



2020 Integrated Annual Report

Building a resilient future

An integrated story of our performance

Our 2020 Integrated Annual Report explains how we create financial, environmental and social value for our stakeholders over time. The report demonstrates how our long-term financial strength and stability is interdependent on the well-being of our planet and society. In other words, what is good for our community and our environment is also good for business.

This report tells the story of our strategic performance in relation to the needs and expectations of our stakeholders, and the issues and trends that impact all of us. It includes challenges we've faced and opportunities we've seized as we navigate change, including the unprecedented impacts of the global pandemic in 2020. It provides an interconnected view of our company and how we are engaging and responding to the people we serve and the world in which we operate.

This report is our Public Accountability Statement, and integrates our sustainability, governance and financial reporting into one document. It is an integral part of our full corporate-reporting suite, and a testament to our integrated strategy and mindset. [Our full reporting suite is available online at cooperators.ca/reports.](https://cooperators.ca/reports)

Reporting on our exposure to climate-related risk

In addition to this report, we have produced a [Task Force on Climate-related Financial Disclosures \(TCFD\) Report, "Managing Climate-related Risks and Opportunities"](#), which is available on our website at cooperators.ca/reports. In the TCFD Report, you will find information regarding:

- Climate-related milestones
- Our TCFD roadmap
- Disclosures on our governance, strategy, risk management and targets and metrics

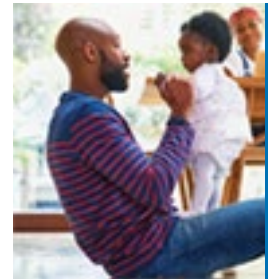


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Legend

Five symbols appear throughout this report to indicate key information:



GRI
Global Reporting Initiative (GRI) materiality disclosures (GRI 102-40 to GRI 102-49).



Strategy KPI
Key performance indicators of our 2019 to 2022 Corporate Strategy.



How we add value
Call-outs to highlight information, products, services and initiatives.



Challenges
Areas where we have encountered difficulty, either internally or externally.



COVID-19 Spotlight
Highlights demonstrating how we have been impacted by and responded to the COVID-19 pandemic.

Discover more online:

[View our Integrated Annual Report summary at *integratedreport.cooperators.ca*](https://www.cooperators.ca/integrated-report)

[Visit *cooperators.ca/reports* for more information](https://www.cooperators.ca/reports) on:

- GRI content index*
- Supplementary Disclosures
- Task Force on Climate-related Financial Disclosures Report
- Archived reports

**This report has been prepared in accordance with the GRI Standards: Core option.*

Our key stakeholders

Throughout the year, we engage with the people, organizations and institutions that are most integral to our purpose.

Key stakeholder	How we engage them
Clients: Canadians and Canadian businesses, co-operatives, community-based and non-profit organizations.	Surveys, focus groups, usability studies and our Community Advisory Panel.
Member organizations: The co-operatives, credit union centrals, representative farm organizations and other like-minded organizations who govern us.	Annual general meeting, region committee meetings, surveys, and in-person and virtual meetings.
Employees: The people we employ across the country.	Employee surveys, town halls, intranet, internal social platforms and focus groups.
Financial Advisors and their staff: The people who serve our clients in communities across Canada.	Town halls, annual sales congresses, surveys, webinars and in-person and virtual meetings.
Communities and community partners: The people and places that connect all our key stakeholders.	Surveys, research, events, speaking engagements, forums, in-person and virtual collaborations and dialogue.
Government and regulators: Elected and non-elected decision makers who legislate and regulate our industry.	Agenda-setting, meetings and consultations, advocacy and industry associations.

Priority reporting issues and trends

To determine the material reporting issues for this report, we underwent a process in 2019 to identify, prioritize, validate and analyze the issues that mattered most to our stakeholders and our organization:

- Identification: Research and internal consultation to identify and validate key stakeholders, issues and concerns that are relevant to The Co-operators to form an initial list of top material issues for reporting purposes.
- Prioritization: Mapping and prioritizing issues that emerged from the identification stage, and tested this against information gathered from our stakeholders to identify any gaps.
- Validation: Through internal and external interviews and surveys, we engaged with our stakeholders and their proxies to identify and validate our material reporting issues.
- Analysis and reporting: We applied criteria to prioritize the ranking of top material reporting issues, and obtained senior management review and input.

In 2020, we conducted surveys with members, clients, employees, Financial Advisors and others to validate material reporting issues to determine which information to include in our Integrated Annual Report. From these surveys, we found the following were of particular importance to our stakeholders:

- Our financial performance
- The COVID-19 pandemic
- Co-operative identity
- Diversity and inclusion
- Innovation
- Future insights

2020 priority reporting issues



Additional priority reporting issues

-  Sustainable practices and operational impacts
-  Diversity, inclusion and equal opportunity
-  Client and member experience and satisfaction
-  Stakeholder trust and relationships
-  Co-operative identity and our democratic governance structure

Top seven priority reporting issues

1. Client and member financial security and resilience

How we support our clients and members towards prosperity and resilience in a world of increasing uncertainty and volatility, from financial literacy and planning to ensuring access and affordability of insurance to protect against evolving risks.

2. Climate change and the low-carbon transition

How we respond to the causes and impacts of climate change, through climate mitigation and resiliency efforts, risk management processes, investments, carbon footprint, advocacy and climate-related disclosures.

3. Workforce engagement, development and well-being

How we engage and protect the well-being of our employees and Financial Advisors, how we engage, attract, retain and develop an inclusive and diverse talent pool, and how we protect their mental, emotional and physical well-being.

4. Innovation and digital trust

How we embed innovation within our business and culture, from change management, products and services, and responses to emerging business models and global trends. How we maintain clients' trust through increased interaction within digital markets and new technologies.

5. Investing for positive impact

How we can use our capital to help build environmentally, socially and financially resilient communities for future generations through our sustainable and impact investing decisions.

6. Community resilience, development and well-being

How we contribute to the resilience, development and well-being of our communities amid increasingly volatile environmental, social and economic conditions.

7. Financial performance and competitiveness

How we ensure the financial health, resilience and competitiveness of our organization, and the steps we take to deliver value and returns to our members, while ensuring the efficiency, competitiveness and sustainability of our business.

1945 – 2020

A co-operative journey, 75 years in the making

2020 marked our 75th anniversary. For our co-operative, and for many Canadians, it was a year of significant uncertainty and unprecedented challenges resulting from the COVID-19 pandemic and its economic and social impacts. Yet throughout the year, stories of people and communities working together to build collective strength and safety emerged. Despite the immediate challenges they faced, people, businesses and institutions across the country co-operated to put the well-being of our communities first. For The Co-operators, 2020 was a poignant reminder of who we are as a co-operative, and why we exist.

We were founded in difficult times. The story of our co-operative began in 1945, during a time of financial uncertainty, when groups of farmers, credit union leaders and social pioneers in Ontario and Saskatchewan came together to build a co-operative that would meet their otherwise unmet needs. Our founders built an insurance co-operative that would be there to provide financial security for their members, neighbours and families when other insurers wouldn't. Since then, our group of companies has grown and evolved to address the changing needs of Canadians. Along the way, we've remained committed to our founding purpose, and remain focused on it today.

Our mission, vision, values and principles

Our mission: Financial security for Canadians and Canadian communities.

Our vision is to be valued by Canadians as:

A champion of their prosperity and peace of mind.

We understand the needs of our members and clients and develop a wide range of products and solutions to help them achieve financial security and an improved sense of well-being in a world of uncertainty.

A trusted leader in the financial services industry, distinct in our co-operative character

Our co-operative values guide and shape how we develop our products and solutions. A focus on long-term financial strength, efficiency and innovation will enable us to do so long into the future.

A catalyst for a sustainable society

Environmental and social sustainability are essential to the long-term financial strength of our group of companies. By embedding sustainability into all we do, we can demonstrate leadership and help catalyze others around the common goal of a more resilient, sustainable society.

Our statement of values

At The Co-operators, we:

- act with integrity
- treat our members and clients with respect
- inspire and support our employees in their achievement of excellence
- give life to co-operative principles and values
- balance our economic goals with concern for the environment and the welfare of society

Our co-operative principles

The seven global co-operative principles outlined by the International Co-operative Alliance guide our decision-making and align us closely to the global co-operative movement:

1. Voluntary and open membership

Our members choose to apply and stay with the organization, provided requirements are met and a mutually beneficial relationship is maintained.

2. Democratic member control

Members govern us through the democratic principle of “one member, one vote.”

3. Member economic participation

Our members purchase a membership share, and through their patronage and governance of the organization, benefit in our success.

4. Autonomy and independence

We are an autonomous organization, governed by independent members that hold shared values and many of whom abide by co-operative principles.

5. Education, training and information

We're focused on continuous improvement and promoting lifelong learning throughout the organization, with dynamic education programs for employees, directors and delegates.

6. Co-operation among co-operatives

We are strong advocates for the co-operative sector in Canada and internationally. We partner with and promote co-operatives to support the well-being of Canadians and their communities.

7. Concern for community

We invest in communities and are advocates for social, financial and environmental sustainability.

Our group of companies

The Co-operators Group Limited is a leading Canadian co-operative, which offers multi-line financial services and insurance with \$56.4 billion in assets under administration. Our group of companies provides financial solutions and security through property and casualty insurance, life insurance, wealth management solutions, institutional asset management, and brokerage operations.

- **Addenda Capital Inc.**
Provides investment management services for The Co-operators Group Limited, and hundreds of Canadian institutions and investors.
- **Co-operators General Insurance Company**
Offers Home, Auto, Farm and Commercial insurance through our exclusive Financial Advisor network across Canada.
- **Co-operators Life Insurance Company**
Provides Life and health insurance, as well as wealth management products for individuals and groups across Canada.
- **Co-operators Financial Investment Services Inc.**
Distributes third-party mutual funds through our exclusive Financial Advisor network across Canada.
- **CUMIS Life and CUMIS General**
Provide insurance-related products and services, including Travel insurance, for Canadian credit unions, caisses populaires and their members.
- **Duuu by Co-operators**
Provides on-demand insurance solutions for participants of the digital economy, including home sharing.
- **Federated Agencies Limited**
Provides personal, commercial and financial services products for strategic business partners.
- **HB Group Insurance Management Ltd. and COSECO Insurance Company**
Offers Auto and Home insurance products to employer groups, affinity groups, associations and credit union members.
- **Technicost**
Provides credit software solutions to credit unions across Canada.
- **The Edge Benefits Inc.**
Provides simplified disability insurance products to Canadians, with a focus on the self-employed marketplace.
- **The Premier group of companies**
Offers professional liability, specialty casualty, and general property coverage through a network of brokers.
- **The Sovereign General Insurance Company**
Provides tailored risk solutions for Canadian business through multiple distribution channels.

Strategic Performance Indicator

Ranking on Corporate Knights Best 50 Corporate Citizens in Canada

#4

Target: Remain on the list
Status: Achieved

Our efforts to embed sustainability into our organization were once again recognized in 2020, when we ranked 4th among the Corporate Knights Best 50 Corporate Citizens in Canada, making the list for the 11th year in a row. Inclusion in this national ranking demonstrates our strong commitment and performance across key environmental, financial, social and governance indicators.

Meeting the needs of our clients

Across our multiple lines of business serving our wide range of clients, we offer a holistic suite of financial and insurance solutions, products and advice.



We insure:

890,000

homes

1.5 million

vehicles

230,000

employees and their dependants

We provide coverage for:

41,000

farms



265,000

businesses



We protect

660,000

lives



238

credit unions served, with more than

5.2 million

members

522,000

Canadians provided with Creditor Life insurance

171

institutions' assets managed



51,359

active wealth management policies

6,454

employees*



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

2,303

licensed insurance representatives, including

462

exclusive Financial Advisors

Letters to stakeholders

2020 was The Co-operators 75th anniversary, a year that reinforced our purpose and the values that guide us. Amidst the great challenges of 2020, we emerged strong and resolute in our commitment to co-operative principles and a co-operative movement that exists to support communities in times of need.

Along with our members and clients we navigated some of the greatest social, financial, and emotional challenges in our history. Yet the pandemic also highlighted the closeness, interconnection and interdependence of people, businesses, and communities, underscoring the importance of collective determination to overcome great difficulty.

Our relationships with members build collective strength.

Ensuring we can meet the needs of our members and stay connected remotely was a top priority of our directors and management in 2020. We have learned from one another, and worked to understand our members' needs. Going forward, we will embrace what has worked, and find new ways to leverage our collective strength. Throughout the year, the participation and engagement of our members has been superb.

Our co-operative governance is crucial, especially in challenging times.

Our governance helped us adapt and remain strong despite the limitations and constraints presented by the pandemic. In the early stages of the crisis, we quickly implemented a variety of new approaches to ensure The Co-operators was effectively governed in the COVID-19 environment, which are described on page 23.

Conversations of diversity and inclusion rightfully rose to the surface in 2020. We have further to go in our own co-operative to ensure diversity is well-represented in our governance. To this end, the Board participated in a workshop with the Canadian Centre for Diversity and Inclusion, further acknowledging we have significant and important work ahead of us. We continue to make progress towards our long-term target of gender parity on the Board by 2025. In 2020, we achieved 32 per cent women on the Board.

We completed our Democratic Structure Review in 2020, a process undertaken at least once every ten years to ensure our governance structure remains representative of the co-operative sector in Canada, and that we remain relevant in terms of continuing to meet our members' needs. Outcomes of the review are described on page 24.

Our communities are supported by the co-operative movement.

75 years ago, we were founded in a time of financial hardship, when the spirit of co-operation brought our founders together. Today, Canadian communities and our economy are more robust, resilient and diverse thanks, in large part, to the thousands of co-operatives across the country. With this in mind, we focused on supporting co-operatives and communities through a range of pandemic relief programs, funding and initiatives, which are highlighted in this report.

While our co-operative ended the year on a strong financial note, many Canadians and Canadian businesses did not. It was difficult, and the road to recovery is not yet well-defined. These hardships have reinforced our commitment to continue to make decisions through the lens of our co-operative values while strengthening our business. Our definition of success will be marked by our lasting ability to meet the evolving needs of our members, our clients and our communities for the next 75 years and beyond.



John Harvie
Chairperson, Board of Directors,
The Co-operators Group Limited





The pandemic did not fundamentally change the world. Instead, it brought to light significant risks that have always existed, and further exposed systemic inequalities and unmet needs that must be addressed through co-operative, sustainable solutions.

Despite the complex challenges in our midst, I am hopeful that, collectively, we are prioritizing resilience in our communities, economy and society. I have been heartened by the sense of community that has emerged across the country. We know we can rise to great challenges, when we rise together.

Our clients are paramount to our mission.

In a year when many faced financial difficulty and uncertainty, we returned over \$20 million in direct premium relief through our Reduced Driving Refund, in addition to a wide range of financial relief measures. We also enhanced and accelerated our digital offerings during physical distancing to ensure we could service clients during lockdowns, and expanded our financial solutions with mutual funds under The Co-operators brand. Of course, we faced challenges along the way. Unprecedented circumstances led to high call volumes and disruptions to client service in the first half of the year. Through it all, we pressed forward with a mindset of continuous improvement.

Our co-operative identity guides us.

Strong, sustainable communities lead to more resilient individuals. In 2020, we contributed over \$22 million to charities and non-profits to support Canadians through exceedingly difficult and uncertain times. We also allocated over 20 per cent of our total invested assets to impact investments, over \$2.4 billion in 2020. These investments help de-risk our economy and communities by funding climate solutions, cleaner energy systems, medical research, food security, mental health supports and much more.

Our financial strength propels us forward.

2020 was marked by significant market lows and uncertainty, followed by record-breaking highs. While our co-operative endured significant challenges due to the pandemic, our capital position is strong, resulting from positive investment performance, operational efficiency and solid underwriting performance. Through our financial stability, we can further invest in our clients' financial security, and in the resilience of our communities.

Our people are our greatest strength.

We set our people up with remote and flexible work arrangements and mental health supports to help them navigate the challenges of 2020, while fostering a culture of high-performance to deliver for clients and communities. We also looked inwards at diversity and inclusion in our co-operative, and are committed to doing the work required to become a diverse and inclusive organization, remove barriers and biases that exist in our co-operative, and help dismantle systemic racism.

Our founding purpose endures.

We exist to provide financial security for our members, clients and our communities. For the complex challenges we face today, we are poised to develop co-operative solutions. We can reach across sectors and political divides to address inequality, bridge gaps, and meet ill-met and unmet needs. We can embrace our values, identity and talents – now, more than ever – to co-operate with clients, members and communities. Through this collaborative action, we can build a more sustainable, resilient world.

Robert Wesseling

Robert Wesseling
President and Chief Executive Officer,
The Co-operators Group Limited

Our world in 2020

The value we create for our members, clients and communities is closely connected to the social, environmental and financial dynamics of our time. As the world undergoes rapid change, we are poised to anticipate, respond, and adapt to emerging issues and trends in order to stay relevant and effective.



The COVID-19 global pandemic

Global and local uncertainty and volatility caused by the COVID-19 pandemic had significant and varied impacts on our co-operative, as well as on our members, clients and communities. Immediate threats to physical health, an increase in deaths and hospitalizations, government-issued lockdowns, business interruption, financial insecurity as a result of widespread layoffs and unemployment, and lingering mental health impacts were exceedingly significant challenges that defined 2020. Many of the impacts felt by our organization are highlighted throughout this report, including how we adapted our strategy, governance and operations; how we supported our clients, members and communities; and how we adapted our work culture and environment to keep our communities, employees, Financial Advisors and other client-facing staff healthy and safe.





Systemic racism and inequality

Racism and inequality faced by marginalized communities, including Black, Indigenous and other Persons of Colour within our society were highlighted with the Black Lives Matter movement, Indigenous rights movement, and an increased need for efforts towards Truth and Reconciliation in Canada. While these pressing human rights issues were brought to the forefront in 2020, they are long-standing and systemic, and require our urgent attention, commitment and meaningful action. Our support for Black Lives Matter and the strategies and actions we're undertaking to address systemic racism and foster a more diverse and inclusive organization are outlined in the "Workforce Capability" section on page 80.

Climate change

Increasing trends of frequency and severity of climate-related catastrophes such as flooding, wildfires, and extreme weather events remain top of mind, especially in the context of a pandemic, when cascading catastrophes pose a significant risk to the financial security of Canadians and our communities. Climate change is pervasive and escalating, and requires urgent and co-ordinated action. Throughout this report, we discuss our strategy and approach in response to a changing climate. [For a consolidated and comprehensive view, read our TCFD report on our website at \[cooperators.ca/reports\]\(https://cooperators.ca/reports\).](#)

The rise of virtual work

Workplaces in 2020 looked significantly different than they did just one year ago. Conditions stemming from the COVID-19 pandemic led to an unprecedented shift away from in-person engagement and interactions with clients and business partners. By necessity, an expansion of online, remote and flexible work arrangements redefined boundaries between people's homes and workplaces. This has impacted how organizations foster positive work culture and opened up conversations on how best to foster productivity, collaboration and positive work-life balance. The ways in which we've adjusted our operations, resources and culture are described on page 87.

Other issues and trends

There are ongoing and escalating issues and trends, including unknown and potentially significant ripple effects from the pandemic in the years to come, that we continuously monitor, which have guided our strategy and approach to providing solutions to Canadians and our communities. Rapid technological developments and disruptions in the automotive industry, the increased digitization and customization of the client experience, increased cyber security risks, an aging population, growing economic inequality, and more are examined, both in terms of the risks they pose and the opportunities they present.



How we understand, anticipate and manage risks

We seek to understand the risks and opportunities in the world around us to foster transformation in areas of our strategy, operations and decision-making. Doing this effectively will serve to meet the needs of our members, clients and communities over the long term.

Our risk appetite

Our risk appetite defines the types and amount of risk we are willing and able to responsibly accept, while earning an appropriate return and fulfilling our strategic goals. Our risk appetite describes the risks we will avoid, the risks we are prepared to take on, and the limits we place on those risks. We develop and establish our risk appetite through a dynamic and iterative process that requires ongoing dialogue throughout our organization.

Our risk universe

We categorize the top risks we monitor and manage through our risk universe.



1. Investment and financial risks

Includes credit risk, market fluctuations in terms of equity markets, interest rates and foreign exchange, and liquidity risk.

Top Risk in 2020: Equity market volatility

As a co-operative, we have limited access to capital. We need to ensure that our capital is both protected and working for us as efficiently as possible. Volatility in equity markets can have a significant negative impact on our capital levels and our regulatory capital ratios.

In 2020, alongside the unprecedented market impact from the pandemic, we closely monitored and evaluated our equity market risk tolerance and were prepared to execute on a variety of mitigating strategies as needed.

We also recognized and examined the potential downside risk to our regulatory capital ratios from rising interest rates in an inflationary environment.



2. Insurance risk

Includes risk of financial loss arising where claims and/or benefits paid are higher than expected when the risk was initially priced. This includes exposure to catastrophic perils that would impede our ability to do business, including climate-related catastrophes. It also includes risks related to our life, health and travel insurance lines of business.

Top Risk in 2020: Extreme weather and climate change

The risk that our property insurance products fail to remain affordable over the long term as a result of our inability to mitigate climate-change risks and offer innovative sustainable insurance solutions.

We continue to signal the importance of addressing climate-change risks and creating sustainable products. Significant investments have been made in research and development by our Climatic Hazard Research team to provide strategic insights based on advanced modelling, and analytics including the quantification of our portfolio accumulations across regions.



3. Operational risk

Includes risks to business continuity and resilience, risks stemming from global issues, risks associated with executing on projects effectively, risks of legal and regulatory compliance, risks associated with technological gaps and data security, and more.

Top Risk in 2020: Workforce agility and resilience

The risk that we fail to foster a resilient and agile workforce that embraces transformational change and aspires to a continuous improvement mindset. This includes setting efficient processes, enabling technology and overcoming project management complexities.

We are strengthening our Operational Risk Management program with a targeted focus on our control environment, in part through a monthly process of reporting project and execution issues related to our strategic initiatives. Senior management continues to drive the importance of executing effectively and communicating potential consequences to customers and stakeholders.



4. Strategic risk

Includes risks of not understanding client preferences and behaviours, risks posed by changes in the competitive market, and risks presented by business landscape changes.

Top Risk in 2020: Shifting client preferences and behaviours

Social expectations for products, services and digital purchasing preferences are shifting quickly and significantly. This shift is driving an accelerated pace of technological change and product/service re-design. If we fail to adequately respond in a timely manner to these transformational changes, it could inhibit our ability to deliver on our strategic priorities.

We engage in regular dialogue with our key stakeholders throughout the year to understand and respond to issues that are important to them, and to ensure our strategy and plans adequately anticipate, address and solve for these challenges. We have committed significant resources to developing the service tools to be a leader in client engagement.



5. Reputation risk

The risk resulting from activities, decisions or actions taken that impairs our integrity in the community.

Top Risk in 2020: Cyber security risk

The evolving nature of sophisticated cyber attacks globally are growing, putting us at increased risk if we do not stay current in addressing vulnerabilities. Data privacy breaches could result in disruption to our clients and can materially impact the company in terms of financial losses and reputational impacts.

