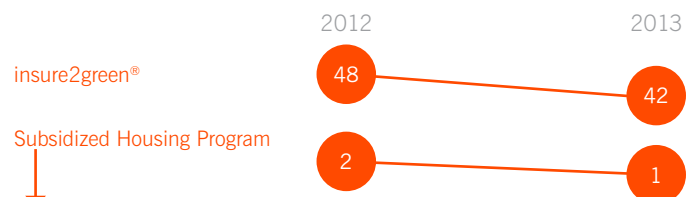
contracts

NEW PROGRAMS IN 2014



Increase is due to the addition of contracts managed under Addenda's Sustainable Investment Policy. Please see [page 31](#) for more information.

PROGRAMS DISCONTINUED IN 2014



Broker chose to move forward with a different underwriter. This policy represented 4,307 clients as of December 31, 2013.

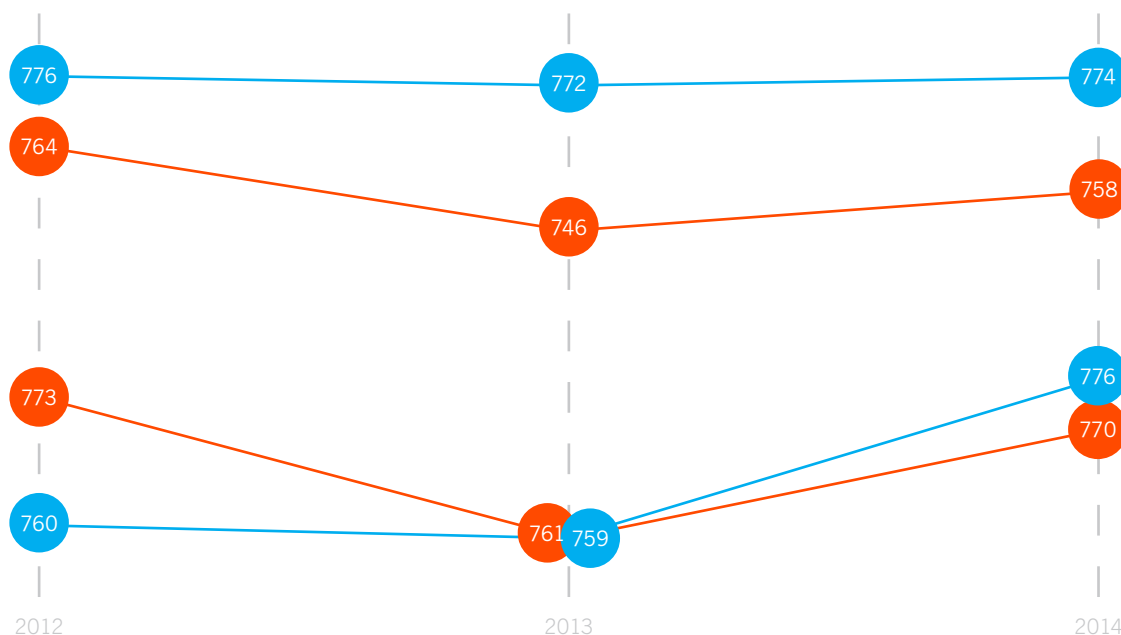
CLIENT SATISFACTION SCORES

J.D. Power and Associates Property & Casualty Customer Satisfaction Study, based on a scale of maximum 1,000.

• The Co-operators • Industry average

Auto

Home



page 35), with the ultimate goal of being a catalyst in advancing flood resiliency in Canada. In addition, after recognizing a gap in the market for car sharing groups, we spent time understanding this growing sector. We developed an insurance solution tailored to organizations operating in this space, many of which are co-operatives.

The “[Better Place Suite](#)” is a packaged solution featuring sustainability-focused products. We launched a campaign to promote this relatively new offering in 2014. Our hope was to simplify client communications and raise awareness of the sustainable choices we offer. However, uptake for many of our sustainability-focused products is not where we would like it to be. We are learning that if we want to be successful on this front, we have to take consumers on the sustainability journey with us. In other words, perhaps sustainability-focused products should not be an “option,” they should become part of who we are — simply the way we do business at The Co-operators.

We can expand our impact by embedding sustainability into our core products, such as Home and Auto insurance; we have begun to do this with the en-route Auto Program™ and our High Value Home product. By providing clients with easy entry points to improve their sustainability, we will expand the demand for products that are more sustainable and increase our overall impact. We are committed to this approach going forward.

We have an insurance product sustainability assessment (IPSA) tool, which was used to analyze all of our existing Home and Auto products. Last year we explored how the tool could help us integrate sustainability into the entire product portfolio and how it can be used in the new product development process.

The IPSA tool will also help us in the application of a tracking system developed in 2014. This new system was designed to help us analyze the depth and breadth of our sustainability impact from a product perspective. The implementation of this new system has not yet been determined, however once it becomes available, we will be better equipped to analyze the results of our new approach of embedding sustainability into our core products.

We launched our usage-based Auto insurance initiative, the [en-route Auto Program™](#), in the spring of 2014 in Ontario. Clients who enrol in the en-route Auto Program™ receive an initial 5% discount, and upon renewal, they may qualify for the user-based variable discount of up to 25%. Adoption has grown steadily, with hundreds of clients signing up every week. This program has been particularly popular with the younger client demographic, who seem eager to demonstrate responsible driving behaviours and access premium savings. See the profile story on [page 21](#) to learn more about the en-route Auto Program™.

We were disappointed with the outcome of our short-lived subsidized housing product, “SOHO,” which was a Property and Liability insurance

program for social housing tenants. Offered in partnership with a broker, SOHO provided affordable coverage to those who might not otherwise have access to insurance. Unfortunately, the broker decided to partner with a different underwriter in 2014. This was an unfortunate development, but we remain committed to creating and supporting new socially sustainable insurance products in the future.

Our commitment to exploring relationships with emerging companies and products that promote sustainability continues. To help our underwriters align our commitment to sustainability with the sometimes riskier requests for underwriting unique, sustainable projects, we have a Sustainable Underwriting risk appetite statement in place. We may, at times, decline to insure if we are not prepared to accept the risk. However, we are committed to investing the resources necessary to understand the risks inherent in these emerging sustainable products, processes and technologies.

Client Satisfaction

The “Client Experience” was one of our strategic priorities over the last four years. As we enter the next four-year strategy period, we are switching that focus to one of client engagement — where we try to maximize the two-way flow of value between our organization and our clients. This means taking a holistic view of the relationship across all products and services, and across all points of interaction. It is a



Driving Safety through Technology

Advances in technology impact our daily lives in a multitude of ways, including the way we drive. Clients who choose to insure their vehicle through our new [en-route Auto Program™](#) first install a 'telematics' device under their dash. This device then records and transmits driving behaviour data, such as mileage, travel time, harsh braking and acceleration.

Many clients choose the program because they can qualify for premium discounts. In addition to financial savings, there are many other benefits. For example, an easy-to-use online portal makes driving data readily accessible to the client, which helps raise awareness of driving habits and encourages safe driving behaviour. Co-operators client Jeff Burke enjoys having access to his driving history: "I use the tool to determine the shortest commute or pinpoint where I have been too hard on the brakes." Jeff also notes, "I'm looking forward to keeping tabs on my teen's driving — that's next year at our house!"

The en-route Auto Program™ is a good example of embedding sustainability into a core product. The premium discount can reduce insurance costs for safe drivers, therefore making it more accessible to Canadians. In addition, the potential discount offers a reward for responsible driving and the online reporting provides clients with a heightened awareness of their driving habits.

Less aggressive driving lowers fuel consumption, which has a positive environmental impact. In the longer term, we anticipate a lower accident rate for drivers enrolled in the program, which means less waste going to landfills as part of the repair process. Essentially, the en-route Auto Program™ combines elements of safety, sustainability and education that make for a win-win situation.

fundamental change to how we work, and it requires new ways of thinking within and across the group of companies.

Co-operators General⁹ won the 2014 J.D. Power Canada award for Canadian Auto Insurance Customer Satisfaction in Alberta. Ranking highest in overall customer satisfaction, we outperformed the competition, topping the list in four out of five categories. Nationally, our performance was substantially higher than the industry average.

This year our Home satisfaction score improved by 17 points, while the industry average score improved by 9 points. We improved significantly over 2013 in the Claims category, well beyond the industry average improvement. We received average scores in most of the other categories. We ranked second in the Ontario/Atlantic Region and seventh in the Alberta Region.¹⁰

As noted in our 2013 report, a number of factors were negatively impacting our client satisfaction ratings. We have seen significant satisfaction gains as we actively work to address client concerns. One issue was our policy documentation, which was criticized as complex and confusing. We completed a total overhaul of our policy documents in 2014, and will be launching new and improved documents for home, auto and business insurance in 2015. This includes the introduction of our new electronic delivery system, which addresses two of the most common client complaints —

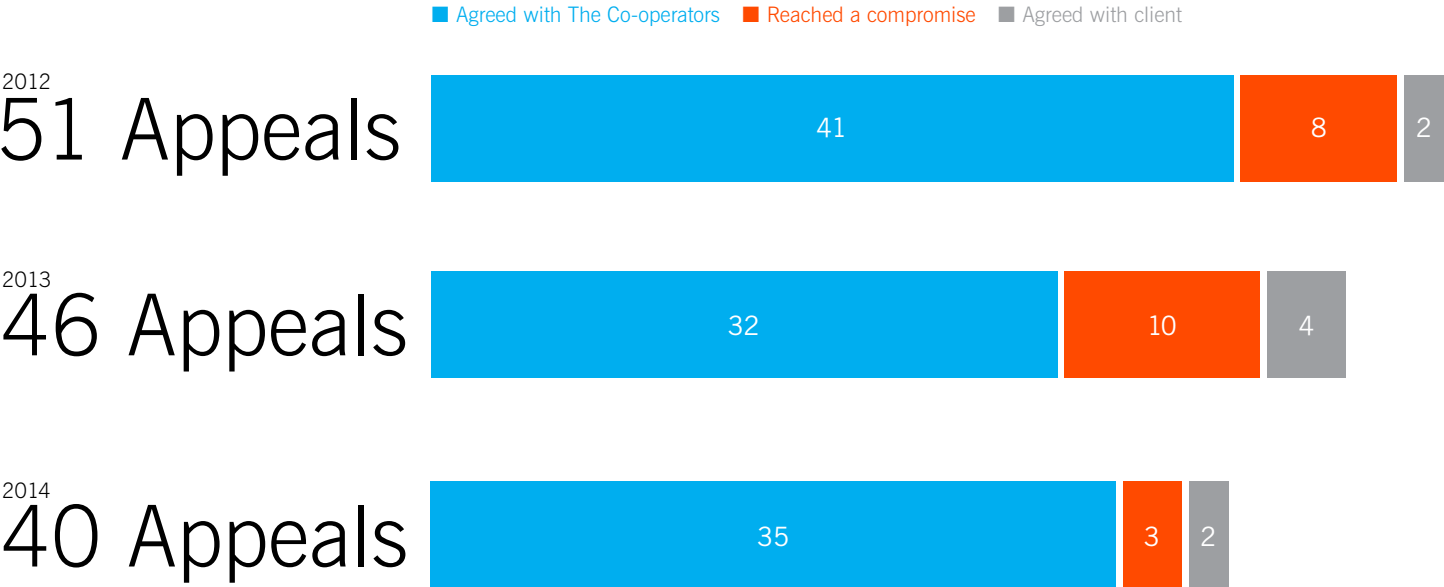
a lack of online services and easy access to policy documents. Not only will this system provide a secure environment for clients to access their policy at any time, it will also save paper, reduce expenses by more than \$1 million annually, and meet client expectations for service in the electronic age.

Our QuickQuote functionality has proven to be a substantial contributor to increased satisfaction, as well as increased client growth. The [Auto QuickQuote](#) web tool was introduced in 2013, and we launched [Home](#) and [Term Life](#) QuickQuote applications in early 2014. These online tools allow potential clients to obtain an estimate in as little as 30 seconds. Since the launch of these tools, the number of completed online Auto quotes has increased by almost 400%.

9. Co-operators General measures client satisfaction through the J.D. Power and Associates Property & Casualty Customer Satisfaction Study.

10. Our overall national rank in the survey was 12th, which was lower than our two regional rankings. Satisfaction scores are much higher (in both auto and home) in Quebec than the rest of Canada. Since we have a small client base in Quebec, this negatively affects our national ranking against companies with large Quebec operations.

DECISIONS BY SERVICE REVIEW PANELS



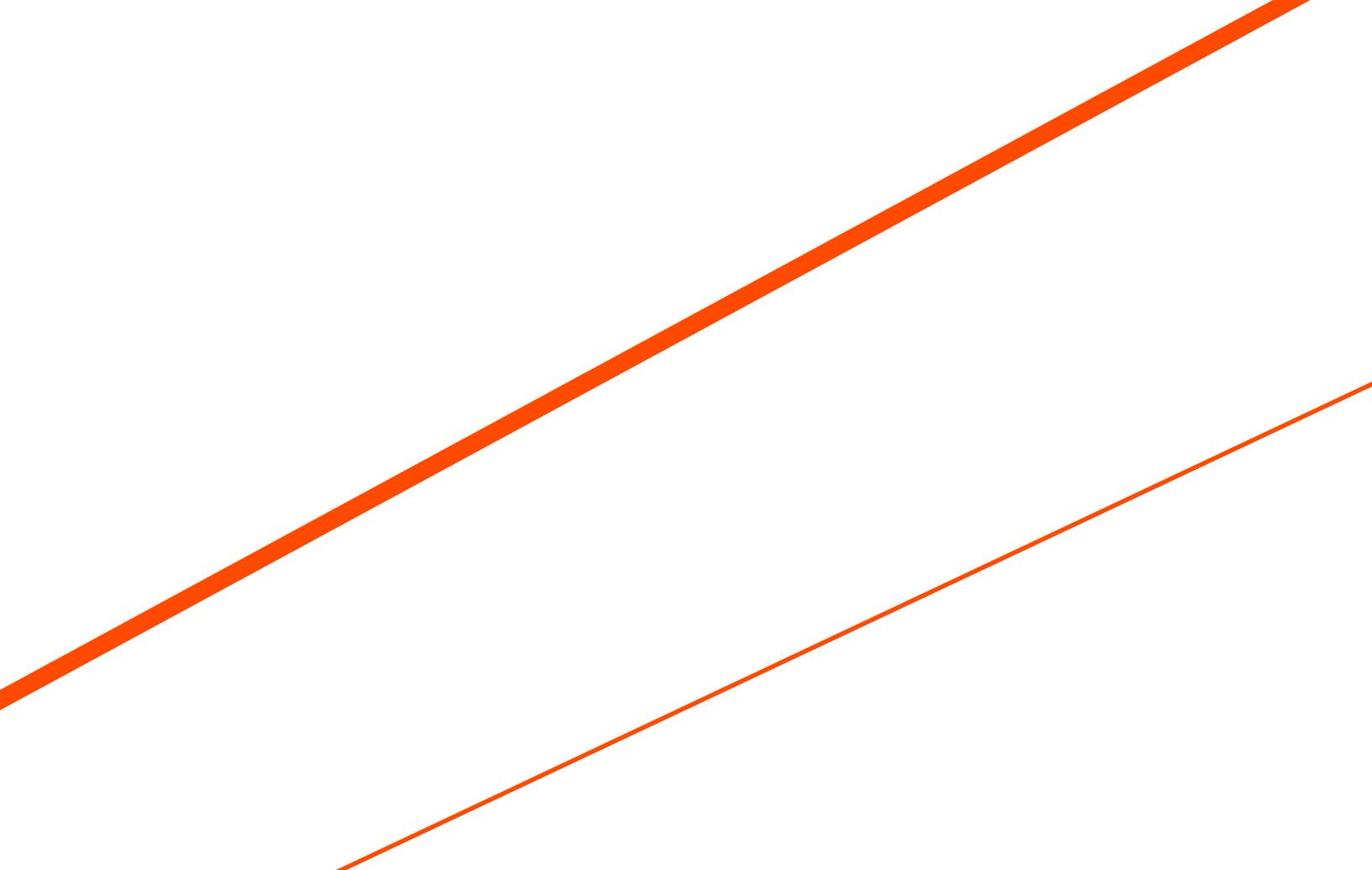
Co-operators Life measures client satisfaction through the Life Insurance Purchase Survey. They closed 2014 with a Net Promoter Score (NPS) of 74 — an excellent score for this type of measurement, which is based on a “willingness to recommend” question. The life industry standard is in the 30 to 40 range.

Client Engagement
Founded in 1990, the [Service Review Panel](#) is unique to The Co-operators and gives our clients a voice in ensuring that policyholders are treated fairly. Made up of a panel of client volunteers, the Service Review Panel meets to resolve client concerns. Each of our regionally based panels carefully review the cases submitted to them and works together to

determine the fairest outcome. The panels consider disputes such as fault assignment, claims, and claim settlement amounts. We are committed to remaining connected with our clients and serving them better. By giving clients the final say in the dispute resolution process, the Service Review Panel promotes transparency and ensures that our clients are treated fairly.

We believe it is vital for clients to understand the products they are buying and to ensure they have the protection they need. The [Client Review](#) program encourages advisors to meet with clients on a regular basis to address any gaps in coverage that may exist and to answer any questions. More and more clients are benefiting from this value-added service; advisors completed 38,711 client reviews in 2012, 88,385 in 2013, and 136,348 in 2014.

Experts from across the organization contribute to the [Answer Centre](#), an educational section of our website that uses commonly-understood language to explain how insurance works and offers tips on safety and loss prevention. Clients can also find financial and retirement calculators and tips for living more sustainably.



We publish *Your Better Place*, a bi-monthly client newsletter, to educate clients, offer timely information, and showcase our community activities. The number of e-subscribers has been increasing steadily, reaching 304,023 by the end of 2014, which compares to approximately 250,000 in 2013. We continue to distribute the print version of *Your Better Place* to more than 500,000 households each year. This year, we encouraged print subscribers to switch to the online version through regular promotions and a contest.

Our [e-alerts](#) generate a significant amount of positive client feedback. Sent to subscribing clients, these informative emails prepare clients for impending weather events such as snowstorms, tornados or floods. E-alerts resonate with clients because they are timely and relevant. As the effects of climate change become more and more extreme, we expect this type of communication to become even more valued. We distributed 448,226 e-alerts in 2014.

As we strive to create long-term value, we must take care of our current clients and consider those who will become our clients in the future. We know that young people today are

looking for a different value proposition and want to be engaged in developing solutions. Plans are in place to develop a youth strategy, to ensure that we are meeting the needs of the younger generation and building a base for our future growth.

Trust & Reputation

Reputation is an organization's single most valuable asset — it has become a key driver of business value and managing it requires an enterprise-wide approach that considers input from a variety of stakeholders. Through our cross-company Trust and Reputation Committee we collaborate to ensure we are measuring the right stakeholder perceptions and engagement with appropriate metrics. In 2014, we identified a number of drivers that could impact our reputation and, using this information, we set our overall Reputation Indicator to “green.” This means there are no immediate concerns related to our reputation.

