



**SUSTAINABILITY**  
Taking care of tomorrow today—  
the co-operative way

# 2015

The Co-operators Sustainability Report

# mission vision values

## MISSION STATEMENT

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

## OUR VISION

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

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

## STATEMENT OF VALUES

At The Co-operators we...

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

## CO-OPERATIVE PRINCIPLES

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

### Public Accountability Statement

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

**About our cover: Focus**

By taking a sustainable approach to our business,  
we are better equipped to identify big-picture challenges  
and focus our efforts to make a substantive difference.

# contents

2	Message to Stakeholders
4	Our Strategy and Performance at a Glance
6	Company Profile
8	Financial Highlights
9	Our Clients & Members
17	Our People
24	Our Governance & Operations
32	Our Investments
35	Our Public Voice
38	Our Relationships
44	About this Report
45	UNEP FI Principles for Sustainable Insurance
46	Global Reporting Initiative
48	Sustainability Policy

# MESSAGE TO STAKEHOLDERS



*John Harvie and  
Kathy Bardswick*

We are a different company today than we were a decade ago. When we embarked on our sustainability journey, we did not foresee the profound impact this commitment would have on who we are as an organization. Today, more than ever, a sustainable approach is simply the way we do things at The Co-operators. This is evident in our 2015–2018 strategy, which directs us to focus more closely on our clients, our co-operative identity and our competitiveness. More specifically, the strategy compels us to integrate and embed co-operative and sustainability principles in all areas of our business decision-making, actions and processes.

Our business plans are bold and enable us to turn industry-wide challenges into opportunities. Indeed, as we expand our view, we see paths to address social, economic and environmental issues through our business in ways we could not have imagined before. The increasing risks of extreme weather events and, particularly, the threat of overland flooding, inspired us to create a cross-company initiative which led directly to two key outcomes in 2015. First, we catalyzed the launch of Partners for Action (P4A). An applied research network at the University of Waterloo, P4A brings together a diverse set of stakeholders to improve Canada's flood resiliency in the face of a changing climate.

The second major outcome was the development of Comprehensive Water, an innovative product solution that protects clients from the risk of flood. Launched in Alberta this year, Comprehensive Water 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. Meeting such unmet needs gets to the heart of what it means to be a co-operative.

Not only do we see climate change as a risk to our business, we also recognize that it is a threat to our clients' livelihoods. Looking at our business through a client lens helps us advance our mission, building holistic solutions for clients' financial security, resiliency and well-being. By placing clients at the centre of our decision-making, we are making it easier for them to do business with us. As a result of this approach, client growth increased for the fifth consecutive year in 2015.

Increasingly, we are seeing employees and advisors engaging more meaningfully with clients, seeking ways to integrate sustainability into their work and striving to bring the co-operative

principles to life. Employees' appreciation for a values-based workplace is reflected in our overall employee engagement score, which was 80% in 2015. This score meets our target and speaks to employees' support for our mission.

A values-led approach to our business, including an acute dedication to meeting our clients' needs, has positioned us well for success. Yet, in the broader context, consumers are expressing a lack of trust in the financial system and, years after the financial crisis, we have not seen the systemic changes needed to increase stability and fairness.

To heighten awareness of the limitations in our financial system and contribute to more sustainable solutions, in 2015 we represented the North American insurance and co-operative sectors on the Advisory Council of the United Nations Environment Programme's Inquiry into the Design of a Sustainable Financial System. From a climate perspective, we were encouraged by the Paris Agreement, which highlights the need to decarbonize the global economy. Our investment company, Addenda Capital, joined us as a signatory to the Montreal Carbon Pledge in 2015. We publicly disclosed the carbon footprint of our equity portfolio for the first time this year, as did Addenda for its equity funds — making Addenda the first Canadian asset manager to do so. These disclosures not only fulfill our commitment as signatories but, more importantly, demonstrate leadership and encourage a better understanding of the investment implications of climate change.

We are proud of the recognition we have received for our efforts to advance sustainability. In 2015, we placed in the top 10 on Corporate Knights' "Best 50 Corporate Citizens in Canada" list for the sixth consecutive year. We were also listed among *Maclean's* "Top 50 Socially Responsible Corporations in Canada." Our co-operative

values guide us and distinguish us; that said, we believe all businesses have a responsibility to their communities and to our increasingly interconnected world. While we are proud of our position as a sustainability leader, we look forward to a time when sustainability is not a mark of differentiation but rather the norm.

While 2015 was a very successful year for us, we faced some familiar challenges including the uncertainty of the global investment market and ongoing record-low interest rates. In this unpredictable economic environment, the diversity of our business lines continues to deliver resilience and strength to our organization as a whole. The Co-operators Group Limited earned net income after tax of \$198.5 million in 2015. Healthy financial results such as this enable us to seek out innovative, new ways to meet our clients' and Canadians' unmet needs and build more sustainable, resilient communities.

In 2015, we built a foundation to align our people, processes, and plans with our strategy. The coming year is critical for delivering on the ambitious goals outlined in our plan. We recognize the need to move more quickly in some areas, and we plan to do so. We are proud and humbled to share our co-operatively inspired sustainability journey with you in the pages that follow. Thank you for your interest.



Kathy Bardswick  
President and Chief Executive Officer



John Harvie  
Chairperson, Board of Directors

"While we are proud of our position as a sustainability leader, we look forward to a time when sustainability is not a mark of differentiation but rather the norm.

All businesses have a responsibility to their communities and to our increasingly interconnected world."

# OUR STRATEGY AND PERFORMANCE AT A GLANCE

We continue to strive towards our long-term sustainability goals,\* which we set out to achieve by 2020. These goals express how we believe 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.

The key performance indicators (KPIs) found below measure our sustainability performance. Some of these have been carried over from prior years, and they reflect progress on our long-term sustainability priorities (to 2020). Several KPIs have been added to align with our 2015–2018 strategy and its three areas of focus: Client Engagement, Co-operative Identity and Competitiveness ([see inside back cover](#)). Further, as initiatives connected to our new strategy are developed, we will assign KPIs to them as well, ensuring that we are fully accountable to our goals.

## our clients & members

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

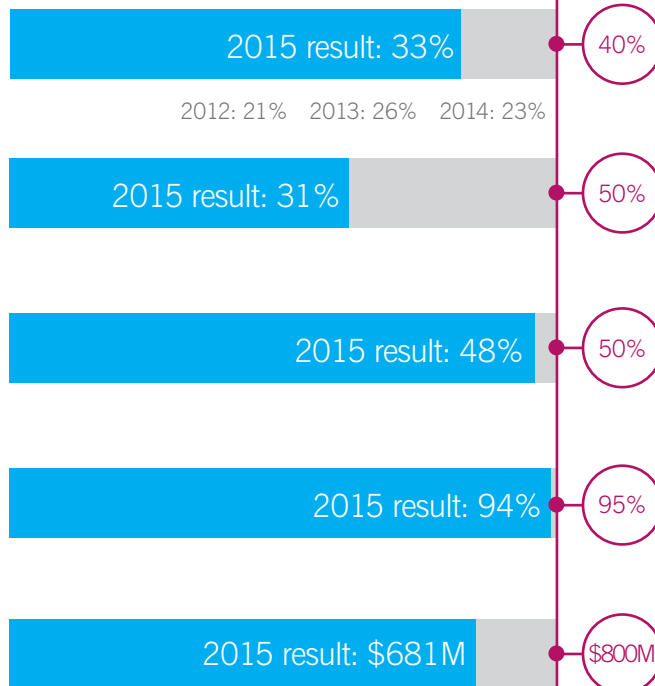
50% of clients say that The Co-operators provides them valuable information about sustainability issues and risks and how to manage them.

50% of our auto repairs will be completed at “green” shops.

95% of dollars paid to preferred property vendors will go to “green” contractors.

Achieve total co-op business volume of \$800 million by 2018.

### 2018 TARGET

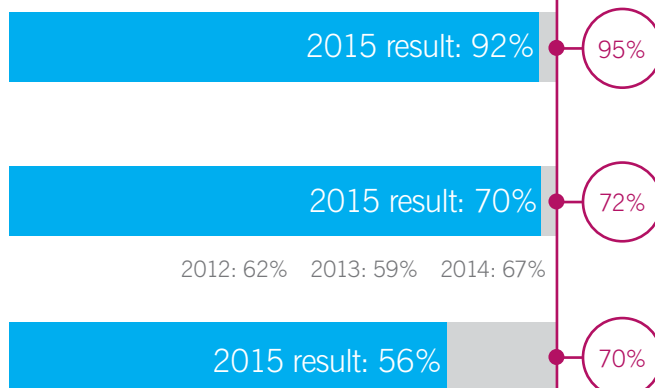


## our people

95% of employees respond ‘agree’ or ‘strongly agree’ to the question: “This is a socially and environmentally responsible organization.”

72% of employees respond ‘agree’ or ‘strongly agree’ to the question: “I am a champion of sustainability with my colleagues, family, friends, and businesses, organizations and others in the community (includes social, environmental and economic sustainability).”

70% of advisors respond ‘completely satisfied’ or ‘mostly satisfied’ to the question: “There are adequate tools and resources to implement sustainable practices in your office and community (for environmental, health or social well-being).”



\*To view our long-term sustainability goals to 2020, refer to the appendices available at [www.cooperators.ca/sustainability\\_report](http://www.cooperators.ca/sustainability_report).

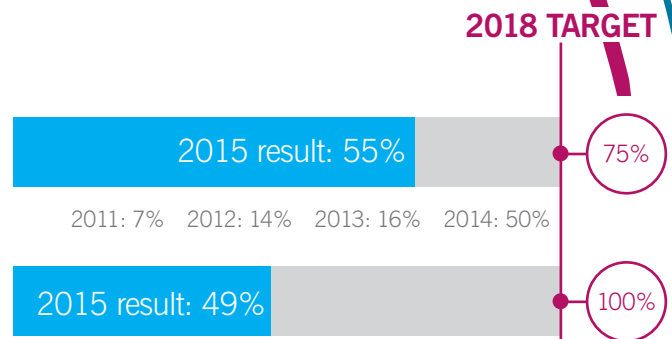


## our governance & operations

75% reduction in net carbon emissions from 2010 level.

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

Results represent percentage of vendors from our revised strategic vendor listing. Please refer to [page 30](#) for further details about changes made to our strategic vendor listing in 2015.

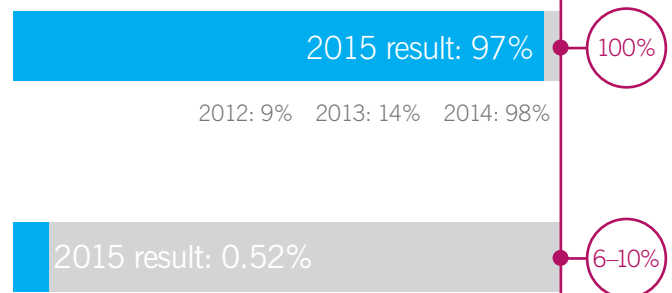


## our investments

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

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

6 to 10% of The Co-operators assets are considered impact investments by the end of 2018.



## our public voice

### Goal 1

To influence government(s) on climate change adaptation policy: The Co-operators is viewed as an industry leader in engaging and collaborating with stakeholders (Partners for Action and governments) to take action to de-risk (or make more resilient) their homes and communities from the impacts of flooding.

### Goal 2

Be a catalyst for greater public education/awareness regarding wildfire prevention and greater government support towards mitigation initiatives.

### Goal 3

To influence government(s) on safety objectives: Seek mandatory installation of fire sprinklers in new homes and all residential care facilities, and seek increased access to cycling in communities via government support for programs and infrastructure improvements.

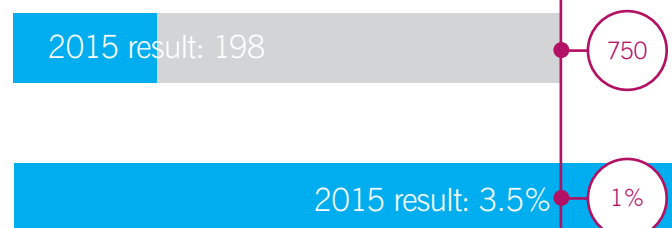
Please see [pages 35 to 37](#) for details on our advocacy efforts related to each of these goals.

## our relationships

An additional 750 youth across Canada have joined the [IMPACT! Youth Sustainability Leadership Program](#) community.

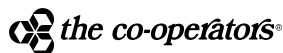
We have made strategic and impactful community investments that exceed [Imagine Canada's](#) minimum benchmark of 1% of pre-tax profit.

We contributed a total of \$5,807,140 to Canadian co-operatives, not-for-profits and charities in 2015.



# COMPANY PROFILE

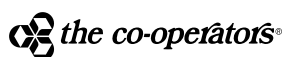
The Co-operators group of companies is made up of a number of different organizations, each focused on different areas of our business.



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



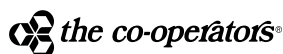
**Co-operators Financial Services Limited** is a Canadian holding company that consolidates all of The Co-operators insurance, brokerage and investment management operations.



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



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



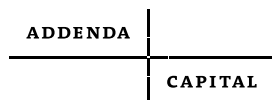
**Co-operators Life Insurance Company** provides Life and Health insurance, as well as Wealth Management products, to individuals and groups across Canada.



**Federated Agencies Limited** collaborates with strategic business partners to provide the best Personal, Commercial and Financial Services products available.



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



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



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



**Credential Financial Inc.** is a national Wealth Management firm offering a full suite of products and services to more than 200 credit unions and independent financial institutions.



**The Premier group of companies** offers professional liability, specialty casualty, and general property coverage through a network of more than 4,000 brokers in Canada and the US.



**The Edge Benefits Inc.** offers simplified disability insurance products to Canadians, with a focus on the self-employed marketplace.



# BUSINESS

## profile

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

\$39.9 billion in assets under administration

Insures 771,000 homes, 1.2 million vehicles and protects 628,000 lives

Provides coverage to 37,000 farms and 418,000 businesses

Offers a wide range of Wealth Management products

Provides institutional investment and asset management services

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

4,675\* employees

486 exclusive advisors with 671 retail outlets

Serves approximately 300 credit unions with more than 5.5 million members

212,000 employees insured through Group Benefit plans

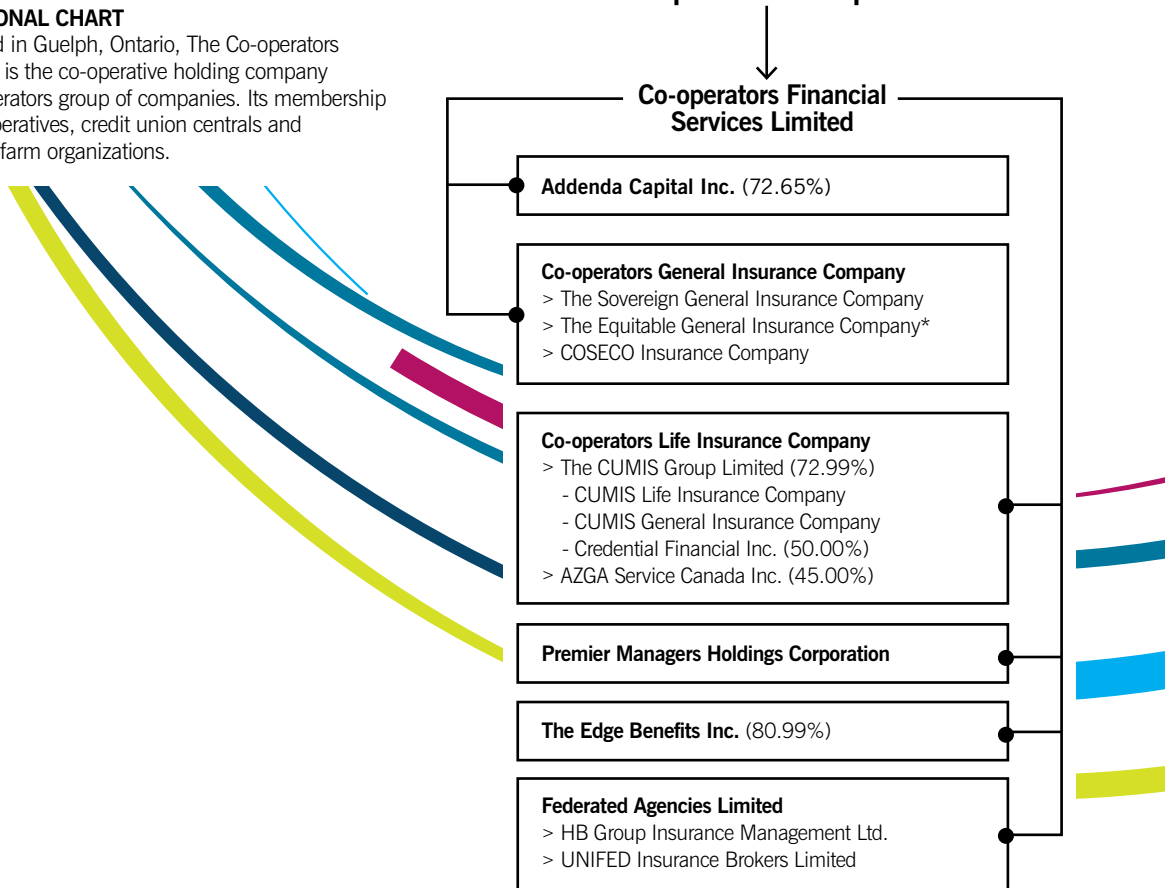
Provides Credit insurance to 624,000 Canadians

*\*Includes employees from Premier Managers Holdings Corporation and The Edge Benefits Inc., which we acquired in 2015. Non-financial reporting items for these two entities have not been included in this report, unless otherwise noted.*

### THE CO-OPERATORS GROUP LIMITED ORGANIZATIONAL CHART

Headquartered in Guelph, Ontario, The Co-operators Group Limited is the co-operative holding company for The Co-operators group of companies. Its membership includes co-operatives, credit union centrals and representative farm organizations.

### The Co-operators Group Limited



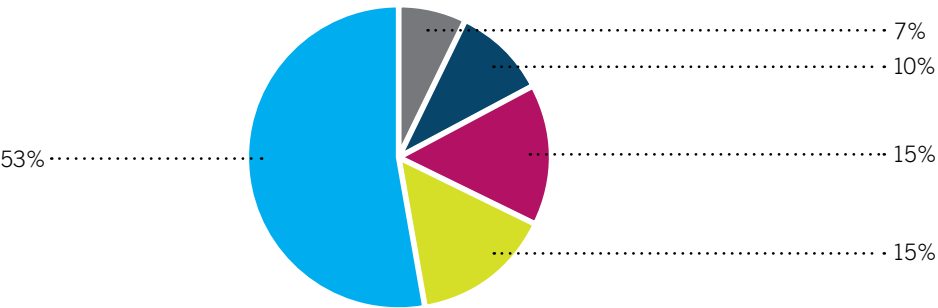
\*Non-operating entity

# FINANCIAL HIGHLIGHTS

The Co-operators 2015 financial highlights are found here. A three-year financial review can be found in our online report at [www.cooperators.ca/sustainability\\_report](http://www.cooperators.ca/sustainability_report). Our 2015 Annual Summary can be found online at [www.cooperators.ca](http://www.cooperators.ca) >> About Us >> Corporate Information >> Annual Report.

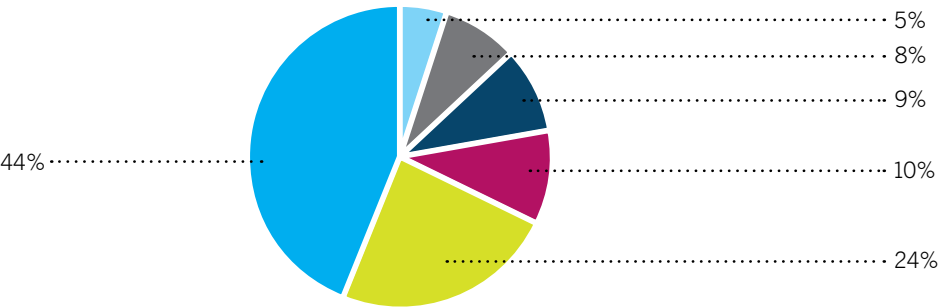
## Direct Written Premium by Company

- Co-operators General
- Co-operators Life
- CUMIS Group
- The Sovereign General
- COSECO



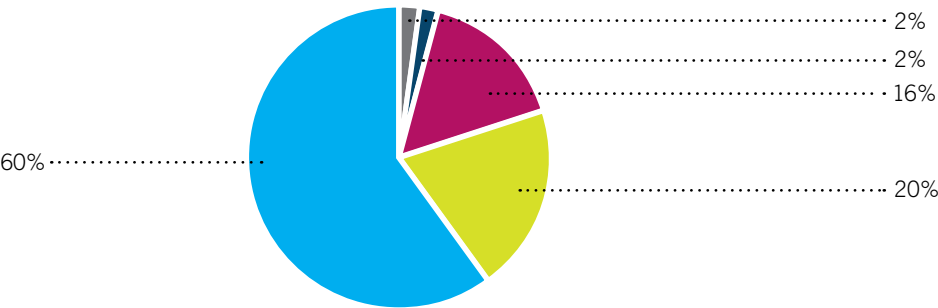
## Direct Written Premium by Region

- Ontario
- Alberta
- Atlantic
- Manitoba/Saskatchewan
- British Columbia
- Quebec

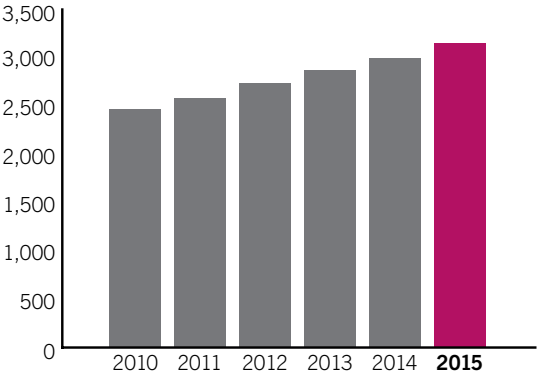


## Invested Assets Mix

- Bonds
- Stocks
- Mortgages
- Short-term investments
- Other



## Total Equity (in millions of dollars)



# OUR CLIENTS & MEMBERS

## LONG-TERM SUSTAINABILITY GOAL

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

A foundational element of our 2015–2018 strategy is Client Engagement. We aim to become the industry leader in client engagement by delivering holistic solutions, advice and a seamless client experience. We are putting the client at the centre of our decision making, so that we can see our work through a client lens, allowing us to deliver solutions that build meaningful relationships and add value.

### Understanding Clients

To help us see our business from a client perspective, we created a number of personas this year, which are detailed profiles based on the characteristics, attributes and preferences of groups of real clients. They offer a common point of reference for employees and advisors as we seek to improve the client experience. We also developed client journey maps to help us see what our clients see. There are many journeys a client can take with us, such as filing a claim or purchasing home insurance. These maps help us deliver better solutions for our clients.

### Listening to Clients

Results from our first J.D. Power survey in 2011 revealed 11 “points of pain,” where our clients experienced difficulty in their interactions with us. Today, nine of those issues have been resolved and solutions for the final two are underway. One issue was our policy documentation, which was criticized as complex and confusing. We overhauled our policy documents in 2014 and started producing new and improved documents for Home and Auto insurance in 2015. In addition, we will launch our Client Preference Centre in 2016, which will allow clients to manage their communication delivery options. We are hopeful that many clients will opt out of receiving paper statements, as they will be able to access policies via this secure online environment at any time. Collectively, we expect paper and production savings of more than \$1 million annually going forward. We are proud to offer these new client solutions, meeting service expectations for the digital age.