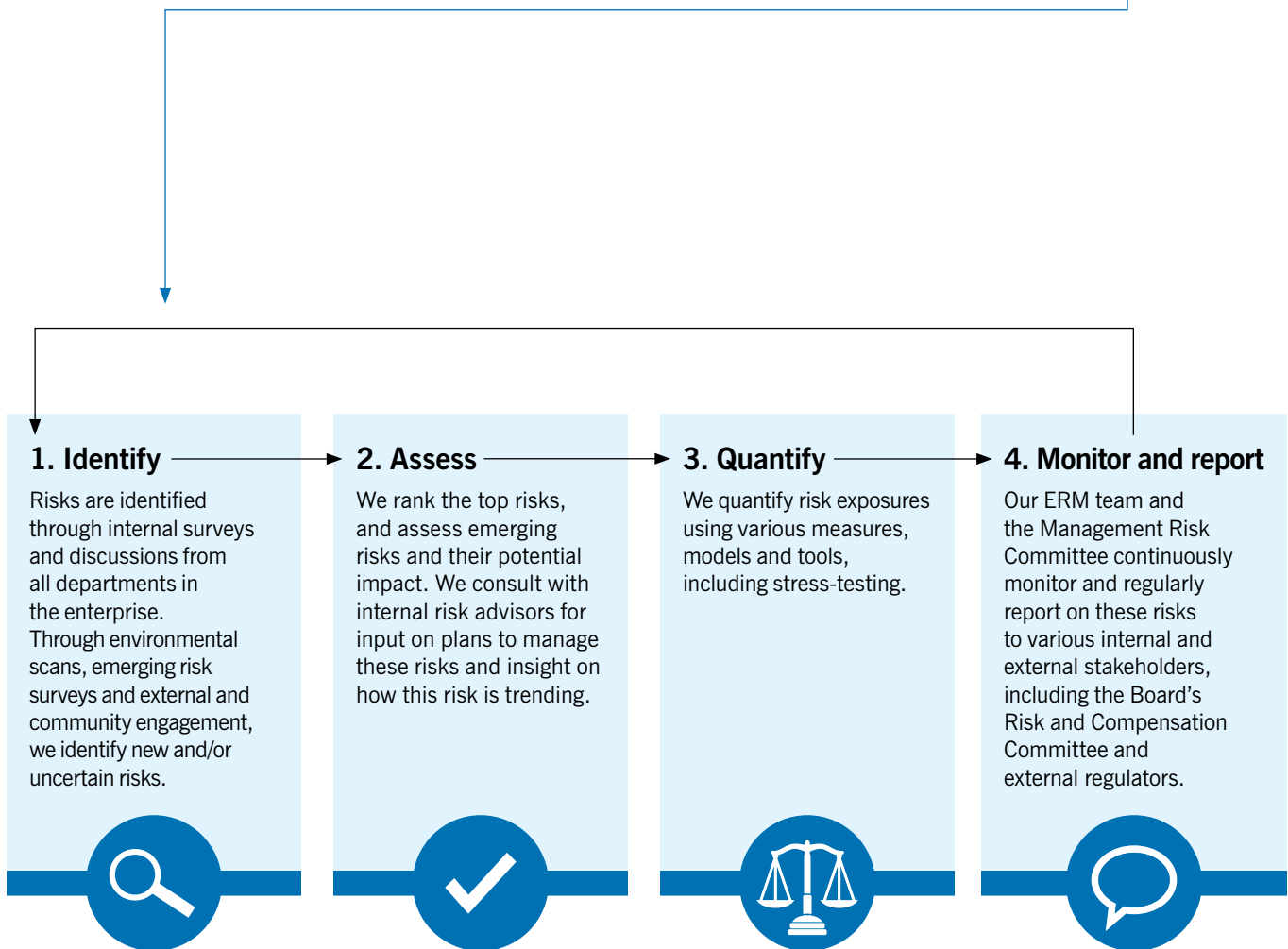
A significant investment has been made in recent years to modernize our technology platforms, to protect against cyber vulnerabilities, while at the same time leveraging new technologies to provide a much higher level of service and product adaptability and affordability to our clients.

We have partnered with leading cyber security firms giving us real-time access to cyber threat intelligence blogs, feeds and regular dialogues to discuss threat actors and activity. Our Center for Security Operations integrates this intelligence into our incident and activity monitoring tool for prevention, early detection, and for strengthening our mitigating response strategies.

Our enterprise risk management process

Ensuring that we continuously and effectively balance the risk-reward trade-off while remaining consistent with our co-operative vision and values preserves our ability to operate within our company's overall appetite for risk. To do so, we use sophisticated modelling to set robust risk-based capital targets, which are essential to our strength and our clients' financial security. Managing risk is viewed as a shared responsibility of business lines across the organization, and is an accountability resting with employees across our co-operative.

In addition, our enterprise risk management (ERM) team undertakes an annual structured and integrated assessment to independently identify key risk factors that may impact our ability to achieve our strategic goals. The results and discussion stemming from this inform our business and strategic planning process, operations and decision-making. In addition, with the support of ERM's capital modelling team, we annually evaluate our capital management plans alongside our evolving risk profile to ensure we have the appropriate capital levels we need to manage the risks we are willing and able to responsibly accept.



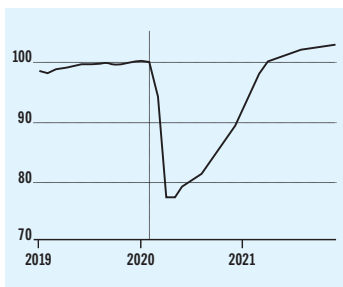
 COVID-19 Spotlight

Modelling risks through scenario planning

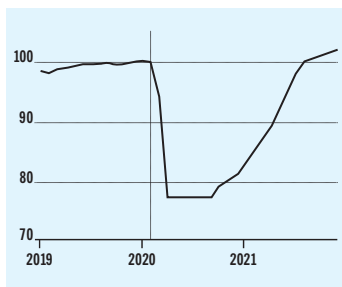
The global pandemic significantly impacted the risk appetite of our industry and of our organization, exacerbating and reshaping many of the risks we manage in our risk universe. In addition, the epidemiological possibilities of how the pandemic would play out was and continues to be uncertain. Predicting if and when the curve could be flattened, timing of a second wave, or multiple waves, potential concurrent market corrections, and vaccine development, all put a strain on the risk budget of our co-operative, and indeed, on all Canadians.

To ensure The Co-operators was prepared for the range of possible epidemiological and economic market outcomes in the short-term and over the planning horizon, we worked with our modelling and planning teams to understand, anticipate and prepare for the implications of a U-shaped (moderate return to normal), prolonged U-shaped (delayed return to normal), W-shaped (second wave), and L-shaped (long protracted) recoveries. (Graph illustrations are adapted from *The Globe and Mail*.)

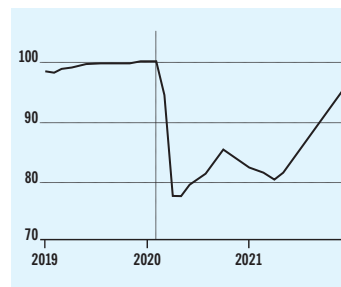
U-shaped recovery



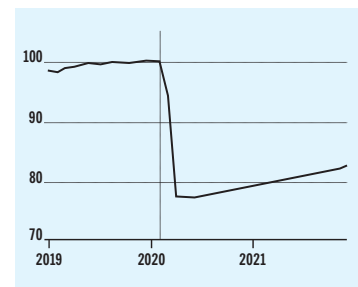
Prolonged U-shaped recovery



W-shaped recovery



L-shaped recovery



Scenario planning details included:

- Epidemiological description (e.g., likelihood of vaccination, provincial health protocols, government shut-downs)
- Economic conditions (e.g., depth of market correction, duration or time to GDP stabilization, level of government financial intervention)
- Client impacts (e.g., changing behaviours, debt/wealth, spending)
- Organizational impacts (e.g., productivity, new business, claims, service levels, capital, and expense management initiatives)

A list of ongoing uncertainties was recognized and integrated into the planning process (e.g., change in virus properties, the role of asymptomatic individuals, true infection rates and immunity, reactions of clients, public policy responses). This framework was used to support senior management in actioning next steps.

As conditions evolved, multiple rounds of stress testing exercises were developed and refined, including modelling out a worst-case scenario. Planning required an agile approach in preparing an overall framework with playbooks and protocols. Each scenario playbook included immediate next steps with individual leader accountabilities and the required pace of execution as conditions change.

This framework was used by senior management to identify and implement next steps while actively managing the changing risk landscape.

Our strategy: A bridge to the future

Our strategy was designed to navigate risks and seize opportunities presented by occurring, emerging and anticipated issues in our world. We know that COVID-19 and future pandemics, climate change, the automation of transportation, shifting demographics, economic uncertainty, technological disruption and other drivers of change will continue to alter our operating environment. Across our group of companies, the needs of our members and clients are quickly evolving in a world of persistent change, volatility and uncertainty, and the pandemic has only added complexity and accelerated the time horizon of change. Our 2019 to 2022 strategy was developed with rapid change in mind, to navigate significant challenges in our midst. If successful, it will be the bridge that carries us forward, providing a smooth transition to a more sustainable, resilient future.



Championing a long-term vision for sustainability

Our strategy is both designed and carried out through a lens of sustainability, which we view as a vital piece of who we are, how we work, and what we deliver. Enabling and maintaining conversations on sustainability topics is key to delivering on our vision of being a catalyst for a sustainable society and achieving our mission of providing financial security for Canadians and their communities. In addition to our four-year strategic cycle, we are working towards a set of 2030 Enterprise Long-term Goals intended to lay the groundwork for a more sustainable, resilient future.

Our 2030 Enterprise Long-term Goals were developed to ...

- Inform and influence by contributing to reducing our stakeholders' risk exposure and increasing their prosperity through our continuous engagement and influence.
- Incentivize Canadians and their communities toward a more sustainable and resilient society.
- Invest our assets with the objective of helping Canadian society realize positive change to risks and become more sustainable.

[A full description of how we will achieve our long-term goals can be found online at *cooperators.ca*.](https://www.cooperators.ca)

The Co-operators 2019 to 2022 strategy

Our 2019 to 2022 corporate strategy contains five strategic focus areas: Client Engagement, Co-operative Identity, Competitiveness, Create the Future, and Workforce Capability. Despite the volatility experienced in 2020 due to the COVID-19 pandemic, we are confident that the fundamental pillars of our strategy remain sound and that they will continue to navigate us successfully forward. For how we've adapted our strategy in the midst of the pandemic, see page 18.



Client Engagement
We will be the leader in client engagement within the financial services industry.

We will ensure that the client is at the centre of our decision-making and solution delivery, and provide a consistent and seamless client experience across all interaction points. We will offer advice and solutions for holistic financial security, while continuously working to understand client needs and preferences.

We measure Client Engagement through customer satisfaction surveys, client growth and digital engagement and adoption.



Co-operative Identity
Being a co-operative is core to our identity and our business. We will continue to be invaluable to the co-operative system.

We will deliver relevant, compelling solutions to our member organizations and champion the advancement of the co-operative system. We will lead with initiatives to address Canadians' unmet economic, social and environmental needs, and build their resilience. We will integrate co-operative and sustainability principles in all areas of our business.

We measure our Co-operative Identity through co-op sector support and member engagement, community contributions, our carbon footprint, and impact investing.



Competitiveness
We will relentlessly pursue operational excellence, which will allow us to grow profitably and capture market share.

We will modernize products and services to align with changing client needs, while focusing on collaboration and operational efficiency. We will invest in our core capabilities, including the use of data and analytics, and partner with like-minded organizations to provide competitive, holistic offerings to a diversity of clients.

We measure our Competitiveness through top line growth in key business lines, efficiency ratios and profitability performance, and our strategic partnerships.



Workforce Capability
Our people are the core source of our competitive advantage in a rapidly changing environment.

We will empower an adaptable workforce by identifying and removing barriers to achieving a diverse, inclusive workplace. We will develop, attract and retain the brightest and best people, while strengthening our culture of innovation.

We measure our Workforce Capability through engagement surveys, mental health indexes, diversity and inclusion metrics, and employee and Financial Advisor development.



Create the Future
The business landscape is changing, and we need to be ready. We will explore and invest in far-reaching new business models and capabilities to secure future success.

We will prepare the organization for industry transformation by developing and experimenting to create innovative solutions and new business models that address changing client needs.

We monitor the development, adoption and performance of our emerging business models.

COVID-19 Spotlight 

Our strategic response to an historic challenge

The COVID-19 pandemic was a test of our co-operative's ability to respond and adapt to a rapidly changing environment. Working through our established business continuity plans, teams across the group of companies quickly implemented plans at the onset of the pandemic to move our entire workforce to a work-from-home environment to protect our employees and our communities.



Optimizing our operations

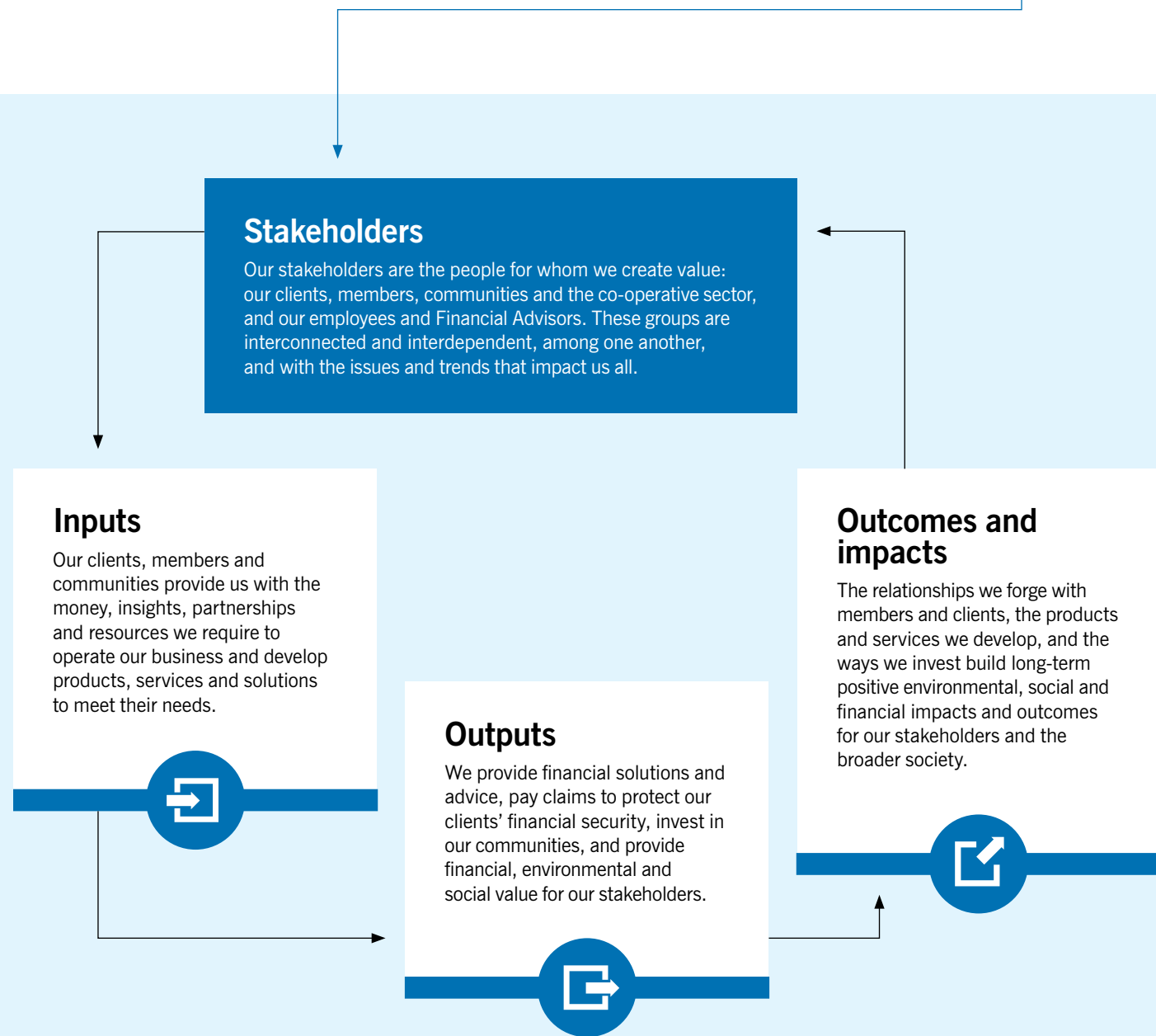
Once employees, Financial Advisors and client-facing staff were safe and set up to work virtually, we evolved our management structure and developed an Operational Optimization Committee to accelerate our ability to deliver on our strategy. We quickly reinforced our technological capabilities to ensure the entire organization could be online and productive, to ensure a larger proportion of our clients could be supported online. We also developed new policies and guidelines to ensure employees personal circumstances could be accommodated while maintaining work-life balance and productivity.

- We re-prioritized our business plan for 2020 to ensure we focused on the most critical work, while ensuring we managed our capital effectively during early periods of uncertainty
- We redeployed staff to account for changes in operating requirements resulting from COVID-19
- We implemented remote phone systems to ensure that our clients had direct and secure access to their Financial Advisors working from home
- We increased financial benefits available to staff to support meeting their needs in working remotely through a personal \$500 spending account in 2020
- We created safe, in-office work options for our Financial Advisors and employees through the implementation of strong safety controls, in line with regional guidelines.



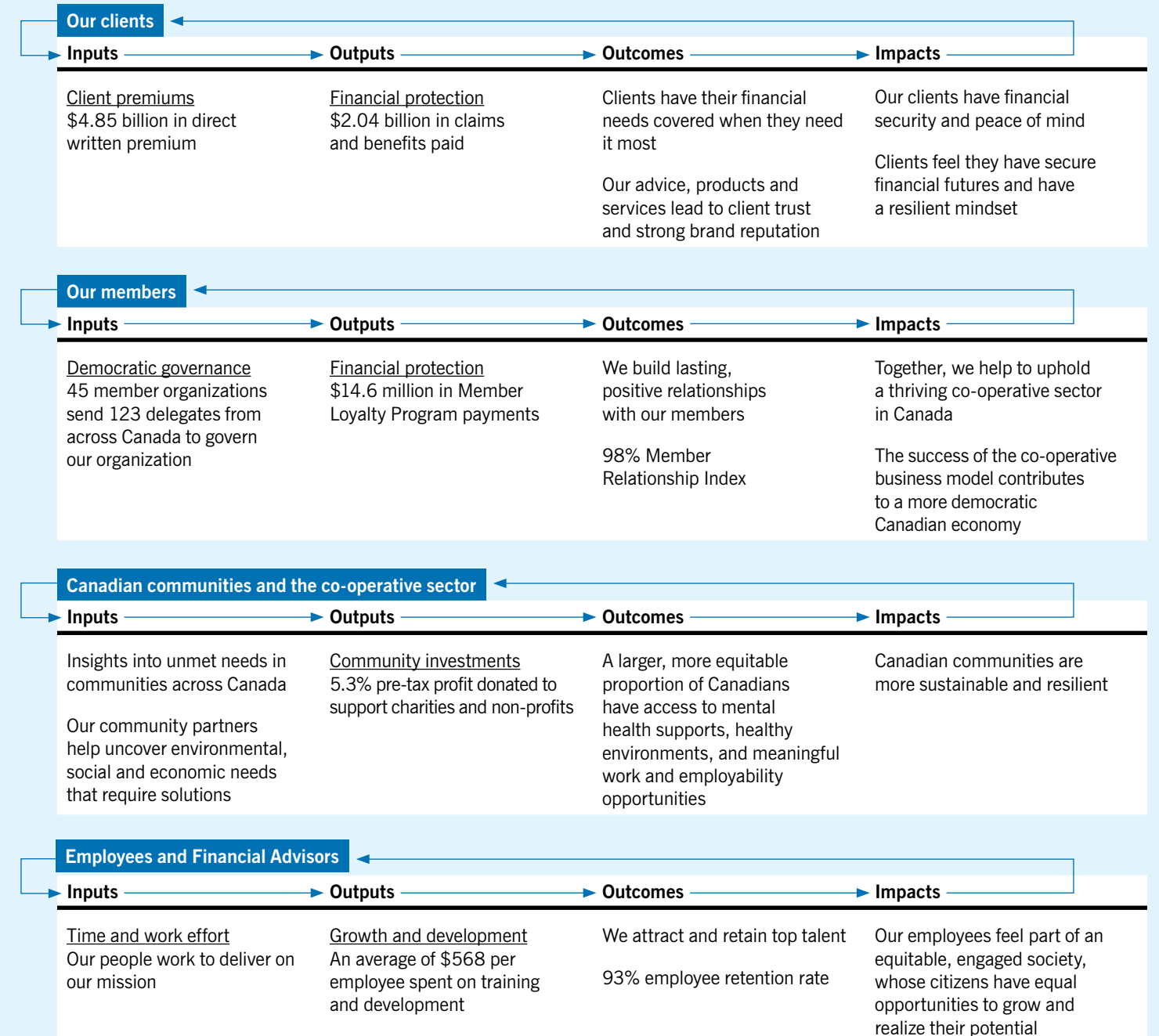
Creating value together

Through financial and risk management advice, products, investments and partnerships, we provide solutions to meet the evolving needs of our members, clients and communities. Over time, these solutions lead to positive impacts and outcomes that improve both short-term and long-term financial security, sustainability and community resilience, in a virtuous cycle that increases our collective prosperity.



A positive cycle powered by our stakeholders

We've highlighted some examples of how our value creation cycle works from the perspective of our clients, members, communities and our workforce. From each stakeholder group, The Co-operators receives a variety of inputs, which enable us to provide tangible outputs that meet their needs. If we are successful, these outputs lead to positive outcomes and impacts, which then sustain the inputs that keep the value creation cycle moving.



Highlighting our co-operative governance

We are a purpose-driven organization focused on building financial strength that enables us to meet the current and future needs of our members, clients and communities. This differentiates us from other financial services organizations that are driven to maximize quarterly profits for shareholders. Our co-operative governance, through our member organizations and our Board of Directors, keeps us oriented to our purpose and aligned to the co-operative principles that guide us.

Democratic governance structure

We are governed by a group of co-operatives, credit union centrals, representative farm organizations and like-minded organizations. Together, we deliver broad benefits to members, clients and communities. Through insights, expertise and democratic governance, our members keep us oriented to our purpose and the stakeholders we serve.

Our 45 members appoint a total of 123 delegates, who nominate and elect 22 directors that make up our Board of Directors through a “one member, one vote” democratic principle. The directors of The Co-operators Group Limited are independent from the management and operation of the business, and there is no link between director compensation and our company’s performance. [You can find profiles of our directors and committee mandates of our Board on our website at cooperators.ca/about-us.](https://cooperators.ca/about-us)

The Co-operators Board of Directors is responsible for key governance activities, including:

- ensuring the organization’s financial viability
- articulating the mission, vision and values
- setting the strategic direction and monitoring performance
- the appointment, selection and performance management of the president and CEO
- ensuring The Co-operators maintains a leadership role in the insurance industry and co-operative movement.

