



*It's our world.*



#### Company profile

The Co-operators is a leading Canadian, diversified, integrated, multi-line insurance and financial services organization, with \$44.9 billion in assets under administration. We offer a wide variety of financial services covering Home, Auto, Life, Commercial, Farm and Specialty insurance, as well as financial advisory services to clients, and investment and asset management services to large institutions.

## 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

#### GLOBAL 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

*The Co-operators Group Limited has 43 member organizations, consisting primarily of co-operatives, credit union centrals and representative farm organizations. For a complete listing of our members, see [page 46](#).*

#### Don't have the time to read in full?

For highlights from this report and to learn about our performance at-a-glance, please refer to our Integrated Annual Report Summary, available online at:

[www.cooperators.ca/integrated-report](http://www.cooperators.ca/integrated-report)





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# Message to stakeholders

*Our first integrated annual report marks a shift in how we present our performance to our members, clients and communities. We understand that profitability, governance, social and environmental impacts are interconnected. While we're just starting on the path towards integration, we're grounded in the principle that respecting the relationship between our organization and the world around us can help us thrive within it.*

## **A world of risk**

Today, our operating environment is marked with challenges. Globally, interest rates persist at historically low levels, and market volatility and economic protectionism are on the rise. Technological advances, increased connectivity of information, and the sharing economy are disrupting industries and sparking innovation. Demographics are changing, opening up important conversations about mental and physical health and long-term financial stability. Meanwhile, a changing climate is bringing floods, wildfires and severe weather to our communities at a greater frequency and severity than ever before.

In Canada, the impacts of severe weather and natural disasters are increasingly prominent. The worst wildfire in Canadian history engulfed Fort McMurray and the surrounding area, causing 90,000 residents to evacuate through walls of flame, ash and smoke. Over 2,400 homes and buildings were completely destroyed, resulting in industry-wide insured losses exceeding a staggering \$3.5 billion, not including the billions of dollars in uninsured losses still being assessed. The warning signs were clear: developments surrounded by dense forests, mixed with extended and unseasonably hot, dry conditions, were tinder awaiting a spark. For many, the wildfire served as a wake-up call to build and retrofit communities to avoid these growing threats.

Just months after the wildfire, Fort McMurray was flooded by torrential rains. In 2016, several states of emergency were issued due to flooding in Saskatchewan, Ontario, Nova Scotia and Newfoundland. Severe storm activity and hail inflicted an increase in damages across the country.

Our communities are on the frontlines of climate change, and as an industry, we can see that associated risks are trending dangerously upwards. As an organization, we understand that we are most resilient when our clients and communities are well-protected and prepared. Collectively, we must take responsibility and work across sectors to engage in better planning and education for resiliency.

## **Opportunities to lead**

While we take a full view of the challenges in our midst, we also see opportunities to create prosperity for Canadians. We're driven to stay innovative, adapt our services and build more resilient communities to ensure our clients can thrive in the midst of change.

As part of an ever-changing landscape, we continue to introduce new products and services to better meet the needs of our clients, realizing we have more to do. In 2016, we expanded the reach of Comprehensive Water, an insurance product that covers overland flood and surface water damage, and are working to bring this product to all areas in Canada. We aren't there yet. Currently, this product is only available in Ontario and Alberta, and in the wake of increasing flood risks across the country, we must act faster to expand our advocacy efforts to ensure communities are better prepared.

We're honoured that clients have rewarded us with customer satisfaction scores at the top of our industry. With an ambition to become the industry leader in client engagement by 2018, we must not be complacent. To keep pace with evolving needs in the digital era, we need to improve our online service offerings, and are committed to delivering a seamless and fully interactive experience. We're focused on increasing the number of financial advisors trained to offer investment planning advice, while improving our Wealth product offerings to ensure we are providing a comprehensive suite of services to Canadians.

Our co-operative identity runs bone-deep, and we're working to integrate co-operative and sustainability principles into all areas of our business. We are at the beginning of this process, and have further to go.





We're expanding initiatives to support communities and investing to have a positive social, economic and environmental impact. We're involved in a number of advocacy initiatives, from fire safety to carbon pricing, to make communities more resilient. As part of our commitment to this, we're on track to reduce net carbon emissions by 75 per cent by 2018, below our 2010 baseline.

#### Financial strength amidst volatility

Throughout it all, we've remained competitive. Growth continues to be the lifeblood of our organization, and enables us to adapt, pursue innovation and protect the financial security of our clients. We've sharpened our strategic focus and become more competitive and responsive, better anticipating our client needs.

for the past 14 years, earning platinum-level recognition since it was introduced in 2015.

As an organization, we're at a time of change, bidding farewell to retired president and chief executive officer (CEO), Kathy Bardswick, who led us successfully forward for the past 14 years. To ensure the continued strength and stability of our organization, our Board of Directors led a rigorous selection process for a new president and CEO, and ultimately appointed Robert Wesseling to the helm.

Now under new leadership, we remain committed to the co-operative principles and organizational culture that guide us. To learn more about coming priorities, please read our "Future Outlook" section on [page 44](#) of this report.

**"We have a shared responsibility to develop integrated solutions to the challenges we face today, understanding they cannot be solved by one stakeholder."**

In 2016 there were significant economic challenges due to the unprecedented scale of claims issued for the Fort McMurray wildfire and the ongoing low interest rate environment. Nevertheless, protected by reinsurance coverage and an adequate amount of reserves, our capital position remains strong.

Due to the profitability and diversity of our companies beyond Property and Casualty insurance, such as our Life insurance operations and strong investment returns, the group of companies earned net income after tax of \$234.6 million. We closely monitor the trends and issues that pose significant risks to our clients and our business, and are dedicated to continuous improvement to stay strong and agile in the long-term.

We're proud that our staff are engaged and committed, rating us as an Aon Best Employer

#### On the horizon

As we look to the future, we're confident in our direction. At the same time, we are cognizant of the growing risks we face, not just as an organization or industry, but as a society.

To ensure we can meet our mission to protect the financial security of Canadians, we need strong leadership — throughout our entire organization — to reinforce our co-operative principles. We have a shared responsibility to develop integrated solutions to the challenges we face today, understanding they cannot be solved by one stakeholder. We have the knowledge, capacity and capability to develop such solutions, and must embrace a willingness to act, together.

Thank you for reading.



*Robert Wesseling*  
**Robert Wesseling**  
President and Chief Executive Officer



*John Harvie*  
**John Harvie**  
Chairperson, Board of Directors



## Key financial and non-financial performance at a glance

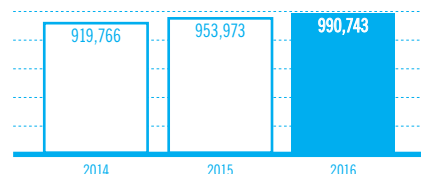
### Clients

#### Insurance client growth

The number of client households that have at least one policy with Co-operators General, Co-operators Life or COSECO. This number includes all lines of insurance: Home, Auto, Life, Commercial and Farm.

##### Why it matters

Client growth depicts the increasing number of Canadian households that have insurance with us. This is an indicator of our ability to offer competitive products that meet the needs of Canadians.



**Target:** add >100,000 clients by end of 2018 from start of 2015.

#### Individual and Group assets under management Wealth Management — Life Operations

The dollars our Individual and Group clients have invested with us, which consists of net client deposits and the increased value of these deposits from investment performance.

##### Why it matters

Growth in Wealth Management assets under management measures our success in delivering financial solutions that meet the investment needs of our clients.



#### Claims

Total dollars paid to all our clients in claims and benefits.

##### Why it matters

The money paid to clients in claims and benefits is a reflection of our commitment to make good on our promise to them. Our ability to provide financial security in clients' times of need is why we exist.



#### Client engagement

These rankings showcase our performance in J.D. Power's annual study of client satisfaction for Home and Auto insurance.

##### Why it matters

Our ability to engage our clients and meet their needs is a critical reflection of our success. These rankings are a key measurement of progress towards our goal of becoming the industry leader in client engagement.



Ranked highest in Customer Satisfaction among Auto insurers in the Ontario, Alberta and Atlantic regions



Ranked second among Home insurers in Ontario and the Atlantic region; third in Western Canada

**Target:** Rank within the top 3 in all regions where we compete, and #1 in at least 2 regions by 2017.

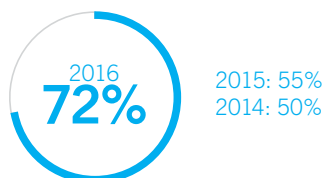
### Communities

#### Carbon footprint

The amount of net carbon emissions we have reduced since 2010.

##### Why it matters

Reducing our carbon footprint affirms our commitment to a low-carbon economy. Viewed alongside our financial performance, it demonstrates that measurable steps to reduce environmental impact can be taken without compromising profitability.



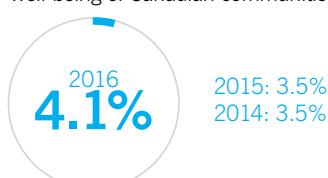
**Target:** 75% by 2018

#### Donations

The per cent of pre-tax profit we donate to Canadian charities, non-profits and co-operatives relative to the [Imagine Canada](#) minimum benchmark of one per cent.

##### Why it matters

Community investment is a strong demonstration of our co-operative principles, and one of the many ways we add value to the social and environmental well-being of Canadian communities.



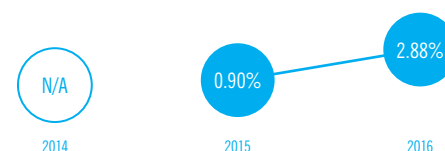
**Target:** Exceed Imagine Canada's benchmark of 1%.

#### Impact investments

The per cent of our invested assets that are invested with intent in portfolios that have both a market return on investment and a measurable, positive environmental and/or social impact.

##### Why it matters

This demonstrates our commitment to embedding co-operative and sustainability principles into our investment decisions, and helping build environmentally and socially resilient communities for future generations.



**Target:** 6–10% of invested assets by 2018.  
\*Please see [page 40](#) for additional details.

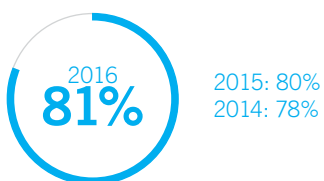
## People

### Employees

Our overall employee engagement score across the group of companies, as conducted by Aon.

#### Why it matters

An engaged workforce reinforces our organizational strength and stability, fosters innovation, and is a reflection that our work culture is meeting their needs and providing a productive, healthy and stimulating work environment.



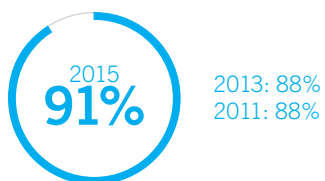
**Target:** Maintain 80% or better every year.

### Members

The results of our biennial member survey as conducted by Aon which measures our engagement and relationship with our members.

#### Why it matters

It is critical to ensure we meet our members' needs and foster mutually beneficial relationships.



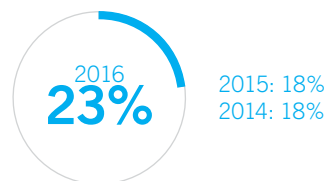
**Target:** Maintain 85% or better.

### Representation of women on the Board

The percentage of The Co-operators Board of Directors who are women.

#### Why it matters

The Co-operators recognizes and values the benefits of having a diverse Board of Directors and considers diversity a key driver of our co-operative identity, competitive success and governance strength.



**Target:** 30% by 2020 and 50% in long-term

## Financials

### Total operating revenue

The total revenue dollars generated from our day-to-day business activities, arising from premiums and fees paid by our clients.

#### Why it matters

This is a critical reflection of our stability as an organization, as growth of our operating revenue over time indicates a steady and recurring cashflow into the company.



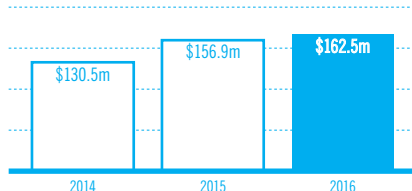
**Target:** \$4.0b by 2018

### Net income after tax attributable to members and shareholders

Our members' and shareholders' share of the amount that remains once all claims, taxes and other expenses are subtracted from revenues.

#### Why it matters

This is a key indicator of our financial strength and competitiveness. The net income after tax attributable to our members and shareholders is what drives the majority of the increase in The Co-operators total equity.



### Total equity participating policyholders, shareholders and member organizations

Equity is the extent to which our assets are greater than our liabilities. Essentially, this is the amount of capital we hold.

#### Why it matters

Total equity is an indication of our financial strength and ability to support and grow our business. Ultimately, capital ensures our resiliency in the face of financial challenges that may arise.



**Target:** \$3.2b by 2018



# The Co-operators: an overview

*We believe the world is a better place when we take care of what matters most. We exist to protect the financial security of Canadians and are invested in developing collaborative solutions to social, environmental and economic issues to provide prosperity and peace of mind for our clients. We're proud to be a champion for sustainability and a leader in the co-operative community.*

## **We're a different kind of company**

Our mission, vision, values and the global co-operative principles are presented on the [inside cover](#). More than words, they guide and shape our strategies and plans.

While publicly-traded corporations are driven to maximize profits for shareholders, we pursue profits for people. Our core purpose is to meet the needs of our members, clients and communities. In other words, we're a profit-oriented, socially-minded organization. This important distinction allows us to stay competitive, while working for the benefit of the people we serve.

Our story began in 1945, during a time of need when many Canadians had lost their farms, homes and life savings. Many also lost their life insurance, and along with it, their peace of mind. The Co-operators was founded by a group of rural Canadians who were determined to create a co-operative organization that would provide insurance to those in need. Today, we continue to work hard to meet the unmet needs of Canadians through the products and solutions we offer. We aspire to be valued as:

**A champion of Canadians' prosperity and peace of mind.** We create, enhance and safeguard value by providing holistic solutions that help reduce, mitigate and/or transfer major risks faced by Canadians and their communities.

**A leader in the financial services industry.** We are distinct in our co-operative character, and provide a voice and industry leadership through community involvement, participation and investment.

**A catalyst for a sustainable society.** Our co-operative identity facilitates the integration of sustainability principles into our strategy and operations, setting a higher bar while making the business case for investments into environmental and social well-being.

## **On a path to integration**

In 2015, we officially set out to embed co-operative and sustainability principles into all of our decision making, actions and processes. As an important next step in this journey, we are now reporting on our performance in an integrated way, interweaving our sustainability, governance and annual reports into one. This process has come with numerous challenges and enabled us to identify gaps with respect to what we measure and how we measure it. Through the creation of this report we have had to ask tough questions about what is integral to report on across all of our operations and performance. As a benefit, we've gained an opportunity for internal stakeholders to work collaboratively throughout the year to distill great complexity down to a succinct yet transparent report.

Through this report, we aim to communicate how our strategy, governance and performance create financial and non-financial value for our clients, members and their communities over time, while acknowledging areas where we can improve. We acknowledge we have much to learn as we continue on a path to integration, and while we're not the first organization to issue an integrated report, we're proud to be among a handful of pioneering Canadian companies who present a more complete picture of value creation.



## **The Co-operators Difference**

Co-operative values guide our approach to business and our commitment to invest in communities, with a focus on meeting Canadians' unmet needs.

We pursue profit to protect the financial security of people and communities.

We have a commitment to sustainability — environmental, social and economic.



# How we create value

The value we create emerges from a virtuous cycle. We begin with the needs and insights of our clients, members and communities, which inform our strategy and spark product innovations. Supported by external partners, stakeholders and the people we employ, we create value through the products, advice and solutions that protect financial security.



# Our organization

## Co-operative governance

We have 43 member organizations, including co-operatives, credit union centrals and representative farm organizations. Our relationship with these organizations extends beyond membership, as they are also our clients, with all members conducting at least one line of business with us. For a full list of our members, refer to [page 46](#).

Our organization is governed by our Board of Directors, which is elected by our members through the co-operative principle of 'one member, one vote'. Unlike publicly-traded companies where shareholders with the biggest investment have the greatest influence, all members of The Co-operators have an equal voice. The 22 directors of The Co-operators Group Limited are independent from the management and operation of the business, and there is no link between director compensation and the company's financial, social or environmental performance. The facing illustration depicts our democratic governance structure.

### Board competency and performance

To ensure our directors possess the skills, knowledge and experience needed to perform effectively, our Board of Directors employs a Director Skills Matrix (see Appendix [AP-10](#) online), which promotes effective governance and informs processes for director nomination and election, and populating the board committees (listed on [page 10](#)).

We strongly support director education and development. In 2016, the Board continued with a Director Development Program, a competency-based curriculum designed to enhance directors' skills, knowledge and competencies. Our approach to director and board development seeks to raise awareness of pertinent issues and trends affecting our lines of business, enable directors to better understand their own strengths and weaknesses, and provide courses and opportunities for professional development.

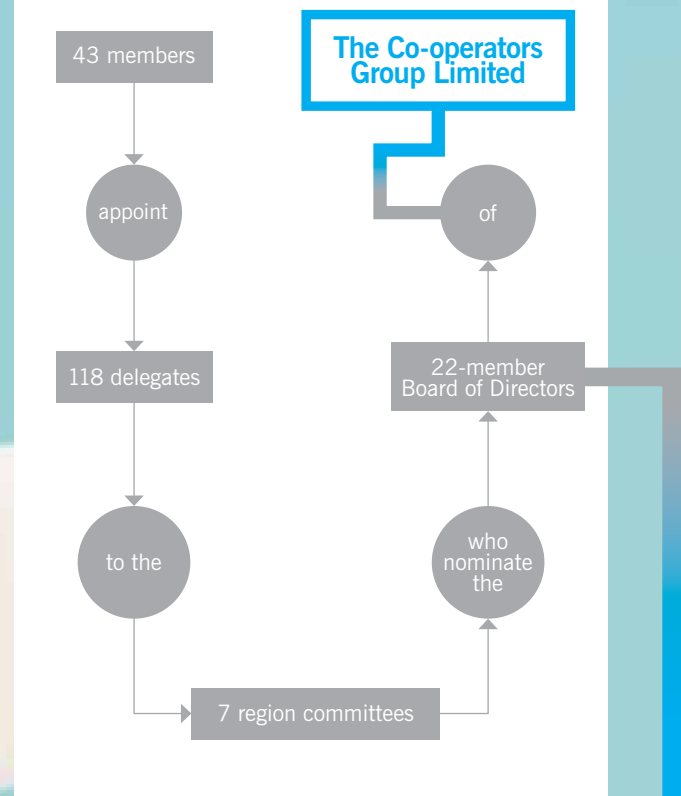
Annual assessments of each director, the board chair and board committees are conducted to gauge effectiveness and competency. Each year, the Board of Directors conducts an assessment of our governance health. All directors and the corporate executives who regularly attend meetings of the Board contribute to the process, which is facilitated by an external provider to ensure objectivity. This process includes briefing discussions with select members of the Board and corporate executives, a confidential online survey and optional one-on-one telephone interviews.

Our Conflict of Interest and Code of Conduct policies (see Appendix [AP-14](#) online) outline our expectations for the Board and all employees across the group of companies to meet the highest standards of professional ethics and the avoidance of conflicts of interest. Board members are expected to abide by these, and must complete an annual declaration.<sup>1</sup>

<sup>1</sup>

To view supplementary governance disclosures, please refer to Appendix [AP-2](#) online.

## Democratic structure



## Board composition

### 22 directors

- 5 Women
- 1 Visible Minority
- 1 Person of Aboriginal origins
- 8 French-speaking
- Ranging in age from 46 to 72
- 7 Regions represented  
(British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Atlantic)

# Did you know?

The parent company in our corporate structure is The Co-operators Group Limited, a Canadian-based co-operative that owns all of our insurance, brokerage and investment management companies. While our subsidiary companies are not co-operatives themselves, they are governed by our common co-operative principles. One of the operating companies we own has publicly-traded preferred shares and is subject to the same regulatory and disclosure requirements and rigours faced by publicly-traded companies. We believe this structure improves our financial strength and resilience over the long-term.



## Key responsibilities of the Board

Ensuring the organization's financial viability

Articulating our mission, vision and values

Setting our strategic direction

Overseeing the selection, appointment and performance management of the president and CEO

Ensuring that we maintain a leadership role in the insurance industry and the co-operative movement

While our Board of Directors is well-rounded and highly skilled, we recognize the value of diversity, and a need to improve upon representation of women at the board level. We are currently below the industry average of 27 per cent (according to the Canadian Board Diversity Council), with 23 per cent representation of women on the Board. Our goal is to have women comprise 30 per cent of our board by 2020, and achieve 50/50 representation in the long-term.

## The Co-operators Group Limited

### Company structure

Co-operators Financial Services Limited

is the co-operative parent company of

This Canadian holding company consolidates all of our insurance, brokerage and investment management operations.



#### Protecting Canadians' homes, automobiles, farms and businesses

Co-operators General Insurance Company



#### Protecting Canadians' lives, well-being and financial prosperity

Co-operators Life Insurance Company



#### Protecting Canada's credit unions and their members

The CUMIS Group Limited



#### Providing specialized protection for businesses

The Sovereign General Insurance Company  
Premier group of companies



#### Providing benefits to self-employed individuals

The Edge Benefits Inc.



#### Protecting employees through group benefits

HB Group Insurance Management Ltd.  
COSECO Insurance Company  
Co-operators Life Insurance Company



#### Growing and protecting our clients' money

Addenda Capital Inc.  
Credential Financial Inc.



#### Providing specialized protection to Canadians

Federated Agencies Limited

### Business profile

The Co-operators is a leading Canadian, diversified, integrated, multi-line insurance and financial services organization.

- > \$44.9 billion in assets under administration, which includes assets under management from both our clients' institutional investments and our Wealth Management products, as well as our company assets
- > Insures 805,000 homes, 1.3 million vehicles and protects 629,000 lives
- > Provides coverage to 38,000 farms and 295,000 businesses
- > The Co-operators has the 6th largest share of the Property and Casualty (P&C) market in Canada with 5.5%, and the 8th largest share of the Life insurance market with 1.6%
- > 4,992\* employees
- > 500 exclusive financial advisors
- > 645 retail outlets
- > Serves approximately 300 credit unions with more than 5.5 million members
- > Insures more than 175,000 employees through Group Benefit plans
- > Provides Creditor Life insurance to 617,000 Canadians

\*Includes employees from Premier group of companies and The Edge Benefits Inc. Non-financial reporting items for these two entities have not been included in this report, unless otherwise noted.

## Board of Directors

Our Board of Directors and corporate executives (see The Co-operators Management Group on [page 11](#)) spearhead the strategic direction of our organization. Their leadership, insights and commitment to our mission, vision, values and global co-operative principles guide our organization intelligently and responsibly forward. For full profiles of our directors, see Appendix [AP-16](#) online.

### Board committees

For a full description of the board committees, see Appendix [AP-4](#) online.

#### Audit ●

Emmet McGrath, Chairperson

#### Member & Co-operative Relations ●

Jack Wilkinson, Chairperson

#### Risk & Compensation ●

Alexandra Wilson, Chairperson

#### Corporate Governance & Conduct Review ●

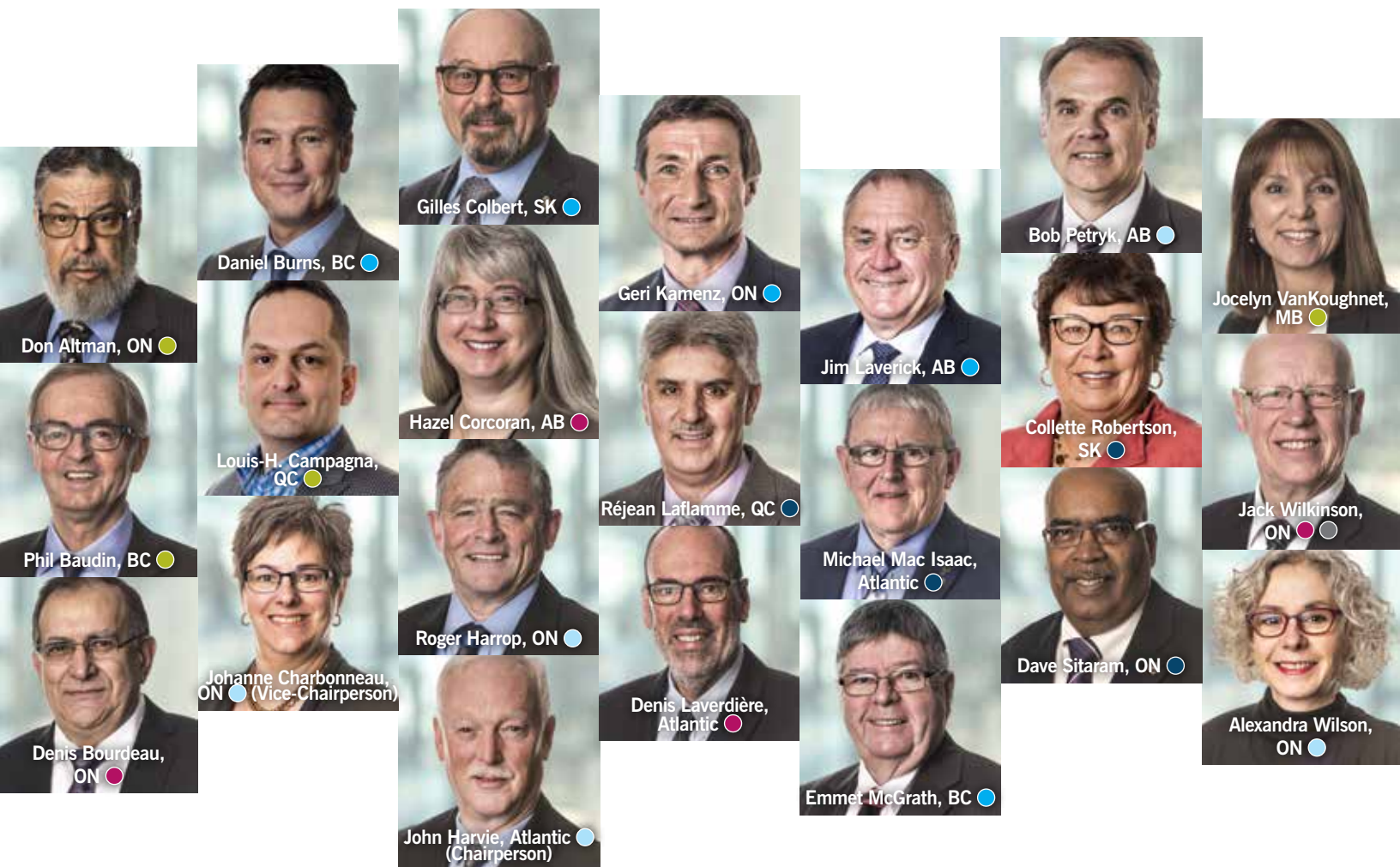
Réjean Laflamme, Chairperson

#### Resolutions ●

Jack Wilkinson, Chairperson

#### Sustainability & Citizenship ●

Phil Baudin, Chairperson



## The Co-operators Management Group


**Robert Wesseling**

President and Chief Executive Officer (*Effective December 1, 2016*)  
Formerly, Executive Vice-President, P&C Operations,  
Co-operators General Insurance Company and  
Chief Operating Officer, The Sovereign General Insurance Company


**Kathy Bardswick**

President and Chief Executive Officer (*Retired November 30, 2016*)


**Roger Beauchemin**

President and Chief Executive Officer,  
Addenda Capital Inc.


**Kevin Daniel**

Executive Vice-President and Chief Operating Officer,  
Co-operators Life Insurance Company and  
President and Chief Operating Officer, The CUMIS Group Limited


**Bob Hague**

Executive Vice-President and President, Credit Union  
Distribution, The CUMIS Group Limited


**Paul Hanna**

Executive Vice-President, Member Relations,  
Governance and Corporate Services


**Rick McCombie**

Executive Vice-President and  
Chief Client Officer


**Carol Poulsen**

Executive Vice-President and  
Chief Information Officer


**P. Bruce West**

Executive Vice-President, Finance and  
Chief Financial Officer

For full profiles of The Co-operators Management Group members, see Appendix [AP-27](#) online.



### Selecting our new president & CEO

In 2016, through the recruitment and selection of our new president and CEO, the Board led the process to assure the continued strength and stability of our organization. Following the retirement announcement of our president and CEO, Kathy Bardswick, the Board began the process to recruit a new leader, setting up a CEO Search Committee consisting of seven members of the Board of Directors. Committed to finding the best candidate for the role, this committee worked with support from an independently ranked, global leadership and talent management firm to attract internal and external candidates across Canada. In the end, the Board made the unanimous decision that Robert Wesseling, an existing and long-standing employee of The Co-operators, would become the new president and CEO, speaking not only to the high quality of leadership within the ranks of the organization, but also to the value of strong succession planning and continuity of strategic vision.





## Member profile

# A shared vision

*The Co-operative Housing Federation of Canada (CHF Canada)*

Many of our members are fellow co-operatives guided by shared principles. They are also our clients. To ensure we maintain strong, mutually beneficial relationships, we place great value into putting in the time and effort to engage, connect and build trust together.

One example of this is illustrated by our well-established and long-standing relationship with our member organization and client CHF Canada, the national umbrella organization for co-op housing and Canada's link with co-op housing around the world. As stated in their mission and vision, they exist to "unite, represent and serve the co-op housing community across Canada."

For the past 25 years, we have worked in partnership to provide solutions to housing co-operatives with unique insurance and group benefits needs. Linda Stephenson, CHF Canada's Manager, Corporate Services has been closely involved in customizing a program to serve the needs of their diverse membership of Canadian co-operatives.

"What is unique about the relationship between us is that we're both co-ops — this is something you don't find with a traditional insurance company," Linda says. "The Co-operators understands the principles that guide us. We are able to trust each other to talk about what's good for both parties and not what benefits one versus the other."

This trust has been critical in maintaining and strengthening the relationship over time, and has enabled complex and at times difficult negotiations to be carried out in good faith. Paul Byron, Director of Strategic Client Sectors at The Co-operators, describes the relationship as a win-win-win scenario.

"When we enter into conversations, we do so with a shared vision for what the outcome needs to be — one that takes three important stakeholders into account: the individual co-ops that CHF Canada serves, CHF Canada themselves, and The Co-operators," Paul asserts. "Ultimately, we are committed to building a program that they can be proud of and can share with their members."

This program refers to the development of Commercial insurance for CHF Canada's housing co-operative members. The uptake of this program has been "incredibly high," according to both Paul and Linda, who attribute this success to the trust and quality of the partnership forged.

"Because we have such trust in The Co-operators and our members have such trust in us, we are very credible when we recommend they get their insurance with The Co-operators," says Linda.

Ultimately, a shared vision brings us together, and the trust we've built along the way keeps us invested in a partnership to provide solutions for our fellow co-operatives.



## Democratic, co-operative engagement with our members

As a co-operative insurer, efforts to meaningfully engage our members help keep us connected and in touch with the co-operative community. Hosting education sessions, attending member AGMs, and partnering with members to advance common causes keeps us aware of their current and future needs.