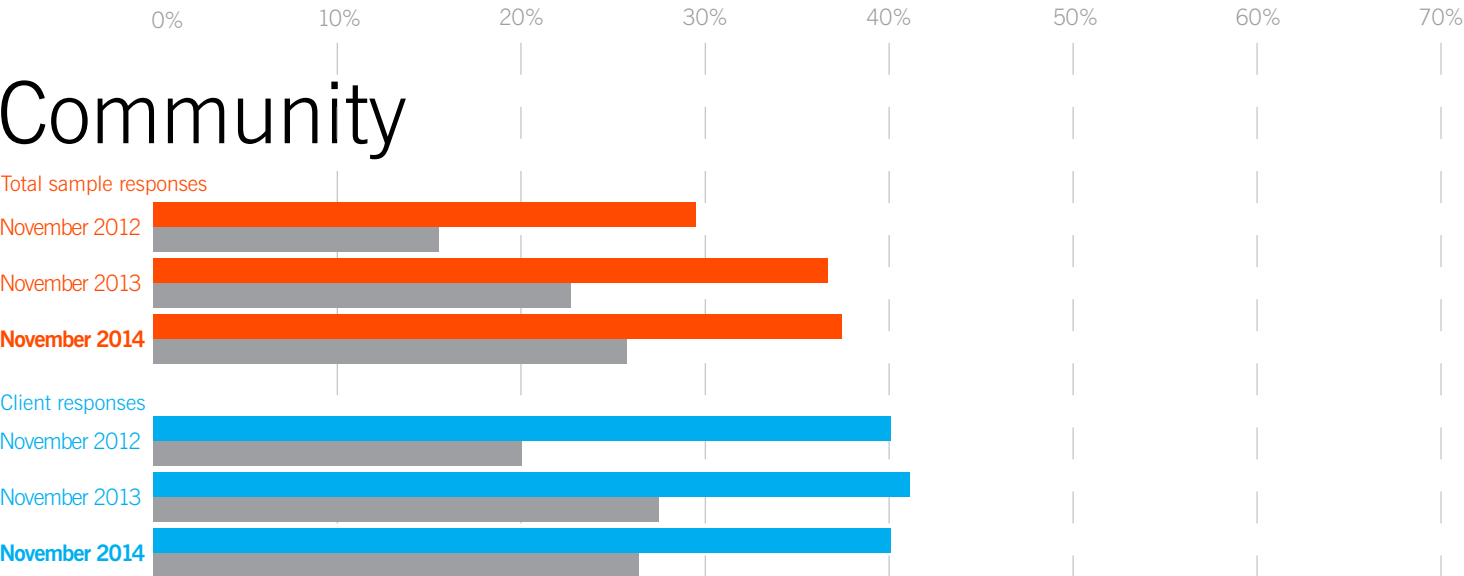
In order to understand public perception, and our clients' perceptions, we measure a number of brand attributes, which are grouped as Power Scores (see [page 24](#)). From the general public's perspective, we have seen a general decline in our competitive position across all scores, while our competitors' scores increased. This resulted in the elimination of all but two competitive spreads we previously had and, in most cases, we fell behind our competitors. This decline could be attributed,

in part, to reduced spending on brand image specific attributes and community investment over the past 12 to 18 months.

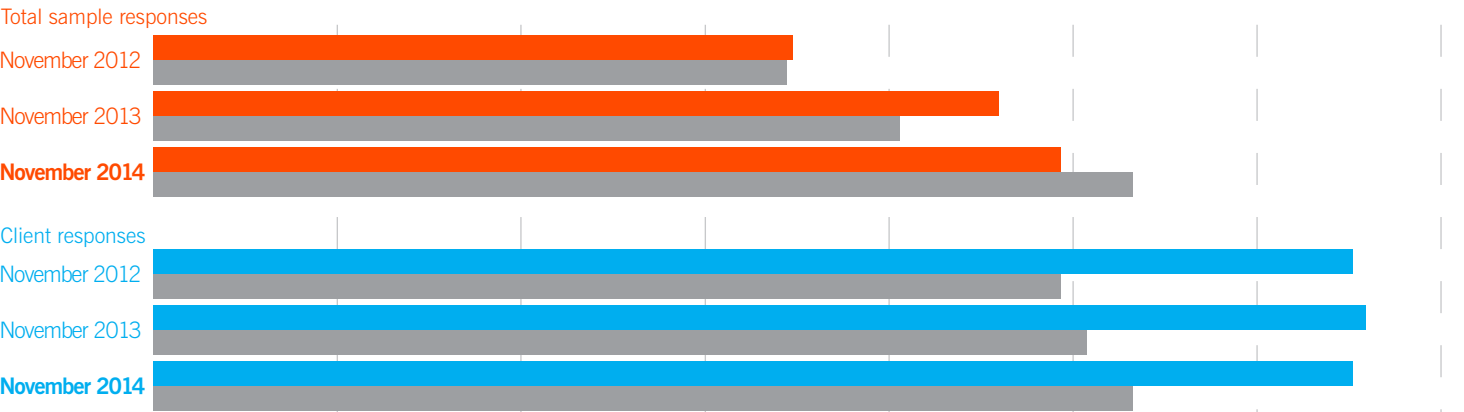
From our clients' perspectives, our scores (relative to our competitor's clients) remain stable. At the same time our competitors saw a decline in their scores, resulting in an improved competitive gap for Co-operators. Our “Trust” score remains our highest score in absolute terms amongst our clients and our “Community” score tracks 14 points higher than our competitors' client score. The consistent and improving competitive gap we hold with clients, even in the face of a decline in perception among the public, demonstrates our ability to effectively deliver on our promises and provide a better client experience.

COMMUNITY POWER SCORES

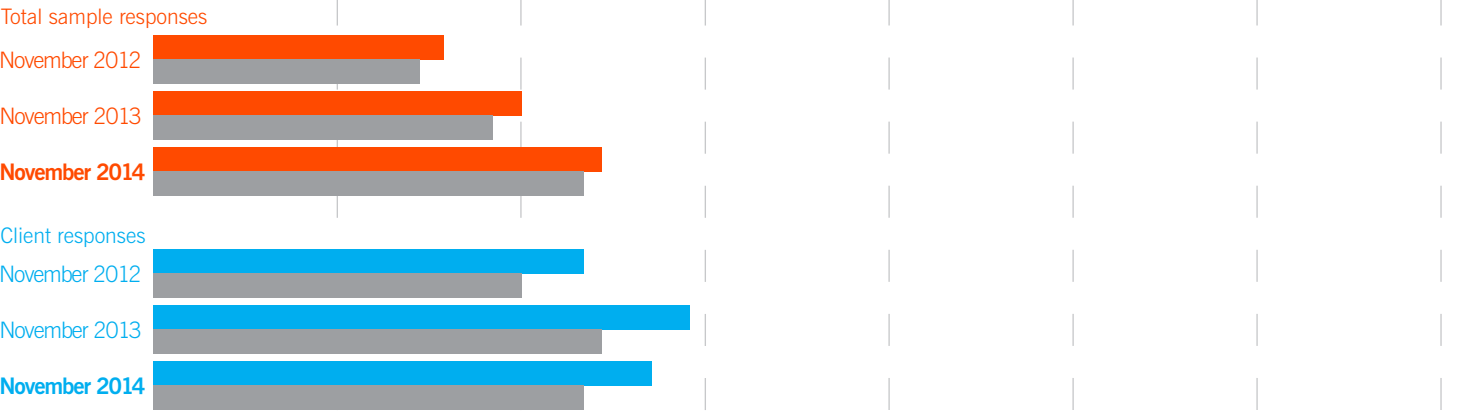
The Co-operators Competitive average



Trust



Sustainability



Percentages are respondents giving an 8 to 10 rating on a 10-point scale, where 10 is the best rating. From our proprietary brand tracking study, completed on our behalf by Northstar Research Partners.

our GOVERNANCE & OPERATIONS

We model responsible, accountable and transparent governance. Our operations help foster a more sustainable society and economy and are a source of pride for our people. Others seek to follow our example.

We aim to be leaders in sustainability governance. Through our operations, we demonstrate our commitment to sustainability in many ways, including reduced carbon emissions.

GOVERNANCE

We have made great strides towards our vision to become a catalyst for a sustainable society, progress that has only been made possible with the support of our Board of Directors and senior leaders.

Co-operative Structure

Our co-operative is democratically controlled by our 42 member-owners, which include Canadian co-operatives and credit union centrals. Our Region Committees, which are comprised of two representatives¹¹ from each member-owner organization, provide members with an opportunity to participate in the governance process. Four new Directors were elected in 2014.

The Board is accountable to our member-owners and is responsible for key governance issues such as: ensuring the organization's financial viability; setting our strategic direction; recruiting and reviewing the annual performance of the President and CEO; and ensuring that we maintain a leadership role in the insurance industry and the co-operative sector.

In addition to these responsibilities, Directors serve on committees,¹² namely: Audit, Corporate Governance & Conduct Review, Member & Co-operative Relations, Resolutions, Risk & Compensation, and Sustainability & Citizenship.

The Board provides oversight to management to lead and deliver on strategy and plans in a way that supports our values and builds a financially sustainable business that continues to fulfill the needs of our member-owners and our communities. The Chairperson of the Board and our Directors are independent from the management and operations of the business, and there is no link between Board compensation and the company's financial, social or environmental performance.

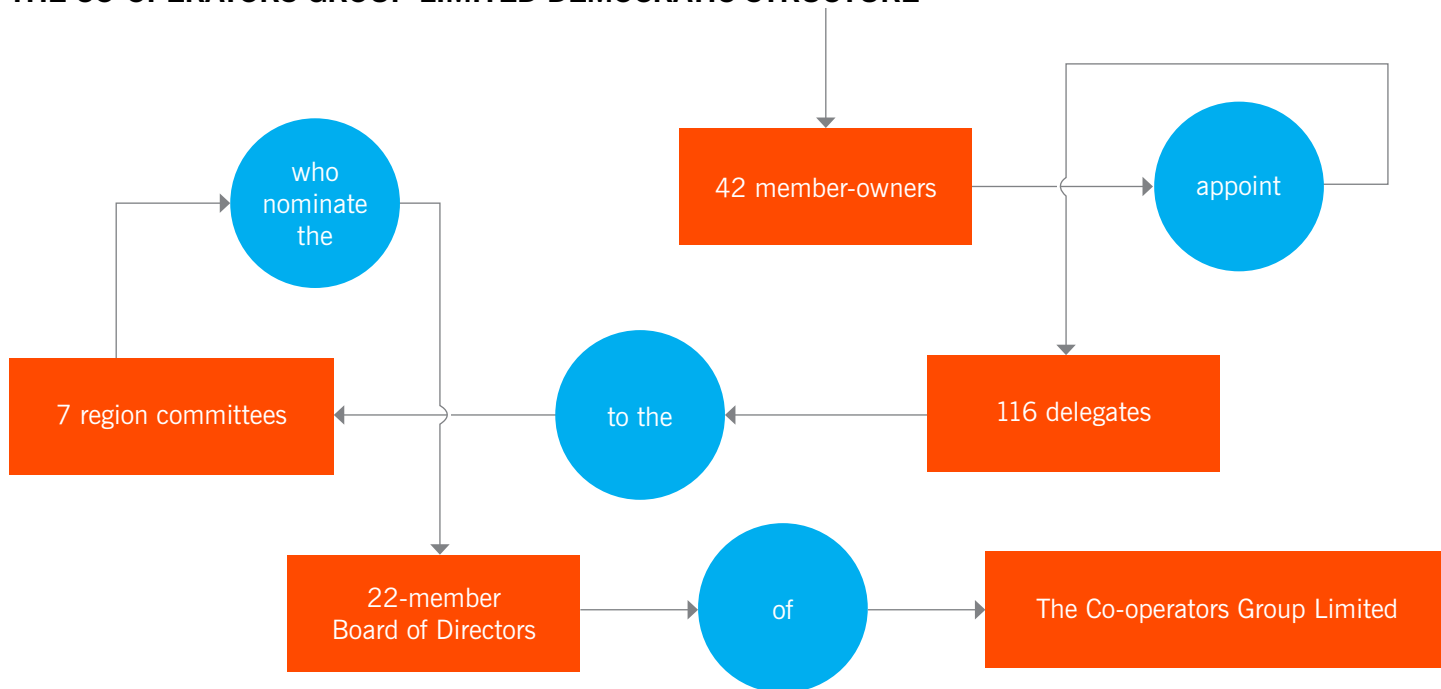
Democratic Member Control

In keeping with [co-operative values and principles](#), each member-owner has an opportunity to participate and vote at our Annual General Meeting.

11. There are seven Region Committees across Canada. Multi-region members are able to appoint two delegates in each of the Regions in which they are represented.

12. For a complete listing of committee mandates and membership, refer to the appendices available at www.cooperators.ca/sustainability_report.

THE CO-OPERATORS GROUP LIMITED DEMOCRATIC STRUCTURE



Democratic member control is also exercised through the following channels, which facilitate communication between member-owners and the Board of Directors:

- > annual or special general meetings of the companies
- > Region Committee meetings
- > the company's resolutions process
- > member engagement survey and other ad-hoc consultations
- > delegate education
- > member-owner website

We launched a Democratic Structure Review in 2012. This multi-year consultation with member-owners helped ensure that our ownership structure is relevant and in service of member needs. At our member-owners' request, our Board undertook a member eligibility review in 2013 and determined that two members no longer met the criteria for ownership. As a result, and as permitted by our by-laws and the Canada Co-operatives Act, their membership was terminated as of January 1, 2014. The two members appealed this decision at the 2014 Annual General Meeting and the decision was upheld.

In the fall of 2014, the Ontario Securities Commission (OSC) introduced guidelines for publicly traded companies to report on their plans to increase the proportion of women on their Boards of Directors and in senior management. As Co-operators General is a reporting issuer under the Securities Act (with some shares listed on the Toronto Stock Exchange), the guideline applies to The Co-operators.

Co-operators Board members are nominated and elected from among our member-owner

delegates. We use a tool called the Director Skills Matrix to support the nomination and election process by communicating our needs and expectations to our member-owners. This tool is designed to ensure a healthy balance of skills, expertise and perspectives within the Board of Directors. While no diversity targets are explicitly identified, we encourage and value diversity in gender, age, ethnicity and culture, as well as geographic and sectoral representation.

In the fall of 2013, we submitted comments on the draft OSC regulation; at that time, we noted that historically our Board has had 20% female representation. Further, women are well represented in our senior leadership: we have a female CEO, and on average 25% of our executives, 50% of our managers and 80% of our supervisors are women. The Co-operators Group Limited does not have specific policies or targets related to the identification and nomination of women Directors. To date, the Board has held an education session on the subject of Board diversity but has not yet considered the merits of adopting a policy or targets respecting the representation of women.

Board Effectiveness

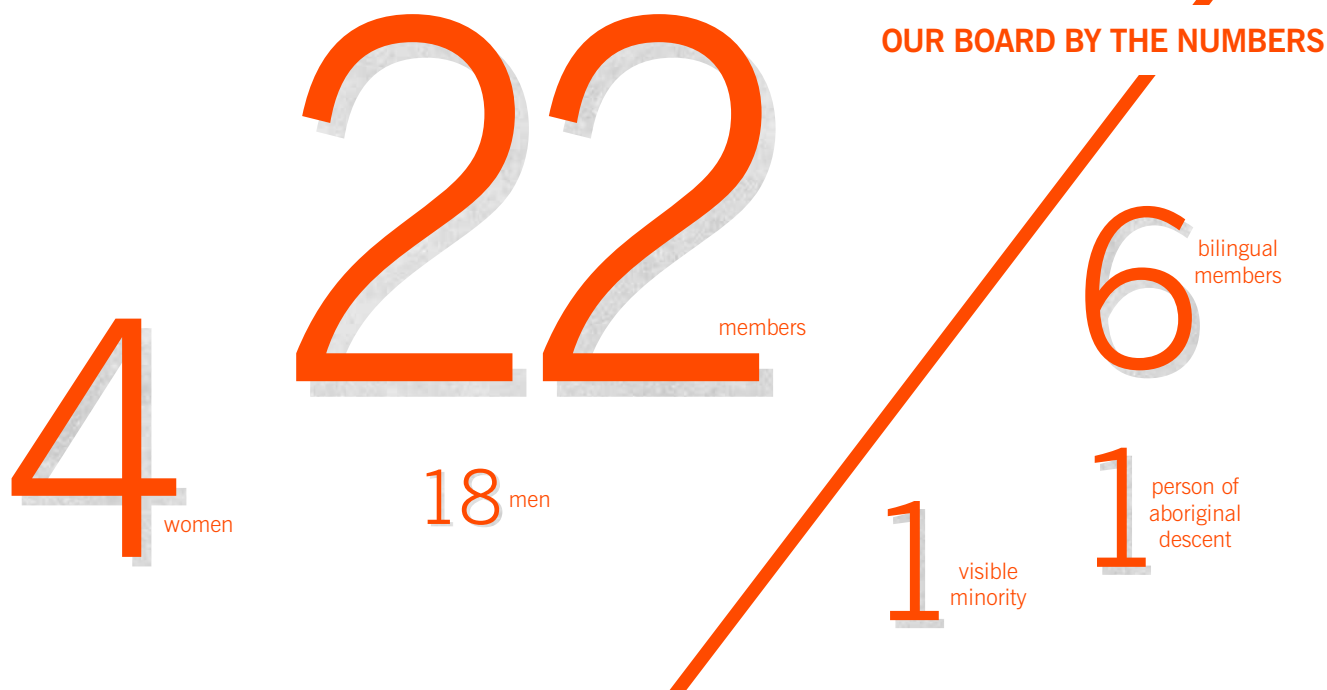
It is vital for Board members to have a solid understanding of our business and operations in order to provide effective, strategic leadership to our co-operative. Directors offer a wide range of experience, representing a variety of business sectors across the country. While some have a financial services background, previous insurance experience is rare. We strongly support Director education, development and Board performance and effectiveness

so that all Directors have a common level of knowledge about our business in general, and insurance specifically.

Our Director Development Program is a customized, competency-based curriculum built for The Co-operators Board, by the Board. In addition to this formal initiative, we offer numerous education opportunities throughout the year. In 2014, education sessions covered Board Diversity, Risk Management, and other relevant topics. We host at least one sustainability-related education session per year. This year we focused on IMPACT! The Co-operators Youth Program for Sustainability Leadership, in addition to a presentation on Sustainable Impact Investing and Disclosure.

We host the education sessions in conjunction with regularly scheduled Board meetings to facilitate participation. Although attendance is optional, all 22 Directors engaged in some form of education in 2014. New Directors also benefit from two orientation sessions to support them in their new role. In addition to educational opportunities provided to the entire Board, \$18,000 (per three-year term) is available to each Director to pursue individual training and development.

Each year, governance performance is assessed through four separate evaluations: a review of the Board's performance as a group, a Chairperson assessment, individual performance peer-reviews, and a Board committee effectiveness evaluation (introduced in 2014). These anonymous assessments support the Board's desire to be a high performing governance body, and they help to measure each Director's success in meeting his or her responsibilities.



To increase our transparency and accountability to our member-owner organizations, we produced a comprehensive Governance Report in 2014. After validating the relevance and effectiveness of this first report with our members, we plan to issue another in the spring of 2015.

Sustainability Leadership

Our co-operative principles guide our decisions. Unlike many other types of companies, the quest for profitability is balanced with the needs of our member-owners, clients and communities. In our quest to provide good governance, we promote innovation and seek to learn from leading practices.

The Board Sustainability & Citizenship Committee met four times in 2014. Every year the committee also hosts a joint meeting with management's Sustainability Steering Committee and our President and CEO (the Chairperson of our Board of Directors also attended this year's meeting). In addition to reviewing the progress towards the goals outlined in our 2011–2014 Sustainability Strategy, the meeting offered an opportunity to discuss our sustainability journey more broadly. There was strong support for embedding sustainability within the 2015–2018 corporate strategy rather than have it as a standalone strategy, as was done in the past.

The full Board of Directors receives updates on the company's performance against its sustainability objectives from the Board Sustainability & Citizenship Committee. The President and CEO's regular reports to the Board, and an annual presentation

from the Senior Director of Sustainability & Citizenship, provide our governing body with additional information and context.

Best Practices

A "Sustainability Governance and Management" framework has helped us compare our approach to leading practices. A set of recommendations was developed in 2011 with a total of 35 governance best practices identified. Twenty-six of these best practices have been implemented.

Enterprise Risk Management

Risks are not necessarily something to be avoided, but they must be identified and managed, for both the short and long-term. Our Enterprise Risk Management (ERM) department supports management in developing risk appetite statements, establishing risk management policies, identifying key risks, implementing appropriate risk reporting and ensuring program compliance. The Board Risk & Compensation Committee oversees the ERM program.¹³

As the organization developed its new strategic plan, ERM played a role in identifying our top risk issues. Client preferences and behaviours, climate change, investment, technology and human resources adequacy remain on the list with some new additions, such as partnering and global issues. Reputation underpins all risk categories, therefore it is considered in the management of all risks.

In 2014, we began to look more closely at the concentration of risks tied to catastrophic events. Beyond damage to property, these types of events include risks to Life and Disability

coverage, investments and the continuity of our operations. As a discipline, ERM is well placed to develop new data sources and create models that help assess the potentially hidden concentrations of risk we face.

This year we also completed our first Own Risk and Solvency Assessment (ORSA) report for all federally regulated insurers in the group of companies. A new federal requirement, the ORSA is a tool to enhance our understanding of the relationship between our risk profile and capital needs, and it is used to set our internal capital targets. The report provides an excellent summary to help management and the Board clearly understand and challenge our ERM program to the benefit of our organization.