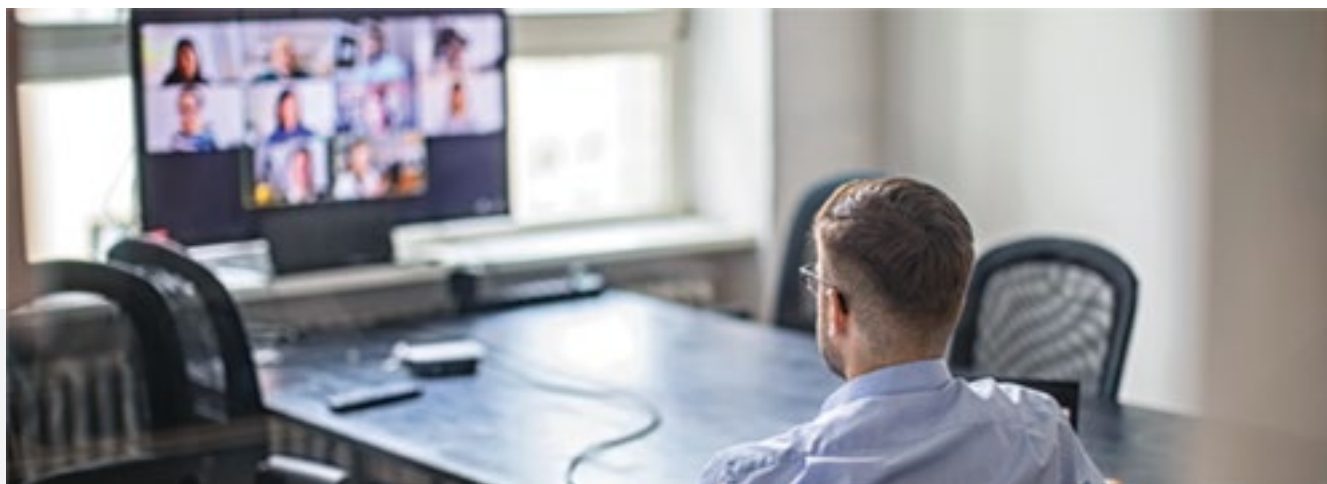


 COVID-19 Spotlight

Governing through unprecedented times

Amidst the limitations and constraints presented by the pandemic, our Board, members and management team seized opportunities to adapt and ensure that good governance was prioritized in challenging times.

In the early stages of the crisis, we made the decision to postpone the annual general meeting (a first in our 75-year history) to ensure it could be conducted virtually. Holding a virtual AGM required an amendment to our by-laws, which was approved by our membership. Later in the year, we also held a virtual special meeting of members to ensure all governance activities were completed. In addition, the Board assessed its own governance structures and approaches to ensure The Co-operators was being effectively governed in the COVID-19 environment.



A shift to virtual governance

Transitioning to a fully virtual engagement model, all meetings and business were conducted online to ensure the health and safety of our members, directors, staff and our communities. Through this virtual model, we increased the frequency and focus of Board and committee meetings to ensure a heightened focus on governance, overall strategic and financial performance, new and emerging risks, and any member issues or concerns.

New Board committees for a new operating environment

While capital oversight is an ongoing and regular practice of the Board, we formally established an ad hoc Special Capital Committee with the mandate to monitor the capital strength of the organization. In addition, a Management Governance Committee was established, with the mandate to provide enhanced support to the Board and its committees to ensure that our governance processes and structure are aligned with the new operating environment.

Governance performance

Our member delegates and Board of Directors bring key insights, diverse perspectives, skills and knowledge to our governance tables. We continuously work to improve our governance to ensure that our Board remains relevant and effective, and well-positioned to govern our organization.

Evolutions in our democratic structure

At least once every 10 years, our organization performs a Democratic Structure Review (DSR) process to ensure our governance structure remains representative of the co-operative sector in Canada, and that we remain relevant in terms of continuing to meet our members' needs. This process, led by our Board of Directors, includes extensive member consultation, produces valuable member insights and input, and contributes to the evolution of our democratic governance structure.

In 2020, timelines to complete the DSR were postponed due to COVID-19 and the need to move our annual general meeting online. As a result, we held a special meeting of members in November, where all members participated. During this meeting, we presented a report of the 2019 DSR, where members passed by-law amendments that resulted from the review. Evolutions to our governance, to be considered in 2021, included:

- our delegate mentorship and training programs
- director term limits, director nomination and election process
- language of governance (including enhanced support for francophone directors)
- number and duration of Board/committee meetings
- turnover and succession planning for key Board positions

Embedding sustainability and climate risk into our governance

Each year, the Sustainability & Citizenship Committee of the Board meets with the president and CEO, the Board chair, and select vice-presidents across the group of companies, to discuss progress toward our sustainability embedment, challenges and future plans. The process of understanding climate risk, which is integral to these efforts, is overseen by the Sustainability & Citizenship and Risk & Compensation Committees, which typically meet annually (2020 being an exception due to the pandemic), and have amended their terms of reference to include monitoring climate-related issues. To build additional capacity around the Board table, climate-related knowledge and skills are included in the Board Skills Matrix.

Challenge

Deepening diversity and inclusion in our governance

We have surpassed our target of 30 per cent representation of women in our board governance, towards our longer-term goal of achieving gender parity on our Board and in our delegate pool. In addition to continuing to increase the representation of women in our governance, we have much further to go to ensure that a diversity of voices are present and well-represented in our governance structures. In the fall, the Board participated in a workshop with the Canadian Centre for Diversity and Inclusion (CCDI), a group with a wide range of experience working with a diverse cross-section of Canadian businesses. CCDI has been working with The Co-operators as part of our Diversity and Inclusion strategic initiative, which is described on page 80.

Governance spotlight

Learn more about our Board of Directors and member organizations.


Topics presented at Board Education Day

- International Financial Reporting Standard 17
- Cybersecurity & IT Auditing
- Diversity & Inclusion in Canadian Workplaces
- The Co-operators Diversity & Inclusion Journey
- Legal Privilege, Conflict of Interest & Directors' Duties

Women delegates in each region

British Columbia: 63%
 Alberta: 42%
 Saskatchewan: 54%
 Manitoba: 50%
 Ontario: 16%
 Quebec: 22%
 Atlantic: 26%

Target: 50% in each region



22
Directors

- Age ranges:
 <45: 1
 45-49: 0
 50-54: 4
 55-59: 5
 60-64: 3
 65-69: 4
 >70: 5
- Between them, our Directors have over 650 years of experience in the co-operative and credit union/caisse populaire sectors

45
Member organizations

123
Delegates



Member organization sectors represented



38%
Agriculture



31%
Service



18%
Finance



7%
Retail/
Consumer



4%
Health



2%
Labour



Number of Directors with a professional designation

Represented across Canada

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

Board committees:

Audit, Corporate Governance and Conduct Review, Member and Co-operative Relations, Risk and Compensation, Sustainability and Citizenship, and the ad hoc Special Capital (developed in 2020 in response to COVID-19)

33

Number of days Directors spent in individual training and development

Board composition

15 Men

7 Women

7 French speaking

2 First Nations, Inuit or Métis

0 Visible minorities

32%

Women on the Board

2019: 32%
2018: 27%

Target: 30% by the end of 2020; 50% by the end of 2025



Keeping our clients in focus

Strategic focus area: Client Engagement

Our group of companies supports a diversity of clients with unique needs. Whether serving Canadian households, co-operatives, businesses and farm operations, credit unions or investors, we are driven in our mission to provide clients with financial security. Through insurance, group benefits, wealth planning, and investment advice and solutions, we support our clients to make informed decisions that build their long-term resilience and well-being.

We strive to be the leader in client engagement within the financial services industry. To engage our clients effectively, they must be the focus of our decision-making and solution delivery. They must be provided with a consistent and seamless client experience wherever and however they wish to engage with us. And we must continuously work to understand their shifting needs and preferences, to stay relevant and competitive in a world of rapid change.



Engaging our clients online

We've focused our digital transformation on delivering a seamless experience for our clients as well as our Financial Advisors and other client-facing staff. Driving this work forward is our desire to provide a market leading experience aligned to the financial services industry through a highly personalized, guided experience that helps build our clients' resilience – both in terms of financial management and protection – in innovative and dynamic ways that differentiate us in the market.

Strategic Performance Indicator

Percentage of households that have signed up for Online Services

43%

2019: 25%

Target: 40% by the end of 2022

Status: Above expectations

Number of Home and Auto transactions completed online

477,995

2019: 368,954

Growth in the above metrics demonstrates our effectiveness in maintaining strong client relationships online, and the willingness for clients to put their trust in us within digital spaces.

2020 highlights

Accelerating towards our digital targets

As virtual and online interactions increased during the COVID-19 pandemic, digital offerings became a necessity for doing business. Throughout the crisis, we focused on delivering our digital capabilities to ensure we could serve clients despite in-person restrictions. By the end of June, we surpassed our 2020 goal, and by the end of the year we surpassed our 2022 target. As client needs and preferences continue to shift, we are focused on the utilization of and engagement with our digital capabilities to stay competitive.

Adding to our online suite of self-serve options

Adding online self-serve options allows our clients to easily adapt their Auto coverage whenever they like, ensuring it's flexible and tailored to their specific needs. These options also free up client-facing staff and reduce call wait times, which enables staff to focus on providing value-add advice to clients. In 2020, we made it possible for clients to temporarily or permanently remove drivers and vehicles from their policies, and to modify their coverage or endorsements online to fit their changing needs in real time.

Prioritizing the security of clients' personal information in digital spaces

We enforce a rigorous commitment to the privacy and protection of personal information entrusted to us by our clients. In support of this responsibility, we maintain appropriate policies and procedures for the protection and use of client information, we develop security controls aligned with current and emerging practices and we monitor security safeguards. For more on how we educate for cyber security among employees and Financial Advisors, see page 90.



Challenge

Securing capacity to expand online

While online client engagement and adoption increased in 2020, our business encountered challenges at the height of the pandemic, including temporary budget restrictions, time needed to bring remote work capabilities to full capacity, and an adjustment from in-person to fully virtual work environments. These impacted our ability to scale at pace with the rapid shift that occurred in client preferences and behaviours during the lockdown. We have since re-prioritized our digital transformation and are focused on revamping online platforms and adding more transactional capabilities for clients.

OUR STORIES

Driving client engagement through digital evolution

We're working to offer seamless digital capabilities to optimize the client experience, ensuring we can meet their needs and preferences regardless of how and where they choose to do business with us. Our digital transformation has three primary goals – to deliver simple, easy-to-use experiences for our clients and Financial Advisors, to support our growth in the advice-based areas of our business, and to help increase our operational efficiency to prepare for the future.



To continue leading the industry in client engagement, we are embarking on a journey to deliver best-in-class digital experiences. Through our digital offering, we intend to guide clients through a highly personalized experience based on a close understanding of their evolving needs. As we build online relationships, capturing data and insights along the way, we can offer relevant advice and services to clients when they need it. We can also save our clients valuable time by guiding them to online services when they need to make simple policy changes.

*– Emmie Fukuchi,
EVP and Chief Digital and Marketing Officer,
The Co-operators.*



Pictured: Emmie Fukuchi

Bringing peace of mind in difficult times

The benefits of insurance are made real when we deliver on the claims promise at the heart of our client relationship. When our clients' financial security and wellness are threatened by events covered by their policies, we are there to pay claims and benefits that provide peace of mind so they can focus on taking care of what matters most.

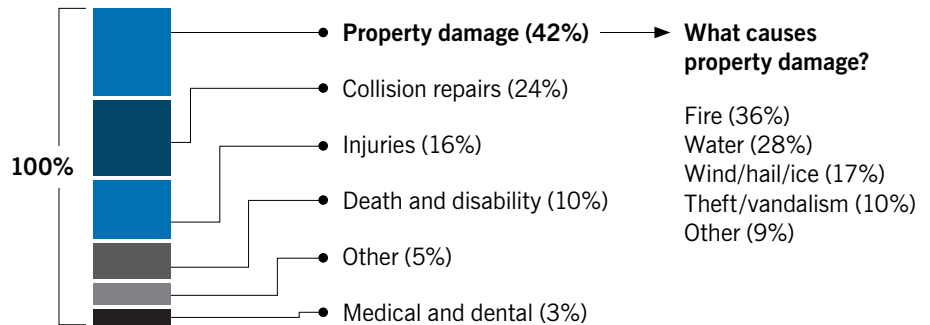
Claims and benefits in 2020

Total amount paid in claims and benefits to clients in 2020

\$2.04 billion

2019: \$2.15 billion
2018: \$2.12 billion

Claims/benefits paid by type



2020 highlights

Innovations in our claims experience

To successfully engage our clients, our claims experience must be seamless and aligned with client needs and preferences. As part of our efforts to continuously improve the claims experience, we introduced OneSpan, which enables clients to provide digital signatures on documents and forms, and a direct windshield-chip-repair process that helps to get clients back on the road sooner.

Keeping clients informed and up to date through online services

During the height of lockdown, client preferences and behaviours changed significantly. As a result, online services has become increasingly crucial in our ability to deliver a strong and seamless client experience. In 2020, we enhanced our clients' ability to track the progress and status of their Auto and Home claims using Online Services, through automatically generated status updates to keep clients informed from beginning to end.

Challenge

COVID-19 impacts on client service response times in claims

We aimed for a seamless and customizable claims experience throughout the pandemic; however, the Claims Client Care Response Centre saw a significant increase of up to 30 per cent in call volumes, which resulted in an overall decrease in client service levels. Service levels significantly rebounded during the third and fourth quarters.

 COVID-19 Spotlight

The impact of the pandemic on Auto claims

COVID-19 changed Canadians' commuting experience, and fewer cars on the road in April and May meant fewer collisions. As people drove less and driving behaviours changed, trends in Auto claims demonstrated a decrease year over year.

While the frequency of Auto claims was down overall in 2020, we experienced challenges in our injury claims portfolio causing an increase in unfavourable claims development. In addition, delays in treatment, medical assessments, litigation and dispute resolution processes as well as increased legal involvement will impact future injury claims costs.



In 2020, we set aside more than \$35.0 million in direct relief measures through our Reduced Driving Refund, which provided a 15 per cent refund on eligible auto premiums paid between April 1 to May 31, with sign-up ending in December. As at December 31, 2020, \$20.3 million in direct relief was returned to eligible policyholders who registered for the refund. The remaining unclaimed Reduced Driving Refunds were reinvested into communities across Canada, prioritizing the support of vulnerable and marginalized Canadians experiencing increased financial and social challenges in these uncertain times. See page 52 for details on our community support.

The Reduced Driving Refund was one of many initiatives and actions we took to provide financial relief for our clients throughout the COVID-19 crisis. The Reduced Driving Refund was an initiative offered to all eligible clients, including those who also elected to change their policies to reflect their new commuting habits. For more details on the other financial relief measures we offered in the midst of the pandemic, please see page 38.

Claims solutions and innovations

We bring our co-operative values, client-centric approach and innovative mindset to the claims journey, offering clients loss prevention solutions, resolving claims through a panel of client volunteers, and helping clients rebuild with sustainability in mind.

A pilot to monitor farm fire hazards

According to the Canadian Farm Builders Association, more than 40% of farm fires are caused by faulty electrical systems. In partnership with PrevTech, we have introduced an electrical monitoring system as part of a pilot program in Ontario and Quebec. The system monitors the stability of a farm's electrical network and provides notifications via text or email. These notifications identify malfunctions that can be proactively addressed, avoiding downtime and potential fire hazards.

Our claims guarantee

Clients can contact us, identify their loss, assess their damages and premium impacts before deciding if they want to pursue a claim. If they decide not to, that decision does not affect their policy. Some exclusions may apply. [You can find full details of our claims guarantee on our website at cooperators.ca/claims.](https://www.cooperators.ca/claims)

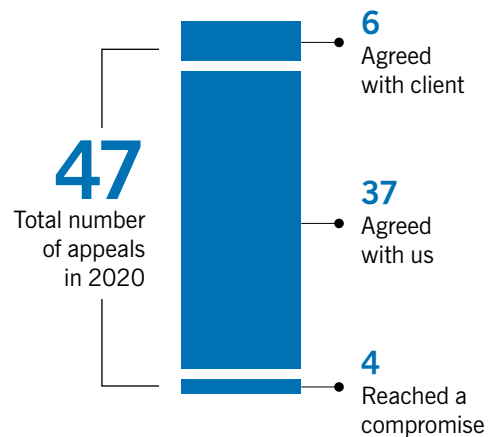
A client perspective to settle claims

The Co-operators Service Review Panel empowers a panel of client volunteers in dispute-resolution cases, with the panel working collaboratively to determine the fairest outcome. The Co-operators is bound by the panel's decision, but the client still has the right to pursue external avenues of appeal. The only one of its kind in Canada, this panel is an embodiment of our co-operative difference within the industry.

Sustainable claims solutions

Following a claim, we supply a list of "green" vendors, contractors and repair shops that are committed to energy conservation, emissions reduction and more. This ensures that clients have the option of rebuilding with sustainability in mind.

Service Review Panel



OUR STORIES

Empowering clients to help settle claims

Now in its 30th year, The Co-operators Service Review Panel was launched to connect directly with Canadians to help resolve client concerns. The panel is made up of volunteer clients, who aren't insurance experts and don't work in the industry, bringing fresh eyes and open minds to find fair solutions for our clients. The panel meets every two or three months in three regions across the country to discuss disputed client issues, offer insights and advice about client concerns, and suggest changes to how we deal with similar cases in the future. The panel handles settlements of up to \$30,000.

“

My history volunteering with the Service Review Panel has confirmed the reality that this organization sets the bar of excellence in client satisfaction. I have had the opportunity first-hand to witness the integrity of delivering a fair outcome to the client. The trust relationship is paramount for The Co-operators and they demonstrate their commitment through this panel. I am proud to have the opportunity to serve and it has been my privilege to represent other clients.

– Service Review Panelist

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Climate change and the new normal of catastrophic events

Canadian communities and businesses are increasingly impacted by climate change. Over the last decade, trends in major event claims resulting from flooding, wildfires and extreme weather events show a marked increase in both frequency and severity. In 2020, we recorded \$216.6 million in total insured losses resulting from major events and other significant disasters.

2020 major event claims performance

Major event total insured losses

\$216.6 million

2019: \$111.5 million
2018: \$179.5 million

The total insured losses associated with major events, which include both extreme weather events and other significant events, such as earthquakes and the COVID-19 pandemic.

Major event insured losses due to extreme weather

85.3%

2019: 99.6%

The proportion of major event insured losses due to extreme weather, including heavy and/or frequent rainfall, ice, hail, wind, flooding and wildfires.

2020 highlights

Shining a light on climate-related risk with business intelligence

As the climate changes, historical trends become less predictive of the future. To accurately account for the risks we insure, we use data science and technology to continuously improve how we track, monitor and model climate-related risks. Through FireWatch, our tracking application, insurance teams track active forest fires daily through a map showing the extent and position of active wildfires. This enables targeted, real-time decisions that include advising nearby clients of their risk.

Helping clients build household resiliency

Through eAlerts and eReminders, we inform clients in advance of extreme weather events and other seasonal weather patterns that may put their property or safety at risk. In 2020, we sent over 404,000 eAlerts and eReminders to clients across Canada. These messages contain information on how best to prepare and protect their belongings to mitigate losses and stay safe.

The most significant climate-related events of 2020



Hailstorm (June 13, 2020)
Area of most significant impacts: Calgary, Alberta and the surrounding area

Total insured losses:
\$73.3 million



Flood (April 26, 2020)
Area of most significant impacts: Fort McMurray, Alberta

Total insured losses:
\$53.5 million



Wind/Rain event (November 15, 2020)
Area of most significant impacts: Greater Toronto Area

Total insured losses:
\$14.1 million

Advice and solutions for Canadians

Our client engagement strategy is grounded in the products, services and solutions we offer, which are designed to meet Canadians' changing needs, and help them prepare and plan for their long-term financial security and well-being. Our solutions range from insurance protection to wealth planning and investments, and we deliver these to Canadians through a network of Financial Advisors that have built meaningful relationships in local communities across the country.

Strategic Performance Indicator

Total Client households insured

1,035,724

2019: 1,111,757

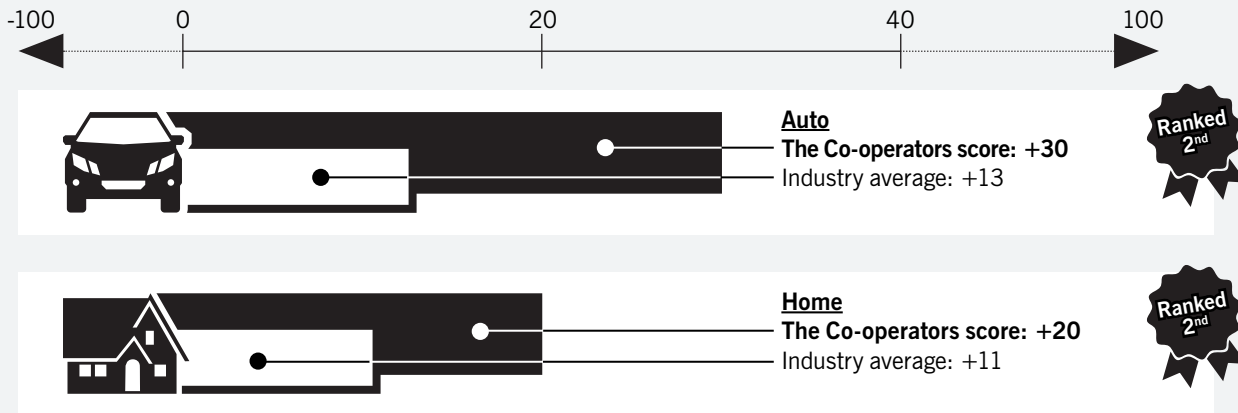
2018: 1,074,809

The number of client households* shows how our growth trends over time, and the number of Canadians who place their trust in us.

*Includes client households of Co-operators General, Co-operators Life and COSECO for all retail business lines.

Canadians rate us among the top of the industry

Pollara's 2020 InsurPoll study** ranked The Co-operators second in Net Promoter Score (NPS) for both Home and Auto among a sample of Canadian insurance clients. This annual study surveyed Home and Auto insurance clients across the country to determine the NPS for Canadian insurers. NPS is a standard measure of client loyalty, used by many companies across the industry. Our results provide a good indication of how we compare with our competitors when it comes to client engagement and reflect our commitment to providing exceptional client service.



Target: Achieve a ranking of third or above for both Home and Auto
Status: Achieved

Net Promoter Scores measure the willingness of clients to recommend us. The score is measured on a scale from -100 (where clients are active detractors) to +100 (where clients are active promoters).

**The Pollara 2020 InsurPoll study interviews were conducted prior to the implementation of the COVID-19 physical distancing restrictions.

2020 highlights

Flood protection for a changing world

Floods are increasing in frequency and severity, and The Co-operators Comprehensive Water product is Canada's first and only flood product to cover overland flooding, storm surge, and storm and sewer backup, even for high risk clients. Using industry-leading flood mapping, we pinpoint flood risk down to the individual household. In 2020, we upgraded our Ontario flood model to include Great Lakes storm surge. To date, 619,285 Canadian households are covered by Comprehensive Water.

Life insurance, made simple

To remove barriers to accessing Life insurance, our direct-to-consumer Life insurance product provides \$50,000 to \$450,000 in coverage through a Term 1 Life insurance policy that can be obtained online in just 15 minutes, with no medical assessment. In 2020, we increased the maximum coverage amount to \$475,000.

A new Co-operators-branded wealth experience

In 2020, we launched Co-operators Financial Investment Services Inc. (CFIS), a Co-operators-branded mutual fund dealer. Through CFIS, Financial Advisors can now provide clients a more comprehensive suite of solutions to achieve their financial goals. In 2020, 385 Co-operators retail locations were represented by a licensed Mutual Fund Investment Specialist. Currently, there are 51,359 active wealth management policies in place with The Co-operators, an increase of 5 per cent from 2019.

We engage clients in sustainability

We offer clients products, services and discounts that help them make more sustainable choices. Some of our sustainable products and services include:

Hybrid and Electric Vehicle Discount

An automatic 5% discount for clients who drive hybrid and/or electric vehicles in select provinces and territories.

Envirowise™ discount

Savings for owners of eligible Leadership in Energy and Environmental Design (LEED) certified homes. Condominium unit owners or tenants may also qualify for Envirowise.