We also conduct a member relationship survey to assess member engagement. This survey is conducted once every two years to offer insight into the ways that we can continue to foster mutually beneficial relationships.

Further, we engage member organizations through a Member Loyalty Program for doing business with us and actively participating in our governance processes. This program returns a portion of our annual profits to members. In 2016, this amounted to 8.72 per cent of profits, or a total of \$14.7 million.

# Understanding the world around us

*Our Board of Directors and corporate executives regularly work with our Enterprise Risk Management department and other key staff to identify, analyze and prioritize a myriad of risks in the world around us. This process ultimately shapes our strategy and drives us to innovate products and services to meet our clients' ever-evolving needs.*

From economic downturns to cyber security, pandemics to catastrophic natural disasters, we run key risks through financial stress tests and modelling scenarios to assess their potential impact on clients, communities and our organization's long-term prosperity. The key risks we select are those that could prevent us from fulfilling our vision or realizing our objectives due to significant financial or reputation losses. Generally, these risks have at least some of the following characteristics: a high degree of uncertainty; long-lasting ramifications; and a limited ability to mitigate their effects.

We are not alone in monitoring these issues and trends — many of our peers do the same. In 2016, for the purposes of this integrated annual report, we assembled an external panel of stakeholders to explore the issues and trends we identified, and examine which have the biggest impact in their view. In a discussion facilitated by [Ceres](#) (a non-profit partner), this panel of clients, members, financial and insurance experts, non-profit organizations, and sustainability advisors reviewed our comprehensive list of risks, and distilled these into categories representing the most material to our organization, stakeholders and society at large.<sup>2</sup> These issues and trends are depicted in the matrix on the following page.

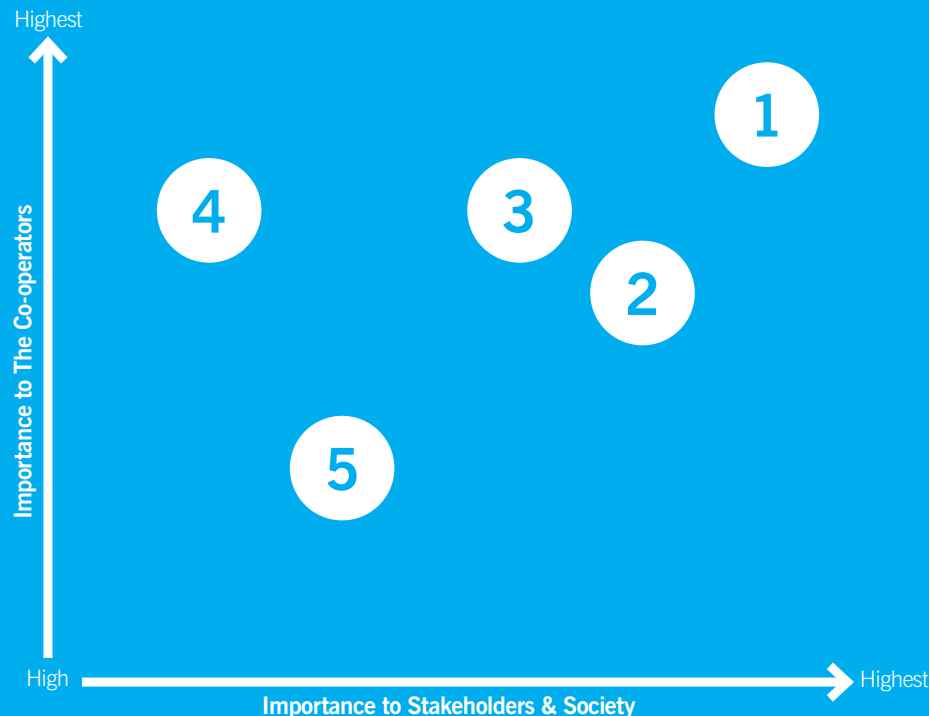
<sup>2</sup>

*Stakeholders noted the value of condensing our material topics into a shortlist of key themes for external communication.*



# Materiality matrix

The issues below reflect many risks, opportunities and considerations we review on an annual basis; however, they are not exhaustive. They represent those selected for the purposes of this report by both internal and external stakeholders that are most likely to resonate with both our organization and the world around us. Within each issue or trend below, there are many risks and opportunities that have influenced the development of our strategy over time.



## 1. Unmet needs, client prosperity and peace of mind

Ensuring we are well-equipped to fulfill our clients' unmet needs in times of great change is the top issue we face. Alongside increased risks of extreme weather, growing mental and physical health concerns and threats to financial security, we are dedicated to staying financially strong and resilient to continue protecting our clients' prosperity and giving them peace of mind in the long-term.

## 2. Climate change and the low-carbon economy

Extreme weather and natural disasters have become more frequent and severe. Today, formerly once-in-a-century catastrophic events are now all too common. At the same time, an international effort to slow the effects of our changing climate has kick-started the low-carbon economy, opening up new investment opportunities and exposing carbon-intensive investments and operations to greater reputational and economic risk.

## 3. Emerging technologies

Technology continues to transform our world at a significant pace. For our industry, privacy issues, cyber security risks, digitization, social media, the sharing economy, the Internet of Things, and 'disruptive' technologies present unique challenges and opportunities. These disruptions to business as usual occur rapidly and require innovative, adaptive and thoughtful responses to ensure we stay relevant while keeping our clients safe and secure.

## 4. Economic challenges

Persistently low global interest rates, increasing debt-loads and rising sentiments of protectionism beyond Canadian borders are hindering economic growth. In this volatile environment, our industry has faced increased regulatory pressure, greater capital requirements, ongoing consolidation, and increased competition from businesses outside of the traditional insurance and financial services sector. These economic challenges trickle down and have a negative effect on clients' insurance premium rates and long-term financial security.

## 5. Demographic changes and social inequality

The Canadian population is aging, with 20 per cent of Canadians expected to be 65 years of age and older by 2024, according to Statistics Canada. As a result, individual and societal long-term financial needs are evolving, widening an existing gap in Life insurance coverage and Wealth Management. A rise in mental health challenges and increasing debt and employment difficulties faced by young Canadians present new obstacles to overcome.

# A strategy to thrive in a world of risk

*Through ongoing discussion and analysis, we select the most material issues to prioritize as part of our strategy. Along with the assessment and management of these risks, we identify the opportunities they present. We've developed a four-year strategy that enables us to seize these opportunities, with a three-fold focus to protect clients' prosperity and peace of mind, uphold our co-operative identity and stay competitive in a dynamic marketplace.*

When we developed our 2015–2018 strategy, we were determined to face the future from a position of strength. In 2016, we conducted a mid-term review of this strategy to validate our trajectory, and remain confident that this can be achieved by:

1

## **Engaging our clients (Page 18)**

*We must know our clients, show them we can meet their needs, and empower them to make informed decisions about their financial security.*

Our strategy ultimately begins with our clients and places them at the centre of all we do. Giving clients the freedom to choose how, when and where they engage with us, while improving and innovating our products and services to meet their needs will enable us to stay relevant and effective in the long-term. Responding effectively in times of crisis and encouraging our clients to share insights and feedback are steps we can take to improve their peace of mind.

2

## **Living our co-operative identity (Page 28)**

*To contribute to the holistic, long-term change that is needed to build resilient communities, our actions must reflect our deeply-engrained co-operative values.*

We are on a path to integrate and embed sustainability and co-operative principles into all areas of our business decision-making, action and processes. By investing in communities, advocating for resiliency and informing communities of the risks they face and the steps they can take to mitigate them, we're upholding the principles of co-operation that shaped our organization more than 70 years ago.

3

## **Staying competitive (Page 36)**

*To deliver on our promises and protect the financial security of Canadians, we must be financially stable, reliable and affordable.*

We are committed to enhancing our competitive position in the marketplace. To do so we are continuing to invest in a strong, diverse and engaged workforce; leveraging technological advancements and more robust analytics to better understand and respond to clients' needs; and striving to reduce operational expenses.

Viewed through the lenses of these three strategic pillars, the following pages present a summary of our impact and performance, demonstrate how we are creating value for clients, communities and our organization, and discuss some of the challenges we've faced along the way.

# How we're performing

*The rapid changes in the world around us underscore the importance of being well-equipped to meet clients' needs, build greater community resiliency and grow our business over the long-term.*

*In many ways, our performance has been strong. However, we're conscious of where we need to move faster and be more proactive in order to excel in a transforming world.*

## In 2016:

### **We took meaningful steps to protect the prosperity and peace of mind of our clients:**

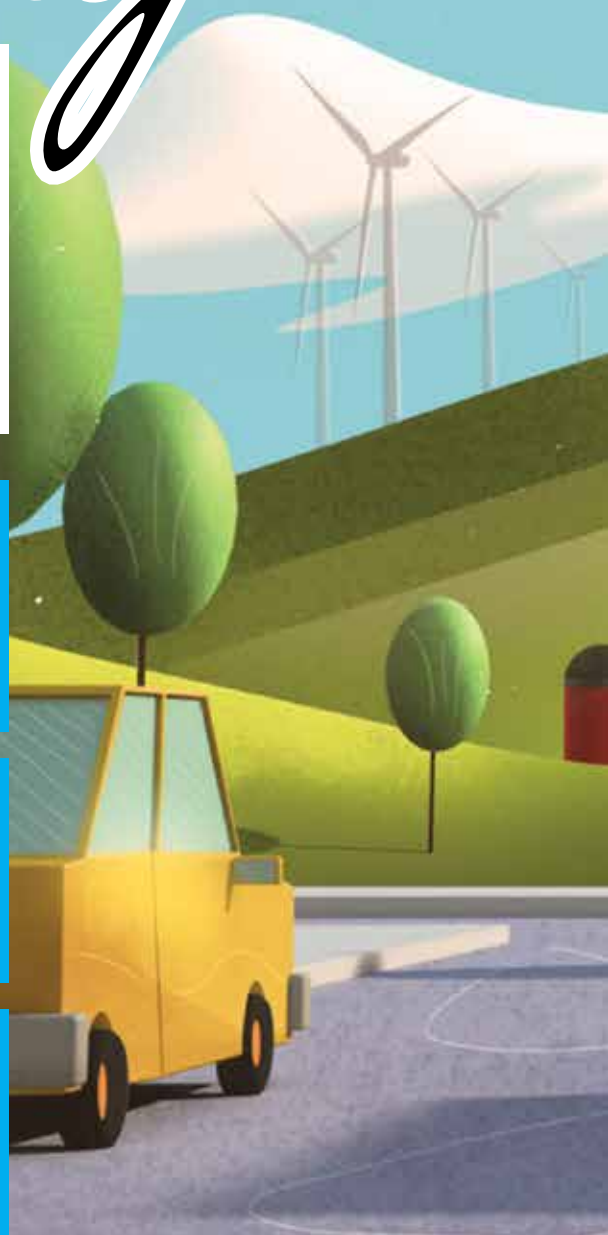
- > We continued to roll-out products and services that aim to meet clients' unmet needs and recognize the need to improve their reach.
- > In Fort McMurray, we provided over \$4 million in emergency funds to our affected clients in the first five days following the wildfire, and deployed over 70 staff to assist on site.
- > Clients continued to rate us at the top of the industry in client satisfaction surveys in Home, Auto and Commercial lines of business. Nevertheless, we are committed to improving our online client experience and expanding our digital solutions.

### **We demonstrated our commitment to bringing our co-operative principles to life:**

- > As an [Imagine Canada](#) Caring Company, we invested 4.1 per cent of our pre-tax profit back into the communities we serve.
- > We actively participated in a number of international and domestic initiatives to advocate for safer, more resilient and sustainable communities.
- > We reduced and offset our corporate carbon footprint, and are on track to being carbon neutral equivalent by 2020.

### **We remained strong, competitive and profitable:**

- > We were profitable in 2016 with net income after tax of \$234.6 million; however we recognize the need to further improve our expense and efficiency ratios to be more in-line with our industry peer group.
- > We've committed to making impact investments that have a social and/or environmental impact in addition to appropriate, risk-adjusted financial returns.
- > We continued to invest in new technologies and analytics-based insights that enable us to better anticipate and meet the needs of our clients.







# 1 Engaging our clients

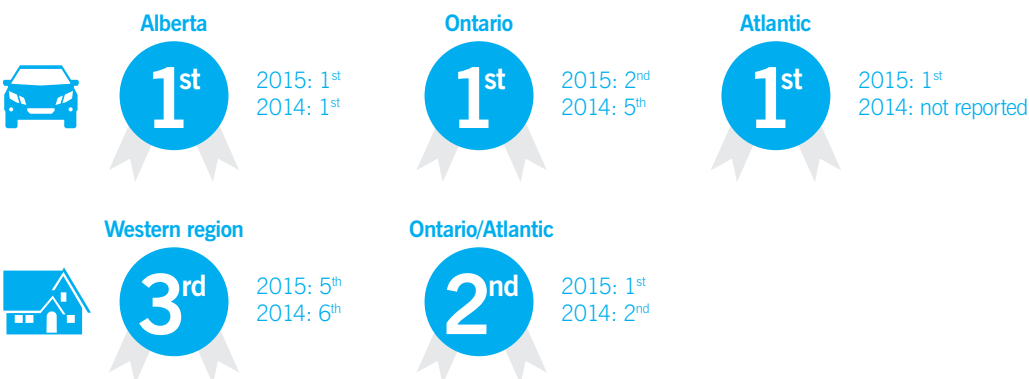
*Our clients are a dynamic range of individuals, families, co-operatives, credit unions, non-profits, corporations, and more. The quality of our client engagement depends on an ability to understand and respond to their diverse needs, while providing effective products and solutions that protect financial security, community resiliency and social well-being.*

The innovative opportunities of the modern world enable us to better serve our clients — be they individuals, business owners, credit unions or others. We're making use of the increased availability and connectivity of data and in-depth analytics to anticipate and understand their needs and exposure to risk. For example, we continue to enhance our risk management services to help our credit union clients prevent and minimize the severity of loss. At the same time, we're working to develop ways to communicate with our clients to be more accessible and respond immediately and effectively in times of crisis. Through the launch and continued roll-out of new and existing products, we are redefining and expanding our coverage to meet new and emerging needs.

In each of these ways and more, we have made progress in 2016. We have more work to do in this space, such as enabling our online transaction capability, to enhance our position as the industry leader in client engagement.

How our clients view us is a critical reflection of our success. Each year, we closely monitor our performance to measure the two-way creation of value with our clients across all lines of business. In 2016, we were honoured to rank highly in the J.D. Power study of client satisfaction for Home and Auto — a positive indication that we're meeting clients' needs. To assess our relationship with Commercial, Farm, Group Benefits and Credit Union clients, we conduct surveys typically every two years to measure our clients' willingness to recommend us to others, reflected by Net Promoter Scores ranging from 100 (where clients are active promoters) to -100 (where they are active detractors).

## J.D. Power scores



## Net Promoter Scores in 2016

49

Commercial  
2014: 52

41

Farm  
2014: 42

32

Group Benefits  
2014: 44

40\*

Credit Unions  
2014: 43

\*Most recent survey completed in 2015.

## Developing a seamless client experience

We understand that clients want to do business with us however, whenever and wherever it suits them, so we're developing an immersive client experience that will enable them to do just that. While our in-person and contact centre engagement is strong, we need to bring more digital products and services to market faster, in order to stay relevant in an industry on the cusp of transformation. We're committed to bringing an interactive and seamless online experience to clients in 2017.

By the end of 2018, our clients will be able to connect with us through:

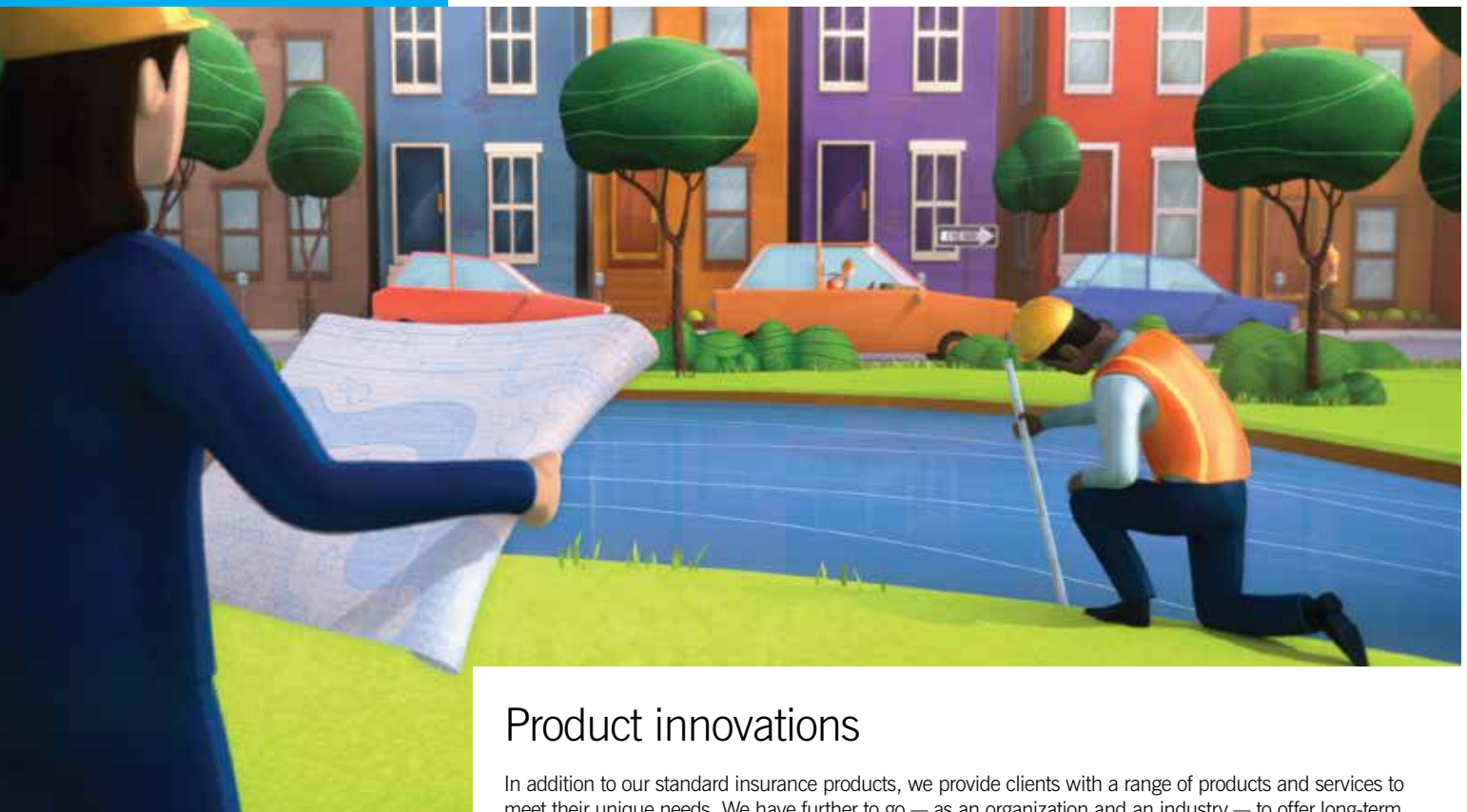
**A national network of financial advisors.** 2,753 licensed insurance representatives across Canada, which includes our 500 financial advisors, establish meaningful one-to-one connections with our clients. These trusted representatives provide in-depth knowledge and insight that help clients make complex decisions about their financial security. In addition, we continue to form partnerships with credit unions to help deliver our products and services to their members.

**Contact centres.** Representatives support new and existing clients with their insurance needs. In addition, our claims offices offer solutions and advice quickly and effectively, especially in times of crisis when care is critical and time is of the essence.

**Online platforms.** Our digital channel is evolving quickly. In 2016 we launched a mobile-friendly [website](#) with new financial planning tools and improved security and accessibility features. In 2017, we will offer online transactions for Home, Auto and some Life products, so clients can seamlessly research, get a quote, and in some cases, purchase insurance online.

Did you know?

We have a goal to further reduce paper use, focusing on our new online e-document solution — a 25 per cent reduction by 2018.



## Product innovations

In addition to our standard insurance products, we provide clients with a range of products and services to meet their unique needs. We have further to go — as an organization and an industry — to offer long-term solutions to emerging challenges clients face today and into the future. As insurance coverage gaps widen, strong collaborative and community-focused efforts will be needed to keep clients protected and financial futures secure.

### Comprehensive Water: Bringing flood coverage to Canadians

Canadians continue to experience the direct effects of climate change, with floods as the costliest and most common example. Inundated by torrential rains, run-off and rising water levels, watersheds and aging infrastructure are overloaded, flooding homes that once seemed out of harm's way. From coast to coast, more people are at risk than ever before, and many do not have adequate insurance to cover their damage and losses.



### Canadian Flood Facts

- \* Up until 2008, the Canadian insurance industry saw an average of \$400 million in payouts per year due to extreme weather, largely attributed to flooding. Since 2008, those losses have more than doubled, and now exceed an average of \$1 billion per year.
- \* In 2013 alone, flooding in Calgary and Toronto resulted in \$2.7 billion of insured losses.
- \* A recent survey by Partners for Action at the University of Waterloo's Faculty of Environment showed that of 2,400 Canadians surveyed in high flood-risk areas, only six per cent believed they were at risk.

# 144,821

**Total number of Comprehensive Water policy endorsements in Alberta and Ontario**  
2015: 31,627

**Target: 333,288 by 2018 (across Canada)**

Concerned by this, we launched [Comprehensive Water](#) to homeowners in Alberta in the spring of 2015, and expanded this coverage to Ontario homeowners and Alberta and Ontario farm dwellings in 2016. We are working to make this product available to Canadian homeowners from coast to coast, and acknowledge that the roll-out of this product has been a challenge.

We intentionally phased the roll-out of Comprehensive Water over time. This was necessary to analyze complex flood data and ensure quality risk modelling across the vast geography of Canada. In some cases, we had to create revised and enhanced models altogether. However, this ultimately delayed our flood product's accessibility to many communities. We recognize a need to bring this product to Canadians faster, but are also committed to getting it right, ensuring it serves their needs and best interests, including the 10 per cent of Canadians who are most at risk.

For some clients, the transition to Comprehensive Water has also been a challenge. Individualized risk levels are precise, using geocodes and risk-modelling software to pinpoint rates down to the individual household. As a result, customers in high-risk areas experience premium increases, often significant. While these increases reflect the reality of the risk, they can put unwelcome financial pressure on clients, many of whom aren't aware of their risk level. Ultimately, these increases serve as an alarm bell to signal much more needs to be done to build risk-ready communities.

Nevertheless, after one year, the vast majority of clients can already see the benefit of this product. With an emphasis on transparent communication of risks and coverage, client retention and growth rates have remained strong, even in markets with the highest risk and premium increases.

We must do more to protect Canadians against flood damage. We've engaged in conversations with federal and provincial governments on disaster recovery plans to advocate for investment into prevention and adaptation-based infrastructure for flood-resilient communities. In addition, we actively participate in the [Partners for Action \(P4A\)](#) Network at the University of Waterloo to raise awareness, build resiliency, and advocate for loss-prevention measures. For more on this initiative, see [page 29](#).

#### **Acceptional Life®: Bringing peace of mind to survivors of illness**

Through better medical research, treatment and care, more Canadians are surviving critical illnesses than ever before. Yet, beneath the relief of survival is often financial strain. Healthcare, rehabilitation and drug costs can deplete savings and increase debt loads. A history of serious illness may also lead to the denial of life insurance, exposing a significant threat to prosperity and peace of mind.

In response, The Co-operators launched [Acceptional Life®](#) in the spring of 2016, in partnership with Hunter McCorquodale, to provide coverage to Canadians who have been declined standard Life insurance products. In the Canadian market, no product before has provided substantial coverage for those who have endured medical impairments, such as cancer, heart attack and stroke. Acceptional Life® offers a non-renewable, non-convertible term Life insurance product designed for many of these clients.

We currently offer this product in all provinces except Quebec. While still in its relative infancy, Acceptional Life® has enabled us to meet an unmet need in the Canadian marketplace and provide peace of mind to those who have faced significant hardship.

# \$62m

#### **Face amount of Acceptional Life® policies sold**

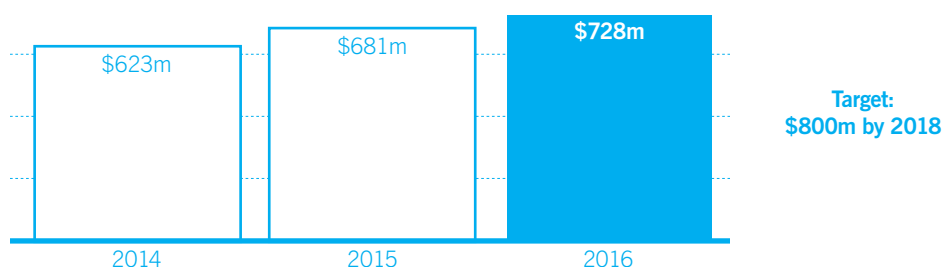
**Target: An additional \$85m by end of 2017**

#### **Expanding financial solutions for the co-operative sector**

In 2016, our co-op clients contributed \$728 million in written premiums and fees, up from \$681 million last year. Our Member Benefits Program, which provides individual product benefits to members of our member organizations, also continues to experience significant growth, up 26 per cent from 2015, reaching a total of 48,308 households. We expect to surpass a milestone of 50,000 families benefiting from this program in 2017, indicating strong engagement with our members and their members alike.

We also offer [Co-op Guard®](#), a suite of products and services tailored to the sector. We expanded this into Quebec in 2016 with Garde-coop<sup>MC</sup>, making it the first and only product of its kind, nationwide. With the largest per capita concentration of co-operative organizations in Canada, Quebec represents a significant business opportunity. Through these products, we're contributing to the financial security and long-term resiliency of a sector that provides Canadians with affordable housing, food security, social programs, healthcare centres, and more.

#### **Total co-operative business volume**



# 507

#### **Total number of Co-op Guard® clients**

2015: 427    2014: 22

**Target: 458 by 2016**

# 48,308

#### **Number of households in the Member Benefits Plan**

2015: 38,220    2014: 29,215

**Target: 45,864 by 2016**



## Products that encourage sustainability

The everyday choices of clients can contribute to safer and more resilient communities. As a part of our vision statement, we're committed to being a catalyst for a sustainable society, and have integrated aspects of this into some of our core products. Our work on sustainability doesn't end with these products, and we have much further to go to demonstrate our commitment.

Our suite of sustainability-oriented insurance products like our Envirowise® LEED Home Discount or our hybrid/electrical vehicle discount offer incentives for more environmentally-friendly products and behaviours.

# 5,747

**Total number of  
Community Guard® clients**

2015: 5,252 2014: 4,810

**Target: 5,647 by 2016**

### Community Guard®: Insuring the non-profit sector

Over 170,000 charitable and non-profit organizations in Canada contribute more than eight per cent of the Canadian GDP and therefore represent a significant slice of the market with insurance and Group Benefit needs. Moreover, they contribute significant socioeconomic and environmental value to Canadian communities. Yet due to tight budgets, voluntary non-profit organizations often can't account for fluctuating insurance premiums from one year to the next, and their often small-but-mighty teams may not be eligible for traditional Group Benefit offerings.

We've maintained a competitive advantage in this space through [Community Guard®](#), our specialized program for non-profit organizations, which offers predictable premiums and sector-specific products and features. Clients also gain access to financial advisors who are trained in the sector, dedicated underwriting units, and the ability to scale coverage as their organization grows.

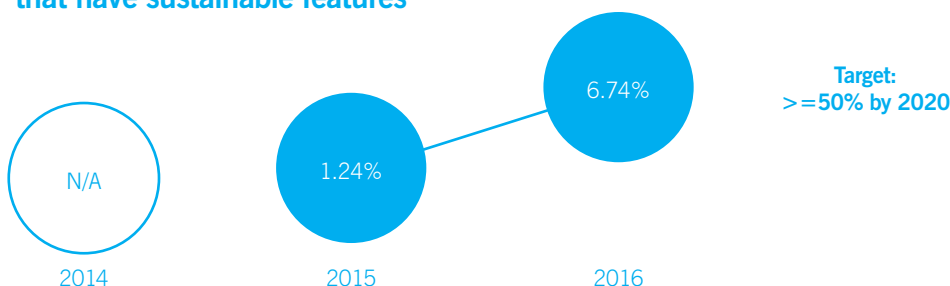
In 2016, we expanded Community Guard® into Quebec, with the launch of Garde-collectivité®, and expect to see our policy growth increase.

Fire sprinklers, heat detectors and water sensors can help protect the safety of our clients and improve the resiliency of their homes. Recognizing the importance of these devices in risk mitigation, we offer discounts to clients whose homes have these systems in place. Fire sprinklers can limit property damage and save lives, and are less harmful to the environment, reducing fire damage by up to 97 per cent and water damage by up to 90 per cent. To expand our efforts, we're involved in a number of research and advocacy initiatives related to fire and fire safety ([see page 33](#)).

Through our [en-route Auto Program®](#) in Ontario, we actively promote safer, more environmentally sustainable driving behaviours, while offering a discount on our clients' auto insurance. Clients have installed a small wireless device into over 38,000 of their vehicles that collects information on braking and acceleration, distance travelled, and overall environmental impact. Personalized dashboards report driving behaviours back to clients and highlight where changes can be made. On sign-up, clients receive a five per cent discount, and through steps taken to improve their driving safety and efficiency, are eligible for discounts up to 25 per cent of their insurance premiums.

The uptake on some of our sustainability-oriented products is encouraging. However, there is significant room for greater innovation to recognize clients taking steps to mitigate risk and build more resilient communities. By further integrating sustainability features into more of our core products, we aim to make it easier for clients to make sustainable choices. In the short-term, we can do more to educate Canadians on the availability and benefits of these products. For a full list of the sustainability-related insurance and wealth products we offer, refer to Appendix [AP-32](#) online. Additionally, our sustainability policy and sustainability goals to 2020 are available in Appendix [AP-30](#) online.

### Per cent of Home and Auto clients with two or more products that have sustainable features



# 31,055

**Number of Fire  
Sprinkler Discounts**

2015: 22,919 2014: 18,362

# 38,257

**Number of en-route Auto Program®  
active vehicles**

2015: 26,800 2014: 10,505

**Target: 100,000 by 2020**

# 2,762

**Number of Hybrid/Electric  
Vehicle Discounts**

2015: 2,196 2014: 1,823

# 242

**Number of Envirowise®  
LEED Home Discounts**

2015: 208 2014: 152

# 36,830

## Number of retail client accounts with a Wealth product

2015: 33,033 2014: 30,547

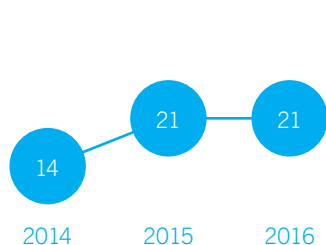
Target: 60,000 by 2018

## Wealth advice, products and solutions

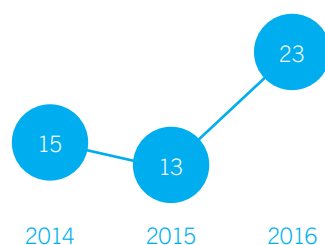
Globally, slow growth, low interest rates and market volatility continue to make headlines. In Canada, housing costs are at all-time highs, while Canadians have increasing debt, are often not planning for retirement and finding themselves ill-prepared for a rise in interest rates.