### Client Satisfaction

We achieved excellent client satisfaction results in 2015. We topped the inaugural Forrester Research Canada Customer Experience Index, a customer experience survey. We ranked first nationally among Auto and Home insurance providers and seventh when ranked against participating Canadian brands in all industries.<sup>1</sup>

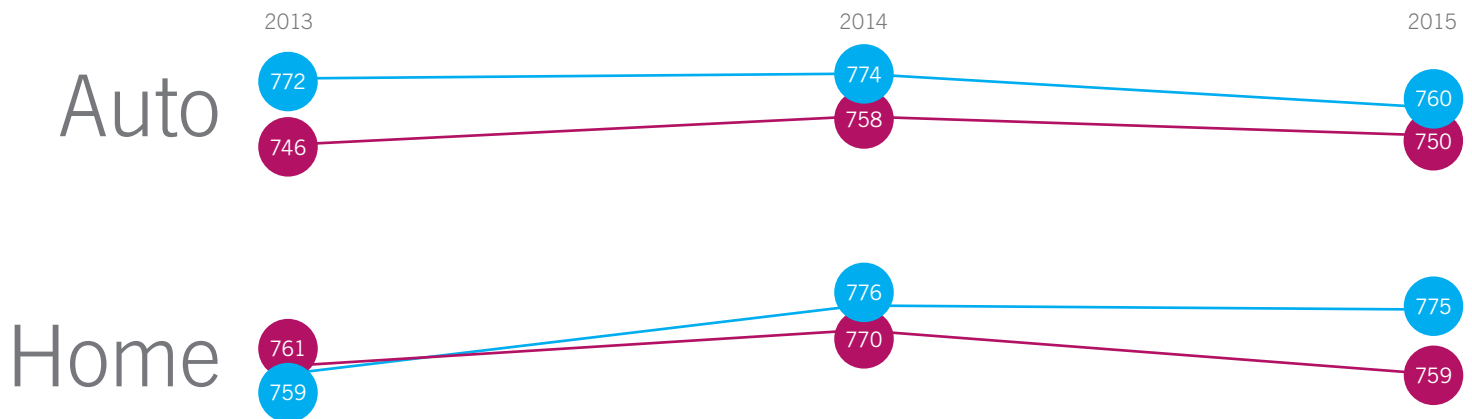
Co-operators General placed first in both Alberta and the Atlantic region in the 2015 J.D. Power Canadian Auto Insurance Satisfaction Study. We ranked second overall in Ontario, ahead of all major competitors. Nationally we ranked sixth, up from 10<sup>th</sup> last year.<sup>2</sup>

In the J.D. Power Canadian Home Insurance Study, we placed first in the Ontario/Atlantic region and fifth nationally, up from 12<sup>th</sup> in 2014. In the Western region, we ranked fifth, an improvement over last year’s seventh-place result. While we do not have a sufficient sample size in Quebec to be ranked in these studies, our customized research of Quebec clients returned excellent results, which were in line with the highest scoring companies in the province.

For the first time, we received a Net Promoter Score® (NPS) from our annual brand study, which surveyed a broad range of Co-operators Auto, Home and Life clients. NPS measures clients’ willingness to recommend us based on their experience. Our NPS score was 24, which is well above our competitors’ average score of -12.

1. The index benchmarked 195 Canadian companies across 15 industries; the survey did not include Life and Health insurers.
2. The design of the survey negatively impacts our national ranking due to our small client base in Quebec.

# Client SATISFACTION scores



• The Co-operators • Industry average

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

The CUMIS 2015 Credit Union Loyalty Survey returned a number of notable results, including a Client Experience Index score of 86%. A total of 85% of respondents agreed that CUMIS understands credit union business needs, as its values align with co-operative principles; and 84% agreed that CUMIS' insurance expertise adds value to their credit union. CUMIS received an NPS of 40 from the same survey, which is down just slightly from previous years but still considered very good for this type of measurement.<sup>3</sup>

## Our Claims Approach

The way we manage claims is an integral element of the overall client experience. We want to do right by our clients and so our claims approach aligns with our values-based approach to business. We review circumstances carefully and fairly, seeking to interpret policies in a way that provides coverage.

The time of an insurance claim is when the value of a client's policy becomes most evident, and the experience most critical. Clients are often concerned, upset or frustrated when they first contact us with a claim because there was a loss of some kind. We take great pride in providing an excellent claims experience, making it as smooth as possible for clients.

One of the ways we can help alleviate the stress of a claim is to resolve it quickly, so clients know where they stand. It works for us too, because we minimize operational expenses and avoid a claims backlog (an issue that affects many of our competitors in the industry).

## Claims Innovation

This year we launched a mobile app to make health, dental and vision claims easier and more efficient. With the [Benefits Now™](#) app, plan members can submit and manage their group benefit claims through a mobile device, saving time and effort.

3. Note that the NPS score from the branding study is not directly comparable to NPS from the Credit Union Loyalty Survey as the products and client groups are significantly different.

We seek to find innovative ways to embed sustainability into all aspects of our operations. Claims provide much opportunity, because repairs (e.g., recovery from a house fire or flood, or a car accident) can have a substantial environmental impact.

We launched a unique initiative with [Habitat for Humanity](#) in 2013. The program facilitates the donation of salvageable materials from residential and commercial property claims to local Habitat ReStores, and the profits support Habitat's community housing programs. This collaboration strongly supports our social sustainability efforts and expands our ability to provide sustainable claims solutions.

Property claims representatives have targets to encourage the continuous improvement of this very promising program and to ensure that donations to the Habitat for Humanity program continue to increase. As we build relationships with local ReStores and contractors, the logistical elements of the program are becoming more streamlined, although the tracking required to capture all donations continues to be a challenge. We donated material valued at more than \$41,000 to Habitat for Humanity this year, diverting approximately 24,000 kilograms of waste from landfills.

Some of the sustainable claims solutions we introduced over the years, such as paintless dent repair, have become part of the standard industry response to claims. That said, finding innovative claims handling processes that are practical, cost-efficient and accepted by clients is an ongoing challenge. We are largely dependent on our vendors for creating and offering new solutions. However, we recognize that to be a catalyst for sustainability, we need to continue encouraging the development of innovative claims processes.

We provide clients with a list of recommended "green" shops for vehicle repairs and "green" contractors for property repairs. Our recommended vendors can make it onto these lists by meeting standards measured by our sustainability questionnaire. For example, they may employ repair

processes that are less damaging to the environment, show a commitment to energy conservation and recycling, or offer paperless communication and billing services.

We have seen a steady increase in the percentage of auto claims clients who choose one of our recommended “green” shops for their vehicle repairs: in 2013 it was 35%, in 2014 we reached 43% and now 48% in 2015. In support of property claims, fully 95% of our preferred contractors are now considered “green” and, in 2015, 94% of total dollars spent with our preferred contractors went to those considered “green.” Clients are free to select any vehicle repair facility or property contractor they wish, which makes the fact that more clients are choosing “green” contractors all the more satisfying.

Increased client awareness and our ability to inform client decisions are key factors in the success of the sustainable claims solutions we offer. We encourage our claims representatives to discuss sustainable repair options with clients. We believe that the more clients know about our commitment to sustainability, the more likely they are to understand our rationale, trust our motivations and select one of our recommended “green” vendors.

#### **Comprehensive Water**

Weather-related water and wind damage accounts for half of all property claims in Canada. Extreme weather has cost Canadians nearly \$10 billion in insurance claims since 1998. The 2013 Alberta flood alone was estimated to cost \$6 billion and only \$1.9 billion of that was covered by insurance. Many Canadians believe they are insured against flooding as a result of overflow from bodies of water such as creeks, rivers or lakes when, in fact, they are not.

The research and team-based approach of our internal Flood Initiative enabled us to launch new homeowner coverage in Alberta this year. Called [Comprehensive Water](#), this new easy-to-understand endorsement is available for purchase on home insurance policies. Comprehensive Water takes the guesswork out of choosing the right coverage and is designed to protect homes against the most common causes of water damage — flooding caused by an overflow from a body of water, sewer/water backup and accumulation of surface water caused by heavy rain. Up until now, coverage was based on where the water came from — which can be difficult to explain at the time of

purchase and also difficult to determine at the time of a claim. This is often confounding to clients who believe “water is water.”

When Comprehensive Water launched in Alberta, it was the first coverage of its kind to reach the Canadian residential property insurance market. What is truly unique about our product is that coverage is available even in the highest risk areas. This means we are offering coverage where it is most needed, and it is an example of our desire to meet an unmet need. Many factors contributed to our decision to launch Comprehensive Water first in Alberta. This included the need to research each province individually so that we fully understand the risks and to ensure we are implementing the correct product at the correct price, based on each client’s particular need. We are committed to making the endorsement available across the country, to all home product types and across our group of companies.<sup>4</sup> Expansion plans will be announced in 2016.

Comprehensive Water was designed to be universally accessible, yet priced appropriately to the risk. This means the cost of the coverage varies widely, and can be quite high in the highest risk areas; even so, we are committed to offering protection for these risks. The endorsement has built-in flexibility to allow clients to manage their costs with a choice of coverage limits and deductibles. There is also an opportunity for clients to manage premiums by implementing loss prevention devices, such as a backwater valve, to make their properties more resilient to water damage. We stand behind our innovative and industry-leading approach to the issue of overland flood insurance, which employed a much-needed scientific and analytic framework to allow us to offer broad coverage to everyone, even in high-risk areas.

Through a combination of advisory services and online tools, we are enhancing Canadian homeowners’ understanding of their exposure to water-related risks. Advisors are able to have in-depth conversations with clients to help them gain a better understanding of their specific risks and to provide them with the knowledge they need to make an informed decision about their home insurance coverage. See [page 16](#) for an advisor’s experience with Comprehensive Water in Alberta.

When we launched Comprehensive Water, we also created a website that offers information about water damage

4. Broadened coverage for other home product types may include residential, seasonal, tenant, condo, and farm dwellings. Comprehensive Water is currently available only to Co-operators General clients.

# Comprehensive Water, the first residential property insurance of its kind in Canada, launched in Alberta this year, offering coverage even in the highest risk areas.

## Products that **ENABLE** sustainability

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

# 26,800

vehicles

en-route Auto Program™

2014: 10,505 2013: n/a

# 5,208

Community Guard®

2014: 4,575 2013: 4,347

# 11,321

Enviroguard®

2014: 11,807\* 2013: 12,140

# 9,180

Socially responsible/sustainable  
investment contracts

2014: 8,270 2013: 729

# 427

clients

Co-op Guard™

2014: 22 2013: n/a

# 2,196

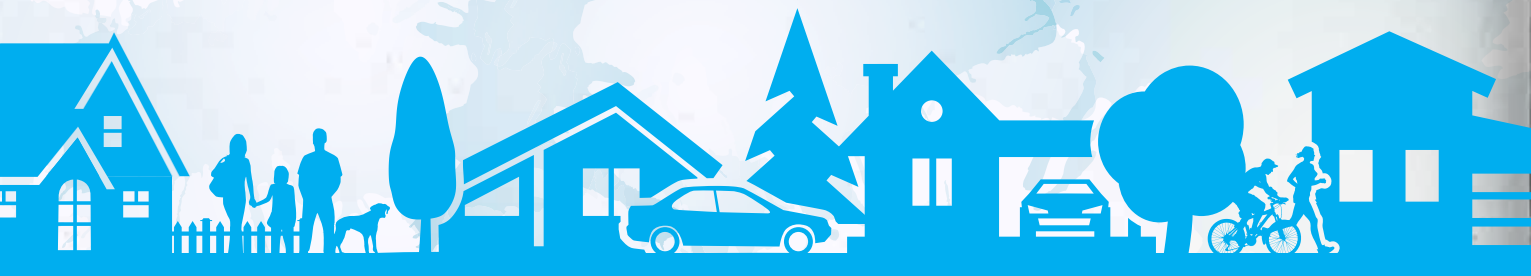
Hybrid/electric vehicle discount

2014: 1,823 2013: 1,567

## New in 2015

Comprehensive Water endorsement

# 31,627



# 208

Envirowise® LEED home discount

2014: 152 2013: 173

# 10

Car-share program

2014: 7 2013: 7

# 1

Windsurance

2014: 2 2013: 1

# 1,074

Prestige Plus  
(High Value Home) coverage

2014: 416 2013: n/a

# 605

Power Generation Business  
Interruption coverage

2014: 449\* 2013: 111

# 22,919

Fire sprinkler discount

2014: 18,362 2013: 12,621



prevention and a personalized risk assessment tool. The tool gauges users' water risk based on geographic location and other risk factors: it is available at [water.cooperators.ca](http://water.cooperators.ca). To date, our efforts to promote understanding and take-up of this industry-leading coverage have been successful, thanks to a thorough communications program and strong support through our advisor network.

#### Development of Comprehensive Water

By putting the client at the centre of our decision making and solution delivery, we introduced a new product development process for Comprehensive Water, which utilized guiding principles that prioritized simplicity, clarity, comprehensiveness, choice and certainty (e.g., clients are confident that they are covered).

When we provide clients with absolute clarity with regard to their insurance decisions and provide them with choice, we are empowering them to build their resiliency. We are also satisfying our mission to enhance Canadians' financial security, by offering them truly comprehensive coverage. Moving forward, we will determine how these principles can be applied to future product development. This approach will lead to greater satisfaction with the purchasing and claims experiences, and it will build trust.

#### Making Products more Sustainable

We aim to make it easier for clients to integrate sustainable choices into their lives. By offering clients products with built-in sustainability features, we expect to increase the awareness and demand for products that are more sustainable and increase our overall impact.

In 2014 and 2015, we started embedding sustainability features into our core products, and we are beginning to see results. One example is the [en-route Auto Program™](#), which is currently available in Ontario. Clients who enrol in this optional program install a "telematics" device under their dash, which then tracks and transmits data about driving behaviour and vehicle use, such as mileage, travel time, location, harsh braking and acceleration. Clients are able to access this information, in addition to environmental data, via a secure, online portal. A 5% discount is available upon enrolment and a further user-based variable discount of up to 25% is available upon renewal.

The en-route Auto Program™ raises awareness of driving habits and encourages safer driving. We anticipate that less aggressive driving will result in a lower accident rate, leading to fewer injuries and saving lives. Fewer accidents also translates into less waste going to landfills as part of the repair process. Adoption of the en-route Auto Program™ has grown steadily since its spring 2014 launch, with a total of 26,800 vehicles enrolled in en-route at the end of 2015. The success of this program shows how embedding sustainable elements into a core product, such as our standard Auto insurance offer, can have a broad impact. We plan to expand the program to other provinces, but we have encountered some challenges, including regulatory approvals.

[Prestige Plus](#) is another example of a product that embeds sustainability features. Offering enhanced property coverage for higher-value homes, Prestige Plus also includes Enviroguard® protection. This endorsement gives clients the option to replace damaged property with more eco-friendly and sustainable products.

#### Giving Clients a Voice

[The Service Review Panel](#), a forum for clients to challenge claims decisions, is comprised of client volunteers who meet to resolve client concerns. Disputes such as fault assignment, claims and claim settlement amounts may be put before the Service Review Panel. The panel carefully reviews submitted cases, working collaboratively to determine the fairest outcome. By giving clients the final say in the dispute resolution process, the Service Review Panel promotes transparency and fairness. After 25 years in operation, our Service Review Panel is still the only one of its kind in Canada, which is a reflection of our co-operative difference.

#### Helping Clients Manage Risk

In addition to developing sustainability-focused products, we are also collaborating to offer solutions to help clients manage their risks. For example, we partnered with AppColony to sponsor a new smartphone app called [OneTap](#), which combats the growing issue of distracted driving. The only app of its kind in Canada, OneTap can manage incoming calls, texts and alerts, allowing drivers to concentrate on the road. OneTap was downloaded more than 16,000 times in 2015 and has blocked over

## DECISIONS by Service Review Panels

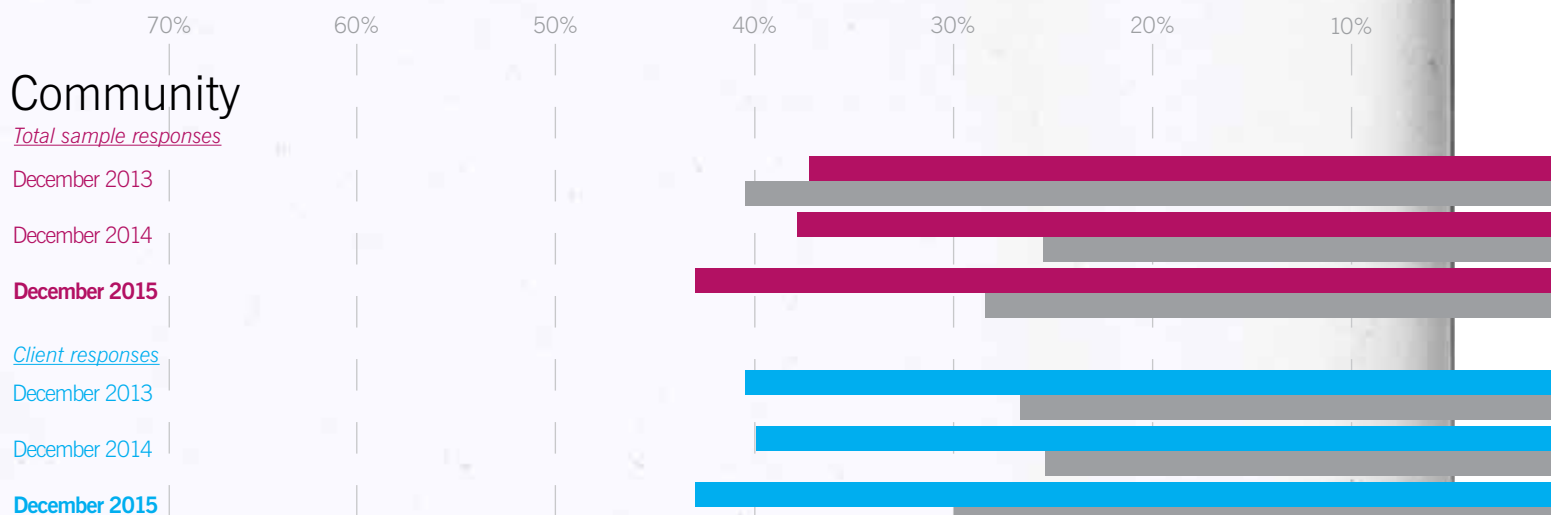
■ Agreed with The Co-operators ■ Reached a compromise ■ Agreed with client



# MEASURING HOW WE ARE PERCEIVED

## Community Power Scores

■ The Co-operators ■ Competitive average



## Trust

Total sample responses

December 2013

December 2014

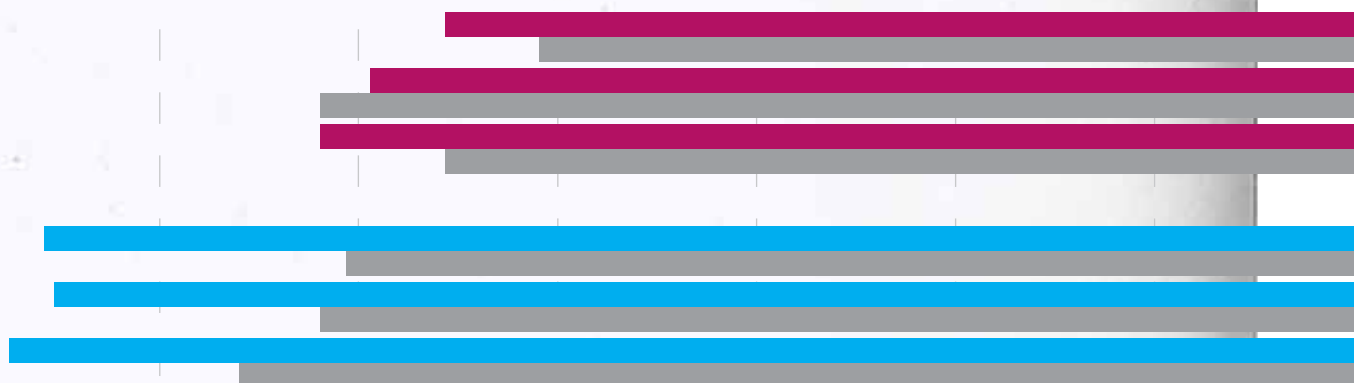
**December 2015**

Client responses

December 2013

December 2014

**December 2015**



## Sustainability

Total sample responses

December 2013

December 2014

**December 2015**

Client responses

December 2013

December 2014

**December 2015**



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

## MEMBER, CO-OPERATIVE AND CREDIT UNION BUSINESS

	2013	2014	2015
Members who choose to do business with us	100%	100%	100%
Members who are multi-product clients	97.6%	100%	100%
Member business premium (\$ millions)	\$448	\$477	\$487
Total co-op business volume (\$ millions)	\$473	\$512	\$681*

\*Includes 100% of CUMIS business with credit unions, compared to 72.99% in prior years.

164,000 distractions, leading to more than 13 million minutes of distraction-free driving. OneTap was rolled into our Drive out Distraction initiative late in 2015; see [page 41](#) for more information.

We believe we have a responsibility to ensure that clients fully understand their policies. The [Client Review Program](#) encourages advisors to meet with clients on a regular basis to address any gaps in coverage that may exist and to answer any questions. More and more clients are benefiting from this value-added service; for example, advisors completed 88,385 client reviews in 2013, 136,348 in 2014, and 148,702 in 2015.

In our client research this year, we learned that short, timely and relevant notices make a much bigger impact than general educational campaigns. We see this in the positive response to our [e-alert](#) program. Sent to subscribing clients, these informative emails prepare clients for impending weather events such as snowstorms, tornados or floods. We distributed 549,752 e-alerts in 2015. We also issue numerous topical newsletters. We expect to offer more innovative and timely services through the implementation of our digital strategy, beginning in 2016. This will include new online discovery tools that help clients better manage risk.

### Trust and Reputation

Earning trust with the general public, as well as our clients, supports our brand and builds our reputation. We measure people's perception of our organization through a number of brand attributes, which are grouped as Power Scores ([see page 14](#)). Our goal is to increase the measurable spread between our scores and those of our competitors.

Generally speaking, there has been little movement in our trust and reputation scores over the last three years. The exception is the level of trust with our clients, where the competitive gap has increased (improved) by three points. We are continuing to build awareness and familiarity in the Quebec market. Among our clients in this province, we are most recognized for trust, service and client experience. We are recognized most strongly on sustainability and client service among the broader Canadian public. This coincides with our J.D. Power awards and an active 2015 advertising program in Alberta, Ontario and the Atlantic.

To help us measure, monitor and manage our reputation risk, in 2015 we discontinued the Trust and Reputation Committee in favour of a small sub-group, the Enterprise Reputation Advisors (ERA). The ERA is responsible for understanding what drives our reputation, sharing insights, assessing enterprise reputational risk, and measuring and monitoring our reputation according to established guidelines. The ERA also acts as a peer advisory body within and across the organization.

### Member and Co-op Business

Canadian co-operatives come in many forms and have a multitude of structures, depending on ownership and governance. Our members include Canadian co-operatives, credit union centrals and representative farm organizations. Unlike a consumer co-operative whose members are individuals, our members are businesses or associations. Operating in a wide range of sectors, our member organizations have diverse insurance needs. We employ strategic client managers to build member relationships and focus on their insurance requirements. We continue to pursue our goal to be the insurance and financial services provider of choice for the co-operative sector. We achieved total co-op business volume of \$681 million in 2015, progressing toward our 2018 target of \$800 million.

In 2014, we introduced [Co-op Guard](#)™, a product suite for co-operatives, and we offer [Community Guard](#)® to provide specialized coverage to not-for-profit organizations. We watch for changes in the co-operative and voluntary, not-for-profit sectors so that we maintain the relevancy of these unique products. For example, this year we introduced an enhanced Directors and Officers Liability product as part of Community Guard®. We plan to launch these products, Garde-coop™ and Garde-collectivité™, in the Quebec market in 2016.

Our member organizations can offer insurance discounts and financial services benefits to their members through our Member Benefits Program (MBP). In addition to the existing Home, Auto, Farm, Travel and Group Benefits discounts, this year we were able to offer estate administration services through a collaboration with Concentra Trust, a subsidiary of one of our credit union partners. The MBP grew by 32.8% in 2015, which exceeded our objective for the year.

