

# Principles for Sustainable Insurance

2021 annual disclosure



# Sustainable development at Desjardins Insurance<sup>1</sup>

At Desjardins Insurance, we believe it's our duty as an insurer and a wealth manager to place sustainability and social responsibility at the heart of what we do.

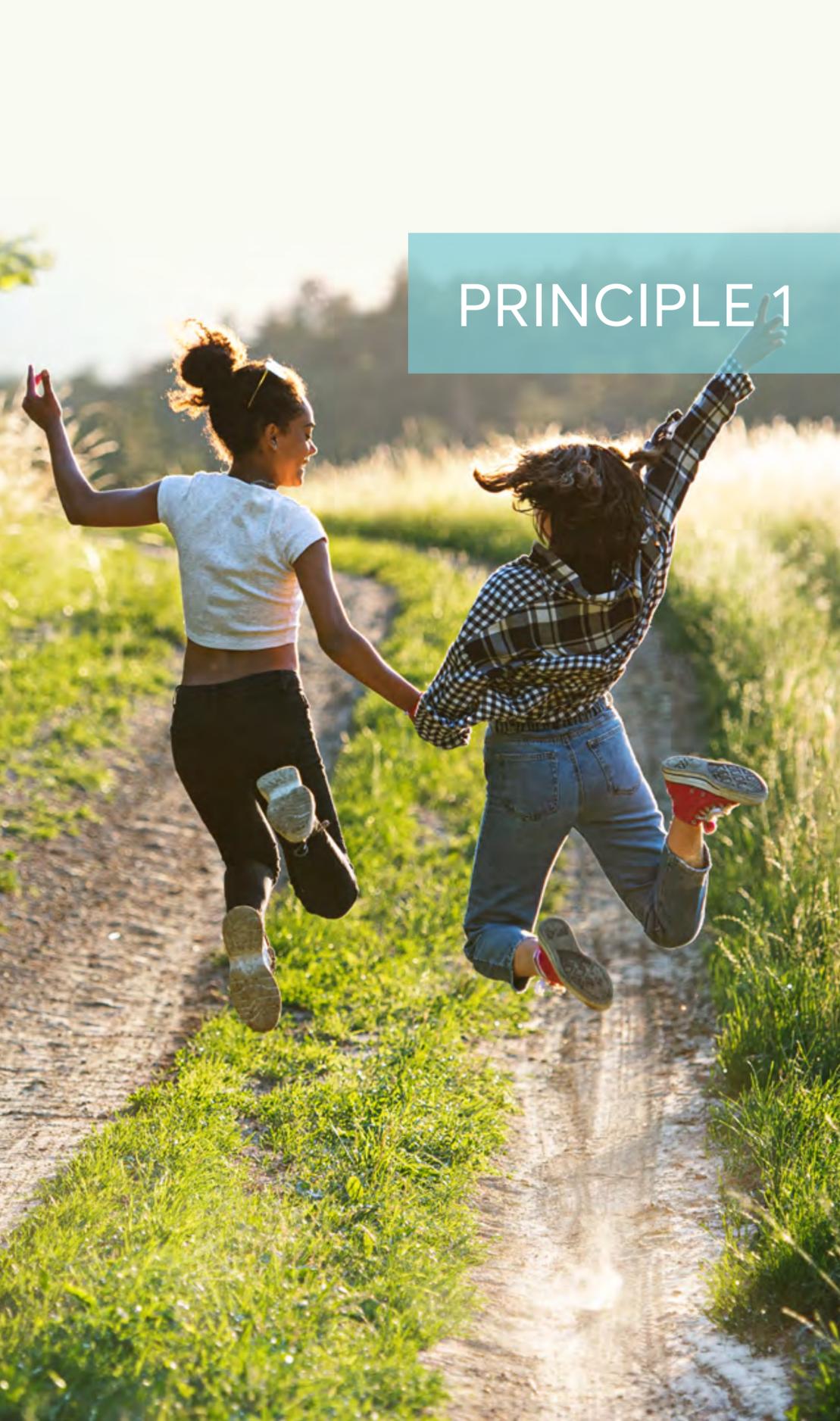
As part of the cooperative financial institution Desjardins Group, we share the organization's cooperative values and vision.

Through our property and casualty (P&C) insurance, life and health insurance, and wealth management offerings, our products and services cover the full range of our members' and clients' financial needs and are designed with a special focus on environmental, social and governance (ESG) criteria.