ERM is an emerging discipline: our framework is firmly established but our approach continues to evolve. Going forward, some of our key ERM priorities are:

- > enhancing the organization's risk culture by formalizing the practice of effective risk management throughout the entire organization;
- > augmenting our risk appetite to improve our strategic decision making;
- > continuing to innovate by creatively challenging and continually advancing the practice of ERM; and
- > implementing process improvements to enhance client value through process efficiency and effectiveness.

Compliance Practices and Standards

The Board and senior management are expected to meet high standards of professional ethics

13. The Committee oversees relevant functions at The Co-operators Group Limited, Co-operators Financial Services Limited, Co-operators General Insurance Company and Co-operators Life Insurance Company.



Energizing a Sustainable Future

Working with like-minded organizations is an important aspect of our approach to sustainability. This year we partnered with Bullfrog Power to help us meet our carbon reduction goals.

Following a 'Request for Proposal' process, we selected Bullfrog Power, in part, due to their reputation as a leading renewable energy provider in Canada. As one of the founding Canadian 'B' Corporations, Bullfrog Power is committed to promoting sustainable energy choices and has a proven track record of supporting the growth of renewable energy in Canada through direct investment and long-term power purchase agreements. For example, to the end of 2014, Bullfrog Power had advanced 52 community-based renewable energy projects, including a number of renewable energy co-operatives, representing \$1.5 million in critical, early-stage financial support. In addition, Bullfrog Power's commitment to transparency via external third-party audits and dedication to exceeding EcoLogo™ standards for green electricity has earned the support of many leading Canadian environmental organizations.

In our 2011–2014 Sustainability Strategy, we set a goal to reduce our net carbon emissions by 50% by the end of 2014 (below 2010 emission levels). An important component of our carbon reduction plan includes the purchase of renewable energy. We chose to source 100% green electricity from Bullfrog Power for our Co-operators Life headquarters in Regina, The Sovereign General head office in Calgary, as well as four corporate offices in Alberta and New Brunswick.

"Bullfrog Power is proud to be part of The Co-operators efforts to play a leadership role in creating a sustainable future and meeting its carbon reduction goals," says Peter Melanson, President of Bullfrog Power. "As part of the Bullfrog Power community, The Co-operators is not only reducing its own environmental impact but it is also helping to advance renewable energy in Canada."

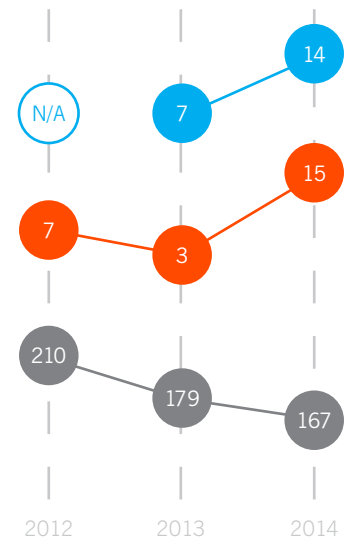
As noted by Kathy Bardswick, our President and CEO, "our investment in renewable energy is ultimately an investment in the health and wellbeing of our people and our planet, and affirms our support of renewable energy development."

REPORTING OF CONCERNS

Reports to ConfidenceLine investigated

Privacy concerns investigated

Complaints escalated to the Ombuds office



and avoid conflicts of interest. These expectations are outlined in our [Conflict of Interest](#) and Code of Conduct policies.

Board members are expected to abide by a code of conduct and applicable human resources policies; they also complete an annual declaration. In addition, employees must agree with our Code of Ethics statement as one of the terms and conditions for employment. This document informs new employees, and reminds existing employees, of corporate policies related to issues such as harassment, violence in the workplace, health and safety, information security, and privacy. It also addresses our internal fraud policy, which is intended to provide direction and assistance to employees who discover suspected cases of impropriety. All employees and advisors must renew their agreement with the Code of Ethics and Code of Conduct annually. Functionality for the online administration of this process was added to our Human Resources Information System in 2014.

If an employee has a concern about potentially unethical behaviour, we encourage them to first approach their supervisor or a human resources representative. As an alternative, we also provide access to ConfidenceLine, an anonymous, secure, "ethics reporting/whistleblowing hotline." ConfidenceLine is available in English and French, 24 hours per day, every day of the week. The program is managed by an external vendor, and confidentiality is guaranteed. ConfidenceLine launched for corporate employees in late 2012 and rolled out to advisors and their employees in 2014. All reports are fully investigated: a total of 14 reports were received and investigated in 2014.

As an employer, financial services company and insurer, we are subject to a wide variety of legislative and regulatory requirements. We have Compliance Officers in place at Co-operators General, Co-operators Life and Addenda Capital

to ensure that our business activities comply with these regulations. The Chief Compliance Officer oversees each company's compliance programs and policies, and acts as a liaison with the Board on compliance matters. No significant compliance issues were escalated to the Corporate Governance and Conduct Review Committee in 2014. Directors benefit from an educational compliance presentation at each committee meeting.

Our employees' and clients' privacy is a high priority. Each of our companies has a designated Privacy Officer who is responsible for developing and overseeing our organizational privacy policies and practices, as well as for responding to all privacy-related requests, inquiries, and complaints. There were 15 privacy-related issues addressed by our Privacy Officer in 2014. There were no substantiated complaints from regulatory or other official bodies regarding breaches of customer privacy or loss of client data. Should a privacy breach occur, we have an established process in place to guide our response.

Clients are able to bring their complaints or concerns to our Ombuds Office, after all other operational attempts at resolution have been exhausted (via our standard client services procedures). The Board of Directors and provincial regulators are made aware of any complaints brought to the Ombuds Office: there were 167 reportable complaints in 2014.

Our advisors, broker partners and Licensed Insurance Representatives are required to operate in accordance with government regulations related to licensing, continuing education and market conduct. Our internal compliance processes ensure adherence to these rules. All marketing materials and electronic communications pass through our internal controls; there were no material instances of non-compliance reported in 2014.

OPERATIONS

Carbon Goals and Inventory

This year we met our goal of reducing net carbon emissions by 50% by the end of 2014, compared to 2010 emission levels. This was the first of a three-year agreement to purchase renewable energy certificates from Bullfrog Power for select corporate offices, through which we became one of their larger corporate clients (please see feature on [page 28](#) to learn more about our partnership). Internally, we reduced the size and increased the efficiency of our corporate vehicle fleet, and we also reduced employee business travel in personal vehicles. Changes to provincial electricity emission factors (for instance, the positive impacts associated with phasing out coal use in Ontario) also contributed to lower emissions.

Business Travel

We continue to reduce emissions from our leased vehicle fleet. We have a minimum fuel standard in place for all fleet vehicles (10 litres per 100 kilometres). In addition, we have been able to reduce the number of fleet vehicles¹⁴ significantly over the last number of years. In 2014, we began to switch most base level fleet vehicles to the Toyota Camry Hybrid (upon the renewal of the lease). This represents 30% of the total vehicles in our fleet. Once the transition is complete, we anticipate that we will save approximately \$67,000 in life cycle costs for this group of vehicles.

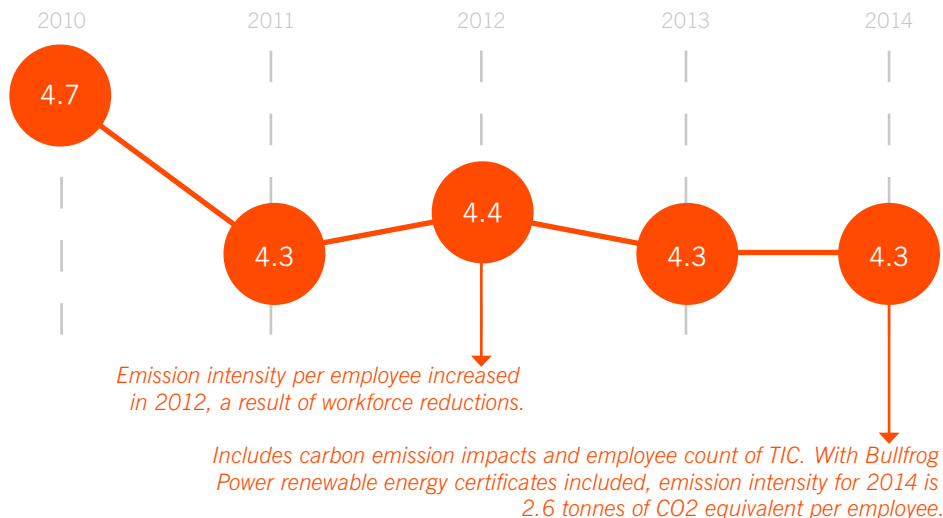
Green IT

When we first embarked on our sustainability journey, some departments had difficulty envisioning how they could contribute to our success. We have come a long way since then, with individuals and entire business areas taking responsibility for their part in reaching our sustainability goals. For example, this year the IT Enterprise department developed an internal Green IT Report to show how their area is contributing to our environmental sustainability. They identified four areas where they can have the strongest impact: Design & Application, Equipment Life Cycles, Infrastructure Services, and IT as a Low Carbon Enabler. From working with suppliers on recyclable packaging and reducing processing time to taking advantage of new technologies and enabling long-distance communication, the department is showing how they can employ their expertise to help the entire organization become more sustainable.

14. We are satisfied that this is not increasing emissions through other modes of transportation, as business travel in employee vehicles has also declined (25% since 2012).

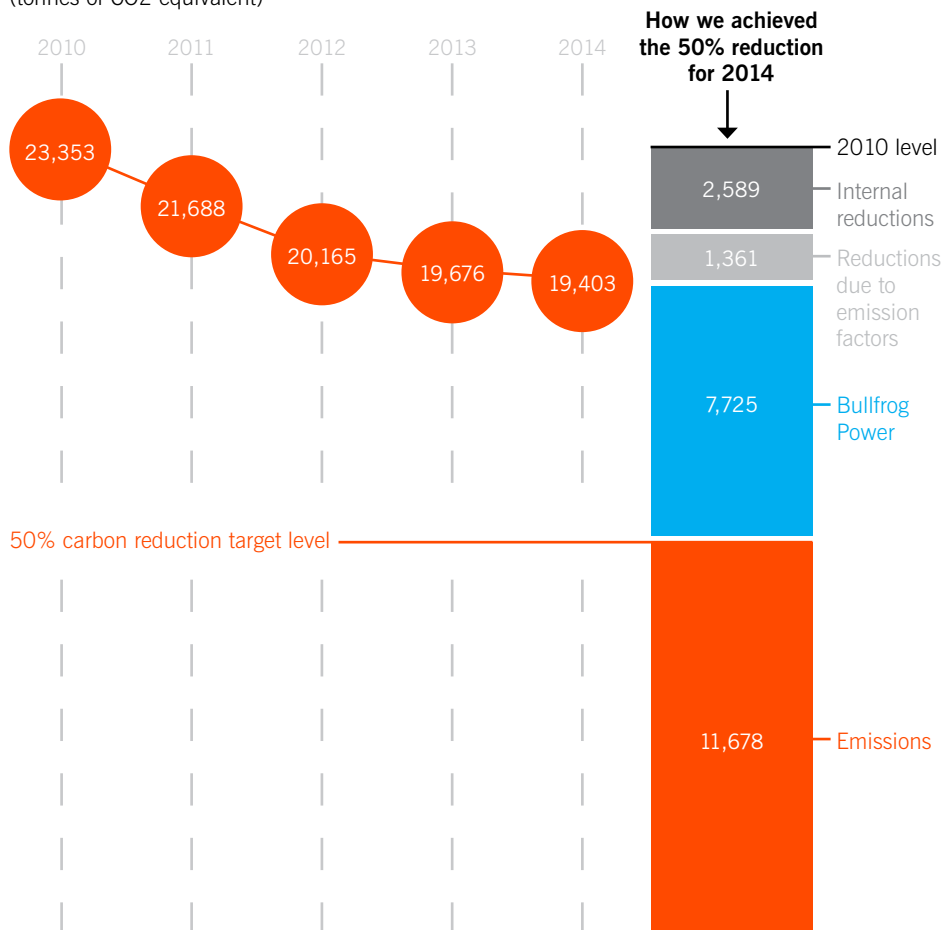
CARBON EMISSION INTENSITY

Emission Intensity (tonnes of CO2 equivalent per employee)



CARBON EMISSIONS

(tonnes of CO2 equivalent)



Includes corporate office locations representing 83% of total floor space. Carbon emission impacts associated with TIC are included. (TIC merged with Allianz Global Assistance Canada, effective December 31, 2014). Variations in historical emissions data result primarily from updates to emission factors. For additional details regarding our carbon inventory, refer to the appendices available at www.cooperators.ca/sustainability_report.

PAPER VOLUMES

	2010	2011	2012	2013	2014
Total paper consumed (copy sheet equivalents – millions)	112.7	113.9	109.8	78.4	70.5
Total weight consumed (million lbs)	1.13	1.14	1.10	0.78	0.70
Total paper containing a minimum of 30% recycled content	73%	81%	76%	66%	64%
FSC certified paper	N/A	77%*	92%	83%	83%

*Tracking of Forest Stewardship Council (FSC) certified paper volumes began in 2012. Data from 2011 has been reviewed and FSC-sourced product has been identified where possible. Revisions to historical paper data are a result of enhanced data capture from vendors.

Sustainable Buildings

With more than one million square feet of office space¹⁵ across the country, there are plenty of opportunities for decreasing our environmental impact through our facilities. Nationally, we renovated approximately 44,600 square feet of office space in 2014. When completing renovations, we adhere to the following standards:

- > replacement of water bottle coolers to inline water systems;
- > installation of energy efficient fluorescent lighting and, in some cases, motion sensors;
- > separation of recyclable demolition materials and diversion from landfill;
- > use of recyclable carpet tile, which is also easily patched if small repairs are required; and
- > redeployment of old furniture to other offices or donation to charity. When disposal is necessary, metal is stripped and recycled.

We decreased the relative amount of office space required across Co-operators General and HB Group in 2014, with an average space per person of 202 square feet. This is below an industry benchmark of 263 square feet.¹⁶ Co-operators Life is currently working on a consolidation project that will reduce office/storage space by 22% (58,705 square feet).

Paper Consumption

Paper plays a key role in our operations. In 2014, we reduced the amount of paper we used by 37% (compared to 2010 paper levels), surpassing our goal of 25%. This outcome was largely accomplished through reductions in marketing materials. We anticipate that further reductions will be achieved through the launch of our new policy fulfillment process (this was originally planned for 2014, however a slight delay shifted the launch into early 2015).

Not only will the new process reduce our paper usage, but paper used within policy fulfillment will be 100% recycled, chlorine-free, FSC certified, and produced with renewable biogas energy. The majority of paper previously used had 30% recycled content, so this is a big step in the right direction.

Waste Management

The Sovereign General office in Calgary launched an employee-led “Zero Waste to Landfill” program in 2012. They achieved a diversion rate of approximately 50% in 2014. There are plans to work with their local partner in 2015 to further improve the diversion rate.

Recycling programs are in place at most major office locations across Canada. We continue to actively educate and raise awareness about our waste reduction options. One example is our battery recycling program. Many offices across the country have offered battery recycling for years, however, the program was not easy for smaller offices to organize and shipping costs were prohibitive. Late in 2014, we began working with Call2Recycle® as our national battery recycling partner. As part of our ongoing commitment to the environment and in an effort to reduce the amount of waste going to landfill, this free program is available to all Co-operators companies and advisor offices. The total amount recycled through the previous battery recycling program in 2014 was 230 pounds.

Sustainable Purchasing

Using service providers and vendors who share our values can extend our sustainability impact. To improve our vendor selection process, we developed a [Sustainable Purchasing Policy](#)¹⁷ in 2009, a guideline and a Supplier Code of Conduct (CoC) for corporate and claims purchasing across the group of companies.

Our approach to engaging with vendors on sustainability is evolving. In 2014, we expanded our list of in-scope suppliers by utilizing our financial spend reports to identify key suppliers. As well, we included those in our Business Continuity Plans, as they are critical regardless of our spending with them.

As a result, the number of vendors we are engaging with has increased from 59 (37 of which were considered “strategic”¹⁸) to 157. This aligns with our goal of becoming a catalyst for sustainability, as we broaden engagement and awareness of our commitment to sustainability amongst a larger number of vendors. At the end of 2014, 52 vendors had signed our CoC. Going forward, we will be connecting with the vendors on our expanded list, requesting that they sign our CoC and complete our sustainability questionnaire.

With our commitment to the “[Principles for Sustainable Insurance](#)” (PSI) in 2012,¹⁹ we began providing our reinsurance partners with information about our sustainability initiatives and we discussed our successes in our direct communications with them. In 2013, we surveyed our reinsurers so we could gain an understanding of their environmental, social and governance practices. In 2014, we sent the same survey to those who had not yet responded, in an attempt to gather more data. To date we have received responses from approximately 50% of the reinsurers in our program. This allows us to measure the proportion of our reinsurance program placed with organizations that practice sustainability. We will continue to act as a catalyst by informing reinsurers of our own sustainability initiatives and successes. Over time, we hope to grow the proportion of our business placed with those who share similar values with respect to sustainability.

15. The vast majority of our office space is leased.

16. According to a proprietary report that compared The Co-operators to six Canadian insurance companies.

17. To review the policy, refer to the appendices available at www.cooperators.ca/sustainability_report.

18. Under our revised definition, strategic suppliers are those with whom our annual spend is \$500,000 or greater, are included in our Business Continuity Plans, and/or our contracts with them involve high profile products or services. The original annual spend threshold was \$1 million or greater.

19. More information about the UNEP FI Principles for Sustainable Insurance can be found on [page 45](#).

our INVESTMENTS

We are responsible investors and we leverage our assets to contribute to a more sustainable future.

We invest our assets in ways that advance sustainability.

Investing is a major aspect of our operations — from investing our clients' premiums to our wealth management activities. Our investment company, Addenda Capital, provides investment advisory services to pension plans, foundations, mutual funds and other large institutional investors. It also invests The Co-operators assets.

We are committed to Sustainable Investing, a philosophy that considers not only the economic aspects of investing but also gives weight to environmental, social and corporate governance (ESG) considerations. Addenda became a signatory to the United Nations-sponsored [Principles for Responsible Investment](#) (PRI) in 2012. As an active participant in the PRI, Addenda is expected to invest according to a sustainable investment policy.

Our 2011–2014 Sustainability Strategy included a target to have 100% of The Co-operators assets managed under our Sustainable Investment Policy. By the end of 2014, a total of 98% of our assets fell under this Policy, an 84 percentage point increase over 2013. We feel this met our goal, according to the spirit of the guidelines.²⁰

Incorporating ESG analysis into investment decision-making is a complex task that requires a variety of inputs. Addenda continues to seek opportunities to enhance our ESG processes as we seek to apply the processes to each investment accurately, efficiently and consistently.

Stewardship Activities

In addition to building its capacity to evaluate potential investments based on ESG factors, Addenda is also an active steward of the companies in which it chooses to invest (on behalf of clients, including The Co-operators). For example, Addenda evaluates ESG policies, practices and performance, and its representatives vote²¹ at shareholder meetings. We believe voting is one of the most important tools investors can use to affect governance, communicate preferences and signal confidence (or a lack of confidence) in a company's management. Addenda's approach to voting is focused on enhancing long-term shareholder value and upholding commitments to sustainability.

Promoting sustainable financial markets

Addenda takes a three-pronged approach to investing. Two of these areas were discussed above: the integration of ESG considerations in investment decisions and stewardship. The third is the promotion of sustainable financial markets.

20. The Policy has been applied across all major asset classes, where eligible. The Policy has not been applied to a small percentage of assets due to the nature of these assets (e.g., short-term investments, policy loans and derivative assets).

21. In 2013, Addenda began working with a service provider that researches voting issues and provides recommendations, casts ballots based on Addenda's voting decision, also known as proxy voting, and keeps records of voting activity.



Cycling Success: the IMPACT! Fund in Action

Michel Scultéty-Ouellet is a founding-member and Treasurer at [Coopérative de solidarité La Déraille](#). Located on the main campus of the Université de Sherbrooke in Quebec, the co-operative promotes cycling as a primary form of sustainable transportation in the community. La Déraille aims to make cycling easily accessible and worry-free. They build confidence and encourage regular bicycle use by offering training and tools, and selling discounted parts, to help riders maintain and repair their own bikes.