Pictured at right:  
Mike Crawford, Financial Advisor, The Co-operators



Our members share in our financial success through the Member Loyalty Program (MLP), which aligns with the co-operative principle of member economic participation. Each year, the total MLP payment is dependent on the increase in The Co-operators Group Limited's consolidated retained earnings. We shared \$14.1 million with our members through the MLP for the 2015 fiscal year, compared to \$11.6 million in 2014 and \$3.2 million in 2013. Since the program was introduced in 2002, the MLP has returned \$115.2 million to our members.

We work hard to build relationships with our member organizations. We host education sessions and attend many of our members' AGMs throughout the year. At times, we partner with members to advance common causes. We also meet with representatives from our member organizations regularly to ensure that their current and future insurance needs are being met. The in-person annual review contributes to this relationship-building effort and often reveals new business opportunities.

As explained on [page 24](#), members are encouraged to engage in our governance in a variety of ways. One method is our new member relationship survey, which was distributed in September. We received a response rate of 98% and some very valuable feedback. This consultation generated both a member engagement score of 91% (which compares to the previous score of 88%, from 2013), as well as a new member relationship score, which was 90%. We were pleased to note an upward trend in scores for questions that were sustainability-focused. This survey provides us with an opportunity to better understand our members' needs and offers insight into the ways that we can continue to foster our mutually beneficial relationships.

#### MEMBER RELATIONSHIP SURVEY RESULTS

	2011	2013	2015
Overall engagement score	88%	88%	91%
<b>The Co-operators:</b>			
Uses its resources and expertise to benefit the community and the environment	—	74%	95%
Makes business decisions that are socially and environmentally responsible	—	76%	92%
Consistently demonstrates a deep commitment to the co-operative identity	—	100%	98%
Has a strong reputation as a dedicated community partner	—	—	95%
The Co-operators (including CUMIS) is the company we prefer to deal with	85%	84%	92%

\*Percentages are based on the top two responses, "strongly agree" and "agree."  
The survey was modified in 2015 to be more concise, with some questions from prior years no longer included.

#### Meeting unmet needs

When the water flowed through High River, AB, on June 20, 2013, Co-operators Financial Advisor, Mike Crawford, was quite certain his agency was going to be under water. As fate would have it, the positioning of his office in the middle of a plaza and many strategically placed sandbags kept his unit dry while his neighbours were completely flooded. "It was amazing because it meant that we could begin helping clients as soon as emergency services let us back in," notes Mike.

In the immediate aftermath of the flood, The Co-operators was the only insurance company with emergency claims operations set up in High River. Mike stresses that "residents noticed our approach. Other insurers were declining claims outright over the phone, while our claims people were here, on the ground, doing their best to help." While residential flood insurance didn't exist in Canada at the time, our policy wording was more inclusive, so if we could determine a way to pay a claim within a valid interpretation of the client's policy, claims representatives were authorized to write a cheque on the spot.

Our reputation for fairness paid off when we introduced new flood coverage in Alberta this year. [Comprehensive Water](#) is an endorsement on homeowner policies that offers protection against the most common causes of water damage. "Comprehensive Water is unique and it addresses a real need in terms of property insurance," Mike comments. "With this endorsement, The Co-operators closed the gap by offering flood protection, even in the highest risk areas."

After their experience in 2013, Albertans have a first-hand understanding of the risk of flood, and there has been a great deal of interest in Comprehensive Water from clients and non-clients alike. Advisors played an integral role in the launch. As Mike notes, "we have been very busy meeting with homeowners to explain the product, assess the specific risk, and find ways to manage the premium by modifying the coverage limit and deductible." In addition, homeowners can make changes to their home or property to increase their resilience to flooding. "If you educate yourself and take action to lower your risk, you will save money," states Mike. Major municipal infrastructure projects, such as the new High River berm, will also help to reduce the risks.

With our co-operative principles as our guide, The Co-operators sought to address an unmet need when it created Comprehensive Water. Our experience in Alberta has been rewarding and filled with lessons; we look forward to expanding Comprehensive Water to other provinces in 2016 and beyond.

Learn more about Comprehensive Water on [page 11](#).

# OUR PEOPLE

## LONG-TERM SUSTAINABILITY GOAL

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

The dedication of our employees and advisors helps us to build a competitive, successful organization, and our people are critical to the success of our strategy. They show their passion in many ways, from serving our clients to building a more sustainable business. As a co-operative, community-minded organization, we strive to recruit employees who share our values and aim to create a respectful work environment where employees can find work-life balance while building rewarding careers.

### Employee Engagement

A dedicated, engaged workforce is vital for building a successful co-operative business. Employee engagement is driven by quality leadership, a comprehensive total rewards package, a positive workplace culture, and strong support for performance and development, amongst other factors. We survey employee engagement annually, in partnership with our supplier Aon, and work hard throughout the year to act on the feedback we receive.

The survey was completed by 90% of employees this year. We were pleased to meet our target, with an overall engagement score of 80%.<sup>5</sup> This excellent result built on a score of 78% in 2014 and marked a seven percentage point gain since 2013. Employees identified brand, client focus and corporate social responsibility as strengths, while some of our challenges include enabling work (which reflects the perception of work processes and resources), and rewards and recognition.

Two of our subsidiaries measured their employee engagement scores independently. The Sovereign General's engagement score was 76% (down from 79% in 2014) and Addenda Capital's score was 77% (up from 75% in 2014).

The Co-operators Group Limited earned Platinum-level recognition on the [Aon Best Employers in Canada list](#) (includes The Co-operators Group Limited, Co-operators General, HB Group/COSECO, Co-operators Life and CUMIS). To be recognized on the list, organizations need to show strong results in employee engagement, leadership, performance culture and employment brand. Platinum status, the highest level of recognition, is awarded to the top quartile of participating companies.

Addenda Capital and The Sovereign General joined the upper rankings with their Gold-level recognition as a 2016 [Aon Best Small and Medium Employer](#). Organizations achieving Gold-level recognition have created a strong, positive work environment.

The client focus embedded in our strategy is reflected in our employees' approach toward their work: 90% of employees understand how their role contributes to delivering an exceptional client experience. Support from our employees is essential to our success in reaching our sustainability goals. In the 2015 employee engagement survey results, a total of 84% of employees state that "their personal values are very similar to those of this organization." In addition, 92% believe we are a "socially and environmentally responsible organization," which is well above the Best Employer score of 87%. While we are pleased with these results, both figures dropped slightly compared to 2014 — from 85% and 94%, respectively. Survey results also showed that 70% of employees agreed or strongly agreed with the following statement: "I am a champion of sustainability with my colleagues, family, friends, and businesses, organizations and others in the community (includes social, environmental and economic sustainability)." This score represents a three percentage point increase over the 2014 result of 67%. We continue to communicate with employees to raise awareness of our efforts to live our values with respect to sustainability.

Our sustainability orientation e-learning course tells the story of our sustainability journey, explains key areas of our strategy, and shows examples of our employees making a difference through their jobs and in their communities. The intent of this program is to increase the

5. The Co-operators Group Limited, Co-operators General, HB Group, Co-operators Life and CUMIS are reporting a consolidated score this year versus individual company scores.

# The Co-operators Group Limited earned Platinum-level recognition on the Aon Best Employers list.

understanding of, and engagement with, our sustainability vision to become a catalyst for sustainability. We hope this training positively impacts our engagement scores in future years.

New employees are required to take the course as part of their orientation activities, and it is also available to existing employees, and advisors and their teams. A total of 2,184 people have accessed the course to-date.

Our new hire survey asks if working for an employer that is socially responsible and sustainable is important to them. When first hired, 77% said “yes” to this question. After six months working with us, seeing our co-operative values in action and learning about our commitment to sustainability, 98% agreed.<sup>6</sup> This question helps to quantify our ability to recruit employees who share our values, and it shows the effectiveness of our employee orientation programs in articulating our co-operative, sustainability-focused culture.

## A Living Wage Employer

The living wage is based on the cost of living in a specific community, reflecting what people need to earn to meet basic living expenses, support their children’s healthy development, and fully participate in work, family life and community activities.

A living wage is set independently by each participating community and is calculated based on the [National Living Wage Framework](#).

This year we became a Certified Living Wage Employer in Guelph, ON. We joined the program at the Leader level, and we are committed to reaching a higher level of certification as we work to engage external stakeholders in the movement, including our vendors. At the time of the announcement, we found that six full-time or part-time permanent employees across Canada (in participating “living wage communities”) did not earn at least the living wage. Their compensation was adjusted. We are committed to paying at least the living wage in all Canadian communities where the standard has been established.

Being a living wage employer supports our Co-operative Identity strategic area of focus by advocating for solutions to Canadians’ unmet needs and promoting social and economic sustainability. Higher wages benefit businesses by increasing consumer purchasing power, reducing costly employee turnover, raising productivity and improving product quality, customer satisfaction and company reputation. As a large and successful co-operative business, we will advocate for the living wage across Canada.

6. Consolidated results for The Co-operators Group Limited, Co-operators General, HB Group, Co-operators Life and CUMIS.

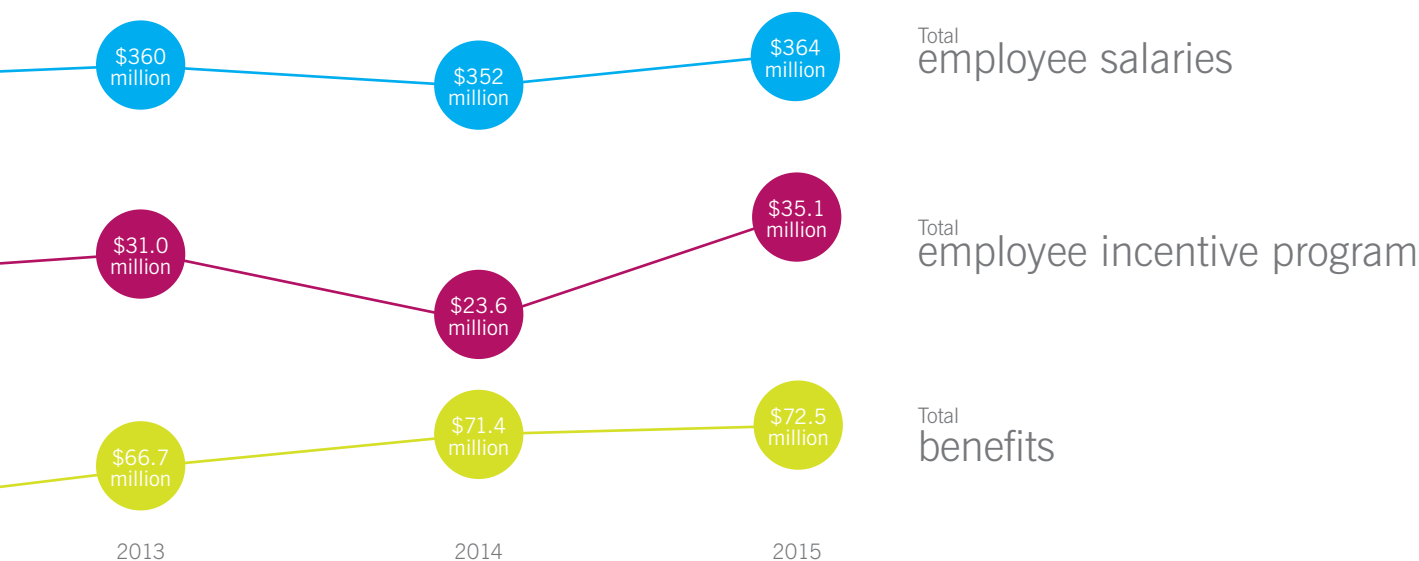




# EMPLOYEE

## wages, incentives and benefits

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



### Taking Ownership

Given our strategic focus on embedding sustainability, it is more important than ever to ensure that we engage employees in contributing to our sustainability vision. Doing so will help to build ownership and accountability at all levels of the organization — not only at the leadership level.

We were pleased that numerous departments from across the group of companies proactively requested support to guide their engagement, awareness and business plans in 2015. This year we developed and delivered workshops to help employees find ways to align their work with the strategic imperatives that support the ongoing evolution of our sustainability.

### Performance and Compensation

Our performance review program, ACHIEVE, helps people managers plan, measure and recognize their employees' performance. Employees take an active role in personalizing their own performance plan. Our internal recognition program, BRAVO, rewards our top employees for exceptional performance with an invitation to an off-site conference. Sustainability is embedded into the award criteria by rewarding actions that showcase our co-operative and sustainability values. Both ACHIEVE and BRAVO were refreshed in 2015 to ensure close alignment with our new four-year strategy.

To foster a culture of appreciation, we offer the BETTER Recognition Hub, an easy-to-use, online program for recognizing colleagues. With just a few clicks, employees can send a co-worker an "eThanks" for demonstrating recognition-worthy behaviours. More than 28,000 eThanks were sent across the organization in 2015.<sup>7</sup>

7. A total of 82,712 eThanks have been sent since the program's launch in October 2012.

In 2015, we collaborated in a case study about the role of accountants in climate change adaptation, using our Flood Initiative to demonstrate our team-based approach. The case study highlighted how we can use a well-established business function, such as accounting, to help us make progress toward our sustainability goals. The complete report by the Chartered Professional Accountants of Canada is available on the organization's [website](#).

## PROFESSIONAL designations

Chartered  
Insurance  
Professional  
**892**  
graduates

Fellow  
Chartered  
Insurance  
Professional  
**149**  
graduates

Master of  
Management,  
Co-operatives  
and Credit Unions  
**14**  
graduates

In support of the 2015–2018 strategy, all executives (vice presidents, senior VPs, executive VPs) and relevant employees are required to include at least one environmental, economic or social bonusable goal related to our co-operative identity in their annual plans. A recent audit found opportunity to create more rigorous goals that meet our criteria for specificity, measurability and ambitiousness. We developed a guide to help executives formulate more robust goals that are relevant to their area of the business. Linking sustainability goals to compensation supports the embedment of sustainability throughout the organization.

We believe it is important for employees to understand that compensation goes beyond a simple calculation of annual salary. We provide all employees with a Total Rewards statement that summarizes our comprehensive rewards package: this includes a competitive benefits plan, development and career opportunities, performance and recognition, and programming and policies that promote a healthy work-life balance. We review our Total Rewards program regularly.

In support of our culture of transparency and trust, we calculated our CEO/average employee pay ratio for the first time this year. The ratio of total CEO compensation compared to that of the average employee was 18:1 (based on 2015 fiscal year data, including company pension, group and government benefits).

### Education and Training

We offer support for employee development as a benefit to employees. In addition to contributing to employee engagement, building an informed and up-to-date workforce helps us remain competitive in an ever-changing environment. Employees enrol in a wide variety of education and training programs that support their daily work requirements and their longer-term career aspirations. This year we invested \$966 per employee on external education programs, which exceeds the Conference Board of Canada's average of \$800. We also have internal learning and development teams, which offer a wide selection of courses. Finally, we promote the training offered by the Insurance Institute of Canada by paying all course fees and offering some courses on-site. We are one of the Institute's largest subscribers, with more than 1,850 registrations annually.<sup>8</sup>

To promote the co-operative business model and strengthen our internal capacity to manage the unique aspects of operating a co-operative business, we invest in and promote co-operative education. We are an active supporter of the Saint Mary's University [Master of Management, Co-operatives and Credit Unions program](#), with seven employees currently working towards the degree or the affiliated diploma option. A total of 14 employees and advisors have graduated from the program since its inception in 2003.

Internally, we offer the Co-operative Experience e-learning program. It teaches employees about the fundamentals of the co-operative model, how our co-operative governance structure works, and what we do to promote co-operative development. See the profile story on [page 31](#) to learn more about the innovative ways we promote our co-operative identity.

### Planning for the Future

We offer a number of leadership programs — from BUILD, which focuses on emerging leaders, to LEAD, which is directed at experienced people leaders. These programs focus on professional development and create opportunities for building mentor relationships.

Our succession planning strategy is focused on providing potential future leaders with opportunities to diversify their experience: this may mean a special assignment or a completely new role. We are focused on developing leadership throughout the organization to ensure we have the capacity to fill key roles and promote from within, wherever possible.

We believe that a stable, consistent workforce supports strong client service, productivity and workforce morale. As such, we aim to keep our voluntary turnover rate at least 2% below the Conference Board of Canada's industry benchmark of 7.5%. Our voluntary turnover rate was 3.6% this year, a substantial improvement over 2014 ([see table on page 21](#)). Our retention rate was 94% in 2015, which was also an improvement over the previous year. Our continued success in this area is reflected in the fact that we have many employees who have built decades-long careers with us. Employees' milestone anniversaries are celebrated through service recognition programs, certificates and informal events.

8. A three-year average.

## VOLUNTARY TURNOVER AND RETENTION RATES

	2013	2014	2015
Conference Board of Canada Industry Benchmark – Retention Rate	88%	89%	<b>89%</b>
The Co-operators Retention Rate	93%	93%	<b>94%</b>
Conference Board of Canada Industry Benchmark – Voluntary Turnover	7.3%	7.0%	<b>7.5%</b>
The Co-operators Voluntary Turnover	4.6%	4.4%	<b>3.6%</b>

We would not be able to advance the three areas of our strategy, in particular the Co-operative Identity, without employees who support our direction. Our hiring choices reflect this priority.

In the 2015 employee engagement survey, 11% of employees self-identified as a visible minority and 1% indicated aboriginal roots. A total of 89% of these employees agreed with the statement “our people practices create a positive work environment for me.” This is an increase over the previous year’s score of 82%, but is still below the all-employee score of 95%. The Best Employers score was 91%. We value diversity in our workplace, however, we do not have a formal diversity strategy in place. We provide equal opportunity when recruiting new employees and we hire the best person for the role, regardless of age, gender, race or religion.

We have been working to build our business in Quebec in support of our mission to provide financial security for Canadians and their communities. We communicate in English or French with our advisors, clients, employees and members, but we recognize that we need to offer a more consistent bilingual experience. This year we launched the Bilingual Organization Initiative to ensure we live up to our commitment to provide quality service and communications to our stakeholders in both English and French.

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

We abide by an equitable employment practice policy, a religious accommodation policy and a workplace accommodation policy. As part of our commitment

to providing an accessible environment in which all individuals have equal access to our services and programs, in a way that respects the dignity and independence of persons with disabilities, mandatory accessibility training is in place across the organization (it is required in Ontario by provincial regulations).

### Health and Wellness

We strongly support health and wellness programs for employees. Wellness themes for the year included: nutrition and fitness, mental and emotional health, and simplicity. We offer fitness facilities and classes in some of our offices and, in other locations, discounted rates at local facilities may be available. In addition, we offer health and wellness programming, which includes seminars and wellness challenges, nutritional resources and newsletters. We have held wellness fairs and on-site flu shot clinics in the past, as well. A number of locations have walking work stations and options for on-site massage therapy. Employees have ergonomic work stations, and consultants are made available to meet with staff on-site to help address ergonomic concerns.

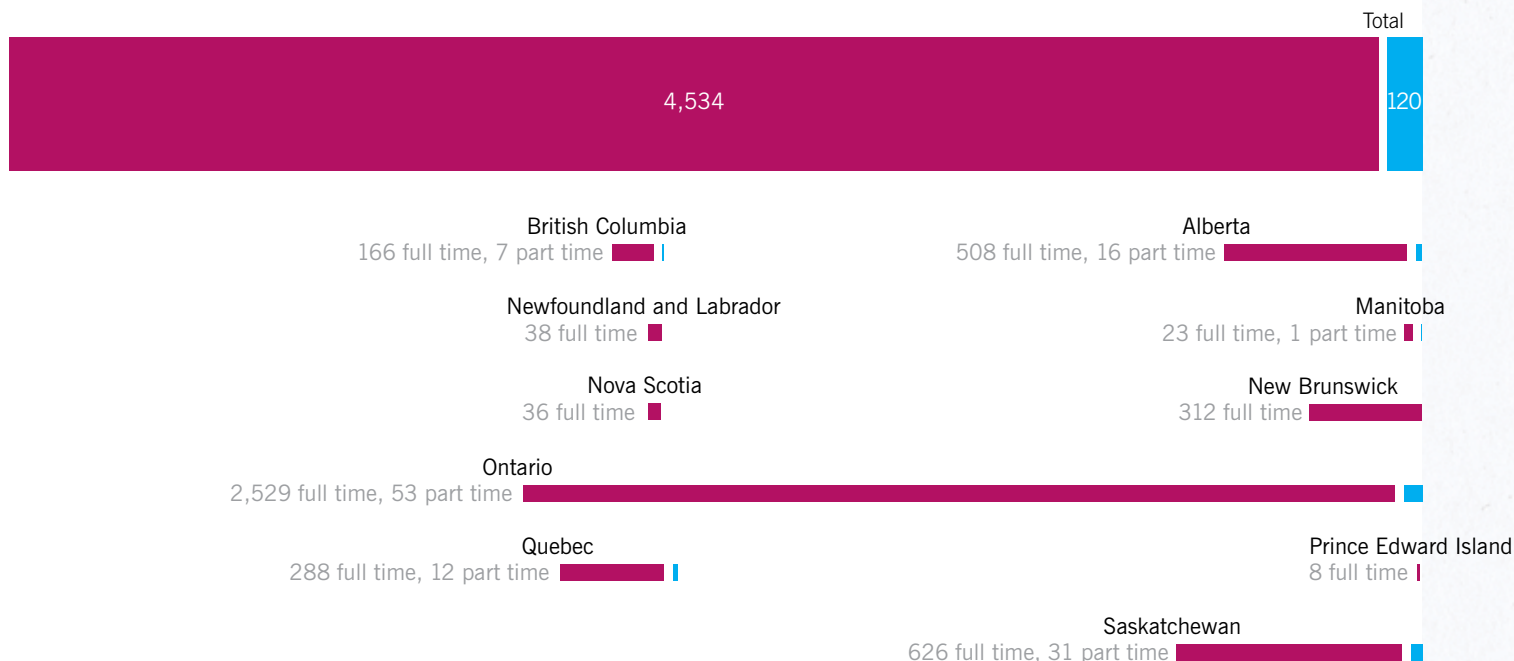
We believe that employees who enjoy work-life balance are more satisfied and bring their best efforts to the organization. Most employees have flex-time options to make their job fit with personal obligations. Some employees are able to work from home on an occasional basis. Formal telework programs are in place at some of our companies and they continue to build momentum. In 2015, 23% of Co-operators Life employees were in some type of telework arrangement. We are seeing some work-life balance benefits related to this program, and it is facilitating our office space consolidation efforts ([see page 28](#) to learn more).

Our employee assistance program offers 24-hour advice and support for a diverse range of issues ranging from physical and mental health to stress management and family, relationship, financial and legal needs. Our average number of sick days per

# WORKFORCE<sup>\*</sup>

## by province<sup>\*\*</sup>

■ Full time ■ Part time



*\*With an average age of 43, our workforce is comprised of 66% women and 34% men. Two out of our nine executives are women.*

*\*\*Includes employees from Premier Managers Holdings Corporation and The Edge Benefits Inc., which we acquired in 2015. Premier also has 14 full time and 1 part time employees in California and 5 full time and 1 part time employees in Washington.*

employee was 6.8 days in 2015 — a slight increase from 6.2 days in 2014. This compares closely to the Conference Board of Canada's average of 6.5 days.

### Volunteer Opportunities

Many employees volunteer to support community causes on their own time. In addition, employees are able to use two paid days per year to volunteer in their communities. In 2015, 1,845 employees across the group of companies contributed a total of 17,441 voluntary hours, a significant increase from 13,044 hours the previous year. This represents a participation rate of 41%,<sup>9</sup> which compares favourably to the 2014 participation rate of 32%. Employees started a number of new [Volunteers in Action](#) groups at Co-operators Life and CUMIS in 2015, which helped to increase the volunteer day participation rates to 44% at Co-operators Life and 39% at CUMIS. More detail on the Volunteers in Action program can be found on [page 42](#).