In 2019, we signed on to the Principles for Sustainable Insurance of the United Nations Environment Programme Finance Initiative (UNEP FI) as a way to confirm our commitment to incorporating sustainable and responsible practices into our business operations.



<sup>1</sup> Desjardins Insurance is composed of 2 Desjardins subsidiaries: Desjardins Financial Security for life and health insurance and Desjardins General Insurance Group for property and casualty insurance.



## PRINCIPLE 1

**N** NEW IN 2021

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

### Integrating ESG factors into our corporate strategy

- Desjardins Group uses a sustainable development policy to incorporate ESG factors into all of its operations, and we adopted this policy at Desjardins Insurance.<sup>1</sup>
- The ESG Steering Committee, composed of vice-presidents from each of our business segments, makes recommendations on ESG issues directly to decision-making bodies and ensures consistency in our actions.<sup>2</sup>
- We implement the positions approved by the ESG Steering Committee regarding the sectors we insure and invest in.<sup>3</sup>

**N** We **ranked 5th globally** among life and health insurers and property and casualty insurers in the first edition of ShareAction's [Insuring Disaster report](#), which ranked insurers' approaches to responsible investment and underwriting.

- We've incorporated the Principles for Sustainable Insurance into our strategic planning initiatives and monitor our progress through the governance process.

**N** Some of the new climate action commitments<sup>4</sup> made by Desjardins or Desjardins components in 2021:

- Joining the Business Ambition for 1.5°C campaign organized by the Science Based Targets initiative
- Joining Climate Action 100+
- Signing the Canadian Investor Statement on Climate Change
- Signing the Global Investor Statement to Governments on the Climate Crisis
- Joining Climate Engagement Canada
- Signing the Net Zero Asset Managers initiative
- Signing the FAIRR Initiative's Where's the beef? statement
- Joining the Climate Proof Canada Coalition

<sup>1</sup> See the **Sustainable development policy** section in the Social and Cooperative Responsibility Report ([page 73](#)).

<sup>2</sup> See the **Message from the chair of the ESG Steering Committee** in the Social and Cooperative Responsibility Report ([page 9](#)).

<sup>3</sup> See the **ESG positions** section in the Social and Cooperative Responsibility Report ([page 73](#)) and the **Climate change commitments and positions** section in the Climate Action at Desjardins report ([page 17](#)).

<sup>4</sup> See the **Climate change commitments and positions** section in the Climate Action at Desjardins report ([page 17](#)).

## Climate change risk management

**N** Desjardins published its fourth report on climate-related risks and opportunities<sup>1</sup> in 4 thematic areas: governance, strategy, risk management, and metrics and targets.

- We began to work on defining our target operating model for managing climate risk.
- We defined indicators to assess and track our vulnerability to climate-related risk in investment portfolios for our own investments.
- We conducted a qualitative analysis of the risks associated with climate change.

**N** So that we can support our members and clients as we face climate change, we carried out research on climate-related risks such as the impact of heat waves on human health and the physical risks of hail, flooding and high winds.

## Asset management

• Our own investments are managed by Desjardins Global Asset Management (DGAM),<sup>2</sup> a Desjardins subsidiary that signed on to the Principles for Responsible Investment (PRI) in 2017. To learn more about DGAM's approach to responsible investment and shareholder engagement, see the [2020 Report on Responsible Investment Activity](#).

**N** We exceeded our 2021 carbon footprint reduction target for our own investments.

- Our goal was for our own investments to have a carbon footprint that is 25% lower than index averages.
- We ended the year 38.1% lower.

**N** Desjardins joined the Business Ambition for 1.5°C campaign and committed to setting science-based emissions reduction targets by the fall of 2023 in several areas, including its own investments in 3 key carbon-intensive sectors: energy, transportation and real estate.

**N** Desjardins's commitment to the renewable energy sector includes building a portfolio of at least \$2 billion in infrastructure assets by 2025.

## Responsible management practices

**N** In 2021, Desjardins was once again rated one of the top employers in Canada when it comes to work/life balance, skill development, and diversity and inclusion. Desjardins was also named one of Canada's Greenest Employers.<sup>3</sup>

**N** We've publicly committed to a process to help us ensure equity, diversity and inclusion across our entire organization and be recognized as a caring and inclusive employer.<sup>4</sup> We identified representation indicators for the following 3 priority groups:

- Women
- Youth
- Members of ethnocultural communities (including Indigenous Peoples)

**N** We adopted a target for reducing our operational emissions by 41% compared to 2019 levels by the end of 2025. We're targeting 5 key areas: paper consumption, business travel, energy use by our buildings, employee buy-in and our supply chain.