With the proper tools, practices and advice, Canadians can remain resilient. Through Co-operators Life, we offer Wealth Management products and services to individuals and groups across Canada that can build long-term financial security. Co-operators Life currently has \$3.81 billion in Individual and Group client assets under management, and we are working to bring that to a total of \$4.33 billion by 2018.

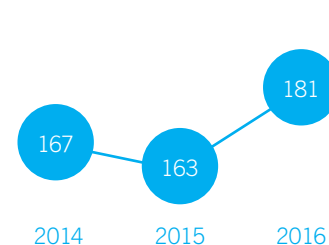
We continue to expand training of our financial advisors in wealth management strategies and advice, ensuring we can reach a wider cross section of the market. We have significantly further to go in this space and by 2018, our goal is to ensure all financial advisors have greater proficiency and tools to support clients in investment planning conversations. We also recognize the important role of Life insurance in our clients' financial well-being.



Number of reports to the ConfidenceLine that were investigated



Number of privacy concerns investigated



Number of reportable complaints

## Client responsiveness and feedback

It's important that clients trust us and feel empowered to share ideas and feedback on the issues that matter to them. Transparency, compliance and best practices in ethics and governance all protect the integrity of our organization and reflect our co-operative identity.

To ensure that our policyholders are treated fairly, The Co-operators [Service Review Panel](#) gives a panel of client volunteers the final say in dispute resolution cases of claims decisions. Submitted cases are carefully reviewed by these clients, who work collaboratively to determine the fairest outcome. The Service Review Panel was put in place to promote transparency and fairness, and after more than 26 years in operation, it is still the only one of its kind in Canada — an embodiment of our co-operative difference in the industry.

### Compliance

Our team of compliance officers ensure we are consistently in compliance with all legislative and regulatory requirements of the industry. The Chief Compliance Officer oversees all respective programs and policies, and acts as a liaison with the Board on compliance matters. Directors and senior

management also participate in an educational compliance presentation throughout the year, and the Board receives an annual compliance report.

To maintain high standards of ethics and integrity across the organization and empower clients and employees to raise concerns, we have implemented the following policies and procedures:

**Code of Ethics and Code of Conduct.** All employees and financial advisors must sign and renew this agreement annually as a term of employment.

**Whistleblowing.** ConfidenceLine, a 24-hour anonymous, secure whistleblowing hotline, is available in English and French to financial advisors and employees.

**Company-wide privacy officers.** Responsible for the development and oversight of our organizational privacy policies and practices, and respond to all privacy-related requests, complaints and inquiries.

**Ombuds Office.** Clients can elevate complaints to the Ombuds Office after all other attempts to resolve their complaints or concerns have been made. The Board of Directors and provincial regulators are made aware of any reportable complaints, and each report is investigated fully.

## Service Review Panel



Number of appeals  
2015: 44 2014: 40



Number agreed with client  
2015: 7 2014: 2



Number agreed with client  
2015: 35 2014: 35



Number that reached compromise  
2015: 2 2014: 3

## Claims performance

When disaster strikes, clients need to know and trust that they are protected. Our ability to make good on claims is paramount to the agreement we've made with clients. It's the reason we exist.

Catastrophes like the Fort McMurray wildfire have become more common, and this trend is expected to continue and worsen. As a result, it is imperative that we have the necessary capacity, resources, and procedures in place to protect clients' prosperity and peace of mind.

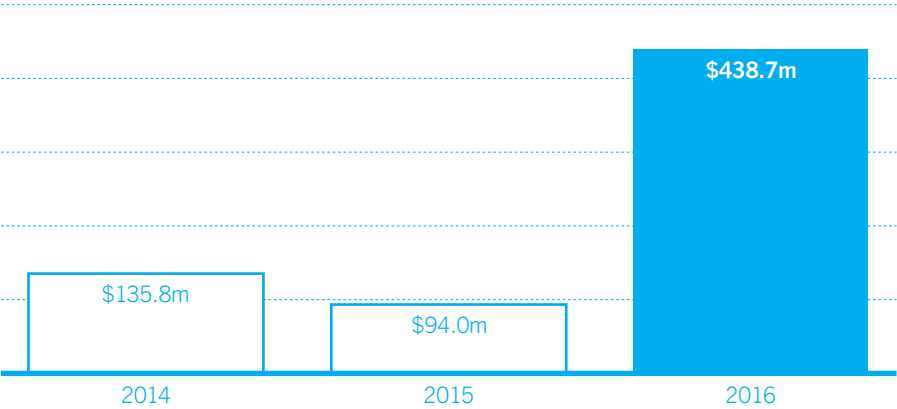
The scale of loss resulting from the Fort McMurray wildfire is staggering. In total, CGIC Consolidated<sup>3</sup> and CUMIS General clients made 5,054 claims and 280 clients lost their home or business in the fire. Because of the remote location and short building season in Fort McMurray, it could take three to four years to rebuild some of these buildings. This has placed significant financial pressure and mental and emotional anguish on clients, many of whom already face dire economic circumstances.

We are dedicated to supporting our clients through this time and committed to ensuring that our claims staff have the capacity and supports in place to do so. See [page 25](#) for a profile on how the claims process was handled in Fort McMurray.

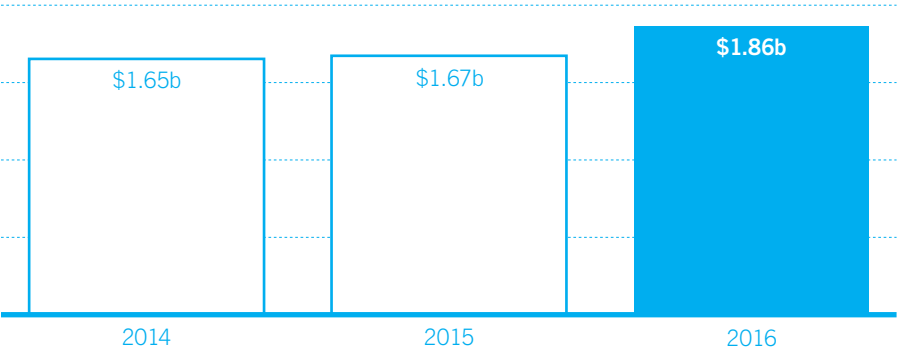
3

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

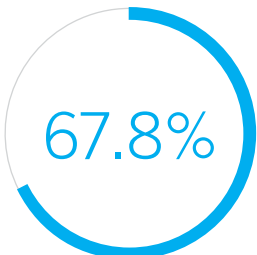
### Major event loss claims in 2016 (CGIC Consolidated and CUMIS General)



### Total amount paid in claims and benefits to all clients



### CGIC Consolidated and CUMIS General loss ratio (\$ Claims / Net Earned Premiums)



2016



2015



2014



## a case study in Fort McMurray

# Working together in times of crisis

How we respond in times of crisis defines us as a company and is a litmus test for our co-operative principles and commitment to clients.

During the Fort McMurray wildfire, we immediately reached out to affected clients, providing claims contact information, safety tips, and preparations for the process ahead. We contacted clients in neighborhoods that had been identified as significantly affected, allowing us to reach a large percentage of clients within the first 24 hours. Within one day of evacuation, we had issued cheques to cover immediate expenses, doubled our cheque limit from \$25,000 to \$50,000, and extended our coverage to ensure clients' needs were met. In the first five days, we disbursed over \$4 million in emergency funds.

After the event, we deployed over 70 claims staff to Fort McMurray who, alongside our financial advisors, assisted clients with their immediate needs. We offered free counselling sessions to ensure that the mental health of both staff and clients was supported. The devastation in the community was staggering, and the impact varied — embers carried by high winds into cul-de-sacs reduced some homes to cinder, while neighbouring properties were left untouched.

Daisy Parsons calls herself one of the 'fortunate' ones. Her home was showered in ash and her fence charred by the flames. While her home did not suffer a complete loss as others in her community did, when she first returned weeks after the fire, she broke down, overcome by the sheer magnitude of the scene. The ash that blanketed her property, and the overgrown grass brought her back to the day of the fire.

"The fire was so unpredictable and uncontrollable. We couldn't get our head around what a beast it was," she recalls. "This is a wake-up call for a lot of people."

When she was ready to pick up the pieces and deal with the claims process to follow, Daisy recalls that Mark Hasson, a Co-operators major events claims team staff member sent to Fort McMurray following the catastrophe, was with her every step of the way.

"I have not needed to phone The Co-operators since the fire started — they've always been calling me first, and guiding me along. They immediately approved my living out allowance," she reflects.

Mark refers to the wildfire catastrophe as the biggest challenge he's faced in his many years of claims experience, because of the sheer size and scale of the disaster. For him, staying focused on the needs of the client has kept him motivated.

"Every once in a while you have to remind yourself why you are here, and that you are here to help the client. Even though it may be information that you've repeated for the fifth, tenth or hundredth time, it's information they are receiving for the first time," he says. "You need to put yourself in their shoes, treat them as you or one of your family members would want to be treated."

Across the community, insurers are not the most popular companies, with many of Daisy's friends feeling like their needs haven't been addressed. Indeed, the sheer magnitude of the catastrophe and complexity of policies and claims have made it a difficult process that is still playing out for many clients.

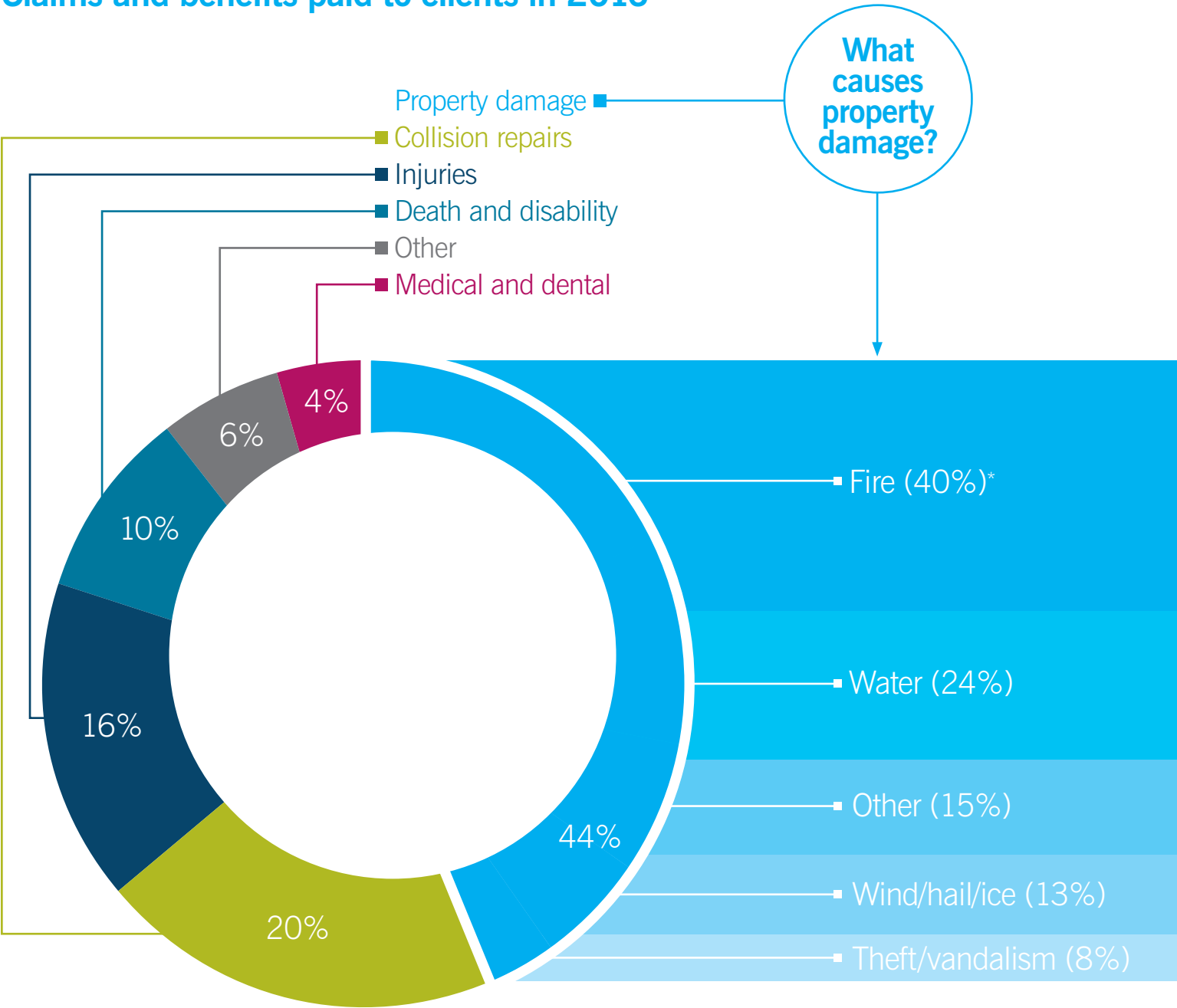
"The feeling is that most insurers are nickel-and-diming and are not showing up in person to the places and actually adjusting what needs to be closely examined," Daisy says. "When our friends and neighbours sit down with us and we speak about our insurance company and what they are doing for us, the first thing they will say is 'who are you insured with?' And we'll say 'The Co-operators.'"

Daisy's story is just one story of thousands, not all of which have been as fortunate or as painless from a client perspective, to be sure. Nevertheless, it is representative of the co-operative principles that guide us, and the co-ordinated effort of The Co-operators staff, financial advisors and community members to put the needs and peace of mind of the people we serve above all else when disaster strikes.

How we pay and handle claims

Claims staff across the country are focused on a variety of claim and benefit types, available 24 hours a day, seven days a week, responding to the needs of our Property and Casualty, Life, Health, Specialty, and other clients across our group of companies. The chart below shows the proportion of claims and benefits handled by type.

Claims and benefits paid to clients in 2016



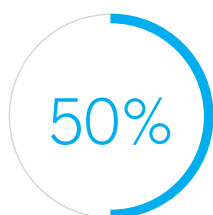
*\*Fire represents a larger-than-normal proportion due to the unprecedented wildfire in Fort McMurray in 2016.*



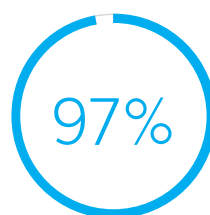
### Sustainable claims solutions

Through the Property and Auto claims process, we encourage clients to use vendors whose practices and processes are environmentally sustainable.

We supply a list of 'green' vendors that clients can access when repairing vehicles or property. These repair shops, vendors and contractors have a demonstrated commitment to things like energy conservation, emissions reductions and/or recycling, or providing paperless service and processes that are less damaging to the environment. Additionally, through a unique program with [Habitat for Humanity](#), we seek opportunities to divert salvageable material from our clients' claims to Habitat ReStores and away from landfills.



**Per cent of auto repairs completed at "green" shops**  
2015: 48% 2014: 43%



**Per cent of dollars paid to preferred property contractors considered "green" contractors**  
2015: 94% 2014: 89%

### Client growth

We measure the depth and growth of our relationships with clients to ensure that we stay relevant and viable in the long-term.

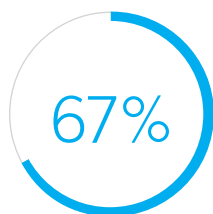
# 990,743

### Number of retail clients

(includes Co-operators General, Co-operators Life and COSECO for all retail business lines)

2015: 953,973 2014: 919,766

**Target: Add 100,000 clients from start of 2015 to end of 2018**

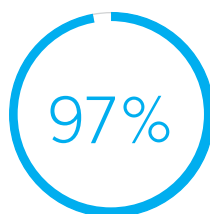


### New clients who are multiline

When clients choose to entrust us with their business across multiple product and service lines, it's a strong indication of the strength of our relationship.

2015: 66% 2014: 63%

**Target: 60% each year**

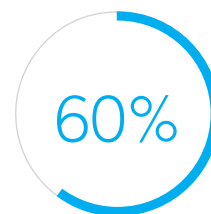


### Gold client retention

Gold clients are those who have the most products, longest tenure and lowest claims among our customers. Retaining clients that demonstrate the high two-way value we strive for is a strong indicator of our ability to provide the products and services our clients and communities need.

2015: 96% 2014: 96%

**Target: >=96% retained each year**



### New clients who are Gen X/Y

Maintaining relevance among younger generations of Canadians is integral to our long-term success. As demographics shift and technological advances transform sectors and behaviours, it's important that we keep in touch with the wants and needs of the next generation.

2015: 57% 2014: 56%

**Target: >=50% each year**

# 2

## *Living our co-operative identity*

*Along with efforts to address the financial and insurance needs of Canadians, we are involved in building more resilient communities. As a co-operative, we take our role seriously to protect communities and the environment. We have more to do in this space, and are committed to deepening the partnerships we've formed to prepare Canadians for the challenges that impact their lives.*

The education and advocacy initiatives we spearhead, the community investments we make, and our efforts to reduce our environmental impact are all reflections of our co-operative principles. Taken together, they comprise our contributions to building more resilient communities, and ultimately improve the prosperity and peace of mind of our clients.

## Informing communities

As insurers, we play an important role in applying rates that reflect the reality of the risk Canadians face, but our work doesn't end there. We have a responsibility to support and participate in action that mitigates increasing risks to ensure premium rates stay affordable over the long-term and to keep the well-being of our clients at heart. With this in mind, we are involved in a number of initiatives that not only inform Canadians, but empower them to be active agents in protecting their homes, lives and advocating for safer, risk-ready communities.

### Resiliency against floods

To raise awareness of flood-related risk in Canada, we co-created the [Partners for Action](#) (P4A) Network at the University of Waterloo's Faculty of Environment, in partnership with Farm Mutual Reinsurance Plan Inc., with a combined \$1.1 million commitment. P4A brings together a diverse set of individuals from business, government and non-governmental organizations to create and share knowledge, address information needs and drive action to make Canadians more resilient against floods.

Through the research, education and advocacy of P4A, we have gained a better understanding of Canadians' levels of risk awareness, the social impacts of flooding, the flood preparedness of major Canadian cities, and the steps that can be taken to build resiliency and better protect communities from devastation. While we know floods will continue to worsen as the climate changes, we can ensure that our communities are prepared to lessen the impact.

Along with the roll-out of Comprehensive Water ([page 20](#)), we developed an [online loss assessment and prevention tool](#) to help homeowners in Ontario and Alberta navigate their level of water-related risk. In addition, people are shown a list of achievable actions they can take to minimize damage in the event of a flood, both inside and outside the home.

### Driving out distraction

Much like climate patterns, technologies are changing rapidly. Our smartphones offer us greater access — to social networks, information, and transactions. Yet their rise in popularity has come with a sharp and troubling rise in auto accidents, with an average of four million auto accidents linked to distracted driving in North America every year.

In 2015, in an effort to further spark conversations and shift behaviours, we launched an award-winning [Drive Out Distraction™](#) campaign that engaged our employees, financial advisors, clients, and the broader community.

As a part of this, The Co-operators was a primary sponsor of the award-winning distraction-free driving app OneTap. While this app received wide national media coverage, it regrettably did not gain desired traction — particularly among iPhone users. Moving forward, we co-created the Canadian Coalition on Distracted Driving, bringing government, police, academia, industry, and healthcare representatives together. In partnership with the Traffic Injury Research Foundation and Drop It and Drive, the coalition met in 2016 and developed a national action plan to combat distracted driving. In addition, we launched a distracted driving pledge in partnership with Drop It and Drive, a non-profit from BC, culminating in 10,574 pledges by Canadians to drive distraction-free.

*To help strengthen communities, we embrace our role to inform Canadians of the risks they face, empowering them to stay protected.*

## Investing in our communities

For the past 20 years, we have been recognized as an [Imagine Canada](#) Caring Company. In 2016, we contributed a total of 4.1 per cent of our pre-tax profit to Canadian co-operatives, non-profits and charities, totalling \$7,559,330. <sup>4</sup> This far exceeds Imagine Canada's minimum benchmark of one per cent.

Our vision for community investing advocates for environmental, social and economic sustainability. In 2016, as a part of our total donations, we contributed \$1,172,667 to a variety of organizations and initiatives through a number of [corporate giving programs](#). To view our Community Investment Vision, see Appendix [AP-33](#) online.

Through our \$11 million charitable foundation, our [Community Economic Development \(CED\) Funds](#) support organizations whose programs increase employability and job creation for marginalized communities in Canada. In 2016, \$500,000 was directed to marginalized youth and people with mental health challenges and an additional \$260,000 was directed to prepare Syrian refugees for employability in Canada.

We support expanding and emerging co-operatives with our [Co-operative Development Program](#), through which we have invested over \$2.2 million in 162 Canadian co-operatives over the past 24 years. In 2016, 10 grants totalling \$125,600 were distributed to co-ops that are tackling important issues.

Through contributions to organizations like the United Way, we contribute to safe, resilient and sustainable communities.

<sup>4</sup>  
*In 2016, we included contributions to co-operative associations, totalling \$872,278, which increased our pre-tax giving percentage by 0.5%.*

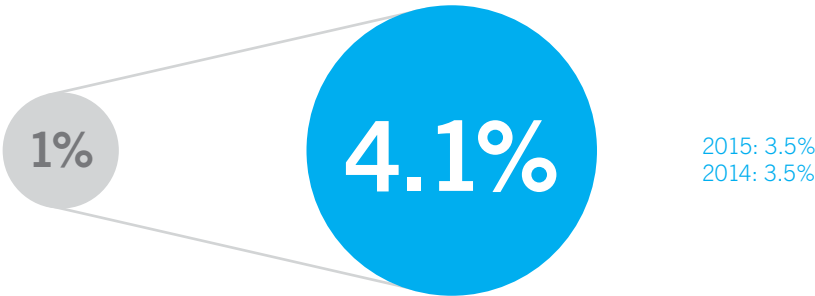
**\$7,559,330**

**Total amount donated to Canadian co-operatives, not-for-profits and charities**  
2015: \$5,807,140    2014: \$4,999,603

**\$1,633,137**

**Total amount distributed to support co-operatives**  
2015: \$487,466    2014: \$892,899

### Percentage of pre-tax profit donated



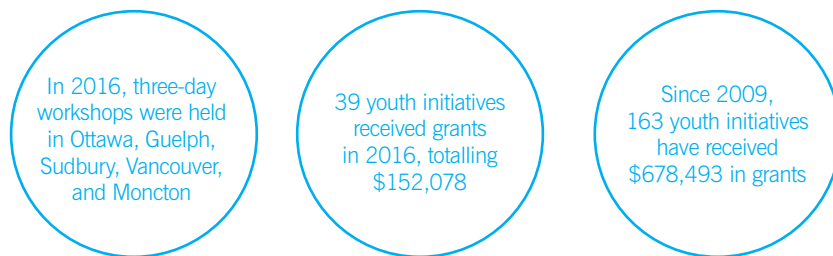
Imagine Canada benchmark

The Co-operators —————> Target: Exceed Imagine Canada's benchmark of 1%.

### Youth engagement and support

We recognize that youth are the future and we need to do more to engage and be relevant to them. Through our IMPACT! Youth Sustainability Leadership Program, delivered in partnership with The Natural Step Canada, we support post-secondary students and recent graduates in developing initiatives and projects to make communities more resilient. Participants receive coaching, mentoring and applied training on how to lead social change, and compete for funding. To learn more, visit [www.impactleaders.ca](http://www.impactleaders.ca).

### IMPACT! Youth Sustainability Leadership Program

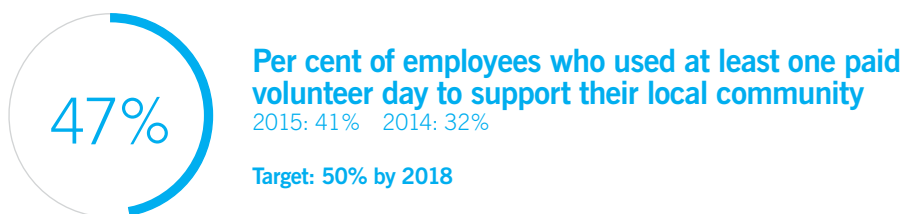


### Employee Volunteering

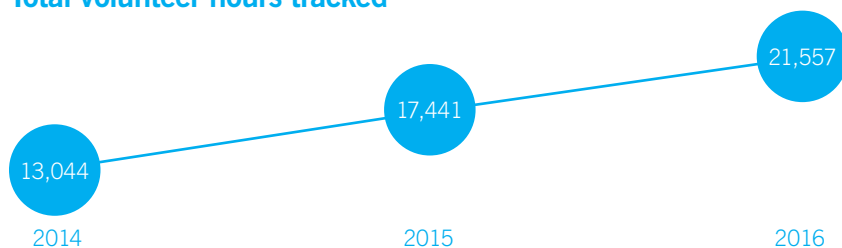
Across the group of companies, we encourage volunteering by offering each of our employees two paid volunteer days per year. The Co-operators [Volunteers in Action](#) (VIA) program encourages staff to engage in their community. There are now a total of 11 volunteer groups across the country that actively take part in local activities.

In partnership with Unitera, a leading Canadian international volunteer co-operation and development program that facilitates volunteering in 15 countries, we offer the Leave for Change Program, where employees volunteer at an international destination for three weeks. In 2016, two employees went to Sri Lanka and two to Vietnam.

In 2016, we joined the International Cooperative and Mutual Insurance Federation's (ICMIF) [5-5-5 Mutual Microinsurance Strategy](#). The initiative aims to extend mutual microinsurance in five emerging markets, reaching out to five million low-income households over the next five years — a total of 25 million people. The Co-operators has committed to providing USD \$100,000 per year for five years, in addition to legal advice and technical assistance, to help Uplift Mutuals bring its health care insurance to two large cities in India, Mumbai and Pune.



### Total volunteer hours tracked







## Mental health in the community – Kids Help Phone

We champion mental health initiatives for youth in the community, in partnership with [Kids Help Phone](#). In 2016, we promoted [BroTalk](#), a mental health support zone for young men ages 14–18, and [Resources Around Me](#), a database of more than 35,000 youth-serving programs across Canada.

To help youth navigate the multitude of pressures and mixed messages that can impact mental health, we partnered with motivational speaker and Crash Test Dummies' drummer Mitch Dorge, who provided positive inspiration for 12,073 students in 2016.

### Mental health awareness and education

One in five Canadians are impacted by mental illness. In an effort to address this critical societal issue, we began with a workplace initiative, raising awareness and making mental health supports available to our staff and financial advisors. Through our own experience, we will then extend this support — through education, products and services — to other workplaces in the community.

In 2016, we launched a mental health strategy and defined a mission, vision and unifying goal for all our companies. We developed a mental health commitment that all senior leaders and staff will pledge to uphold and run internal education and awareness campaigns. We added an index to our employee engagement survey to track year-over-year progress on mental health and are pursuing partnerships with workplace mental health researchers at Canadian universities. In the fall of 2016, we commissioned research on workplace mental health through The Conference Board of Canada, and will be using this information to inform how we engage stakeholders going forward.

We see the workplace as an important pathway to positive mental health. Through policies, practices and work culture, we plan to provide individuals with the tools, understanding and services to sustain positive mental health at home and in their communities.

We're on a path to investigate existing supports and mechanisms for good mental health inside our organization, and identify avenues to extend that support to our Group Benefit clients.

## Advocating for sustainability

As active participants in the initiatives listed below, we work with multiple stakeholders to shift the insurance industry, the economy and communities towards sustainability and long-term resiliency.

**Building sustainable Canadian business and markets.** We are engaged through two national groups striving to shift Canadian business and markets towards sustainability. Through the Corporate Knights' [Council for Clean Capitalism](#), a group of Canadian business leaders dedicated to the promotion of "clean capitalism," we help communicate how the depletion of natural capital negatively impacts the profitability of our national economy. This council also promotes investments into financial products like the green bonds issued by the Province of Ontario totalling \$1.25 billion. Through [Smart Prosperity](#), a national coalition of leaders from diverse sectors and perspectives, we are working to define a vision for Canada's transition to a high-efficiency, low-carbon economy. In 2016, this coalition was officially launched at the GLOBE Conference in Vancouver.

**Promoting fire safety.** We've partnered with the [Home Fire Sprinkler Coalition](#) and Sunnybrook Health Sciences Centre on home fire sprinkler advocacy to further protect the health and safety of Canadians. In 2013, we sponsored a three-year, two-phase research study with Sunnybrook, the [National Fire Protection Association](#) (NFPA) and the [Canadian Automatic Sprinkler Association](#) on the human cost and economic consequences of burn injuries and deaths in Canada in homes without fire sprinklers.

**Advocating for resilience against wildfires.** In 2015, as part of our advocacy for fire safety, we began our focus on building partnerships to mitigate risks related to wildfires. Working with groups like Partners in Protection, the NFPA and the [Institute for Catastrophic Loss Reduction](#), we advocate for better community awareness and resilience against wildfires.

**Promoting a sustainable insurance industry and financial system.**

As the first North American insurer to sign on to the United Nations Environment Programme (UNEP) Finance Initiative's [Principles for Sustainable Insurance](#), we committed to abide by these principles (see Appendix [AP-34](#) online for details) and continue to advocate for their adoption among industry peers and reinsurers. Our contributions to the UNEP [Inquiry into the Design of a Sustainable Financial System](#) led to recommendations for systemic changes necessary to transition to a more sustainable economy, which we are advocating be adopted. Finally, through the World Bank [Insurance Development Forum](#) (IDF), we are involved in international discussions with leaders of the United Nations, The World Bank Group and the global insurance industry to build a more sustainable and resilient global insurance market. By incorporating risk measurement expertise of the insurance industry into governments' resilience frameworks, the IDF is seeking collaborative solutions to a world of increased natural disaster and climate risk.

*The issues we face today are complex and cannot be solved in isolation. Through a series of strategic partnerships, we advocate for collaborative and cross-sector solutions.*



### Responsible investing

Our investment management company, Addenda Capital, promotes a sustainable, low-carbon, climate-resilient society through its investment decisions and stewardship activities. Its approach to sustainable investing is focused on enhancing the long-term investment performance of their clients. In addition, Addenda is an active steward of the companies in which it invests, monitoring companies' environmental, social and governance practices, exercising voting rights and engaging in purposeful dialogue on matters identified through monitoring or that are the subject of votes at shareholder meetings.