Enviroguard coverage

Clients receive an additional 10% (up to \$50,000) of their claim to replace damaged or destroyed property with more eco-friendly and sustainable products, including renewable energy and energy efficiency retrofits, sustainable building materials, and more.

Find a full list of all products and services with a sustainability feature on our website at cooperators.ca.

Revenue from sustainable products and services

20.1%

In addition to the products we offer that promote sustainable choices, we track the total revenue we generate from products and initiatives that champion sustainability and resiliency. From our Comprehensive Water overland flood product to impact investing efforts (see page 58), we are demonstrating a financial return on providing solutions for a more sustainable economy.



Challenge

Barriers to in-person advice

Life insurance is a product traditionally sold through in-person conversations with clients. Because of physical distancing guidelines, there was a need to shift how and when these conversations took place, moving from the kitchen table to the screen. In addition, restrictions on health checks, including the ability to collect medical samples, capped the coverage amounts of new Life insurance policies at \$1 million. All of this limited both our growth and ability to engage clients on the Life insurance side of the business, which had a negative impact on our performance.

Contact centre capacity

During the pandemic, call centre volumes increased for a number of reasons, including the unprecedented shift away from in-person client engagement and an influx of clients applying for their Reduced Driving Refund. We experienced challenges in increasing our capacity to keep pace. As a result, client service levels suffered throughout much of 2020, with longer-than-average call wait times and delays. In response, we hired additional staff, and increased training to ensure service levels improved in the third and fourth quarters of 2020.

Financial relief for Canadians in challenging times

Through the height of the pandemic and beyond, we focused on supporting clients. While situations were unique and dynamic, many clients faced financial and social disruption of their daily lives during the pandemic. We offered a range of flexible options available for clients who encountered financial difficulty, including:

The Co-operators Reduced Driving Refund

We offered a 15 per cent Reduced Driving Refund to all eligible Auto clients for the months of April and May to pass the benefit of claims reductions onto our clients, for which we set aside over \$35 million. By year end, \$20.3 million of client premiums was returned to eligible policyholders who registered for the refund.

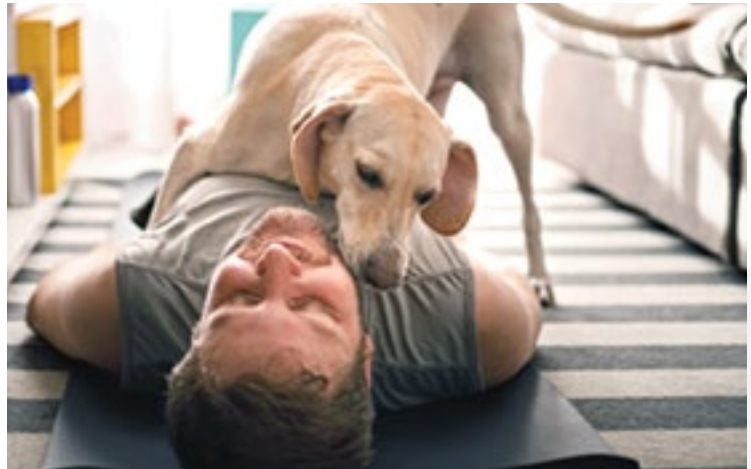
The additional \$15 million in unclaimed Reduced Driving Refunds was redistributed to Canadian charitable organizations supporting community relief and recovery for vulnerable and marginalized Canadians impacted by the pandemic.

Flexible payment options to ease financial pressures

Clients experiencing financial difficulties were encouraged to consult with their Financial Advisors, who offered a range of options, including payment deferral and extended payment grace periods during the crisis, and forgiveness of insufficient fund fees.

Premium relief across multiple business lines

Because driving habits changed, our clients could temporarily change their commuting status and remove vehicles from the road to reduce their premiums. We also made changes to ease the burden of seasonal property owners facing travel or social distancing restrictions, including removing some of the conditions around coverage for unoccupied properties.



OUR STORIES

Delivering holistic advice and solutions for Canadians in unprecedented times

So many of the relationships we have established in neighbourhoods across Canada are grounded in face-to-face conversations with our clients and communities. With physical distancing and increased safety measures in place throughout much of 2020, we enhanced connections with our online tools, while still meeting client needs. The crisis expanded the possibilities of digital interaction, shed light on what needs improving, and accelerated progress towards new ways of doing business.

“

I have had some really genuine conversations and been able to help people through very difficult times. These have led to organic discussions around their long-term financial well-being, as we all realize now how quickly things can change. As we worked together through the crisis, having the opportunity to speak to more clients online and over the phone has, in some ways, allowed for these conversations to happen more freely.

– Richelle Lynk,
Financial Advisor, Etobicoke, Ontario

”



Pictured: Richelle Lynk

Advice and solutions for Canadian organizations

Our Commercial clients include small and large businesses, credit unions, co-operatives and non-profit organizations. Through tailored products and advice customized to their highly varied and complex needs, we strive to provide services and solutions that help ensure their financial security, so they can continue meeting the needs of their own employees, clients, members and communities.

Strategic Performance Indicator

**Group Benefits
Client Experience Index**

77%

2018: 78%
Target: 80% by the end of 2022
Status: On track

How Group Benefits plan sponsors rate us.

**Credit Union
Client Experience Index (2019)**

79%

Target: 80% by the end of 2022
Status: On track

How credit unions rate us.

2020 highlights

Customized solutions for Commercial clients

We engage a wide range of businesses, farm operations and other enterprises through multiple distribution channels, including our dedicated Financial Advisors, independent brokers, managing general agents and strategic partnerships. In 2020, Commercial clients were significantly impacted by the pandemic and provincial orders to shut down non-essential clients for several weeks. We introduced a series of payment relief measures and worked with clients on an individual basis to make changes to their policies in response to their changing needs.

Helping credit unions and their members navigate uncertainty

In response to COVID-19, we supported credit union clients and their members through a number of initiatives. We extended loan protection coverage at no cost to more than 15,000 credit union members at over 100 credit unions across the country and returned more than \$1.5 million in Auto premiums to all qualifying credit union clients. In addition, we provided specific risk management solutions to help credit unions manage the changing nature of risk throughout COVID-19.

**Net Promoter Score,
CGIC (2018) – Commercial clients***

+52

**Net Promoter Score,
CGIC (2018) – Farm clients***

+42

**Net Promoter Scores measure the willingness of clients to recommend us. The score is measured on a scale from -100 (where clients are active detractors) to +100 (where clients are active promoters).*

Challenge

Unprecedented circumstances in business interruption

COVID-19 negatively impacted business, from large operations to small, independent storefronts. Physical distancing and government-issued lockdowns led to temporary business restrictions or closures, and changes to consumer preferences and behaviours will have longer term impacts especially in long-term care homes, restaurants and the hospitality industry. Because the majority of standard commercial insurance policies did not include coverage for business interruption resulting from a communicable disease, many claims resulting from this event were denied coverage. As a result, several class action lawsuits were filed, challenging the industry interpretation of coverage.

OUR STORIES

Supporting Canadian organizations through times of difficulty

Across our range of business clients, we strive to meet their needs and develop solutions that support the unique risks to their operations. Through Sovereign Insurance, we work to ensure businesses like BWS Manufacturing in New Brunswick are well-protected and have their unique needs met when challenges arise.



When BWS Manufacturing had a fire in their facility, it was very stressful, but they had a great team in place internally to help manage the claim and Sovereign really came to the table to ensure things went smoothly.

*– Joe Palmer,
Senior Vice-President, Arthur J. Gallagher,
Atlantic Region (Commercial insurance broker)*



Pictured: Joe Palmer

Advice and solutions for institutional and group investors

Through our asset management company, Addenda Capital, we manage over \$37 billion in assets of high-net-worth investors and institutional investors, across a wide range of asset classes that meet the evolving needs of our clients. In addition, The Co-operators administers and provides investment solutions for group retirement and savings clients.

2020 institutional and Group Wealth assets

Addenda Capital total assets under management

\$37.1 billion

Group Wealth assets under management and administration

\$2.9 billion

2020 highlights

Advising for one of Canada's fastest-growing exchange-traded fund providers

Addenda Capital took on a sub-advisory role for Evolve Funds Group Inc. through its Active Canadian Preferred Share Fund and its Evolve Active Core Fixed Income Fund. As the use of ETFs by retail and institutional investors is significantly on the rise, acting as a sub-advisory to an ETF provider opens access to an important market segment and supports Addenda's overall growth objectives, adding \$154.3 million to Addenda's assets under management.

Finding efficiencies and expanding our group wealth offering

In 2020, Group Wealth continued to align our administration and portal services as we harmonized our systems between CUMIS and The Co-operators. Enhancements delivered for Co-operators plan sponsors included new and enhanced online reports that assist sponsors in the management of their retirement plans. Digital improvements to the portal, including self-registration, chat functionality, improved navigation, personalized rate of return reports and more, all enhanced the online experience for plan members.

How we add value

We play an active role in raising environmental, social and governance (ESG) concerns with investee companies

Throughout the year, Addenda Capital works on behalf of institutional clients to champion ESG principles. Some examples from 2020 include:

Environmental

Addenda Capital engaged with a national energy company to discuss the issue of climate change, including their process to set reduction targets and continuous improvement of TCFD disclosure.

Social

Throughout 2020, Addenda Capital regularly communicated with owners of long-term-care homes to monitor their response to the COVID-19 pandemic.

Governance

Addenda Capital met with a high-profile, multi-billion-dollar e-commerce company to discuss governance issues, including the size of their board and existing compensation policies.

OUR STORIES

A holistic and integrated investment approach

Through Addenda Capital, we work to manage the invested assets of our institutional clients. Over the long-term horizon, we see investment risks and opportunities associated with climate change, the transition to a carbon-neutral economy, diversity and inclusion, governance issues, labour practices, and more. To ensure our clients are set up not only to be successful, but part of a growing movement of sustainable finance, we see sustainable investing as a competitive advantage in a changing world.

“

There are many environmental, social and governance issues that could have a material impact on our client's investments over their investment horizon, and so we feel it's important to champion ESG with our clients. We work to promote sustainable financial markets, we integrate ESG factors into all of our investment decisions, and we act as a positive steward with companies on behalf of our clients.

*– Diane Young,
CFA, Senior Portfolio Manager, Addenda Capital.*

”



Pictured: Diane Young (photo credit ©Bénédicte Brocard)

Co-operating for a better world

Strategic Area of Focus: Co-operative Identity

Our co-operative identity stems from the values and principles upon which we were founded, and it informs who we are, what we do and how we conduct our business.

Our identity comes to life through our operations, partnerships and day-to-day interactions with clients and communities. It is apparent in the ways in which we support and engage our member organizations, and our efforts to champion the co-operative movement. It gives shape to our investments that improve the environmental, social and economic well-being of our communities, and drives our efforts to advocate for and catalyze sustainability.



Strengthening relationships with our members

We work to identify and understand the needs of our members, and this both strengthens our governance and enhances our relationships. By connecting with our members, we gain community insights and perspectives from across Canada. Throughout the pandemic, ensuring we could meet the needs of our members and continue to stay connected online were top priorities.

Strategic Performance Indicator

Member relationship index (2019)



2017: 93%
2015: 90%
Target: 85%
Status: Exceeded

This measures the level of relationship effectiveness as evaluated by member delegates and corporate contacts. This biennial survey was last conducted in 2019.

2020 highlights

Connecting with members in challenging times

Aligned with public health recommendations and to ensure the health and safety of our members and staff as a result of the pandemic, we found alternative ways to strengthen our relationships with members in 2020. We enhanced our virtual delegate orientation for new and existing delegates, increased regular telephone and online check-ins with members and leveraged the virtual nature of annual reviews to include more key people and offer opportunities to both broaden and deepen our relationship.

Rewarding members for engaging with our co-operative

Through our Member Loyalty Program, we provide an annual payout to our member organizations that is based largely on member business with the company. In 2020, we delivered \$14.6 million to members, an important part of the mutual benefits of participating in a co-operative membership.

Our member organizations

Our members span the country from coast to coast to coast, representing seven regions across Canada.

British Columbia

- Agrifoods International Cooperative Limited[†]
- BC Agriculture Council
- BC Tree Fruits Cooperative
- Central 1 Credit Union[†]
- Modo Co-operative
- PBC Health Benefits Society
- Realize Strategies Co-op

Alberta

- Alberta Federation of Agriculture
- Alberta Federation of Rural Electrification Associations
- Credit Union Central Alberta Limited
- Federation of Alberta Gas Co-ops Ltd.
- UFA Co-operative Limited

Saskatchewan

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

Manitoba

- Arctic Co-operatives Limited
- Bee Maid Honey Limited[†]
- Caisse Populaire Groupe Financier Ltée
- Credit Union Central of Manitoba Limited
- Keystone Agricultural Producers

Ontario

- Caisse Populaire Alliance Limitée
- Co-operative Housing Federation of Canada[†]
- Gay Lea Foods Co-operative Limited
- GROWMARK, Inc.
- Ontario Federation of Agriculture
- Ontario Organic Farmers Co-operative Inc.
- St-Albert Cheese Co-operative Inc.
- United Steelworkers – District 6[†]

Quebec

- Exceldor[†]
- Fédération des coopératives d'alimentation du Québec
- Fédération des coopératives funéraires du Québec
- Fédération québécoise des coopératives en milieu scolaire/COOPSCO
- La Fédération des coopératives du Nouveau-Québec
- Sollio Cooperative Group
- william.coop

Atlantic

- Amalgamated Dairies Limited
- Atlantic Central
- Atlantic Retail Co-operatives Federation
- Canadian Worker Co-operative Federation[†]
- Newfoundland-Labrador Federation of Co-operatives
- Northumberland Cooperative Limited
- Scotian Gold Cooperative Limited
- UNI Coopération Financière

[†]Multi-region



Staying connected is critical in building a successful co-operative relationship, and during the pandemic, The Co-operators has been exemplary in achieving the meaning of Atautsikut – working together.

*– Sokchiveneath Taing Chhoan,
Senior manager, Socio-Economic Development,
La Fédération des coopératives du Nouveau-Québec.*



Supporting the co-operative movement

The significant challenges presented by the issues and trends in the world around us are interconnected and highly complex. As a result, they cannot be solved in isolation. The co-operative movement is well-positioned to develop meaningful and collaborative solutions. Beyond confidence in our own co-operative business model, we are committed to championing the co-operative movement in Canada.

Strategic Performance Indicator

Total amount contributed to co-operatives in 2020

\$1.5 million

2019: \$1.6 million

2018: \$1.6 million

Target: \$1.5 million each year

Status: Achieved

By supporting co-operatives and providing solutions to challenges facing the sector, we contribute to the well-being of our communities through the services these co-ops offer.

**Metric includes growth associated with individuals who are members of one of our member organizations, including growth related to identifying these individuals within our existing client base.*

Total member and co-operative business volume

\$1.18 billion

2019: \$1.15 billion

2018: \$1.03 billion

Target: \$1.45 billion by the end of 2022

Status: Below expectations

Revenue we receive from member organizations and other co-op and credit union clients*, which reflects our relevance and effectiveness in meeting their unique needs.

2020 highlights

Bringing additional benefits to members of Canadian co-operatives

Through our Member Benefits Program, our member organizations can provide their members with access to personalized coverage and discounts, including enhanced Home and Farm coverage, Home and Farm discounts, assistance for executors/estate trustees, savings on travel insurance, and base discounts on Auto insurance, in provinces where applicable.

Financial support for Canadian co-operatives

We contributed \$1.5 million to the ongoing development and advancement of the Canadian co-operative sector, by supporting co-operative organizations, through annual association dues and education programs.

Households in the
Member Benefits Program

160,016

 COVID-19 Spotlight

Improving community resilience through co-operative support

From food production, to retail services, affordable housing, financial services and more, Canadian co-operatives enrich our communities with services and solutions that build collective resilience. Like many businesses and organizations across this country and around the world, Canadian co-operatives were impacted by the pandemic. Through programs and support, we helped co-operatives pivot in response to a rapidly changing economy, so they could continue meeting the needs of their communities.



\$1 million in capital to drive co-operative innovation

Through Co-operators Community Funds (see page 50), The Co-operators reinforced ongoing co-operative sector support by making \$1 million in capital available through the launch of its Co-op Impact Program. The program supports small- and medium-sized co-operatives adapting to a shifting economic landscape in the wake of the COVID-19 pandemic. Through the Co-op Impact Program, low interest loans between \$40,000 to \$100,000 are available to individual co-operatives whose new or existing project-based initiatives are supporting their efforts to thrive in the COVID-19 environment.

COVID-19 relief funding for Canadian co-operatives

In support of Canada's co-operative sector, The Co-operators announced a \$220,000 COVID-19 Co-operative Assistance Fund to provide provincial co-operative associations with access to financial support (to a maximum of \$20,000). This funding support went towards education, safety, advocacy and guidance to enable the pivot of services for their membership and strengthen their financial stability in the wake of the pandemic.

Investing in our communities

Our co-operative identity compels us to invest in our communities, advocate for and enhance financial inclusion, and contribute to improved mental health and environmental prosperity. Through this work, we support community resilience, and in turn, secure a sustainable future in the face of uncertainty.

Strategic Performance Indicator

Percentage of pre-tax profit (attributable to members) contributed to Canadian co-operatives, non-profits and charities (five-year average)

5.3%

2019: 4.2%

2018: 4.3%

Target: Exceed Imagine Canada's benchmark of 1% each year

Status: Exceeded

This demonstrates our commitment to our co-operative principles and indicates how we contribute to the social and environmental well-being of Canadian communities.

2020 highlights

Prioritizing community support as an Imagine Canada Caring Company

In 2020, to support vulnerable and marginalized Canadians through the impacts of the pandemic, we contributed \$22.3 million in community investments across three foundational themes: social wellness, environmental prosperity, and financial security. This represents 5.3 per cent of our pre-tax profit, which far exceeds the one per cent Imagine Canada benchmark. While a notable increase to this percentage in 2020 was due in part to increased contributions stemming from unclaimed Reduced Driving Refunds, the target would have been exceeded regardless.

Co-operators Community Funds – \$2 million Pathways to Employability Initiative

In recognition of The Co-operators 75th anniversary and the 25th anniversary of Co-operators Community Funds*, \$2 million was dedicated to launching the Pathways to Employability Initiative to support marginalized Canadian youth who have lost jobs or educational opportunities due to COVID-19 shutdowns.

Supporting marginalized youth and people with mental health challenges

Through Co-operators Community Funds, a charitable foundation, we contributed \$540,800 to support 24 organizations in 2020 that increase employability and job creation for marginalized youth and people with mental health challenges.



How we add value

Working with Canadian employers to improve road safety

In collaboration with the Traffic Injury Research Foundation and the Canadian Coalition on Distracted Driving (CCDD), we released a 2020 report titled *Distracted Driving & Workplace Safety Policies: A Business Case for Employers*. With a focus on the transportation industry, the report described the cost-benefit analysis of prevention programs; illustrated the value of integrating distracted driving policies into workplace safety programs; and urged employers to implement distracted driving policies as a standard component of workplace safety programs. Tools were included to help employers estimate the costs to their business and quantify the value of distracted driving safety policies which can protect staff and improve safety in the communities where they live and work.

*The Co-operators Community Funds were formally known as Co-operators Economic Development Funds.

OUR STORIES

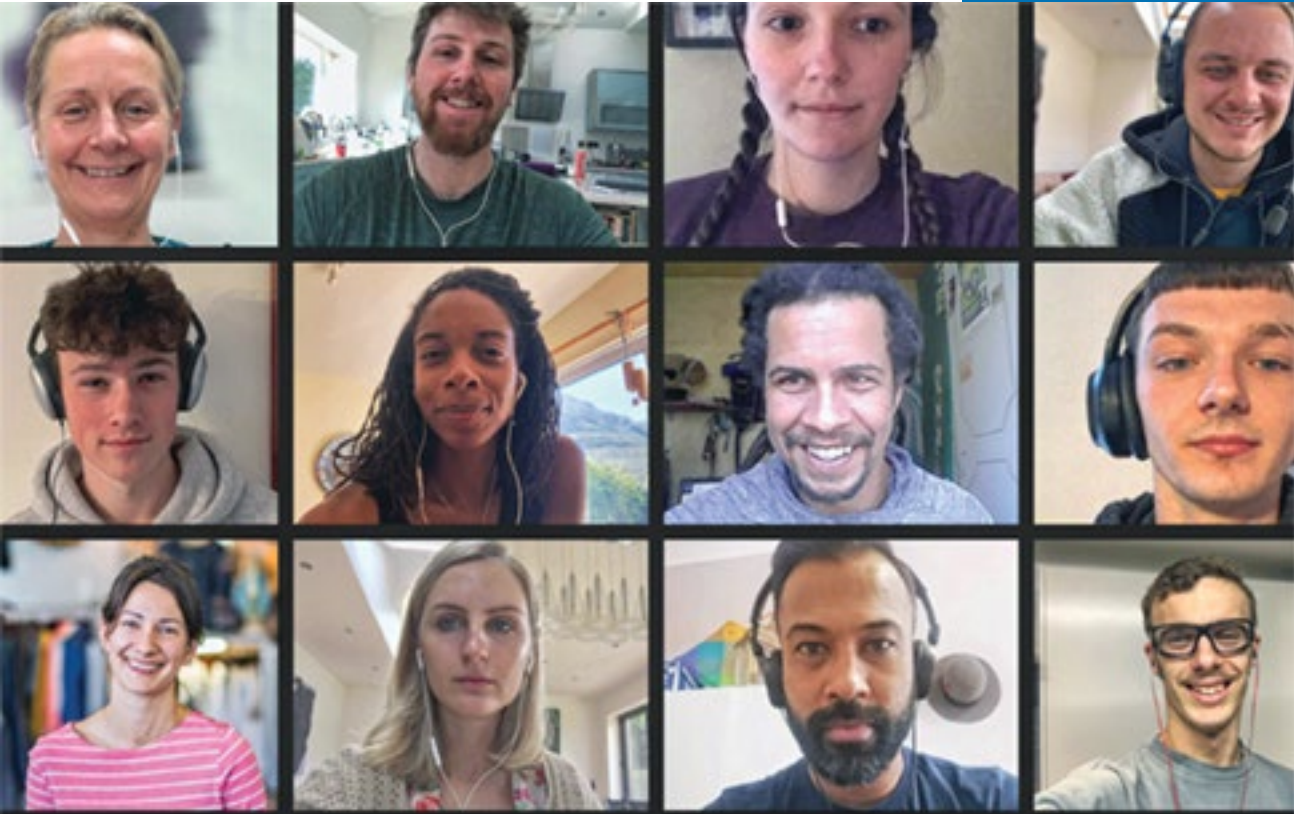
#impactCOVID: Road to Recovery

The first program supported by our Co-operators Community Fund’s \$2 million Pathways to Employability Initiative in 2020 was #impactCOVID: Road to Recovery Project. #impactCOVID is a two-phase, youth-led program launched in partnership with the Canadian Council for Youth Prosperity (CCYP), RBC Future Launch, and Magnet. Through this program, youth will co-design a pandemic economic recovery plan with small businesses and then test the plan through employment at co-operatives, social enterprises and non-profits, and participation in community programs across Canada.



Collaborative partnerships have been critical to design rapid-response approaches to youth workforce development during this current economic crisis. Our commitment to co-creating opportunities for youth closely mirrors the co-operative mindset of resilience and community well-being.

– Gladys Ahovi,
Executive Lead, Canadian Council for Youth Prosperity.