A community endeavour, La Déraille has 250 members and 30 volunteers. For Michel and the other founding members, choosing to organize the business as a co-operative was a deliberate choice. "There's something about a co-operative that fosters relationships — everyone is working towards the same goals, organized in a way that creates a sense of belonging," notes Michel.

As a past participant of [IMPACT! The Co-operators Youth Program for Sustainability Leadership](#), Michel was eligible to apply to the IMPACT! Fund (see [page 39](#)) to support his vision. "The initial funding [in 2013] really helped get the co-operative started," Michel explains. "It put us on the map and gave us some credibility when seeking other partners." La Déraille received a second round of IMPACT! funding in 2014, which was used to raise the co-op's profile in the community.

In collaboration with a local citizens group and the broader community, La Déraille is becoming a social agent of change for active transportation in the city of Sherbrooke and beyond. "IMPACT! taught me that we can make a difference in our community," Michel reflects. "Every day is a good day to make a change."

Formed in 2013, Addenda's Sustainable Investing Committee focused its 2014 efforts on stewardship and the promotion of sustainable financial markets. For example, the committee reviewed and commented on a number of submissions regarding proposed regulations. Addenda also signed the 2014 [Global Investor Statement on Climate Change](#), among other collaborative investor statements. Partnering with other like-minded investors and stakeholders is one of Addenda's key approaches to success in sustainable investing. The company's effectiveness is enhanced by collaborations such as the:

- > [Carbon Disclosure Project](#) (CDP)
 - Climate change program
 - Water program
 - Forests program
 - Carbon action initiative
- > [Principles for Responsible Investment](#)
- > [Canadian Bond Investors Association](#)
- > [International Corporate Governance Network](#)
- > [Investor Network on Climate Risk](#)

Collaboration allows Addenda to leverage internal resources, lend credibility and knowledge to advance the good work of others, share tools and pool resources. Our commitment to these collaborations underscores our commitment to sustainable investing.

The United Nations Environment Programme (UNEP) launched an [Inquiry into the Design of a Sustainable Financial System](#) in 2014. The goal of the Inquiry is to identify policy options for guiding the global financial system to invest in the transition to a green economy. The Inquiry will be guided by an Advisory Council, which our President and CEO, Kathy Bardswick, was invited to join²² to provide Canadian and co-operative perspectives. Linked directly to our third investment focus, our participation in this Inquiry provides a unique opportunity to influence contemporary thinking about capital markets and to encourage a shift away from the short-termism that currently dominates the global economy.

The Co-operators Group Limited became the first Canadian insurance company to sign the [Montreal Carbon Pledge](#) in 2014. More than twenty institutional investors, including one other Canadian company, have signed the pledge. Supported by the PRI and the United Nations Environment Programme Finance Initiative, signatories to the Pledge commit to measuring and publicly disclosing the carbon footprints of their investment portfolios.

ESG Disclosure

In 2014, the Province of Ontario announced that pension plans in Ontario will have to disclose whether ESG factors are incorporated into the plan's investment policies and procedures and, if so, how those factors are included. As owners of massive amounts of capital, the pension plans will likely be requesting more ESG disclosure from the many companies they invest in. As such, this legislation could act as a catalyst for change, propelling public companies to work under policies that can withstand ESG scrutiny. We see increased ESG pension disclosure as a promising advancement towards more sustainable investing in Canada.

Impact Investing

Impact investing is an approach that intentionally seeks to create both financial return and positive social or environmental impact. It supports social, economic and environmental sustainability, fits our values and supports our vision to be a catalyst for a sustainable society. We formed an Impact Investing Committee in 2013. While we considered numerous opportunities to invest with third-party investment managers who have impact investing expertise, we did not find any suitable candidates in 2014. We are still actively pursuing opportunities.

Multiplying Benefits

The [Corporate Knights Council for Clean Capitalism](#) is a group of influential CEOs dedicated to the promotion of "clean capitalism" worldwide. Our President and CEO joined as a founding member in 2012. One of the Council's first initiatives was to promote green bonds as a tool for funding sustainable projects. This advocacy work contributed to the successful launch of Ontario's first green bonds this fall. This bond issue is expected to provide \$500 million for Toronto's crosstown light rail transit initiative. We hope the enthusiasm generated by the Ontario green bond launch will spur other provinces to pursue similar initiatives. Addenda invested in these bonds for The Co-operators and other clients.

Addenda became the sub-advisor for the NEI Ethical International Equity Fund in 2014. Through this partnership, NEI Investments develops and creates the ethical screens for the product and executes stewardship activities, while Addenda determines each company's allocation within the fund. Our expertise in international equity investing, in addition to our long-term commitment to sustainable investing, helped us to secure this contract.

Both of these examples show how a commitment to sustainable investment can benefit our communities and our business.

22. Representing the International Cooperative and Mutual Insurance Federation (ICMIF).

our PUBLIC VOICE

We are strong and effective public advocates for sustainability and we inspire others to take action.

The areas in which we aim to influence public opinion and policy include sustainable development and climate change.

Our advocacy strategy supports our mission and reflects our commitment to sustainability and the co-operative model. Our on-the-ground efforts focus on issues that affect our business, our clients and the co-operative sector; in addition, our sustainability advocacy concentrates on issues related to climate change, health, and safety.

Climate Change Advocacy

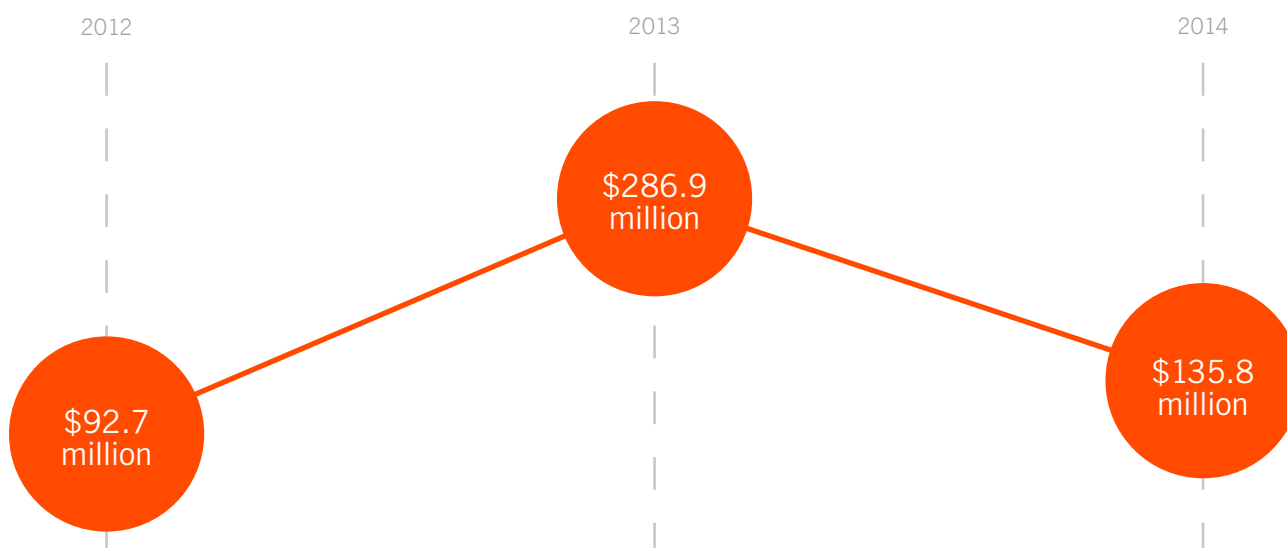
Over the past several years, we have seen an upward trend in the number and severity of extreme weather events. Canadians are suffering its effects and the insurance industry is encountering ever-increasing insured losses. While we must do what we can to mitigate climate change (see [page 29](#) to learn about our efforts to reduce the environmental impacts of our operations), adapting to its effects is now a necessity we can no longer ignore.

As a co-operative insurer, we are passionate about our mission to provide financial security to Canadians. Even though Canada is the only G7 country without overland flood insurance, a variety of issues have prevented progress towards making this type of protection available for homeowners. We believe Canadians should have the option to purchase coverage for their home, and we are committed to facilitating industry and government dialogue on this important issue. To launch this conversation and move towards a solution, we engaged researchers at the University of Waterloo in 2013, mere months before the devastating flood events that hit southern Alberta and Toronto.

The resulting 2013 study, "[Assessing the Viability of Overland Flood Insurance: The Canadian Residential Property Market](#),"²³ recommended engagement with a broad range of stakeholders to discuss how flood and disaster risk management in Canada can be improved. We followed up on this in 2014 by hosting the Partners for Action Roundtable. Attendees included senior leaders from the insurance, reinsurance, banking, real estate, legal, actuarial and the development/building sectors, as well as representatives from conservation authorities, non-governmental organizations, and all three levels of government. Participants shared research and experience, and they developed a common understanding of the Canadian overland flood issue — and the urgency surrounding it.

23. To view the full report, please visit www.cooperators.ca and click on [About Us >> Sustainability >> Advocacy](#).

CGIC CONSOLIDATED* AND CUMIS GENERAL MAJOR EVENT-RELATED LOSSES (GROSS)



*CGIC Consolidated is comprised of Co-operators General, The Sovereign General and COSECO.

The follow-up report, "[Partners for Action: Priorities for Advancing Flood Resiliency in Canada](#)," identified the top three priorities to improve Canada's flood resiliency:

- > develop new flood plain maps to anticipate the needs of all stakeholders;
- > assess the flood preparedness of Canadian cities; and
- > build infrastructure by factoring climate change and extreme weather into retrofits and designs for new buildings.

To improve flood resiliency, the group also agreed that the following three conditions must be in place for all stakeholders, including all levels of government and homeowners:

- > Canadians must understand the risk that overland and urban flood presents to their homes, businesses and communities;
- > Canadian decision-makers must use their understanding of flood risk to make sound adaptation decisions aimed at protecting their homes, businesses, infrastructure and personal safety; and
- > Canadians must have access to insurance that covers damage from overland flood (those risks that remain after adaptation).

We continue to focus on this initiative with the ultimate desire to achieve all three of these conditions.

Collaborating for Change

We were the first, and remain the only, North American insurer to sign on to the United Nations Environment Programme Finance Initiative (UNEP FI) [Principles for Sustainable Insurance](#) (PSI). These guidelines provide a framework for insurance companies around the world to better manage risks and

opportunities related to environmental, social and governance issues. Signatories are required to disclose their progress annually (please see [page 45](#) for details on how we are advancing this aspirational framework).

As a member of [Corporate Knights Council for Clean Capitalism](#), we advocated strongly in favour of Ontario's first green bond issue this year (see [page 32](#) for more details). The Council also supports mechanisms that encourage "green buildings." It does this by, for example, promoting labelling initiatives (such as LEED certification) and expedited development processes. To this end, the Council introduced a notice of motion to Calgary city council regarding the expedition of permits for green buildings in 2014. The Council's third focus includes advocating for changes to the Gross Domestic Product model that will recognize all measures of wealth, including natural capital, in our national accounting system (Statistics Canada has indicated that this will be completed by December 2015 — a year later than originally planned).

Health Advocacy

We have chosen to focus our health advocacy efforts on cycling, which supports communities in living healthier and more sustainable lives. Through an ongoing partnership with [Share the Road Cycling Coalition](#), in 2014 we sought increased access to community cycling through government support for programs and infrastructure improvements. In addition, the Coalition advocated strongly for improved safety laws. As partners, we were very pleased with the introduction of the Safer Roads Ontario Act in 2014. This bill represents the most significant change



Cyndi Seifried, Project Director – Flood Initiative

From Understanding to Adapting: Increasing Flood Resilience in Canada

Water-related losses are now the most common and costly type of natural disaster in Canada. In fact, the economic impact on Canadians and Canadian communities due to river and urban flooding events has been increasing for decades. The major floods in southern Alberta and Toronto in 2013 drew considerable attention to this persistent and alarming trend.

In alignment with our commitment to bringing the co-operative principles to life, we felt compelled to respond to the unmet need for residential overland flood insurance in this country. We engaged researchers at the University of Waterloo in 2013 to assess the viability of overland flood insurance mere months before the devastating 2013 floods occurred in Alberta and Ontario. We also initiated the “Flood Initiative” later that year. “We are demonstrating our concern for community by putting people first,” says Cyndi Seifried, the Project Director. “The Flood Initiative is about doing the right thing for Canadians and their communities.”

With both an internal and external focus, the Flood Initiative has invested in, and continues to invest in, research to ensure a thorough understanding of the issue, while also promoting collaboration to develop a holistic approach to the solution. “We saw the lack of overland flood insurance as a system-wide issue, one that requires multi-stakeholder collaboration to address effectively,” notes Cyndi.

The [Partners for Action Roundtable](#) brought together key stakeholders so we could make real and tangible progress on this decades-long issue. Participants included senior leaders from the insurance, reinsurance, actuarial, banking, real estate, legal and development/building sectors, as well as representatives from conservation authorities, non-governmental organizations, and all three levels of government. “It’s bigger than insurance,” Cyndi adds, “it’s about addressing the economic, environmental and social needs of Canadians and their communities.”

With the Flood Initiative, Cyndi points out, “we have taken a deliberate approach, so that we gain a comprehensive understanding of the risk itself and a fulsome understanding of the needs of Canadians impacted by flood.”

With a focus on de-risking communities, before insuring for loss, we are doing more than addressing symptoms — we are looking for a holistic solution to a growing problem. “We are talking about people’s livelihoods, their communities — not just buildings,” Cyndi stresses. “We must use our knowledge to educate and influence, to make Canadians more resilient to future flood and water-related events.”

We advocate for safety issues that affect our clients and communities.

to the province's Highway Traffic Act in decades and gives Ontario some of the strongest road safety legislation in North America, hopefully setting the stage for similar improvements across the country.

Safety Advocacy

We advocate for safety issues that affect our clients and communities. As an insurer, fire safety is a primary concern. We continued to make progress toward our safety advocacy objectives in 2014.

We participated in the public review on proposed changes to the National Model Construction Codes,²⁴ as presented by the Canadian Commission on Building and Fire Codes (CCBFC), and in collaboration with the [National Fire Protection Association](#) (NFPA) and the [Canadian Automatic Sprinkler Association](#). The National Research Council will publish the updated Codes in 2015.

We continue to be viewed as a leader for fire sprinkler advocacy. As a founding member, we are currently in the process of convening a National Fire Sprinkler Coalition that will be launched in 2015; the first of its kind in Canada.

We have advocated for fire sprinklers and carbon monoxide detectors in residential and long-term care settings for many years. We sponsored the second phase of a Sunnybrook Research Institute study, which will incorporate coroners data to show the efficacy of fire sprinklers in saving lives. In addition, our work with the [Institute for Catastrophic Loss Reduction](#) (ICLR) to promote building code amendments that promote fire safety is ongoing.

The Ontario government unanimously passed the Hawkins-Gignac Act into law in 2013, making carbon monoxide alarms mandatory in all Ontario homes with fuel-burning appliances or heating systems, fireplaces, or attached garages. We strongly supported this Act and we are pleased to see other jurisdictions following Ontario's lead. For example, Yukon held its first Carbon Monoxide Awareness Week in the fall of 2014, in conjunction with the passing of Bill 77 into law.

We began working with Partners in Protection at the end of 2014. The group has a mandate to facilitate interagency co-operation, and promote awareness and education, with the ultimate goal of reducing the risks of loss of life and property from fire in areas where wilderness meets developed areas. In collaboration with the ICLR and the NFPA, our work with Partners in Protection will include launching a FireSmart Canada National Wildfire Community Preparedness Day.

24. The National Model Construction Codes, comprising the National Building, Fire, Plumbing and Energy Codes, are developed by the CCBFC as models or templates that provinces and territories can adopt as is, or with modifications.

our RELATIONSHIPS

We are advancing sustainability through collaboration with industry partners, the co-operative sector, business partners, communities, governments and non-governmental organizations.

By developing strategic partnerships and collaborations within and beyond the insurance industry, we will advance sustainability, with a particular focus on climate change. Further, we will use our community investment program to help build resilient, sustainable Canadian communities.

We believe our success in meeting our mission and vision is influenced by the social contexts in which we operate. People and organizations cannot flourish in unhealthy environments. As part of our sustainability vision, we attempt to positively impact our communities and we bring to this task the same level of rigour with which we make all business decisions. We help build resiliency through our community investment programs.

As we concluded our 2011–2014 Sustainability Strategy, we saw opportunities for further focussing our efforts and being more deliberate in our actions. This will help us maintain our commitment to communities while strengthening our national profile and creating a greater impact.

Our Community Investment (CI) Vision highlights our co-operative roots and values and aligns with our corporate mission, while helping us increase our overall impact by taking a more integrated approach and leveraging opportunities from across the group of companies. This strategic approach elevates our efforts from “donations” to “community investment,” which serves to deepen our impact in communities.

The concept of our “social signature,” where we look at our community impact through environmental, social and economic sustainability lenses, shapes our view of CI. Taking this perspective, our CI Vision has three areas of focus: protecting our communities; building a co-operative economy; and creating a resilient, safe and healthy future.

The Co-operators Foundation

[The Co-operators Foundation](#) is the entity we use to direct financial support to social enterprises, co-operatives, charities and non-profits. The distribution of funds is channelled through three programs: the [Corporate Giving Program](#), the [Community Economic Development Funds](#), and the [Co-operative Development Program](#) (please see [page 43](#) for more details on CDP).

Corporate Giving Program

Corporate Donations: Our Corporate Donations program directed a total of \$629,680 to national, regional and local organizations across the country this year. Most donations are directed to communities where we have a strong employee and advisor presence.

CORPORATE GIVING

Total Corporate Donations
\$629,680
 2013: \$604,794
 2012: \$604,517

National Co-op Challenge
\$255,927
 2013: \$250,000
 2012: \$220,000

Total United Way Donations
\$173,450
 2013: \$200,650
 2012: \$200,100

Total Corporate Giving Program
\$1,059,057
 2013: \$1,055,444 2012: \$1,024,617

United Way: In 2014, we donated \$50 for each employee (totalling \$173,450) from participating companies, as well as \$80,575 in additional corporate contributions. Every year, employees enthusiastically lead campaigns in our major office locations; employees donated a total of \$359,009 in 2014. Therefore, our total donation to the United Way²⁵ was \$613,034 — 11% less than 2013.

Community Economic Development Funds
 Every year the World Economic Forum identifies the world's top risks. In 2014, two of the top four risks were structurally high unemployment and severe income disparity. Insurers, as society's risk managers, have a responsibility to address these risks that affect Canadians and their communities.

Our **Community Economic Development (CED) Funds** support charities, non-profit organizations and co-operatives whose programs create local employment and promote self-reliance for marginalized Canadians and newcomers to Canada. In 2014, \$460,000 was allocated to 26 community initiatives.

Every year, Co-operators makes a capital contribution to the Funds. As a result, the Funds have grown to more than \$10 million, including a contribution of \$490,800 made in 2014. Over their 19-year history, the Funds have disbursed over \$4.7 million through 265 grants.

25. Donations were directed to 34 different chapters across Canada, where our employees live and work.

With an understanding that influential foundations can do more than simply provide grants, in 2014 we began developing a strategy to engage more deeply with CED Funds grant recipients. Through deeper engagement we hope to build their capacity, create links with our employees and advisors, and ultimately increase our impact on society. Implementation of this new strategy will begin in 2015.

Making an IMPACT!

IMPACT! The Co-operators Youth Program for Sustainability Leadership is a unique initiative that empowers college and university students to be effective sustainability champions on their campuses and in their communities. IMPACT! supported our 2011–2014 Sustainability Strategy objective to develop and inspire a network of young people across Canada to become sustainability champions.

A total of 162 future sustainability leaders brought their passion and dedication to our third IMPACT! Youth Conference for Sustainability Leadership in May 2014. These students came from 60 universities and colleges across Canada and were provided with education and tools to help translate their ideas into feasible sustainability projects.

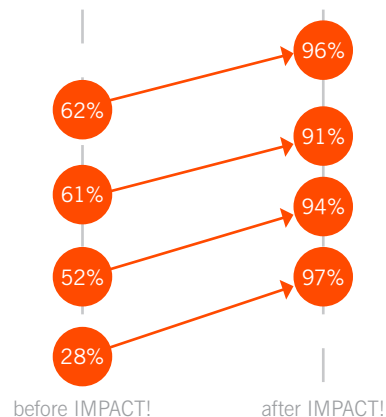
MAKING AN IMPACT!