Addenda promotes acceptance and implementation of sustainable investing and supports regulatory or policy initiatives that would enable sustainable investing practices. It is engaged in a number of projects, coalitions and initiatives that promote sustainable financial markets, such as Principles for Responsible Investment and the Carbon Disclosure Project. For a full list of these coalitions and initiatives, see the inside back cover.

Currently, 97 per cent of our invested assets are guided by a Sustainable Investment Policy that integrates environmental, social and governance factors into investment decisions.<sup>5</sup> For a summary of our Sustainable Investment Policy, visit [Addenda's website](#).

### The Montreal Carbon Pledge: Tracking and reporting on the carbon footprint of our investments

The Co-operators became the first Canadian insurance company to sign the [Montreal Carbon Pledge](#) in 2014, and Addenda was the first Canadian asset manager to sign the pledge and meet its obligation by disclosing the carbon footprints of all its equity pooled funds in 2015.

Through this report, The Co-operators has expanded our disclosures to include corporate bond and preferred-share portfolios. By tracking, measuring and disclosing the carbon footprint and climate-related risks of investment portfolios, we are a part of over 100 organizations around the world participating in greater transparency to shift markets towards the low-carbon economy.

5

*Our Sustainable Investment Policy applies across all major asset classes, where eligible. It does not apply to certain assets, including short-term investments, policy loans and derivatives.*

# 188,814

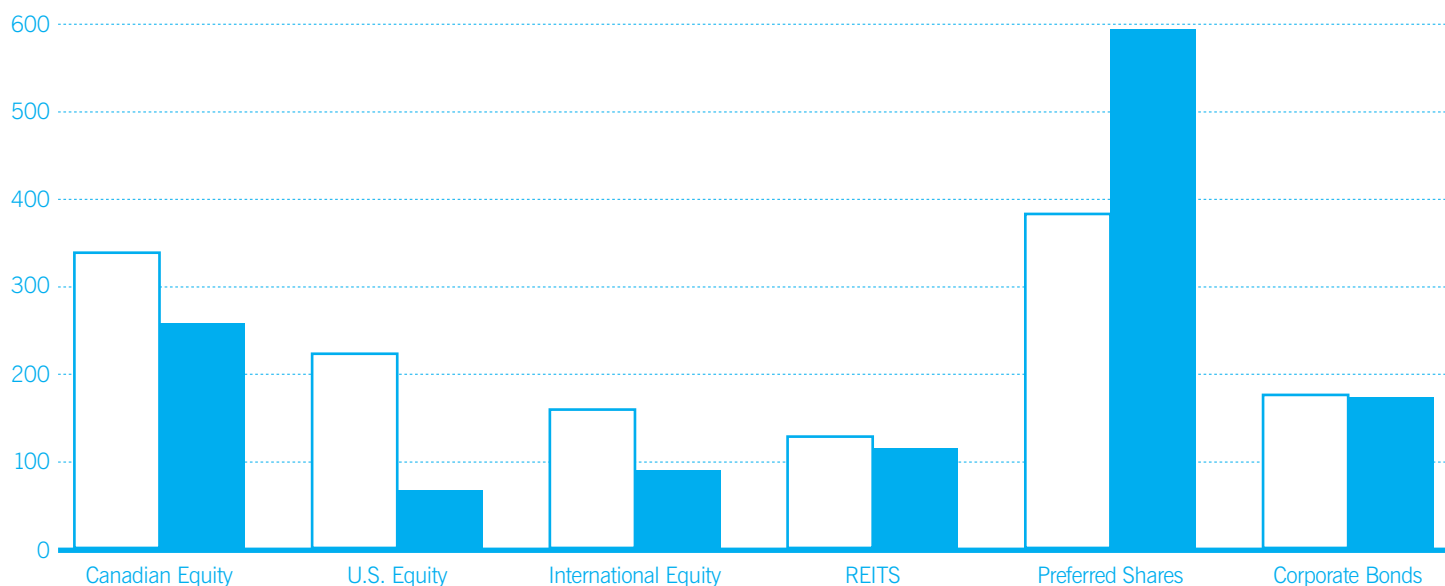
**Owned carbon emissions of The Co-operators equity, preferred share and corporate bond portfolios (tonnes of CO<sub>2</sub>e)**

2015: 179,903 2014: N/A

For more on how Addenda calculates the carbon footprint of its investments, see Appendix [AP-38](#) online.

### Weighted average carbon intensity of The Co-operators equity, REIT, preferred share, and corporate bond portfolios vs Benchmark (tonnes of CO<sub>2</sub> equivalent / \$m USD revenue)

□ Benchmark ■ Portfolio



# Reducing our corporate carbon footprint

Climate change presents some of the biggest challenges to value creation in the short and long-term for our clients, communities and our organization. To demonstrate our commitment to a low-carbon future, we've made significant reductions to our relatively small emissions footprint, with a goal to be carbon neutral equivalent by 2020. We have reduced our net emissions by 72 per cent (from 2010 levels), the result of a two-part approach to reducing our carbon impacts:

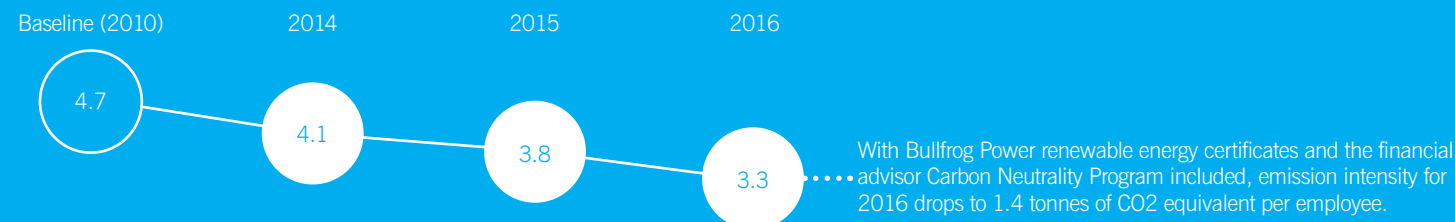
**Utilizing a traditional approach:** Prior to 2016, we focused our carbon reduction efforts inwardly, through energy efficiency building retrofits, space consolidation initiatives, a smaller and more efficient vehicle fleet, and reducing business travel when possible. The purchase of renewable energy credits through Bullfrog Power for some of our corporate offices further offset our emissions. These initiatives are ongoing and have reduced carbon emissions by over 50 per cent.

**Launching a financial advisor Carbon Neutrality Program:** Starting in 2016, we engaged our financial advisor network to become bullfrogpowered® and carbon neutral. Approximately 91 per cent of financial advisor offices (representing 526 locations across Canada) are enrolled in this voluntary, corporate-funded program. Through this, we enable financial advisors (who are independent, self-employed and exclusively representing The Co-operators) to visibly demonstrate their commitment to reducing emissions, while creating a platform to engage Canadians in conversations related to sustainability and the transition to a low-carbon economy. This non-traditional, externally-focused approach moves us closer to our 2020 carbon neutral equivalent target.



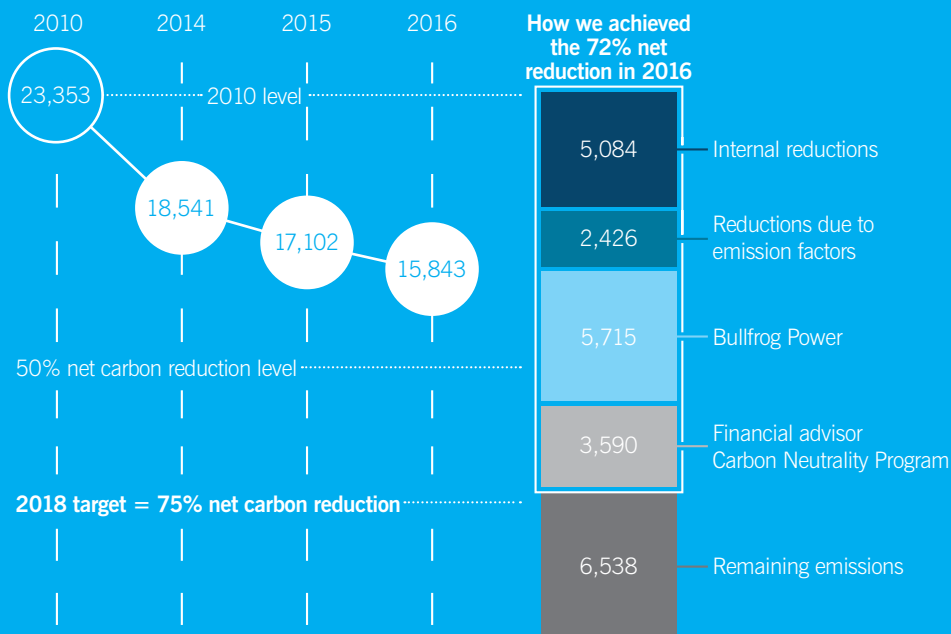
**We will be carbon neutral equivalent by 2020**

## Carbon intensity (tonnes of CO2 equivalent per employee)



## Carbon emissions (tonnes of CO2 equivalent)

Variations in historical emissions data result primarily from updates to emission factors. For more on how we calculate our carbon footprint, see Appendix [AP-36](#) online.



# 3 Staying competitive

*Our future success depends on an ability to rise to the challenges of our operating environments and remain competitive over the long-term. The continued growth and diversification of our business, the people we employ, and our focus on continuous improvement has kept us strong, stable and aware of where we need to do better.*



In 2016, environmental catastrophes had a significant impact on our Property and Casualty Operations' financial performance — a reality felt by many across the insurance industry. Despite these challenges, we step into 2017 with confidence and a strong financial position.

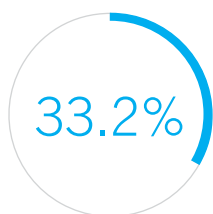
## Financial performance and financial position

In the summary of our financial performance that follows, we provide summarized consolidated financial information and discussion for The Co-operators Group Limited. We've also included details of our two primary operating segments: Co-operators General Insurance Company (CGIC) Consolidated, referred to as our Property and Casualty (P&C) Operations, and Co-operators Life Insurance Company (CLIC) Consolidated, referred to as our Life Operations. "Other" Operations refers to our Insurance Brokerage Operations, our Investment Management Operations and Corporate Operations.

### The Co-operators Group Limited

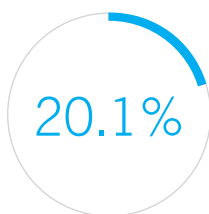
Summarized consolidated Statement of Income  
Year ended December 31

(in millions of dollars)	2016	2015	2014
<b>INCOME</b>			
Net earned premium	3,308.1	3,176.2	3,156.4
Net investment income and gains	399.1	319.2	562.5
Fees and other income	133.8	106.6	65.1
<b>Total income</b>	<b>3,841.0</b>	<b>3,602.0</b>	<b>3,784.0</b>
<b>BENEFITS AND OPERATING EXPENSES</b>			
Claims and benefits expense, net of reinsurance	2,203.2	2,086.1	2,359.9
Other expenses	1,339.7	1,264.8	1,208.5
<b>Total expenses</b>	<b>3,542.9</b>	<b>3,350.9</b>	<b>3,568.4</b>
Income before income taxes	298.1	251.1	215.6
Income tax expense	63.5	52.6	46.9
<b>Net income before gain on sale of subsidiary</b>	<b>234.6</b>	<b>198.5</b>	<b>168.8</b>
Gain on sale of subsidiary	—	—	8.7
<b>Net income</b>	<b>234.6</b>	<b>198.5</b>	<b>177.4</b>
<b>Net income attributable to:</b>			
Members and shareholders	162.5	156.9	130.5
Participating policyholders	58.2	29.2	30.1
Non-controlling interests	13.9	12.4	16.9
<b>Net income</b>	<b>234.6</b>	<b>198.5</b>	<b>177.4</b>



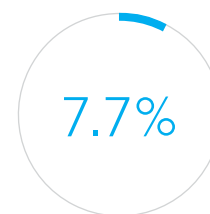
**Expense ratio  
for P&C Operations**  
2015: 32.9% 2014: 32.4%

Target: <31.4% by 2018



**Efficiency ratio  
for Life Operations**  
2015: 19.7% 2014: 20.8%

Target: 18% by 2018

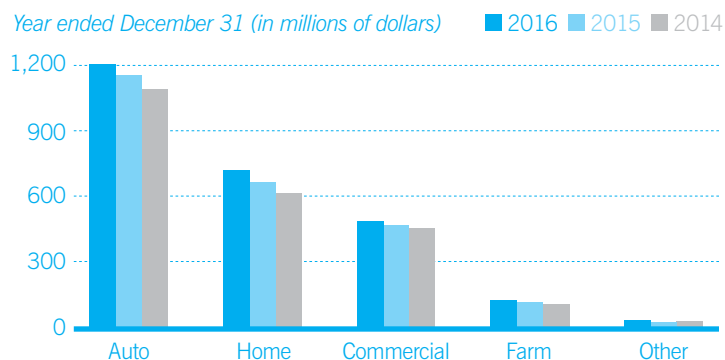


**Return on members' and  
shareholders equity**  
2015: 8.1% 2014: 7.2%

Target: >8%

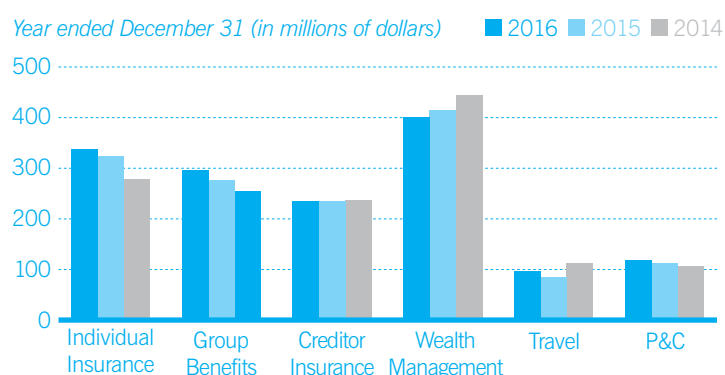
### P&C Operations direct written premium by lines of business

Overall, direct written premium in our P&C Operations increased 5.6 per cent as we experienced growth in all geographic regions and all core product lines. The increase is primarily driven by continued policy and client growth, specifically in the Ontario Auto and Home lines of business, and higher average premiums in our Home and Farm lines of business.



### Life Operations premiums and deposits by lines of business

In 2016, the Life Operations reached almost \$1.5 billion of premiums and deposits with strong contributions from Individual insurance, Group Benefits, Property and Casualty, and Travel insurance lines of business. While overall Wealth Management premium and deposits declined, we continue to experience double-digit growth in Individual Wealth deposits as our clients recognize the role we can play in their financial well-being.



### The Co-operators Group Limited net investment income and gains

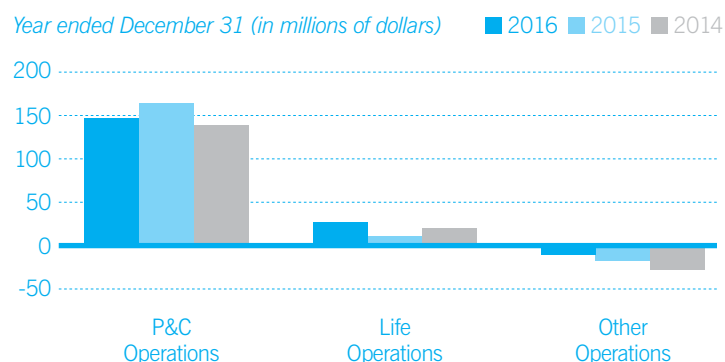
Investment income and gains increased in 2016. While the low interest rate environment continues to dampen investment income, strong returns in equity markets and a stabilization of the Canadian dollar helped improve investment gains. A significant portion of the volatility in investment gains arises from our Life Operations; much of this volatility is offset through claims and benefits expenses as a result of the asset-liability matching programs we employ.

Year ended December 31

(in millions of dollars)	2016	2015	2014
Net investment income	267.6	286.0	270.6
Net investment gains	131.5	33.2	291.9
<b>Net investment income and gains</b>	<b>399.1</b>	<b>319.2</b>	<b>562.5</b>

### Net income (loss) attributable to members and shareholders by segment

Although the Fort McMurray wildfire had a significant impact on our P&C Operations, our consolidated net income increased in 2016. We had a strong year in our Life Operations, favourable results in our Property and Casualty investment portfolio and a full year of operations included for two acquisitions completed in 2015: Premier group of companies and The Edge Benefits Inc. Other Operations, which is negative because of certain corporate costs, was buoyed in 2016 by the gain on sale of an insurance brokerage investment.



## P&C Operations summary key performance indicators

Underwriting results were impacted by the devastating wildfire in Fort McMurray. This event added 3.8 percentage points to the combined ratio and impacted our pre-tax income by \$90.3 million. Excluding this event, net income increased compared to 2015 on the strength of policy and vehicle growth and improved investment returns. The P&C Operations expense ratio (refer to [page 37](#)) remains higher than our industry peers and will continue to be an area of focus for us. Overall, the decrease in net income led to a decrease in our P&C Operations' return on equity.

### Year ended December 31

(in millions of dollars, except ratios)	2016	2015	2014
Underwriting gain/(loss) excluding MYA*	(22.9)	60.9	19.9
Net income (loss) after tax	145.3	162.3	137.6
Combined ratio excluding MYA	101.0%	97.3%	99.1%
Return on equity (annualized)	10.5%	12.3%	10.6%
Return on equity (annualized, 5 yr avg)	11.9%	12.1%	10.8%

\*MYA – Market Yield Adjustment. MYA is a measure representing the impact of changes in the discounting provision on claims liabilities.

## Life Operations summary key performance indicators

Despite the continuing low-interest rate environment, the Life Operations results improved significantly in 2016. Net income attributable to members and shareholders increased in 2016 by \$16.2 million over 2015. This improvement was driven by a combination of factors including improved morbidity experience, investment portfolio optimization, pricing refinements, and favourable financial market performance. This resulted in a return on shareholders' equity for the year of 9.3 per cent, significantly increasing the 5-year average. Net income attributable to participating policyholders also improved by \$29.0 million over 2015 for similar reasons and led to a return on equity of 8.9 per cent.

### Year ended December 31

(in millions of dollars, except ratios)	2016	2015	2014
Net income attributable to participating policyholders	58.2	29.2	30.1
Return on participating policyholder equity (annualized)	8.9%	4.8%	5.2%
Return on participating policyholder equity (5 yr avg)	6.4%	6.0%	6.1%
Net income attributable to members and shareholders	26.6	10.4	19.4
Return on shareholders equity (annualized)	9.3%	3.9%	7.6%
Return on shareholders equity (5 yr avg)	3.4%	0.2%	0.3%

## The Co-operators Group Limited summarized consolidated balance sheet

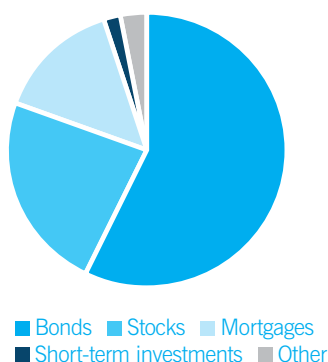
Our balance sheet position remains strong with over \$3.3 billion in capital. Invested assets exceed the total value of our insurance and investment contracts, net of reinsurance contracts, by 32.4 per cent. Our regulatory capital position, as measured by MCT and MCCR, also remains strong with our ratios well above regulatory requirements and the internal minimums set by our board.

Invested assets have increased from \$8.6 billion to \$9.2 billion. During the year, we made a strategic decision to moderately increase our exposure to higher yielding asset classes, primarily equities, with offsets in our bond and mortgage portfolios. Our bond portfolio makes up 57.3 per cent of the portfolio and is well diversified geographically and by sector with over 99 per cent of bonds considered investment grade.

### Year ended December 31

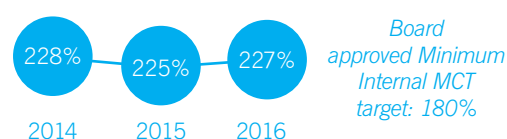
(in millions of dollars)	2016	2015	2014
<b>ASSETS</b>			
Invested assets	9,151.3	8,618.7	8,645.2
Segregated fund assets	2,751.8	2,434.3	2,245.1
Other assets	2,637.9	2,412.4	2,026.8
<b>Total assets</b>	<b>14,541.0</b>	<b>13,465.4</b>	<b>12,917.1</b>
<b>LIABILITIES</b>			
Insurance and investment contract liabilities	7,427.6	6,976.4	6,775.0
Segregated fund liabilities	2,751.8	2,434.3	2,245.1
Other liabilities	1,013.3	910.6	904.2
<b>Total liabilities</b>	<b>11,192.7</b>	<b>10,321.3</b>	<b>9,924.3</b>
<b>EQUITY</b>			
Member and shareholder equity	2,302.4	2,171.5	2,044.2
Participating policyholder account equity	743.9	678.7	659.9
Non-controlling interests	302.0	293.9	288.7
<b>Total equity</b>	<b>3,348.3</b>	<b>3,144.1</b>	<b>2,992.8</b>
<b>Total liabilities and equity</b>	<b>14,541.0</b>	<b>13,465.4</b>	<b>12,917.1</b>

## Invested assets mix

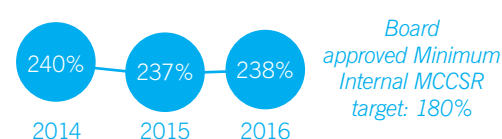


## Minimum capital requirements\*

### CGIC Consolidated Minimum Capital Test (MCT)



### CLIC Consolidated Minimum Continuing Capital and Surplus Requirements (MCCR)



\*The Minimum Capital Test (MCT) and the Minimum Continuing Capital and Surplus Requirements (MCCR) are ratios that we calculate and monitor to ensure we have sufficient capital to support our regulated businesses. The MCT applies to Property and Casualty insurers (CGIC Consolidated), and the MCCR applies to Life insurance companies (CLIC Consolidated). We hold capital well beyond the minimum regulatory requirements for both.

Ratings from third party rating agencies provide an independent assessment of our organization's ability to meet our policyholder obligations and financial obligations. For details of our third party ratings, see Appendix [AP-40](#) online.

# Impact investing

*“We are committed to impact investing because we believe that our invested assets can and should help us meet our organization’s financial targets while making communities healthier and more sustainable for future generations.”*

— Bruce West, Executive Vice-President, Finance and Chief Financial Officer, The Co-operators

Together, the group of companies holds \$44.9 billion in assets under administration, while The Co-operators total invested assets alone amount to over \$9 billion. How we invest these assets can help shift markets towards social, environmental and economic sustainability.

In 2015, we set an ambitious goal to invest six to ten per cent of our invested assets into impact investments by the end of 2018. These investments provide capital to intentionally and measurably address the world’s most pressing environmental and social challenges. They also generate an appropriate, risk-adjusted financial return, and are reported on annually. The graph below illustrates progress towards our 2018 goal.

In 2016, we reviewed The Co-operators investments made prior to our Impact Investing Strategy to identify those that were generating a measurable positive environmental or social impact. As a result of this review, another 3.59 per cent of total invested assets were identified as having a measurable positive environmental or social impact in addition to those reported in the graph below.

Impact investing supports our vision of being a catalyst for a sustainable society and broadens the returns of our invested assets beyond financial returns and into social and environmental benefit, without increasing the risk.

## The Co-operators Three Areas of Focus for Impact Investments

### 1. Climate change: mitigation and adaptation

*Resilient communities; renewable energy; green buildings; low-carbon transportation.*

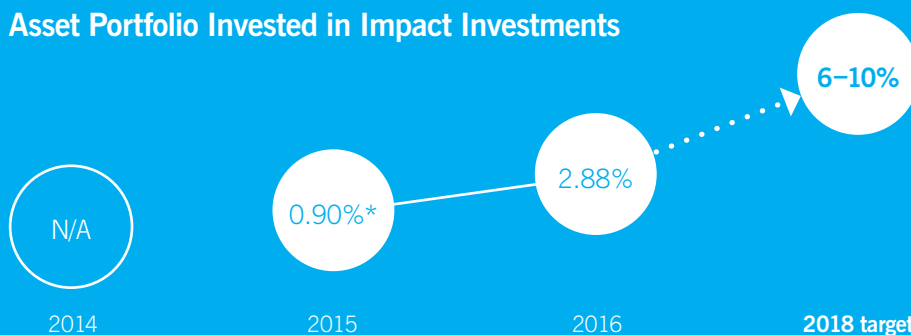
### 2. Health and wellness

*Youth; aging populations; mental health; affordable housing.*

### 3. Food, agriculture and natural resources

*Sustainable food, land, water, and resource management; food security and nutrition; sustainable farming, fishery and forestry.*

## Asset Portfolio Invested in Impact Investments



\*Restated from 0.52 per cent, following detailed review completed in 2016 described above.

## Making an Impact: The Future of Investing

As traditional, carbon-intensive markets contract, social needs expand, technologies emerge, and stricter regulatory environments transform the playing field, people are thinking differently about how to invest their money for impact beyond the balance sheet. In response, impact investing is providing a promising alternative to traditional financial markets.

Analysts are noting an important shift in the investment behaviours of an increasing number of Canadians that value social and environmental well-being alongside healthy financial returns. Impact investment assets in Canada increased 123 per cent in 2016 to \$9.2 billion, according to the Responsible Investment Association. The survey showed almost all impact investors (96 per cent) said investments met or exceeded performance expectations.

In 2016, we made a strategic decision to seize the opportunities provided by this market while living out our co-operative principles. While the impact investments we make can take many different forms, potential investments are selected using the three areas of focus described at left. One of several impact investments we announced in 2016 is highlighted below:

## InvestEco

Building companies that matter

**Impact Focus Area:** Food, agriculture and natural resources

**Investment commitment:** \$6.7 million

**About InvestEco:** InvestEco Capital Corp. is a Toronto-based venture capital investment firm focused on high-growth sustainable companies. Since its inception in 2002, InvestEco has invested in 18 private companies. These range from companies that are developing renewable energy, water technologies, resource productivity technologies, and efficient transportation solutions, to companies that promote health and sustainability in the food and agriculture sector. Today, InvestEco is primarily focused on sustainable food and agriculture, funding many leading food and agriculture brands across North America. For more information visit [www.investeco.com](http://www.investeco.com).

## Our people

Our financial strength and stability is sustained by the people we employ, and we're committed to creating a work environment in which they feel respected, valued, recognized, and rewarded for their efforts. Further details on our employees are available in Appendix [AP-22](#) online.

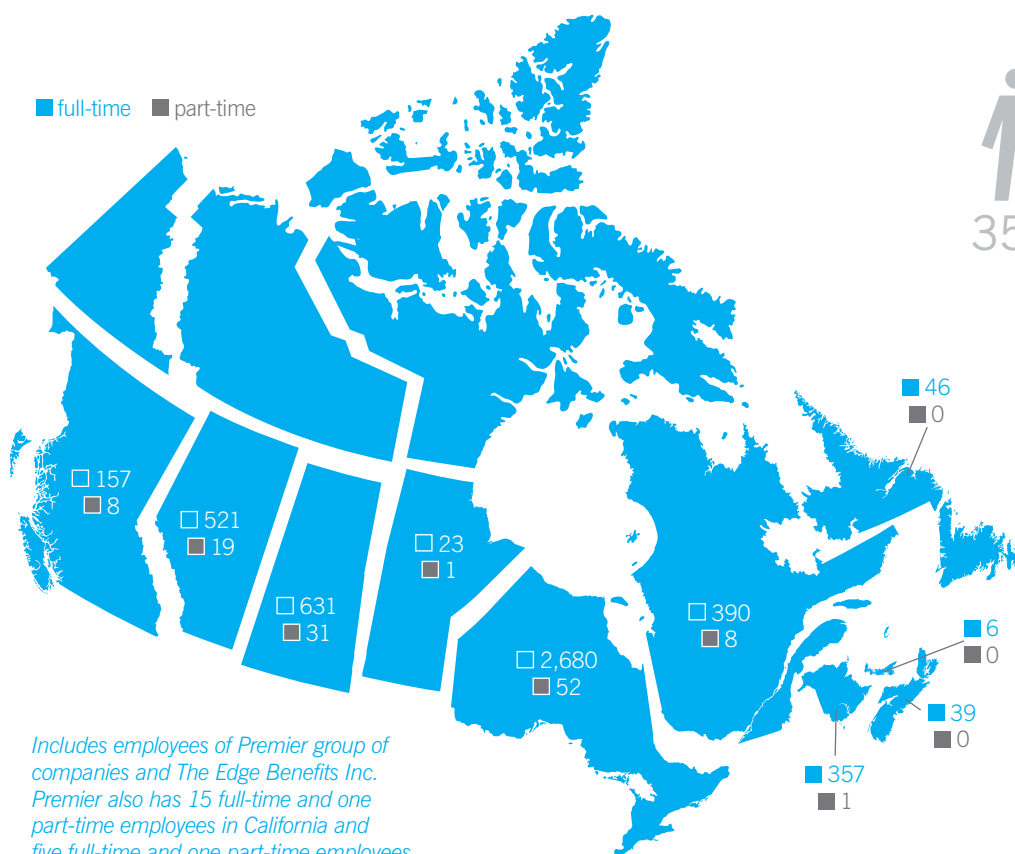
### Our workforce

■ full-time ■ part-time

4,850

120

■ full-time ■ part-time



Includes employees of Premier group of companies and The Edge Benefits Inc. Premier also has 15 full-time and one part-time employees in California and five full-time and one part-time employees in Washington.



35%

42  
Average  
employee  
age



65%

22%\*

### Representation of women in senior management

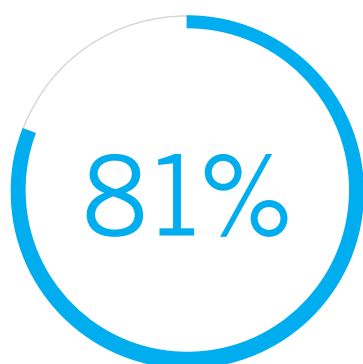
2015: 22% 2014: 33%

\*Includes now retired president and CEO Kathy Bardswick

12%

### Per cent of staff who self-identify as a visible minority

1% Identify as persons of Aboriginal origins



### Aggregated Employee Engagement Scores

2015: 80% 2014: 78%

### Employee Engagement

We're proud to report continued high scores on our third-party administered employee engagement survey in 2016. For the past 14 years, we've been recognized as an [Aon Best Employer](#), earning platinum-level recognition since it was introduced in 2015. To maintain high standards, employees and management analyze and discuss annual results within each department to develop action plans, leverage strengths and focus on areas of improvement for the benefit of our employees, and ultimately, our clients.

While we achieved scores at the top of the industry, we have identified areas where we can improve. Most notably, while employees tell us we excel at recognition beyond pay, we've identified a need to create better linkages between performance and pay. In addition, we see room to improve our work tasks and processes that enable productivity, a limitation we share across the industry.