As part of our 2015 employee international volunteering program, two employees went to a co-operative in the Philippines to work on a membership retention program and to develop rating tools. Another pair of employees travelled to Tanzania to work on strategic planning,

and marketing and communications. These once-in-a-lifetime opportunities offered employees both personal and professional growth in a co-operative context. We directed \$6,000 per employee to the program organizer, the [Canadian Co-operative Association](#), to cover expenses including travel, lodging, vaccinations and other essentials.

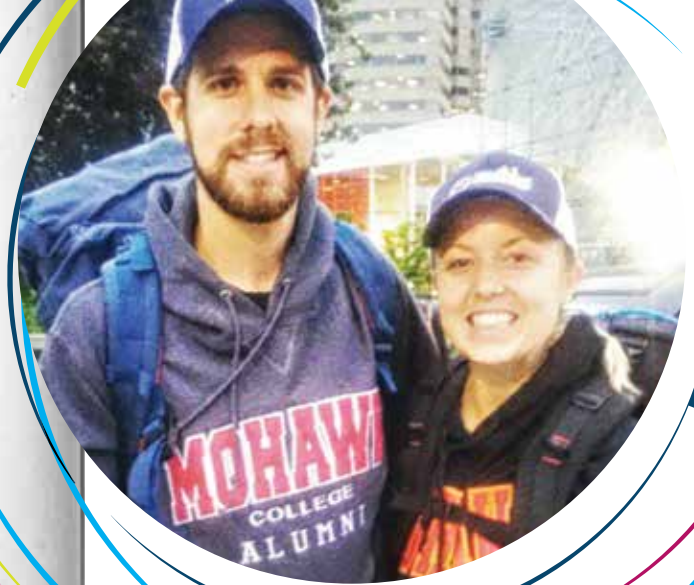
### Mental Health

A lack of understanding can limit the support available to people dealing with mental illness, compared to those affected by more easily understood conditions, like a physical ailment. The Canadian statistics are startling:

- > 6.7 million people live with a mental health issue.
- > 175,000 workers are absent each day due to mental health issues.
- > Almost one in three people seek care but their needs are unmet; this rate is even higher for youth.
- > Healthcare costs and lost productivity amount to approximately \$51 billion annually.

We believe we need to enhance our understanding of the issues surrounding mental health. As a group of companies, we have decided to make mental health a key focus of our social sustainability efforts. As a life and health insurer, we are in a strong position to have an impact among our employees; we can also raise awareness among our credit union and group benefits clients, who themselves are employers.

9. "Participation" is defined as using at least one of the two volunteer days.



In 2015, our efforts were dedicated to learning about the scope of the issue, formulating our plans, and building collaborative relationships with groups that can provide guidance and leadership on this complex issue. We will formalize a strategy in 2016.

While a fulsome strategy is still under development, we have made progress internally. For example, to align with our corporate strategy, the [Community Economic Development Funds](#) now focus on marginalized youth, as well as people with mental health issues ([see page 38](#)). Further, we are learning how to be a best employer with regard to mental health issues. For example, some of our people leaders received mental health first aid training in 2015 and additional training is planned for the coming year. In 2015, we partnered with the Canadian Mental Health Association to sponsor its national [Ride Don't Hide](#) community bike rides and [Kids Help Phone](#) to launch [BroTalk™](#) ([see page 41](#)). Hiking for Happiness (at right) tells the story of one employee's personal journey to support mental health.

#### Advisors: Client Connection

One of the key ways we connect directly with Canadians is through our financial advisors, who make substantial contributions to the social fabric of their communities. We developed two new voluntary sustainability programs for advisors in 2015, for launch in January 2016. Both programs were designed to help advisors demonstrate their commitment to sustainability and showcase their leadership in the community. In addition, they will help advisors directly contribute to our strategic goals.

The Advisor Community Fund will supplement advisors' donations to community organizations, thereby increasing their community impact. The Advisor Carbon Neutrality Program will enable them to choose renewable energy for their office through a partnership with Bullfrog Power, a leading Canadian renewable energy provider. In addition, we will make a carbon offset purchase on their behalf, enabling participating offices to be carbon neutral.

Both these new programs complement our existing Sustainable Agency Program, which recognizes advisors' sustainability activities. The program emphasises that there are many paths to social, environmental and economic sustainability, while facilitating advisors' efforts to contribute to both their communities and their businesses. A total of 79% of advisor offices have achieved accreditation in the Sustainable Agency Program. While we have not yet met our goal of 100% participation, we are seeing continued success: 462 advisor offices achieved Silver-level accreditation in 2015; 31 of these moved on to also reach Gold in the same year.

We distributed an Advisor Engagement Survey in 2015. A total of 56% of advisors agreed with the statement, "There are adequate tools and resources to implement sustainable practices in your office and community (for environmental, health or social well-being)." We anticipate higher scores in coming years, as a result of the two new programs outlined above.

### Hiking for Happiness

Jeff Bielby, a Senior Claims Adjuster at CUMIS, and his fiancée, Amanda, are a motivated pair. The couple wanted to challenge themselves and raise money for a good cause at the same time. After some deliberation, they decided that a 400 kilometre, 10-day walk from Toronto to Ottawa fit the bill. "We chose to raise funds for mental health," Jeff notes. "It's an issue that has affected our family and friends, so it's close to our hearts."

Plans for "Hiking for Happiness" were already underway when The Co-operators announced its intention to make mental health a key focus of its social sustainability efforts. "Knowing that my employer recognizes the importance of mental health means a lot to me," Jeff says, "and the connection to my workplace allowed me to share this journey with friends, family and colleagues."

And, it was quite a journey. "We were a little surprised at the beating our feet took, walking 40 kilometres a day!" he exclaims. "We followed the beautiful TransCanada Trail and enjoyed blogging about our adventures along the way. What made the trip for us, though, was the people."

"One day it was a lot hotter than we expected, and we ran out of water while walking in a quiet, rural area. Worried about dehydration, we approached a house off the side of the road. Thankfully, the residents were very gracious and they gave us more than enough water, food and good conversation. Another time at a coffee shop, some people were curious about our big packs and, when they found out we were walking to raise money for mental health, they handed over \$20 bills," Jeff recalls. "The issue of mental health really resonates — it affects so many people."

Hiking for Happiness helped promote the importance of exercise for a healthy body and mind, and it offered a good reminder that walking is indeed a transportation alternative — even if the local library or corner store is a more likely destination for most. Jeff and Amanda's trek raised more than \$4,000 for the [Canadian Mental Health Association](#), more than double their fundraising goal.



# OUR GOVERNANCE & OPERATIONS

## LONG-TERM SUSTAINABILITY GOAL

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.

## GOVERNANCE

Strong guidance from our Board of Directors and senior leaders, as well as support from our members and staff, has enabled The Co-operators to become a recognized leader in sustainability.

### Co-operative Structure

Our co-operative governance structure encourages dialogue, participation, democratic decision-making and reasonable return on capital. We are governed by our 43 member organizations, which include Canadian co-operatives, credit union centrals and representative farm organizations across the country. We welcomed one new member in 2015, L'Alliance des caisses populaires de l'Ontario.

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

In addition to these responsibilities, directors provide leadership by serving on board committees,<sup>10</sup> including: Audit, Corporate Governance & Conduct Review, Member & Co-operative Relations, Resolutions, and Risk & Compensation. There is also a Sustainability & Citizenship Committee, which oversees our progress toward our long-term sustainability goals.

The Board of Directors and management teams jointly develop our strategic plans and priorities. Management develops operational plans and the board monitors our progress towards our goals. The Chairperson of the Board, and our directors, are independent from the management and operation of the business, and there is no link between board compensation and the company's financial, social or environmental performance.

### Democratic Participation

In keeping with [co-operative values and principles](#), each member organization has an equal opportunity to participate and vote at our Annual General Meeting and any other special meetings of the companies, as they arise. In addition, our bi-annual Region Committee meetings, which include two delegates<sup>11</sup> from each member organization, provide members with the opportunity to participate in the governance process. In 2015 we changed the region meeting cycle and refreshed their focus to provide greater engagement, education and opportunities for strategic discussions. Democratic member participation is fostered through various other channels as well, including:

- > the company's resolutions process
- > the Member Relationship Survey and other ad-hoc consultations
- > delegate education sessions
- > a secure member website

Fifteen director positions are nominated from among our member organizations; seven director positions are designated seats for the credit union centrals. Member delegates vote on behalf of their member organization to elect the Board of Directors. The organization supports the

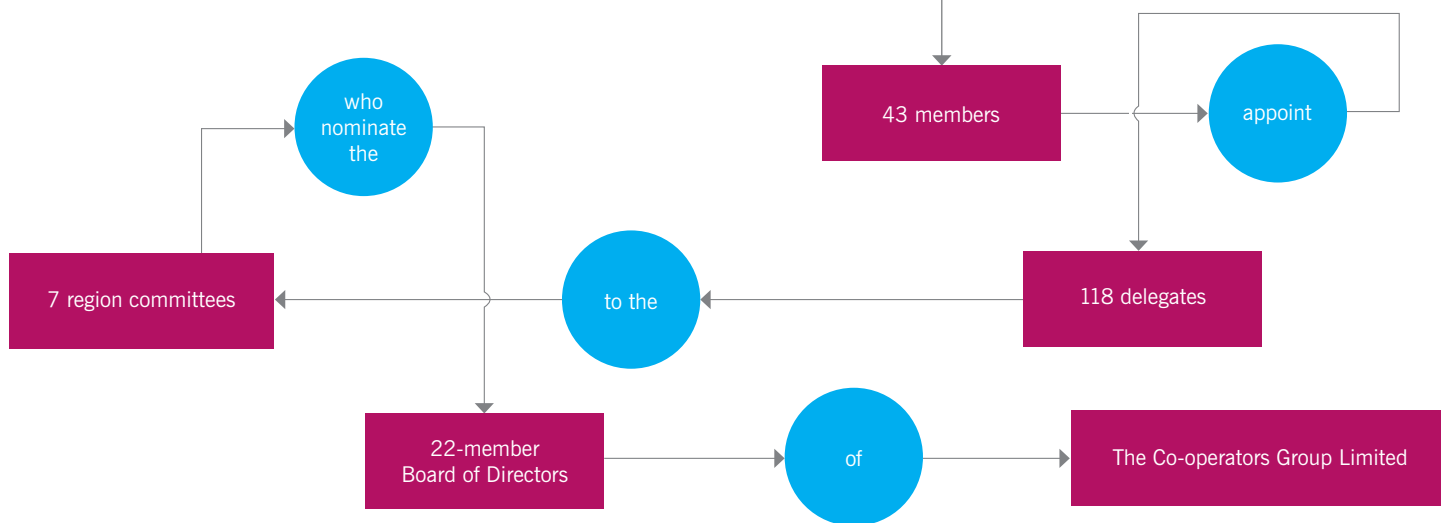
10. For a complete listing of committee mandates and membership, refer to the appendices available at [www.cooperators.ca/sustainability\\_report](http://www.cooperators.ca/sustainability_report).

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



# The Co-operators Group Limited

## DEMOCRATIC STRUCTURE



nomination and election process with a tool called the Director Skills Matrix. Designed to ensure a healthy balance of skills, expertise and perspectives within the Board of Directors, this tool communicates our needs and expectations for member consideration.

As noted above, our members have direct control of the composition of our Board of Directors. This feature of our co-operative can present certain challenges when we are expected to comply with rules and regulations designed around investor-owned business and governance models. We are required to meet the disclosure requirements set out by the Ontario Securities Commission (OSC), which require greater transparency and disclosure with regard to gender diversity. In a recent submission to the OSC, we noted that currently 18% of our board is made up of women. We also highlighted the fact that women play a strong leadership role across the group of companies: our CEO is a woman and, on average, 25% of our executives, 50% of our managers and 80% of our supervisors are women.

In addition to greater focus on board gender diversity, there is some indication from regulators that greater attention should be paid to the sum total of skills and experience offered by the directors that comprise a board.

While we must meet regulatory requirements, our values also compel us to seek out diverse and knowledgeable leadership. As such, board gender diversity and director skills were areas of focus for us in 2015. We consulted with delegates to learn how they address gender diversity at their member organizations, and about their approaches to addressing director skill requirements. The results of this consultation, in addition to many other resources and research, informed specific goals developed by the board.

We are committed to having a Board of Directors that is reflective of the Canadian demographic and communities we serve and, as such, we have set the following goals:

- > achieve at least 1/3 women directors by 2020; and
- > achieve a 50/50 balance of men and women in the longer-term.

### Facilitating Effective Governance

We review board performance regularly. We do this to ensure we build effective, strategic leadership for our co-operative organization. Anonymous assessments support the board's desire to be a high performing governance body by measuring each director's success in meeting her or his responsibilities. The four governance evaluations are: a review of the board's performance as a group, a chairperson assessment, individual performance peer-reviews, and a board committee effectiveness evaluation.

To increase our transparency and accountability to our member organizations, we also issue a Governance Report annually. This comprehensive document discloses our governance policies and practices to our members.

### Director Development

We were short-listed as a finalist in the 2015 Canadian Society of Corporate Secretaries' Excellence in Governance Awards, in the "Best Approach to Board and Committee Support" category. Our submission highlighted our approach to director training and development, specifically our Director Development Program (DDP).

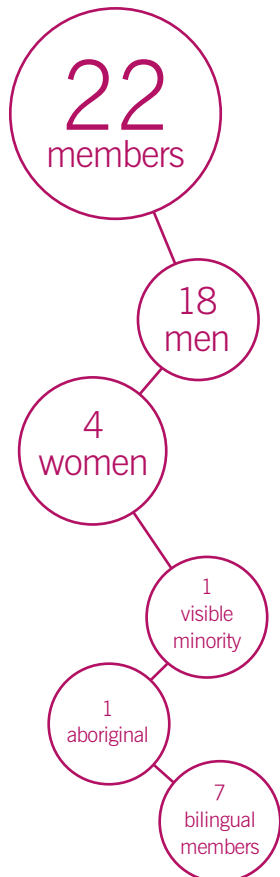
The DDP is a customized, competency-based curriculum built for our Board of Directors, by the board. The DDP is a reflection of our strong support for education to ensure that directors attain a common level of knowledge about our business and insurance more broadly.

We delivered three DDP modules in 2015: risk governance; the board's role in providing oversight to the CEO; and audit, compliance and regulatory frameworks.

In addition to the sessions available as part of the DDP, we offer numerous other educational opportunities including at least one sustainability-related topic per year. In 2015, we held sessions on topics including impact investing, managing in a low interest rate environment, the living wage, carbon pricing, IT governance, the Flood Initiative and the Mental Health Initiative.

New directors benefit from two orientation sessions to support them in their new role. In addition, each director

## Our BOARD by the numbers



is encouraged to pursue individual training and development (\$18,000 per director, per three-year term, is available for this purpose). This year, 19 directors attended the [ICMIF](#) Biennial Conference<sup>12</sup> where they discussed global issues affecting the insurance industry, networked with international co-operative leaders, and learned about the latest market intelligence. All 22 directors participated in some form of education in 2015; in total, directors engaged in the equivalent of 155.5 days of training and development activities.

### Member Delegate Education

Our member delegates represent a wide variety of sectors and industries. We focus on delegate education as a means to inform our members about the Canadian insurance industry and our business, more specifically. When member delegates gather at our annual and Region Committee meetings, we use the face-to-face opportunity to hold sessions on a variety of relevant topics. To supplement the topics addressed at the in-person meetings, we leverage technology to engage with our delegates year-round. In 2015, via webinar, we held a new delegate orientation session, as well as sessions on sustainable and impact investing, cyber liability risks, and an introduction to our new member website. All delegate education sessions are held in English and French. They are accessible online as real-time webinars, which are also recorded and posted to our member website for future reference.

### Guiding our Sustainability Journey

The board Sustainability & Citizenship Committee provides the organization with leadership on our sustainability journey. The committee held six meetings in 2015 and hosted the annual joint board-management meeting, which included the Chairperson of the Board and the President and CEO. This meeting provided an opportunity to review the early successes and challenges of embedding sustainability into our strategy. We also considered the big-picture question of how we can become a stronger catalyst for a sustainable society.

The Sustainability & Citizenship Committee is responsible for updating the full Board of Directors about our progress toward our sustainability objectives. The board receives additional information and context through the President and CEO's reports and an annual presentation from the Senior Director of Sustainability & Citizenship.

### Compliant Business Practices

Our [Conflict of Interest](#) and Code of Conduct policies outline our expectations for the board and executives to meet high standards with regard to professional ethics and the avoidance of conflicts of interest.

Board members are expected to abide by a code of conduct and applicable policies. Directors must also complete an annual declaration. As a term and condition for employment, employees, advisors and agency employees must first agree with our Code of Ethics and Code of Conduct statement. They must also renew their agreement annually. This document informs new employees, and reminds existing employees, of corporate policies related to issues such as harassment, violence in the workplace, health and safety, information security and privacy. It also addresses our internal fraud policy, which is intended to provide direction and assistance to employees who discover suspected cases of impropriety.

If employees or advisors are concerned about potentially unethical behaviour, we encourage them to first approach their supervisor or a human resources representative. As an alternative, they may utilize ConfidenceLine, an anonymous, secure, "ethics reporting/whistleblowing hotline." ConfidenceLine is available at all times, in English and French. All reports are fully investigated: a total of 21 reports were received and investigated in 2015.

As an employer, financial services company and insurer, we are subject to a wide variety of legislative and regulatory requirements. We have compliance officers in place at Co-operators General, Co-operators Life and Addenda Capital to ensure that our business activities comply with these regulations. The Chief Compliance Officer oversees each company's compliance programs and policies, and acts as a liaison with the board on compliance matters. No significant compliance issues were escalated to the Corporate Governance and Conduct Review Committee in 2015. Directors benefit from an educational compliance presentation at each committee meeting.

Our employees' and clients' privacy is a high priority. Each of our companies has a designated privacy officer who is responsible for developing and overseeing our organizational privacy policies and practices, as well as for responding to all privacy-related requests, inquiries, and complaints. There were 13 privacy-related issues addressed by the privacy officer in 2015. There were no substantiated complaints from regulatory or other official bodies regarding breaches of customer privacy or loss of client data. Should a privacy breach occur, we have an established process in place to guide our response.

We operate an Ombuds Office which clients can access after all other operational attempts to resolve their complaints or concerns have been exhausted (via our standard client services procedures). The Board of Directors and provincial regulators are made aware of any complaints brought to the Ombuds Office: there were 163 reportable complaints in 2015.

Our advisors, broker partners and Licensed Insurance Representatives are required to operate in accordance with government regulations related to licensing, continuing education and market conduct. Our internal compliance processes ensure adherence to these rules. All marketing materials and electronic communications pass through our internal controls; there were no material instances of non-compliance reported in 2015.

12. The International Cooperative and Mutual Insurance Federation Biennial Conference was held in Minneapolis, MN. We hosted our board meeting at the same location to support director and senior leader attendance at both events.

# REPORTING of concerns

2013

2014

2015

Reports to  
ConfidenceLine investigated

Privacy concerns  
investigated

Complaints escalated  
to the Ombuds office

7

14

21

3

15

13

179

167

163

## Enterprise Risk Management

Our core business involves taking on risk, therefore, we must be experts at identifying, managing and finding opportunity in calculated risks. Our Enterprise Risk Management (ERM) department supports the organization and helps us make better risk-based decisions. ERM develops risk appetite statements, establishes risk management policies, identifies key risks, implements appropriate risk reporting and ensures program compliance. The board Risk & Compensation Committee oversees the group-wide ERM program.

The practice of risk management influences decisions across the organization in areas such as capital allocation, reinsurance and acquisitions. In addition, the ERM team played a key role in the development of our 2015–2018 strategy.

Our top risk issues include client preferences and behaviours, climate change, investment, technology and human resources adequacy. Reputation underpins all risk categories, therefore it is considered in the management of all risks. In addition, our emerging risk program helps us to identify risks that may affect us in the longer-term, for example the impact “driverless” vehicles may have on the auto insurance industry.

We conducted a range of stress testing in 2015. One test involved a recessionary scenario, and assumed further deterioration of the global economic environment, beyond the record-low interest rates and global market volatility we have seen in recent years. This scenario also assumed extended delays in economic recovery resulting in further consolidation within the insurance industry. Results from this test indicated that Co-operators Life's earnings would be vulnerable in a period of recession. However, based on outcomes of this particular test, a number of actions were identified that would enable us to continue to operate within the limits of our risk appetite under this scenario.

We also conducted a “reverse” stress test that explored the impact of multiple storm-related events that were severe, but each still below the level of our reinsurance coverage (meaning we would be responsible for the cost of all claims). An exercise such as this can help us identify if such adversity would put us outside the limits of our risk appetite. The results of this particular test indicated that, from a capital and reinsurance perspective, we are well-positioned to withstand even extremely adverse levels of storm frequency.

The Own Risk and Solvency Assessment (ORSA) is a tool to enhance our understanding of the relationship between our risk profile and capital needs, and it is used in our annual planning process to set internal capital targets. The ORSA is required annually for each of the federally regulated insurers in the group of companies. While a relatively new requirement, we have found that the report provides an excellent summary for a broad range of internal audiences, and we are finding new ways to leverage this information. We plan to expand the use of our ORSA capital model across the group of companies.

Each of the companies in the group has a business continuity plan in place to guide the recovery of operations in the event of a major incident. The accountability for business continuity resides with the chief operating officers and aligns with industry best practices; these are reviewed annually. We have also developed a new enterprise-wide catastrophe response strategy that brings together a cross-company incident management team to provide consistency related to policy interpretation, coverage decisions and communication in the event of a major catastrophe.

## Enterprise Project Portfolio Office

We established an Enterprise Project Portfolio Office (EPPO) in 2015 to ensure we prioritize our time, people and capital resources to support our four-year strategic plan across the entire organization, rather than within individual companies. This more focused approach helps us direct our efforts and our budgets in order to make progress on our strategic goals. It also gives management greater transparency into our project investments and prioritization process. The previous process for allocating resources used a model in which financial imperatives were often prioritized. The EPPO model incorporates our Co-operative Identity strategic area of focus, including sustainability, into our decision-making framework. This more balanced approach helps to put all three of our strategic focus areas on a level playing field so that resource allocation decisions are made in a broader strategic context and not limited to financial benefit or client experience.

A total of 109 large-scale initiatives were selected to proceed in 2016 and 76 were evaluated through the new EPPO framework. Of those, 28 projects indicated an alignment with Co-operative Identity and Sustainability.

## OPERATIONS

### Carbon Goals and Inventory

Our net carbon emissions in 2015 were 55% below our 2010 emission levels. Changes to provincial electricity emission factors (for instance, the positive impact associated with the phasing out of coal in Ontario) lowered our total emissions. Internal reductions were realized through space consolidation initiatives, a smaller and more efficient fleet, and reductions in vehicle business travel. We further lowered our net emissions through the purchase of renewable energy certificates from Bullfrog Power for select corporate offices, as part of a three-year agreement that started in 2014. We continue to be one of Bullfrog's largest corporate clients.

By 2018, our target is to reduce net carbon emissions by 75% below the 2010 base year. By this time, we will be well on our way to our long-term goal of becoming net carbon zero by 2020.

### Business Travel

We continue to seek reduced carbon emissions from our leased vehicle fleet by reducing its overall size. We are also introducing more hybrid vehicles, increasing the number from eight to 24 this year.

Natural Resources Canada recently introduced a requirement for vehicle manufacturers to begin using a more comprehensive testing procedure to determine fuel consumption ratings of light-duty vehicles. The new testing procedures result in higher fuel consumption ratings (typically a 10 to 20% increase) as they are more representative of a vehicle's true on-road fuel consumption. With our minimum fuel efficiency standard for all fleet vehicles remaining at 10 litres per 100 kilometres, this means that a small number of fleet vehicles will no longer meet our criteria and a more fuel efficient alternative must be selected.