COVID-19 Spotlight 

Investing our financial strength into communities for pandemic relief and recovery

In 2020, The Co-operators provided funding for Canadian youth and marginalized communities, as many struggled with mental health issues and financial insecurity related to COVID-19. In addition to our ongoing annual support through a variety of partnerships to improve community well-being, we contributed \$17.4 million in COVID-19-related relief.

\$ 17.4 million

Total contributed in 2020 for COVID-19 community relief and support



United Way Centraide – \$7.7 million donated*

To help ensure that Canadians who are most vulnerable and impacted by COVID-19 had adequate support, we contributed \$7.7 million to local United Way Centraides across the country.



Co-operators Community Funds – \$7.5 million for COVID-19 recovery*

To further support the long-term pandemic recovery and community resilience, we contributed \$7.5 million to the Co-operators Community Funds, a charitable foundation with a mission to support initiatives that lead to job creation and/or enhanced employability for marginalized youth and individuals with mental health challenges.



Co-operators Community Funds – \$2 million Pathways to Employability Initiative

\$2 million was dedicated to launching the Pathways to Employability Initiative to support marginalized Canadian youth who have lost jobs or educational opportunities due to COVID-19 shutdowns.



Kids Help Phone (\$150,000 in additional funding)

The Co-operators is a founding partner of the Crisis Text Line powered by Kids Help Phone, which provides youth with a confidential, 24/7 texting service. We provided \$150,000, to support hiring more counsellors and volunteer crisis responders to handle the increased demand for texting support due to COVID-19. Kids Help Phone is Canada's only 24/7 national service offering professional counselling, information, referrals, and volunteer led, text-based support for young people.

Boys & Girls Clubs of Canada

\$50,000 in relief funding was redirected to help Boys and Girls Clubs of Canada (BGCC) provide emergency support for its members, families and affected communities through no-contact food drops, drive-through food banks, crisis hotlines, meals and accommodations. Since 1900, BGCC has opened their doors to children, youth and families, providing vital programs and services to over 200,000 young people in 700 communities across Canada. This funding was committed for 2020 in advance of the pandemic.



Enactus Canada (\$20,000 in additional funding)

The Co-operators partnership with Enactus Canada focuses on enhancing the mental health of post-secondary students, while providing the opportunity for them to do the same in their communities. We provided \$20,000 in funding to launch a summer Grant Program to address mental health resiliency.



**The United Way and Co-operators Community Funds each received \$7.5 million in funding derived from unclaimed Reduced Driving Refunds in 2020.*

Catalyzing community sustainability and resilience

We draw on our co-operative nature to bring communities, businesses, academia and governments together to help create a more sustainable, low-emissions economy. One of our primary areas of focus in building community resiliency is on catalyzing climate-risk awareness and action amongst Canadians and within the financial services and insurance sectors. By keeping the issues at the centre, we bring the necessary people to the table to tackle complex issues and influence others to make a meaningful impact.

2020 highlights

Informing Canadians of the overwhelming lack of flood-risk awareness

Having renewed our \$600,000 in multi-year funding, the University of Waterloo's Partners for Action Network (P4A) continued its work of informing Canadians about the changing nature of flood risk and equipping them with the tools and knowledge needed to prepare, adapt and build their personal and community flood resilience. In 2020, P4A issued a report titled Canadian Voices on Flood Risk 2020. The research summarized in the report found a continued lack of flood-risk awareness and preparedness amongst Canadians living in high-risk flood areas.

- Just 6% of survey respondents living in high-risk flood zones were aware of their risk (unchanged from 2016)
- 26% said their insurance representative had discussed flood coverage options with them
- 81% had not looked at available flood maps for their area

[Read the full Canadian Voices on Flood Risk 2020 report on the University of Waterloo's website at uwaterloo.ca/partners-for-action.](https://uwaterloo.ca/partners-for-action)

Enabling wildfire preparedness in communities across Canada

In partnership with FireSmart® Canada, we continued to help communities enhance their wildfire resiliency and promote wildfire preparedness. In 2020, we funded organizations across Canada to undertake efforts to reduce wildfire risks to their homes and communities. Due to COVID-19, many of the Wildfire Community Preparedness Day events were postponed, but funds were provided to 58 communities that held events in 2020. Another 51 communities opted to carry over their projects and funding to 2021.

OUR STORIES

Bringing fire safety to communities across the country

Data shows people living in First Nations communities in Canada are 10 times more likely to die in a fire than those living elsewhere. With the Canadian Home Fire Sprinkler Coalition, in partnership with National Fire Prevention Association (NFPA) and the Canadian Automatic Sprinkler Association (CASA), we continued funding of side-by-side burn demonstrations or public education events that promote the installation of fire sprinklers in new home construction (all of which were hosted virtually in 2020 due to the pandemic).

The importance of this work was made real in one First Nations community by Elaine Kenny, consultant for Kwantlen First Nation. Elaine attended the Township of Langley's side-by-side sprinkler demonstration in 2018, and immediately understood the benefits of home fire sprinklers. She took this information back to the Kwantlen council, and since then, two public buildings have been retrofitted, and three new rental homes have been built with home fire sprinklers. Going forward, Kwantlen's housing policy requires sprinklers in all new home builds.



The presenters provided such compelling and evidence-based information about the benefits of sprinklers – more time for occupants to escape a fire and reduced risk to firefighters – there was no question about next steps. I immediately said that we had to go back to council and recommend that Kwantlen do this from this day forward. There was no having to convince council. It's about saving lives and protecting the health of our people.

– Elaine Kenny,
Consultant for Kwantlen First Nation




Advocating for a sustainable, low-emissions economy

United Nations Environment Programme Finance Initiative (UNEP-FI)

We play a leadership role at UNEP-FI via the Principles for Sustainable Insurance (PSI) and a seat on the Global Steering Committee held by our Vice-President, Sustainability & Citizenship. Beginning in 2019, The Co-operators and Addenda Capital were involved in two separate UNEP-FI pilots of global insurers and asset managers, respectively, working to develop tools that will inform climate strategies and financial disclosures (aligning with the recommendations of the Task Force on Climate-related Financial Disclosures). In 2020, The Co-operators actively participated in exploring climate-risk scenarios to advance the implementation of the Taskforce on Climate-related Financial Disclosures (TCFD), working with other insurers to develop support tools that help insurers to better assess and manage climate risks.

Expert Panel on Sustainable Finance

Canada's Expert Panel on Sustainable Finance, commissioned by the Ministry of Environment and Climate Change and the Ministry of Finance, aimed to raise awareness about climate-related risks and to advance climate-related financial disclosures. Following our 2019 public endorsement of the Expert Panel's final report and recommendations, in 2020, we contributed to several efforts to implement the Expert Panel's recommendations, including the development of a Canadian taxonomy for transition finance stewarded by the Canadian Standards Association (CSA).

Task Force on Climate-related Financial Disclosures

We continue to integrate the recommendations of the Task Force on Climate-related Financial Disclosures, following our initial public endorsement of its recommendations in 2017. [You can find our comprehensive report of all Task Force on Climate-related Financial Disclosures activity on our website at cooperators.ca/reports.](#)

How we add value

Joining forces for the low-carbon emissions economy

Alongside national business, government and non-profit leaders, we advocate and collaborate throughout the year to help shift the economy toward low-carbon Canadian and global markets.

- Bank of Canada and the Office of the Superintendent of Financial Institutions, through a joint pilot project on climate-change scenarios and risks to the financial system in a transition to a low-carbon economy. The Co-operators was invited to participate in the pilot as one of six financial institutions.
- The Prince of Wales's Accounting for Sustainability Project, a network of Chief Financial Officers (CFOs) driving a fundamental shift toward a more sustainable economy. In 2020, our CFO Karen Higgins participated in several forums, including the annual A4S Summit. She provided updates on the company's actions on TCFD, mental health, pandemic response and Finance's role in sustainability
- The Corporate Knights Council for Clean Capitalism, a group of Canadian business leaders dedicated to promoting sustainable markets
- Smart Prosperity, a national coalition of leaders from multiple sectors, all working to advance a vision for Canada's transition to a high-efficiency, low-carbon economy

OUR STORIES

A collective effort to manage climate risk

Climate change continues to threaten Canadian communities and the urgent need to build climate resiliency remains top of mind for our co-operative. As risk managers, we have a critical role to play in assessing climate risks and are committed to enabling a more resilient future for Canadians. To this end, through ongoing work with the United Nations Environment Program – Financial Initiative (UNEP-FI), we're part of a collective effort to better assess climate risk as an industry, and enable a smoother transition to a more climate-resilient future.

"

As an industry, we have an opportunity to work together to assess the complex risks posed by climate change, and protect the financial security of current and future generations. Through co-operation, we can build a critical mass of like-minded companies, and shift the economy in a meaningful way towards climate resilience.

*– Chad Park,
Vice-President, Sustainability & Citizenship*

"



Pictured: Chad Park

Championing sustainable investing

The transition to a more sustainable economy will require a critical mass of investors putting their financial weight behind projects, initiatives and funds that support and help enable a low-emissions future. Through our asset management company, Addenda Capital, and our own portfolio, we are building a strong business case and a clear framework that demonstrates sustainable investing can drive financial strength and stability.

Strategic Performance Indicator

Percentage of The Co-operators invested assets in impact investments

20.8%

2019: 19.4%

2018: 13.1%

Target: 20% by the end of 2022

Status: Above expectations

The percentage of our invested assets that are impact investments demonstrates our commitment to embedding co-operative and sustainability principles into our investment decisions.

2020 highlights

Our sustainable investing framework

Through our asset management company, Addenda Capital, we currently manage \$11.8 billion in assets, all of which is invested using a sustainability lens – integrating environmental, social and governance (ESG) factors into all security selection and portfolio-construction processes. We work to advance available green capital in Canada, providing input and insights to stakeholders who are interested in the structuring of green bonds, in the development of government-sponsored sustainable finance, and in ways to promote sustainable investing by private-sector investors. Aligned with the framework provided by the United Nations-supported Principles for Responsible Investment (PRI), Addenda follows a four-pronged approach to sustainable investing:

1. Advocacy for sustainable financial markets
2. Applying an environmental, social and governance lens to all investments
3. Stewardship – promoting good corporate governance and responsible environmental and social practices
4. Impact investing

Mobilizing the Canadian impact investing market

Addenda launched Canada's first Impact Fixed Income Pooled Fund in 2017 to catalyze impact investing across the country. In 2020, this fund surpassed \$137 million in assets and continues to grow. Through this fund, we encourage investment into projects and initiatives that support climate change solutions, health and wellness, education and community development.



Challenge

Regulatory restrictions limit the de-risking of investments

Investing in infrastructure projects that promote community resilience and that have risk reduction baked in from the start makes good business sense. Investments such as energy retrofitting projects in buildings would represent a significant win in mitigating climate change and encouraging the low-emissions economy. However, regulatory challenges and restrictions that cap investments of a limited partnership are barriers to both the scale and scope of these investments. We continue to participate in conversations and efforts to advocate for changes to this end.

Spotlight on Impact Investments from 2020

1. Granite REIT

Theme: Climate Change

Focus Area: Energy Efficiency

UN Sustainable Development Goal Alignment: Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Target 7.3 By 2030, double the global rate of improvement in energy efficiency

Amount invested: \$1.1 million

Granite REIT was the second Canadian REIT to issue a green bond. The proceeds will be used to finance green buildings and resource efficiency improvements. For example, in May they acquired a building in the Netherlands that has a roof covered in solar panels.

2. City of Toronto

Theme: Community Development

Focus Area: Affordable Housing

UN Sustainable Development Goal Alignment: Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable

Target 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

Amount invested: \$19.1 million

The City of Toronto became the first Canadian government issuer of a social bond during the second quarter of 2020. The bond will help finance 1,000 new permanent shelter beds and a development that will include a long-term care home, a transitional living facility, an emergency shelter and affordable housing.



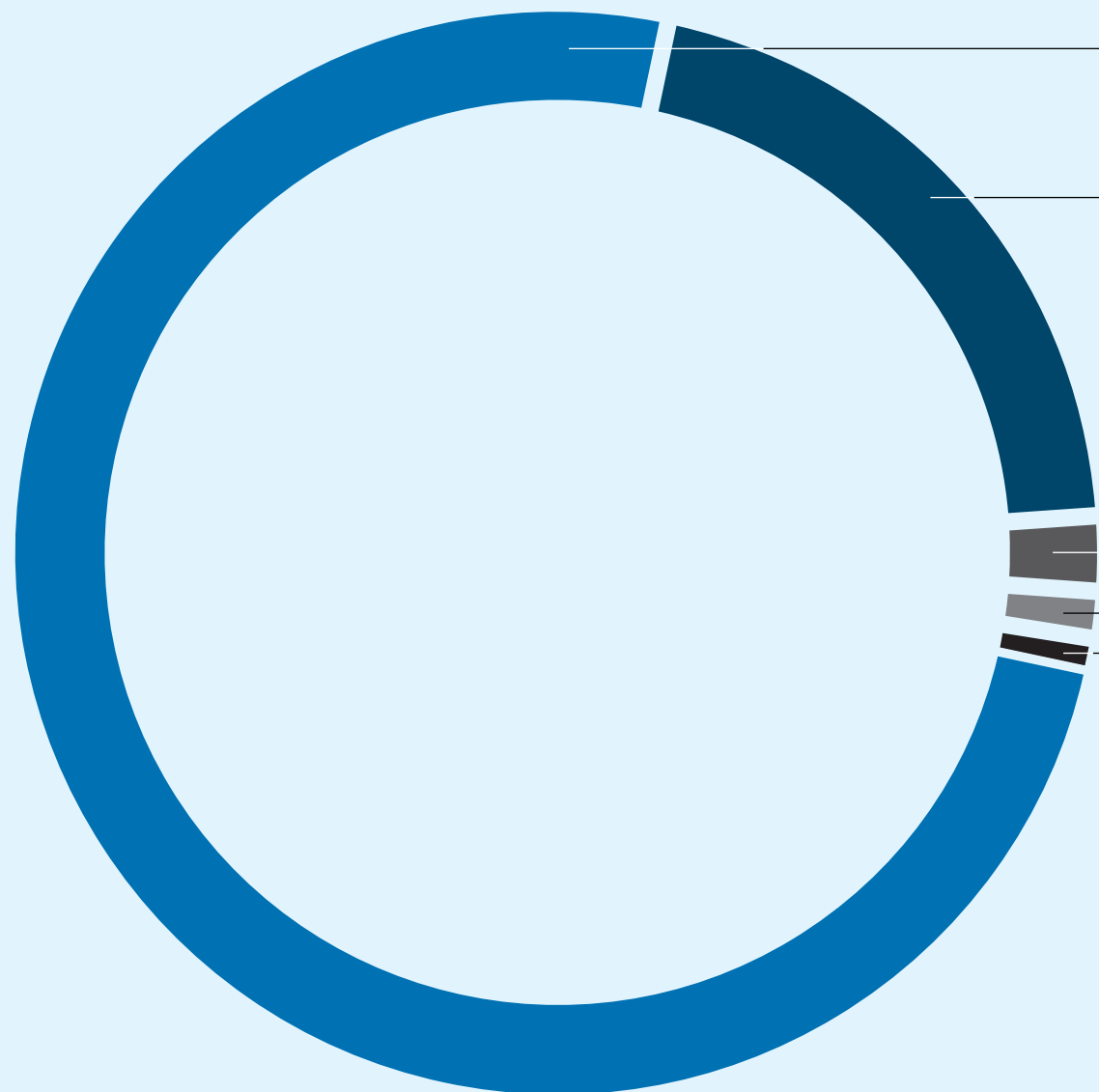
Impact investing at a glance

Relative to our industry, The Co-operators has taken a leadership role in the proportion of assets invested for positive environmental and social impact, surpassing our 2022 target to invest 20 per cent of invested assets into impact investments in 2020. Through impact investing, we are helping to secure the long-term financial strength and stability of our co-operative, as these investments de-risk our economy and communities by building cleaner energy systems, more energy efficient and resilient infrastructure, stronger housing, better food security, mental health supports, and more.

20.8% = \$2.45 billion

of our invested assets are impact investments.

Total investment



Climate change (75.1%)

Resilient communities; renewable energy; green buildings; and low-carbon transportation

Impact:

235 million MWh of renewable energy generated = 9 million homes powered for one year.



Community development (20.7%)

Housing co-operatives; credit unions; and producer co-operatives

Impact:

Invested in credit unions that paid \$417.5 million in patronage and dividends to members.



Health and wellness (2.1%)

Youth; aging populations; mental health; and affordable housing

Impact:

Invested in housing projects that provided 513 units to seniors with various levels of care needs.



Education (1.6%)

Post-secondary institutions; research and innovation

Impact:

Invested in post-secondary institutions that conferred 77,267 degrees.



Food, agriculture and natural resources (0.5%)

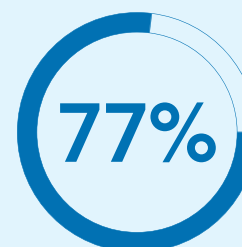
Sustainable food, land, water and resource management; food security and nutrition; and sustainable farming, fishing and forestry

Impact:

Invested in a company that planted or preserved 9.4 million moringa trees.

Note: These impacts do not result solely from our investments, but depict the total impact achieved by the projects and initiatives in which we invest. Because of reporting periods, all values are for fiscal 2019.

How we add value



Leveraging our charitable fund for impact investing

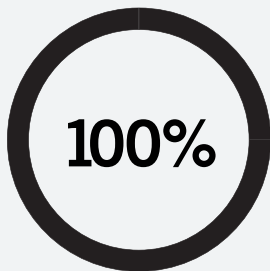
A portion of our Co-operators Community Fund (Charity) portfolio, currently valued at \$21.4 million, is invested in impact investments, which provide a market adjusted rate of return in addition to environmental and social benefits.

Minimizing our environmental impact

Credibly advocating for the business case for sustainability starts with having our own house in order. We monitor, track and transparently report on the emissions of our operations and our investments.

Strategic Performance Indicator

Carbon footprint reduction



2019: 80%
 2018: 81%
Target: 100% by the end of 2020
Status: Achieved

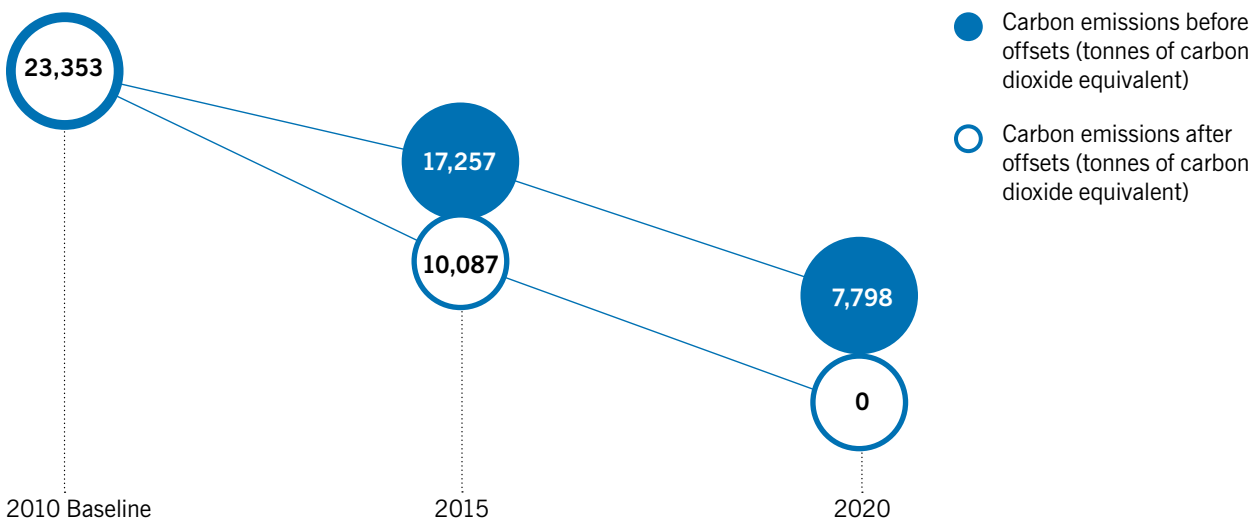
Net carbon emissions we have reduced from 2010 baseline levels.

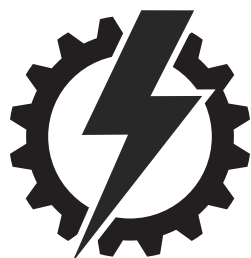
2020 highlights

Achieving carbon neutral equivalency in 2020

In 2020, we achieved our target of becoming carbon neutral equivalent. When the target was set in 2010, we initially focused on lowering our emissions in several operational areas, including office space consolidation and improved efficiency, as well as reducing the number of vehicles in our fleet and choosing hybrid models. We purchased renewable-energy certificates (through Bullfrog Power®), and have achieved additional reductions through innovative initiatives, including our Financial Advisor Carbon Neutrality program, and our partnership with Compugen's CarbonBank™ program. We shifted to remote work environments in 2020, and adapted to virtual meetings as we eliminated non-essential air travel to ensure safety. Committed to this positive environmental trend going forward, we will continue to leverage virtual-meeting capabilities and less carbon-intensive modes of interaction. While in 2020 we saw a reduction in operational emissions, there were also emissions outside of our scope as we are not able to track emissions resulting from work from home activities.

Restatements of previously reported historical emissions data result primarily from updates to provincial emission factors. [For more on how we calculate our carbon footprint, see our Supplementary Disclosures at cooperators.ca/reports.](https://cooperators.ca/reports)





The energy consumption of our operations

Understanding the amount of energy we consume to generate every million dollars of total income is important in demonstrating the relationship between environmental impact and our financial performance.

Energy consumption relative to our total income (gigajoules/\$1 million)

19 gigajoules/\$1 million

2019: 22 gigajoules/\$1 million

2018: 29 gigajoules/\$1 million

The carbon footprint of our investment portfolios

Our invested assets impact and influence global carbon emissions and society's climate-related risk. In 2020, the Partnership for Carbon Accounting Financials (PCAF), a global partnership of financial institutions, released a standard for accounting and reporting of greenhouse gases in financial services companies' investment and lending portfolios.

We used the PCAF methodology to calculate the financed emissions (carbon footprint) of our listed equity and corporate bond portfolios in 2020, and we recalculated our financed emissions for 2018 and 2019. [A breakdown of the carbon intensity of these portfolios and data quality metrics can be found online at cooperators.ca/reports.](#)

2020 financed emissions (carbon footprint) of The Co-operators listed equity and corporate bond portfolios

366,888 tonnes of carbon dioxide equivalent

2019: 311,432 tonnes of carbon dioxide equivalent

2018: 317,327 tonnes of carbon dioxide equivalent

Growing our business, adapting to change

Strategic Area of Focus: Competitiveness

As we account for the risks and opportunities presented by rapid changes in our operating environment – from the global pandemic to climate change – we remain focused on ensuring the long-term financial strength of our co-operative. With financial stability, we can modernize our products and services, invest in a sustainable, low-emissions economy, and help build resilient communities. These efforts will, in turn, reinforce our strength and stability long into the future.

Despite the challenges faced in 2020, we are continuing on a strategic path to sharpen the profitability of our business. We have successfully maintained a solid financial foundation and capital position. From this position of strength, we will continue to enhance our products, services, partnerships and solutions that address the unmet needs of Canadians while helping to build more resilient and sustainable communities.



Financial performance overview

Throughout 2020, our top priority was to reinforce our financial position in order to provide long-term financial security for our members, clients and communities.

While the pandemic presented an unprecedented situation, our risk scenario planning and business continuity processes put us in a position to work quickly to identify opportunities that would drive strong financial performance in a year of heightened uncertainty. Upon the emergence of the COVID-19 crisis, we paused certain activities to ensure our people, financial resources and technological capabilities could be re-deployed to our highest priority initiatives.