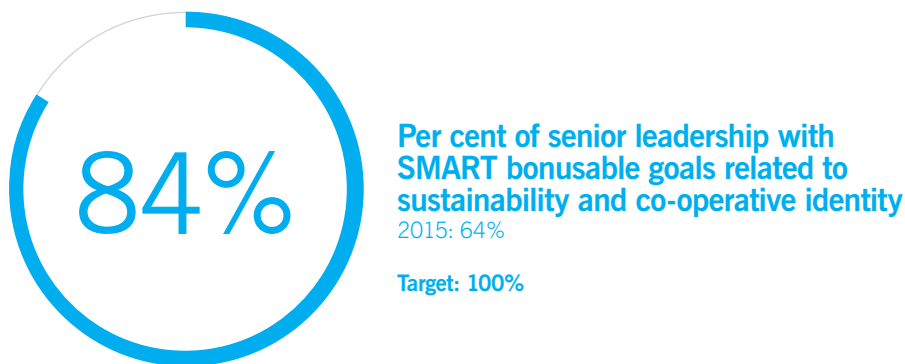
One of the most tangible ways we measure employee satisfaction is through our ability to retain high quality staff over time. In 2016, we had a voluntary turnover rate of 3.3 per cent. This is an improvement from 2015 and meets our goal of being at least 2.0 per cent below The Conference Board of Canada benchmark of 7.0 per cent. Our strong employee retention rate of 95 per cent is also above the Conference Board benchmark of 90 per cent. Further details on our employee turnover are available in Appendix [AP-24](#) online.



### Leadership performance

People respond to incentives. At The Co-operators, we manage what we measure, and recognize our ability to meet our mission requires managing more than just money. As of 2015, all vice-presidents, senior vice-presidents and executive vice-presidents have at least one bonusable goal related to sustainability or co-operative identity in their annual performance plans. In this way, we are encouraging the embedment of these key indicators of our performance and value creation across the organization and out of their traditional 'silos'.

To further the robustness of sustainability and co-operative identity-focused goals, in 2015 we began assessing them to ensure they are SMART: specific, measurable, ambitious, relevant, and time-bound.



### Employee compensation, education and development

Compensation plays an integral role in the health and well-being of individuals and broader society. In 2015, we became a Living Wage Employer, the first national employer in Canada to do so. This means that at minimum, our pay reflects the amount of money people need to earn to take care of basic living expenses, support the healthy development of their children, and fully participate in work, family life and community activities. Calculated based on the [National Living Wage Framework](#), a living wage is unique to each community and is currently being adopted primarily in communities in British Columbia, Ontario and Alberta, where these programs exist.

All employees across the group of companies are earning a living wage, and over 99 per cent are earning more. To go further, we are now committed to advocating for our external stakeholders, including our vendors, eventually to follow suit. We recognize this will be a challenging and complex endeavour that will take time to implement.

As a transparent reflection of compensation across our organization, we report on the ratio of total CEO compensation relative to the average employee. Unfortunately, we did not have the 2016 ratio available at the time of reporting. However, in 2015, this ratio was 18:1<sup>6</sup>, which is relatively low, with a 2016 poll showing that the average CEO salary of Canada's biggest companies earned almost 159 times that of the average employee.<sup>7</sup>

We invest in our people beyond compensation by supporting employee development, education and training. In 2016, we invested an average of \$1,000 per employee on external education programs, surpassing The Conference Board of Canada's average of \$800.

By ensuring the financial, social and environmental well-being of our workforce through our policies and practices, we continue to strengthen our workforce, and in turn, our organization.

<sup>6</sup>

*Based on 2015 fiscal year data, including company pension, group and government benefits*

<sup>7</sup>

*Gallagher McDowall Associates: CEO Compensation in Canada – 2016 Update.*  
[www.mcdowallassociates.com/does-size-matter-ceo-compensation-2016-update](http://www.mcdowallassociates.com/does-size-matter-ceo-compensation-2016-update)

\* G4-27

## Our technologies and insights

In order to stay competitive, we need to better monitor and respond to rapid shifts in technology. Ground-breaking trends like artificial intelligence and virtual reality are redefining the human role in business transactions, and cloud computing and the Internet of Things are increasing connectivity. At the same time, the sharing economy is redefining consumer behaviour, and social media and information accessibility is changing the boundaries of the business-to-client relationship. While these transformations pose new risks and may disrupt the industry, they also drive innovation, prime us to think differently, and open up new opportunities for growth.

In some cases, we did not keep pace with emerging trends. The sharing economy, for example, has blurred lines when it comes to Auto and Home insurance, and clients expect greater clarity on what's covered and what isn't. As an industry, we need to catch up to meet evolving needs.

Nevertheless, we are making progress. With the increasing connectivity and prevalence of online data, a wider array of more intelligent analytics enables efficiencies, helps us anticipate the needs of our clients, and enables product innovations to meet them.

In 2016, we developed Project 'ACE' — Analytics for Client Engagement. This project allows us to understand what our clients want and how and when we can best connect with them. Through this program, we can proactively engage clients to minimize their touchpoints and offer an added ease of communication in whatever manner they prefer.

By embedding smart, connected technologies into homes, cars, and wearable devices, the Internet of Things is redefining how we interact with the world around us, an opportunity we've seized through our en-route Auto Program® (see [page 22](#) for more on en-route). We're encouraged by opportunities for the program, with an average of 500 clients signing up for this program each week.

It's important to note that while greater connectivity and availability of information provide exciting opportunities, we're conscious of the risks involved due to cyber security and privacy concerns. As always, we keep the prosperity and peace of mind of our clients top of mind when making any decision to innovate. As a highly regulated industry, we are limited in the information we can access and utilize to determine rating factors. Ultimately, the technologies and insights we've developed exist to help our clients better manage their risks and associated costs.



# Rethinking business as usual

*The Co-operators District Manager Jessica Baker promotes sustainability as a selling point*

When Jessica Baker was asked to give a presentation to a group of Co-operators financial advisors as a part of The Co-operators Executive Builders program, she admits she was unsure of what exactly to say. As a District Manager and not a financial advisor herself, Jessica wanted to ensure the insights she provided would be useful to a room full of entrepreneurs.

"I didn't want to give advice to people who have set the bar so high in their field," Jessica recalls. "Instead, I wanted to speak to something I was confident in and that they could actually use."

Her mind first went to sustainability. In addition to her role as a District Manager, Jessica is also a volunteer sustainability representative for the Atlantic Region, so was well-equipped to present on how financial advisors could integrate and embed sustainability into their business.

More than a laundry list of sustainable business practices, Jessica wanted to transform sustainability into a concept that would inspire them to think differently about their agencies and seize opportunities to attract a whole new demographic of clients. She began from the viewpoint of the client, and chose Millennials — the next wave of customers who are causing the industry to rethink the ways in which it conducts business.

"I did some research and found that sustainability is a huge purchasing driver for this demographic. It's about environmental, social and economic integrity. With approximately two billion in the world, this generation will become our financial advisors, employees, leaders, and clients."

She presented the facts: Millennials will refer friends, have deep connections to social media, and are concerned with local community. Showing financial advisors the value

that could be captured through engaging this largely untapped demographic on a level that has meaning to them and to the broader community not only helped reveal the business case for sustainability, it led Jessica to an important realization.

"This generation gets a bad reputation for being entitled. I realized it's not entitlement but an expectation they hold as a generation that we do better," she says. "An expectation that work-life balance is good and that we are a high-performing, socially, environmentally and economically responsible organization."

Jessica has since presented to internal departments on co-operative identity and senior executives at innovation workshops. According to Jessica, in the future, leading organizations will embed sustainability throughout their operations.

"If sustainability is a checklist or simply a means to compliance, we have missed the point entirely. The best way our organization can empower financial advisors is to ensure that everything we offer, in every system, policy and practice, has been looked at through the lens of sustainability."



# future outlook

a Q&A with The Co-operators  
new president and chief executive officer,  
Robert Wesseling

*We've made progress towards our integrated, four-year strategy, and have further to go to ensure we lead the industry in client engagement, bring our co-operative principles to life, and enhance our competitive position. Our new president and chief executive officer, Robert Wesseling, shares his key priorities in a rapidly changing world.*

**As we face the future, what must we stay focused on to continue to meet our objectives as an organization?**

We need to stay firmly rooted in our mission of financial security for Canadians and Canadian communities. This is our purpose and it must fundamentally guide our strategy and decision-making as we move into the future. At the same time, we play an important role in the ongoing development of the co-operative and mutual system in Canada and internationally. Staying mindful of our co-operative roots will keep us on the right path, today and into the future.

It's also critical for us to maintain and enhance our solid financial footing and competitive position in the marketplace. To deliver on our mission to Canadians and meet the needs of our members, staff, clients, and communities, we must be financially strong and resilient. We'll do this by continuing to provide competitive products and services that allow our group of companies to grow profitably.

Today, our organization is strong. Our members are well-engaged and connected. Our staff are also well-engaged, as reflected in our ranking as a top employer. Our clients continue to rate us at the top of the industry in terms of engagement and experience. Financially speaking, overall our 2016 results were favourable, with strong performance of our Life Operations and our investments. The results of our Property and Casualty Operations were down somewhat as the entire industry faced volatility.

**In your view, how must The Co-operators respond to key issues and trends in the world around us in the coming years?**

Our existing priorities remain critical as we move forward. They were developed with the key issues, risks and opportunities discussed throughout this report in mind, and I have no doubt they are guiding us in the right direction. Having said that, it's important to recognize we are operating in a world that is changing, and it's changing rapidly. We need to be proactive and take a critical and holistic view of the world we operate in.

Everything, from our clients' evolving needs and behaviours, to the nature of risks they are exposed to — severe weather, cyber security and economic volatility — is in a state of flux. We're seeing advancement of new technologies and analytics that disrupt the industry and bring new risks and opportunities for innovation to the forefront. Our economic environment is experiencing increasing volatility and new economic models like the sharing economy are redefining consumer behaviours and expectations.

Our new reality calls us to action. It is critical for us to stay relevant in these times of change. Our success in doing so is increasingly dependent on our ability to adapt, innovate and be proactive in our strategy and action to lead the industry.

We must find ways to become more nimble as an organization. Again, all of this is dependent on strong financial performance and profitability that enables us to stay resilient.

**What opportunities do you see on the horizon?**

To lead the industry in client engagement, we need to seize opportunities to innovate in order to better meet clients' needs, lessen their levels of risk, and provide holistic solutions to financial challenges. With technological advancements and information accessibility, we can now better understand and anticipate clients' needs and provide better solutions. We can reward safer, healthier, more environmentally and socially sustainable behaviours. New technologies and online financial planning tools open up convenience and improve financial literacy, so clients can get an immediate sense of how to better manage their wealth.

We are making progress in client engagement, and are highly rated for our efforts, but need to move faster to keep pace with the rate of change we're seeing in the world around us. One of the ways we're doing so is by transforming our client experience through the development of a fully interactive online platform that will be integrated with over-the-phone and in-person engagement.

We also have great opportunity to engage with our members, which connects back to my first point about staying connected to our co-operative roots. Our members represent a dynamic range of organizations across Canada, many of whom are part of an even wider network of co-operatives.

*“We have a strong opportunity to take a leadership role in building resilient communities that can endure the change we're facing.”*

**What excites you most about stepping into the role of CEO at The Co-operators?**

I've been with The Co-operators for 20 years, and during that time, I've had the opportunity to work in many different departments and in a number of roles. One thing that has stood out for me for all these years is our positive work culture and genuine care for the clients and communities we serve. As CEO, I'm looking forward to meeting with and engaging staff and advisors across our group of companies, our member organizations, as well as many of our clients.

We have a strong opportunity to take a leadership role in building resilient communities that can endure the change we're facing, through product innovations like Comprehensive Water, or the education and information initiatives we spearhead to ensure Canadians are informed, resilient and well-protected against emerging risks. I am proud to remain personally involved in expanding that effort as CEO. Through advocacy and research, community investments we make, and innovations to meet emerging needs, I look forward to expanding and improving the solutions we offer to protect Canadians' long-term financial security.

As CEO, I want to ensure we continue to integrate financial, environmental, and social sustainability into everything we do. This will enable us to protect the security of the people we serve, the planet we live on and the profits we generate. In this way, we will continue to build long-term prosperity and a strong, sustainable future for our organization, our clients and their communities.



## Member organizations

### Alberta

- > [Agrifoods International Cooperative Limited†](#)
- > [Alberta Federation of Agriculture](#)
- > [Alberta Federation of Rural Electrification Associations](#)
- > [Credit Union Central Alberta Limited](#)
- > [Federation of Alberta Gas Co-ops Ltd.](#)
- > [UFA Co-operative Limited](#)

### Atlantic

- > [Amalgamated Dairies Limited](#)
- > [Atlantic Central](#)
- > [Atlantic Retail Co-operatives Federation](#)
- > [Canadian Worker Co-operative Federation†](#)
- > [Newfoundland-Labrador Federation of Co-operatives](#)
- > [Northumberland Cooperative Limited](#)
- > [Scotsburn Co-operative Services Limited](#)
- > [UNI Coopération Financière](#)

### British Columbia

- > [BC Tree Fruits Cooperative](#)
- > [Central 1 Credit Union†](#)
- > [Modo The Car Co-op](#)
- > [Mountain Equipment Co-op†](#)
- > [PBC Health Benefits Society](#)
- > [Realize Strategies Co-op](#)

### Manitoba

- > [Arctic Co-operatives Limited](#)
- > [Caisse Populaire Groupe Financier Ltée](#)
- > [Credit Union Central of Manitoba Limited](#)
- > [Granny's Poultry Cooperative \(Manitoba\) Ltd.](#)
- > [Keystone Agricultural Producers](#)

### Ontario

- > [Co-operative Housing Federation of Canada†](#)
- > [Gay Lea Foods Co-operative Limited](#)
- > [GROWMARK, Inc.](#)
- > [L'Alliance des caisses populaires de l'Ontario limitée](#)
- > [Ontario Federation of Agriculture](#)
- > [Ontario Natural Food Co-op](#)
- > [Ontario Organic Farmers Co-operative Inc.](#)
- > [United Steelworkers – District 6](#)

### Quebec

- > [Fédération des coopératives d'alimentation du Québec](#)
- > [Fédération des coopératives funéraires du Québec](#)
- > [Fédération québécoise des coopératives en milieu scolaire/COOPSCO](#)
- > [La Coop fédérée](#)
- > [La Fédération des coopératives du Nouveau-Québec](#)

### Saskatchewan

- > [Access Communications Co-operative Limited](#)
- > [Agricultural Producers Association of Saskatchewan](#)
- > [Credit Union Central of Saskatchewan](#)
- > [Federated Co-operatives Limited†](#)
- > [Regina Community Clinic](#)

## Awards and recognition in 2016

### Client Satisfaction

- > J.D. Power
  - Auto: Highest in Customer Satisfaction among Auto insurers in the Ontario, Alberta and Atlantic Regions
  - Home: Second among Home insurers in Ontario and the Atlantic Region; third in Western Canada

### Employee engagement

- > Aon Best Employers (Platinum) (The Co-operators)
- > Aon Best Small & Medium Organizations (Gold) (The Sovereign General)
- > Aon Best Small & Medium Organizations (Platinum) (Addenda)

### Governance and Co-operative Identity

- > Governance Professionals of Canada's Excellence in Governance: Best Practices in Sustainability and Environmental, Social and Governance (ESG)
- > Co-operatives and Mutuals Canada's Co-op of the Year

### Marketing and Communications

- > Nielsen Norman Group's "Intranet Design Annual 2016: The Year's 10 Best Intranets"
- > Insurance Marketing and Communications Awards (IMCA)'s Awards of Excellence in:
  - Employee Electronic or Interactive Communications
  - Employee Audio/Visual Communications
  - Corporate Social Media (for our Drive out Distraction campaign)
  - Social Media Marketing (for our Drive out Distraction campaign)

### Sustainability and Corporate Citizenship

- > Corporate Knights' Best 50 Corporate Citizens in Canada
  - #3 Overall; 7th consecutive year in the Top 10
  - #1 In insurance

†Multi-region



# Global Reporting Initiative – content index

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.



Materiality  
Disclosures  
The Co-operators



## GENERAL STANDARD DISCLOSURES

General Standard Disclosure	Page Number/Link	External Assurance
<b>STRATEGY AND ANALYSIS</b>		
G4-1	<a href="#">2</a>	No
<b>ORGANIZATIONAL PROFILE</b>		
G4-3	<a href="#">9</a>	No
G4-4	<a href="#">9</a>	No
G4-5	Headquartered in Guelph, Ontario	No
G4-6	<a href="#">9</a>	No
G4-7	<a href="#">8</a>	No
G4-8	<a href="#">9</a>	No
G4-9	<a href="#">9, 37, 39</a>	No
G4-10	<a href="#">AP-23, AP-25</a>	No
G4-11	2.3%	No
G4-12	Our supply chain is primarily service providers.	No
G4-13	No material changes	No
G4-14	<a href="#">AP-30</a>	No
G4-15	<a href="#">Inside front cover, 33–34</a>	No
G4-16	<a href="#">33–34, Inside back cover</a>	No
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>		
G4-17	<a href="#">48</a>	No
G4-18	<a href="#">13</a>	No
G4-19	<a href="#">14</a>	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, members, Canadians and their communities.	No
G4-22	<a href="#">35, 40</a>	No
G4-23	No changes	No
<b>STAKEHOLDER ENGAGEMENT</b>		
G4-24	<a href="#">13</a>	No
G4-25	<a href="#">13</a>	No
G4-26	<a href="#">13</a> . Additionally, we gather feedback through: > annual employee engagement surveys, > annual client satisfaction surveys, > biennial member relationship surveys, and > biannual meetings of our Community Advisory Panels	No
G4-27	<a href="#">13, 19, 42</a>	No
<b>REPORT PROFILE</b>		
G4-28	<a href="#">48</a>	No
G4-29	<a href="#">48</a>	No
G4-30	<a href="#">48</a>	No
G4-31	<a href="#">Inside back cover</a>	No
G4-32	<a href="#">47</a>	No
G4-33	<a href="#">48, AP-4</a>	No
<b>GOVERNANCE</b>		
G4-34	<a href="#">10, AP-4</a>	No
G4-39	<a href="#">8</a>	No
G4-40	<a href="#">8, AP-9</a>	No
G4-43	<a href="#">8, AP-7, AP-8</a>	No
G4-44	<a href="#">8, AP-12</a>	No
G4-54	<a href="#">42</a>	No
<b>ETHICS AND INTEGRITY</b>		
G4-56	<a href="#">Inside front cover, 8, 23, AP-15</a>	No
G4-58	<a href="#">23</a>	No

## SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page Number/Link	External Assurance
<b>CATEGORY: ECONOMIC</b>		
<i>Material aspect: economic performance</i>		
G4-DMA	<a href="#">37–39</a>	No
G4-EC2	<a href="#">20–21, 24</a>	No
<b>CATEGORY: ENVIRONMENTAL</b>		
<i>Material aspect: energy</i>		
G4-DMA	<a href="#">35</a>	No
G4-EN3	<a href="#">AP-36</a>	No
<i>Material aspect: emissions</i>		
G4-DMA	<a href="#">35</a>	No
G4-EN15	<a href="#">35, AP-36</a>	No
G4-EN16	<a href="#">35, AP-36</a>	No
G4-EN17	<a href="#">35, AP-36</a>	No
G4-EN18	<a href="#">35, AP-36</a>	No
<i>Material aspect: products and services</i>		
G4-DMA	<a href="#">27</a>	No
G4-EN27	<a href="#">27</a>	No
<b>CATEGORY: SOCIAL</b>		
<b>SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK</b>		
<i>Material aspect: employment</i>		
G4-DMA	<a href="#">41–42</a>	No
G4-LA1	<a href="#">AP-24</a>	No
G4-LA2	<a href="#">AP-26</a>	No
<i>Material aspect: diversity and equal opportunity</i>		
G4-DMA	<a href="#">41</a>	No
G4-LA12	<a href="#">41, AP-3, AP-23</a>	No
<b>SUB-CATEGORY: SOCIETY</b>		
<i>Material aspect: compliance</i>		
G4-DMA	<a href="#">23</a>	No
G4-SO8	None	No
<b>SUB-CATEGORY: PRODUCT RESPONSIBILITY</b>		
<i>Material aspect: product and service labelling</i>		
G4-DMA	<a href="#">19</a>	No
G4-PR5	<a href="#">19</a>	No
<i>Material aspect: customer privacy</i>		
G4-DMA	<a href="#">23</a>	No
G4-PR8	None	No

## Supplementary disclosures

Our 2016 Integrated Annual Report provides our key stakeholders — our clients, members and co-operative partners, employees, financial advisors and broker 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 regulated 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](http://www.cooperators.ca).

The information, data and context found in these pages focuses on our larger operations outlined above. Unless noted, non-financial reporting items from a number of smaller companies 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.; Premier group of companies; The Edge Benefits Inc.; CU Agencies Alliance Ltd.; and UNIFED Insurance Brokers Limited.

### Our Report

Our inaugural Integrated Annual Report captures the activities of The Co-operators Group Limited and its major subsidiaries, unless otherwise stated, for the 2016 calendar year.

This report, including appendices, can be found in English and French on our website at [www.cooperators.ca/integrated-report](http://www.cooperators.ca/integrated-report). To obtain a printed copy, or for more information, please contact us at [service@cooperators.ca](mailto:service@cooperators.ca).

### Our Process

The 2016 Integrated Annual Report is a result of the collaboration of approximately 100 employees and external stakeholders. 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 financial and non-financial 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. Through a separate process, our consolidated financial statements are subject to an annual external audit. Several key financial figures arising from this process have been included in this report.

### 2016 CONSOLIDATED TAX EXPENSE (IN \$000) DOLLARS

	Income Tax <sup>1</sup>	Premium Tax	Total
<b>Federal</b>	38,979	0	38,979
<b>Provincial</b>			
Alberta	6,423	30,068	36,491
British Columbia	2,992	9,848	12,840
Manitoba	1,196	3,555	4,751
New Brunswick	967	2,832	3,799
Nfld. and Labrador	1,003	4,629	5,632
Nova Scotia	1,168	4,451	5,619
Ontario	13,127	48,419	61,546
Prince Edward Island	343	1,127	1,470
Quebec	1,058	5,228	6,286
Saskatchewan	1,805	7,405	9,210
Territories	166	491	657
<b>Total Provincial</b>	30,248	118,053	148,301
<b>Total</b>	<b>69,227</b>	<b>118,053</b>	<b>187,280</b>
<b>Other Taxes<sup>2</sup></b>			<b>85,523</b>
<b>Total Tax Expense Related to 2016</b>			<b>272,803</b>

1. Income tax amounts are estimates for 2016 as at January 24, 2017.
2. Other taxes includes commodity, property and business, payroll, capital, and other miscellaneous taxes.

### DEBT FINANCING

The Company is committed to making debt financing available to businesses across Canada.

	Number of authorizations	Amount Authorized
\$0 to \$24,999	8	\$49,474
\$25,000 to \$99,999	1	\$90,000
\$100,000 to \$249,999	6	\$809,138
\$250,000 to \$499,999	9	\$3,383,173
\$500,000 to \$999,999	24	\$17,723,674
\$1,000,000 to \$4,999,999	61	\$130,951,229
Over \$5,000,000	17	\$130,279,522
<b>Total</b>	<b>126</b>	<b>\$283,286,210</b>

The Company has changed its presentation during the current year, to include mortgages to Canadian businesses underwritten by our investment manager, Addenda Capital.

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

# 2016 Integrated Annual Report Appendices

<b>AP-2</b>	Supplementary governance disclosures
<b>AP-14</b>	Governance policies
<b>AP-16</b>	Board of Directors: Profiles
<b>AP-22</b>	Employee relations
<b>AP-27</b>	The Co-operators Management Group: Profiles
<b>AP-30</b>	The Co-operators Sustainability Policy
<b>AP-31</b>	The Co-operators Long-term sustainability goals to 2020
<b>AP-32</b>	Sustainability-related insurance and wealth products and services
<b>AP-33</b>	Community Investment Vision
<b>AP-34</b>	UNEP FI Principles for Sustainable Insurance – Annual disclosure of progress
<b>AP-36</b>	Energy consumption and carbon emission inventory
<b>AP-38</b>	Montreal Pledge – Carbon footprint of investments
<b>AP-40</b>	Credit ratings
<b>AP-41</b>	Consolidated tax expenses

# Supplementary governance disclosures

## The Co-operators Board of Directors

### **Board of Directors composition and independence**

The Co-operators 22-member Board of Directors (Board) consists of individuals elected from our 43 member organizations across Canada. All directors are independent from management and unrelated to the day-to-day operations of the business.

### **Mandate of the Board**

The Board is responsible for key governance issues such as:

- > ensuring the financial viability of the Company;
- > participating in developing and giving final approval of the core values and mission of the company and monitoring performance;
- > approving the process for selecting the president and CEO and actually appointing the president and CEO and secretary; and
- > ensuring that the Company maintains a leadership role within the insurance industry and provides a leadership role in the co-operative movement.

### **Board control of significant decisions**

Management is responsible for the day-to-day management and operations of the company. Major decisions, such as significant investment transactions, acquisitions, potential acquisitions, joint ventures, financings, diversitures, or other business arrangements must be submitted to the Board for prior approval. The Board reviews the financial statements, participates actively in developing the strategic business plans for the company each year and monitors the organization's progress in achieving its financial and business plans throughout the year. It also actively participates in the four-year planning process and the monitoring and evaluation of each four-year plan as it unfolds.

### **Board of Directors**

Directors of The Co-operators are elected at the Annual General Meeting held in April each year. The term for directors is three years, which commences at the close of the AGM.

### **Board demographics**

The Co-operators recognizes and values diversity, including gender, age, ethnicity, culture, and geographic and sectoral representation.

**BOARD OF DIRECTORS GENDER, MINORITY STATUS, LANGUAGES SPOKEN AND AGE**

Gender	Men	17 (77.3%)				
	Women	5 (22.7%)				
Belong to a minority	Overall	1 (4.5%)				
	Gender	Men: 1 (4.5%)		Women: 0 (0.0%)		
Are of Aboriginal origins	Overall	1 (4.5%)				
	Gender	Men: 0 (0.0%)		Women: 1 (4.5%)		
Official languages	English spoken	22 (100.0%)				
	French spoken	8 (36.4%)				
Years of age	45–50	50–54	55–59	60–64	65–69	70+
Number of directors	1 (4.5%)	2 (9.1%)	5 (22.7%)	7 (31.8%)	6 (27.3%)	1 (4.5%)

**GEOGRAPHIC REPRESENTATION**

Region	AB	ATL	BC	MB	ON	QC	SK
Number of directors	3	3	3	1	8	2	2

**DIRECTOR YEARS OF SERVICE AT THE CO-OPERATORS AND IN THE CO-OPERATIVE AND CREDIT UNION/CAISSE POPULAIRE SECTORS**

Years	0–3	4–6	7–9	10–12	13–20	21–30	>30	<b>Total</b>
Number of Directors - The Co-operators	8	6	4	3	1	0	0	<b>122</b>
Number of Directors - Co-operative sector	2	3	1	1	5	5	5	<b>436</b>
Number of Directors - Credit union/ Caisse populaire sector	12	1	0	1	2	2	4	<b>238</b>

## The Co-operators Group Limited Board committee structure

The **Audit Committee** assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the company, and such other duties as directed by the Board. The committee's purpose is to oversee the accounting and financial reporting processes of the company, the audits of the company's financial statements, the qualifications of the public accounting firm engaged as the company's independent auditor to prepare or issue an audit report on the financial statements of the company, and the performance of the company's internal audit function and independent auditor. The committee reviews and assesses the qualitative aspects of financial reporting to shareholders, and other key stakeholders and compliance with significant applicable legal, ethical, and regulatory requirements. The committee is directly responsible for the appointment (subject to member approval), compensation, retention, and oversight of the independent auditor. Management, on the other hand, is responsible for the preparation, presentation and integrity of the interim and annual financial statements and related disclosure documents. Management is also responsible for maintaining appropriate accounting and financial reporting policies and systems of internal controls and procedures that are in compliance with accounting standards, applicable laws and regulations and that provide reasonable assurances that assets are safeguarded and that transactions are authorized, executed, recorded and reported properly.

The committee serves as the Audit Committee of The Co-operators Group Limited, Co-operators Financial Services Limited, Co-operators General Insurance Company, Co-operators Life Insurance Company, The Sovereign General Insurance Company, COSECO Insurance Company and The Equitable General Insurance Company. It will fulfill a monitoring role with respect to the other subsidiaries and affiliates within The Co-operators Group Limited.

The **Corporate Governance & Conduct Review Committee's** role is to:

- > develop and recommend policies and practices to maintain high standards and best practices in corporate and co-operative governance;
- > serve as a centre of self-reflection to build and enhance governance effectiveness through board and director education and performance management programs;
- > carry out board responsibilities with respect to the Self-Dealing provisions as set out in Part XI of the Insurance Companies Act, the other sections of the Insurance Companies Act which specifically mandate or reference the Conduct Review Committee;
- > carry out board responsibilities with respect to matters involving conflicts of interests and the conduct of related parties to The Co-operators and without limiting the generality of the foregoing responsibilities of the Board concerning those matters as set out in the Appendices; and
- > consider and receive the Chief Compliance Officer reports on Compliance-related matters.

The committee also conducts an annual review of and advises management on the Board of Director's budget.

The **Member & Co-operative Relations Committee** provides oversight to strategic initiatives that ensure The Co-operators delivers on its goal to be the insurance provider of choice for member and co-operative clients and plays a leadership role in the national and international co-operative communities.

The committee oversees membership and reviews strategies to advance The Co-operators co-operative identity with its key stakeholders. The committee also has responsibility for The Co-operators Democratic Structure Review process. The chairperson of the Member & Co-operative Relations Committee also serves as the chairperson of the Resolutions Committee.

The **Risk & Compensation Committee**<sup>1</sup> oversees the Company's Enterprise Risk Management (ERM) Program, including the Company's identification of key risks, risk appetite, risk management policies, risk assessments, risk reporting, and program compliance. The committee provides oversight of the Company's Chief Risk Officer, gives guidance and advice to senior management on strategic issues linked to The Co-operators Top Risk Issues and fulfils the oversight responsibility of the Board of Directors in relation to the Company's lending and investment programs.

The committee develops for the Board's approval and periodically evaluates the Board of Directors' and president and CEO's compensation programs. It administers the performance management programs of the president and CEO and executive vice-president, Member Relations, Governance and Corporate Services. The committee ensures that effective management succession plans are in place and provides oversight of the Sponsor's responsibilities related to The Co-operators Retirement Plan.

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 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.