In 2015 we slightly reduced the amount of business air travel, after noting an increase last year. The amount of business travel in employee vehicles was also reduced, from 4.3 million kilometres in 2014 to 4.0 million kilometres in 2015.

HB Group is a "Smart Commute Gold Workplace," as part of its ongoing partnership with the [Smart Commute Program](#).<sup>13</sup> The goal of the program is to reduce the use of single occupancy vehicles for travel to and from work, and increase the amount of commuting by foot or bicycle. HB Group also showed leadership in its response to the Pan Am and Parapan Am Games, which were held in and around the Greater Toronto Area in the summer of 2015. As requested by the event planners, HB Group managers made it easier for employees to work from home, encouraged the use of transportation alternatives, informed clients and employees of the potential impact to commute times, and asked suppliers to deliver during off-peak hours.

### Sustainable Buildings

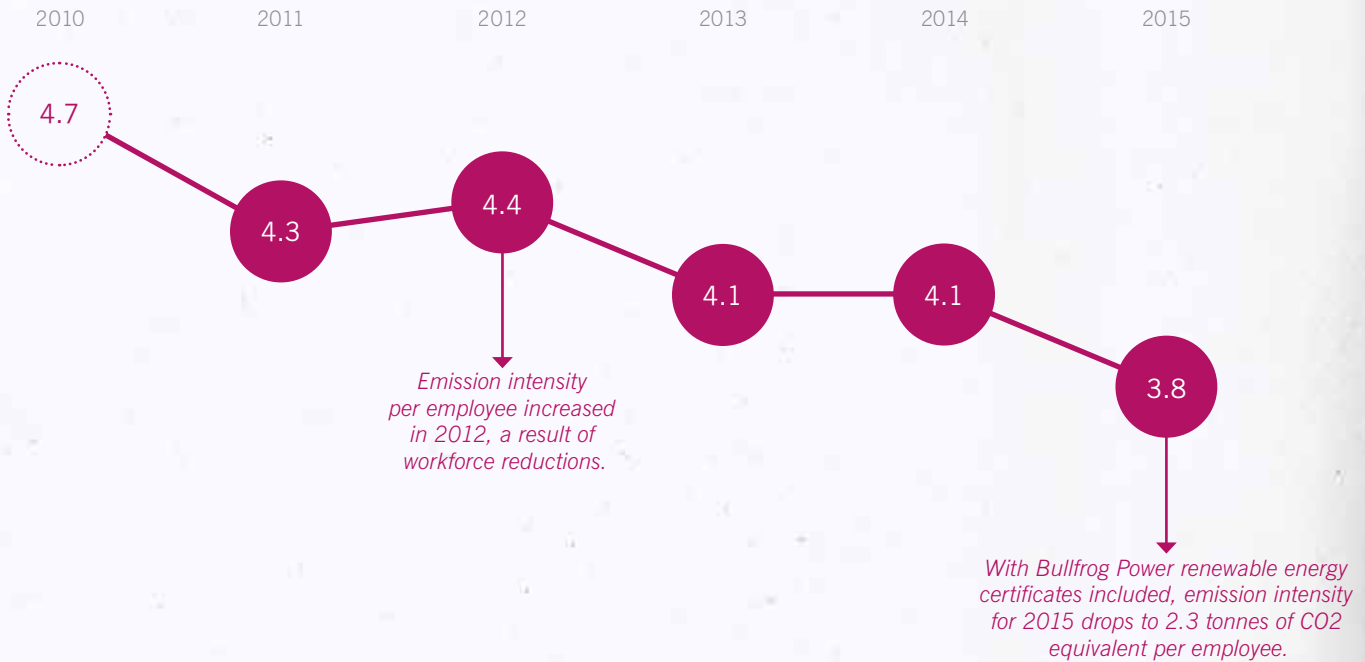
We can reduce our environmental impact by improving the management of our facilities. In 2015, we renovated approximately 43,200 square feet of office space, making eco-friendly decisions and improvements wherever possible. We are also finding ways to increase density within existing office space. For example, our Guelph head office added 40 workspaces, saving \$240,000 per year, as well as the environmental impact that would have resulted from renting new space. The Co-operators Life building in Regina was also renovated in 2015 to increase density, adding 17 workspaces, five offices and a small meeting space. The renovations incorporate features that improve natural light and ventilation to create a more productive and healthy environment for staff. The financial impact of this space consolidation effort yielded annual savings of nearly \$600,000. A similar approach was taken in Moncton — increasing density by 42 workspaces and saving annual costs of \$190,000.

The Sovereign General is employing an innovative tactic to get more use out of its office space in Calgary. Employees who travel regularly or work from a number of different locations are using a "hotelling" approach to book workspace, rather than leaving a permanently assigned desk empty much of the time.

13. Smart Commute Mississauga is a transportation management association that works with large employers to develop customized transportation solutions for their employees that have a positive measurable impact on the environment.

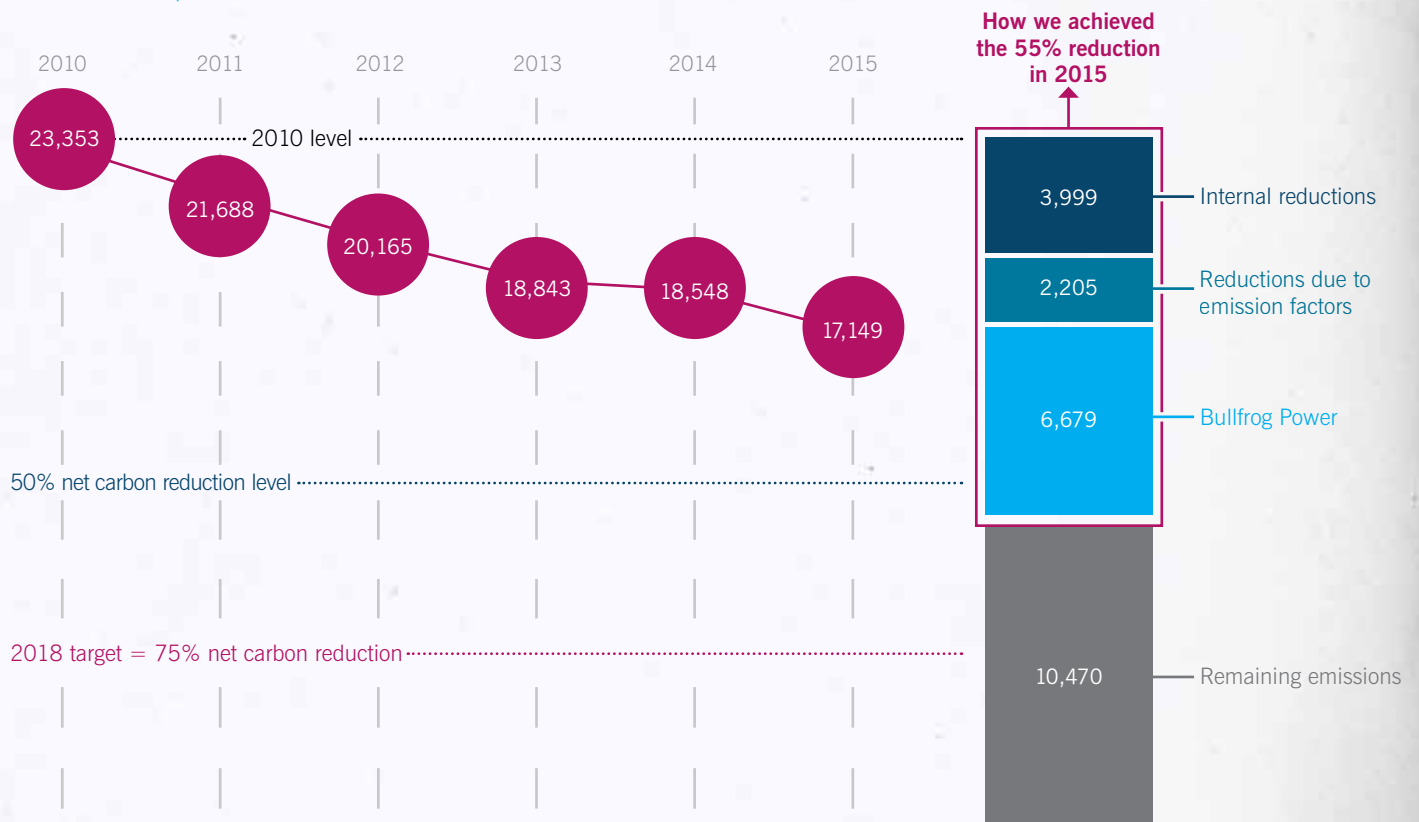
# Carbon emission INTENSITY

Emission Intensity (tonnes of CO2 equivalent per employee)



## CARBON emissions

(tonnes of CO2 equivalent)



Includes corporate office locations representing 83% of total floor space. Variations in historical emissions data result primarily from updates to emission factors. For additional details regarding our carbon inventory, refer to the appendices available at [www.cooperators.ca/sustainability\\_report](http://www.cooperators.ca/sustainability_report).



## PAPER VOLUMES

	2010	2011	2012	2013	2014	2015
Total paper consumed (copy sheet equivalents – millions)	97.6	88.4	89.5	68.9	67.1	<b>70.0</b>
Total weight consumed (million lbs)	0.98	0.88	0.90	0.69	0.67	<b>0.70</b>
Total paper containing a minimum of 30% recycled content	70%	76%	73%	62%	62%	<b>66%</b>
FSC-certified paper	N/A	71%*	90%	81%	82%	<b>86%</b>

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

### Reducing Paper Use

Paper plays a key role in our operations. Employees are encouraged to print as little as possible, and print double-sided when possible. All office paper is securely recycled. We are currently investigating opportunities to source 100% recycled paper for internal printing needs.

We noted an increase of 4.4% in total paper volumes in 2015. We introduced our new policy fulfillment system in 2015, from which we anticipate a reduction in paper use in coming years. All policy documents distributed by the new system are printed on 100% recycled paper that is chlorine-free, FSC-certified and produced with renewable biogas energy. Previously, the majority of policies were printed on paper with 30% recycled content, so this is a welcome, positive change. When measured by weight, the recycled content of our paper supply increased from 31% to 51% in 2015, compared to the prior year.

### Reduce, Reuse, Recycle

The Sovereign General office in Calgary launched an employee-led “Zero Waste to Landfill” program in 2012. The program achieved a diversion rate of approximately 53% in 2015, which compares to 50% in 2014. Noting that diversion rates seem to have plateaued, employees are investigating ways to reinvigorate efforts through education, promotion and support from vendors and suppliers.

Recycling programs are in place at most major office locations across Canada. We continue to actively educate and raise awareness about our waste reduction options. The recycling program in Guelph was re-launched this year to improve participation rates. We also engaged our cleaning company to report on areas of the building where low recycling rates are evident.

Co-operators General employees organized the donation of more than 2,300 pounds of furniture after the Moncton renovation. All remaining furniture was donated to local charities in partnership with Green Standards, an office

supply redistribution company. Another 16,529 pounds of furniture was diverted from landfill in Guelph, via donations to local charities and schools. Co-operators Life held a large, public sale to ensure that old furniture was repurposed; unsold furniture was donated to a local community organization.

The CUMIS office in Burlington ensured that 1,000 pounds of e-waste was properly recycled and co-ordinated the sale or donation of used furniture and equipment. Addenda Capital introduced an e-waste station for employees in its Toronto office this year.

We started working with a new supplier for battery recycling in late 2014. Call2Recycle offers a national program with the benefit of free shipping. In 2015, 23 locations signed up for the free program and we recycled 260 pounds of batteries. We plan to promote the program more heavily in 2016, and we will encourage more locations to take part in this valuable initiative.

### Sustainable Purchasing

Using service providers and vendors that share our values can extend our sustainability impact. To improve our vendor selection process, we developed a [sustainable purchasing policy](#)<sup>14</sup> in 2009, a guideline, and a supplier code of conduct for corporate and claims purchasing across the group of companies.

In 2014, we enlarged our sustainable purchasing vendor list to 157 companies in an effort to expand our impact. From the time required to the lack of contacts and regional nature of our many vendor partners across Canada, the reality of connecting with a broadened range of vendors posed significant challenges. As a result, we decided to alter our approach once again and streamline our sustainable purchasing vendor list. To do this, we changed the definition of our “strategic” vendors to those with which we spend at least \$500,000 annually or those that are deemed to be environmentally sensitive.

14. To review the policy, refer to the appendices available at [www.cooperators.ca/sustainability\\_report](http://www.cooperators.ca/sustainability_report).



*Pictured at right:  
Matthew White, Human Resources Generalist and  
Troy Kolish, Claims Communication Specialist*



With the changes noted above, at the end of 2015 our revised strategic vendor listing was as follows:

- > 49 strategic vendors
- > 25 (51%) of our strategic vendors have signed our Sustainable Purchasing Code of Conduct or provided a comparable code of their own
- > 24 (49%) of our strategic vendors met the target level (scoring at least 2 out of 3) on our sustainability questionnaire.

The biggest challenge in getting vendors to sign our Code of Conduct relates to connecting with the appropriate individuals and obtaining responses. Our focus in 2016 will be to ensure we have a response from all of our identified strategic vendors. Then, we aim to connect with those that received low scores on our sustainability questionnaire and offer suggestions for improvement.

In 2013, we surveyed our reinsurers so we could gain an understanding of their environmental, social and governance practices. We have not reissued the survey, however, all new potential reinsurers are asked to complete it. To date we have received responses from approximately 50% of the reinsurers in our program.

Sustainability is an important factor when choosing where to place our reinsurance business. Over time, we hope to increase the proportion of our business placed with those who share similar values.

### Technology and Sustainability

It is inspiring to see employees within the organization actively seek to contribute to our strategic imperatives, showing that sustainability is becoming more embedded over time. For example, following the development of its first Green IT Report in 2014, the IT Enterprise department formed an IT Sustainability Committee this year. The committee aims to raise awareness of sustainability issues within the IT department. The group is gathering innovative ideas for future improvement and plans to build a standardized set of metrics to help measure its impact. Further, the committee will engage with peers to promote a broader definition of sustainability that includes social and economic components, as well as environmental considerations.

IT Enterprise leveraged its knowledge and purchasing power to influence contract negotiations with major vendors in 2015. Since the department is a purchaser of items with high environmental impacts, sustainability was an important consideration in these discussions. The final agreements offer sustainability benefits, better value and improved service offerings for the organization.

In 2015, IT Enterprise reduced data centre space by 1,358 square feet, leading to more efficient cooling and associated power reductions. In collaboration with our Facilities team, a smart metering system was installed at our data centre in Regina, enabling usage statistics to be provided remotely. The department's annual accomplishments were summarized and published internally in the 2015 IT Sustainability Report.

### Our Co-operative Identity at Work

Like most co-operatives, our organization grew from a group of dedicated people working together to serve unmet needs. Our history and our values continue to shape The Co-operators today, as shown in our commitment to bringing the co-operative principles to life by addressing the economic, environmental and social needs of Canadians and their communities.

We support the broader co-operative sector in numerous ways. For example, in 2015 we pledged \$10 million to the [Canadian Co-operative Investment Fund \(CCIF\)](#), which will support the development and expansion of Canadian co-operatives with capital funding ([see page 42](#)). We also offer grants to help new and emerging Canadian co-operatives become self-sustaining businesses through our [Co-operative Development Program](#) ([see page 43](#)). As an active participant in global, national and provincial co-operative associations, we are able to share our co-op-specific knowledge and expertise ([see page 42](#)).

To foster leadership within the co-op sector, we support co-operative education. For example, a total of \$90,000 in funding was provided to the following post-secondary programs in 2015:

- > Saint Mary's University – Co-operative Management Education Co-operative (CMEC)
- > University of Saskatchewan – Centre for the Study of Co-operatives
- > University of Winnipeg – Chair in Co-operative Enterprises
- > University of Sherbrooke – Research and Education Institute for Co-operatives and Mutuals (IRECUS)

Internal education and communication programs engage our employees and advisors in our co-operative difference. In addition, we encourage employees to support co-operatives in a variety of ways that can include membership, volunteering and outreach. Troy Kolish and Matthew White, Co-operators Life employees from Regina, SK, offer a prime example.

With an objective to engage and excite students about the co-op business model, the pair developed and delivered an interactive presentation to a local high school class in 2015. "The co-operative model is rarely mentioned in class curriculums, yet it provides a values-based alternative to profit-driven models," says Matthew. The response to the presentation was very positive, and the reception inspired plans for four more sessions in 2016. Witnessing this kind of passion and dedication from our employees brings us back to our roots and motivates us to continue to find innovative ways to bring the co-operative principles to life.

# OUR INVESTMENTS

## LONG-TERM SUSTAINABILITY GOAL

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

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

With a large amount of assets to invest every year, it is vital that we follow a sustainable approach. Sustainable investing is a philosophy that considers not only the economic aspects of investing but also gives weight to environmental, social and corporate governance (ESG) considerations. We are committed to this approach, as outlined in our Sustainable Investing Policy. In 2015, we invested 97% of The Co-operators assets through this policy (similar to the previous year). Approximately 3% of our investments do not fit under the policy, which is a function of their design (e.g., short-term investments, policy loans and derivative assets).

Addenda is a signatory to the United Nations-sponsored [Principles for Responsible Investment](#) (PRI). As a committed participant, Addenda's investing activities are also guided by an ESG approach, embodied in a sustainable investing policy. Addenda shows leadership in sustainable investing by focussing on three pillars: applying ESG considerations to its investment decisions; stewardship; and advocacy for building sustainable financial markets.

Through a relationship with NEI Investments, Addenda acts as a sub-advisor for the NEI Ethical International Equity Fund. NEI develops and creates the ethical screens for the product and executes stewardship activities, and Addenda determines which companies to include within the fund. Addenda took responsibility for a greater pool of funds this year, which is an indication of its expertise in international equity investing and its growing reputation in sustainable investing.

### Stewardship Activities

Addenda is an active steward of the companies in which it chooses to invest (on behalf of clients, including The Co-operators). For example, in addition to evaluating ESG policies, practices and performance, Addenda's representatives vote<sup>15</sup> at shareholder meetings. Voting is an important tool for investors to affect governance, communicate preferences and signal confidence (or a lack thereof) in a company's management. Addenda's approach to voting is focused on enhancing long-term shareholder value and upholding commitments to sustainability.

### Promoting Sustainable Financial Markets

The third aspect of Addenda's approach to investing is the promotion of sustainable financial markets. Addenda does this by challenging the status quo and asking organizations to take action on issues of importance to a sustainable future. For example, Addenda supported a letter campaign asking 64 international stock exchanges to issue voluntary reporting guidelines that include ESG considerations, thereby supporting the concept of sustainable stock exchanges.

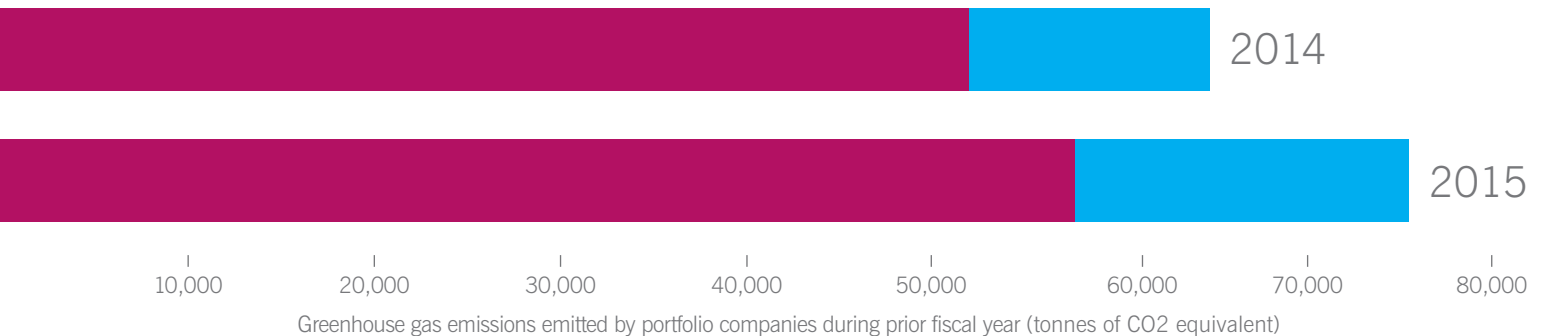
In another instance, Addenda signed a letter directed to Alberta leaders on the development of climate policy. The letter asked the province to strengthen its climate policy and implement an effective and broad-based price on carbon that can stimulate innovation and diversification of the Albertan economy. Addenda also signed a private sector appeal calling for governments to integrate anti-corruption and good governance into the post-2015 United Nations development agenda.

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

# The Co-operators EQUITY PORTFOLIO carbon emissions

For details on how we calculate the carbon footprint for investments, visit [www.cooperators.ca](http://www.cooperators.ca) >> About Us >> Sustainability >> Montreal Carbon Pledge.

■ Scope 1 emissions ■ Scope 2 emissions



Another way in which Addenda promotes sustainable financial markets is by partnering with like-minded investors and stakeholders. During the past year, Addenda was involved in:

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

Collaboration allows Addenda to leverage internal resources, lend credibility and knowledge to advance the work of others, share tools, pool resources, and highlight its commitment to sustainable investing.

## Inquiry into the Design of a Sustainable Financial System

Kathy Bardswick, our President and CEO, was an active Advisory Council member on the [Inquiry into the Design of a Sustainable Financial System](#) in 2015. Our participation in this Inquiry, led by the United Nations Environment Programme (UNEP), provides a unique opportunity to influence contemporary thinking about capital markets and encourage a shift away from the short-term outlook that currently dominates the global economy.

The Inquiry's report, [The Financial System We Need](#), recommends the systemic changes necessary to transition to a financial system that considers economic, environmental and social outcomes. A positive finding noted that a "quiet revolution" is underway, where economic participants are increasingly internalizing sustainable development outcomes into financial decision-making. All components of the global financial system can make

use of the research and recommendations in this report, which includes a toolkit and practical examples of success. The challenge will be gaining not only commitment to the recommendations, but also active participation, by all system participants.

## Montreal Carbon Pledge

Climate change will have a growing impact on financial markets and investment returns across many asset classes, creating risks and opportunities we must manage effectively in the years ahead. As part of our commitment to sustainable investing, we recognize the importance of measuring, and better understanding, carbon footprints and other climate-related risks.

The Co-operators Group Limited became the first Canadian insurance company to sign the [Montreal Carbon Pledge](#) in 2014. Addenda subsequently became a signatory and was the first Canadian asset manager to disclose the carbon footprints of all its equity funds in 2015. Supported by the Principles for Responsible Investment and the United Nations Environment Programme Finance Initiative, signatories to the Pledge commit to measuring and publicly disclosing the carbon footprints of their investment portfolios. More than 100 organizations from around the world have now signed on. Efforts to measure carbon footprints and understand other climate-related risks are consistent with Addenda's commitment to sustainable investing and show that the investment firm understands the economic ramifications of climate change.

As required of signatories, The Co-operators publicly disclosed the carbon footprint of its equity portfolio in late 2015. The carbon emissions in our equity portfolio increased by 16% from 2014 to 2015 due to higher absolute emissions of select companies in which we have invested (please see graph above). We have committed to disclosing information related to our fixed income and preferred share portfolios next year.



By signing the pledge, both Addenda and The Co-operators have committed to measuring and disclosing their investments' carbon footprints every year. Doing so will help us to better understand the investment implications of climate change and support our transition to a low-carbon economy.

### Impact Investing

Impact investing is an approach to investing that seeks to create both financial returns and positive social or environmental impact. It is intentional, and the social or environmental impacts are actively measured and reported to stakeholders. In addition to supporting social, economic and environmental sustainability, impact investing aligns with our values and supports our vision to be a catalyst for a sustainable society.