**N** In 2021, our emissions from buildings (office space and real estate investments), business travel and paper consumption stood at 17,547 metric tons of CO<sub>2</sub> equivalent, down 30% from 2020 and 57% from the 2019 benchmark.

The substantial drop in our GHG emissions from operations in 2020 and 2021 is due in part to our efforts, but also largely to the pandemic, which began in March 2020. Our target of 41% below 2019 levels by 2025 remains relevant as economic activities begin to return to normal.<sup>5</sup>

**N** Since 2021, all group property and casualty insurance agreements have been signed paper-free. First introduced out of necessity during the pandemic, paper-free agreements have become and will remain standard practice for The Personal Insurance Company and The Personal General Insurance.<sup>6</sup>

- We're upgrading our IT assets by migrating a part of our core business systems to the Microsoft Azure cloud. We started in 2019 and plan to finish by 2024. This project should cut our annual greenhouse gas emissions by 261 metric tons of CO<sub>2</sub> equivalent—comparable to the emissions from 110,000 litres of automotive fuel.
- We're gradually electrifying our vehicle fleet. The bulk (92%) of this Desjardins-wide initiative will happen at Desjardins Insurance. As at December 31, 2021, we had 474 vehicles across Canada, including 243 hybrid, plug-in hybrid or electric vehicles (51% of our fleet). With vehicles replaced every 4 years, we're gradually closing in on 100%.

<sup>1</sup> See the Climate Action at Desjardins report.

<sup>2</sup> See the **Product responsibility** section ([page 37](#)) and the **Shareholder engagement** section ([page 41](#)) in the GRI Index.

<sup>3</sup> See the **Engaged employer** and **Awards and recognition** sections ([page 65](#)) and the **Equity, diversity and inclusion** and **Awards and recognition** sections ([page 60](#)) in the Social and Cooperative Responsibility Report.

<sup>4</sup> See the **A 2024 strategic plan for achieving our equity, diversity and inclusion goals** section in the Social and Cooperative Responsibility Report ([page 60](#)).

<sup>5</sup> See the **Reducing our environmental footprint** section in the Social and Cooperative Responsibility Report ([page 26](#)).

<sup>6</sup> Desjardins subsidiaries.

## Responsible business practices

- We review our product design, underwriting and claims processes to ensure that our actions put the interests of our members and clients first and ensure they're treated fairly.

### Accessible services

We care about social inclusion and understand that there are barriers preventing people with physical, cognitive and functional limitations from finding the information they need about insurance products. That's why we've made sure all our online platforms comply with local accessibility standards for users all across Canada.

### Transparency at the core of our communications

- We work to educate members and clients about their insurance coverage. For example, we send emails with important renewal information and regularly update the blogs on our websites.
- Desjardins's efforts to educate people about responsible investment were rewarded with a second-place finish in the Market Education category at the Responsible Investment Association Leadership Awards.
- We launched a number of initiatives to help get the word out about responsible investment. We produced educational videos and held webinars on the benefits of responsible investment and the positive impact it has on the environment and communities.

## Member/client experience<sup>1</sup>

Some of our initiatives to increase member/client satisfaction included:

- Enhancing our credit insurance offer and support to better meet members' and clients' coverage needs and making it possible to buy loan insurance when renewing a mortgage online
- Increasing the number of answers in real time for people applying for individual insurance
- Launching a joint app, Omni, so plan members can use a single app to access their group retirement savings and insurance plans, as well as resources to take control of their health and financial well-being
- Rolling out a virtual assistant to help members and clients reach their retirement savings goals according to their stage of life
- Adding a 3-question price estimator on our website to give members and clients an idea of the cost of a critical illness insurance policy that would let them focus on getting better

## Responsible products and services

### Property and casualty insurance products

- We've expanded our cybersecurity insurance for businesses with 2 additional coverages to give clients access to the resources they need to manage cybersecurity incidents.
- We offer up to 10% off for LEED-certified homes.
- We offer up to 20% off for electric, hybrid and fuel-efficient vehicles.