The **Resolutions Committee's**<sup>2</sup> role is:

- > to review resolutions and proposals submitted to the committee by any delegate of a member, a Regional Committee, and the Board of Directors, to be presented to the Annual or Special General Meetings of The Co-operators; to ensure that the resolutions and proposals are in proper form, are in order, comply with the process adopted for resolutions, and are presented to the Annual or Special General Meeting;
- > to consolidate similar motions; to consult with the Sponsor of the motion in so doing;
- > to instruct the secretary or the associate secretary to distribute copies of proposed resolutions to delegates in accordance with the adopted process for resolutions.

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1. The committee serves as the Risk & Compensation Committee for The Co-operators Group Limited, Co-operators Financial Services Limited, Co-operators General Insurance Company and Co-operators Life Insurance Company (together "the Company").

2. The Resolutions Committee is comprised of eight (8) members; being one member-delegate elected from each region committee and one director from the Board of Directors. The member of the Board who is appointed as chairperson of the Member and Co-operative Relations Committee also holds the position of chairperson of the Resolutions Committee.



**DIRECTORS MEETING ATTENDANCE**

The following charts report attendance of directors (who served on the Board as of December 31, 2016) at meetings of The Co-operators. Directors retired from the Board in April 2016 are not included.

	Board of Directors	Annual	Region Committee
	8 Meetings	1 Meeting	2 Meetings
Don Altman	8	1	2
Phil Baudin	7/8	1	2
Denis Bourdeau	8	1	2
Daniel Burns	7/8	0	1/2
Louis-H. Campagna	7/8	1	2
Johanne Charbonneau	7/8	1	1/2
Gilles Colbert	8	1	2
Hazel Corcoran <sup>1</sup>	6/6	1	1/1
Roger Harrop	8	1	2
John Harvie <sup>2</sup>	8	1	7
Geri Kamenz	8	1	2
Réjean Laflamme	8	1	2
Denis Laverdière	8	1	1/2
Jim Laverick	7/8	1	2
Michael Mac Isaac	7/8	1	2
Emmet McGrath	7/8	1	1/2
Bob Petryk <sup>1</sup>	5/6	1	1/1
Collette Robertson	8	1	2
Dave Sitaram	7/8	1	1/2
Jocelyn VanKoughnet	8	1	2
Jack Wilkinson	8	1	2
Alexandra Wilson	8	1	2

1. Elected in April 2016.

2. Chairperson of the Board of Directors.

	Audit	Corporate Governance & Conduct Review	Member & Co-operative Relations	Risk & Compensation	Sustainability & Citizenship
	6 Meetings	5 Meetings	5 Meetings	5 Meetings	4 Meetings
Don Altman			1/1		3/3
Phil Baudin					4
Denis Bourdeau			5		
Daniel Burns	5/6				
Louis-H. Campagna					4
Johanne Charbonneau				4/5	
Gilles Colbert	6				
Hazel Corcoran <sup>1</sup>			4/4		
Roger Harrop				5	
John Harvie <sup>2</sup>	3	5	4	5	3
Geri Kamenz	6				
Réjean Laflamme		4/5			
Denis Laverdière			5		
Jim Laverick	5/6				
Michael Mac Isaac		5			
Emmet McGrath	6				
Bob Petryk <sup>1</sup>				4/4	
Collette Robertson		5			
Dave Sitaram		5			
Jocelyn VanKoughnet					4
Jack Wilkinson			5		
Alexandra Wilson				5	

1. Elected in April 2016.

2. John Harvie is the chairperson of the Board of Directors and a member of the Risk & Compensation Committee. He is an ex-officio member of the other committees and regularly attends these meetings to keep current on all Co-operators issues.

## Board education

In addition to formal Director Orientation, The Co-operators Board of Directors dedicates two days per annum to board education and also includes regular educational presentations in its meetings throughout the year.

Director Orientation and Orientation II sessions were provided in 2016 to support new director onboarding. As well, new directors were assigned mentors to support their introduction to The Co-operators.

In 2013, the Board launched a Director Development Program (DDP) as a strategic pillar of its approach to overall board effectiveness. The DDP is a customized, competency-based program built for The Co-operators Board, by the Board. Following the DDP Launch Event and Module 1 – Knowledge of the Business: P&C Insurance in 2013, the Knowledge of the Business: Life Insurance and Strategic Thinking and Decision modules were delivered in 2014. In 2015 three additional modules were delivered: Risk Governance; CEO Compensation, Performance Management and Succession; and, Audit, Compliance and Regulatory Frameworks.

In 2016 a module on Financial Governance was delivered along with the program's capstone module, in which the directors participated in a board simulation activity that provided a dynamic opportunity to showcase their skill development as directors since the introduction of the DDP in 2013.

### DDP aims & objectives

#### Aims

- > To raise the level of insurance/industry knowledge, skills and governance performance of directors
- > To support governance oversight and decision making through the co-operative lens
- > To enhance the level of confidence and competence of The Co-operators directors in fulfilling their oversight role and responsibilities
- > To improve the confidence of members/stakeholders in the capability of their elected representatives
- > For The Co-operators to become recognized as an exemplar of professional learning and development within the co-operative movement
- > To demonstrate an ongoing commitment to continuous learning and improvement to our regulatory bodies
- > To raise the level of awareness and importance of director competency with our members as they contemplate potential nominees to The Co-operators Board

#### Objectives

- > Enhance the skills and competencies necessary for directors of The Co-operators
- > Improve knowledge of The Co-operators business operations and markets
- > Ensure sound understanding of co-operative/corporate business oversight with particular focus within the insurance sectors
- > Provide greater awareness of the issues and trends impacting the financial services/insurance industry
- > Understanding by directors of their own personal strengths and weaknesses
- > Instill a sound understanding and knowledge of co-operative and corporate governance and how it operates within The Co-operators context
- > Improve leadership skills and provide continued personal and professional development

#### DDP competency framework

- > Audit/Compliance/Regulatory Framework
- > CEO Performance, Compensation and Succession Planning
- > Corporate and Co-operative Governance
- > Financial Governance
- > Knowledge of the Business (P&C, Life & Other Operations)
- > Risk Governance
- > Strategic Thinking & Decision Making

## Director training & development

Each director has access to an individual training and development allowance to fund personal performance enhancement training. Up to \$18,000 per three-year term is available to fund participation in individual director skills-based training and development.

All activity supported by this fund requires pre-approval by the chairperson of the Board. Additionally, directors are encouraged to prepare a report summarizing their experience for information sharing with their colleagues. In 2016, directors completed 50 days of individual training and development activities.

### DIRECTOR TRAINING AND DEVELOPMENT INVOLVEMENTS – January 1 to December 31, 2016

Name	Event	# of days
Don Altman	LIMRA/LOMA Conference	1
Phil Baudin	LIMRA/LOMA Conference	1
	Audit Committee Education Day	1
Daniel Burns	Director Audit Committee Certification	3
Louis-H. Campagna	Director Orientation II	1
	Audit Committee Education Day	1
	International Summit of Co-operatives	3
Johanne Charbonneau	ICMIF/Americas Conference	3
Gilles Colbert	Director Orientation II	1
	LIMRA/LOMA Conference	1
	IIC P&C Insurance Essentials	1
Hazel Corcoran	Director Orientation	1.5
	International Summit of Co-operatives	3
Roger Harrop	LIMRA/LOMA Conference	1
John Harvie	International Summit of Co-operatives	3
	ICMIF/Americas Conference	3
Geri Kamenz	LOMA Insurance Immersion	3
Réjean Laflamme	ICMIF/Americas Conference	3
Denis Laverdière	Audit Committee Education Day	1
	IIC P&C Insurance Essentials	1
Michael Mac Isaac	International Summit of Co-operatives	3
Bob Petryk	Director Orientation	1.5
Collette Robertson	LIMRA/LOMA Conference	1
Dave Sitaram	International Summit of Co-operatives	3
Jocelyn VanKoughnet	LIMRA/LOMA Conference	1
	ICD CEO Transition Luncheon	1
Jack Wilkinson	International Summit of Co-operatives	3

## Director competencies

The Board of Directors believes it is important to articulate and communicate the desired skills, knowledge, experience and attributes of members serving on its board and committees.

A Director Skills Matrix was adopted by the Board in 2013 and is shared with the membership to inform and support The Co-operators nomination and election process as well as the Board's Populating Committee's process.

## Desired skills, knowledge, experience and attributes

It is critical that The Co-operators Board of Directors be comprised of individuals that collectively possess a healthy balance of skills, expertise and perspectives to provide effective oversight to The Co-operators group of companies.

While directors are expected to exhibit independence of action and thought, it is also important they have the ability to work as a team in advancing the best interests of The Co-operators.

In addition to the qualifications of directors set out in the board mandate policy, each director is expected to bring to the board table related skills, knowledge, experience and personal attributes to add value to The Co-operators.

[The Institute of Corporate Directors](#) (ICD) identifies '18 Competencies of an Effective Director'. The matrix on page [AP-10](#) was developed utilizing the competencies promoted by the ICD and has been customized to reflect the needs of The Co-operators as a co-operative insurer/financial services provider, member and democratically controlled organization.

**DIRECTOR SKILLS MATRIX**

	<b>Competencies and attributes</b>	<b>Definition</b>
Knowledge	Board role and responsibilities	Understands director and board responsibilities, accountabilities and liabilities. Experience with and knowledge of co-operative and corporate governance structures, processes and best practices.
	Business	Understands The Co-operators structure, core business and insurance/financial services industry.
	Stakeholder	Understands The Co-operators key stakeholders, member organizations and co-operative sector.
	Technology	Ability to identify and assess technology issues through a risk and strategic lens.
Analytical and technical skills	Financial acumen	Able to read, interpret and assess financial reports.
	Decision making	Able to identify and diminish 'group think' tendencies and recognize decision-making biases in board discussions. Willing to support and promote board decisions.
	Process orientation	Makes decisions and seeks outcomes by consistent application of logical analysis.
Thinking	Strategic	Experience and ability to think strategically by integrating or linking a range of internal and external factors impacting The Co-operators business environment.
	Independent	Maintains own convictions and reaches own conclusions despite undue influence, opposition or threat.
	Open-minded/ Information seeking	Values the diverse opinions of others and builds on the foundation of other people's views.
Personal style	Ambiguity and risk tolerance	Retains a positive outlook when the group is unable to resolve an issue or reach a conclusion. Willing to take a measured risk even when the outcomes are uncertain. Understands and able to balance the relationship between risk and reward.
	Judgement	Applies common sense, measured reasoning, knowledge and experience to reach a conclusion.
	Integrity	Trustworthy and conscientious. Acts and speaks with consistency and honesty.
	Self-aware	Assesses strengths and weaknesses of self and manages them successfully.
	Bias to learn	Invests time learning about the organization, its people, challenges and opportunities and the industry in which The Co-operators operates.
Social Style	Conflict resolution	Works to ensure conflict is resolved respectfully and inclusively in order to maintain/restore healthy relationships.
	Communication	Gives and receives information with clarity, attentiveness, understanding and perception.
	Influence and impact	Ability to influence peers, management and stakeholders.
	Political astuteness	Experienced and adept with board and stakeholder relations.
	Team player	Able and willing to work co-operatively in a team environment.
Commitment	Personal	Demonstrates interest in the long-term success of The Co-operators and ability to be an ambassador for the organization.
	Values	Understands, supports and promotes The Co-operators mission, vision, values and Code of Conduct.



## Director skills, experience and knowledge

In 2016, an assessment of the director skills, experience and knowledge was conducted by an external consultant to produce a heat map of the current director attributes, demonstrating the areas of strength of the Board and opportunities for improvement through continued education and training. The Director Skills Matrix and results of the 2016 Assessment were shared with the membership in the call for director nominations. Members were requested to give consideration to the needs and goals of the organization when nominating candidates to serve on the Board of Directors. The chart below summarizes the individual results for each director, on a three point scale:

- indicates a good or strong level of skills, experience and/or knowledge (Confident)
- indicates a basic level of skill, experience and/or knowledge (Developmental)
- indicates a poor or inadequate level of skill, experience and/or knowledge (Low)

[illegible]

## Individual Director Assessment

Directors serving on The Co-operators Board for one full year participate in the annual Individual Director Assessment (IDA) process. Directors along with the senior management regularly in attendance at board meetings contribute to the peer review. The IDA results are shared with each director and the chairperson of the Board. The chairperson conducts a follow-up meeting with each director to debrief their results and discuss their personal action plan.

An annual chairperson evaluation process is also in place to consider the role, responsibilities, desired competencies, personal qualities and behaviours for the position and provide the chairperson with feedback on his/her effectiveness in the role.

A Board Committee Effectiveness evaluation process was introduced in 2014 and includes both committee self-assessment as well as board assessment of committee performance.

The Corporate Governance & Conduct Review Committee of the Board reviews the aggregate results of the IDA as well as meets with the chair of the Board to discuss the results of his/her assessment.

## Board of Directors budget

The Board of Directors budget includes the costs associated with director remuneration and expenses; board/committee meetings and communication; training & development; and board-sponsored initiatives.

The 2016 board budget expenses totaled \$3,743,780, compared to \$2,804,361 in 2015. The change in year-over-year costs reflect the CEO Search and selection activities, external consulting fees, and additional meeting and travel expenses.

## Board/Director compensation

### Board of Directors compensation philosophy

A skilled and dedicated board is essential to the effective governance of The Co-operators group of companies. In compensating the chairperson and members of the Board for their service, the company wishes to:

- > Offer a compensation package that, taken as a whole, is competitive within the Canadian marketplace for multi-line insurance companies and co-operatives of similar size and scope of business to that of The Co-operators;
- > Maintain consistency with the company's philosophy for the compensation of its executives and other employees.

### Principles

The following principles guide the development of the Director Compensation Plan:

- > Our compensation practices should motivate directors to keep the long-term interests of the company in the forefront at all times;
- > Compensation should put service before personal gain, while being sufficient to attract directors of appropriate skill and experience;
- > Compensation should vary with the responsibility, expected time commitment and potential risk associated with different positions within the Board. Accordingly, the chair of the Board and chairs of board committees will receive additional compensation;
- > Compensation should promote full attendance at board and committee meetings, while recognizing that the core responsibilities of a director and risks assumed do not vary directly with the time spent attending meetings. Accordingly, cash compensation will take the form of a fixed retainer, supplemented by a per diem fee for attendance at meetings and other approved activities;
- > Compensation should recognize that directors come from widely varying distances to attend meetings. Accordingly, fees will be paid for travel time;
- > Directors should be fully reimbursed for reasonable out-of-pocket expenses incurred in the performance of their duties as directors;
- > Members of the Board should be encouraged to higher performance through continuous learning and development. Accordingly, financial support will be available for approved activities.

## Current compensation

- > The chairperson receives an annual retainer of \$90,000;
- > All other directors receive an annual retainer of \$28,000;
- > The chairperson of the Audit Committee receives an additional annual retainer of \$12,000 to recognize the additional time commitment/responsibilities of this role;
- > The chairperson of the Risk & Compensation Committee receives an additional annual retainer of \$10,000 to recognize the additional time commitment/responsibilities of this role;
- > The chairperson(s) of other standing board committees (Corporate Governance & Conduct Review; Member & Co-operative Relations, and Sustainability & Citizenship) receive an additional annual retainer of \$8,000; and
- > All directors receive a per diem of \$750 a day, for attendance at board meetings, board committee meetings, or other functions attended by the director on behalf of CGL or its subsidiaries.

## Governance policies

The Co-operators Board of Directors maintains a fulsome Board Policy Monograph that details its oversight functions to help achieve the Board Mandate. The monograph includes policies pertaining to regulatory activities and governance best practices which are reviewed by the standing committees and Board of Directors at scheduled intervals to maintain their relevance and accuracy. Although there is a diverse and robust suite of policies included in the monograph, policies identified in the Integrated Annual Report are detailed below.

### Conflict of Interest Policy

**Background:** 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 ensure that procedures have been established to resolve conflicts of interest, including techniques for the identification of potential conflict situations and for restricting the use of confidential information. This includes the requirement for the Board or a board committee to exercise oversight over this process.

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 Conflicts of Interest, a Code of Ethics and Director Conduct. In reviewing the company's various policies in this regard it has been determined that it is desirable to update and consolidate references herein to those various policies. The Acts governing the four primary companies to which this policy applies also have specific provisions with respect to conflicts of interests by officers or directors.

**Policy:** 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 where by agreement or the operation of law the information is required to be maintained in a confidential manner.

### Procedure:

The following procedures are provided for clarification purposes only and in no way limit the scope of the general rules established by this policy.

1. The Compliance Officer shall prepare and distribute annually a conflict of interest declaration form for officers and directors of the Company to be distributed no later than January of each year;
2. That the Compliance Officer annually prepares a summary of the number of officers and directors who have or who have not completed a conflict of interest form, and with respect to those who have completed the form, notes any conflicts which had been identified and how they had been resolved;
3. That the Compliance Officer's report noted in 2 hereof shall be presented to the meeting of the Corporate Governance & Conduct Review Committee following the collection of the information in each year;
4. The senior vice-president, Human Resources of the Company and his or her designate(s) are responsible for ensuring that staff members are aware of and understand policies relating to ethical conduct, in particular the Company's Code of Ethics which includes the Conflict of

Interest Policy for staff and the Corporate Opportunities for Senior Management Policy. The appropriate level of Management is also responsible to ensure that those policies are complied with, that appropriate 'sign-offs' are obtained as required by those policies, and that conflict of interest situations are appropriately resolved in accordance with those policies.

5. A director or officer of the Company shall not participate in discussions or vote on matters which relate to any person or entity in which they have a material interest. A director or officer shall declare the potential conflict as soon as is practicable before the matter is discussed and absent him or herself from the board meeting which is dealing with such a matter.
6. Directors appointed to the Board of Directors of a subsidiary company of The Co-operators pursuant to Board Policy No. 20 (Subsidiary Board Governance) shall absent him or herself from any discussion at the board of the parent company related to the subsidiary company where his or her duty as a fiduciary of the parent company and the subsidiary may conflict, or where the appropriateness of a course of action of the subsidiary with respect to any action or transaction is being questioned by the parent board, or where a corporate opportunity has or is being proposed to be presented to the parent board by the subsidiary company.
7. Directors or officers attending board meetings who believe they may have a conflict of interest on matters before the Board shall disclose its existence to the Board at the time they realize that they have a conflict of interest or as soon as is reasonably practicable thereafter and request that the declaration of the conflict of interest be entered into the minutes of the meeting.
8. Disclosure by a director or officer as provided herein shall be made:
  - (a) at a meeting at which an issue related to his or her potential conflict of interest is first considered;
  - (b) where a director's interest is in an issue which did not put him or her into a potential conflict of interest position at the first meeting at which it was discussed, at the first meeting after he or she becomes so interested;
  - (c) where a director's interest is in an issue which puts him or her in a potential conflict of interest situation after the issue is discussed, at the first meeting after he or she becomes so interested; or,
  - (d) if a person who has an interest in an issue, which puts him or her in a potential conflict of interest, later becomes a director, at the first meeting after he or she becomes a director.
9. Every director and officer shall keep confidential all information respecting the business or transactions of the company, particularly information with respect to clients of the company, staff and company proprietary interests, including lawsuits in which the company is either the plaintiff or a defendant and shall disclose such information only in the following circumstances and only if in such circumstance it is not otherwise prohibited by the operation of law:
  - (a) to a person acting in a confidential or professional relationship with the Company;
  - (b) to a financial institution with which the Company has transactions which may involve confidential matters;
  - (c) to a credit granting or to a reporting agency, on a confidential basis and where permitted by law;
  - (d) to the Office of the Superintendent of Financial Institutions for Canada or to any other regulatory authority where permitted or required by applicable law;
  - (e) to protect the interests of the Company, where permitted by law;
  - (f) with the prior written consent of the person to whom the confidential information relates and where it is otherwise permitted by law;
  - (g) to any other person entitled to the information by the operation of law.

10. To the extent information at board or other meetings of the Company is intended to be confidential, the chair or the appropriate management person will indicate the items to be discussed which are to be kept as confidential by the Board and management.
11. Where confidential information is disclosed by a director or officer, the person disclosing the information has the obligation to forthwith advise the chairperson of the Board (in the case of directors and the chief executive officer) or the appropriate CEO, senior vice-president or vice-presidents in the case of management.

#### **Code of Conduct Policy**

Background: The Board of Directors of The Co-operators oversees the management of the Company. It ensures that management operates in accordance with codes of conduct and procedures to ensure that staff and the Company discharge their fiduciary duties with the utmost good faith, to the highest standard and with a view to the best interests of the Company. Given the different roles played by the Board, directors and staff, codes of conduct must be in place and appropriate for each. As fiduciaries of The Co-operators the Board of Directors and each director collectively and individually commit ourselves to upholding the highest standards of conduct in serving the best interests of The Co-operators. That is the purpose and background to this policy.

Policy: The Board of Directors and each director of The Co-operators commits him or herself to:

1. Discharge his or her duty in good faith, competently, diligently, in accordance with best practices applicable to directors and with a view to the best interests of the Company;
2. Hold the highest level of integrity as our standard of conduct;
3. Ensure that the Company complies both with the spirit and the intent of applicable laws, including those intended to promote good corporate citizenship and accountability;
4. Ensure that the Company complies both with the spirit and the intent of the principles of the International Cooperative Alliance;
5. Ensure that the Company conducts itself in the communities it serves as a good corporate citizen;
6. Promote, support and encourage by example management practices which reinforce our mission and core values, equitable employment practices, anti-harassment policies, ethical practices and dealings;
7. Conduct our dealings with and on behalf of the company observing the highest standard of ethics and in a manner to avoid possible conflicts of interests;
8. Participate fully in the democratic structure of The Co-operators including attending all or substantially all of meetings of the Board of Directors of the Company as well as the region committee meetings in the regions from which the director was nominated or who he or she represents as well as the Annual General Meeting or any Special General Meetings of the Company.

#### Procedure:

1. Any allegations of conduct unbecoming a director of The Co-operators pursuant to this policy may be referred to the Board of Directors for appropriate action;
2. Any allegation made under 1 shall be considered by the Corporate Governance & Conduct Review Committee;
3. The Corporate Governance & Conduct Review Committee shall meet in-camera, shall hear any evidence which it deems appropriate, including the evidence of any advisors it chooses to consult and shall give the affected director the opportunity to be heard and to examine evidence produced before it prior to making any decision or rendering any judgment;

4. The Corporate Governance & Conduct Review Committee may make any recommendation it deems to be reasonable in the circumstances up to and including dismissal from the Board;
5. The Board of Directors shall consider any recommendations of the Corporate Governance & Conduct Review Committee in camera and may make a decision with respect to disciplinary action where appropriate;
6. Any director against whom a finding may be made is entitled to a hearing before the full Board before any finding is made;
7. Where The Corporate Governance & Conduct Review Committee proposes in its recommendation to dismiss the director from the Board, the proposal of the committee must be unanimous and must be made in the context of a recommendation to be endorsed by the Board of Directors, having given the director the opportunity to be heard as required by relevant legislation, to have the members under section 88 (1) of the Canada Cooperatives Act, the shareholder under section 109 (1) of the Canada Business Corporations Act and the shareholder or policyholders as the case may be, under section 181 of the Insurance Companies Act remove the director from office at a meeting specially called for the purpose or at the next regularly scheduled meeting of members, shareholders or policyholders as the case may be, which meeting shall be deemed to be a special meeting called for the purpose;
8. Nothing herein restricts the ability of the Board at its own instance to make a recommendation to the members or shareholders as the case may be to dismiss a director from the Board as the result of behaviour unbecoming a director.

## Board of Directors: Profiles



**Don Altman**  
Ontario

Don Altman joined The Co-operators Board in April 2013. He is a member of the Sustainability & Citizenship Committee and formerly served on the Member & Co-operative Relations Committee. Previously, Don was a delegate to The Co-operators representing Ontario Natural Food Co-operative from June 2007 to April 2013.

Don is a director on the board of Ontario Natural Food Co-operative, where he holds the position of treasurer and also serves on the boards of Home Ownership Alternatives and the Church-Isabella Residents Co-operative.

During Don's 35-year career with the City of Toronto, he held several positions in the finance department and retired from the position of manager of Corporate Financial Strategies in the spring of 2016.

Don holds a Bachelor of Arts in Geography from the University of Toronto and a Master of Science in Geography from Northwestern University. He is a graduate of the Credit Union Director Achievement Program.

Don received a Co-operative Lifetime Achievement Award from the Ontario Co-operative Association; the Gary Gillam Award for Social Responsibility; and is an Honorary Lifetime Member of the Co-operative Housing Federation of Toronto.



**Phil Baudin**  
British Columbia

Phil Baudin joined The Co-operators Board in April 2013. He is the chairperson of the Sustainability & Citizenship Committee and formerly served on the Member & Co-operative Relations Committee. Previously, Phil was a delegate to The Co-operators representing Modo The Car Co-op from August 2009 to April 2013.

Phil is active in the area of co-operatives and community service and has led a variety of sustainability-driven organizations, including Modo The Car Co-op, as past chair of the International Car Sharing Association, past chair of the Environment Advisory Committee for the Municipality of West Vancouver, and as a director of the Vancouver Area Cycling Association.

Over the course of his business career, Phil held senior management positions at IBM, executive leadership positions in professional service firms, and has extensive experience as a business consultant to large national service organizations. Phil retired as director of finance at Modo The Car Co-op in October 2016.

He has a Bachelor of Commerce from the University of Manitoba.



**Denis Bourdeau**  
Ontario

Denis Bourdeau joined The Co-operators Board in April 2009. He serves on the Member & Co-operative Relations Committee and was formerly a member of the Investment Policy Committee. Previously, Denis served as a delegate to The Co-operators representing GROWMARK, Inc. from February 2008 to June 2009.

Denis has participated on several boards and has been a director on the board of GROWMARK, Inc. since 2007 and has completed their Director Certification Program. He has been a director of La Coopérative agricole d'Embrun for 27 years, holding the position of president for 14 years. He is also an elected township counselor.

Denis owns and operates a dairy and cash crop farm as well as a bed and breakfast. He received an Ontario Co-operative Association Lifetime Achievement Spirit Award in 2006 and in April of 2008 he received the Agricultural Merit Award from the Russell County Soil & Crop Association for exceptional contribution to the well-being of agriculture in the county. In 2013 Denis was awarded a Lifetime Achievement Award for service to the co-operative sector at the Conseil de la coopération de l'Ontario 50th anniversary gala.



**Daniel Burns**  
British Columbia

Daniel Burns joined The Co-operators Board in April 2007. He is a member of the Audit Committee and also served on the recent CEO Search Committee in 2016. He was formerly the chairperson of the Sustainability and Conduct Review Committees and also served as a member of the Executive Committee. Previously, Daniel was a delegate to The Co-operators representing Central 1 Credit Union from May 2005 to April 2007.

Daniel serves as director of the Canadian Co-operative Association and is chairperson of the World Council of Credit Unions. He is also chair of Canadian Central's National Legislative Affairs Committee. Daniel is the former chairperson of Central 1 Credit Union and Credit Union Central of Canada.

Daniel is a lawyer, accountant and entrepreneur. He is the CEO of BNW Travel Management Ltd. He is a member of the Law Society of British Columbia and the Certified Management Accountants and Chartered Professional Accountants of Ontario.

Daniel is a graduate of the University of Western Ontario, receiving a Bachelor of Arts in Economics degree; University of British Columbia, Juris Doctor (Law); the University of Toronto, Master of Business Administration; and the University of St. Gallen, Switzerland, Executive Master of Business Administration. He also holds the Certified Director Designation from the Institute of Corporate Directors.





**Louis-H.  
Campagna**  
Québec

Louis-H. Campagna joined The Co-operators Board in April 2015 and is a member of the Sustainability & Citizenship Committee. Previously, Louis served as a delegate to The Co-operators representing The Co-operative Housing Federation of Canada from April 2013 to April 2015, where he is currently a director.

Louis has extensive involvement in the co-operative movement including serving as treasurer of the Confédération québécoise des coopératives d'habitation, president of the technical resources group of the Société d'aide et de services aux coopératives and chairman of the Cooperative d'habitation L'îlot fleuri.

Louis is a career firefighter and a lieutenant fire service instructor with Québec City's fire and fire prevention department since 2010.



**Johanne  
Charbonneau**  
Ontario

Johanne Charbonneau joined The Co-operators Board in April 2013 and serves as the vice-chairperson of the board. Johanne is also a member of the Risk & Compensation Committee and served on the recent CEO Search Committee in 2016. She formerly served on the Corporate Governance & Conduct Review Committee. Previously, Johanne served as a delegate to The Co-operators representing Central 1 Credit Union from May 2011 to April 2012; she was then an alternate delegate until April 2013.

Johanne is a director on The Sovereign General Insurance Company, a subsidiary of Co-operators General Insurance Company; she is also a member of the board of Alterna Savings and Credit Union and chair of the Chartered Professional Accountants of Ontario (CPAO) Council.

Johanne is a retired financial executive who now devotes her professional time to governance activities. Her career as a chief financial officer included roles with the Canada Deposit Insurance Corporation, the International Development Research Centre and most recently CBC/Radio-Canada.

Johanne has her Master of Business Administration from Queen's University and is a Chartered Professional Accountant (CPA), Certified General Accountant (CGA). In 2013 she was awarded the CPA, CGA Fellowship designation and is an accredited Chartered Director from The Director's College.



**Gilles Colbert**  
Saskatchewan

Gilles Colbert joined The Co-operators Board in April 2015 and is a member of the Audit Committee. Previously, Gilles served as a delegate to The Co-operators representing Credit Union Central of Saskatchewan (SaskCentral) from September 2012 to April 2015.

Gilles is currently on the board of directors of SaskCentral where he chairs the Audit and Risk Committee and is a delegate for Unity Credit Union.

Gilles was in the credit union system for 30 years. He was the general manager at Unity Credit Union for 16 years prior to retirement in 2000.



**Hazel Corcoran**  
Alberta

Hazel Corcoran joined The Co-operators Board in April 2016 and serves on the Member & Co-operative Relations Committee. Previously, Hazel served as a delegate to The Co-operators representing the Canadian Worker Co-operative Federation (CWCF) since January 2008.

Hazel is a former director on the board of Co-operatives and Mutuals Canada (CMC), where she served as vice-chair.

Hazel has been the executive director of the Canadian Worker Co-operative Federation (CWCF) since 1995. She has been admitted to the Bar of Ontario and of Alberta.

Hazel received an Honours Bachelor of Arts degree from the University of Alberta in French, Spanish and Romance Linguistics; a Master of Arts in Linguistics from the University of California, Berkeley; and a Juris Doctor (Law) from Dalhousie University.



**Roger Harrop**  
Ontario

Roger Harrop joined The Co-operators Board in April 2012. He is a member of the Risk & Compensation Committee and formerly served on the Corporate Governance & Conduct Review Committee. Previously, he served as a delegate to The Co-operators representing Gay Lea Foods from February 2008 to April 2012.

Roger has been a board member of Gay Lea Foods since 2007 and serves on the Audit Committee. Roger is also a director for Progressive Dairy Operators.

Roger retired in 2016 from his dairy farm operation. He is presently a cash crop farmer. He also holds a diploma in agriculture.