Over the course of 2015, the Impact Investing Committee developed a new strategy. The committee consists of representatives from the Finance, and Sustainability & Citizenship departments, as well as Addenda. The committee worked with various stakeholders throughout the organization to draft the strategy, including the executive team and relevant board committees. The board approved the Impact Investing Strategy and a related policy that set a target to have 6 to 10% of The Co-operators assets as impact investments by the end of 2018. We have chosen three focus areas for our impact investments that align with our mission, vision and statement of values: 1) climate change; 2) health and wellness; and 3) food, agriculture and natural resources. Other key elements of the policy include:

- > Impact investments will seek a market rate of financial return and avoid undue risk of loss;
- > At least one positive impact will be measured and reported for each investment;
- > Authoritative guidance will be sought for qualifying environmental or social impact;
- > Impact investments will be global in nature, with a preference for Canada.

While the strategy was only approved at the end of this year, we have been investigating impact investing opportunities since 2013. At the end of 2015, we had impact investments with a market value of \$44 million, in addition to many other investments that are creating positive environmental or social impacts but were made before we clarified our specific intentions. Impact investments that were made with intention include those with solar and wind energy companies.

Investments in Ontario green bonds were also made with intention. Green bonds are a tool for funding sustainable projects. Addenda invested in the province of Ontario's first green bond in the fall of 2014 on behalf of The Co-operators and a number of its other clients. Given the success of the initial green bond launch, Ontario plans to issue another green bond in 2016 and more offerings are expected in the future. We are optimistic that Ontario's success will spur similar bond offerings in other provinces, as well as from Canadian corporations. Addenda will continue to evaluate such offerings to determine if they fit the criteria for both positive social and environmental benefits, as well as financial return.

### Promoting Self-Reliance

Work. Dignity. A sense of inclusion. [Megaphone](#) offers all these things and more to its vendors.

*Megaphone* is a magazine sold by homeless and low-income vendors on the streets of Vancouver and Victoria. It offers an opportunity to work, to earn some money in a flexible arrangement that is empathetic with often difficult circumstances. Published monthly, *Megaphone* vendors pay 75 cents for each copy, which sells for \$2. They keep all the profit.

Sean Condon, Executive Director at *Megaphone*, emphasises that it is about much more than money, however: "This job builds their confidence, gives them a purpose." The organization's mission is to provide a voice and an economic opportunity for homeless and low-income people while building grassroots support to end poverty. "Our vendors work the same neighbourhood regularly, and they build relationships with their customers," Sean comments. "They put a human face on issues such as homelessness, poverty, mental illness and addiction, which helps to break down the stigma."

"Sometimes, I'm just in awe of our vendors," Sean notes. "They are struggling with personal issues yet rain or shine, they are working hard to make a sale." That motivates Sean to ensure *Megaphone* is financially sustainable, and a big part of that is seeking external funding.

Funding from [The Co-operators Community Economic Development \(CED\) Funds](#) enabled *Megaphone* to expand its operations in Victoria, when the need arose. "Victoria was going to lose its street paper if we couldn't pick it up," stresses Sean. "The CED funding helped us establish roots in Victoria and integrate our vendor program."

This type of funding is vital to community organizations, filling in gaps in government funding. "We are able to advocate for a cause, and marginalized people are able to help themselves through work," Sean emphasises. "It's a win-win situation."

The Co-operators CED Funds support charities, not-for-profit organizations and co-operatives whose programs create local employment and promote self-reliance for marginalized youth (16 to 34 years old) and people with mental health challenges. More information can be found on [page 38](#).



# OUR PUBLIC VOICE

## LONG-TERM SUSTAINABILITY GOAL

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

Our new strategy offers a definitive path for our advocacy efforts. We are effective public advocates for issues that align with our business and we advocate for solutions for the unmet needs and risks of Canadians and their communities.

As we entered our new strategy period we defined the following advocacy goals:

- > To influence government(s) on climate change adaptation policy.
- > To be a catalyst for greater public education/awareness regarding wildfire prevention and greater government support towards mitigation initiatives.
- > To influence government(s) on safety objectives, with a focus specifically on fire sprinklers and access to cycling in Canadian communities.

In 2016, we will define advocacy goals related to mental health once our strategy has been formalized. See [page 22](#) for more information on this topic.

### Climate Change Advocacy

As a co-operative insurer, we are passionate about our mission to provide financial security to Canadians. We believe Canadians should have the option to purchase flood coverage for their home and, through our Flood Initiative, we committed ourselves to facilitating industry and government dialogue on this important issue. We have supported research at the University of Waterloo since 2013, which resulted in a number of publications that did indeed initiate that much-needed dialogue. In 2014, we gathered a broad range of stakeholders for the Partners for Action Roundtable, where priorities for advancing flood resiliency in Canada were identified.

Following the work with the Partners for Action Roundtable, we sponsored research that was published in a report called "[Preparedness of Fifteen Canadian Cities to Limit Flood Damage](#)." Released in May 2015, this report identified adaptation initiatives that could significantly enhance flood resiliency in various municipalities. The goal was to motivate cities to increase efforts to build resilience against flooding and to provide a benchmark against which their progress can be measured.

In 2015 we partnered with Farm Mutual Reinsurance Plan Inc. to create the [Partners for Action \(P4A\) Network](#) at the University of Waterloo's Faculty of Environment. The network, which seeks to identify opportunities to improve Canada's flood resiliency, will receive a combined \$1.1 million from the two founding partners.

P4A brings together a diverse set of individuals from business, government and non-governmental organizations to:

- > advance the preparedness of Canadians for flooding and create a "call to action" to promote ways to "de-risk" the system;
- > quantify the return on investment with respect to the benefits of adapting to extreme weather events; and
- > work with stakeholders to promote the need for improved flood mapping in Canada.

This partnership is a unique example of how the co-operative and mutual sectors are taking the lead to bring stakeholders together to address an important societal need such as flood resiliency. See the profile on [page 37](#) to learn more about P4A.

While there was no residential insurance solution to protect against the risk of overland flooding in Canada until we launched [Comprehensive Water](#) in Alberta this year, there were (and still are) provincial and federal disaster assistance programs in place. As we approached the introduction of our product to the Alberta market, we met with government officials to understand the potential interaction of private insurance with the Alberta Disaster Recovery Program so we could be sure clients would not be adversely affected.

# HELPING CLIENTS RECOVER

CGIC Consolidated\* and CUMIS General  
major event-related losses (gross) in 2015

\$94.0  
million

2014: \$135.8 million

2013: \$286.9 million

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

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 and work to expand Comprehensive Water into other provinces.

We continue to advocate for proactive action by governments to address aging infrastructure, to invest in solutions to de-risk communities, and to introduce incentives to help homeowners take action to protect their property and their lives. With that in mind, we are pleased to see the significant adaptation efforts underway to improve flood resiliency in high-risk Alberta communities.

Our Flood Initiative vision is to be a catalyst in advancing flood resiliency in Canada — we are proud that our actions have brought this important issue to the forefront and influenced wider implementation of flood product availability.

## Catalyzing Change

Our President and CEO, Kathy Bardswick, sits on a number of international and Canadian working groups that aim to inspire big-picture thinking and tangible, sustainable change.

The [Council for Clean Capitalism](#) is a group of influential CEOs who are dedicated to the promotion of “clean capitalism” in Canada. Inclusive wealth accounting has been a key priority of the Council since its inception in 2012. As such, the participants welcomed Statistics Canada’s efforts to begin integrating natural capital (including a portion of energy, mineral, timber and land resources) into its national macroeconomic accounts in December 2015. With this new approach, Canada is taking an important step in determining how the depletion of resources will affect the productive capacity of our national economy.

A second area of focus for the Council has been green bonds. After a successful \$500 million green bond launch in 2014,

the government of Ontario will be issuing additional green bonds in the future ([see page 34](#) for more information).

[Smart Prosperity](#) is a group of prominent leaders from business, labour, aboriginal, youth and environmental perspectives seeking to create a vision for Canada’s economic role in a changing world. In an open letter, the group challenged Prime Minister Trudeau to put Canada at the forefront of the new, green economy — positioning our country to shape the change we want to see.

Kathy Bardswick sits on the Advisory Council of the [Inquiry into the Design of a Sustainable Financial System](#) ([see page 33](#)). Her presence and perspective is important as she is the only North American insurance and co-operative sector representative, and the only Canadian.

## Principles for Sustainable Insurance (PSI)

We were the first North American insurer to sign on to the United Nations Environment Programme Finance Initiative (UNEP FI) [Principles for Sustainable Insurance](#). As a signatory, we are committed to abiding by these principles in our business activities ([see page 45](#) to learn more about the principles). We are a strong advocate for the PSI among our industry peers and our business partner reinsurers. We plan to host a formal event for insurers and reinsurers in 2016 to encourage additional industry participation in the PSI.

The PSI Global Resiliency Project considers best practices for approaching global stakeholder engagement in support of disaster risk reduction, with the aim of preventing and reducing insurance losses related to natural disasters. Partners for Action, described on [page 37](#), served as one of the Global Resiliency Project case studies, offering insight into multi-stakeholder partnerships that aim to build resilience in the face of catastrophic events.

“The Co-operators is showing leadership by advocating for community resilience against wildfires and supporting Partners in Protection.”

— Kelly Johnston, Executive Director,  
Partners in Protection Association



*Pictured at right:  
Shawna Peddle, Director, Partners for Action*



### Fire Safety

We advocate for safety issues that affect our clients and communities. As an insurer, fire safety is a primary concern. In 2015, we entered into a formal partnership with the [Home Fire Sprinkler Coalition](#) (HFSC) to support their mission of increasing the understanding and usage of residential fire sprinklers. While the HFSC has seen much success in the United States over the past 20 years, they are starting to make inroads in Canada. We are proud to have supported this progress as our fire sprinkler advocacy continues to gain momentum.

In 2015, we joined forces with Partners in Protection (PiP) on the issue of Wildland Urban Interface, in partnership with the [National Fire Protection Association](#) (NFPA) and the [Institute for Catastrophic Loss Reduction](#) (ICLR). This project considers the issues related to urban lifestyles meeting environments prone to wildfire. The group hosted the first ever National Wildfire Community Preparedness Day in Canada in May. A total of 24 communities across Canada participated in local mitigation projects to help reduce the risk of wildfire damage to their homes and neighbourhoods.

### Healthier Living

Our health advocacy efforts focus on cycling, which supports communities in living healthier and more sustainable lives. As part of our partnership with [Share the Road Cycling Coalition](#), we participated in the 2015 Ontario Bike Summit. Two of our financial advisors hosted an information booth, as well as a risk mitigation workshop. We sponsored three cycling advocacy groups, to support their attendance at the summit.

### Mental Health Advocacy

As noted on [page 22](#) of this report, in 2015 we chose mental health as an area of focus for our social sustainability and advocacy efforts. As we seek information about the issue, we are learning about areas of unmet need where we could have an impact. We are determining how we might advocate for mental health issues and engage internal and external stakeholders in a meaningful way. As with our Flood Initiative, we will pursue partnerships and collaborations in our efforts to make progress on this complex issue.

### Co-operative and Insurance Issues

In addition to our core areas of focus, we also advocate for industry and co-operative issues. For example, we have lobbied for many years as members of the joint [Ontario Co-operative Association](#) and [Co-operatives and Mutuals Canada's](#) Government Relations Committee. We were pleased to see progress this year with the successful launch of an All-Party Co-op Caucus, which includes MPPs from Ontario's three main political parties. The caucus' goals include better education about co-operatives, clear messaging on the sector's needs and a collaborative approach across party lines.

### Partners for Action: Advancing flood resiliency

*Water is the new fire*, has become a common phrase within the insurance industry. This idea resonates in comments by Shawna Peddle, Director of [Partners for Action](#) (P4A): "Wherever you live, intense weather events exacerbated by a changing climate, increasing intensification of urban areas and aging infrastructure are putting people and their homes at risk of flood."

It is vital that Canadians better understand what is covered in their home insurance policies: not all water damage is the same. "Anecdotally, we know that most Canadians do not understand their risk of flood," Shawna adds.

An applied research network based in the Faculty of Environment at the University of Waterloo, P4A is working to advance flood resiliency in Canadian communities. P4A's collaborative approach brings together diverse stakeholders to create and share knowledge, address information needs and drive action.

"The leadership shown by The Co-operators catalyzed a national conversation on flood resiliency," notes Shawna. It started with the Partners for Action Roundtable in 2014, which laid the foundation for P4A. The network was created in 2015 with \$1.1 million in combined support committed from its two founding partners, The Co-operators and Farm Mutual Reinsurance Plan Inc.

Work continued in 2015 with the launch of a research report that examined the flood preparedness of 15 major Canadian cities. Research on smaller communities will follow in 2016. P4A is also building a national network that will facilitate knowledge-sharing between like-minded stakeholders working to build flood resiliency.

Shawna has big plans for P4A in the coming years as well, with research to examine the social impacts of flooding and its effects on communities, including the ramifications of people being displaced from their homes and lost time at work, as well as the issue of flooding in First Nations communities. "We can't stop nature," Shawna acknowledges, "but we can be more prepared. P4A is an exciting opportunity to lessen the impact of flooding on our communities."

Read about our new Comprehensive Water coverage on [page 11](#).

# OUR RELATIONSHIPS

## LONG-TERM SUSTAINABILITY GOAL

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

Our vision to be a catalyst for a sustainable society is reflected in our community investment programs, which support people in need and help build community resiliency. When we launched our 2015–2018 strategy, we saw opportunities for further focusing our efforts and being more deliberate in our actions to support people and communities. We have identified challenges associated with marginalized youth and Canadians' mental health as societal issues in need of urgent attention. Whether through external programming or more engaged funding, our increased focus will magnify our impact on the economic, environmental and social needs of Canadians and their communities.

### The Co-operators Foundation

[The Co-operators Foundation](#) is the entity we use to direct financial support to social enterprises, co-operatives, charities and not-for-profits. Funds are distributed through three programs: the [Community Economic Development \(CED\) Funds](#), the [Corporate Giving Program](#) and the [Co-operative Development Program](#) (CDP). More details on CDP can be found on [page 43](#).

### Community Economic Development Funds

Our [Community Economic Development \(CED\) Funds](#) support charities, not-for-profit organizations, co-operatives and social enterprises whose programs lead to job creation and/or enhanced employability for marginalized populations in Canada.

In 2015, the CED Funds board of directors ratified a plan to increase our impact in communities by becoming a more strategic and engaged grant-maker. We will deepen our social impact by narrowing the Funds' focus to specific populations of marginalized youth (16 to 34 years old), as well as people with mental health challenges. This approach will help to address critical unmet needs across Canada.

In addition, we will offer more meaningful, impactful partnerships with the organizations we fund by considering increased grant amounts and seeking more engagement and communication opportunities with recipients. Building on The Co-operators commitment to impact investing, we are developing a plan to invest the Funds' significant capital in a more intentional manner ([see page 34](#) for more information on impact investing).

Every year, The Co-operators makes a capital contribution to the Funds. We have contributed \$11.2 million to the Funds, including a contribution of \$884,994 in 2015. This year, \$461,750 was allocated to 27 community initiatives: full details are available in our [2015 CED Report](#). Over their 20-year history, the Funds have disbursed over \$5.2 million through 292 grants.

### Corporate Giving Program

Corporate Donations: Our Corporate Donations program distributed \$842,622 to national, regional and local organizations across the country this year. Most donations are directed to communities where we have a strong employee and advisor presence.

[United Way](#): This year a total of \$598,900 was directed to United Way chapters across the country, a 2% decrease from 2014. This donation included contributions raised by employees through pledges and fundraising, which totalled \$359,386. Corporately, we directed \$239,514 to local United Way chapters across Canada, of which, \$166,400 was attributable to our corporate giving contribution of \$50 for each permanent employee (from participating companies).

This year, three of our largest locations (Burlington, Guelph and Regina) worked together on the first enterprise-wide United Way campaign. Each of the three locations continued to hold local, employee-led fundraising events, however, they shared some promotion, logistics and administrative work. This included the launch of a new online system (e-pledge) to collect employee donations. E-pledge offered a number

### A hand up

As Canada prepared to welcome Syrian refugees to communities across the country this year, many of our employees were asking how our organization could help. We announced two programs in 2015, to be rolled out in 2016, that will support refugees' employability and help build resilient communities where they settle. First, our CED Funds will offer a special, one-time granting program of \$250,000 to support economic initiatives that prepare Syrian refugees for employability in Canada. Second, our Volunteers In Action chapters will connect with organizations that are co-ordinating volunteer efforts to support the refugees.

## Corporate GIVING in 2015

of benefits including ease-of-use, real-time tracking and elimination of paper pledge forms. We plan to expand the use of e-pledge across the organization in 2016.

### Ideas, Innovation, IMPACT!

One way we can catalyze sustainable change is by sharing knowledge and facilitating a network of passionate people. We do this through a unique initiative, the [IMPACT! Youth Sustainability Leadership Program](#).

By empowering post-secondary students and recent graduates, we are building a committed group of sustainability champions who bring their energy and efforts to communities across Canada.

In early 2015, we entered into a collaboration agreement with The Natural Step Canada to jointly deliver the IMPACT! Program. This four-year partnership will help to support the program's three main components: regional IMPACT! Youth Sustainability Trainings; the 2017 IMPACT! Youth Sustainability Conference; and the IMPACT! Youth Sustainability Fund. The Natural Step has provided us with guidance since we began our sustainability journey. This new agreement strengthens our collaboration and will allow us to more effectively and efficiently catalyze youth sustainability leaders across Canada.

This new partnership paved the way for The Natural Step Canada to receive a \$361,000 grant over two years from the Ontario Trillium Foundation (OTF) to support the IMPACT! Program. This generous contribution from OTF will broaden the reach of the regional IMPACT! Youth Sustainability Leadership Trainings across Ontario. We are seeking additional funders to support expansion in other parts of Canada.

The IMPACT! Youth Sustainability Trainings include workshops held in cities across the country that help youth develop their own individual sustainability initiatives and social enterprises. We held five workshops in 2015,

Total Corporate Donations  
**\$842,622**  
2014: \$885,607\*  
2013: \$854,794\*

United Way Donations  
**\$166,400**  
2014: \$173,450  
2013: \$200,650

Total Corporate Giving Program  
**\$1,009,022**  
2014: \$1,059,057\* 2013: \$1,055,444\*

*\*Includes funds associated with  
The National Co-op Challenge  
(this contest was discontinued in 2015).*

For the past 19 years, we have been a Caring Company, as designated by [Imagine Canada](#). In 2015, we contributed 3.5% of our pre-tax profits — a total of \$5,807,140 — to Canadian co-operatives, not-for-profits and charities.

## Project Growing North

The Co-operators donated \$20,000 to Ryerson University students to contribute to their [Growing North](#) project. Over the summer, the team built a customized greenhouse in Naujaat, NU where the community can grow fresh vegetables, fruits and herbs. The local school integrated greenhouse farming into the curriculum, in preparation for managing the planting and harvesting of fresh produce. The fruits and vegetables will be sold to the local co-op grocery store at a 51% reduction from current prices, which are extremely high and inaccessible to many local residents. We are proud to contribute to youth-led initiatives such as this, which increase resiliency in Canadian communities and support local co-operatives.

with a total of 198 participants, in Guelph, Sudbury, London, Saskatoon and Vancouver. The IMPACT! alumni network now numbers 1,007.

While IMPACT! participants bring an abundance of passion, they also often require financial support to make their ideas come to life. We created the [IMPACT! Youth Sustainability Fund](#) to support sustainability initiatives in Canadian communities.

In 2015, 21 student projects were initiated or expanded, which we supported with \$93,747 in funding. Since 2009, 124 grants totalling \$526,415 have been made to IMPACT! alumni. Projects funded this year range in focus from food security, green economy and energy efficiency to social sustainability and environmental conservation. Some examples include:

[One Step Shoe Recycling](#): a social initiative that collects and donates unwanted shoes, diverting thousands of pounds of waste from landfills.

[Vancouver Honeybees](#): a community beekeeping program designed to foster healthy, local honeybee populations.

[Coop La Fabrique](#): a co-operative workshop space where local Quebec members can build and create almost anything — from woodworking to electronics.

[Hidden Harvest Halifax](#): a program for collecting and distributing tree fruits from urban areas, which would otherwise go to waste.

## Supporting Communities

Across our varied group of companies, each offers charitable support in ways that reflect the company's roots within its community and the needs in that area. The examples below illustrate our commitment to community initiatives and the contributions we make to our social sustainability from coast to coast.

Co-operators Life is a long-time supporter of the Regina Food Bank. Last year, they partnered with the food bank to strengthen its Reclamation program, donating \$25,000. Through this program, the food bank accepts retail businesses' donations of cleaning and hygiene products, as well as other small household items, and distributes them to community based-organizations, such as women's shelters and addiction services. In 2015, the Reclamation program diverted well over 150,000 pounds from landfill and donated materials valued at more than \$400,000, allowing recipient organizations to focus their financial resources on programming.



CUMIS made a \$100,000 donation to the Joseph Brant Hospital Foundation in 2015. The funding will support a two-year pilot study into the effectiveness of a Peer Support Navigator role in the hospital's emergency department, as well as in-patient mental health services. The intent is to connect individuals with mental health issues and/or addictions with the appropriate services when and where they are needed. In addition, more than 60 employees used their corporate volunteer time to participate in five CUMIS-Habitat for Humanity "Build Days." The company contributed \$25,000 to this initiative.

Addenda Capital donated \$2,100 to Foundation Jovia, which provides therapeutic programming featuring clowns for hospitalized children and teens, as well as programs for seniors. Portage, a not-for-profit organization that helps people with substance abuse challenges overcome their dependencies, received a \$2,600 donation. Finally, Addenda also contributed \$3,535 to Fondation Jean Duceppe, which promotes the accessibility and enjoyment of the theatre in Quebec.

The Sovereign General made a corporate donation of \$200,000 to the Children's Wish Foundation of Canada in 2015, marking the eleventh consecutive year as a sponsor. In support of the corporate efforts for Children's Wish, Sovereign employees participated in a national contest and they organized additional fundraising activities to add to the corporate donation.

HB Group donated \$10,000 to Canadian Blood Services in 2015. This charity was nominated by an employee, as part of the organization's Suggested by YOU program.

### Community Programming

Research suggests that distracted driving is a factor in one in four crashes. The Co-operators is partnering with the Traffic Injury Research Foundation (TIRF), a world-leader in research and development, to reduce distracted driving on our roads with our new [Drive out Distraction](#) program. Through this program we will take an active leadership role, working with TIRF to develop a national action plan. Our journey to reduce distracted driving was well underway in 2015. For example, we released a video<sup>16</sup> and collaborated with TIRF to publish a report, "[Distracted Driving in Canada: Making Progress, Taking Action](#)." In addition, we updated and strengthened our employee distracted driving guidelines and we introduced [OneTap](#), a free smartphone app that helps reduce phone-related distractions. [See page 13](#) for more details on OneTap.

16. A video featuring our CEO, Kathy Bardswick, discussing distracted driving and our efforts to help curb this behaviour is available at [>> About Us >> Community >> Drive out Distraction](http://www.cooperators.ca).

### Apple Day

More than 60 employees took part in the annual CUMIS Apple Day. Staff picked 13,000 pounds of apples from the on-site orchard, which were then donated to various community agencies. The donation was valued at approximately \$20,000, at market prices.

We are a long-time supporter of [Kids Help Phone](#), the only national bilingual service offering free professional counselling in Canada. Suicide accounts for approximately 23% of deaths among youth aged 15 to 24 and, of those, more than 75% are young men. However, only 23% of young people who call Kids Help Phone are boys. In 2015 we partnered with Kids Help Phone to help make fundamental changes to the ways in which young men reach out and access the help they need. [BroTalk](#) is a support zone for young men aged 14 to 18, consisting of professional counselling, a mobile-friendly website and a downloadable chat app.