These efforts, along with the strength and perseverance of our people, enabled us to reinforce our financial position while ensuring the health, safety and stability of our workforce. Our net income results improved relative to 2019, largely from sustained positive investment performance, a continued focus on improved P&C underwriting performance, and a deliberate reduction in expenses made in response to the pandemic.

The emergence of the COVID-19 crisis significantly impacted global fixed income and equity markets in the first quarter of 2020, and in turn, drove unfavourable results early in the year. However, strong recoveries in both markets through the remainder of 2020 drove higher realized and unrealized gains across our operations, offset partially by heightened impairment losses. Our realized gains were also favourably impacted by a strategic recalibration of our P&C invested asset portfolio, aimed at reducing our common equity exposure during this period of significant uncertainty.

Our P&C results reflect another year of focused efforts on driving sustainable underwriting growth within our portfolio, efforts set in motion before the onset of the pandemic. Our Auto & Home lines of business produced underwriting gains above those that we saw in 2019, as reduced frequency across both lines drove lower claims costs. While we experienced top line growth across all core lines of business, we did not outpace 2019, primarily due to the impacts of COVID-19 and management actions to improve profitability. Concurrently, climate events continued in 2020, with two catastrophic events, both in the province of Alberta, significantly impacting our clients and communities. In 2021 and beyond, our solid financial position will be necessary to navigate the uncertainty and increased risk that comes with our changing climate.

Contrasting the P&C results and sustained positive investment performance in 2020, are the impacts of reserve strengthening in our Life business, and the inevitable uptick in trip cancellation claims in our Travel business because of travel restrictions imposed in response to the COVID-19 outbreak.

As we look to the future, our financial position equips us with the stability required to navigate continued uncertainty, including market volatility and increasing trends of climate-related events. In turn, we will continue to prioritize our financial performance in the spirit of profit for people, to ensure we can continue to support sustainable, resilient communities, while protecting the financial security of Canadians in 2021 and beyond.



A handwritten signature in black ink that reads "KHiggins".

Karen Higgins
EVP, Finance and Chief Financial Officer
The Co-operators Group Limited

 **COVID-19 Spotlight**

Maintaining our capital strength

In the spring of 2020, we acted quickly in areas of governance, risk, operations and investing, and took management action to ensure our capital position was maintained in times of uncertainty.

Management oversight

The Capital Oversight Committee was created, one of four new management oversight committees created as an initial response to the crisis, whose mandate was to ensure that The Co-operators capital remained strong, above both regulatory and internal minimums.



Risk management

We further enhanced our robust annual stress testing process in response to increased uncertainties as a result of the pandemic. Multiple stress scenarios were analyzed in 2020 to anticipate our capital resiliency, considering varying levels of economic and market recovery, government and regulatory interventions, and length and severity of the pandemic.

Scenario analysis

As part of our financial planning process, we enhanced our scenario planning analysis to ensure that our forward looking financial plans for growth and stability were flexible, robust and appropriate, given the increased uncertainty around economic recovery (see page 15).

Fixed income investments

Further analysis was performed on our fixed income investment portfolio to model the impact of recessionary scenarios to ensure it remains resilient to market shocks.

Debt issuance

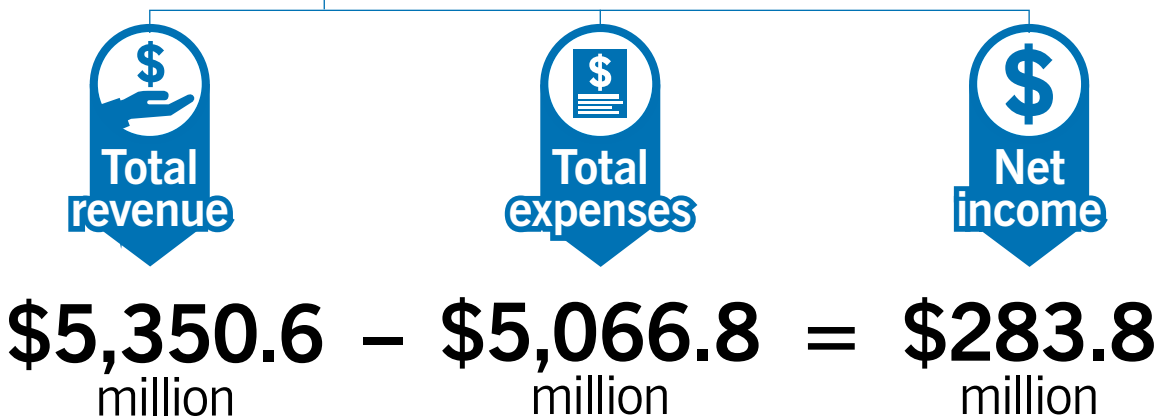
We issued \$300 million in debt to strengthen our capital position, which provided a buffer to our capital and liquidity, and allowed us to redeploy capital as needed across the organization.

Invested asset portfolio

We performed a strategic recalibration of our P&C invested asset portfolio to reduce our exposure to common shares, further improving the resilience of our capital position and ensuring we maintained strong liquidity throughout the year.

Income statement overview

Improvement in our Property & Casualty combined ratio drove the strengthening of our bottom line results compared to 2019. This was partially offset by our Life operations' results, as the pandemic impacted top-line growth, and strengthening of lapse assumptions led to increased reserves.



Strategic Performance Indicator

Expense Ratio for P&C operations

31.7%

2019: 32.6%
2018: 31.9%

Target: At or better than the industry by the end of 2022
Status: Above expectations

Why it matters

By appropriately managing our expense ratios, we can continue offering affordable and competitive products and services to meet the needs of our clients and members, while enhancing our investment in communities. It is critical that we manage expenses effectively and continue to find efficiencies where possible, to ensure we are safeguarding the premiums paid by our clients.

Efficiency Ratio for Life operations

20.0%

2019: 19.2%
2018: 19.1%

Target: 17.7% by the end of 2022
Status: Below expectations

P&C Combined Ratio

95.0%

2019: 101.1%
2018: 105.2%

Target: 98% by end of 2022
Status: Above expectations

Why it matters

This helps gauge the profitability of our P&C lines, taking the sum of all incurred losses and expenses, and dividing them by our earned premium.

P&C operations direct written premium by lines of business

Direct written premium in our P&C operations increased 4.2 per cent, primarily as a result of pre-pandemic rate increases in Home & Auto. This was partially offset by the impacts of the Reduced Driving Refund, reductions to our Commercial premium and reduced Travel premium as a result of COVID-19.

Life operations premiums and deposits by lines of business

Our Life operations' total premiums and deposits were 1.0 per cent lower than 2019. While we experienced growth in our Individual Insurance & Wealth lines, we saw declines in Group Benefits, Credit Insurance and Travel, all of which were heavily impacted by COVID-19, including a premium refund program in our Group Benefits line of business.

Net investment income and gains

While we had another year of favourable investment performance, net investment income and gains fell short of 2019. A significant portion of the volatility in investment gains and losses arises from our Life operations. Much of this volatility is offset through claims and benefits expenses resulting from the asset-liability matching programs we employ.

The Co-operators Group Limited

Summarized consolidated Statement of Income
Year ended December 31

(in millions of dollars)	2020	2019	2018
INCOME			
Net earned premium	4,431.9	4,167.1	3,763.9
Net investment income and gains	751.8	805.7	81.0
Fees and other income	166.9	152.7	138.4
Total income	5,350.6	5,125.5	3,983.3
BENEFITS AND OPERATING EXPENSES			
Claims and benefits expense, net of reinsurance	3,329.3	3,200.5	2,606.4
Other expenses	1,652.5	1,603.8	1,425.5
Total expenses	4,981.8	4,804.3	4,031.9
Income (loss) before taxes and undernoted	368.8	321.2	(48.6)
Gain on contribution of business to joint venture	0.0	0.0	64.3
Income before income taxes	368.8	321.2	15.7
Income tax expense (recovery), operating activities	85.0	66.0	(26.0)
Income tax expense, restructuring of subsidiaries and contribution of business to joint venture	0.0	0.0	36.7
Income tax expense	85.0	66.0	10.7
Net income	283.8	255.2	5.0
Net income (loss) attributable to:			
Members	258.1	178.7	(11.5)
Participating policyholders	15.8	67.1	0.8
Non-controlling interests	9.9	9.4	15.7
Net income	283.8	255.2	5.0

Balance sheet summary

Following a year of significant volatility, our overall and regulatory capital positions remain strong, as total assets grew 11 per cent and our total capital grew nine per cent. With our financial strength, we are well-equipped to navigate continued uncertainty ahead while providing financial security for our members and clients.



Strategic Performance Indicator

Return on Members' Equity

10.2%

2019: 7.7%
2018: (0.5)%

Target: 8-10% each year
Status: Exceeded

What this means for our stakeholders

A strong return on equity demonstrates our success in putting our members' capital to good use and investing it wisely. While our decisions are made over a longer-term horizon, showing a positive year-over-year return on members' equity is a good indicator of the strength of our co-operative, and by extension, of the strength of the co-operative business model itself.

Return on participating policyholders' (Par) equity

1.9%

2019: 8.7%
2018: 0.1%

Target: 4.5-6.5% each year
Status: Not achieved

What this means for our stakeholders

Our participating policyholders are those clients who hold a Life insurance policy with us that includes an investment portion which lasts for much, or all, of their lifetime.

A strong return on Par equity, especially over the long term, is important to monitor and manage because it impacts the financial security of many of our Life insurance clients, and can be used as an indicator contributing to their overall peace of mind and future success planning.

This year we experienced challenges due to the low interest rate environment and policyholder behaviour.

Summarized consolidated balance sheet

Our balance sheet position remains strong, with over \$3.9 billion in capital. Invested assets exceed the total value of our insurance and investment contracts, net of reinsurance, by 25.6 per cent. Our regulatory capital positions, as measured by the Minimum Capital Test (MCT) and the Life Insurance Capital Adequacy Test (LICAT), also remain strong with our ratios well above regulatory requirements. Invested assets increased by 10.7 per cent in the year as a result of the strong equity markets and the decline in interest rates, which favourably impact our bond valuations. Our bond portfolio makes up 59.6 per cent of the portfolio and is well-diversified geographically and by sector with 98.0 per cent of bonds considered investment grade.

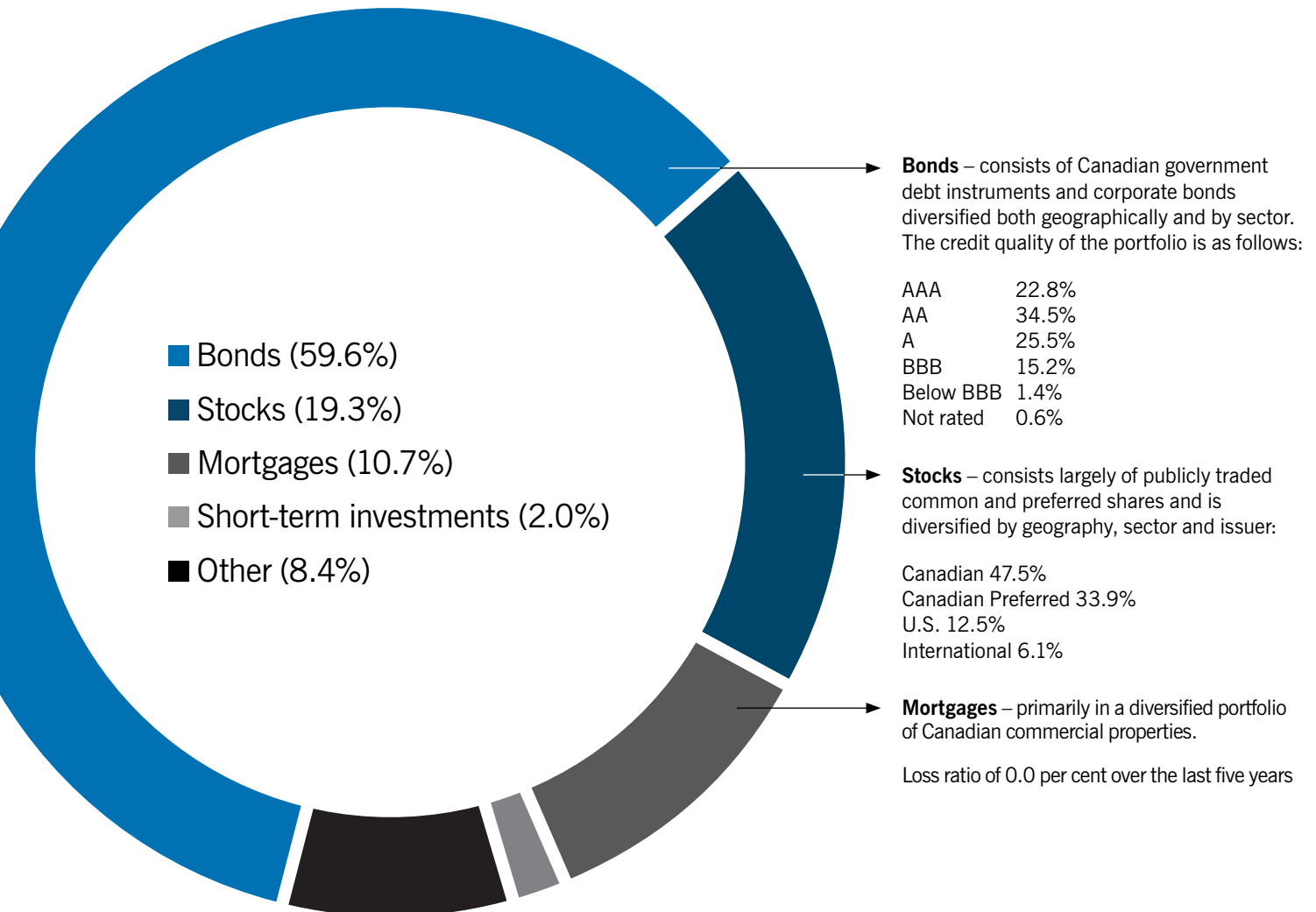
The Co-operators Group Limited

Summarized consolidated Balance sheet as at December 31

(in millions of dollars)	2020	2019	2018
ASSETS			
Invested assets	11,789.9	10,647.4	9,441.2
Segregated fund assets	3,426.4	3,113.6	2,660.5
Other assets	3,664.2	3,230.0	2,900.1
Total assets	18,880.5	16,991.0	15,001.8
LIABILITIES			
Insurance and investment contract liabilities	9,868.7	8,843.5	7,905.1
Segregated fund liabilities	3,426.4	3,113.6	2,660.5
Other liabilities	1,623.2	1,382.4	1,105.5
Total liabilities	14,918.3	13,339.5	11,671.1
EQUITY			
Member equity	2,851.3	2,567.5	2,339.1
Participating policyholder account equity	907.6	886.2	795.4
Non-controlling interests	203.3	197.8	196.2
Total equity	3,962.2	3,651.5	3,330.7
Total liabilities and equity	18,880.5	16,991.0	15,001.8

Investing through a year of volatility

How we invest our assets influences our financial stability, as well as our investment returns. Bonds make up the majority of our asset portfolio given the lower risk profile relative to other investments.



Ratings

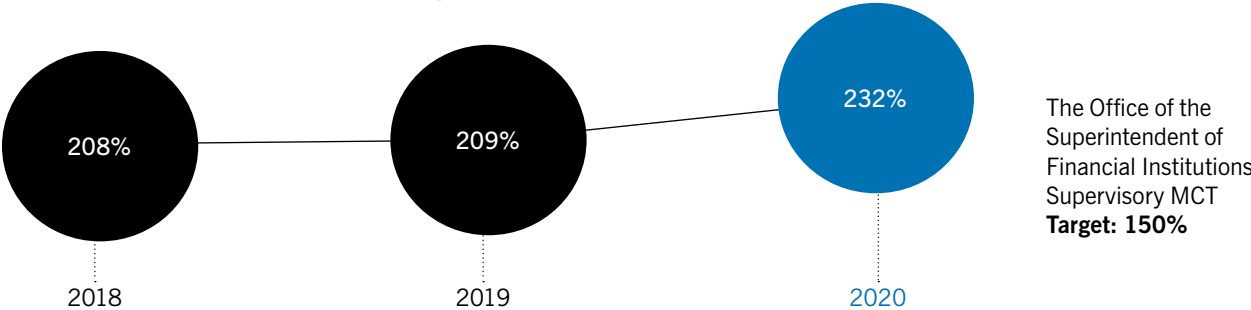
External rating agencies rate our companies and recognize our strong capital position. All ratings are investment grade (BBB-/bbb- or better). [Information on Issuer Credit Rating and Financial Strength Rating can be found at cooperators.ca.](#)

Ensuring we have the capital to manage risks

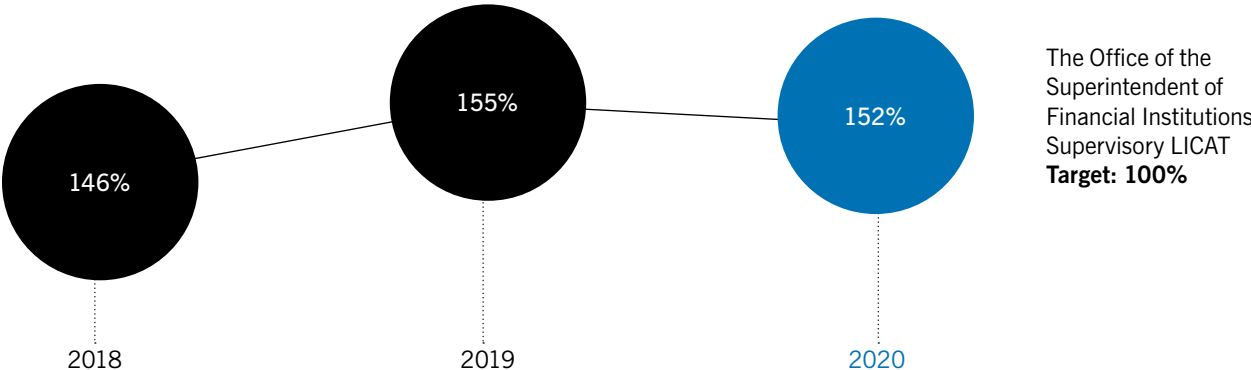
We preserve sufficient capital at all times to allow us to fulfil our promises to our clients through changing circumstances, to meet regulatory and rating agency expectations and to pursue business opportunities as they arise. In 2020, this was particularly critical to our continued stability, and at year end, we remain well-capitalized to and strongly positioned to face future uncertainty.

Note: The Minimum Capital Test (MCT) and the Life Insurance Capital Adequacy Test (LICAT) are ratios we calculate and monitor to ensure we have sufficient capital to support our regulated businesses. The MCT applies to Property and Casualty insurers (CGIC Consolidated), and the LICAT applies to Life insurance companies (CLIC Consolidated). We hold capital beyond the minimum regulatory requirements for both.

CGIC Consolidated Minimum Capital Test (MCT)



CLIC Consolidated Life Insurance Capital Adequacy Test (LICAT)



Evolving to meet Canadians' holistic financial needs

We're driven to meet the unmet and ill-met financial security needs of Canadians, and our competitive growth strategy is designed to ensure our members and clients are supported in securing their financial futures. We anticipate significant changes in the world around us, including climate change and the evolving-nature of personal transportation, will impact the profitability of our core insurance lines. At the same time, there are promising opportunities to grow our advice-based products and services for a mass market of Canadians whose financial planning needs aren't met. Through our suite of insurance, financial planning and investment solutions, we can become trusted partners in securing our clients' financial futures.

Strategic Performance Indicator

Retail wealth sales growth

14.7%

2019: 11.3%

Target: 36.4% compound annual growth rate through 2022

Status: Below expectations

Sales of retail wealth products, including Mutual Fund and Segregated Fund products, help meet the savings and investment needs of our individual clients, supporting their long-term financial well-being.

Retail wealth assets under management and administration

\$1.91 billion

2019: \$1.69 billion

Target: \$3.0 billion by the end of 2022

Status: Below expectations

The amount of retail wealth assets invested within client accounts of Co-operators Advisors, including CLIC segregated funds and annuities, as well as mutual funds sourced through CFIS.

Individual insurance new annual premium growth

(18.9%)

2019: 3.3%

Target: 7.0% compound annual growth rate through 2022

Status: Below expectations

A measurement of the annual growth of individual Life insurance premiums

Revenue growth in consolidated P&C Commercial lines of business

2.2%

2019: 20.0%

2018: 8.9%

This is an indicator of success in expanding advice and risk-management solutions for Canadian businesses, including farms, through Sovereign General Insurance Company, CUMIS General Insurance Company and Co-operators General Insurance Company (CGIC).

Group Benefits premium growth

(4.1%)

2019: 3.6%

Target: 7.3% compound annual growth rate through 2022

Status: Below expectations

This measures the annual growth in our Group Benefits business.

Enabling a network of Financial Advisors to meet clients' holistic financial needs

We've stayed focused on supporting our Financial Advisors in providing holistic financial services and advice-based products and services to Canadians. In 2020, we launched a Distribution Transformation Data Model, a technological platform that provides Financial Advisors with additional data-driven insights into market opportunities and individual client needs. In addition, 436 Financial Advisors and their staff have now been onboarded to our mutual funds dealer, Co-operators Financial Investment Services, which enables them to offer mutual funds as part of their comprehensive suite of advice-based services to clients.

A \$20 million investment to expand our access to Canada's group benefits market

As part of our long-term strategic commitment to grow and optimize our Group Benefits line of business, we entered into a financial relationship with Smart Employee Benefits (SEB), a publicly traded company with \$800 million in Group Benefits premiums under management. Through our financial partnership with SEB, The Co-operators will enhance our existing capabilities by leveraging SEB's modular administration platforms, and expand our access to the competitive, large employer Group Benefits market in Canada.

Efforts to improve underwriting processes to better serve our clients

The underwriting process is the core function of our business. It's everything from how we identify and analyze risks, to how we bind and manage them within our systems. We are driven to create a better experience for clients by building a more efficient end-to-end underwriting process. In 2020, we focused on improving the efficiency of our underwriting processes to create additional capacity, by removing more administrative tasks. In 2020, we removed over 60,000 tasks from underwriters and client-facing staff, which ensured they could shift focus to delivering advice-based financial services.



Challenge

Impediments to wealth product and service expansion

2020 sales of Individual Wealth products were well below plan, although they performed above 2019 levels. Delays in the launch of our mutual fund dealer and reductions in Co-operators Financial Advisor capacity due in large part to the circumstances stemming from the COVID-19 pandemic were the primary contributors to this.

Limited growth in individual insurance lines of business

The impacts of COVID-19 caused our 2020 sales to fall short of plan. While the entire industry experienced limited growth in 2020, Co-operators Financial Advisors had their capacity reduced by the adjustment to remote work in the second quarter, in addition to financial impacts of Property & Casualty product initiatives such as targeted rate increases and the Reduced Driving Refund.

A slowdown in Group Benefits top-line growth

Despite strong sales at the beginning of 2020, our Group Benefits performance dropped significantly as the economic impacts of the pandemic slowed new business and quoting activity. Additionally, high unemployment combined with limited access to health services negatively impacted incoming premium and equivalents, which led to a net contraction in top-line revenue for the year as compared to 2019.

Enriching our workforce

Strategic Area of Focus: Workforce Capability

Our people are our greatest strength. They engage with our clients in communities from coast to coast to coast, and deliver on our strategy. In 2020, our employees, Financial Advisors and other client-facing staff embodied the resilience, adaptability and collective strength required to navigate unprecedented challenges. As the COVID-19 pandemic continues, we have increased our focus on engaging and supporting our people. By prioritizing their health, well-being and development, we sustain a strong foundation from which we can thrive.