Confidence in being a sustainability champion

Ability to identify actions to move toward sustainability

Access to project development tools

Access to funding



“This conference was a life-changer...
I've never been so inspired to make the
world a better, more sustainable place.”

“The conference has renewed an energy
in me that will continue for years.”

—Comments from IMPACT! participants

Anonymous survey results provide evidence that IMPACT! built attendees' confidence and skills, and increased their access to resources.

Overall, 96% of students said the conference objectives were met.

We also heard excellent feedback from guest speakers, facilitators and other attendees. Some inspiring videos from the conference can be found at www.impactyouthsustainability.ca.

IMPACT! Sustainability Champions Training sessions are regional workshops that help students develop their own individual sustainability initiatives and social enterprises. We held only one event in 2014, given that it was a conference year: 40 people attended this session in Ottawa. We plan to host additional sessions in the future.

The [IMPACT! Fund](#) was created to financially support the students inspired at IMPACT! events to undertake sustainability initiatives in their communities. Since 2009, 103 grants totalling \$432,668 have been made to IMPACT! alumni. In 2014, 26 student projects were initiated or expanded, which we supported with \$108,808 in funding. See the profile story on [page 32](#) to learn about one of the IMPACT! Fund recipients.

We believe we are meeting our goal to support and develop the next generation of sustainability leaders. We received external validation of this success when IMPACT! The Co-operators Youth Program for Sustainability Leadership was named the [2015 Clean 50 Top Project of the Year](#) for sustainable development and clean capitalism by Delta Management Group.

Going forward, we will continue to partner with [The Natural Step Canada](#) and others to scale the impact of the IMPACT! program by developing more young sustainability leaders, and supporting their impactful sustainability initiatives aimed at catalyzing a sustainable future.

Research Partnerships

We have been expanding our partnerships with universities and researchers as a way to advance knowledge and to obtain rigorous

evidence for topics that are important to us. It also provides another opportunity to engage with young people. Examples include:

- > Université de Sherbrooke – The Institute for Research and Education for Cooperatives and Mutuals (IRECUS): advances research on co-operative management and the benefits of a co-operative community.
- > University of Saskatchewan – The Centre for the Study of Co-operatives: supports co-operative education, as well as research that advances knowledge of the co-operative model.
- > Wilfrid Laurier University – School of Business and Economics: helps to integrate the study of co-operatives and alternative governance models into undergraduate and graduate curriculum.

Supporting Communities

The Co-operators is a diverse organization with a number of subsidiaries, each of which has a distinct community focus. All of the 2014 activities noted below showcase our commitment to our communities and contribute to our overall social sustainability.

For the tenth consecutive year, The Sovereign General donated \$200,000 to the Children's Wish Foundation. Employees also participated in many fundraising activities throughout the year.

Co-operators Life was once again a major contributor to the Hospitals of Regina Foundation, donating \$98,000, the majority of which was earmarked for pediatric care. The company also supported Canadian Blood Services with \$40,000 to help establish a national public cord blood bank. In addition, to help reduce the stigma often associated with mental health problems and bring awareness to the issue, Co-operators Life sponsored National Mental Health Week with a donation of \$25,000.

CUMIS continued its strong partnership with Habitat for Humanity in 2014, with 83 staff participating in seven build days, in addition to a corporate donation of \$30,000. The CUMIS orchard and co-operative garden continued to yield bountiful harvests, providing 80 boxes of apples and 430 pounds of organic produce to local charities.

ANOTHER PLACE FOR ME

Creative Towns

Gracen Johnson, a former IMPACT! participant, is a champion of smaller towns and cities as more affordable places to foster creativity. She uses her funding from the IMPACT! Fund to create videos for her blog, www.anotherplaceforme.com, promoting resiliency and sustainability while launching a dialogue on creating lovable and liveable places for Canadians to thrive.

100%

of car seat clinic participants surveyed would recommend Buckle Up Bears to a friend or family member

In 2014, a team from HB Group rode the Heart & Stroke Big Bike, raising over \$7,500 for the Heart & Stroke Foundation (this included a corporate donation of \$3,656).

Addenda Capital contributed \$1,400 to Fondation la Maison du Père, a non-profit organization that provides accommodation and services to homeless men.

Volunteering with Purpose

Each year employees from across the country give their time to make a difference in their community through our Volunteers in Action program. Throughout the year, groups across the country take part in local volunteer activities, in addition to a year-end national initiative. In 2014, [Volunteers in Action](#) supported the Canadian Diabetes Association and Entreaide Diabétique du Québec by collecting more than 5,967 pounds of clothing. Volunteers in Action groups were launched in Burlington, Ontario, and Montreal, Quebec, in 2014, bringing the total number of groups to 11.

Creating Sustainable Communities

As a co-operative insurer, we have a special interest in risk management and loss prevention. Our [Signature Safety Programs](#)²⁶ align with our Community Investment Vision and promote social change. Our Signature Safety Programs are only made possible with the support and participation of our employees, advisors and community partners across the country.

Fire Safety Education

With just over 20,000 house fires in Canada each year — education equals prevention. To this end, we partnered with fire prevention experts to create a dramatic video that launched during National Fire Safety Week in October. We also created a Home Fire Safety Checklist to help advisors talk to clients about protecting their homes and families. Finally, we partnered with the Fire Marshal's Public Fire Safety Council to distribute fire safety education materials to elementary teachers, reaching more than two million Canadian children and their families.

Buckle Up Bears

Motor vehicle collisions continue to be the number one cause of death for children ages one to nine, with a full 75% of children travelling in incorrectly installed car seats.²⁷ Our car seat safety program educates and empowers parents and caregivers about the proper installation of child car seats through free car seat clinics. We held 54 car seat clinics this year, and our advisors and their staff completed 68 private car seat checks at offices across the country. In total, 683 car seats were inspected. Now in its 15th year, this program is backed by the expertise of the Infant and Toddler Safety Association.

In Your Face and Interactive

Helping young people make informed, responsible decisions is a growing responsibility, and it is one we embrace. We sponsor Mitch Dorge, co-op advocate and Juno award-winning drummer with the Crash Test Dummies, to empower Canadian youth through his unique and thought-provoking presentation, "In Your Face and Interactive." Mitch challenges audiences to make safe decisions in the face of pressures to use drugs and alcohol, and around struggles with bullying and mental illness. Mitch visited 61 schools in 2014, reaching over 15,000 Canadian high school students. Mitch refers students who might be seeking additional support and advice to Kids Help Phone, another one of our community partners.

Block Parent® Program of Canada

In 2014, all 19 advisor offices in Saskatchewan registered as Business Block Parents® and another 26 offices across Canada agreed to open their doors

26. Materials related to our Signature Safety Programs can be found at www.cooperators.ca under [About Us >> Community >> Signature Safety Programs](#).

27. National Highway Traffic Safety Administration.

as a place of refuge in times of need. The Co-operators has been the national sponsor of the Block Parent® program since 2001. Our support funds school resource materials, educational programs and the well-recognized window signs.

Safe Seniors Calendar

By 2051, approximately one in four Canadians is expected to be 65 or over.²⁸ As more and more seniors are living healthier, longer lives and choosing, when possible, to remain in their own homes, they need practical advice to help facilitate independent living. Through a partnership with B.A.S.S.I.C. (Bringing an Awareness of Senior Safety Issues to the Community), we produce and distribute the Safe Seniors Calendar. This popular publication includes evidence-based information that helps prevent injuries. The calendar is a key resource for seniors and is currently the only one of its kind in Canada. We distributed 215,000 Safe Seniors Calendars in 2014.

Consultation

Our [Community Advisory Panel](#) (CAP) program facilitates collaboration and collective decision-making. In addition, the democratic nature of the CAP program allows us to give community members a voice within our organization, which is in keeping with our co-operative values and principles. This year, we consulted with communities through eight CAP meetings, which were held in Guelph, Calgary, Ottawa and Moncton. Panel members offered feedback on our client review process, client documentation, and flood mitigation strategies, and also provided insights into our claims service and privacy issues. When asked, 91% of CAP members feel they have contributed to our decision-making process. The CAP program celebrated its 10th anniversary in 2014 — a significant milestone for a program unique in the Canadian insurance industry.

Member Relations

Our co-operative structure is rather unique when compared to other organizations, including many other co-ops. Owned by Canadian co-operative organizations and credit union centrals, our members are businesses or associations, not individuals. Covering a wide range of sectors, our member-owners have specific insurance requirements. Over the most recent four-year strategy period, we created the role of Strategic Client Manager to focus on our member-owners' needs. Our goal is to be the provider of choice for the co-operative sector and to grow our co-operative book of business at a rate faster than the

Advisors and their office staff are an integral part of their communities. From volunteering to fundraisers, their presence is felt in neighbourhoods across the country. For example, all six Prince Edward Island advisors and a number of corporate employees participated in the IWK Radio Telethon. In collaboration with Prince Edward Island credit unions, we co-sponsored this event to support the Izaak Walton Killam Children's Hospital. We also collaborated with our District Managers in Alberta to support Ag for Life, a three-year \$75,000 partnership to promote farm safety.

rest of our business. The growth rate for member-owner business in 2014 was 6.5%, which was slightly below our overall growth rate.

We introduced [Co-op Guard](#)®, our new product suite for co-operatives, in June. Work is underway to develop the Garde-coop® product for the Quebec market. More than 200 advisors and Commercial Insurance Specialists received training on this new product in 2014 and education continues. Thanks in part to support from our network of co-operative contacts across the country, awareness of Co-op Guard® is growing and momentum is building.

We offer the Member Benefits Program (MBP) as a way for our owners to extend insurance benefits to their respective grassroots members. We experienced 30% MBP growth in 2014, and we continue to actively promote the program.

Our member-owners share in our financial success through the Member Loyalty Payment (MLP), which aligns with the co-operative principle of member economic participation. Each year, the total MLP is dependent on the increase in The Co-operators Group Limited's consolidated retained earnings. We shared \$11.6 million with our member-owners through the MLP for the 2014 fiscal year, compared to \$3.2 million in 2013. Since the program was introduced in 2002, the MLP has returned over \$100 million to our member-owners.

To deepen our relationships with our 42 member-owners, we attend many member-owner AGMs throughout the year and meet regularly to ensure member-owner insurance needs are being met, both today and in the future. The annual review is a face-to-face meeting that allows for a comprehensive look at member-owners' insurance needs and often reveals new business opportunities. Acting as trusted advisors, our Strategic Client Managers use these sessions to explore any concerns that members may have and learn how they can support client-focused improvements with our product partners.

As explained in the Democratic Member Control section on [page 26](#), member-owners have access to a number of different touch points for engaging in our governance.

28. Employment and Social Development Canada, *Canadians in Context – Aging Population*.

CO-OPERATIVE AND CREDIT UNION BUSINESS

	2012	2013	2014
Member-owners who choose to do business with us	100%	100%	100%
Member-owners who are multi-product clients	95.5%	97.6%	100%
Member-owner business premium (\$ millions)	\$174	\$448	\$477
Total premium from the sector (\$ millions)	\$435	\$473	\$512

We issued a member engagement survey in late 2013 to gauge member-owners' satisfaction and commitment to our co-operative. The results for some of the sustainability-related questions showed a downward trend. In response to this feedback, we included an education session at the fall Region Committee meetings this year in an effort to raise awareness of our sustainability commitment. Sustainability is discussed in the annual review meetings, as well. Member-owners will be consulted again through the 2015 survey to gauge our progress.

Over the past four years, we have engaged and partnered with a number of our member-owners to further sustainability initiatives. This includes an ongoing partnership with [Arctic Co-op](#), supporting a Nunavut-wide aluminum can recycling program.

Support for Co-operatives

As a committed co-op, we seek to act in ways that embody the principles and values inherent to the co-operative structure. Our strategy promotes the integration of co-operation into our business activities, and we promote the co-operative model in Canada and abroad.

We offer employee resources, information and expertise to support national and international co-operative associations. We are well-represented on the boards of the voluntary non-profit sector and co-operative associations, provincially, nationally and internationally. This is made possible only through the commitment of our senior managers, Board members and employees. We also provide financial support to many of these organizations through membership fees.

We show support for the co-operative movement around the world through our engagement with organizations such as the [International Co-operative Alliance](#) (ICA) and the [International Cooperative and Mutual Insurance Federation](#) (ICMIF). Our President and CEO sits on the ICA and ICMIF boards, and we have senior executive representation on the ICMIF Americas Board of Trustees and in other capacities.

The second International Summit of Cooperatives was held in Quebec City in October. It was very powerful to see 3,000 people from 93 countries seeking to build the co-operative model and leverage the momentum built at the first Summit in 2012. We had a prominent presence at the event with many employees, senior executives and Directors in attendance. We were a finalist in the Top Co-op Competition, which showcased and honoured enterprises that promote their co-operative identity through innovative advertising.

We participate in international co-op exchanges with an interest to expand and share co-operative knowledge. For example, on an ICMIF-facilitated tour, six directors from Kenya's CIC Insurance Group visited our Guelph office in May.

Governed by member-owners, operated in response to member needs and driven by values, running a co-operative is a complex undertaking. It is important to recognize the distinctions in operating a co-op compared to a typical business. However, co-operatives are rarely even mentioned in most Canadian university and college business programs.

With this in mind, we provide a number of employees with financial support to pursue studies in co-operative management. Donations for co-operative education in 2014 totalled \$90,000.

Co-operative Pride

Leading up to our new four-year strategic plan, we initiated a project to promote a shared understanding of our co-operative identity and performance across the group of companies. When Dame Pauline Green, President of the ICA, was invited to deliver the keynote speech at our AGM, we took advantage of her visit to gather more than 80 senior leaders from across the group of companies for a frank discussion about co-operative identity and the successes and challenges of our journey. Co-operative Identity has become a focal point of our 2015–2018 strategy.

With our communities and member-owners at the forefront, we strive to align our work with our co-operative values. That said, the fact that we are a co-operative does not make us better by definition. Our actions define us. We challenge ourselves and other co-operatives to do more, to claim a leadership role in values-based and sustainability-oriented business. Co-operatives, credit unions and their respective members need to step up — together we can raise our profile as builders of sustainability.

Co-operation among Co-ops

As a successful business with extensive co-operative-specific knowledge, we feel a level of responsibility to share our expertise and to support emerging co-operatives. Promoting the Canadian co-operative sector is a reflection of our co-operative values.



Opening the Future

If you sit in the 200-year-old farmhouse and gaze across the Tantramar Marsh towards the Bay of Fundy, you will know why this place is called Open Sky. Located in Sackville, New Brunswick, [Open Sky Co-operative](#) fills a local gap in services for adults with social disabilities or mental health concerns, providing vocational training and a supportive living environment. The co-operative aims to help participants improve their quality of life and build an independent, sustainable future.

"Often, our participants need to start with pre-vocational skills," notes Margaret Tusz-King, Executive Director, "such as following instructions, problem-solving, finishing tasks and the benefits of a routine." Open Sky is a working farm, which teaches these skills and more through hands-on experience in gardening, animal care and building maintenance. Residents and day participants also help in the kitchen, learning food service skills and an appreciation for the bounty of the land.

Margaret explains how their membership represents many facets of the community including clergy, local business owners, retirees, employees and participants. The founding members were inspired by the co-operative model. "It's a structure that fosters change and brings people together in an equitable way." And, Margaret notes, "it's a sustainable economic model that can facilitate long-term, tangible options for people in need of mutual support."

Open Sky received funding from [The Co-operators CED Funds](#) (see [page 38](#)) to launch "Roots of Resilience," which is the basis of their programming. Margaret explains: "we help people build their own 'roots of resilience,' to find and maintain a healthy balance in their life, work and community connections, in whatever ways work for them."

\$89,122

International Cooperative and Mutual Insurance Federation (ICMIF) and ICMIF/Americas dues
2013: \$90,891 2012: \$89,401

\$591,355

Canadian co-operative/mutual association membership dues (provincial and national combined)
2013: \$622,628 2012: \$615,755

Co-operative Development Program
[The Co-operative Development Program](#) (CDP) supports Canadian co-operatives seeking assistance with business development initiatives, such as feasibility studies, business or marketing planning, promotion, and member engagement. To be eligible for a grant, the co-ops must be legally incorporated as such and prove that the grant will assist them in their efforts to become self-sustaining.

Created in 1992, CDP has provided over \$2 million in grants and investments to Canadian co-operatives. In 2014, \$150,000 was directed to 13 co-operatives representing a wide variety of sectors. From co-operatives that promote organic, sustainable food, such as Potluck Food Co-op (Yukon) and the London Food Co-op (Ontario), to the Wakefield La Pêche Community Centre Co-operative (Quebec), which aims to foster an active and vibrant community, CDP enhances the capacity of co-operatives to address the needs of the communities in which they are located.

National Co-op Challenge

The [National Co-op Challenge](#) is an online contest that invites emerging or expanding Canadian co-operatives to produce a video and compete for votes to win funding. We hosted this contest for the third consecutive year in 2014. We made a number of small changes to the contest structure this year to make the competition more accessible, particularly to small co-ops with few resources to support an application. Four semi-finalists were selected in each region — West, Ontario, Quebec and Atlantic — with the top two in each winning a

\$25,000 prize. We also awarded eight consolation prizes of \$500 each, bringing the total contribution to new and growing co-ops to \$204,000.

Recognition

We are proud of the recognition we have received for our efforts to become a catalyst for a sustainable society. As noted in the Message to Stakeholders, we were acknowledged by Sustainalytics, [Maclean's](#), and [Corporate Knights](#) this year. Corporate Knights also named us one of the "50 Best Corporate Citizens" and we made "[The Green 30](#)" list, as compiled by Aon Hewitt. To be recognized as a leader in the co-op sector is an honour, to be recognized in Canada is welcome, and to be recognized as a global leader provides inspiration and validation as we continue on our sustainability journey.

about THIS REPORT

Our Sustainability Report, published annually, provides our key stakeholders — our employees, clients, advisors and broker partners, member-owners and co-operative partners, and communities — with information and data related to our economic, social and environmental performance. In compliance with the Public Accountability Statement requirements under the Insurance Companies Act, this report includes relevant activities of Co-operators General Insurance Company, which has equity exceeding \$1 billion, along with the activities of companies owned by The Co-operators Group Limited, including:

- > The Sovereign General Insurance Company (The Sovereign General)
- > Co-operators Life Insurance Company (Co-operators Life)
- > Federated Agencies Limited (Federated)
- > HB Group Insurance Management Ltd. (HB Group)
- > COSECO Insurance Company (COSECO)
- > Addenda Capital Inc. (Addenda)
- > The CUMIS Group Limited (CUMIS)

For more information on these organizations, please visit our website at www.cooperators.ca.

The information, data and context found in these pages focuses on our larger operations outlined above. There are a number of subsidiaries that are excluded from this report, based on size or Co-operators ownership interest. These organizations include: The Equitable General Insurance Company, Credential Financial Inc., AZGA Service Canada Inc. and UNIFED Insurance Brokers Limited.

Our Report

Our eleventh annual Sustainability Report captures the activities of The Co-operators Group Limited and its major subsidiaries, unless otherwise stated, for the 2014 calendar year. Our previous report, *Stepping up* (2013), was published in May 2014.

This report, including appendices, can be found in English and French on our website at www.cooperators.ca. To obtain a printed copy, or for more information, please contact our

Senior Director, Sustainability & Citizenship at sustainability@cooperators.ca.

Our Process

The 2014 Sustainability Report is a result of the collaboration of approximately 100 employees and external sustainability experts. To ensure accuracy, this collaboration includes an extensive review, and approval of the data and content, by various departmental representatives across our group of companies. Our report is not externally assured.

To increase validation mechanisms, our internal audit department has assessed the data integrity of several key measures and statements in this report. We incorporate internal audit's recommendations on reporting controls where applicable, and future reports will continue to do so.

2014 CONSOLIDATED TAX (RECOVERIES) / EXPENSES (IN \$000) DOLLARS

	Income Tax ¹	Premium Tax	Other Tax ²
Federal	45,631	0	24,309
Provincial			
Alberta	6,055	21,965	8,473
British Columbia	2,828	8,293	1,360
Manitoba	1,381	3,052	175
New Brunswick	925	2,561	1,978
Nfld. and Labrador	1,243	3,800	1,220
Nova Scotia	1,553	4,101	1,330
Ontario	16,788	41,471	29,292
Prince Edward Island	351	996	675
Quebec	1,762	3,247	4,734
Saskatchewan	1,834	6,174	4,382
Territories	195	448	1
Total Provincial	34,915	96,108	53,620
Total	80,546	96,108	77,929
Total Tax Expense Related to 2014			254,583

1. Income tax amounts are estimates for 2014 as at February 3, 2015.

2. Other taxes includes commodity, property & business, payroll, capital and other miscellaneous taxes. In the past capital tax was shown separately; given its size, it has been grouped in with "Other Tax".