Today's youth face a multitude of pressures and mixed messages that can impact responsible decision-making. We continue to support Mitch Dorge's intense and unique "In Your Face and Interactive" presentations to Canadian youth, which can be life-changing for teens in need of positive inspiration. Mitch challenges young people to make safe decisions in the face of pressures to use drugs and alcohol, and around struggles with bullying and mental illness, referring students who need deeper support and advice to the highly-trained counsellors at Kids Help Phone. Mitch visited 34 schools in 2015, reaching 6,866 students.

Through our Buckle Up Bears car seat inspection program, which is supported by the safety expertise of the Infant and Toddler Safety Association (ITSA), we completed 715 car seat inspections and installations in 2015.

Through a partnership with Bringing an Awareness of Senior Safety Issues to the Community (B.A.S.S.I.C.), we produced and distributed nearly 200,000 Safe Seniors calendars in 2015. The calendar includes evidence-based information that helps prevent injuries (e.g., fire escape planning, emergency preparedness and general health tips).

### Moving Forward

In 2015, we identified distracted driving and Canadians' mental health as two issues where we feel we can make a real difference. To support this strategic focus, we decided to discontinue the inspection and installation components of the Buckle Up Bears car seat program. We will continue to provide valuable online resources for parents and caregivers. For example, an updated version of our popular car seat safety video series will be released in 2016.



# \$93,222

International Cooperative and Mutual Insurance Federation (ICMIF) and ICMIF/Americas dues  
2014: \$89,122 2013: \$90,891

# \$594,499

Canadian co-operative/mutual association membership dues (provincial and national combined)  
2014: \$591,355 2013: \$622,628

In addition, we will no longer be a partner in the Safe Seniors Calendar or the Block Parent program; however many of our local advisors will continue to offer their agencies as safe havens through Business Block Parents. We are very proud of the impact we have had through these programs, and we look forward to continuing to make a positive impact in our communities on the issues of distracted driving and mental health.

#### **Volunteering with Purpose**

Co-operators employees from across the country work together to make a difference in their communities through the [Volunteers in Action](#) program. The regional groups participate in local volunteer activities throughout the year, and they come together in a year-end national initiative to help families across Canada. This year, Volunteers in Action supported The Salvation Army's Give a Kid a Coat campaign by collecting over 300 winter clothing items for those in need.

#### **Dialogue in Communities**

Now in its 11<sup>th</sup> year, our [Community Advisory Panel](#) (CAP) program continues to help us live our co-operative principles by providing community members a “voice” within our organization. In 2015, we held eight CAP meetings across four panels in Guelph, Calgary, Ottawa and Moncton, where members provided insight on items including our social media strategy and our distracted driving initiatives. In addition, each group annually directs \$1,500 of our community funding to a not-for-profit of their choice. Since inception, these CAP “Giving Circles” have directed \$52,650 to 49 local community groups.

#### **Co-operative Relations**

We build relationships with local, national and international co-operative organizations in an effort to learn and share co-operative knowledge, advocacy and more. We also promote the co-operative model in Canada and abroad.

Access to capital has long been recognized as a significant challenge facing co-operatives. This issue is largely due to the structure of co-operative organizations, which promotes equality of ownership and control, and all but precludes access to capital from conventional/market sources. The newly created [Canadian Co-operative Investment Fund](#) (CCIF) will support the development and expansion of Canadian co-operatives with loans and other funding sourced from the co-operative sector. The fund was created under the leadership of [Co-operatives and Mutuals Canada](#) (CMC); it is the first of its kind in the country. We pledged \$10 million to the CCIF in 2015. Operations will begin once the fund has reached its target of \$25 million in committed funds.

We support co-operatives around the world by engaging with organizations such as the [International Co-operative Alliance](#) (ICA) and the [International Cooperative and Mutual Insurance Federation](#) (ICMIF). Our President and CEO sits on the ICA and ICMIF boards, and we have senior executive representation on the ICMIF/Americas Board of Trustees and in other capacities. On a national basis,



*Pictured at right:  
Janet MacLeod, Executive Director, Community CarShare*



## Driving Customized Solutions

[Community CarShare](#) has come a long way in 18 years, since it started in Kitchener-Waterloo with 10 members and one car.

As a not-for-profit co-operative, the organization provides its members with access to vehicles on a self-serve, pay-per-use basis. “Being a co-operative really distinguishes us,” notes Janet MacLeod, Executive Director. “We seek out innovative ways to meet our members’ needs, and we work to make carsharing an accessible transportation alternative.”

One way Community CarShare builds its capacity is by leveraging the sixth co-operative principle — co-operation among co-operatives. In fact, Community CarShare has insured its business and vehicles with The Co-operators since the beginning. In support of our shared values and our commitment to advancing the co-operative business model, we seek to address our co-operative clients’ unique requirements. As an example of this, we developed a customized insurance program to meet Community CarShare’s specific needs, enabling them to provide an insurance solution for younger drivers (aged 18 to 20), and those licensed outside the province of Ontario. “With the large number of college and university students in our service areas, this was a huge win for us,” notes Janet.

In 2015, Community CarShare took advantage of our new [Co-op Guard™](#) program, a tailored and comprehensive insurance solution designed specifically for Canadian co-operatives. Janet adds that “now we have the benefit of a one-on-one relationship with a local Co-operators advisor, Jeff Lyle.” Co-op Guard™ clients benefit from an in-depth assessment to ensure they have appropriate coverage. “Jeff takes the time to understand our insurance needs, which can be complicated for a carsharing business,” she says.

Today, Community CarShare has operations in Hamilton, Guelph, London, St. Catharines and across the Kitchener-Waterloo region. It serves its 2,000 members with a fleet of more than 60 vehicles. “We want to grow and serve as many people as possible, delivering a carsharing service that empowers people to make affordable and sustainable transportation choices,” Janet emphasises. With its flexible, needs-based approach, Co-op Guard™ is helping Community CarShare fulfill its mission.

we strongly support CMC: we have representation on many of its working committees and a member of our board is the CMC President.

Thanks to the commitment shown by our board members, executives and employees, we are well-represented on the boards of the voluntary not-for-profit sector and the provincial, national and international co-operative associations. We also provide financial support to many of these organizations through membership dues.

The co-operative business model is rarely mentioned in Canadian university and college business programs, despite the many differences in operating a co-operative compared to a typical company. Without a straightforward profit motive, co-operative managers must work with a member-led board, respond to member needs and work in accordance with co-operative values. With these distinctions in mind, we provide employees with financial support to pursue studies in co-operative management.

### Co-operation among Co-ops

We have many years of experience working in the co-op sector and a wealth of co-operative-specific knowledge within our walls. As such, we feel a responsibility to share both our expertise and financial resources to support emerging co-operatives. Promoting the Canadian co-operative sector is a reflection of our co-operative values.

#### CHF Diversity Scholarship

In 2015, we entered into a new funding agreement with the [Co-operative Housing Federation](#) (CHF) of Canada to support the next generation of young co-operative leaders. We will provide \$15,000 per year over four years to support CHF’s Diversity Scholarship Program.

#### Co-operative Development Program

The [Co-operative Development Program](#) (CDP) was created to help Canadian co-operatives with business development initiatives, which may include feasibility studies, business or marketing planning, promotion or member engagement. Eligibility depends on the organization being legally incorporated as a co-operative and their ability to prove that the grant will help them to become a self-sustaining operation.

In 2015, we granted \$100,950 to eight co-ops representing a wide variety of sectors. From co-operatives that promote organic, sustainable food (British Columbia and Manitoba) and an interdisciplinary arts hub (British Columbia) to a funeral co-operative (Ontario) and a co-op promoting economic diversification (Quebec), CDP enhances co-operatives’ capacity to address needs in their communities. Created in 1992, CDP has provided over \$2.1 million in grants and investments to Canadian co-operatives.

# ABOUT THIS REPORT

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

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

For more information on these organizations, please visit our website at [www.cooperators.ca](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 subsidiaries 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 Managers Holdings Corporation, The Edge Benefits Inc., and UNIFED Insurance Brokers Limited.

## Our Report

Our twelfth annual Sustainability Report captures the activities of The Co-operators Group Limited and its major subsidiaries, unless otherwise stated, for the 2015 calendar year. Our previous report was published in May 2015.

This report, including appendices, can be found in English and French on our website at [www.cooperators.ca/sustainability\\_report](http://www.cooperators.ca/sustainability_report). To obtain a printed copy, or for more information, please contact our Senior Director, Sustainability & Citizenship at [sustainability@cooperators.ca](mailto:sustainability@cooperators.ca).

## Our Process

The 2015 Sustainability Report is a result of the collaboration of approximately 100 employees and external sustainability experts. To ensure accuracy, this collaboration includes an extensive review, and approval of the data and content, by various departmental representatives across our group of companies. Our report is not externally assured.

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

## 2015 CONSOLIDATED TAX (RECOVERIES) / EXPENSES (IN \$'000) DOLLARS

	Income Tax <sup>1</sup>	Premium Tax	Other Tax <sup>2</sup>
<b>Federal</b>	25,884	0	35,022
<b>Provincial</b>			
Alberta	3,115	23,091	11,250
British Columbia	1,830	9,353	604
Manitoba	676	3,280	168
New Brunswick	372	2,768	2,603
Nfld. and Labrador	745	4,049	1,752
Nova Scotia	673	3,925	1,484
Ontario	10,816	45,370	24,971
Prince Edward Island	135	1,055	698
Quebec	964	4,460	4,017
Saskatchewan	720	7,105	1,433
Territories	52	527	10
<b>Total Provincial</b>	<b>20,099</b>	<b>104,983</b>	<b>48,991</b>
<b>Total</b>	<b>45,983</b>	<b>104,983</b>	<b>84,013</b>
<b>Total Tax Expense Related to 2015</b>	<b>234,979</b>		

1. Income tax amounts are estimates for 2015 as at January 20, 2016.
2. Other taxes includes commodity, property & business, payroll, capital and other miscellaneous taxes. In the past capital tax was shown separately; given its size, it has been grouped in with "Other Tax".

## DEBT FINANCING

	Number of authorizations	Amount Authorized
\$0 to \$24,999	1	\$23,000
\$25,000 to \$99,999	2	\$60,000
\$100,000 to \$249,999	1	\$150,000
\$250,000 to \$499,999	1	\$269,000
\$500,000 to \$999,999	0	\$0
\$1,000,000 to \$4,999,999	1	\$1,757,000
Over \$5,000,000	1	\$15,099,000
<b>Total</b>	<b>7</b>	<b>\$17,358,000</b>

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

# UNEP FI PRINCIPLES FOR SUSTAINABLE INSURANCE

## ANNUAL DISCLOSURE OF PROGRESS

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. We actively participate in the governance of the PSI, with our Senior Director of Sustainability & Citizenship serving on the PSI Board.

Our progress in advancing the principles in this aspirational framework are discussed throughout this 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.”
- > The board of directors' Sustainability & Citizenship Committee oversees progress related to our sustainability objectives, goals and initiatives. 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 review the early successes and challenges of embedding sustainability into our strategy ([see page 26](#)).
- > 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 20](#)).
- > 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 are committed to paying a living wage in all Canadian communities where the standard has been established ([see page 18](#)).
- > 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 (our Comprehensive Water endorsement and en-route Auto Program™ are examples of this — [see pages 10–13](#)).
- > We developed and approved 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% to 10% of The Co-operators assets as impact investments by the end of 2018 ([see page 34](#)).

### 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, offering 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. We also created a website that offers information about water

damage prevention and a personalized risk assessment tool. The tool gauges users' water risk based on geographic location and other risk factors: it is available at [water.cooperators.ca](#) ([see page 13](#)).

- > Through our unique collaboration with Habitat for Humanity, we continue to facilitate the donation of salvageable materials from residential and commercial property claims to local Habitat ReStores ([see page 10](#)).
- > 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 32](#)).
- > In collaboration with groups such as Partners for Action, the United Nations Environment Programme Finance Initiative (UNEP FI), Corporate Knights, Smart Prosperity, The Natural Step Canada, the Network for Business Sustainability and Ceres, we seek to raise awareness of sustainability issues, risks/opportunities and catalyze positive change ([see page 36](#)).
- > 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 39](#)).
- > We promote the Principles for Sustainable Insurance among our industry peers and business partner reinsurers. We plan to host a formal event for insurers and reinsurers in 2016 to encourage additional industry participation in the PSI.

### 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.

- > Following the Partners for Action Roundtable in 2014, which brought together key stakeholders to identify and prioritize the approaches needed to strengthen flood resiliency in Canadian communities, we helped catalyze 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 ([see page 35](#)).
- > 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. We continue to advocate for proactive action by governments to address aging infrastructure, to invest in solutions to de-risk communities, and to introduce incentives to help homeowners take action to protect their property and their lives ([see page 35](#)).
- > 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 ([see page 33](#)).
- > 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 2015 included support for carbon pricing ([see page 32](#)), inclusive wealth accounting and transitioning to a more sustainable economy ([see page 36](#)).

### 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 fourth year of disclosing progress toward each of the Principles. We invite you to read this report to learn more about our efforts to integrate and embed co-operative and sustainability principles throughout our organization.

# GLOBAL REPORTING INITIATIVE

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

Determining which topics to include in our report has been informed through a variety of sources. This includes discussions with our Sustainability Steering Committee (comprised of executives from across our group of companies), our board of directors' Sustainability & Citizenship Committee, and interviews with members of our executive team, including a year-end interview with our President and CEO, and our Chief Financial Officer. These discussions provide insight into key sustainability trends, impacts, risks and opportunities. The identification of top risk issues, a process supported by our Enterprise Risk Management department, and a long-term environmental scan developed by our Strategic Planning department have provided further insight, as have broad-based research and analysis of best practices.

We gain further perspective on issues through feedback received from key stakeholders, including annual employee engagement and client satisfaction surveys; regular discussions with our members and biennial member relationship surveys; interacting with community members through our Community Advisory Panels.

Sustainability is now embedded in our 2015–2018 core business strategy. We also continue to measure our progress toward our long-term 2020 sustainability goals, which are summarized below, and guide how we embed sustainability into the various facets of our organization:

**Our Clients & Members** – We enable and encourage our clients and members to contribute to a sustainable future through our products, services and all interactions.

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

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

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

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

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

To view our GRI Content Index, please [see page 47](#).

## GRI CONTENT INDEX

### GENERAL STANDARD DISCLOSURES

General Standard Disclosure	Page Number/Link	External Assurance
<b>STRATEGY AND ANALYSIS</b>		
G4-1	2–3	No
<b>ORGANIZATIONAL PROFILE</b>		
G4-3	6	No
G4-4	6	No
G4-5	7	No
G4-6	7	No
G4-7	24	No
G4-8	6–8	No
G4-9	7, AP-16	No
G4-10	AP-9, AP-12	No
G4-11	AP-1	No
G4-12	AP-2	No
G4-13	7	No
G4-14	48	No
G4-15	Inside front cover, 32, 33, 36, 39	No
G4-16	33, 35, 42	No
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>		
G4-17	7, 44	No
G4-18	46	No
G4-19	46	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	12, 29, 30	No
G4-23	No changes	No
<b>STAKEHOLDER ENGAGEMENT</b>		
G4-24	46	No
G4-25	46	No
G4-26	46	No
G4-27	9, 17	No
<b>REPORT PROFILE</b>		
G4-28	44	No
G4-29	44	No
G4-30	44	No
G4-31	44	No
G4-32	47	No
G4-33	44	No
<b>GOVERNANCE</b>		
G4-34	24–26, AP-7	No
<b>ETHICS AND INTEGRITY</b>		
G4-56	Inside front cover, 26–27	No

### SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page Number/Link	External Assurance
<b>CATEGORY: ECONOMIC</b>		
<i>Material aspect: economic performance</i>		
G4-DMA	8, AP-2, AP-16	No
G4-EC2	2–3, 32–34, 35–36	No
G4-EC3	AP-13	No
G4-EC4	No significant financial assistance received	No
<b>CATEGORY: ENVIRONMENTAL</b>		
<i>Material aspect: materials</i>		
G4-DMA	28–31, AP-1	No
G4-EN1	30	No
G4-EN2	30	No

### SPECIFIC STANDARD DISCLOSURES (continued)

DMA and Indicators	Page Number/Link	External Assurance
<i>Material aspect: energy</i>		
G4-DMA	28, 31, AP-1	No
G4-EN3	AP-15	No
<i>Material aspect: water</i>		
G4-DMA	AP-1	No
G4-EN-8	58,110 cubic metres from metered locations only	No
<i>Material aspect: emissions</i>		
G4-DMA	28, AP-15	No
G4-EN15	29, AP-15	No
G4-EN16	29, AP-15	No
G4-EN17	29, AP-15	No
G4-EN18	29, AP-15	No
<i>Material aspect: products and services</i>		
G4-DMA	10–13, AP-1	No
G4-EN27	10–11	No
<i>Material aspect: compliance</i>		
G4-DMA	AP-1	No
G4-EN29	No instances of non-compliance	No
<b>CATEGORY: SOCIAL</b>		
<b>SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK</b>		
<i>Material aspect: employment</i>		
G4-DMA	17–23, AP-1	No
G4-LA1	AP-11	No
G4-LA2	AP-1, AP-13	No
<i>Material aspect: occupational health and safety</i>		
G4-DMA	21–22, AP-1	No
G4-LA5	AP-1	No
<i>Material aspect: training and education</i>		
G4-DMA	20, AP-1	No
G4-LA11	19, Our expectation is that 100% of employees have an annual performance review	No
<i>Material aspect: diversity and equal opportunity</i>		
G4-DMA	21, 25, AP-1, AP-2	No
G4-LA12	AP-10	No
<b>SUB-CATEGORY: HUMAN RIGHTS</b>		
<i>Material aspect: investment</i>		
G4-DMA	AP-2	No
G4-HR2	All new employees (12.7% of total workforce) completed the Accessibility for Ontarians with Disabilities Act (AODA) training (representing over 280 training hours)	No
<i>Material aspect: public policy</i>		
G4-DMA	35–37, AP-2	No
G4-SO6	No contributions	No
<i>Material aspect: compliance</i>		
G4-DMA	26–27, AP-2	No
G4-SO8	No instances of non-compliance	No
<b>SUB-CATEGORY: PRODUCT RESPONSIBILITY</b>		
<i>Material aspect: product and service labelling</i>		
G4-DMA	9–10, AP-2	No
G4-PR5	9–10	No
<i>Material aspect: marketing communications</i>		
G4-DMA	26, AP-2	No
G4-PR7	26	No
<i>Material aspect: customer privacy</i>		
G4-DMA	26, AP-2	No
G4-PR8	26–27	No
<i>Material aspect: compliance</i>		
G4-DMA	26, AP-2	No
G4-PR9	26	No



# 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 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.

## WE COLLABORATE WITH THE FOLLOWING ORGANIZATIONS ON SUSTAINABILITY:





# APPENDICES

Global Reporting Initiative – Disclosures: Management Approach	AP-1
The Co-operators Long-Term Sustainability Goals to 2020	AP-3
Sustainability-focused Products and Services	AP-4
Board Sustainability & Citizenship Committee – Terms of Reference	AP-5
Conflict of Interest Policy	AP-6
Board of Directors: Committees	AP-7
Employee Relations	AP-8
The Co-operators Group of Companies Sustainable Purchasing Policy	AP-14
Energy Consumption and Carbon Emission Inventory	AP-15
Three-year Financial Review	AP-16
Consolidated Tax Expenses	AP-17

# GLOBAL REPORTING INITIATIVE DISCLOSURES: MANAGEMENT APPROACH

The following Disclosures on Management Approach (DMA) section outlines the ways that we measure and manage our sustainability performance. The DMA is organized in the categories set out by the Global Reporting Initiative, which include Environmental, Economic and Social. The further sub-categories are: Labour Practices and Decent Work, Human Rights, Society and Product Responsibility. The information contained in this DMA summary offers further context, explaining how we manage our sustainability impacts.

## Environmental

Our financial success depends on our ability to identify and manage risk. We recognize climate change and the major storm-related losses associated with it as one of our top risks. Our Sustainability Policy, based on four sustainability principles developed by The Natural Step, serves as the foundation of our environmental management approach.

As a service-oriented business, we do not generate large amounts of carbon emissions directly, however, we believe we have a role to play in mitigating carbon emissions.

We measure and calculate our carbon impact from sources including corporate office locations (representing 83% of occupied space) and business travel (which includes air travel, corporate fleet vehicles and employees' use of personal vehicles for business travel). In 2015, our net carbon emissions were 55% below 2010 emission levels. Please refer to [pages 28–29](#) of our 2015 Sustainability Report to learn more.

Reducing the amount of paper we use internally and send to clients is another area where we have opportunity to reduce our environmental impact. Total paper volumes in 2015 were 28% below 2010 levels, however we did note a slight increase (4%) compared to 2014. We track paper consumption in our corporate offices, in-house print shops and external vendors. The majority of the paper we use contains at least 30% post-consumer recycled content and is Forest Stewardship Council-certified. We introduced a new policy fulfillment system in 2015, from which we anticipate further reductions in paper use in coming years.

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

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

We offer clients sustainable repair options to reduce the environmental impact of property losses. Through initiatives such as our unique partnership with Habitat for Humanity – whereby salvageable claims materials from residential and commercial property claims are donated to local Habitat ReStores (with the profits supporting Habitat's community housing programs), we are reducing the amount of waste sent to landfill.

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

## Labour Practices and Decent Work

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

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

Our Total Rewards program is designed to meet our employees' needs, reflect our values and support our reputation as an employer of choice. Total Rewards includes share purchase programs, flex-time options, personal days, professional development, competitive compensation and comprehensive benefits<sup>1</sup> (for qualifying full, part-time and temporary employees). Insurance product discounts are also available. We conduct performance reviews annually, and our compensation structure rewards excellent performance. In addition, we regularly evaluate our Total Rewards package to ensure its competitiveness. With a strategic objective to "integrate and embed co-operative and sustainability principles in all areas of our business decision-making, action and process," we recognize the importance of embedding sustainability-related goals into performance plans at a senior level. All executives have at least one sustainability-related goal in their performance plans, and it is tied to a bonus. As an example, in 2015, 4% of non-financial bonusable goals were sustainability-related for our Executive Vice-President, Chief Operating Officer, P&C Operations.

Putting people first means that we treat people fairly and we foster an inclusive and respectful work environment. When recruiting, we seek the best person for the role, regardless of age, gender, race or religion. Our Code of Ethics<sup>2</sup> clearly communicates the employees' role in creating an inclusive workplace. Employees are encouraged to approach their supervisor or manager, our Corporate Secretary or our board of directors Corporate Governance & Conduct Review Committee should they have any concerns related to ethical issues in the workplace. An anonymous and secure online tool is available for employees and advisors wishing to report any concerns about unethical behaviour confidentially. This program is managed by an external vendor, and is available 24 hours a day, seven days a week.

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

We believe it is important to support the health, safety and wellness of our employees, and this is supported by a number of committees, including Joint Health and Safety and Health and Wellness, which contribute to our policies, programs and initiatives in this area. Joint Health and Safety committees are established at the facility level, and in compliance with provincial legislation, are in place at all workplaces with more than 10 to 20 employees, depending on the province. Approximately 82% of our workforce is represented on a committee. In keeping with provincial employment legislation, our human resources practices comply with, and in most cases exceed, requirements.

A collective bargaining agreement is in place for 116 employees at The CUMIS Group Limited, which represents 2.6% of our total workforce. They are represented by the Canadian Office and Professional Employees Union — Local 290. A variety of conditions are outlined in the agreement,<sup>3</sup> including workplace health and safety and minimum notice periods for contracting out bargaining unit work.

1. We fully cover the premiums for Life, Health and Dental insurance for all full-time and part-time employees (with the exception of unionized employees at CUMIS, where a cost-sharing dental program is in place).
2. Addresses topics including Harassment and Violence in the Workplace, Acceptable Use of Information and Communication Systems.
3. The agreement requires the establishment of a joint health and safety committee and reimbursement for job-required protective clothing.