As rapid changes reshape the future of work, we can seize opportunities to improve our workplace and work processes. We can adapt traditional business models to meet changing needs. To be successful, we must foster a diverse, inclusive workplace that supports all of our people and attracts, retains and develops top talent from across Canada.



Our greatest strength

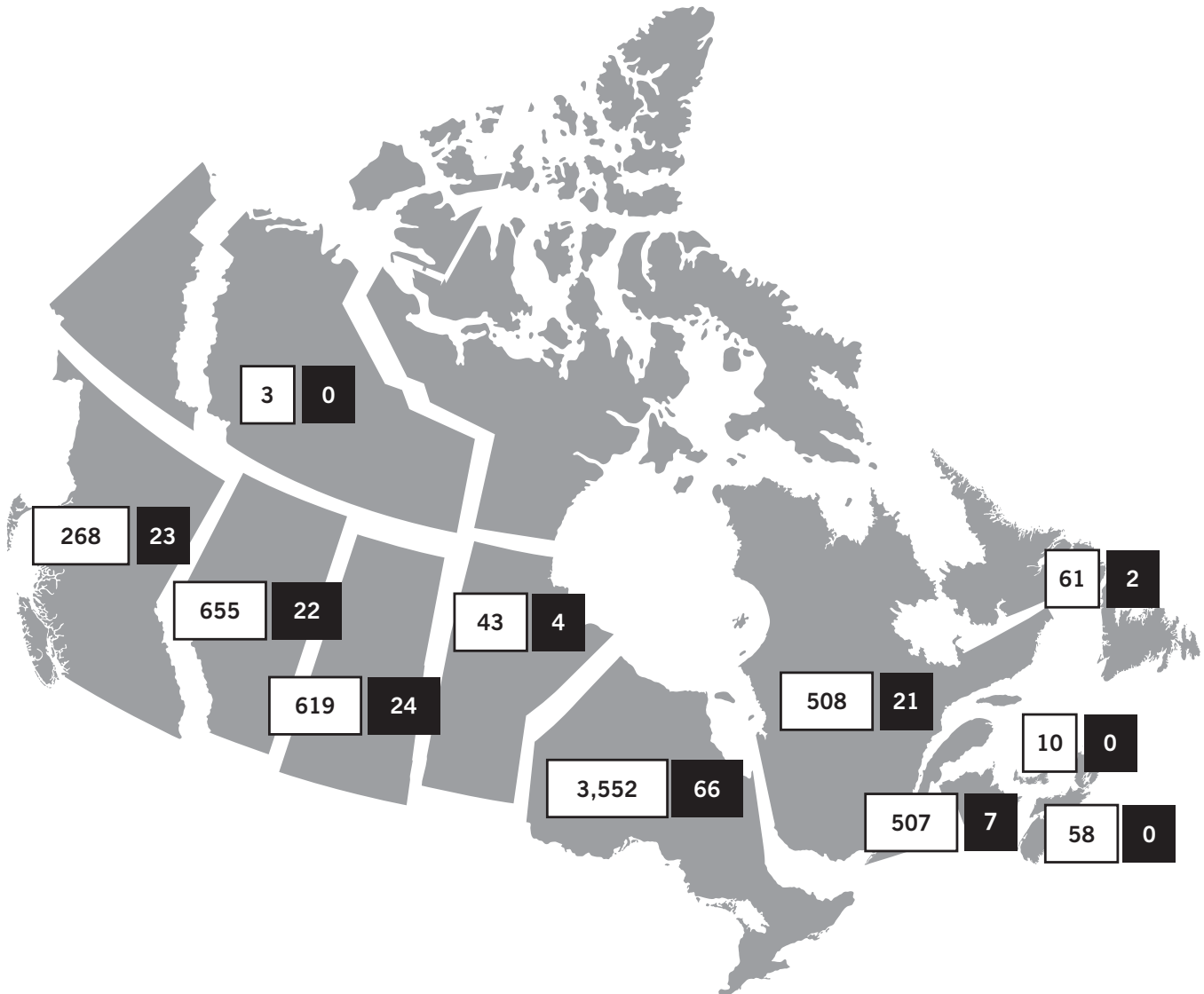
The people we employ in our group of companies across Canada are essential in bringing our strategy to life.

Total number of employees

6,454*

Workforce by province

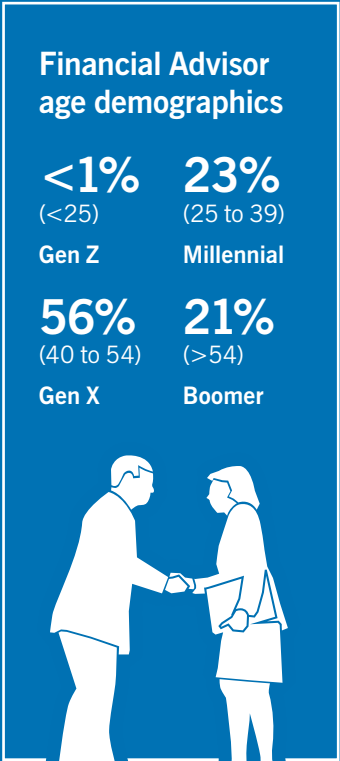
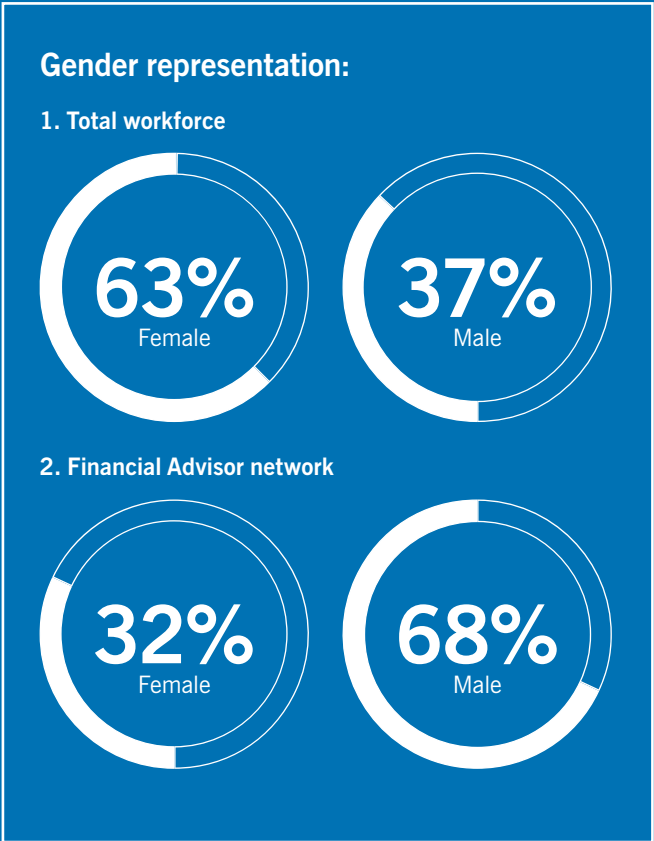
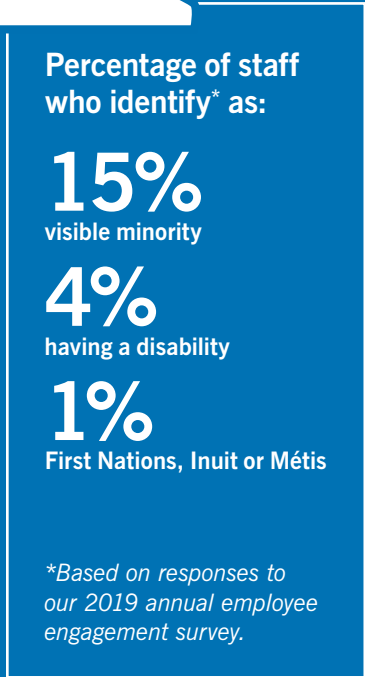
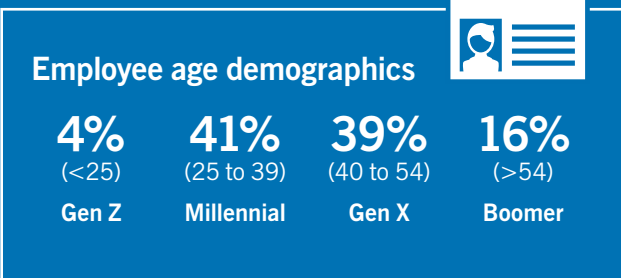
□ full-time ■ part-time



*Includes employees of Premier group of companies and The Edge Benefits Inc. Premier also has one full-time employee in California.

Workforce spotlight

Learn more about the demographics and composition of our workforce.

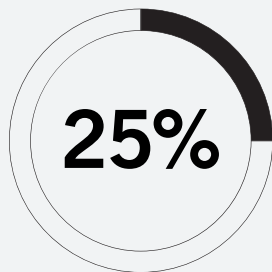


A strategy to improve diversity and inclusion

A diverse and inclusive workforce leads to a stronger, more thoughtful and representative workplace that ensures decision-making and actions are positioned to support the needs of all employees, clients, members and communities. We have further to go to achieve our diversity and inclusion goals, especially in senior leadership levels across the group of companies. Acknowledging systemic racism and other barriers to inclusion and identifying how they are present in our own organization is critical to this work. In 2020, we focused on collecting insights to identify these barriers and inform the development of a holistic diversity and inclusion strategy. By shedding light on these barriers, we can strengthen the capability and resilience of our workforce while helping to dismantle systemic racism and injustice.

Strategic Performance Indicator

Representation of women in senior-leadership



2019: 26%
 2018: 25% (corrected from 27%)
Target: 35% by the end of 2022
Status: Below expectations

Description: The proportion of women in senior leadership positions at the vice president level or above.

2020 highlights

Acknowledging systemic racism and supporting the Black Lives Matter movement

At the height of the Black Lives Matter movement in June 2020, our president & CEO issued a statement to all employees and Financial Advisors, entitled “Black Lives Matter: Our commitment to do better.” This statement highlighted our work with the Canadian Centre for Diversity and Inclusion (CCDI), encouraged participation in our diversity survey and focus groups, and increased dialogue across the organization. We also paused all activity on social media channels in solidarity with the Black Lives Matter protests in Canada and the US, and used our channels to amplify voices of partner organizations and collaborators who are taking action to support Black and other marginalized communities.

Improving the representation of women in senior leadership

Since 2016, we’ve been actively working to improve the proportion of women in leadership positions at The Co-operators, as one preliminary step in our journey to improve diversity and inclusion across our group of companies. In 2020, at 25 per cent, we took a slight step back in progress towards our 2022 goal. We are committed to taking action to ensure we have a representative leadership team as part of our ongoing focus on building a representative workforce.

Addressing barriers to diversity and inclusion

Working in partnership with the Canadian Centre for Diversity and Inclusion (CCDI), we engaged employees across the group of companies in an anonymous diversity survey to launch our comprehensive journey toward a more diverse and inclusive workforce. This survey was designed to understand where we stand as an organization and enable us to build out a targeted strategy relevant to The Co-operators. Following the survey, CCDI facilitated focus groups with employees who identify with a variety of diversity dimensions. It is their practice to ensure there are a variety of groups, including non-marginalized individuals, in order to identify whether experiences and impacts are different based on the diversity dimension. These focus groups were conducted with employees identifying (in alphabetical order) as:

- Black persons
- Francophones
- Heterosexual white men without a disability
- Indigenous persons and persons of colour
- LGB2Q+ and/or transgender persons
- Persons with mental and/or physical disabilities
- Racialized persons (visible minority or persons of colour)
- Women (persons who identify as women)

These focus groups helped to deepen our understanding of the barriers that exist. At year end, over 3,800 employees had taken the survey, 195 participated in focus groups, and ten had signed on to become Diversity and Inclusion Influencers (see page 83). As elements of our discovery phase, the output from the survey and focus groups were analyzed by CCDI and consolidated into an Inclusivity Assessment report. The report illustrated our current state, and along with the Global Diversity and Inclusion Benchmarks Survey, will be used as a guidepost to develop our strategy. The strategy will include a vision, mission and key goals, and will be presented in 2021.



“

To focus on diversity and inclusion is to focus on people, respect, fairness and helping people realize their potential without artificial barriers. In the workplace, we can help dismantle these barriers through more representation and accessibility. We must challenge the ways we think and make space for different voices that aren't always heard.

*– Kristi Chatterton,
Diversity & Inclusion Influencer, The Co-operators*

”

“

I signed up to become a diversity and inclusion influencer because I see the benefit and power of diversity in my own family. Through this initiative, we can both raise awareness and work together to create change.

*– Marcus Morson,
Diversity & Inclusion Influencer, The Co-operators*

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OUR STORIES

Elevating employee voices to design a meaningful Diversity and Inclusion strategy

Involving the voices, perspectives, experiences and insights of our employees is a critical component of creating a more diverse, equitable and inclusive workplace culture at The Co-operators. In 2020, we put the call out for diversity influencers – employees and leaders from across the organization who have diverse perspectives and a desire to contribute to the design and implementation of our Diversity and Inclusion Strategy.

Diversity influencers like Kristi Chatterton will provide feedback and share perspectives throughout the strategy design process and implementation phase. They will help brainstorm tactics to support the strategic goals and vision, and champion an inclusive culture through encouraging dialogue and active participation in events and training.



Pictured: Kristi Chatterton

Engaging and supporting our people

Our co-operative organization is made up of people who are impacted by and connected with the issues and trends in the world around us. We believe our people are the core source of our competitive advantage in a rapidly changing environment, and in 2020, their resilience was put to the test. While everyone was impacted by the pandemic, not all impacts were created equal, and the diversity of needs, lived experiences, and perspectives required a human-centred, tailored approach to engagement.

Strategic Performance Indicator

Aggregate Employee Engagement Score (2019)*

77%

2018: 78%

Target: Maintain 80% or better each year

Status: Not measured in 2020

An engaged workforce reinforces our organization's strength and stability, fosters innovation, and reflects that our work culture is meeting employee needs and providing a productive, healthy and stimulating work environment.

*See *Pulse Survey results in 2020 Highlights*.

Mental Health Index (2019)*

78%

How our employees view our commitment to mental health and how well we deliver on this commitment through our practices.

Financial Advisor Satisfaction Index (2019)

67%

Target: Maintain 70% or better each year

Status: Not measured in 2020

The satisfaction of our Financial Advisors is an important measurement of our ability to respond to challenges and provide support and solutions to help them meet the needs of their clients.

2020 highlights

Taking the pulse of employee engagement in a unique year

The Co-operators has been a Kincentric Best Employer for 17 consecutive years. In 2020, we did not conduct our annual Employee Engagement Survey, due to the pandemic and the timing of the survey. Instead, we worked with Kincentric to conduct employee Pulse Surveys, in May and November, to better understand the challenges they were facing, their ability to complete work tasks remotely, and the degree to which they felt supported.

Pulse survey findings

Results indicated strengths in the areas of well-being, manager support, personal adaptability and connection/collaboration enabled by technology. Highlights from the second Pulse Survey conducted in the fall of 2020 include:

- 88 per cent of employees felt the organization was looking after their wellbeing and that their manager had provided the support they needed.
- 89 per cent felt that their current work situation (whether remote, in-office or a combination) allowed them to be fully productive, and felt positive about their ability to adapt.



Challenge

Adjusting to work under extraordinary conditions

Despite overall positive results on the Pulse Surveys, employees helped to identify a few opportunities to improve. Further support to help employees adjust to remote work set-up, including access to office equipment, ergonomics and improving network speeds and technological upgrades. Employees largely felt the organization was looking out for their well-being, however some expressed concern about the volume of change and workload, and the associated impact on mental health. Action plans have been created to address these challenges and continue to monitor our progress and improvement in future surveys.

Strong employee retention persists amidst uncertainty

Despite the widespread uncertainty and significant financial challenges endured in the first half of 2020, we retained 93% of corporate employees.



Employee voluntary-turnover rate

4.3%



Employee retention rate

93%

Supporting our people with competitive compensation and benefits

As a living-wage employer we offer a competitive and equitable compensation package that, in most cases, far exceeds the living wage. We also monitor salaries through our External Market Analysis process, which can help to identify and address any gaps in our competitive positioning. In addition, we conduct an annual gender-pay review, which includes statistical modelling on employee compensation. In 2020, this review confirmed that across equivalent salary grades, a pay inequity among genders does not exist at The Co-operators.



CEO to average worker pay ratio (2019)

16:1

Industry Benchmark: 202:1*

**Based on the salaries of the 100 highest paid CEOs in Canada. (Source: "The Golden Cushion" The Canadian Centre for Policy Alternatives, 2021).*



Workforce salaries

\$485.4 million



Workforce benefits

\$105.9 million



Workforce incentive programs

\$63.5 million

Employees and Financial Advisors in the community

Our employees and Financial Advisors took meaningful action to support their communities throughout 2020.

16% 

of employees used a portion of their paid volunteer days.

2019: 49% 2018: 55%

575

Financial Advisor and service office locations accredited through the Advisors for Sustainable Communities program.



\$377,392

in equivalent salary to support employee volunteering in 2020.

\$800,000+

in independent community contributions made by our Financial Advisors.

Total volunteer hours tracked

9,392



9 **Volunteers in Action groups**

Our Volunteers in Action program encourages staff across Canada to engage in volunteering.

Number of employee volunteers who participated in our annual Apple Day. Apples were harvested and provided to community groups, while maintaining physical distancing throughout the initiative.



\$302,169

in total contributions made by employees to United Way in 2020.

 COVID-19 Spotlight

Protecting the health and well-being of our people

In the days before widespread lockdowns were announced in Canada, we immediately moved our people to work-from-home environments, including employees, Financial Advisors, agency staff and call centre staff, to proactively ensure the health and safety of our employees, Financial Advisors, and our local communities. This included close to 8,000 people – an unprecedented move in our history.



We provided resources to navigate difficult times

Ongoing tips and resources were developed to support the mental and physical health of our employees and help them stay connected as we worked through this time of change together. These resources covered topics such as mental health, managing work at home, balancing work with educating children at home, and physical and financial health.

We made job security a priority throughout the pandemic

During the height of the crisis, we worked through our business continuity plans with a core staff and scaled our technological capacity to ensure all employees could work securely and seamlessly. At the same time, we continued to pay full wages to all employees, whether they were working during this period or not.

We increased employee spending accounts for wellness and home offices

To support the health and well-being of our employees working from home, and in response to the need for technology and office equipment, we enhanced our Personal Spending Account (PSA) for Wellness Expenses coverage by an additional \$250 per employee, to a total of \$500, to purchase home office equipment.

Designing flexible work arrangements

Recognizing the diversity of life situations, we worked with employees to identify flexible work arrangements that would support work-life balance and mental health, and address the unique circumstances caused by the pandemic. This ultimately led to better productivity and resilience among our employees, which meant we could ensure the needs of the business and our clients.

Delivering competitive solutions across Canada

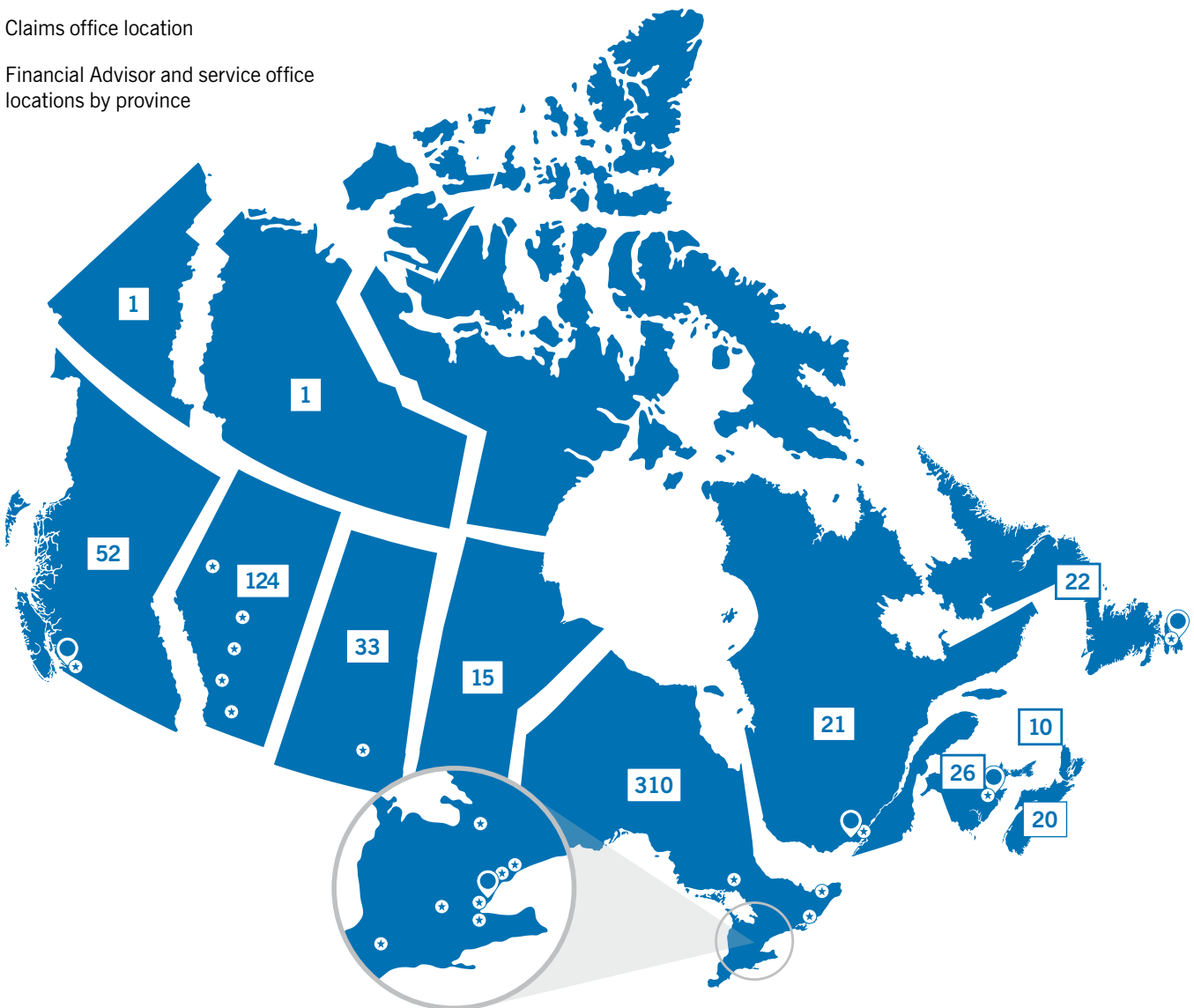
Embedded in the hearts of over 380 communities across Canada, reaching from city neighbourhoods to rolling farmland, our network of Financial Advisors and their staff provided advice, insight and support to our clients. This helped to build trust and relationships with Canadians from coast to coast.

Total number of Financial Advisors

462

Financial Advisors offices

- Contact centre location
- ★ Claims office location
- Financial Advisor and service office locations by province



OUR STORIES

Supporting front-line healthcare workers

Across Canada, our Financial Advisors provide support to enhance the well-being and resilience of their local communities.

A prime example is Co-operators Financial Advisor Bill Bachra, who is passionate about helping people and serving his community of Markham, Ontario. In 2016, he was appointed to the Board of Directors for the Markham Stouffville Hospital Foundation, and helped raise over \$1 million for the hospital. In 2020, Bachra took his generosity a step further and donated \$10,000 to the Markham Stouffville Hospital to support its COVID-19 Relief Fund.