## Group retirement savings and investment solutions

- To meet a wide range of needs, our savings and investment solutions include 6 SocieTerra responsible investment portfolios for guaranteed investment funds and the ESG Global Diversified basket via Guarantee Advantage market-linked term investments.<sup>2</sup>
- Our group retirement savings lineup includes 4 ESG options: 2 funds and 2 portfolios.<sup>3</sup>

### Improving access to insurance and closing the insurance gap

- We're making basic insurance coverage more accessible with affordable prices and no medical exam for products like Accirance Select accident insurance and 50+ Life Insurance. We also have an advice centre featuring helpful articles like [Life insurance can be affordable](#).
- We offer a life annuity designed for people with a critical illness and a reduced life expectancy. Payments are higher than conventional life annuities to help them face their illness with dignity and preserve their quality of life.
- We offer affordable auto insurance for young drivers and [tips to help them save money](#).
- Our members and clients get free assistance services, including medical assistance while travelling, psychological support services, clear legal information and in some cases, roadside assistance.
- Newcomers face all kinds of challenges when they get to Canada. Desjardins has developed online training to help them learn how Canada's financial system works and a range of products and services tailored to their needs, including access to [Visitors to Canada Insurance](#) (healthcare and emergency medical services).

<sup>1</sup> See the **Member/client experience** section in the Social and Cooperative Responsibility Report ([page 32](#)) and the **Member/client experience – Management approach** section in the GRI Index ([page 35](#)).

<sup>2</sup> See the **Responsible investment portfolios – SocieTerra guaranteed investment funds** section and the **ESG Global Diversified Basket – Guarantee Advantage** section ([page 38](#)) in the GRI Index.

<sup>3</sup> See the **Group retirement savings – Responsible investment** section in the GRI Index ([page 39](#)).

## A fast, streamlined and user-oriented claims process

Our claims process is quick and efficient to help members and clients when they need it most.

- N** We rolled out a new platform for group insurance claims that allows us to process more health and dental claims in real time.
- N** We continue to work on making our communications as clear, easy-to-understand and empathetic as possible.
- We've simplified and digitalized our processes so members and clients can stay home and get answers quickly:
  - N** In 2021, we completed nearly 30,000 vehicle damage appraisals using our photo-based estimate feature, saving our members and clients a trip to the auto body shop.
    - Features in our apps allow clients to view the latest information on their home insurance claims, which facilitates follow-up.
- We revamped some processes for urgent situations, such as coming up with custom solutions for natural disasters.

## Our priority: Helping our members and clients

During the pandemic, we've provided advice and relief measures so our individual and business members and clients can prioritize their well-being and that of their loved ones—all while keeping their budget and financial goals on track.

- N** We've continued to provide relief measures, like access to psychotherapy and additional flexibility for filing group insurance claims. Some of these measures have become part of our regular service offer, such as our expanded financial literacy initiatives for members, clients and advisors, and providing and signing documents electronically.
- N** We also introduced new measures like:
  - Freezing or reducing premiums for most drivers (passenger vehicles)
  - Limiting home insurance premium increases across Canada
  - Introducing a new version of Ajusto, our optional personalized premium program, to better reflect changes in driving habits
- N** Our account managers received mental health training to help them adapt their support for our group insurance plan members during the pandemic.



## 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.

### Initiatives for members and clients

We put members and clients first by developing and using different tools and channels to empower them financially, educate them about risk prevention, help them better protect themselves and encourage them to adopt healthy lifestyles. By raising their awareness and providing information, we support their financial empowerment.

### Ongoing dialogue for prevention and education

- We've developed a range of communication initiatives, including [blogs](#) and [newsletters](#) where we share information about preventing home and auto claims, with a focus on weather events and natural disasters.
- We use our various platforms to publish [advice](#) on **health management, financial empowerment and stress reduction**, with articles targeted to our group insurance plan members, other Desjardins members and clients, and the general public. We provide reliable information on financial well-being, interactive tools to help people empower themselves, and one-on-one phone support to help them lead healthier lives.

### Solutions to help take action

As part of a cooperative financial group, we make a point of developing innovative tools and practices to help members and clients manage risk and find concrete solutions.

### Taking steps to prevent loss and injury risks

- We offer the Desjardins Insurance Home-Auto app for our members and clients with features like Radar™, Alert™ and Ajusto®.
  - With **Radar**, policyholders get a notification when severe weather is in the area so they can prevent damage to their home and property.
  - With **Alert**, policyholders get a free water and freeze detector for their home that sends alerts to their smartphone so they can limit damage.
  - With **Ajusto**, drivers get feedback sent right to their smartphone, which helps them improve their driving and make the roads safer.
- **N** The newest version of Ajusto takes safe driving a step further by analyzing trips on an ongoing basis. This new feature encourages our members and clients to adopt and maintain safe driving habits.