DEBT FINANCING

	Number of authorizations	Amount Authorized
\$0 to \$24,999	1	\$23,000
\$25,000 to \$99,999	2	\$124,000
\$100,000 to \$249,999	1	\$150,000
\$250,000 to \$499,999	0	\$0
\$500,000 to \$999,999	0	\$0
\$1,000,000 to \$4,999,999	1	\$1,972,000
Over \$5,000,000	1	\$15,991,000
Total	6	\$18,260,000

For reasons of confidentiality, a provincial breakdown of the number of authorizations and amount authorized is not included.

UNEP FI PRINCIPLES FOR SUSTAINABLE INSURANCE – ANNUAL DISCLOSURE OF PROGRESS

The [United Nations Environment Programme \(UNEP\) Finance Initiative's Principles for Sustainable Insurance](#) (PSI) were officially launched at the UN Conference on Sustainable Development in 2012. We were actively involved in the development of these principles, which serve as a framework for insurers to consider and address environmental, social and governance (ESG) risks and opportunities. We were the first — and remain the only — North American signatory to these principles. We are committed to advancing these principles throughout our business, and we seek to be a strong advocate for these principles among the broader insurance industry. In November, we co-hosted an event in Toronto, ON, in support of a joint project by the PSI Initiative and the UNEP Inquiry into the Design of a Sustainable Financial System, to discuss how insurance policy and regulation can better support sustainable development. Additionally, a Co-operators representative serves on the PSI Board.

We outline our progress in implementing these principles throughout this report. Reference to specific actions are outlined below.

Principle 1

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

- > Our Board Sustainability & Citizenship Committee oversees progress related to our sustainability goals and initiatives. A joint meeting that included members of our Board Sustainability & Citizenship Committee, the Chairperson of our Board of Directors, our Sustainability Steering Committee (comprised of senior leaders from across our group of companies) and our President and CEO took place in October. This meeting provided an opportunity to consider key sustainability-focused deliverables for inclusion in our 2015–2018 corporate strategy.
- > Members of our senior management team have at least one sustainability-related goal in their performance plans, and it is tied to a bonus (see [page 13](#)).

- > We have begun to embed sustainability features into core insurance products (see [page 20](#) for details about our en-route Auto Program™).
- > Our investment company, Addenda Capital, promotes sustainable financial markets through integration of ESG considerations in its investment decision-making and through stewardship activities (see [page 31](#)).

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.

- > Our unique ReClaim program, launched in partnership with Habitat for Humanity, rolled out nationally in 2014, enabling the donation of salvageable claims materials to local Habitat ReStore facilities (see [page 18](#)).
- > Our e-alerts provide timely communications to clients regarding impending weather events, such as snowstorms, tornados or floods (see [page 23](#)).
- > Aligned with our goal of becoming a catalyst for sustainability, we have begun to broaden the scope of vendors engaged through our Sustainable Purchasing Policy (see [page 30](#)).
- > We continue to inform our reinsurance partners about our sustainability initiatives and issued a survey to our reinsurers in 2013 and 2014 to gain a better understanding of their ESG practices (see [page 30](#)).
- > Collaborating with groups/organizations, including Partners for Action, the United Nations Environment Programme Finance Initiative (UNEP FI), Corporate Knights, Habitat for Humanity, The Natural Step Canada and Ceres, provides opportunities to raise awareness of sustainability issues and consider risks/opportunities.
- > IMPACT! The Co-operators Youth Program for Sustainability Leadership has helped develop and inspire a network of college and university students to become sustainability champions (see [page 38](#)).

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.

- > The Partners for Action Roundtable brought together key stakeholders, including representatives from the insurance, reinsurance, banking, real estate, legal and property development sectors, as well representatives from conservation authorities, non-governmental organizations, and all three levels of government, to identify and prioritize the approaches needed to strengthen flood resiliency in Canadian communities (see [page 33](#)).
- > Through our advocacy efforts and collaboration with partners, we have promoted a variety of initiatives that seek to advance sustainability, including strong support for Ontario's first green bond issuance; becoming the first Canadian insurer to sign the Montreal Carbon Pledge; representing a co-operative perspective at the UNEP Inquiry into the Design of a Sustainable Financial System (see [page 32](#)).

Principle 4

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

- > This marks our third progress report, outlining our efforts and activities as we seek to advance the Principles for Sustainable Insurance. We have integrated our disclosure within this report, reinforcing our commitment to transparency as we outline our progress in advancing this aspirational framework. We invite you to read through the pages of this report to learn more about our sustainability journey and the initiatives discussed above.

stakeholder panel FEEDBACK

In February 2015 Ceres convened a stakeholder panel of independent issue experts for a dialogue on The Co-operators sustainability performance. Stakeholder panelists shared recommendations on The Co-operators disclosure of sustainability performance by providing feedback on the 2014 Sustainability Report outline. At the outset, the panel commended The Co-operators on the organization's strong disclosure in previous years. Feedback was intended to help The Co-operators continue to demonstrate corporate sustainability leadership through increased transparency. The following is a prioritized summary of stakeholder feedback.

Individuals from the following organizations were part of the stakeholder panel:

- > Bullfrog Power
- > CBaSE, College of Business and Economics, University of Guelph
- > Ceres
- > Faculty of Environment, University of Waterloo
- > Co-operative Management Education, Sobey School of Business, Saint Mary's University
- > NEI Investments
- > On Co-op Association
- > Sustainability Advantage
- > Swiss Re
- > TD Bank Group
- > Toronto Enterprise Fund
- > Vancity

Materiality. Stakeholders encouraged The Co-operators to provide a more detailed discussion of why certain sustainability issues were prioritized in the report and how these issues are material to the enterprise. A discussion of materiality would contextualize how sustainability issues impact The Co-operators, and the impact the enterprise is looking to achieve through its approach to sustainability. Many companies are moving towards detailed materiality processes that involve robust engagement of internal and external stakeholders to define report focus and strategic planning. The Co-operators should consider this for the future.

Integration. The 2014 Sustainability Report is an opportunity to provide more information on the integration of sustainability and business strategy for the 2015–2018 strategy period. The report should frame how the transition to an integrated sustainability and business strategy will drive performance. The narrative could touch on how governance structures will evolve through the transition, which sustainability goals and KPIs will be carried forward, and how employees and advisors are being engaged and educated on the transition.

Co-operative identity. The report should frame how sustainability and the co-operative identity are core to the organization's mission, vision and business strategy. Drawing out how core elements of the co-operative business model, such as member-ownership and democratic co-op principles, benefit the enterprise and its clients will highlight the value of being a co-operative throughout the report.

Sustainable products and solutions. The Co-operators efforts to assess the sustainability features of core products, and to embed sustainability into these products, should be front and center. The report should contextualize the need for integrating sustainability into core products with more information on the ESG risks facing The Co-operators clients and how the organization is providing insurance solutions to hedge against these risks. Stakeholders also noted it would be helpful to disclose information on the challenges that the enterprise is encountering in building the market for sustainability-focused products.

Risk management. Stakeholder participants recommended that the report explain how risk management and sustainability processes are integrated at The Co-operators. The report should comprehensively address how sustainability is factored into the enterprise risk management process and long-term planning. Critical areas to address include underwriting and actuarial policies, new product development, and operational decision-making.

global REPORTING INITIATIVE (GRI)

This year's report has been prepared in accordance with the [Global Reporting Initiative](#) (GRI) G4 Sustainability Reporting Guidelines – Core. The report was submitted for the Materiality Disclosures Service and GRI verifies that at the time of publication of the report, the General Standard Disclosures G4-17 to G4-27 were correctly located in both the Content Index and in the text of the final report.

Determining the issues to discuss in this report has been informed through multiple channels, both internal and external. On an annual basis, interviews are conducted with a number of senior leaders within our group of companies, including a year-end interview with our Chief Financial Officer and our President and CEO, to identify key issues and topics that will be discussed in the report.

The structure of this report (and prior year reports from 2011–2014) aligns with the areas of focus in our 2011–2014 Sustainability Strategy. As part of our vision, we aspire to be a catalyst for sustainability. Our efforts have concentrated on the following six areas of significance:

Our People – We attract and develop personal champions of sustainability through our dynamic, progressive workplace.

Our Clients – We enable and encourage our clients to contribute to a sustainable future through our products and services.

Our Governance & Operations – We model responsible, accountable and transparent governance. Our operations help foster a more sustainable society and economy and are a source of pride for our people. Others seek to follow our example.

Our Investments – We are responsible investors and we leverage our assets to contribute to a more sustainable future.

Our Public Voice – We are strong and effective public advocates for sustainability and we inspire others to take action.

Our Relationships – We are advancing sustainability through collaboration with industry partners, the co-operative sector, business partners, communities, governments and non-governmental organizations.

Our strategy and reporting has been informed through discussions with our Sustainability Steering Committee (comprised of executives from across the group of companies) and our Board Sustainability & Citizenship Committee. Broad-based research and analysis of best practices also helped shape our strategic priorities from 2011–2014. The identification of top risk issues, a process supported by our Enterprise Risk Management department, and a long-term environmental scan developed by our Strategic Planning department have provided further insight.

We gain further perspective on issues by seeking feedback from key stakeholders, utilizing a variety of formal and informal channels. These include annual employee engagement and client satisfaction surveys; regular discussions with our member-owners and biennial member engagement surveys; interacting with community members through our Community Advisory Panels.

Multi-stakeholder engagement, such as the Partners for Action Roundtable, inform our reporting as well. The lack of overland flood insurance is a significant unmet need in Canada. We initiated and continue to engage with a diverse group of stakeholders on this complex issue, outcomes of which are discussed in the report.

Our reporting has also been informed through engagement with an independent, external stakeholder panel group comprised of sustainability leaders from various organizations — this discussion was facilitated by Ceres.

To view our GRI Content Index, please see [page 48](#).

GRI CONTENT INDEX



GENERAL STANDARD DISCLOSURES

General Standard Disclosure	Page Number/Link	External Assurance
STRATEGY AND ANALYSIS		
G4-1	2–3	No
ORGANIZATIONAL PROFILE		
G4-3	8	No
G4-4	8	No
G4-5	9	No
G4-6	8	No
G4-7	25	No
G4-8	8–10	No
G4-9	9, AP-15	No
G4-10	AP-8, AP-11	No
G4-11	AP-1	No
G4-12	AP-2	No
G4-13	9	No
G4-14	Inside back cover	No
G4-15	Inside front cover, 3, 30, 32	No
G4-16	3, 32, 42	No
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	9, 44	No
G4-18	47	No
G4-19	47	No
G4-20	Our material aspects apply to all of our operations	No
G4-21	Our material aspects are relevant within Canada, for our clients, member-owners, Canadians and their communities	No
G4-22	4, 29–30	No
G4-23	9	No
STAKEHOLDER ENGAGEMENT		
G4-24	47	No
G4-25	47	No
G4-26	46–47	No
G4-27	46	No
REPORT PROFILE		
G4-28	44	No
G4-29	44	No
G4-30	44	No
G4-31	44	No
G4-32	47–48	No
G4-33	44	No
GOVERNANCE		
G4-34	25–27, AP-6	No
ETHICS AND INTEGRITY		
G4-56	Inside front cover, 27–28	No

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page Number/Link	External Assurance
CATEGORY: ECONOMIC MATERIAL ASPECT: ECONOMIC PERFORMANCE		
G4-DMA	10, AP-2, AP-15	No
G4-EC2	3, 33–35	No
G4-EC3	AP-12	No
G4-EC4	No significant financial assistance received	No
CATEGORY: ENVIRONMENTAL		
<i>Material aspect: materials</i>		
G4-DMA	29–30, AP-1	No
G4-EN1	30	No
G4-EN2	30	No

SPECIFIC STANDARD DISCLOSURES (continued)

DMA and Indicators	Page Number/Link	External Assurance
<i>Material aspect: energy</i>		
G4-DMA	29–30, AP-1	No
G4-EN3	AP-14	No
<i>Material aspect: water</i>		
G4-DMA	AP-1	No
G4-EN-8	50,220 cubic metres from metered locations only	No
<i>Material aspect: emissions</i>		
G4-DMA	29, AP-14	No
G4-EN15	29, AP-14	No
G4-EN16	29, AP-14	No
G4-EN17	29, AP-14	No
G4-EN18	29, AP-14	No
<i>Material aspect: products and services</i>		
G4-DMA	17–20, AP-1	No
G4-EN27	18	No
<i>Material aspect: compliance</i>		
G4-DMA	AP-1	No
G4-EN29	No instances of non-compliance	No
CATEGORY: SOCIAL		
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK		
<i>Material aspect: employment</i>		
G4-DMA	11–16, AP-1	No
G4-LA1	AP-10	No
G4-LA2	13, AP-12	No
<i>Material aspect: occupational health and safety</i>		
G4-DMA	15–16, AP-1	No
G4-LA5	AP-1	No
<i>Material aspect: training and education</i>		
G4-DMA	13, AP-1	No
G4-LA11	13, Our expectation is that 100% of employees have an annual performance review	No
<i>Material aspect: diversity and equal opportunity</i>		
G4-DMA	14–15, 26, AP-1, AP-2	No
G4-LA12	AP-9	No
SUB-CATEGORY: HUMAN RIGHTS		
<i>Material aspect: investment</i>		
G4-DMA	AP-1, AP-2	No
G4-HR2	All new employees (9.29% of total workforce) completed the Accessibility for Ontarians with Disabilities Act (AODA) training (representing over 300 training hours)	No
<i>Material aspect: public policy</i>		
G4-DMA	33–36, AP-2	No
G4-SO6	No contributions	No
<i>Material aspect: compliance</i>		
G4-DMA	27–28, AP-2	No
G4-SO8	No instances of non-compliance	No
SUB-CATEGORY: PRODUCT RESPONSIBILITY		
<i>Material aspect: product and service labelling</i>		
G4-DMA	20–23, AP-2	No
G4-PR5	20–22	No
<i>Material aspect: marketing communications</i>		
G4-DMA	28, AP-2	No
G4-PR7	28	No
<i>Material aspect: customer privacy</i>		
G4-DMA	28, AP-2	No
G4-PR8	28	No
<i>Material aspect: compliance</i>		
G4-DMA	28, AP-2	No
G4-PR9	28	No

APPENDICES

Global Reporting Initiative – Disclosures: Management Approach AP-1

Sustainability-focused Products and Services AP-3

Board Sustainability & Citizenship Committee – Terms of Reference AP-4

Conflict of Interest Policy AP-5

Board of Directors: Committees AP-6

Employee Relations AP-7

The Co-operators Group of Companies Sustainable Purchasing Policy AP-13

Energy Consumption and Carbon Emission Inventory AP-14

Three-year Financial Review AP-15

Consolidated Tax Expenses AP-16

GLOBAL REPORTING INITIATIVE DISCLOSURES: MANAGEMENT APPROACH

Our approach to the measurement and management of sustainability performance is outlined in the following Disclosures on Management Approach (DMA) section. Utilizing the categories set out by the Global Reporting Initiative, including Environmental, Economic and Social – which includes sub-categories: Labour Practices and Decent Work, Human Rights, Society and Product Responsibility – this DMA narrative offers additional context to outline how sustainability impacts are managed.

Environmental

Our financial success depends on our ability to identify and manage risk. We recognize climate change and the major storm-related losses associated with it as one of our top risks. Our Sustainability Policy, based on four sustainability principles developed by The Natural Step, is the foundation of our environmental management approach; it has also informed our sustainability strategy and related goals. To view key goals outlined in our 2011–2014 Sustainability Strategy, please refer to the Performance at a Glance section on [pages 4–5](#) of our 2014 Sustainability Report.

As a service-oriented business, we do not generate large amounts of carbon emissions directly, however, we believe we have a role to play in mitigating carbon emissions. We measure and calculate our carbon impact from sources including corporate office locations (representing 83% of occupied space) and business travel (which includes air travel, corporate fleet vehicles and employees' use of personal vehicles for business travel). We are pleased to have achieved our 2014 goal of reducing net carbon emissions by 50% (below 2010 emission levels). Please refer to [page 29](#) of our 2014 Sustainability Report to learn more.

We achieved our goal of reducing paper by 25% (below 2010 paper volumes) back in 2013. In 2014, total paper consumption was 37% below 2010 paper volumes. We track paper consumption in our offices, in-house print shops and external vendors. The majority of the paper we use contains at least 30% post-consumer recycled content and is Forest Stewardship Council-certified. The implementation of our new policy fulfilment system is expected to yield further paper reductions going forward.

We do not have a formal target for reducing water consumption, however water use is tracked in corporate office locations where metering is available. We continue to explore opportunities for water conservation and efficiencies.

We do not have a company-wide waste management strategy. There are significant challenges associated with tracking waste from numerous office locations across the country where different municipal waste collection capabilities and multi-tenant situations exist. With recycling programs already in place in many of our office locations, we are focusing our efforts on enhancing employee education and awareness of existing recycling processes.

We offer clients sustainable repair options to reduce the environmental impact of property losses. Please refer to [page 18](#) of our 2014 Sustainability Report to learn more about our unique partnership with Habitat for Humanity – further expanding our ability to provide clients with sustainable claims solutions.

We observe all applicable provincial and federal regulations related to our business, in addition to our own standards and policies. Further, we believe the behaviour of those with whom we choose to do business reflects on our operations, including our sustainability. We have a Sustainable Purchasing Policy and a Supplier Code of Conduct to guide corporate and claims purchasing across the group of companies. We continue to develop our monitoring processes so that we can improve the effectiveness of these programs.

Labour Practices and Decent Work

Overseen by Human Resources (HR) Vice Presidents at each of our group of companies, our HR practices and policies reflect our values. We aim to be an employer of choice in our communities, and so our HR strategy focuses on four core areas to support that goal:

- > Achieve employee engagement of at least 80%
- > Strengthen our resilience to accept and embrace change
- > Encourage and reward creativity, innovation and service excellence
- > Ensure the right people are in the right positions at the right time

Our Total Rewards program is designed to meet our employees' needs, reflect our values and support our reputation as an employer of choice. Total Rewards includes share purchase programs, flex-time options, personal days, professional development, competitive compensation and comprehensive benefits (for qualifying full, part-time and temporary employees). Insurance product discounts are also available. We conduct performance reviews annually, and our compensation structure rewards excellent performance. In addition, we regularly evaluate our Total Rewards package to ensure its competitiveness. We recognize the importance of embedding sustainability-related goals into performance plans at a senior level. All members of our senior management team have at least one sustainability-related goal in their performance plans, and it is tied to a bonus. As an example, in 2014, 4% of non-financial bonusable goals were sustainability-related for our Executive Vice President Member Relations & Corporate Services.

Putting people first means that we treat people fairly and we foster an inclusive and respectful work environment. When recruiting, we seek the best person for the role, regardless of age, gender, race or religion. Our Code of Ethics¹ clearly communicates the employees' role in creating an inclusive workplace. Employees are encouraged to approach their supervisor or manager, our Corporate Secretary or our Board of Directors Corporate Governance & Conduct Review Committee should they have any concerns related to ethical issues in the workplace. An anonymous and secure online tool is available for employees and advisors wishing to report any concerns about unethical behaviour confidentially. This program is managed by an external vendor, and is available 24 hours a day, seven days a week.

A focus on succession planning means that we are prepared for changes in our leadership and it allows us to develop the careers of people already within the organization. The Board of Directors monitors progress and senior management is aware of succession planning activities. A number of internal leadership training programs prepare employees for the next stage of their career. Training and education for all employees is a priority as it supports our business and our co-operative values.

We believe it is important to support the health, safety and wellness of our employees, and this is supported by a number of committees, including Joint Health and Safety and Health and Wellness, which contribute to our policies, programs and initiatives in this area. In keeping with provincial employment legislation, our human resources practices comply with, and in most cases exceed, requirements.

A collective bargaining agreement is in place for 126 employees at The CUMIS Group Limited, which represents 2.9% of our total workforce. They are represented by the Canadian Office and Professional Employees Union — Local 290. A variety of conditions are outlined in the agreement,² including workplace health and safety and minimum notice periods for contracting out bargaining unit work.