## Human Rights

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

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

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

## Society

Our co-operative values lead us to put the needs of our member organizations and our communities at the forefront. We have been a Caring Company, as designated by Imagine Canada, for the past 19 years, contributing 3.5% of our pre-tax profits to Canadian co-operatives, non-profits and charities in 2015. Our vision to be a catalyst for a sustainable society is reflected in our community investment programs, which support people in need and help build community resiliency. When determining how to spend our community investment dollars, we consider the following criteria:

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

We engage in advocacy efforts as a way to encourage progress on issues that influence our business. Through strong relationships with federal and provincial governments, we aim to influence public policy that may impact our business, our clients and the co-operative sector. Aligned with our co-operative values, we advocate for solutions for the unmet needs and risks of Canadians and their communities.

Our commitment to meeting unmet needs was exemplified with the launch of our innovative residential flood insurance product in Alberta in 2015. Called Comprehensive Water, it was the first residential property insurance of its kind in Canada, offering coverage even in the highest risk areas.

We also provide the general public and our clients with information about insurance that promotes understanding of both the insurance options that can protect their lives and property, and the insurance industry more generally.

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

## Product Responsibility

Our vision to become a catalyst for a sustainable society encompasses our products and services. We offer a range of insurance solutions that incorporate sustainability features. We have begun to expand the breadth of our sustainable product offering by embedding sustainability attributes into core insurance products, such as Home and Auto (with our Comprehensive Water endorsement and en-route Auto Program™ respectively). Our unique

partnership with Habitat for Humanity, whereby salvageable claims materials are directed to local Habitat ReStore facilities (instead of going to landfills), illustrates our commitment to promoting sustainable claims processes.

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

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

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

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

## Economic

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

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

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

As a co-operative, we are democratically controlled by our 43 members, which include Canadian co-operatives, credit union centrals and representative farm organizations. We are accountable to our members and each year a portion of our profits are returned to them through Member Loyalty Program payments.

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

# 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, Advisors and 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 GHG 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-FOCUSED PRODUCTS AND SERVICES

Our sustainability-focused product offerings include the following:

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

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

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

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

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

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

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

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

**Complete, all-in-one water coverage:** Until now, Canada was the only G7 nation without homeowner 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 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.

# BOARD SUSTAINABILITY & CITIZENSHIP COMMITTEE – TERMS OF REFERENCE

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

### Mandate

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

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

### Responsibilities

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

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

### Composition & Appointment

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

### Authority

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

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

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

### Organization and Procedures

#### Chairperson

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

#### Meetings

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

#### Quorum

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

#### Resources

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



# CONFLICT OF INTEREST POLICY

4. The Executive Vice-President, Member Relations and Corporate Services receives notice of and may attend all meetings.
5. The Committee may retain such outside consultants and advisers, at Company expense, as it deems necessary to fulfill its duties.
6. To keep abreast of current and emerging issues, the Committee will meet once a year with a sustainability, citizenship or co-operative expert.

## Supporting Materials and Minutes

1. The agenda and supporting material for meetings are to be distributed to the Committee by e-mail no less than five business days in advance of the meeting.
2. The Secretary records minutes of every meeting, circulating them to the Committee members shortly after the meeting takes place. After Committee members have had an opportunity to review them and provide any corrections, the minutes are prepared for distribution to the full board at the next board of directors meeting.

## Reporting

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

## Annual Work Plan and Schedule

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

## Committee Effectiveness

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

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

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

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

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

# BOARD OF DIRECTORS: COMMITTEES

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

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

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

**The Member & Co-operative Relations Committee** 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 member recruitment, admission, eligibility and termination. It also considers membership issues including member engagement, participation and democratic functioning. The committee reviews strategies to foster strong member and co-operative relations and 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 Risk & Compensation Committee** oversees our Enterprise Risk Management (ERM) Program and Own Risk and Solvency Assessment process; provides advice on strategic issues linked to our top risks; and discharges the board's responsibilities in relation to lending and investment programs. The Committee ensures that the Company's responsibilities related to The Co-operators Retirement Plan are fulfilled; develops compensation programs for the board of directors and President and CEO, for the board's approval; administers the CEO compensation and performance management programs; and ensures that effective management succession plans are in place.

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

## COMMITTEE MEMBERS

### Audit Committee

Emmet McGrath (Chairperson)  
Daniel Burns  
Gilles Colbert  
Geri Kamenz  
Jim Laverick

### Corporate Governance & Conduct Review Committee

Réjean Laflamme (Chairperson)  
Michael Mac Isaac  
Collette Robertson  
Dave Sitaram

### Member & Co-operative Relations Committee

Jack Wilkinson (Chairperson)  
Don Altman  
Denis Bourdeau  
Denis Laverdière

### Risk & Compensation Committee

Alexandra Wilson (Chairperson)  
Johanne Charbonneau  
Albert De Boer  
Roger Harrop  
John Harvie

### Sustainability & Citizenship Committee

Phil Baudin (Chairperson)  
Dave Abel  
Louis-H. Campagna  
Jocelyn VanKoughnet

### Resolutions Committee

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

# EMPLOYEE RELATIONS

## ENGAGEMENT SCORES

	2015	2014	2013
Aggregate (The Co-operators group of companies)	80%	78%	73%
The Co-operators*	80%		
Best Employers Score – Platinum Level (according to Aon)	80%		
Addenda Capital	77%	75%	57%
The Sovereign General	76%	79%	82%
Best Employers Score – Gold Level (according to Aon)	76%		

\* The Co-operators Group Limited, Co-operators General, HB Group, Co-operators Life and CUMIS are reporting a consolidated score this year 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	44
CUMIS	45
HB Group	38
The Sovereign General	46
Average Age	43

## AVERAGE YEARS OF SERVICE BY COMPANY

Company	2015	2014	2013
Addenda Capital	9	9	9
Co-operators General	12	12	13
The Co-operators Group Limited	12	12	12
Co-operators Life	13	12	12
CUMIS	13	13	11
HB Group	8	9	9
The Sovereign General	8	8	8

**WORKFORCE\* BY PROVINCE\*\* AND GENDER**

Province	Male	Female
Alberta	187	446
British Columbia	100	167
Manitoba	20	37
New Brunswick	82	303
Newfoundland and Labrador	11	46
Nova Scotia	11	38
Northwest Territories	0	5
Ontario	1,036	1,872
Prince Edward Island	1	7
Quebec	154	234
Saskatchewan	208	487

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

\*\* Includes employees from Premier Managers Holdings Corporation and The Edge Benefits Inc., which we acquired in 2015. Premier also has 4 male employees and 11 female employees in California and 1 male employee and 5 female employees in Washington.

**WOMEN IN MANAGEMENT**

	2015			2014			2013		
	Executive	Manager	Supervisor	Executive	Manager	Supervisor	Executive	Manager	Supervisor
Addenda Capital	0%	33%	67%	0%	38%	60%	0%	27%	60%
Co-operators General	28%	61%	76%	28%	60%	72%	22%	49%	81%
The Co-operators Group Limited	28%	48%	33%	30%	44%	64%	40%	55%	50%
Co-operators Life	25%	63%	100%	25%	65%	100%	23%	52%	65%
CUMIS	17%	50%	50%	17%	48%	50%	17%	29%	63%
HB Group	0%	52%	81%	0%	61%	74%	0%	67%	78%
The Sovereign General	25%	35%	58%	20%	34%	58%	20%	38%	82%

**EMPLOYEE GENDER, AGE AND MINORITY STATUS**

		Senior Management	Middle Management	Supervisor	All Other Employees
Gender	Male	77%	47%	26%	32%
	Female	23%	53%	74%	68%
Age	<30	0.00%	1.42%	2.37%	15.96%
		Male: 0.00% Female: 0.00%	Male: 0.71% Female: 0.71%	Male: 0.59% Female: 1.78%	Male: 6.44% Female: 9.52%
	30–50	36.23%	55.32%	69.82%	59.79%
		Male: 31.88% Female: 4.35%	Male: 26.95% Female: 28.37%	Male: 23.08% Female: 46.75%	Male: 19.22% Female: 40.57%
	>50	63.77%	43.26%	27.81%	24.25%
		Male: 44.93% Female: 18.84%	Male: 19.68% Female: 23.58%	Male: 2.37% Female: 25.44%	Male: 5.95% Female: 18.30%
Belong to a minority	Overall	5.88%	2.30%	8.88%	10.71%
	Gender	Male: 2.94% Female: 2.94%	Male: 1.24% Female: 1.06%	Male: 2.96% Female: 5.92%	Male: 5.00% Female: 5.71%

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

Gender	Male	81.8%	
	Female	18.2%	
Belong to a Minority	Overall	9.0%	
	Gender	Male: 4.5%	Female: 4.5%
Are of Aboriginal Descent	Overall	4.5%	
	Gender	Male: 0.0%	Female: 4.5%

*All board members are over 50 years of age.*



# EMPLOYEE TURNOVER

Province	Age Group	Male		Female	
		#	%	#	%
BC	<30	3	0.07%	0	0.00%
	30-50	3	0.07%	5	0.11%
	>50	0	0.00%	0	0.00%
	Total	6	0.13%	5	0.11%
AB	<30	0	0.00%	2	0.04%
	30-50	10	0.22%	16	0.36%
	>50	3	0.07%	5	0.11%
	Total	13	0.29%	23	0.51%
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%
SK	<30	1	0.02%	2	0.04%
	30-50	5	0.11%	19	0.42%
	>50	2	0.04%	6	0.13%
	Total	8	0.18%	27	0.60%
ON	<30	11	0.25%	18	0.40%
	30-50	30	0.67%	42	0.94%
	>50	9	0.20%	16	0.36%
	Total	50	1.12%	76	1.70%
QC	<30	2	0.04%	4	0.09%
	30-50	4	0.09%	5	0.11%
	>50	1	0.02%	2	0.04%
	Total	7	0.16%	11	0.25%
NB	<30	1	0.02%	7	0.16%
	30-50	2	0.04%	9	0.20%
	>50	0	0.00%	2	0.04%
	Total	3	0.07%	18	0.40%
NS	<30	0	0.00%	0	0.00%
	30-50	0	0.00%	1	0.02%
	>50	0	0.00%	0	0.00%
	Total	0	0.00%	1	0.02%
NL	<30	1	0.02%	0	0.00%
	30-50	2	0.04%	1	0.02%
	>50	0	0.00%	0	0.00%
	Total	3	0.07%	1	0.02%
PE	<30	0	0.00%	0	0.00%
	30-50	0	0.00%	0	0.00%
	>50	0	0.00%	0	0.00%
	Total	0	0.00%	0	0.00%
Total		90	2.01%	162	3.62%

# NEW HIRES

Province	Age Group	Male		Female	
		#	%	#	%
BC	<30	3	0.07%	2	0.04%
	30-50	3	0.07%	7	0.16%
	>50	2	0.04%	2	0.04%
	Total	8	0.18%	11	0.25%
AB	<30	8	0.18%	13	0.29%
	30-50	13	0.29%	20	0.45%
	>50	4	0.09%	2	0.04%
	Total	25	0.56%	35	0.78%
MB	<30	0	0.00%	0	0.00%
	30-50	0	0.00%	1	0.02%
	>50	0	0.00%	0	0.00%
	Total	0	0.00%	1	0.02%
SK	<30	5	0.11%	5	0.11%
	30-50	9	0.20%	13	0.29%
	>50	0	0.00%	2	0.04%
	Total	14	0.31%	20	0.45%
ON	<30	53	1.18%	62	1.38%
	30-50	58	1.29%	68	1.52%
	>50	8	0.18%	7	0.16%
	Total	119	2.66%	137	3.06%
QC	<30	7	0.16%	14	0.31%
	30-50	14	0.31%	16	0.36%
	>50	1	0.02%	3	0.07%
	Total	22	0.49%	33	0.74%
NB	<30	10	0.22%	31	0.69%
	30-50	10	0.22%	25	0.56%
	>50	0	0.00%	1	0.02%
	Total	20	0.45%	57	1.27%
NS	<30	0	0.00%	0	0.00%
	30-50	0	0.00%	2	0.04%
	>50	0	0.00%	0	0.00%
	Total	0	0.00%	2	0.04%
NL	<30	0	0.00%	1	0.02%
	30-50	2	0.04%	0	0.00%
	>50	0	0.00%	0	0.00%
	Total	2	0.04%	1	0.02%
PE	<30	0	0.00%	0	0.00%
	30-50	0	0.00%	0	0.00%
	>50	0	0.00%	0	0.00%
	Total	0	0.00%	0	0.00%
Total		210	4.69%	297	6.63%

**PERMANENT AND TEMPORARY WORKFORCE**

Company			Male	Female	Total
Addenda Capital	Permanent	Full-time	66	49	121
		Part-time	0	6	
	Temporary	Full-time	0	3	4
		Part-time	0	1	
Co-operators General	Permanent	Full-time	628	1,445	2,119
		Part-time	1	45	
	Temporary	Full-time	164	460	684
		Part-time	24	36	
The Co-operators Group Limited	Permanent	Full-time	372	329	714
		Part-time	2	11	
	Temporary	Full-time	18	13	40
		Part-time	6	3	
Co-operators Life	Permanent	Full-time	96	360	479
		Part-time	0	23	
	Temporary	Full-time	10	21	36
		Part-time	2	3	
CUMIS	Permanent	Full-time	95	179	283
		Part-time	0	9	
	Temporary	Full-time	2	3	6
		Part-time	0	1	
HB Group	Permanent	Full-time	177	324	507
		Part-time	0	6	
	Temporary	Full-time	5	10	20
		Part-time	3	2	
The Sovereign General	Permanent	Full-time	89	158	257
		Part-time	1	9	
	Temporary	Full-time	2	1	8
		Part-time	2	3	
Premier	Permanent	Full-time	29	79	117
		Part-time	2	7	
	Temporary	Full-time	0	0	0
		Part-time	0	0	
The Edge Benefits	Permanent	Full-time	19	59	78
		Part-time	0	0	
	Temporary	Full-time	0	0	0
		Part-time	0	0	
All Companies	Permanent	Full-time	1,571	2,982	
		Part-time	6	116	
	Temporary	Full-time	201	511	
		Part-time	37	49	
Total			1,815	3,658	
Total Permanent Full-time and Part-time Employees					4,675
Total Temporary Full-time and Part-time Employees					798

## 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		×*	×*	×†			
Employee Assistance Program	×	×	×	×	×	×	×
Pension Plan‡	×	×	×	×	×	×	×
Disability Benefits**	×	×	×	×	×	×	×
Pregnancy leave top-up program**	×	×	×	×	×	×	×

\*Applies only to employees in the Guelph locations. †Applies only to employees in the Regina locations. ‡A defined contribution plan. Two contribution schedules are available: employee 5% and employer 6.5%, or employee 6% and employer 7.5%. Available to temporary employees who meet eligibility requirements. A defined benefits plan applies to 180 employees at CUMIS (available to employees hired prior to 2008), representing 4% of our total workforce. \*\*Not available to temporary employees.

## EMPLOYEE ASSISTANCE PROGRAM USAGE\*

2015	17%
2014	21%
2013	20%

\*Generally, participation rates over 7% are considered successful programs, and over 10-12% are very successful.

# THE CO-OPERATORS GROUP OF COMPANIES SUSTAINABLE PURCHASING POLICY

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

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

The Co-operators will:

- > Make purchasing decisions based on a balance between economic, social and environmental factors by ensuring that social and environmental criteria related to product and service attributes and supplier operations are regularly included in the evaluation of supplier bids and proposals.
- > Seek to reduce the negative and enhance the positive environmental and social impacts of our spending.
- > Seek to source from suppliers that are making a positive difference to society, including fair trade, co-operative, social enterprise and other social purpose businesses.
- > Use eco-labels and other recognized sustainability certifications to define preferred or mandatory criteria related to particular products and services.

- > Encourage suppliers to have a written sustainability policy, supply more environmentally-preferred and socially responsible products and services, and manage their operations in ways that foster sustainability.
- > Maintain minimum performance standards for our suppliers through our Code of Conduct and work with those who are out of compliance to help them improve sustainability performance. Only as a last resort will we end supplier relationships that are not aligned with our values, preferring an approach characterized by engagement and continuous improvement.
- > Provide guidance and training to encourage employees involved in purchasing to adopt more sustainable practices to reduce costs and the negative environmental and social impact of goods and services we buy, while enhancing the positive sustainability impacts.
- > Measure, monitor and report on both internal and supplier compliance with the Sustainable Purchasing Program.
- > Work with stakeholders to share experiences and adopt best practice.
- > Communicate this Policy to our stakeholders and work towards full implementation.
- > Commit to a process of continuous improvement, regular review and ongoing upgrading of the Sustainable Purchasing Program.

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

# ENERGY CONSUMPTION AND CARBON EMISSION INVENTORY

## ENERGY CONSUMPTION (GJ)

	2015	2014	2013	2012	2011	2010
Gasoline <sup>3</sup>	24,434	29,062	33,082	35,252	38,783	41,800
Natural Gas <sup>4</sup>	44,256	53,533	50,995	47,322	50,316	54,049
Electricity <sup>4</sup>	75,666	77,095	82,195	86,074	90,845	93,315
Steam <sup>4</sup>	1,409	1,402	1,445	1,183	1,367	1,431
<b>Total Energy</b>	<b>145,765</b>	<b>161,092</b>	<b>167,717</b>	<b>169,831</b>	<b>181,311</b>	<b>190,595</b>

## CARBON EMISSIONS (tonnes of CO2 equivalent)

	2015 Location-Based	2015 Market-Based	2014 Location-Based	2014 Market-Based	2013	2012	2011	2010
<i>Scope 1 (Energy)</i>								
Fleet	1,623	1,623	2,010	2,010	2,288	2,504	2,753	2,970
Natural Gas	2,187	2,187	2,630	2,630	2,506	2,330	2,479	2,658
Total Scope 1	3,810	3,810	4,640	4,640	4,794	4,834	5,232	5,628
<i>Scope 2 (Energy Indirect)</i>								
Electricity	7,523	844*	8,022	827*	8,545	9,453	9,993	11,566
Steam	94	94	93	93	96	78	90	95
Total Scope 2	7,617	938	8,115	920	8,641	9,531	10,083	11,661
<i>Scope 3 (Other Indirect)</i>								
Air Travel	4,735	4,735	4,742	4,742	4,153	4,393	4,844	4,554
Employee Vehicle Travel	987	987	1,051	1,051	1,255	1,407	1,529	1,510
Total Scope 3	5,722	5,722	5,793	5,793	5,408	5,800	6,373	6,064
<b>Total Emissions</b>	<b>17,149</b>	<b>10,470</b>	<b>18,548</b>	<b>11,353</b>	<b>18,843</b>	<b>20,165</b>	<b>21,688</b>	<b>23,353</b>

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

The inventory is calculated using the operational control approach, as outlined by the World Resources Institute and World Business Council for Sustainable Development's [Greenhouse Gas Protocol](#). Carbon dioxide, methane and nitrous oxide are included in all emission totals (and are reflected in the emission intensity figures on [page 29](#) of our Sustainability Report); the intensity figures include emissions from scope 1, 2 and 3. We use 2010 as our current base year; although it was not the first year that emissions data was collected, it contains a more complete data set than prior years. It is also the basis for our current emission reduction goal (75% 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.

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



# THREE-YEAR FINANCIAL REVIEW

## THREE-YEAR REVIEW

(in millions of dollars, except return on members' and shareholders' equity)	2015	2014	2013
Total assets	13,465	12,917	11,861
Insurance and investment contract liabilities	6,976	6,775	6,262
Members' and shareholders' equity	2,171	2,044	1,860
Participating policyholder account	679	660	610
Non-controlling interests	294	289	397
Total equity	3,144	2,993	2,867
Property & Casualty direct written premium	2,695	2,410	2,296
Life direct written premium	828	954	788
Net earned premium	3,176	3,156	2,888
Net investment income	319	562	161
Policyholder benefits and adjustment expenses, net of reinsurance	2,086	2,360	1,850
Net income—attributable to members and shareholders	157	130	40
Return on members' and shareholders' equity	8.1%	7.2%	2.3%

# CONSOLIDATED TAX EXPENSES

## 2015 CONSOLIDATED TAX (RECOVERIES) / EXPENSES (IN \$000) DOLLARS

	Income Tax <sup>1</sup>	Premium Tax	Other Tax <sup>2</sup>
<b>Federal</b>	25,884	0	35,022
<b>Provincial</b>			
Alberta	3,115	23,091	11,250
British Columbia	1,830	9,353	604
Manitoba	676	3,280	168
New Brunswick	372	2,768	2,603
Nfld. and Labrador	745	4,049	1,752
Nova Scotia	673	3,925	1,484
Ontario	10,816	45,370	24,971
Prince Edward Island	135	1,055	698
Quebec	964	4,460	4,017
Saskatchewan	720	7,105	1,433
Territories	52	527	10
<b>Total Provincial</b>	<b>20,099</b>	<b>104,983</b>	<b>48,991</b>
<b>Total</b>	<b>45,983</b>	<b>104,983</b>	<b>84,013</b>
<b>Total Tax Expense Related to 2015</b>			<b>234,979</b>

1. Income tax amounts are estimates for 2015 as at January 20, 2016.

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 (RECOVERIES) / EXPENSES (IN \$000) DOLLARS

	Income Tax <sup>1</sup>	Premium Tax	Other Tax <sup>2</sup>
<b>Federal</b>	44,210	0	36,233
<b>Provincial</b>			
Alberta	6,250	21,857	8,860
British Columbia	2,678	8,622	474
Manitoba	1,389	3,117	175
New Brunswick	953	2,538	2,550
Nfld. and Labrador	1,261	3,767	1,795
Nova Scotia	1,510	4,062	1,535
Ontario	14,362	42,200	22,682
Prince Edward Island	334	959	842
Quebec	1,805	3,068	3,726
Saskatchewan	1,793	6,028	1,429
Territories	157	404	1
<b>Total Provincial</b>	<b>32,493</b>	<b>96,622</b>	<b>44,069</b>
<b>Total</b>	<b>76,703</b>	<b>96,622</b>	<b>80,302</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".

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

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

1. Income tax amounts are actuals for 2013.

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

# 2015–2018

## STRATEGIC AREAS OF FOCUS

We will realize our success in 2018 when our clients are at the centre of our decision-making and solution delivery. The information included here outlines our three strategic areas of focus in our 2015–2018 strategy.

### **CLIENT ENGAGEMENT**

The Co-operators will be THE industry leader in client engagement (interactions and solutions). By 2018 we will:

1. Place the client at the centre of our decision-making and solution delivery.
2. Provide a consistent and seamless experience across all interaction-points.
3. Offer advice and solutions for holistic financial security, resiliency and well-being.
4. Encourage and enable our clients to share ideas and feedback on issues important to them.
5. Form the networks necessary to provide holistic solutions and services for all of our clients.

### **CO-OPERATIVE IDENTITY**

The Co-operators will demonstrate commitment to bringing the co-operative principles to life; addressing the economic, environmental and social needs of Canadians and their communities. By 2018 we will:

1. Be the financial service provider of choice for members, credit unions, co-operatives and community organizations.
2. Integrate and embed co-operative and sustainability principles in all areas of our business decision-making, action and process.
3. Provide information and advice to Canadians so they can understand, and be active agents for, their financial security, risk management and resiliency.
4. Be strong and effective public advocates contributing to issues that align with our businesses.
5. Advocate for solutions to the unmet needs and risks of Canadians and their communities.

### **COMPETITIVENESS**

The Co-operators will enhance its competitive position in the marketplace allowing it to grow profitably and capture market share. By 2018 we will:

1. Foster a culture of high performance, efficiency, continuous improvement and operational excellence.
2. Deliver competitive offerings by reducing the cost of our operations to within industry standards.
3. Capture, analyze and act on accurate and comprehensive data to improve decision-making capacity and product and service solutions.
4. Leverage long-term relationships to enhance competitive positioning (create efficiencies where differentiation is irrelevant) and risk management.
5. Attract, develop and retain the necessary skill sets and capabilities to execute on our strategy, be receptive to change and move quickly.



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