**John Harvie**  
New Brunswick

John Harvie joined The Co-operators Board in April 2011; he became chairperson of the board in 2014 and is a member of the Risk & Compensation Committee and was the chairperson of the recent CEO Search Committee in 2016. He is the former chairperson of the Audit Committee. Previously, John served in the capacities of alternate delegate and delegate to The Co-operators representing Co-op Atlantic from 2006 – 2009 and from January to April 2011 respectively.

John retired from Co-op Atlantic in late spring 2011 where he held the position of CEO. He finished his formal education with a Bachelor of Science degree in Agriculture from Macdonald College of McGill University.

In August 2012, John was appointed to the NS Co-operative Council Board of Directors representing The Co-operators. In June 2014 he received the Global Co-operator Award from the Co-operative Development Foundation (CDF) of Canada.



**Geri Kamenz**  
Ontario

Geri Kamenz joined The Co-operators Board in April 2014. He is a member of the Audit Committee and former member of the Sustainability & Citizenship Committee. Previously, Geri served in the capacities of alternate delegate and delegate to The Co-operators representing the Ontario Federation of Agriculture from June 2007 to April 2014.

Geri stepped down as chairperson of the Ontario Farm Products Marketing Commission effective December 31, 2016, having served in the position for over eight years as the longest serving chairperson in the history of the Commission. Prior to that, he served as president of the Ontario Federation of Agriculture from 2006 – 2008.

Geri owns and operates a first-generation, multiple-enterprise farm business. Geri was formally educated as an Aviation Engineering Technologist and pilot, having served in the Canadian Armed Forces and in commercial flying before pursuing a career in agriculture.



**Réjean Laflamme**  
Québec

Réjean Laflamme joined The Co-operators Board in April 2010 and is currently the chairperson of the Corporate Governance & Conduct Review Committee. He is also a member of the Community Economic Development Funds Board and its investment subcommittee. He previously served as a member of the Investment Policy Committee. Prior to joining The Co-operators Board, Réjean served as a delegate to The Co-operators representing the Fédération des coopératives funéraires du Québec from May 2007 to April 2010.

Réjean's involvement in the co-operative movement includes: serving as chairman of the Coopérative funéraire Brunet and treasurer of the Fédération des coopératives funéraires du Québec.

An economist by profession, Réjean is a consultant for Tango RJ Consultant Inc. In May 2011, on a contract basis with his consulting firm, he was named interim executive director of the Conseil canadien de la coopération et de la mutualité (CCCM).

Réjean has a Bachelor of Arts in Economics with a co-operative specialization and a Master of Arts in Economics from Université de Sherbrooke.



**Denis Laverdière**  
New Brunswick

Denis Laverdière joined The Co-operators Board in November 2008 and serves on the Member & Co-operative Relations Committee, having formerly been a member of the Audit Committee. Previously, Denis served as a delegate to The Co-operators representing UNI coopération financière (formerly La Fédération des caisses populaires acadiennes limitée) from May 2002 to October 2008.

Denis is also chairperson of the board of Acadia General Insurance.

Denis is presently the executive vice-president of distribution at UNI coopération financière, working to support and encourage profitable business growth of the caisses populaires. Denis has been employed with UNI coopération financière since 1987.

Denis holds a Bachelor's Degree in Administrative Sciences from Université Laval, as well as the Chartered Professional Accountant, Certified General Accountant designation.



**Jim Laverick**  
Alberta

Jim Laverick joined The Co-operators Board in April 2011. He is a member of the Audit Committee and also served on the recent CEO Search Committee in 2016. He formerly served as a member of the Risk & Compensation, Executive and Investment Policy committees. Previously, Jim served as a delegate to The Co-operators representing United Farmers of Alberta (UFA) Co-operative Limited from May 2008 to April 2011.

Jim is on the board of Addenda Capital Inc., a subsidiary of The Co-operators. Jim has been a member of the UFA Board of Directors since 2008 and was chairperson from 2010 – 2014. He has also served as a director of the Canadian Co-operative Association along with several other co-operative boards.

Jim joined The Co-operators in 1970 and over a 38-year career held a variety of positions of increasing responsibility, retiring in June 2007 as vice-president, Western Region. Jim holds a Chartered Life Underwriter designation.



**Michael Mac Isaac**  
Nova Scotia

Michael Mac Isaac joined The Co-operators Board in April 2014 and is a member of the Corporate Governance & Conduct Review Committee. Previously, he served in the capacities of alternate delegate and delegate to The Co-operators representing Atlantic Central from March 2010 to April 2014.

Michael is a director of Atlantic Central and was a director of Credit Union Central of Nova Scotia prior to the Atlantic Central amalgamation in 2007. He also previously served as a director to East Coast Credit Union for over 20 years.

Michael is a retired health care manager and respected community advocate where he has been involved in some aspect of the co-operative movement for most of his life. He is also a graduate of the Credit Union Director Achievement Program.



**Emmet McGrath**  
British Columbia

Emmet McGrath joined The Co-operators Board in April 2013. He is the chairperson of the Audit Committee and also served on the recent CEO Search Committee in 2016. Previously, he served in the capacities of alternate delegate and delegate to The Co-operators representing Central 1 Credit Union from May 2011 to April 2013.

Emmet is currently a member of the board of Westminster Savings Credit Union and chairperson of their Risk and Audit Committee. He is also on the board of Central 1 Credit Union and is a member of the Audit and Finance Committee and chair of the Risk Review and Investment & Loan Committee. Emmet is a director of UEX Corporation where he is chair of the Audit Committee.

Emmet is a Chartered Professional Accountant, Chartered Accountant; he has completed the Certified Director Designation from the Institute of Corporate Directors and the Credit Union Director Achievement Program.

Emmet held a career in public accounting for over 30 years and was a partner at KPMG for over 20 years; his most recent position was chief financial officer at Lincoln Mining Corporation.



**Bob Petryk**  
Alberta

Bob Petryk joined The Co-operators Board in April 2016 and is a member of the Risk & Compensation Committee. Previously, Bob served as a delegate to The Co-operators representing Credit Union Central of Alberta since April 2013 and was the regional chair.

Bob is on the board of Credit Union Central of Alberta and serves as second vice-chair. He is also a director of First Calgary Financial Credit Union Limited.

Bob has Commerce and Law degrees from the University of Calgary and a Master of Business Administration from the University of Western Ontario. He is currently enrolled in the Certified Director Designation from the Institute of Corporate Directors and has completed several courses through the Credit Union Director Achievement Program.

Bob is the Managing Director of Petwin Bancorp Inc. where he has served for over 15 years.



**Collette Robertson**  
Saskatchewan

Collette Robertson joined The Co-operators Board in April 2014 and is a member of the Corporate Governance & Conduct Review Committee and chairperson of the Community Economic Development Funds Board. Previously, she served as a delegate to The Co-operators representing the Regina Community Clinic from June 2009 to April 2014.

Collette is currently a director of the Gabriel Dumont Institute of Native Studies and Applied Research and is The Co-operators representative on the Saskatchewan Co-operative Association.

For more than 25 years, Collette served in a number of capacities with the Provincial Government of Saskatchewan in the areas of Advanced Education, Economic Development, and First Nations and Métis Affairs.



**Dave Sitaram**  
Ontario

Dave Sitaram joined The Co-operators Board in April 2007 and is a member of the Corporate Governance & Conduct Review Committee. He is also a member of the Community Economic Development Funds Board and its investment subcommittee. He is a former member of the Sustainability & Citizenship Committee and former chairperson of the Corporate Governance Committee. Previously, Dave served as a delegate to The Co-operators representing Credit Union Central of Ontario from October 2004 to May 2006.

Dave served on the board of the Ontario Co-operative Association until June 2016 and is a former director of the Credit Union Central of Ontario, where he was vice-chair and a member of the Audit and Conduct Review Committee. He served on the board of the Canadian Co-operative Association for nine years, of which he was president for five. Dave was Canada's representative on the International Co-operative Alliance America's board from 2005 to 2010. Dave has completed the Credit Union Director Achievement Program.

In 2013 the Ontario Co-operative Association presented Dave with a Long-term Service Award which is given to those who have achieved 25 or more years of volunteer service to one or more Ontario credit unions.



**Jocelyn VanKoughnet**  
Manitoba

Jocelyn VanKoughnet joined The Co-operators Board in April 2014 and is a member of the Sustainability & Citizenship Committee. Previously, Jocelyn served as a delegate representing Federated Co-operatives Limited (FCL) from November 2012 to April 2014.

Jocelyn was elected to the board of directors of FCL in 2012 and is chair of the Human Resources Committee. She previously served as chair of the Social Responsibility Committee; a member of the Governance Committee; and as the Winnipeg region chair. Since 2015 she has been the president of the Manitoba Co-operative Association.

Jocelyn obtained a degree in Human Ecology from the University of Manitoba. She was previously a partner and manager of a general insurance brokerage, and is presently a partner in a family-operated grain business.



**Jack Wilkinson**  
Ontario

Jack Wilkinson joined The Co-operators Board in April 2007. He serves as chairperson of both the Member & Co-operative Relations and Resolutions committees, and was a member of the recent CEO Search Committee in 2016. During his tenure on the Board, Jack has been a member of the Sustainability and Executive committees, and was chairperson of the Democratic Structure Review<sup>1</sup> Committee. Previously, Jack served as a delegate to The Co-operators representing the Ontario Federation of Agriculture (OFA) from May 2002 to April 2007.

Jack serves as chair of the Nipissing-Sudbury Co-op and is also The Co-operators representative to the Co-operatives and Mutuals Canada (CMC) Board, where he was formerly the chair. Jack served as president of OFA from 1999 – 2001 and was previously president of both the International Federation of Agriculture Producers and the Canadian Federation of Agriculture.

Jack is a retired Captain from the Canadian Armed Forces and the recipient of an Honours Doctorate of Laws from the University of Guelph. He is currently self-employed as a grain and oilseed producer on his family farm.



**Alexandra Wilson**  
Ontario

Alexandra Wilson joined The Co-operators Board in 2000. She is the chairperson of the Risk & Compensation Committee and served on the recent CEO Search Committee in 2016. Alexandra is formerly a member of the Democratic Structure Review<sup>1</sup> and Executive committees; chairperson of the Sustainability and Audit committees; and vice-chair of the board. Previously, she served as delegate to The Co-operators representing Co-operative Housing Federation of Canada for 11 years.

Alexandra also serves as director on the board of The CUMIS Group Limited, a subsidiary of The Co-operators, and is a member of the Board of Directors of the Funeral Co-operative of Ottawa. She is a long-time member of Alterna Savings Credit Union, where she chaired the Credit Committee from 2000 to 2007. From 2002 to 2010, she served as a director for Citizens Bank of Canada and Citizens Trust Company, chairing the Audit Committee and participating in the Corporate Governance and Executive Compensation, Conduct Review, and Credit committees.

After 15 years as executive director of the Co-operative Housing Federation of Canada, Alexandra led the start-up of The Agency for Co-operative Housing. She has served as the Agency's CEO since 2005.

Alexandra holds a Distinguished Co-operator Award from the Ontario Co-operative Association and was named an Honorary Life Associate of the Co-operative Housing Federation of Canada in 2008. In December 2012, Alexandra received the Queen Elizabeth II Diamond Jubilee Medal.

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1. **Democratic Structure Review Committee** - to ensure the current and emerging needs of The Co-operators and our members are met, The Co-operators conducts a review of our democratic structure at least every 10 years.



# Employee relations

## ENGAGEMENT SCORES

	2016	2015	2014
Aggregate (The Co-operators group of companies)	81%	80%	78%
The Co-operators <sup>1</sup>	81%	80%	
Best Employers Score – Platinum Level (according to Aon)	80%		
Addenda Capital	83%	77%	75%
Best Small & Medium Employers Score – Platinum Level (according to Aon)	86%		
The Sovereign General	80%	76%	79%
Best Small & Medium Employers Score – Gold Level (according to Aon)	78%		

1. Since 2015 The Co-operators Group Limited, Co-operators General, HB Group, Co-operators Life and CUMIS have reported a consolidated score versus individual company scores.

## 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	38
The Sovereign General	45
All Companies	42

**WORKFORCE<sup>1</sup> BY PROVINCE<sup>2</sup> AND GENDER**

Province	Men	Women
Alberta	194	451
British Columbia	105	151
Manitoba	22	31
New Brunswick	93	319
Newfoundland and Labrador	15	47
Northwest Territories	1	4
Nova Scotia	15	42
Ontario	1,116	1,950
Prince Edward Island	2	7
Quebec	184	236
Saskatchewan	204	501

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

2. Includes employees from Premier group of companies and The Edge Benefits Inc., which we acquired in 2015. Premier also has three male employees and 13 female employees in California and one male employee and five female employees in Washington.

**WOMEN IN MANAGEMENT**

	2016			2015			2014		
	Executive	Manager	Supervisor	Executive	Manager	Supervisor	Executive	Manager	Supervisor
Addenda Capital	8%	38%	56%	0%	33%	67%	0%	38%	60%
Co-operators General	31%	61%	73%	28%	61%	76%	28%	60%	72%
The Co-operators Group Limited	29%	46%	33%	28%	48%	33%	30%	44%	64%
Co-operators Life	20%	61%	100%	25%	63%	100%	25%	65%	100%
CUMIS	25%	53%	100%	17%	50%	50%	17%	48%	50%
HB Group	0%	47%	76%	0%	52%	81%	0%	61%	74%
The Sovereign General	25%	34%	46%	25%	35%	58%	20%	34%	58%

**EMPLOYEE GENDER, AGE AND MINORITY STATUS**

		Senior Management	Middle Management	Supervisor	All Other Employees
Gender	Men	76%	49%	29%	33%
	Women	24%	51%	71%	67%
Age	<30	0.00%	1.00%	2.81%	17.73%
		Men: 0.00% Women: 0.00%	Men: 0.67% Women: 0.33%	Men: 1.12% Women: 1.69%	Men: 7.31% Women: 10.42%
	30–50	29.17%	60.03%	70.79%	58.39%
		Men: 25.00% Women: 4.17%	Men: 30.01% Women: 30.02%	Men: 26.40% Women: 44.38%	Men: 19.29% Women: 39.11%
	>50	70.83%	38.97%	26.40%	23.87%
		Men: 51.39% Women: 19.44%	Men: 17.91% Women: 21.06%	Men: 1.69% Women: 24.72%	Men: 5.91% Women: 17.96%
Belong to a minority	Overall	7.32%	6.22%	9.95%	12.77%
	Gender	Men: 4.88% Women: 2.44%	Men: 3.32% Women: 2.90%	Men: 4.98% Women: 4.98%	Men: 6.05% Women: 6.72%

**EMPLOYEE TURNOVER**

Province	Age Group	Men		Women	
		#	%	#	%
AB	<30	3	0.06%	9	0.19%
	30-50	4	0.08%	12	0.25%
	>50	3	0.06%	5	0.10%
	Total	10	0.21%	26	0.54%
BC	<30	1	0.02%	0	0.00%
	30-50	3	0.06%	4	0.08%
	>50	2	0.04%	5	0.10%
	Total	6	0.13%	9	0.19%
MB	<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%
NB	<30	7	0.15%	9	0.19%
	30-50	6	0.13%	18	0.38%
	>50	1	0.02%	0	0.00%
	Total	14	0.29%	27	0.57%
NL	<30	0	0.00%	1	0.02%
	30-50	0	0.00%	0	0.00%
	>50	0	0.00%	0	0.00%
	Total	0	0.00%	1	0.02%
NS	<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%
ON	<30	11	0.23%	13	0.27%
	30-50	28	0.59%	33	0.69%
	>50	8	0.17%	6	0.13%
	Total	47	0.98%	52	1.09%
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%
QC	<30	3	0.06%	6	0.13%
	30-50	11	0.23%	12	0.25%
	>50	1	0.02%	1	0.02%
	Total	15	0.31%	19	0.40%
SK	<30	3	0.06%	0	0.00%
	30-50	4	0.08%	12	0.25%
	>50	1	0.02%	3	0.06%
	Total	8	0.17%	15	0.31%
Total		100	2.09%	149	3.12%

**NEW HIRES**

Province	Age Group	Men		Women	
		#	%	#	%
AB	<30	9	0.19%	15	0.31%
	30-50	12	0.25%	18	0.38%
	>50	4	0.08%	1	0.02%
	Total	25	0.52%	34	0.71%
BC	<30	1	0.02%	1	0.02%
	30-50	4	0.08%	1	0.02%
	>50	2	0.04%	1	0.02%
	Total	7	0.15%	3	0.06%
MB	<30	0	0.00%	0	0.00%
	30-50	1	0.02%	2	0.04%
	>50	0	0.00%	0	0.00%
	Total	1	0.02%	2	0.04%
NB	<30	16	0.33%	22	0.46%
	30-50	17	0.36%	40	0.84%
	>50	1	0.02%	3	0.06%
	Total	34	0.71%	65	1.36%
NL	<30	2	0.04%	3	0.06%
	30-50	1	0.02%	3	0.06%
	>50	0	0.00%	0	0.00%
	Total	3	0.06%	6	0.12%
NS	<30	0	0.00%	0	0.00%
	30-50	1	0.02%	2	0.04%
	>50	1	0.02%	0	0.00%
	Total	2	0.04%	2	0.04%
ON	<30	65	1.36%	88	1.83%
	30-50	58	1.21%	67	1.40%
	>50	5	0.10%	11	0.23%
	Total	128	2.68%	166	3.47%
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%
QC	<30	16	0.33%	8	0.17%
	30-50	25	0.52%	27	0.57%
	>50	1	0.02%	5	0.10%
	Total	42	0.88%	40	0.84%
SK	<30	11	0.23%	12	0.25%
	30-50	4	0.08%	22	0.46%
	>50	1	0.02%	2	0.04%
	Total	16	0.33%	36	0.75%
Total		258	5.40%	354	7.41%

**PERMANENT AND TEMPORARY WORKFORCE**

Company			Men	Women	Total
Addenda Capital	Permanent	Full-time	64	49	118
		Part-time	0	5	
	Temporary	Full-time	1	2	4
		Part-time	1	0	
Co-operators General	Permanent	Full-time	716	1,557	2,319
		Part-time	4	42	
	Temporary	Full-time	148	406	618
		Part-time	22	42	
The Co-operators Group Limited	Permanent	Full-time	395	346	755
		Part-time	2	12	
	Temporary	Full-time	14	12	36
		Part-time	7	3	
Co-operators Life	Permanent	Full-time	98	366	486
		Part-time	0	22	
	Temporary	Full-time	5	17	27
		Part-time	2	3	
CUMIS	Permanent	Full-time	97	181	286
		Part-time	0	8	
	Temporary	Full-time	2	6	10
		Part-time	0	2	
HB Group	Permanent	Full-time	199	346	552
		Part-time	0	7	
	Temporary	Full-time	3	4	11
		Part-time	2	2	
The Sovereign General	Permanent	Full-time	100	153	262
		Part-time	1	8	
	Temporary	Full-time	3	6	12
		Part-time	2	1	
Premier group of companies	Permanent	Full-time	45	76	132
		Part-time	2	9	
	Temporary	Full-time	0	0	0
		Part-time	0	0	
The Edge Benefits	Permanent	Full-time	19	63	82
		Part-time	0	0	
	Temporary	Full-time	1	1	2
		Part-time	0	0	
All Companies	Permanent	Full-time	1,733	3,137	
		Part-time	9	113	
	Temporary	Full-time	177	454	
		Part-time	36	53	
Total			1,955	3,757	
Total Permanent Full-time and Part-time Employees					4,992
Total Temporary Full-time and Part-time Employees					720

**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	×	×	×	×	×	×	×
Paid personal days	×	×	×	×	×	×	×
Job sharing		×	×	×	×		×
Flexible work options (i.e., from home, remotely, etc.)		×	×	×	×	×	×
Scholarships	×	×	×	×	×		×
Health club on-site/negotiated health club rates	×	×	×	×	×	×	×
Phased retirement		×	×	×	×		×
Relocation programs		×	×	×	×		×
Long-time service awards	×	×	×	×	×	×	×
Company share-purchase program	×	×	×	×	×	×	×
Employee discounts on insurance	×	×	×	×	×	×	×
Public transit discount		× <sup>1</sup>	× <sup>1</sup>	× <sup>2</sup>			
Employee Assistance Program	×	×	×	×	×	×	×
Pension Plan <sup>3</sup>	×	×	×	×	×	×	×
Disability Benefits <sup>4</sup>	×	×	×	×	×	×	×
Pregnancy leave top-up program <sup>4</sup>	×	×	×	×	×	×	×

1. Applies only to employees in the Guelph locations.

2. Applies only to employees in the Regina locations.

3. A defined contribution plan. Two contribution schedules are available: employee 5 per cent and employer 6.5 per cent, or employee 6 per cent and employer 7.5 per cent. Available to temporary employees who meet eligibility requirements. A defined benefits plan applies to 167 employees at CUMIS (available to employees hired prior to 2008), representing 4 per cent of our total workforce.

4. Not available to temporary employees.

**EMPLOYEE ASSISTANCE PROGRAM USAGE<sup>1</sup>**

2016	14%
2015	17%
2014	21%

1. Generally, participation rates over 7 per cent are considered successful programs, and over 10-12 per cent are very successful.

## The Co-operators Management Group: Profiles



**Robert Wesseling, President and Chief Executive Officer (Effective December 1, 2016)**  
**Formerly, Executive Vice-President, P&C Operations, The Co-operators General Insurance Company, and Chief Operating Officer, The Sovereign General Insurance Company**

Since joining The Co-operators in 1997 as a Programmer Analyst, Robert has held increasingly senior leadership roles within the group of companies, culminating with his appointment as president and chief executive officer of The Co-operators Group Limited on December 1, 2016. From 2007 until 2016, he was chief operating officer of The Sovereign General and, in November 2011, assumed the additional role of executive vice-president, National Property & Casualty (P&C) for all P&C operations across The Co-operators group of companies.

Robert has been instrumental in leading flood resiliency efforts in Canada and engaging all levels of government, the academic community and various industries, to develop a complete solution for Canadians. He is an acting member of the International Co-operative and Mutual Insurance Federation (ICMIF) Board of Directors and Executive Committee; member of the ICMIF's Development Committee; and, founding director and member of Partners for Action Advisory Board. He holds a BA with distinction in Theoretical Mathematics and MSc. of Applied Statistics from the University of Guelph where he graduated in 1996. He obtained a Chartered Insurance Professional designation in 1999.

Robert lives with his family in Guelph, Ontario and is an active volunteer in the local community, coaching youth sport and mentoring young athletes.



**Kathy Bardswick, President and Chief Executive Officer (Retired November 30, 2016)**

Since joining The Co-operators in 1978, Kathy has held progressively senior roles within The Co-operators group of companies, culminating with her appointment as president and chief executive officer of The Co-operators Group Limited on March 1, 2002. From 1998 to 2002, she served as chief operating officer of two subsidiaries, The Sovereign General and L'Union Canadienne.

Under Kathy's leadership, The Co-operators has prospered and grown, and is recognized today as a leader in the Canadian insurance industry as well as the co-operative sector. She has led a transformation of the organization as it adopted more sustainable business practices over the past several years. The accomplishments have earned a number of honours for The Co-operators in recent years. It is listed among Aon's 50 Best Employers in Canada; Corporate Knights' Best 50 Corporate Citizens in Canada; the Top 50 Socially Responsible Corporations by Maclean's and Sustainalytics; and in 2013 was ranked number one on Corporate Knights' Most Sustainable Co-operatives in the World list. Kathy was named one of the 2014 Top 25 Women of Influence by Women of Influence Inc.

Kathy is a member of the Canadian Council of Chief Executives and serves as chairperson of the Institute for Catastrophic Loss Reduction. A leading advocate for the co-operative sector, Kathy is a member of the board of the International Co-operative Alliance (ICA), is a past chair of the International Co-operative and Mutual Insurance Federation, and currently serves as a member of its executive. She has provided leadership to The Conference Board of Canada as a member of the Board and the Executive Committee, and served as vice-chair of the University of Guelph's Board of Governors.

A graduate of McMaster University's MBA program, Kathy also holds a Bachelor of Science degree in Mathematics from the University of Manitoba.



**Roger Beauchemin, President and Chief Executive Officer, Addenda Capital Inc.**

As president and chief executive officer, Roger is responsible for the development and deployment of Addenda Capital's business strategy and operations.

Roger joined the Addenda Capital team as chief operating officer and chief financial officer in 2013, before being appointed president and chief operating officer in 2015. He previously worked at McLean Budden Limited (1999 to 2011), holding several senior management positions before being appointed president in 2006 and chief executive officer in 2008.

Roger is a member of the Young Presidents' Organization, a Trustee of the Douglas University Institute for Mental Health Foundation and a director of the Cedars Cancer Foundation. He holds a Bachelor's degree in Economics from McGill University and holds the Chartered Financial Analyst® designation.





**Kevin Daniel, Executive Vice-President and Chief Operating Officer, Co-operators Life Insurance Company and President and Chief Operating Officer, The CUMIS Group Limited**

Kevin's appointment as chief operating officer of Co-operators Life Insurance Company in 2007 was the culmination of years of experience within the group of companies. Most recently, Kevin served as the chief financial officer for The Co-operators Group Limited, where he oversaw the financial affairs of the group of companies, including Co-operators Life Insurance Company, during a period of record profits and strong revenue growth.

Kevin has been on the board of directors for a number of companies in The Co-operators Group Limited, including COSECO, HB Group, Federated Agencies and The Sovereign General Insurance Company. Kevin is also on the board of directors for Connecting People for Health Co-operative Ltd. Kevin recently joined the board of directors for the Canadian Life and Health Insurance Association (CLHIA).

Kevin is a Certified General Accountant and a graduate of the University of Guelph with a double major BA in Business and Economics.



**Bob Hague, Executive Vice-President, President Credit Union Distribution, The CUMIS Group Limited**

Bob joined The CUMIS Group Limited (CUMIS) in 2010 as president credit union distribution. Bob oversees the organization's distribution strategies to and through the Canadian credit union system, while leveraging the multi-channel distribution capabilities of The Co-operators group of companies.

Prior to this role, Bob held the role of senior vice-president and chief member services officer for Meridian Credit Union and vice-president of service and sales for Niagara Credit Union. He also spent 20 years with BMO Financial Group in a variety of senior roles.

Bob has an MBA in Financial Services from Dalhousie University and a Bachelor's degree in Economics from McMaster University. He holds his Fellow, Institute of Canadian Bankers designation and has completed the Partners, Directors and Senior Officers course and the Canadian Securities course through the Canadian Securities Institute.

Bob is a longstanding member of the Canadian co-operative financial community, and he currently serves on the Concentra Financial Board of Directors.



**Paul Hanna, Executive Vice-President, Member Relations, Governance and Corporate Services**

Paul was appointed executive vice-president, member relations, governance and corporate services for The Co-operators in March 2015. Paul works with our member organizations to build strong business and governance relationships. He is responsible for organizational governance with The Co-operators Group Limited Board of Directors and its committees. He also provides leadership to other corporate functions including government relations, human resources, legal, and sustainability and citizenship. Prior to his current role, Paul spent many years as vice-president of strategic planning with The Co-operators.

Paul has 25 years of co-operative experience working in various operational and governance capacities. He currently sits on the boards of ICMIF/Americas, Co-operative Management Education Co-operative and Guelph General Hospital, and he serves on the University of Guelph's Advisory Committee to the College of Business and Economics, as well as The Co-operators Community Economic Development Funds Board.

Paul holds a Bachelor's degree from the University of Western Ontario, a Masters in Adult Education from Central Michigan University and he is a Chartered Insurance Professional.



**Rick McCombie, Executive Vice-President, Chief Client Officer**

As executive vice-president and chief client officer, Rick is responsible for leading the client engagement, claims, distribution and service strategies across The Co-operators group of companies. Rick believes, "it's our company values, community involvement and our people that make this company a place where you can be proud to work."

Rick started with Co-operators General in 1976 as an office trainee in Owen Sound. Since then, he has held various positions including accounting supervisor and Atlantic division controller. He was also region vice-president for New Brunswick and Prince Edward Island, Southwestern Ontario, as well as Central Ontario.

Throughout his career, Rick has obtained his Chartered Management Accountant, Chartered Insurance Professional and LIMRA Leadership Insurance Foundation designations. One of Rick's career highlights includes 10 years of profitable growth in the Southwestern Ontario Region while under his leadership. He was also the project leader of Co-op Auto Coalition in the early 1990s.

An active member in the community, Rick admires and is influenced by Mother Teresa, who he feels "put the lives of others before her own." Rick lives these values. He is currently cabinet chair of the Guelph/Wellington United Way and on the Board of the Centre for Services Leadership out of Arizona State University. In the past, he served as volunteer chair for both the London/Middlesex and Guelph/Wellington United Way chapters.



**Carol Poulsen, Executive Vice-President and Chief Information Officer**

Carol joined The Co-operators Group Limited in October 2011. She comes to The Co-operators with a diverse background including experience in insurance and banking, technology and business, as well as vendor experience including IT delivery, consulting, large account management and sales.

Most recently Carol was senior vice-president group architecture, applied innovation and solution delivery services for RBC globally. Prior to that she spent eight years at TD Bank Financial Group providing the application development, architecture and large program management supporting the retail, commercial, wealth and insurance business areas.

During her tenure at Teleglobe Insurance Systems/CGI, Carol held a variety of positions including vice-president, architecture and insurance company systems; vice-president, brokerage systems; vice-president consulting, large account management and sales.

She began her career at Allstate Canada holding a number of management positions in the insurance operations area.

Carol was selected in 2009 as one of Computerworld's Premier IT 100 Leaders globally.

She has a passion for diversity in the workplace and has been active in many aspects, from ensuring accessibility for persons with disabilities, to speaking with young women about leadership. She has also been very involved with Sheena's Place and the Learning Disabilities Association of Ontario.

Carol received her Honours Bachelor of Arts degree from York University and her Computer Programming Diploma from Seneca College. She has also attended a number of Business Administration Programs at Ivey Business School.



**P. Bruce West, Executive Vice-President, Finance and Chief Financial Officer**

Bruce joined The Co-operators Group Limited in June 2007 as executive vice-president, finance and chief financial officer (CFO). He is responsible for the financial management, strategic planning, and corporate development for the group of companies. He brings over 25 years of progressive financial and managerial experience in operations, corporate development, and financial management to this role.

When Sun Life Financial acquired Clarica in 2002, Bruce was selected as vice-president and CFO for Sun Life's Canadian business. He played a key role in the integration of the two companies.

Bruce's educational accomplishments include a Bachelor of Mathematics from the University of Waterloo (1980), Chartered Accountant designation (1981), FLMI designation (1985), and a MBA with a concentration in marketing from Wilfrid Laurier University (2005). In 2009, Bruce obtained the Chartered Director (C.Dir.) designation from The Directors College, a joint venture of McMaster University and The Conference Board of Canada. He is a member of the Financial Executives Institute of Canada.