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1. Addresses topics including Harassment and Violence in the Workplace, Acceptable Use of Information and Communication Systems.
 2. The agreement requires the establishment of a joint health and safety committee and reimbursement for job-required protective clothing.

Human Rights

Equitable employment practices are the foundation of our position as an employer. We believe equity means fairness in terms of equal access and opportunity for everyone. Employee rights are outlined in our Equitable Employment Practices Guideline. Any form of discrimination within employment procedures, or directed against employees, potential recruits, or clients is contrary to our corporate values and policies.

We seek recruits who display the greatest potential to benefit our organization. A number of factors contribute to a candidate's eligibility for a position – most importantly their knowledge and skills as required for the job. We acknowledge the rights of individuals as expressed in the Canadian Charter of Rights and Freedoms, Canadian Human Rights Act and in all provincial human rights codes.

Through our Sustainable Purchasing – Supplier Code of Conduct, we seek to promote and articulate a framework of consistent performance standards for our strategic suppliers, which include human rights considerations.

Society

Our co-operative structure and values lead us to put the needs of our member-owners and our communities at the forefront. We have been a member of Imagine Canada for 18 years, contributing 3.5% of our pre-tax profits to Canadian co-operatives, non-profits and charities in 2014. When deciding how to spend our community investment dollars, the following criteria are considered:

- > Does this contribute to a safe, healthy and sustainable community?
- > Is this national in scope?
- > Does this initiative have local Co-operators involvement and/or support?
- > Does it have broad community support?

As a responsible insurer, we want to do our part to increase the safety of our communities across Canada. Our Signature Safety Programs allow us to build awareness of safety issues and empower Canadians to make informed decisions. We also provide the general public and our clients with information about insurance that promotes understanding of both the insurance options that can protect their lives and property, and the insurance industry more generally.

Through our Conflict of Interest and Code of Conduct policies, our Board of Directors and senior management are held to the highest levels of professional ethics. Regulatory issues, compliance and legislative changes are managed and monitored by our Chief Compliance Officer. Transparency and sound governance provide the framework for building and maintaining trust with all our stakeholders.

We engage in advocacy efforts as a way to encourage progress on issues that influence our business. Through strong relationships with federal and provincial governments, we aim to influence public policy that impacts our business, our clients and the co-operative sector. The lack of overland flood insurance coverage in Canada, and our efforts to ensure a thorough understanding of the issue, while also promoting collaboration to develop a holistic approach to the solution is an example of our efforts in this area.

Product Responsibility

Our vision to become a catalyst for a sustainable society encompasses our products and services. We offer a range of insurance solutions that incorporate sustainability features. We have begun to expand the breadth of our sustainable product offering by embedding sustainability attributes into our core insurance products, such as Home and Auto (with our High Value Home and en-route Auto Program™ respectively). Our unique partnership with Habitat for Humanity, whereby salvageable claims materials are directed to local Habitat ReStore facilities (instead of going to landfills), expanded across Canada in 2014, demonstrating our commitment in promoting sustainable claims processes.

Our commitment to treating our clients fairly and protecting their rights is reflected in our policies and procedures. We guard the privacy and personal information we are required to obtain in the process of providing insurance services with extreme care. Designated Privacy Officers oversee our privacy processes, and review/respond to any privacy-related concerns.

Our advisors, brokers and Licensed Insurance Representatives are guided by regulations around licensing, continuing education and general market conduct. Marketing material is subject to these same controls. Internal compliance processes such as these help to build trust in our company.

We are committed to continuously improving our products and services and the ways in which they are delivered. Clients provide guidance for improvement through various forms of consultation. It is important for clients to have a voice, so we encourage feedback through formal channels like our Service Review Panels and client satisfaction surveys, as well as informal methods such as social media, email and more.

We help our clients minimize their risk by advising them of measures that can prevent damage to their property or increase their health or safety. In addition, advisors have an obligation to counsel our clients and prospects on what is included or not included in their policies. We are required to adhere to all applicable laws and regulations concerning product/service labelling, which is achieved through the documentation we provide.

Economic

We are 100 per cent Canadian-owned and operated. Our Mission is to provide financial security to Canadians and their communities. We provide peace of mind to our clients, who know that their insurance needs are covered in the event of a loss. As a responsible and values-based financial services provider, we follow conservative investment management practices to ensure the stability of our business. We are there for our clients when they need us.

We contribute to building a strong economy by paying taxes — which comprise a significant portion of our operating expenses — employing thousands of people across Canada, sharing profits through member loyalty payments, and investing in our communities.

We also support many businesses through vendor relationships. Wherever possible, we use products and services from local suppliers. Our list of preferred suppliers includes like-minded companies that have a positive impact on their communities and society more generally. This can include companies that support or develop fair trade, co-operatives and social enterprises.

As a co-operative, we are democratically controlled by our 42 member-owners, which include Canadian co-operatives and credit union centrals. We are accountable to these member-owners and each year a portion of our profits are returned to them through member loyalty payments.

Financial results are just one measure of our success. Our community investment programs provide assistance to social economic enterprises, emergent co-operatives, community economic development initiatives and other worthy causes in Canada. We encourage employees to support their community by offering two paid volunteer days per year.

SUSTAINABILITY-FOCUSED PRODUCTS AND SERVICES

Our sustainability-focused product offerings include the following:

Socially Responsible/Sustainable Investments: We provide a range of socially responsible investment options for plan members who seek to invest their funds in ways that achieve both competitive financial returns and generate social returns as well. Social criteria upon which companies are evaluated include excellence in environmental management, positive labour practices, human rights, and the avoidance of tobacco, weapons, alcohol or nuclear power as major sources of revenue. We also provide a range of sustainable investing options that integrate consideration of environmental, social and governance (“ESG”) matters into investment and stewardship activities with the objective of enhancing long-term investment performance.

Solutions for the non-profit and co-operative sectors: As a co-operative itself, The Co-operators understands the unique insurance needs of co-operative organizations in Canada. This is why we’ve developed Co-op Guard™ — to provide co-operative sector specific products and services that are customizable to suit each co-operative’s unique insurance needs. We also recognize and respect the unique challenges facing the voluntary non-profit sector in Canada. Our Community Guard® insurance program provides sector-specific insurance coverage focused on affordability by promising rate stability to assist with the planning and budgeting process. Both programs are marketed through specially trained Advisors who know these sectors and are committed to them.

Green policy endorsements: Our EnviroGuard® home policy endorsements allow clients to consider more environmentally-friendly building and energy options. For an additional premium, these products give clients an additional coverage over the claim amount to restore with environmentally responsible options. EnviroGuard® is included in our Prestige Plus (high value home) product.

Green policy discount: Our Envirowise® discount offers a 10% savings for eligible Leadership in Energy and Environmental Design (LEED) certified dwellings.

Hybrid and electric vehicle discount: To reward more sustainable vehicle choices, clients in Ontario, Quebec, Newfoundland/Labrador, Prince Edward Island, Nova Scotia, New Brunswick, Alberta, Saskatchewan, Yukon and Northwest Territories who drive hybrids are eligible for an automatic 5% discount on their auto insurance premium. This discount has been extended to include electric vehicles in select provinces.

Telematics: The en-route Auto Program™ is a usage-based insurance program that uses telematics technology to collect information about driving behaviour, including braking and acceleration; distance travelled; travel time; and environmental impact. Drivers automatically receive a 5% discount for signing up, which can grow to as much as 25% based on driving results. Currently available in Ontario only.

Offering solutions for the wind energy industry: The Sovereign General’s Windsurance® product has been tailored for the small to mid-size wind energy industry. From site preparation through grid hook up and beyond, our product provides comprehensive and continuous coverage. There is no longer the need to seek markets for construction coverage, operations or the production phase.

Fire Sprinkler Discount: Fire sprinklers can limit property damage and save lives. They are also less harmful to the environment because they reduce fire damage by up to 97% and water damage by up to 90%. Clients of Co-operators General Insurance Company whose homes are protected by automatic fire sprinkler systems may be eligible for a discount of 10%.

BOARD SUSTAINABILITY & CITIZENSHIP COMMITTEE – TERMS OF REFERENCE

THE CO-OPERATORS GROUP LIMITED BOARD SUSTAINABILITY & CITIZENSHIP COMMITTEE TERMS OF REFERENCE

Mandate

The Sustainability & Citizenship Committee is responsible for providing oversight of the sustainability performance of The Co-operators group of companies. It reviews and recommends policies, strategies and annual plans to advance the Company towards its sustainability vision and monitors strategy and policy implementation and stakeholder engagement. The Committee monitors integration of sustainability risk management across the Company. It advises the Board on the sustainability impact of key decisions and emerging sustainability issues, risks and opportunities.

The Committee also provides oversight of the corporate citizenship programs of The Co-operators Group Limited and its group of companies. Corporate citizenship is also referred to as “community investment” and pertains to corporate donations, sponsorships, employee volunteering and other aspects of our community contributions.

Responsibilities

1. Strategy and Policies: Review and recommend to the Board, Company-wide sustainability and citizenship visions, policies, strategies and targets and regularly monitor their execution. Assess and advise the Board on alignment of Company and subsidiary plans and programs with the Company's Sustainability and Citizenship visions, policies, strategies and annual plans. Provide advice on, and oversight of, sustainability and citizenship related elements of a Co-operative Performance plan, metrics, and business unit integration incorporated within the corporate Sustainability Strategy.
2. Trends and Risks: Monitor and advise the Board on current and emerging sustainability and citizenship trends, risks and opportunities, giving particular attention to those materially relevant to the financial service sector and insurance industry and how they might impact the company in the short and long-term. Ensure key risks and opportunities are incorporated in the Company's enterprise risk management framework and processes and addressed by the Corporate Strategy; and the Sustainability and Citizenship Strategy and Co-operative Performance Strategy as appropriate. Ensure that sustainability risk management is effectively coordinated and integrated across the group of companies and different functions.
3. Performance Reporting: Provide input into the scope and identification of material issues for the Company's annual Public Accountability Statement and Sustainability Report. Ensure the company maintains a leadership role and best practice in sustainability reporting and that the Company has implemented effective systems, controls and processes for the management and disclosure of non-financial performance information. As non-financial metrics become third-party verified, recommend disclosure of non-financial performance statements to the Board of Directors for public release. Ensure appropriate integration and disclosure of Co-operative Performance and Identity metrics and progress.
4. Stakeholder Relations: Review and monitor stakeholder relations and ensure Board and management are aware of stakeholder issues, concerns and perceptions as they relate to Sustainability and Citizenship. Provide oversight of the Company's Sustainability and Citizenship stakeholder engagement and communications plans and policies, including staff, member-owners, advisors, brokers, customers, CAPs, co-operatives, NGOs, governments, communities, suppliers, academics, insurance industry, and other stakeholders. Ensure the plans and policies are in place and working effectively and that The Co-operators has best practice in this area.
5. Decision Impacts: Advise the Board on the Sustainability and Citizenship impacts of major business decisions such as mergers, acquisitions, divestures, major capital expenditures, etc.

6. Sustainable Meetings: Ensure the Board models best practice in sustainable meetings.
7. Report to Members: Provide a progress report at the Annual General Meeting.
8. Board Sustainability Education: Monitor board sustainability and citizenship awareness from the board evaluation survey and recommend one sustainability /citizenship education session per year to the Board of Directors.
9. Board Youth Initiative: Provide oversight of the Board Youth Initiative and annual budget allocation.
10. Other Duties: Perform such other duties as are consistent with these Terms of Reference or as may be requested by the Board.

Composition & Appointment

1. The Sustainability & Citizenship Committee is composed of four members of the Board.
2. The Committee is elected at the first meeting of the Board held after the Annual General Meeting each year. Casual vacancies are filled through election at the next regularly scheduled Board meeting.

Authority

The Committee fulfills its responsibilities on behalf of the Board and makes recommendations to the Board on Sustainability and Citizenship visions, policies, strategies and targets.

As non-financial metrics become third-party verified, recommend disclosure of non-financial performance statements to the Board of Directors for public release.

The Committee has the authority to engage outside advisors and to call upon other resources as noted below to assist in the execution of its responsibilities.

Organization and Procedures

Chairperson

The Chair of the Committee is elected by the Board at the Board Re-organization meeting.

Meetings

1. The Committee normally meets four times a year, with one additional annual meeting held with the CEO and Sustainability Steering Committee.
2. Meetings are normally held in person, in conjunction with a regularly scheduled Board meeting, but may take place by telephone or video conference.
3. Meetings are held at the call of the Chair.
4. Notice of each meeting is to be given to every member of the Committee not less than seven days before the meeting. With the unanimous consent of all members, the notice period may be shortened or waived.
5. The agenda and supporting material for meetings are to be distributed to the Committee by e-mail five business days before the meeting.

Quorum

A majority of the Committee (3 Directors) constitutes a quorum for holding meetings and transacting business.

Resources

1. The Senior Director, Sustainability & Citizenship provides management support to the Committee and attends all of its meetings.
2. The Company's Corporate Secretary, Associate Secretary or their delegates shall serve as Secretary to the Committee, takes minutes and ensures their distribution to the full Board.
3. The Committee may invite other employees of the Company or other persons to attend meetings of the Committee, and to advise it during its deliberations, as appropriate.
4. The Executive Vice-President, Member Relations and Corporate Services receives notice of and may attend all meetings.

CONFLICT OF INTEREST POLICY

5. The Committee may retain such outside consultants and advisers, at Company expense, as it deems necessary to fulfill its duties.
6. To keep abreast of current and emerging issues, the Committee will meet once a year with a sustainability, citizenship or co-operative expert.

Supporting Materials and Minutes

1. The Company's Corporate Secretary, Associate Secretary or their delegates shall serve as Secretary to the Committee.
2. The agenda and supporting material for meetings are to be distributed to the Committee by e-mail no less than five business days in advance of the meeting.
3. The Secretary records minutes of every meeting, circulating them to the Committee members shortly after the meeting takes place. After Committee members have had an opportunity to review them and provide any corrections, the minutes are prepared for distribution to the full Board at the next Board of Directors meeting.

Reporting

1. The Committee Chairperson is provided an opportunity to provide an update at each Board of Directors meeting and will do so as required. Once a year, the Committee, or their designate, delivers a report to the Board on the Company's progress towards realizing its Sustainability Vision, Social Signature and Co-operative Performance aspirations.
2. Given some complementary alignment between the Member & Co-operative Relations Committee and the Sustainability & Citizenship Committee there will be ongoing discussion between Committee Chairs on how best to coordinate efforts.

Annual Work Plan and Schedule

The Committee adopts a work plan and annual schedule of activities at its first meeting after its election each year. The work plan is reviewed at each meeting.

Committee Effectiveness

1. The Committee performs an annual review and evaluation of its performance, including a review of its compliance with these terms of reference.
2. The Committee reviews these terms of reference each year, recommending changes as necessary to the Corporate Governance & Conduct Review Committee, who will review and recommend them to the Board for approval.
3. Orientation is made available to new members joining the Committee following their election and prior to attending their first Committee meeting.

The Insurance Companies Act, Canada, as amended governs the activities of most of the insurance companies within The Co-operators group of companies. This Act has specific statutory requirements related to acts or policies which the Board of Directors is required to establish or identify. One such requirement is the requirement to establish procedures to resolve conflict of interest, including techniques for the identification of potential conflict situations and for restricting the use of confidential information.

By motion of the Board as at November 13, 1992, the Board approved a "Conflict of Interest" policy to comply with the requirements of the Insurance Companies Act. Since that time a number of other policies have been adopted both by the Board and by the Company with respect to Conflict of Interest, a Code of Ethics and Director Conduct.

The Co-operators endorses business activity, premised on professional ethics, in a working environment free from real, perceived or potential conflicts of interest. Activity which compromises objective business decisions and/or results in inappropriate personal gain is prohibited.

A high standard of conduct is also expected with respect to the use and disclosure of information which is confidential to the company, to Directors or employees of the company, to policyholders or to any other person whereby agreement or the operation of law the information is required to be maintained in a confidential manner.

BOARD OF DIRECTORS: COMMITTEES

The following is a brief summary of the key responsibilities of the standing committees of the Board:

The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the system of internal controls and financial reporting practices of the Company. It plays a liaison role between the internal and external auditors, the Board and management. It evaluates the performance and independence of the internal and external auditors and reviews their audit reports and findings with respect to internal controls, accounting policies and disclosure of company affairs. The Committee also has a responsibility to oversee and monitor the compliance of the financial reporting policies and internal control processes that management puts in place, with accounting standards and applicable laws and regulations.

The Corporate Governance & Conduct Review Committee recommends policies and practices to (a) maintain high standards and best practices in corporate and co-operative governance and (b) enhance performance through Board and Director effectiveness (education and assessment) programs. On behalf of the Board, the Committee provides oversight to the Company's compliance function; carries out responsibilities with respect to the Self-Dealing provisions of the Insurance Companies Act; and deals with any other matters mandated by or arising from the Act, as amended. In addition, it deals with matters involving conflicts of interest and the conduct of related parties to The Co-operators. The Committee also reviews and advises management on the Board of Directors budget.

The Member & Co-operative Relations Committee oversees the strategic initiatives that ensure we (a) deliver on our goal to be the insurance provider of choice for member-owner and co-operative clients and (b) play a leadership role in national and international co-operative communities. It oversees specific activities related to member participation, engagement and democratic functioning, including the decennial Democratic Structure Review. It also considers membership issues such as member engagement, recruitment, retention and termination. The Committee reviews strategies to foster strong member and co-operative relations and advance our co-operative identity with key stakeholders.

The Risk & Compensation Committee oversees our Enterprise Risk Management (ERM) Program and Own Risk and Solvency Assessment process; provides advice on strategic issues linked to our top risks; and discharges the Board's responsibilities in relation to lending and investment programs. The Committee ensures that the Company's responsibilities related to The Co-operators Retirement Plan are fulfilled; develops compensation programs for the Board of Directors and President and CEO, for the Board's approval; administers the CEO compensation and performance management programs; and ensures that effective management succession plans are in place.

The Sustainability & Citizenship Committee provides oversight of the sustainability performance of The Co-operators group of companies. It reviews and recommends policies, strategies and annual plans to advance us toward our sustainability vision, and monitors strategy and policy implementation and stakeholder engagement. The Committee advises the Board on the sustainability impact of key decisions, as well as emerging sustainability issues, risks and opportunities. It also provides oversight of The Co-operators Foundation programs.

COMMITTEE MEMBERS

Audit Committee

Emmet McGrath (Chairperson)
Daniel Burns
Denis Laverdière
Jim Laverick
Gordon Young

Corporate Governance & Conduct Review Committee

Réjean Laflamme (Chairperson)
Roger Harrop
Michael MacIsaac
Collette Robertson

Member & Co-operative Relations Committee

Jack Wilkinson (Chairperson)
Don Altman
Phil Baudin
Denis Bourdeau

Risk & Compensation Committee

Alexandra Wilson (Chairperson)
Dave Abel
Albert De Boer
Johanne Charbonneau
John Harvie

Sustainability & Citizenship Committee

Paul Godin (Chairperson)
Geri Kamenz
Dave Sitaram
Jocelyn VanKoughnet

Resolutions Committee

Jack Wilkinson (Chairperson)
Committee comprised of one delegate elected from each Region Committee

EMPLOYEE RELATIONS

ENGAGEMENT SCORES BY COMPANY Listed below is a three-year comparison of our employee engagement scores broken out by company.

Company	2014	2013	2012
Addenda Capital	75%	57%	62%
Co-operators General*	81%	77%	80%
Co-operators Life	66%	57%	60%
CUMIS	80%	71%	66%
The Sovereign General	79%	82%	86%
Aggregate	78%	73%	76%
Best Employers Score (according to Aon Hewitt)	77%	78%	79%

*Includes engagement scores from The Co-operators Group Limited and HB Group.