™ Radar is a trademark of Desjardins General Insurance Group Inc., used under licence.

™ Alert is a trademark of Desjardins General Insurance Group Inc., used under licence.

® Ajusto is a registered trademark of Desjardins General Insurance Group Inc., used under licence.

## Taking steps to encourage health and wellness among group insurance plan members and clients

**N** The **Healthy Weight program** offers a unique approach that goes straight to the source, tackling several factors at once to help plan members manage their weight in a realistic and sustainable way. Prescription drugs for the treatment of obesity are now automatically covered under our standard service offer.

**N** We've adopted a **biosimilar switch strategy** (similar to government initiatives) to help reduce costs and facilitate the arrival of these types of drugs in the Canadian market.

- We offer a **program to promote better sleep quality**. It includes educational resources and therapy sessions for better sleep, potentially helping with any associated health problems.
- Plan members and their families have access to an **employee assistance program and manager support services**. The program offers confidential assistance services, including counselling in person, by phone or online for personal, relationship or family problems or problems at work.
- We also provide a **telemedicine** service to plan members and their families, giving them anytime access to online healthcare.
- We made mental healthcare more accessible by adding **internet-delivered cognitive behavioural therapy** to several types of insurance. This psychotherapy treatment is the most studied and clinically proven treatment for mental health disorders like depression, anxiety and insomnia.
- We **partnered with Les Impatients** to offer creative workshops to plan members on long-term disability because we recognize the benefits of art on mental health.

## Taking steps toward financial empowerment

- We curate **personalized educational videos** so **group retirement savings plan members** can simulate savings scenarios and make informed decisions.
- We make **tools and materials available to employers** so they can track employee enrolment in their pension plans and encourage people to develop retirement plans.

## Partner initiatives

- We were one of the first in the industry to incorporate ESG factors into fund selection on our group retirement savings platform. Employers and consultants can use the fund valuation and rating framework.
- The Desjardins Responsible Investment (RI) certification program teaches advisors how RI can help members and clients reach their financial objectives and have a positive impact on the environment and communities.

## Supplier initiatives

We value responsible business relationships.<sup>1</sup>

- We follow established responsible procurement practices, including:
  - Using resources responsibly
  - Incorporating environmental, social and governance factors into all procurement processes
  - Adopting the 5Rs (rethink, reduce, reuse, recycle and repurpose)
- We include ESG criteria in the reinsurer selection process.

<sup>1</sup> See the **Responsible and inclusive procurement** section in the Social and Cooperative Responsibility Report ([page 52](#)) and the **Procurement practices and supplier assessment – Management approaches** section in the GRI Index ([page 25](#)).





## 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.

### **Collaborating and dialoguing with governments and industry stakeholders**

- N** We have an ongoing dialogue with different levels of government to increase awareness and understanding of climate change, its connection to natural disasters, and its impact on financial services and property and casualty insurance.
- We work with Canadian insurers and other key players in the insurance industry to establish industry priorities and develop a roadmap for implementing recommendations from the Final Report of the Expert Panel on Sustainable Finance.
- We're part of climate change working groups with the Canadian Life and Health Insurance Association and the Insurance Bureau of Canada.
- We're an active member of the Institute for Catastrophic Loss Reduction.
- We use Catastrophe Indices and Quantification Inc. to quantify the impact of natural disasters on the insurance sector.
- DGAM is a member of the Sustainability Accounting Standards Board, an independent non-profit organization that sets standards for the disclosure of financially material ESG information by companies to their investors, and GRESB, a private for-profit organization that assesses the ESG performance of real assets.

<sup>1</sup> See the **Volunteering and fundraising** section in the Social and Cooperative Responsibility Report ([page 17](#)).

- DGAM sits on the Canadian Coalition for Good Governance's (CCGG) Environmental and Social Committee. The committee's mandate is to assist CCGG in providing best practice guidance on environmental and social risk matters, through a governance lens.

### **Involvement and partnerships with community associations and organizations, universities and research institutes**

#### **Helping people in need<sup>1</sup>**

- Every year, we run the Desjardins Cares and Shares campaign to benefit the United Way, the Desjardins Foundation and the Red Cross.
- We created the Desjardins Disaster Relief Fund to support our members and clients who are affected by disasters not covered by their property and casualty insurance.
- We also run the P&C Insurance Outreach Program, which values, encourages and promotes volunteer and charitable work by our employees.