Bruce sits on the boards of directors for a number of companies within The Co-operators Group Limited. He also sits on the Dean's Advisory Council at the Lazaridis School of Business and Economics at Wilfrid Laurier University, and is an Honouree of the School of Accounting and Finance at the University of Waterloo.

## The Co-operators Sustainability Policy

The Co-operators recognizes that our business, our communities and the global economy exist within the closed system of the Earth, which provides irreplaceable resources and support for all forms of life. We recognize that the capacity of the Earth to continue to provide these resources and supports is threatened by the degradation of natural and social systems. We also believe that there is a socio-economic foundation below which no human should be allowed to fall — be it into poverty or isolation.

To us, sustainability is a future state where individuals, communities and the economy thrive within the cycles of nature and a healthy society. Acting on sustainability is about taking care of tomorrow, today. Doing so aligns naturally with co-operative values.

As a co-operative, an insurer, employer, investor, and a community partner, The Co-operators believes that we can and must lead the way in ensuring a sustainable future. Our staff and financial advisors are catalysts in advancing sustainability at work, at home and in the community. Our co-operative identity creates unique opportunities for them to demonstrate such leadership.

The most important way we can advance sustainability is by meeting the needs of our clients. We must help them prevent, mitigate and adapt to new risks and seize new opportunities that arise from sustainability challenges. Meeting their emerging and unmet needs is fundamental to our co-operative purpose and enables our clients to contribute to a sustainable future. It also ensures we have the financial strength to continue meeting their needs in the future.

Working together, we are committed to minimizing any negative effects that our activities could have on the environment and society at large and, further, to performing a restorative function through innovation in business practices, product development, public engagement and partnerships with our stakeholders. We are committed to catalyzing collaboration for sustainability, which is required to address systemic challenges. We are committed to the ongoing pursuit of alignment of our business with these four sustainability principles:

- > In a sustainable society, nature is not subject to systematically increasing concentrations of substances extracted from the Earth's crust.
- > In a sustainable society, nature is not subject to systematically increasing concentrations of substances produced by society.
- > In a sustainable society, nature is not subject to systematically increasing degradation by physical means.
- > 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 everything we do with these fundamental sustainability principles in ways that advance the financial security of Canadians and their communities.

## The Co-operators long-term sustainability goals to 2020

Our long-term sustainability goals express how The Co-operators believes we will become a catalyst for a sustainable society, demonstrate our commitment to bringing the co-operative principles to life, and guide how we embed sustainability into our governance, operations, products and relationships.

### Our clients & members

We enable and encourage our clients and members to contribute to a sustainable future through our products, services and all interactions.

To us, this means that:

- a) Our clients and members recognize us as the sustainable choice for insurance and financial services and consider it an important part of our value proposition. Sustainability is woven into the experience of all clients.
- b) Our loss prevention initiatives and business practices reflect our commitment to sustainability.

### Our people

Our dynamic, progressive workplace attracts and develops personal champions of sustainability.

To us, this means that:

- a) Our staff, financial advisors and financial advisors' staff champion sustainability.
- b) Our sustainability commitment helps make us an employer of choice.
- c) We encourage and support diversity in our workforce, our Agencies and in our governance bodies.

### 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.

To us, this means that:

- a) We have aggressively reduced our greenhouse gas emissions.
- b) Our operations demonstrate our commitment to sustainability.
- c) We are recognized leaders in sustainability governance.

### Our investments

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

To us, this means that:

- a) The Co-operators assets are invested in ways that advance sustainability.
- b) The Co-operators engages companies in which it invests in policies and practices that advance sustainability.
- c) We offer and promote our sustainable investment options to clients.

### Our public voice

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

To us, this means that:

- a) We collaborate with our partners to influence public opinion and public policy on sustainable development, climate change and safe and healthy lifestyles.

### Our relationships

We are advancing sustainability through a systems-based approach, collaborating with industry partners, the co-operative sector, suppliers, communities, governments and non-governmental organizations.

To us, this means that:

- a) Through our strategic, results-oriented partnerships and insurance industry and co-operative sector collaborations, we have advanced sustainability, particularly related to climate change.
- b) Our community investment program has helped to build resilient, sustainable Canadian communities.

## Sustainability-related insurance and wealth products and services

Our sustainability-focused product and service offerings include the following:

**Socially responsible/sustainable investments:** We provide a range of socially responsible investment options for clients who seek to invest their funds in ways that achieve both competitive financial returns and generate social returns. 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, accessibility, insurability and customization, and promises rate stability to assist with the planning and budgeting process. Both programs are marketed through specially trained financial 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, this endorsement gives clients an additional 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 per cent 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 per cent discount on their auto insurance premium. This discount has been extended to include electric vehicles in select provinces, and is in the process of being extended to all 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 per cent discount for signing up, which can grow to as much as 25 per cent 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 per cent and water damage by up to 90 per cent. Clients of Co-operators General Insurance Company whose homes are protected by automatic fire sprinkler systems may be eligible for a discount of 10 per cent. Clients who also have heat detectors and water sensors may be eligible for additional discounts.

**Complete, all-in-one water coverage:** Until 2015, Canada was the only G7 nation without home insurance for overland flood damage. Our new Comprehensive Water coverage provides just that. It takes the worry out of where the water came from, or how it got into your home, and provides financial protection from virtually every type of sudden and accidental water damage, such as: sewer, sump or septic backup; flood caused by an overflow of a creek, river or lake; accumulation of water from heavy rainfall and extreme storms.

## Community Investment Vision

The Co-operators seeks to strengthen communities through a focused Community Investment Vision (CI Vision). The CI Vision highlights our co-operative roots and values and aligns with our core mission — “financial security for Canadians and their communities”.

The CI Vision outlines three focus areas to achieve impact in the community and leverages other opportunities in The Co-operators group of companies to increase that impact in a more integrated approach. The concept of our ‘Social Signature’ permeates how we look at community investment, considering the overall impact of our actions and influence.

These three areas build on the current strengths of The Co-operators as a national investor in communities, a well-respected and innovative leader, and a co-operative provider of financial security products and services.

**Environmental sustainability – protecting our communities:** As a co-operative insurance provider, we know the degradation of our natural environment is a serious problem that impacts our health, our homes, our businesses and our communities. We are committed to working with our stakeholders to find solutions to these issues, to decrease our negative impact and support the creation of more resilient communities for generations to come.

**Economic sustainability – building a co-operative economy:** As a co-operative, we understand that values-based organizations have an important role in creating a just and sustainable economy. We are committed to supporting the growth of co-operatives, social enterprises and strengthening the charitable non-profit sector in order to build a community-focused, values-based economy that will contribute to a more inclusive and resilient society.

**Social sustainability – creating a resilient, safe, and healthy future:** As a co-operative insurance provider, we seek that all individuals in our communities have the opportunity to lead healthy, safe and secure lives. We are committed to helping individuals protect their assets through financial planning and to supporting programs that promote individual health and safety, and contribute to more resilient communities.

# UNEP FI Principles for Sustainable Insurance – Annual disclosure of progress

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

Our progress in advancing the principles in this aspirational framework is discussed throughout our full 2016 Integrated Annual Report, with reference to specific actions summarized below.

## Principle 1

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

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

## Principle 2

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

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

## Principle 3

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

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



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

**Principle 4**

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

- > As a PSI signatory, we are committed to publicly disclosing our progress in advancing the Principles. This marks our fifth year of disclosing progress toward each of the Principles. We invite you to read our full 2016 Integrated Annual Report to learn more about our efforts to integrate and embed co-operative and sustainability principles throughout our organization.

## Energy consumption and carbon emission inventory

### ENERGY CONSUMPTION (GJ)

	2016	2015	2014	2013	2012	2011	2010
Gasoline <sup>1</sup>	21,725	24,434	29,062	33,082	35,252	38,783	41,800
Natural gas <sup>1</sup>	36,870	44,351	53,533	50,995	47,322	50,316	54,049
Electricity <sup>1</sup>	65,811	74,359	77,095	82,195	86,074	90,845	93,315
Steam <sup>2</sup>	1,293	1,409	1,402	1,445	1,183	1,367	1,431
Diesel <sup>1</sup>	5,705						
<b>Total energy</b>	<b>131,404</b>	144,553	161,092	167,718	169,831	181,311	190,595

1. Conversion factor source: National Energy Board, Energy Conversion Tables, <https://www.neb-one.gc.ca/nrg/tl/cnvrsntbl/cnvrsntbl-eng.html>,

2. Conversion factor source: Natural Resources Canada, Gigajoule and Energy Intensity Calculator, <http://www.nrcan.gc.ca/energy/publications/efficiency/buildings/6561>.

### CARBON EMISSIONS (TONNES OF CO2 EQUIVALENT)

	2016 Location- Based	2016 Market- Based	2015 Location- Based	2015 Market- Based	2014 Location- Based	2014 Market- Based	2013	2012	2011	2010
<i>Scope 1 (Energy)</i>										
Fleet	1,438	1,438	1,623	1,623	2,010	2,010	2,288	2,504	2,753	2,970
Natural gas	1,874	1,874	2,192	2,192	2,630	2,630	2,506	2,330	2,479	2,658
Diesel <sup>1</sup>	415	415								
<b>Total Scope 1</b>	<b>3,727</b>	<b>3,727</b>	3,815	3,815	4,640	4,640	4,794	4,834	5,232	5,628
<i>Scope 2 (Energy Indirect)</i>										
Electricity	6,188	473 <sup>2</sup>	7,460	515 <sup>2</sup>	8,015	524 <sup>2</sup>	8,545	9,453	9,993	11,566
Steam	86	86	94	94	93	93	96	78	90	95
<b>Total Scope 2</b>	<b>6,274</b>	<b>559</b>	7,554	609	8,108	617	8,641	9,531	10,083	11,661
<i>Scope 3 (Other Indirect)</i>										
Air Travel	4,989	4,989	4,735	4,735	4,742	4,742	4,153	4,393	4,844	4,554
Employee vehicle travel	853	853	998	998	1,051	1,051	1,255	1,407	1,529	1,510
<b>Total Scope 3</b>	<b>5,842</b>	<b>5,842</b>	5,733	5,733	5,793	5,793	5,408	5,800	6,373	6,064
<b>Total emissions</b>	<b>15,843</b>	<b>10,128</b>	17,102	10,157	18,541	11,050	18,843	20,165	21,688	23,353
<b>Carbon offset<sup>3</sup></b>		<b>3,590</b>								
<b>Net equivalent Carbon emissions</b>		<b>6,538</b>								

1. A diesel generator supplied power at our head office location during an extended power outage.

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

3. Reduction associated with the financial advisor Carbon Neutrality Program.

## METHODOLOGY

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 35](#) of our Integrated Annual 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 (75 per cent reduction from 2010 emission levels by end of 2018). Prior year emission totals have been recalculated to reflect current electricity emission factors as they become available.

In 2016 we introduced the financial advisor Carbon Neutrality Program. Through this voluntary, corporate-funded program, we've enabled our financial advisors (who are independent business owners and not part of our corporate carbon footprint) to make their offices carbon neutral through the use of Bullfrog Power and the purchase of carbon offsets. Five hundred and twenty-six financial advisor locations across Canada are now contributing to the transition to a low-carbon economy. It is our intention to reduce carbon emissions through this program in an amount equivalent to the amount that would be needed to reach a 75 per cent reduction in our corporate footprint; as of 2016 we have achieved a 72 per cent reduction. This non-traditional approach offers the same environmental impact, in terms of the amount of carbon that is offset, as purchasing offsets for our own operations. We've applied this reduction to our corporate carbon reduction goal, and the result is our net equivalent carbon emissions. Additionally, it offers the added benefits of engaging our financial advisors and, through them many of our clients, in conversations about climate change and the risks it presents.

# Montreal Carbon Pledge – Carbon footprint of investments

## Understanding climate-related risk as part of sustainable investing

Climate change can have a significant impact on financial markets and investment returns. The Co-operators seeks to manage the investment risks and opportunities associated with climate change and the transition to a low-carbon economy.

In 2014, The Co-operators became the first Canadian insurer to sign the [United Nations-supported Principles for Responsible Investment](#) (UN PRI)'s [Montréal Carbon Pledge](#), a commitment to measure and publicly disclose the carbon footprints of investment portfolios.

Measuring and understanding carbon footprints and other climate-related risks aligns with the approach to active investing taken by our investment manager, Addenda Capital. (In 2015 Addenda became a signatory to the Montréal Carbon Pledge and was the first Canadian asset manager to disclose the carbon footprints of all its equity funds.)

## Our footprints

We measure and monitor the carbon footprints of our investments using two metrics:

- 1. Owned carbon emissions measures our share of the absolute greenhouse gas (GHG) emissions of each of our investments.
- 2. Weighted average carbon intensity shows the average carbon intensity (emissions per revenue generated) of our investments, revealing our exposure to carbon-intensive companies.

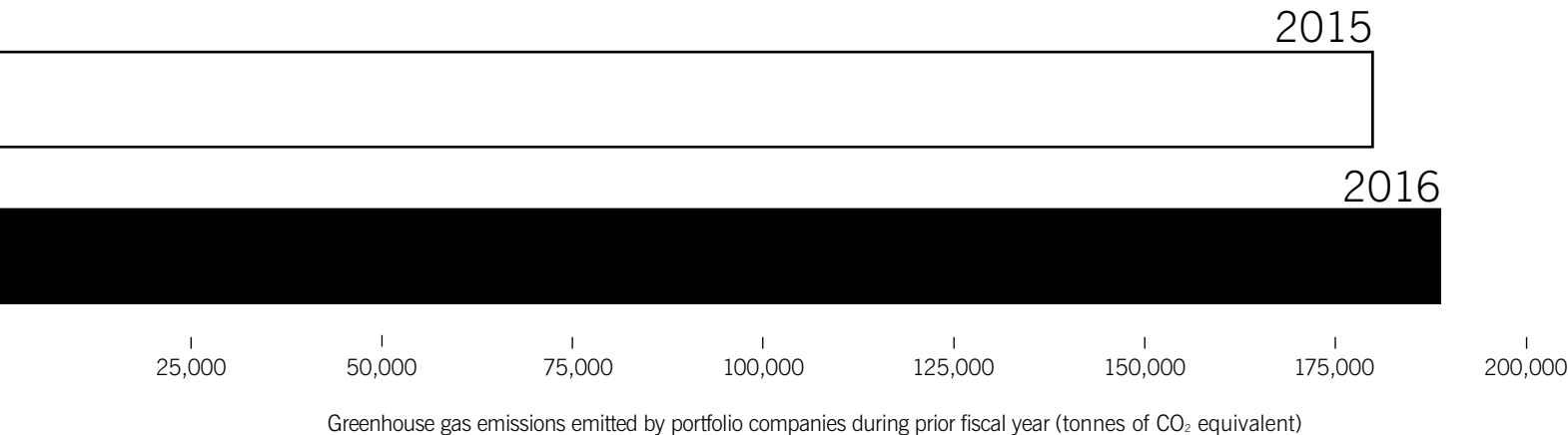
We previously disclosed the carbon footprint of our equity investments and through disclosure in our 2016 Integrated Annual Report have added the footprints of our corporate bond and preferred share investments.

## Owned carbon emissions

In 2016, The Co-operators equity investments, corporate bond and preferred share investments 'owned' a total of 188,814 tonnes of CO2-equivalent greenhouse gases (emissions sources scopes 1 and 2 only) emitted by companies in our portfolio. Compared on a like-for-like basis to 2015, we noted a 5.0 per cent increase in carbon emissions. This increase is due to more investments in the preferred shares of companies with high greenhouse gas emissions which was offset by a reallocation within equities from higher emitting forest products companies to lower emitting materials companies.

Our investment carbon footprint far exceeds the emissions from our operations, which totaled 15,843 tonnes of CO2-equivalent emissions in 2016 (see Appendices [page AP-36](#)). The Co-operators net emissions were reduced by 72 per cent in 2016, compared to 2010 emission levels, primarily through purchases of renewable energy certificates from Bullfrog Power. The fact that our owned emissions are more than 10 times the emissions from our operations reinforces the importance of our approach to sustainable investing, which emphasizes stewardship and advocacy, and encourages the companies we own to manage their climate risks and decrease their emissions.

# The Co-operators Portfolio Carbon Emissions



### Weighted average carbon intensity

The weighted average carbon intensities of some of The Co-operators representative investment portfolios are shown in the graph below. The Co-operators equities have lower emissions on average than benchmark companies. The carbon intensity of our Canadian REIT holdings and corporate bonds are marginally below the benchmark. Our preferred shares have a higher carbon intensity than the benchmark because we own a higher proportion of utilities companies in the portfolio than the benchmark. Utilities alone make up over 80 per cent of the intensity figure for our preferred shares portfolio.

### Methodology: How we calculate the carbon footprint of investments

The methodology for measuring carbon footprints of investments is evolving, and many data gaps exist. The following key points from our methodology ensure transparency in our approach.

1. Data sources: 1) Reported and estimated greenhouse gas emissions data from MSCI ESG Research; 2) market and fundamental data from Bloomberg; 3) index data from MSCI, S&P and BMO. Greenhouse gas emissions data are from 2014 and cover scopes 1 and 2, as 2015 data are not yet available. Market values for investments were used with data from December 31, for each year.

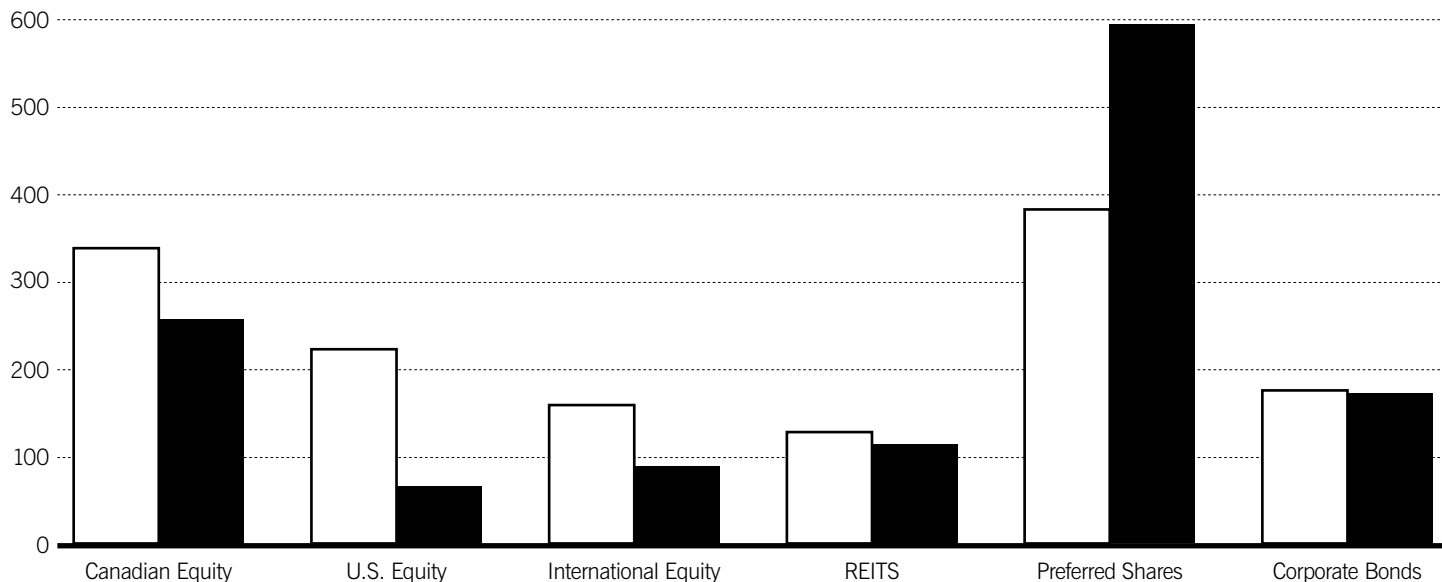
2. Asset classes covered: Our disclosure covers our Canadian, U.S., and international equities, as well as our REIT portfolio, corporate bonds and preferred shares.

3. Holdings analyzed: Representative investment portfolios for different asset classes were selected to calculate the weighted average carbon intensities, as the same investment strategies are often used. The owned emissions calculation considered the invested assets of all companies across The Co-operators group of companies.

4. Emissions allocations: For the owned emissions calculation, each company's total emissions were allocated to debt, equity and preferred equity based on the book values for debt and preferred equity and the market value for equity using total capital as the denominator.

## Weighted average carbon intensity of The Co-operators equity, REIT, preferred share, and corporate bond portfolios vs Benchmark (tonnes of CO<sub>2</sub> equivalent / \$m USD revenue)

□ Benchmark ■ Portfolio



## Credit ratings

All ratings current as of January 24, 2017.

### CO-OPERATORS FINANCIAL SERVICES LIMITED

	S&P	DBRS
Issuer credit rating	BBB	BBB
Senior unsecured issues	BBB	BBB
Outlook	Stable	Stable

### CO-OPERATORS GENERAL INSURANCE COMPANY

	A.M. Best	S&P	DBRS
Preferred stock rating	–	P–2	Pfd–2 (low)
Issuer credit rating	a–	A–	A (low)
Financial strength rating	A–	A–	A (low)
Outlook	Stable	Stable	Stable

### CO-OPERATORS LIFE INSURANCE COMPANY

	A.M. Best	S&P
Issuer credit rating	a	A–
Financial strength rating	A	A–
Outlook	Stable	Stable

### SOVEREIGN GENERAL INSURANCE COMPANY

	A.M. Best
Issuer credit rating	a–
Financial strength rating	A–
Outlook	Stable

# Consolidated tax expenses

## 2016 CONSOLIDATED TAX EXPENSE (IN \$000) DOLLARS

	Income Tax <sup>1</sup>	Premium Tax	Total
<b>Federal</b>	38,979		38,979
<b>Provincial</b>			
Alberta	6,423	30,068	36,491
British Columbia	2,992	9,848	12,840
Manitoba	1,196	3,555	4,751
New Brunswick	967	2,832	3,799
Nfld. and Labrador	1,003	4,629	5,632
Nova Scotia	1,168	4,451	5,619
Ontario	13,127	48,419	61,546
Prince Edward Island	343	1,127	1,470
Quebec	1,058	5,228	6,286
Saskatchewan	1,805	7,405	9,210
Territories	166	491	657
<b>Total Provincial</b>	<b>30,248</b>	<b>118,053</b>	<b>148,301</b>
<b>Total</b>	<b>69,227</b>	<b>118,053</b>	<b>187,280</b>
<b>Other Taxes<sup>2</sup></b>			<b>85,523</b>
<b>Total tax expense related to 2016</b>			<b>272,803</b>

1. Income tax amounts are estimates for 2016 as at January 24, 2017.
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".

## 2015 CONSOLIDATED TAX EXPENSE (IN \$000) DOLLARS

	Income Tax <sup>1</sup>	Premium Tax	Total
<b>Federal</b>	26,374	0	26,374
<b>Provincial</b>			
Alberta	3,321	23,091	26,412
British Columbia	1,486	9,353	10,839
Manitoba	669	3,280	3,949
New Brunswick	395	2,768	3,163
Nfld. and Labrador	763	4,049	4,811
Nova Scotia	615	3,925	4,540
Ontario	11,689	45,370	57,059
Prince Edward Island	142	1,055	1,198
Quebec	1,079	4,460	5,539
Saskatchewan	785	7,105	7,890
Territories	68	527	595
<b>Total Provincial</b>	<b>21,012</b>	<b>104,983</b>	<b>125,995</b>
<b>Total</b>	<b>47,386</b>	<b>104,983</b>	<b>152,369</b>
<b>Other Taxes<sup>2</sup></b>			<b>84,854</b>
<b>Total tax expense related to 2015</b>			<b>237,223</b>

1. Income tax amounts are actuals for 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".

## 2014 CONSOLIDATED TAX EXPENSE (IN \$000) DOLLARS

	Income Tax <sup>1</sup>	Capital Tax	Premium Tax	Other Tax <sup>2</sup>
<b>Federal</b>	44,210	0	36,233	27,939
<b>Provincial</b>				
Alberta	6,250	21,857	8,860	9,842
British Columbia	2,678	8,622	474	1,406
Manitoba	1,389	3,117	175	143
New Brunswick	953	2,538	2,550	2,089
Nfld. and Labrador	1,261	3,767	1,795	972
Nova Scotia	1,510	4,062	1,535	1,384
Ontario	14,362	42,200	22,682	31,001
Prince Edward Island	334	959	842	313
Quebec	1,805	3,068	3,726	2,959
Saskatchewan	1,793	6,028	1,429	4,857
Territories	157	404	1	0
<b>Total Provincial</b>	<b>32,493</b>	<b>96,622</b>	<b>44,069</b>	<b>54,966</b>
<b>Total</b>	<b>76,703</b>	<b>96,622</b>	<b>80,302</b>	<b>82,905</b>
<b>Total tax expense related to 2014</b>				<b>253,627</b>

1. Income tax amounts are actuals for 2014.
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".



# Memberships, affiliations and partners

## Co-operative memberships

As a co-operative, we're a part of a global co-operative system, and belong to the following associations, coalitions and initiatives to advocate for and advance the co-op sector:

- > [Canadian Association of Mutual Insurance Companies](#)
- > [Canadian Co-operative Investment Fund](#)
- > [Co-operatives and Mutuals Canada](#)
- > [International Co-operative Alliance](#)
- > [International Cooperative and Mutual Insurance Federation](#)
- > Provincial and local co-operative associations

## Other memberships

- > [Canadian Association of Direct Relationship Insurers](#)
- > [Canadian Life and Health Insurance Association Inc.](#)
- > [LOMA and LIMRA International, Inc.](#)
- > [Travel Health Insurance Association](#)

## Affiliations and partnerships

- > [Canadian Bond Investors Association](#) (Addenda Capital Inc.)
- > [CDP](#) (Carbon Disclosure Project)
  - Climate change program (Addenda Capital Inc. and The Co-operators Group Limited)
  - Water program (Addenda Capital Inc.)
  - Forests program (Addenda Capital Inc.)
  - Carbon action initiative (Addenda Capital Inc.)
- > [Ceres](#)
- > [Corporate Knights' Council for Clean Capitalism](#)
- > [Imagine Canada](#)
- > [Institute for Catastrophic Loss Reduction](#)
- > [Insurance Development Forum](#)
- > [International Corporate Governance Network](#) (Addenda Capital Inc.)
- > [International Council for Local Environmental Initiatives](#)
- > [Investor Network on Climate Risk](#) (Addenda Capital Inc.)
- > [Partners for Action](#)
- > [Partners in Protection Association](#)
- > [Responsible Investment Association](#) (Addenda Capital Inc.)
- > [Smart Prosperity](#)
- > [The Accounting for Sustainability CFO Leadership Network](#)
- > [The Conference Board of Canada](#)
- > [The Natural Step Canada](#)
- > [United Nations Environment Programme — Finance Initiative](#)
- > United Nations-supported [Principles for Responsible Investment](#) (Addenda Capital Inc.)

# Key contacts

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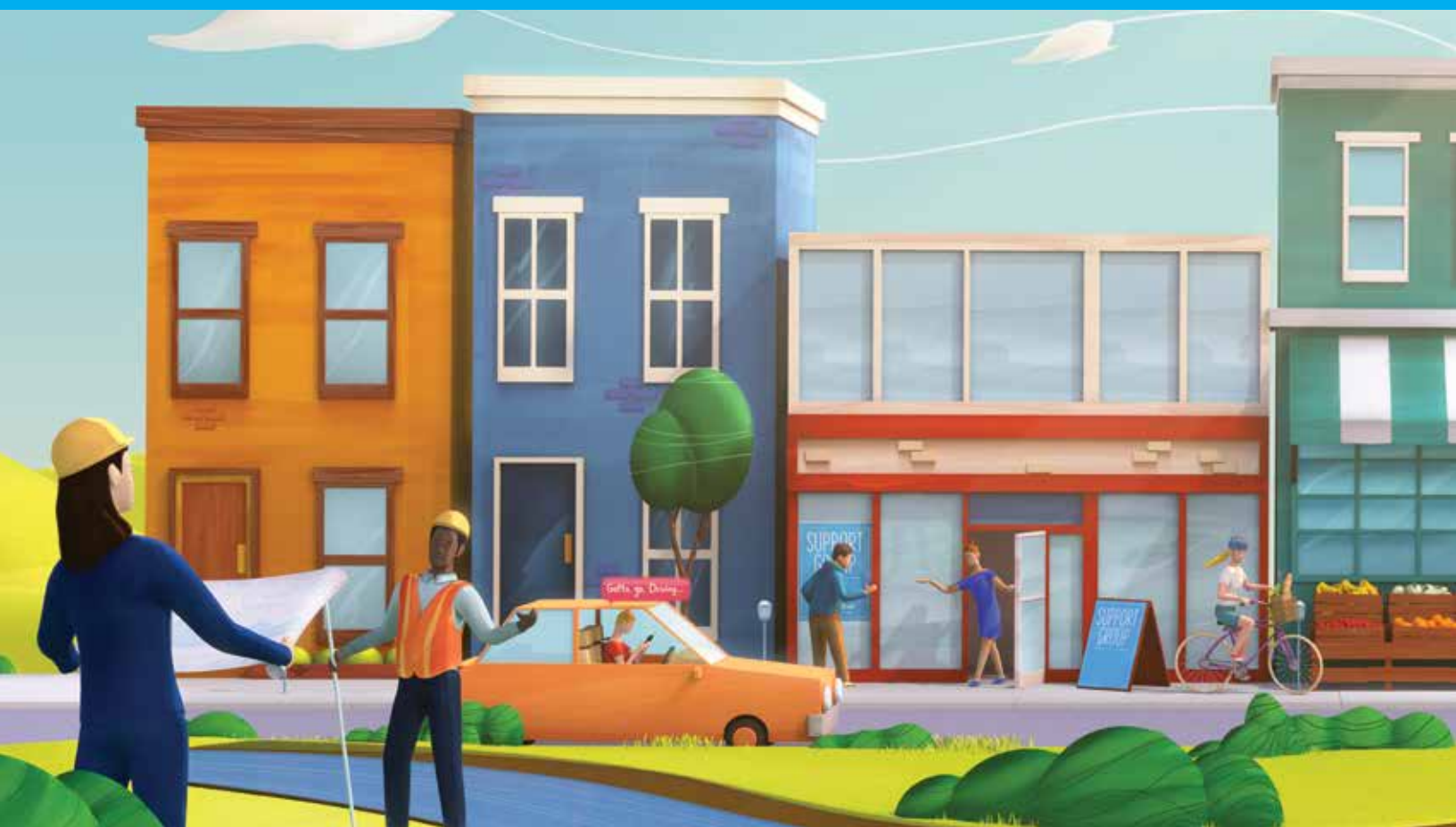
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Available in French ~ Disponible en français / Released April 4, 2017 / COR611 (04/17)



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