AVERAGE AGE OF WORKFORCE BY COMPANY

Company	Average Age
Addenda Capital	44
Co-operators General	42
The Co-operators Group Limited	45
Co-operators Life	43
CUMIS	45
HB Group	39
The Sovereign General	41
Average Age	43

AVERAGE YEARS OF SERVICE BY COMPANY

Company	2014	2013	2012
Addenda Capital	9	9	9
Co-operators General	12	13	13
The Co-operators Group Limited	12	12	11
Co-operators Life	12	12	12
CUMIS	13	11	11
HB Group	9	9	8
The Sovereign General	8	8	9

WORKFORCE* BY PROVINCE AND GENDER

Province	Male	Female
Alberta	176	441
British Columbia	72	105
Manitoba	18	28
New Brunswick	59	280
Newfoundland and Labrador	12	50
Nova Scotia	14	37
Northwest Territories	0	3
Ontario	933	1,779
Prince Edward Island	1	7
Quebec	134	204
Saskatchewan	208	505

**Includes full-time and part-time permanent and temporary employees.*

WOMEN IN MANAGEMENT

	2014			2013			2012		
	Executive	Manager	Supervisor	Executive	Manager	Supervisor	Executive	Manager	Supervisor
Addenda Capital	0%	38%	60%	0%	27%	60%	36%	33%	100%
Co-operators General	28%	60%	72%	22%	49%	81%	21%	57%	79%
The Co-operators Group Limited	30%	44%	64%	40%	55%	50%	36%	56%	100%
Co-operators Life	25%	65%	100%	23%	52%	65%	36%	43%	63%
CUMIS	17%	48%	50%	17%	29%	63%	13%	29%	64%
HB Group	0%	61%	74%	0%	67%	78%	0%	56%	79%
The Sovereign General	20%	34%	58%	20%	38%	82%	20%	43%	79%

EMPLOYEE GENDER, AGE AND MINORITY STATUS

		Senior Management	Middle Management	Supervisor	All Other Employees
Gender	Male	78%	47%	29%	30%
	Female	22%	53%	71%	70%
Age	<30	0.00%	1.82%	4.97%	16.00%
		Male: 0.0% Female: 0.0%	Male: 0.99% Female: 0.83%	Male: 2.92% Female: 2.05%	Male: 9.62% Female: 6.38%
	30–50	37.84%	59.57%	63.16%	59.83%
		Male: 33.78% Female: 4.06%	Male: 28.05% Female: 31.52%	Male: 19.59% Female: 43.57%	Male: 18.49% Female: 41.34%
	>50	62.16%	38.61%	31.87%	24.17%
		Male: 44.59% Female: 17.57%	Male: 18.48% Female: 20.13%	Male: 7.31% Female: 24.56%	Male: 5.50% Female: 18.67%
Belong to a minority	Overall	5.41%	3.30%	4.68%	11.06%
	Gender	Male: 4.05% Female: 1.36%	Male: 1.65% Female: 1.65%	Male: 2.34% Female: 2.34%	Male: 4.75% Female: 6.31%

BOARD OF DIRECTORS GENDER, AGE AND MINORITY STATUS

Gender	Male	81.1%
	Female	18.2%
Belong to a Minority	Overall	9.0%
	Gender	Male: 4.5% Female: 4.5%
Are of Aboriginal Descent	Overall	4.5%
	Gender	Male: 0.0% Female: 4.5%

All Board members are over 50 years of age.

EMPLOYEE TURNOVER

Province	Age Group	Male		Female	
		#	%	#	%
BC	<30	1	0.02%	3	0.07%
	30–50	3	0.07%	6	0.14%
	>50	1	0.02%	8	0.18%
	Total	5	0.11%	17	0.39%
AB	<30	4	0.09%	6	0.14%
	30–50	12	0.28%	22	0.51%
	>50	4	0.09%	8	0.18%
	Total	20	0.46%	36	0.83%
MB	<30	0	0.00%	0	0.00%
	30–50	2	0.05%	2	0.05%
	>50	0	0.00%	0	0.00%
	Total	2	0.05%	2	0.05%
SK	<30	2	0.05%	0	0.00%
	30–50	12	0.28%	19	0.44%
	>50	0	0.00%	2	0.05%
	Total	14	0.32%	21	0.48%
ON	<30	14	0.32%	16	0.37%
	30–50	23	0.53%	34	0.78%
	>50	7	0.16%	21	0.48%
	Total	44	1.01%	71	1.63%
QC	<30	2	0.05%	2	0.05%
	30–50	9	0.21%	13	0.30%
	>50	2	0.05%	6	0.14%
	Total	13	0.30%	21	0.48%
NB	<30	2	0.05%	3	0.07%
	30–50	1	0.02%	6	0.14%
	>50	0	0.00%	2	0.05%
	Total	3	0.07%	11	0.25%
NS	<30	0	0.00%	0	0.00%
	30–50	1	0.02%	3	0.07%
	>50	0	0.00%	1	0.02%
	Total	1	0.02%	4	0.09%
NL	<30	0	0.00%	1	0.02%
	30–50	0	0.00%	2	0.05%
	>50	1	0.02%	0	0.00%
	Total	1	0.02%	3	0.07%
PE	<30	0	0.00%	0	0.00%
	30–50	0	0.00%	1	0.02%
	>50	0	0.00%	1	0.02%
	Total	0	0.00%	2	0.05%
Total		103	2.37%	188	4.32%

NEW HIRES

Province	Age Group	Male		Female	
		#	%	#	%
BC	<30	0	0.00%	0	0.00%
	30–50	3	0.07%	2	0.05%
	>50	2	0.05%	0	0.00%
	Total	5	0.11%	2	0.05%
AB	<30	4	0.09%	10	0.23%
	30–50	12	0.28%	24	0.55%
	>50	6	0.14%	4	0.09%
	Total	22	0.51%	38	0.87%
MB	<30	0	0.00%	1	0.02%
	30–50	1	0.02%	1	0.02%
	>50	0	0.00%	0	0.00%
	Total	1	0.02%	2	0.05%
SK	<30	2	0.05%	7	0.16%
	30–50	12	0.28%	13	0.30%
	>50	1	0.02%	5	0.11%
	Total	15	0.34%	25	0.57%
ON	<30	28	0.64%	49	1.13%
	30–50	48	1.10%	44	1.01%
	>50	9	0.21%	13	0.30%
	Total	85	1.95%	106	2.44%
QC	<30	6	0.14%	5	0.11%
	30–50	20	0.46%	15	0.34%
	>50	3	0.07%	2	0.05%
	Total	29	0.67%	22	0.51%
NB	<30	4	0.09%	12	0.28%
	30–50	6	0.14%	23	0.53%
	>50	0	0.00%	1	0.02%
	Total	10	0.23%	36	0.83%
NS	<30	0	0.00%	0	0.00%
	30–50	0	0.00%	1	0.02%
	>50	0	0.00%	0	0.00%
	Total	0	0.00%	1	0.02%
NL	<30	1	0.02%	1	0.02%
	30–50	1	0.02%	2	0.05%
	>50	0	0.00%	0	0.00%
	Total	2	0.05%	3	0.07%
PE	<30	0	0.00%	0	0.00%
	30–50	0	0.00%	0	0.00%
	>50	0	0.00%	0	0.00%
	Total	0	0.00%	0	0.00%
Total		169	3.89%	235	5.40%

PERMANENT AND TEMPORARY WORKFORCE

Company			Male	Female	Total
Addenda Capital	Permanent	Full-time	62	48	118
		Part-time	0	8	
	Temporary	Full-time	1	1	4
		Part-time	0	2	
Co-operators General	Permanent	Full-time	574	1,386	2,017
		Part-time	1	56	
	Temporary	Full-time	122	446	619
		Part-time	16	35	
The Co-operators Group Limited	Permanent	Full-time	366	305	682
		Part-time	1	10	
	Temporary	Full-time	17	20	43
		Part-time	1	5	
Co-operators Life	Permanent	Full-time	97	392	511
		Part-time	1	21	
	Temporary	Full-time	8	12	27
		Part-time	2	5	
CUMIS	Permanent	Full-time	97	180	284
		Part-time	0	7	
	Temporary	Full-time	1	5	9
		Part-time	0	3	
HB Group	Permanent	Full-time	166	306	480
		Part-time	0	8	
	Temporary	Full-time	2	5	8
		Part-time	0	1	
The Sovereign General	Permanent	Full-time	88	155	256
		Part-time	1	12	
	Temporary	Full-time	1	1	8
		Part-time	2	4	
All Companies	Permanent	Full-time	1,450	2,772	
		Part-time	4	122	
	Temporary	Full-time	152	490	
		Part-time	21	55	
Total			1,627	3,439	
Total Permanent Full-time and Part-time Employees					4,348
Total Temporary Full-time and Part-time Employees					718

SUMMARY OF BENEFITS

Benefits	Addenda Capital	Co-operators General	The Co-operators Group Limited	Co-operators Life	HB Group	The Sovereign General	CUMIS
Flex time	x	x	x	x	x	x	x
Paid personal days	x	x	x	x	x	x	x
Job sharing		x	x	x	x		x
Flexible work options (i.e., from home, remotely, etc.)		x	x	x	x	x	x
Scholarships	x	x	x	x	x	x	x
Health club on-site/negotiated health club rates	x	x	x	x	x	x	x
Phased-retirement		x	x	x	x		
Relocation programs		x	x	x	x		x
Long-time service awards	x	x	x	x	x	x	x
Company share-purchase program		x	x	x	x	x	x
Employee discounts on insurance		x	x	x	x	x	x
Public transit discount		x*	x*	x†		x	
Employee Assistance Program	x	x	x	x	x	x	x
Pension Plan‡	x	x	x	x	x	x	x
Disability Benefits**	x	x	x	x	x	x	x
Pregnancy leave top-up program**	x	x	x	x	x	x	x

*Applies only to employee in the Guelph locations. †Applies only to employees in the Regina locations. ‡A defined contribution plan. Two contribution schedules are available: employee 5% and employer 6.5%, or employee 6% and employer 7.5%. Available to temporary employees who meet eligibility requirements. A defined benefits plan applies to 199 employees at CUMIS (available to employees hired prior to 2008), representing 4% of our total workforce. **Not available to temporary employees.

EMPLOYEE ASSISTANCE PROGRAM USAGE*

2014	21%
2013	20%
2012	20%

*Generally, participation rates over 15% are considered successful programs.

THE CO-OPERATORS GROUP OF COMPANIES

SUSTAINABLE PURCHASING POLICY

The Co-operators is committed to conducting its business in accordance with its Sustainability Policy. We recognize we have impact and influence upstream and downstream of our operations. To that end, our Sustainable Purchasing Policy guides the Sustainable Purchasing Programs developed to inform our buying decisions and signal our priorities to the marketplace, both through Claims and Corporate Purchasing.

In order to reduce our environmental footprint and become a catalyst for sustainability, The Co-operators seeks to do business with organizations that share our values and are similarly committed to reducing greenhouse gas emissions.

The Co-operators will:

- > Make purchasing decisions based on a balance between economic, social and environmental factors by ensuring that social and environmental criteria related to product and service attributes and supplier operations are regularly included in the evaluation of supplier bids and proposals.
- > Seek to reduce the negative and enhance the positive environmental and social impacts of our spending.
- > Seek to source from suppliers that are making a positive difference to society, including fair trade, co-operative, social enterprise and other social purpose businesses.
- > Use eco-labels and other recognized sustainability certifications to define preferred or mandatory criteria related to particular products and services.
- > Encourage suppliers to have a written sustainability policy, supply more environmentally-preferred and socially responsible products and services, and manage their operations in ways that foster sustainability.
- > Maintain minimum performance standards for our suppliers through our Code of Conduct and work with those who are out of compliance to help them improve sustainability performance. Only as a last resort will we end supplier relationships that are not aligned with our values, preferring an approach characterized by engagement and continuous improvement.
- > Provide guidance and training to encourage employees involved in purchasing to adopt more sustainable practices to reduce costs and the negative environmental and social impact of goods and services we buy, while enhancing the positive sustainability impacts.
- > Measure, monitor and report on both internal and supplier compliance with the Sustainable Purchasing Program
- > Work with stakeholders to share experiences and adopt best practice.
- > Communicate this Policy to our stakeholders and work towards full implementation.
- > Commit to a process of continuous improvement, regular review and ongoing upgrading of the Sustainable Purchasing Program.

The Co-operators Corporate Sustainable Purchasing Program is co-ordinated by the Director of Procurement through the Sustainable Purchasing Committee, which reports to The Co-operators Sustainability Steering Committee.

ENERGY CONSUMPTION AND CARBON EMISSION INVENTORY

ENERGY CONSUMPTION (GJ)

	2014	2013	2012	2011	2010
Gasoline ³	29,062	33,082	35,252	38,783	41,800
Natural Gas ⁴	53,617	50,331	47,322	50,316	54,049
Electricity ⁴	77,739	82,195	86,074	90,845	93,315
Steam ⁴	1,402	1,445	1,183	1,367	1,431
Total Energy	161,820	167,053	169,831	181,311	190,595

CARBON EMISSIONS (tonnes of CO2 equivalent)

	2014 Location-Based	2014 Market-Based	2013	2012	2011	2010
<i>Scope 1 (Energy)</i>						
Fleet	2,010	2,010	2,288	2,504	2,753	2,970
Natural Gas	2,634	2,634	2,472	2,330	2,479	2,658
Total Scope 1	4,644	4,644	4,760	4,834	5,232	5,628
<i>Scope 2 (Energy Indirect)</i>						
Electricity	8,873	1,148*	9,412	9,453	9,993	11,566
Steam	93	93	96	78	90	95
Total Scope 2	8,966	1,241	9,508	9,531	10,083	11,661
<i>Scope 3 (Other Indirect)</i>						
Air Travel	4,742	4,742	4,153	4,393	4,844	4,554
Employee Vehicle Travel	1,051	1,051	1,255	1,407	1,529	1,510
Total Scope 3	5,793	5,793	5,408	5,800	6,373	6,064
Total Emissions	19,403	11,678	19,676	20,165	21,688	23,353

*Reduction associated with Renewable Energy Certificates purchased from Bullfrog Power.

The 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](#). Carbon dioxide, methane and nitrous oxide are included in all emission totals (and are reflected in the emission intensity figures on [page 29](#) of our Sustainability Report); the intensity figures include emissions from scope 1, 2 and 3. We use 2010 as our current base year; although it was not the first year that emissions data was collected, it contains a more complete data set than prior years. It is also the basis for our current emission reduction goal (50% reduction from 2010 emission levels by end of 2014). Prior year emission totals have been recalculated to reflect current electricity emission factors as they become available.

3. Conversion factor source: Natural Resources Canada, Energy Use Calculator, <http://oee.nrcan.gc.ca/industrial/technical-info/tools/energy-use-calculator.cfm>.

4. Conversion factor source: Natural Resources Canada, Gigajoule and Energy Intensity Calculator, <http://oee.nrcan.gc.ca/commercial/technical-info/tools/gigajoule.cfm>.

THREE-YEAR FINANCIAL REVIEW

THREE-YEAR REVIEW

(in millions of dollars, except return on member-owners and shareholders' equity)	2014	2013	2012*
Total Assets	12,917	11,861	11,431
Insurance and investment contract liabilities	6,775	6,262	6,085
Member-owners and shareholders' equity	2,044	1,860	1,805
Participating Policyholder Account	660	610	547
Non-controlling Interests	289	397	386
Total Equity	2,993	2,867	2,738
Property & Casualty Direct Written Premium	2,410	2,296	2,205
Life Direct Written Premium	954	788	784
Net Earned Premium	3,156	2,888	2,825
Net Investment Income	562	161	378
Policyholder Benefits and Adjustment Expenses, Net of Reinsurance	2,360	1,850	1,795
Net Income—attributable to member-owners and shareholders	130	40	204
Return on member-owners and shareholders' equity	7.2%	2.3%	12.7%

*2012 balances include the adjustments to retrospectively adopt International Accounting Standard 19R "Employee Benefits."

CONSOLIDATED TAX EXPENSES

2014 CONSOLIDATED TAX (RECOVERIES) / EXPENSES (IN \$'000) DOLLARS

	Income Tax ¹	Premium Tax	Other Tax ²
Federal	45,631	0	24,309
Provincial			
Alberta	6,055	21,965	8,473
British Columbia	2,828	8,293	1,360
Manitoba	1,381	3,052	175
New Brunswick	925	2,561	1,978
Nfld. and Labrador	1,243	3,800	1,220
Nova Scotia	1,553	4,101	1,330
Ontario	16,788	41,471	29,292
Prince Edward Island	351	996	675
Quebec	1,762	3,247	4,734
Saskatchewan	1,834	6,174	4,382
Territories	195	448	1
Total Provincial	34,915	96,108	53,620
Total	80,546	96,108	77,929
Total Tax Expense Related to 2014	254,583		

1. Income tax amounts are estimates for 2014 as at February 3, 2015.

2. Other taxes includes commodity, property & business, payroll, capital and other miscellaneous taxes.
In the past capital tax was shown separately; given its size, it has been grouped in with "Other Tax".

2013 CONSOLIDATED TAX (RECOVERIES) / EXPENSES (IN \$'000) DOLLARS

	Income Tax ¹	Capital Tax	Premium Tax	Other Tax ²
Federal	(91,374)	0	0	27,939
Provincial				
Alberta	(13,734)	0	20,485	9,842
British Columbia	(4,857)	0	9,016	1,406
Manitoba	(1,860)	0	2,729	143
New Brunswick	(1,837)	0	2,503	2,089
Nfld. and Labrador	(2,580)	0	3,561	972
Nova Scotia	(2,986)	0	3,496	1,384
Ontario	(34,703)	0	39,639	31,001
Prince Edward Island	(654)	0	955	313
Quebec	477	20	3,190	2,959
Saskatchewan	(2,398)	0	5,916	4,857
Territories	(462)	0	493	0
Total Provincial	(65,594)	20	91,983	54,966
Total	(156,968)	20	91,983	82,905
Total Tax Expense Related to 2013	17,940			

1. Income tax amounts are actuals for 2013.

2. Other taxes includes commodity, property & business, payroll and other miscellaneous taxes.

2012 CONSOLIDATED TAX (RECOVERIES) / EXPENSES (IN \$'000) DOLLARS

	Income Tax ¹	Capital Tax	Premium Tax	Other Tax ²
Federal	154,802	0	0	27,122
Provincial				
Alberta	23,215	0	19,833	9,773
British Columbia	7,471	0	8,270	1,334
Manitoba	3,513	0	3,403	102
New Brunswick	2,901	0	2,538	1,870
Nfld. and Labrador	4,287	0	4,145	922
Nova Scotia	5,002	28	3,547	1,302
Ontario	57,460	0	38,881	31,050
Prince Edward Island	1,209	0	942	318
Quebec	1,878	0	9,819	3,744
Saskatchewan	4,794	0	5,757	4,838
Territories	761	0	498	0
Total Provincial	112,492	28	97,633	55,253
Total	267,295	28	97,633	82,375
Total Tax Expense Related to 2012	447,330			

1. Income tax amounts are actuals for 2012.

2. Includes commodity, property & business, payroll and other miscellaneous taxes.

sustainability POLICY

The Co-operators recognizes that our business, our communities, and the whole global economy exist within the closed system of the earth, which provides unique and irreplaceable resources and support for all forms of life. We also recognize that the capacity of the earth, to continue to provide these resources and supports, is threatened by growing demand and by the degradation of natural and social systems.

As an insurer, employer, investor, community partner, and a co-operative, The Co-operators believes that we can and must lead the way in ensuring a sustainable future.

To us, sustainability is about balancing economic, environmental, and social priorities as a responsible corporate citizen.

We are committed to developing our business in a way that builds on our financial strength and seeks both to minimize any negative effects that our activities could have on the environment and society at large and, further, to perform a restorative function through innovation in business practices, product development, public engagement, and partnerships with our stakeholders.

The nature of our activities is such that from a sustainability perspective the indirect impact of our products, services, and stakeholder relationships is more significant than the direct impact of our operations. However, we commit ourselves to a continual assessment of all we do and to the ongoing pursuit of alignment with these four sustainability principles:

1. In a sustainable society, nature is not subject to systematically increasing concentrations of substances extracted from the earth's crust.
2. In a sustainable society, nature is not subject to systematically increasing concentrations of substances produced by society.
3. In a sustainable society, nature is not subject to systematically increasing degradation by physical means.
4. People are not subject to conditions that systematically undermine their capacity to meet their needs.

Step-by-step, The Co-operators will strive to align our business operations, products and services, and stakeholder relationships with these fundamental sustainability principles in ways that advance our long-term financial objectives.

WE ARE AFFILIATED WITH THE FOLLOWING ORGANIZATIONS IN RELATION TO SUSTAINABILITY:





The Co-operators, Priory Square, Guelph, ON N1H 6P8
Phone: (519) 824-4400 / www.cooperators.ca / sustainability@cooperators.ca
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