## Joining forces to help enrich the lives of people and communities

- N** We teamed up forces with The Conference Board of Canada to fund a research centre and nationwide studies focusing on mental health and wellness. Through this partnership, we're helping develop workplace health and wellness expertise and best practices and acting as an agent of change in the area of mental health.
- N** Through our new partnership with the Montreal Social Value Fund (MSVF), we support Quebec's first student-led impact investment organization. With a budget of over \$400,000, MSVF invests in Montreal-based social purpose organizations, enterprising non-profits and co-ops.
- N** Desjardins joined the Canadian cohort of Impact Frontiers, a learning and innovation collaboration among asset managers and owners, alongside partners in the impact investing field. Impact Frontiers opens new paths and creates a cohort of peers to build the capacity of investors to manage impact and integrate impact with financial data, analysis, frameworks and processes.
- N** Eager to share its expertise in diversity and inclusion, DGAM contributed to a discussion paper by ESG consulting firm Millani on the value of Indigenous relations within the Mining Association of Canada. The goal was to provide issuers, investors and others in the financial ecosystem with insights on best practices to successfully engage in meaningful relationships with Indigenous Peoples.
- N** DGAM also participated in a number of initiatives focused on reconciliation, Indigenous rights and responsible investment.<sup>1</sup>
- N** We pinpointed 6 key indicators Canadian employers can use to identify employees whose physical, mental or financial health is at risk so that they can create wellness-friendly workplaces, despite ongoing pandemic uncertainty. The 6 indicators received an enthusiastic response when presented to stakeholders at Canadian industry events, including the Benefits & Pension Summit and webinars for the Canadian Pension & Benefits Institute.

- N** Our employees have participated in a number of events as panelists and speakers and have written articles to inform and raise awareness in the financial community about:
  - Mental health and innovation
  - Obesity and mental health
  - Topics like prescription drugs, disability management and technological innovations in healthcare
  - Responsible investment, shareholder engagement, diversity and inclusion, and compensation in the investment world
- We continue to support the Chaire Desjardins en finance responsable at the Université de Sherbrooke, which addresses 3 key research areas: responsible portfolio management, systemic risk and social responsibility in the financial sector, and extra-financial and reputation risks in the corporate sector.

### Chaire Desjardins en finance responsable: Making a difference since 2016

- 55 students supervised, twice the number initially expected
  - A prestigious CFA Society Toronto and Hillsdale Canadian Investment Research Award
  - 9 awards and special mentions for work done by the research chair and students
- We've been partnering with Operation Red Nose to run a road safety campaign for 38 years.
  - We support the Traffic Injury Research Foundation, whose goal is to reduce the number of traffic-related injuries and deaths by educating people about road safety and promoting good driving strategies and behaviours.

- We partner with organizations like the Heart and Stroke Foundation of Canada and the Canadian Cancer Society to promote healthy lifestyle habits at public events.
- We work with the Canadian Mental Health Association and the Psychology Foundation of Canada to promote work/life balance.
- Desjardins Insurance is the first insurance and employee benefits provider to join Obesity Canada's FOCUS partnership program. The program leverages resources from Canadian leaders in research, business and the public sector to fund obesity research, education and outreach initiatives.
- We've also partnered with the Healthy Enterprises Group, whose mission is to create a movement to provide workplaces that promote employee health and safety.

<sup>1</sup> See the **Relationships with Indigenous Peoples and communities** section in the Social and Cooperative Responsibility Report ([page 56](#)).

A photograph of two children, a girl and a boy, in a forest. They are both wearing knit hats and backpacks. The girl is holding a magnifying glass over the ground, and the boy is pointing at something. The background is filled with trees and sunlight filtering through the leaves.

## PRINCIPLE 4

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

We are aware of the importance of transparency in disclosure reporting. This report, which summarizes the measures we're taking to gradually integrate ESG criteria into our business operations, is available on the [UNEP FI website](#) and on Desjardins.com.

Desjardins Global Asset Management and Desjardins Investments Inc. are partners of Desjardins Insurance and signatories to the Principles for Responsible Investment (PRI). Every year, they disclose their investment practices according to the PRI framework.

Each year, Desjardins Group publishes a Social and Cooperative Responsibility Report, GRI Index and Climate Action at Desjardins report. They reflect Desjardins's commitment to environmental, social and governance factors and to integrating them into everything the organization does.