The donation was directed to support needs within the community and provided frontline staff with personal protective equipment, such as hospital-grade masks, gloves, gowns and face shields.



I've seen the efforts of doctors, nurses and staff first-hand as they supported my family when they needed it most. I've seen their commitment to give the best care they can to our loved ones, and I want to support the development of a healthy, resilient and fair community. Making sure the most vulnerable members of our society stay healthy is an important step to building a strong community.

– Bill Bachra,
Financial Advisor, Markham, Ontario



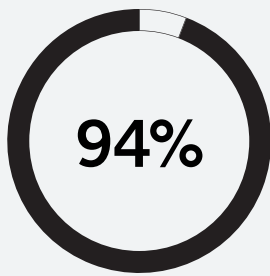

Pictured: Bill Bachra

Supporting a culture of continuous learning

To support a capable, adaptive and engaged workforce, and to strengthen our culture of innovation, we prioritize the ongoing development, training and education of employees — creating a workplace focused on sustainable development and continuous learning.

Strategic Performance Indicator

Percentage of senior leadership with SMART goals related to sustainability or co-operative identity (2019)



2018: 94%
2017: 91%
Target: 100% each year
Status: Not measured in 2020

This measures the integration of sustainability and co-operative principles throughout our organization.

2020 highlights

Investing in employee training and development

In 2020, we invested an average of \$568 per employee on external education programs. Although our 2020 allotment represents a decrease from 2019 levels, the decrease was the result of a reduction in expenses implemented to ensure we could maintain financial stability during the pandemic.

Building cyber literacy and awareness

As an organization, we have a lot to protect — from client data to professional assets to our reputation. There are countless reasons why it's critical for employees to remain vigilant to the risk of cyber security. In 2020, we launched a new cyber security training course, of which we achieved a 99 per cent completion rate. This is well above the industry target for employee security training of 85 per cent. Our success rate demonstrates the value that this training has to our organization and our employees, both at work and at home.

Offering a sustainability education course for employees

We launched a sustainability eLearning course to help employees better understand what it means to use a "sustainability lens" in their work. The course focused on helping employees better anticipate and manage risk; increase and identify innovation opportunities; enhance problem solving and become more effective decision-makers; and better respond to changing economic, social and environmental conditions. By the end of 2020, 82 per cent of our corporate employees had completed the course.

Incentivizing leaders to champion co-operative values and sustainability

All vice-presidents, senior vice-presidents, executive vice-presidents, as well as the president and CEO, are required to include at least one SMART* goal related to co-operative and sustainability principles in their annual performance plans. Each year, these goals are audited and reported to the Board of Directors. While this annual audit did not occur in 2020 as a result of the pandemic, the strong uptake of the sustainability eLearning course, along with 94 per cent compliance in both 2018 and 2019, suggests that sustainability continues to be embedded throughout the organization.

*SMART stands for: specific, measurable, ambitious (but achievable), relevant and time bound.

 **COVID-19 Spotlight**

The future of work

Today's workplace looks significantly different than it did one year ago. The COVID-19 pandemic led to an unprecedented shift away from in-person engagement. An expansion of online, remote and flexible work arrangements redefined boundaries between our homes and workplaces.



To ensure we kept employees and our communities healthy and safe, the vast majority of our employees worked from home throughout the year, with over 90 per cent of our corporate employees still working at home at year end. A small subset of employees who were required to be in the office due to the nature of their roles were provided a safe and isolated work environment by maintaining virtual work for the majority of employees. As regional public health restrictions eased, offices were prepared to welcome employees, up to 25 per cent capacity, to a safe, socially distanced work environment.

With the rise of virtual work, we continue to explore how we can embed and embody a strong workplace culture in our day-to-day activities and interactions. As we learn from challenges and identify opportunities presented by the new working reality, we are reimagining the future of work at The Co-operators.

While 2020 was broadly defined by its challenges, great benefits emerged in terms of our ability to work with greater flexibility and enhance our culture of performance, innovation, diversity and inclusion. These opportunities enable us to continue with a growth mindset and build a better workplace.

Expanding online, remote work for the long term

As conditions allow, more employees, Financial Advisors and client-facing staff will return to the office. At the same time, increased comfort and capability to work remotely will lead to an increase in remote work going forward. Remote work not only reduces the impact of our physical operations in terms of energy, emissions and travel expenses; it affords greater flexibility for our people and opens us up to a wider, more diverse pool of talent who may not live in close proximity to our corporate locations.

Accelerating business transformation and performance culture

The pandemic has also introduced an increased urgency for businesses to evolve. Our competitors and consumer expectations will continue to evolve at a pace well beyond what we experienced prior to the pandemic. We must be positioned to evolve at pace. The goals in our strategic plan to transform our organization digitally require us to ensure our workforce is poised to embrace the speed of change required to meet this challenge.

Flexibility and adaptability as a core strength

In the early days of the COVID-19 pandemic, the need to adapt and stay flexible in response to the rapid pace of change became a valued competency. Understanding that a one-size-fits-all approach does not do well to serve the needs of the business nor the health and well-being of the worker, we are committed to moving forward with a culture of flexibility – ensuring our people remain strong and ready to respond as challenges arise.

Achieving high performance through positive mental health

With the current pace of change, we will increasingly need our people to operate with a bias towards action. Especially in challenging times, to ensure the needs of our clients and communities are met, we must work at pace and be ready for change and stay focused on outcomes. To be successful, we must promote positive mental health and set up conditions that put the well-being of our people first. This will ensure employees have the emotional and practical tools they need to perform.



Exploring possibilities through innovation

Strategic Area of Focus: Create the Future

The Co-operators was founded on an innovative idea of creating a cooperative insurance solution that would provide financial security for Canadians in challenging times. Today, we have reaffirmed our innovative beginnings through our strategy, with the intention of experimenting with and developing new and emerging business models.

Issues like climate change and the rapid advancement of technology pose great challenges, but they also present opportunities to create a future that is more sustainable and resilient, and that meets the needs of Canadians. Looking to the future, we are embedding innovation and adaptability into our strategy and thinking beyond “business as usual” to bring new products and services to market for a new and changing world.



Innovative solutions for a changing world

As things change and needs emerge, our business must be nimble and ready to adapt. To ensure we stay relevant and effective in a rapidly changing economy, we launched Duuo in 2018, a digital, on-demand insurance platform, which currently offers six products that meet the needs of Canadians in a world of transformation.



Designing new products for a changing economy

Canadians living, working and experimenting on the leading edge of emerging economies – from the sharing economy to the gig economy – are breaking new ground and opening up new opportunities for prosperity. In this new territory, there are also emerging sets of unmet needs when it comes to financial security and peace of mind. Through our rapid development of online, easy-to-access episodic and subscription insurance products, we are innovating alongside the pace of change to provide financial security for pioneers of the digital economy.

Short-Term Rental Insurance

Specialized, on-demand insurance for people who rent out their properties through platforms like Airbnb®, HomeAway® and VRBO®.

Rent-my-Stuff Insurance

Insurance coverage for risks that are incurred when an individual rents their belongings to others.

Gig Insurance

A low-premium, episodic liability insurance product designed to uniquely match the task and duration of service for which the gig worker was hired. This provides peace of mind to both the worker and the business or person hiring their service, thereby facilitating this type of commercial exchange and general economic activity.

Event Insurance Online

On-demand insurance – which can be purchased in minutes – to cover an event host’s liability in case of accidents, benefitting hosts and venue owners alike.

Vendor Insurance

Insurance coverage for exhibitors and vendors at events such as farmers’ markets and trade shows.

Tenant Insurance

Dynamically rated insurance coverage for people who lease residential premises, providing peace of mind to both the lessee and lessor.



Catalyzing innovation through our Corporate Venture Capital fund

We developed a Corporate Venture Capital fund to facilitate more innovative partnerships that can develop solutions to challenges we face as an organization and as a society. Through this fund, we leverage our capital to partner with start-ups on the leading edge of new technology and innovations that will help meet the changing needs and preferences of our clients. In support of our innovation strategy, the fund focuses on investments and partnerships aligned with three key themes:

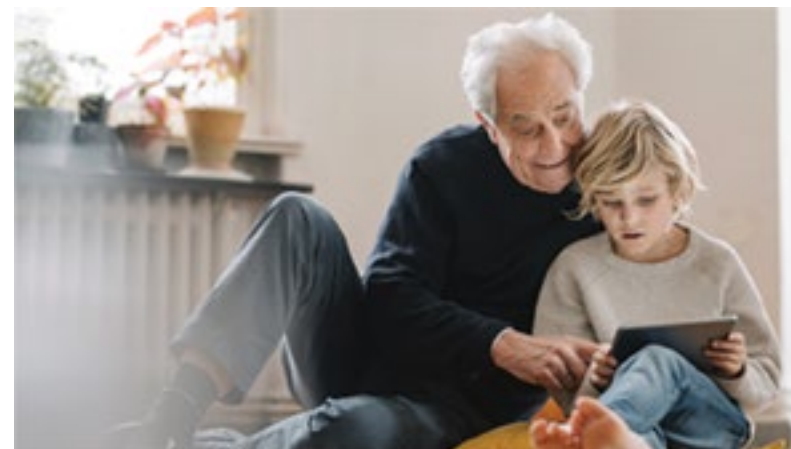
1. Meeting emerging and underserved financial needs
2. Enriching the resiliency of Canadians and their communities
3. Digital technology products or service solutions offering strategic value in our core operations and/or assist us in exploring opportunities in adjacent and emerging markets

Since 2019, we have invested in:

Slice Labs Inc., a leading US InsurTech that develops technology solutions for on-demand, episodic insurance products. In partnership with Slice, Duuo’s products and API roadmap are leading edge in the exploration of the emerging model of embedded insurance solutions.

BlueDot, a Toronto-based HealthTech company that tracks and predicts the spread of infectious disease globally. BlueDot was among the first to identify the COVID-19 outbreak and to advise its clients including the WHO and national and regional governments on pandemic response strategy. To learn more about BlueDot, see page 96.

Portag3, a FinTech fund with a mission to invest, develop, and empower creative, ambitious and visionary entrepreneurs who have the potential to reshape financial services. This investment provides us access to the fund’s portfolio companies, allowing us to leverage their innovative platforms and learnings to support our strategic initiatives.



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Our world is rapidly changing, and as a consequence outbreaks that threaten human health, security, and prosperity are appearing with greater frequency and magnitude. Our products empower our clients with timely, contextualized insights that strengthen their resilience against dangerous infectious disease threats.

– Dr. Kamran Khan,
BlueDot Founder and CEO

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As chair of BlueDot's Board of Directors, I observe first-hand how The Co-operators and our fellow social-purpose investors are uniquely positioned to have a direct impact on the evolution of this truly remarkable and innovative company. BlueDot is empowering resiliency efforts in the face of COVID-19 and other infectious diseases that threaten global and local health, security and prosperity.

– Steve Phillips,
Executive Vice-President, The Co-operators

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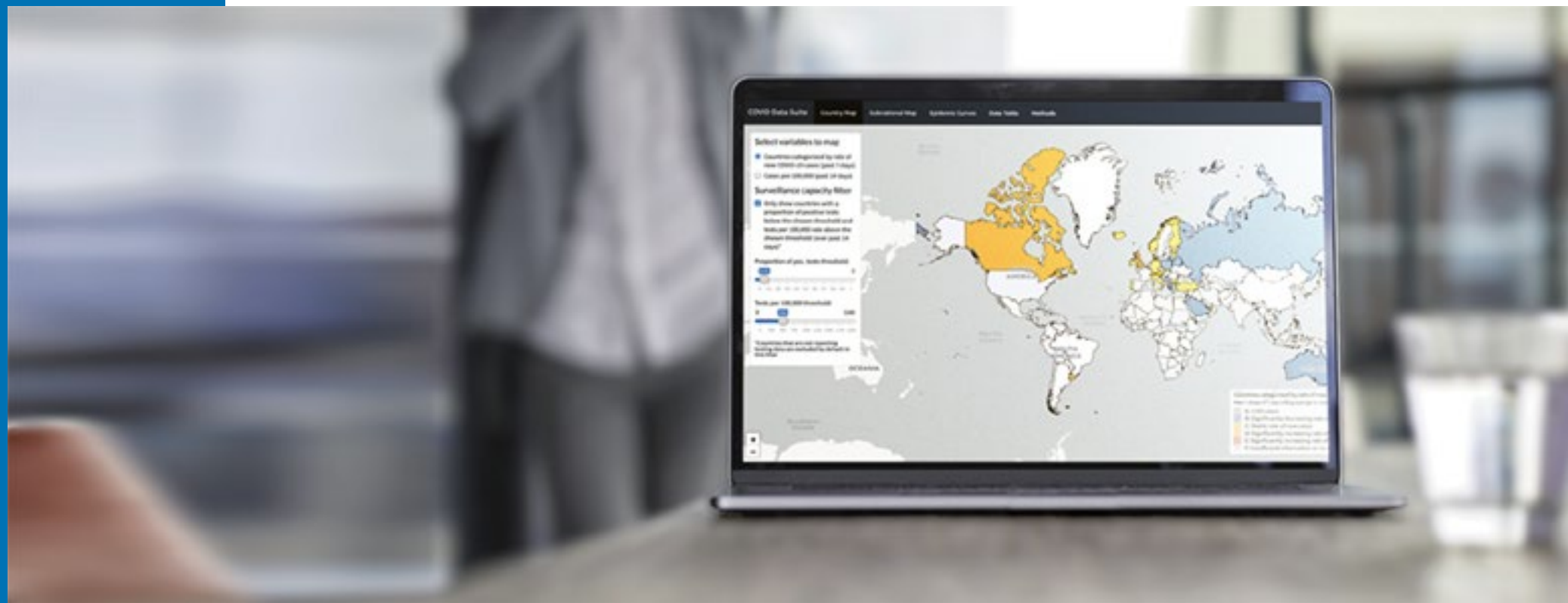
OUR STORIES

Detecting COVID-19 before the world knew its name

Even before the COVID-19 pandemic emerged at the end of 2019, The Co-operators considered the spread of infectious disease and the risk of global pandemics as a significant threat to the health, well-being and financial security of Canadians. In August 2019, we co-led a \$7 million USD Series A investment round with BlueDot, a digital-health company that uses big-data analytics to track and anticipate the spread of the world's most dangerous infectious diseases.

Through our partnership with BlueDot, we are exploring opportunities to use BlueDot's data aggregation, artificial intelligence and predictive analytical capabilities to help clients make informed decisions around the prevention and mitigation of infectious disease risk.

In early 2020, BlueDot made world headlines, as being among the first in the world to identify the emerging risk from COVID-19 in Hubei province, immediately alerting its clients of an impending threat with its robust technological platform. BlueDot also published the world's first peer reviewed scientific study on the spread of COVID-19, which accurately predicted eight of the first 10 cities to import the novel coronavirus through commercial air travel.



Exploring new and emerging business models

Ongoing research to explore new and emerging business models in 2020 was focused in the areas of mobility and smart homes and buildings. At the same time, as part of our Enterprise Innovation work, we explored innovations to develop solutions to address financial inclusion and resiliency.

Telematics and mobility

In the near future, we expect automobile original equipment manufacturers' (OEMs) factory-embedded telematics systems to accelerate business model development both within our organization and in our operating environment. As older telematics devices are replaced with more sophisticated technology, safety features, connectivity and data, we anticipate new opportunities will emerge, including more targeted insurance pricing, products, services and client engagement; lower claims due to more targeted safety and loss-prevention advice; and more expansive service offerings. Forming new partnerships will be key to our ability to both develop new consumer value propositions and gain a leading-edge view into potential challenges on the horizon. Data ownership, control and security must remain at the forefront of these business models and partnerships.

Smart homes and buildings

We continued to explore business models that leverage data from smart home and building devices to design new products, services and ways to engage our clients. In partnership with TELUS, we established a team to test out consumer value propositions that can help us motivate Canadians to feel safe and secure through engaging, personalized experiences. We continue to explore other partnerships as well, where we can improve client loss prevention through the use of data and analytics.

Enterprise innovation work

In 2020, our priority Enterprise Innovation projects included Financial Inclusion and Resiliency. Both projects benefitted from access to our innovation research teams, who pursued financially viable solutions to long-standing, existential and extremely challenging societal issues. This work continues, and in 2020 we focused on exploratory research to identify and articulate the problems, gaps and opportunities that exist.

We also made our innovation research teams available to leaders and business units across our group of companies. Working with our in-house subject matter experts, leaders were encouraged to re-evaluate their business problems and engage with a "learn-fast" innovation structure and process to arrive at solutions they would not otherwise attain through traditional approaches. This provided teams across our enterprise with the opportunity to optimize or modernize within their respective areas and strategic objectives. Through this experiential learning opportunity, teams gained knowledge of an innovative approach that could be applied to daily activities – an important input into overall development of talent and culture.



On the horizon: Future outlook from our president and CEO

Our co-operative exists to enable the financial security of Canadians and Canadian communities, both now, and long into the future. In a period of rapid change, it is paramount that we are preparing to meet the future needs of our members and clients.

2020 taught us many lessons as individuals, and as a co-operative. We must now capitalize on what we've learned and apply it going forward. We unlocked a latent capability and capacity in our organization that we cannot lose as we continue to deliver on our four-year strategy. We must retain and maximize those capabilities if we are to remain competitive and relevant.

Accelerating our digital evolution

The pandemic accelerated our need for digital transformation. Consumer expectations are changing at a rapid pace, and many in the industry have pressed fast-forward on their digital capabilities. Our journey only has meaning if we have a destination in mind, and we are committed to providing our clients with a service model that meets their needs in the contexts wherein they wish to do business.

Championing a sustainable transition

The transition to a more sustainable economy requires a critical mass of investors putting their financial weight behind the movement. The Co-operators allocates over 20 per cent of our invested assets to impact investments, over \$2.4 billion, and will continue to grow this amount. We are committed to advocating for and building the market in this space, together with our peers. Transition finance will help de-risk our economy and communities by building cleaner energy systems, more energy efficient and resilient infrastructure, stronger housing, better food security, mental health supports, and more.

Designing the future of work

In response to the pandemic, we changed how we work. We need to design the most effective work posture for our future and determine the level of flexibility we need to set our business up for long-term success. Our workforce capability will evolve to enable us to be a high performance co-operative supported by sustainable, diverse and inclusive work environments. We will maximize productivity, collaboration and promote mental and physical health by appropriately embracing remote, in-office and hybrid work postures.

Staying true to our purpose

Above all, our purpose and mission to serve our members, clients and communities remains steadfast. As we emerge and recover from the pandemic, transforming and evolving our business is a priority, and we will create this future together with our employees, Financial Advisors, members, clients and communities.

2020 has taught us much about uncertainty. We cannot control our external environment, and we do not know what the future might bring. Yet through co-operation, collaboration and a clear-eyed focus on our co-operative purpose, we can successfully navigate challenges that lie ahead.



Pictured: Robert Wesseling

Contributing to the United Nations Sustainable Development Goals

We've connected our co-operative to a concerted global movement to protect the environmental, social and financial well-being of current and future generations. The Co-operators has endorsed all 17 United Nations Sustainable Development Goals (SDGs) and aligned our 2030 Enterprise Long-term Goals to nine specific SDGs on which we have the greatest expertise and can make the most meaningful impact. We've outlined a few selected highlights of how we're contributing to the SDGs today, in an effort to help build a more sustainable future.



SDG 3: Good health and well-being

UN target: 3.4 – Mental health and well-being

How we're contributing:

In 2020, we contributed \$940,000 to support marginalized youth and people with mental health challenges, including \$150,000 to Kids Help Phone Crisis Text Line, Canada's first-ever crisis texting service, which helps youth access mental health support in their preferred way.



SDG 5: Gender equality

UN indicator: 5.5.2 – The proportion of women in managerial positions

How we're contributing:

In 2020, 25 per cent of our senior leadership positions were held by women, 36 per cent of our executive leadership team were women, and 32 per cent of our Board of Directors were women. We have further to go to achieve gender equality in the senior leadership levels across our group of companies and in our governance.



SDG 7: Affordable and clean energy

UN indicator: 7.2.1 – Renewable energy share in the total final energy consumption

How we're contributing:

In 2020, our impact investments were directed towards projects and initiatives that were responsible for generating 235 MWh of renewable energy, enough to power 9 million homes for one year.

Note: The impact does not result solely from our investments, but depict the total impact achieved by the projects and initiatives in which we invest. Because of reporting periods, this value is for fiscal 2019.



SDG 8: Decent work and economic growth

UN indicator: 8.5.2 – Equal pay for work of equal value

How we're contributing:

As a living-wage employer, we offer a competitive and equitable compensation package. An annual gender pay review continues to confirm that across equivalent salary grades, a pay inequity among genders does not exist in our organization. We currently employ 6,285 full-time and 169 part-time employees, with a 93 per cent employee retention rate in 2020.



SDG 9: Industry, innovation and infrastructure

UN indicator: 9.4.1 - CO2 emission per unit of value added

How we're contributing:

We continue to monitor and disclose the carbon footprint of our investments, understanding that our invested assets continue to impact and influence global carbon emissions and climate-related risk. In 2020, the economic emission intensity, or carbon footprint, of our listed equity and corporate bond portfolios was 77.7 tonnes of CO2 equivalent per million dollars invested.



SDG 11: Sustainable cities and communities

UN target: 11.5 - Reduce economic losses caused by water-related disasters

How we're contributing:

In 2020, we developed Canada's most robust and up-to-date flood model of the Great Lakes coastal regions, modeling flood risk from 'seiches', which are lake storm surge events. Our Comprehensive Water product is Canada's first and only flood insurance product to cover all Canadians from the risks of overland flooding including storm surge, regardless of their risk level.



SDG 12: Responsible consumption and production

UN target: 12.2 - Sustainable management and efficient use of natural resources

How we're contributing:

In 2020, over 80,000 of our client households had signed up to go 'paperless' through our continued promotion of online services, avoiding the use of over 1.2 million sheets of paper.



SDG 13: Climate action

UN target: 13.3 Awareness raising on climate change mitigation, adaptation, impact reduction and early warning

How we're contributing:

In 2020, we helped clients prepare for and prevent losses that might be incurred from catastrophic events and seasonal weather patterns by sending over 404,000 targeted eAlerts and eReminders to clients across Canada. These messages included information on how best to prepare and protect their belongings to mitigate losses and stay safe. We track, monitor and model climate-related risks across a variety of scenarios to predict how events like wildfire, flooding and extreme weather might impact our clients and communities.



SDG 17: Partnerships for the goals

UN target: 17.14 Policy for sustainable development

How we're contributing:

We advocate various levels of governments in Canada for greater policy coherence for sustainability and to shape priorities for a sustainable, resilient recovery to the pandemic. The issues on which we focus include climate resilience, greenhouse gas reductions, sustainable finance, mental health, and active transportation. For example, we supported several initiatives to advance the implementation of recommendations of the Expert Panel on Sustainable Finance, and actively participated in a major UNEP FI initiative exploring climate risk scenarios to advance the implementation of the Taskforce on Climate-related Financial Disclosures (TCFD).

Public Accountability Statement

Our 2020 Integrated Annual Report provides our key stakeholders with information and data related to our economic, social and environmental performance. In compliance with the Public Accountability Statement requirements under the Insurance Companies Act, this report includes relevant activities of Co-operators General Insurance Company, which has equity exceeding \$1 billion, along with the activities of regulated companies owned by The Co-operators Group Limited, including:

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

[For more information on these organizations, visit cooperators.ca.](https://www.cooperators.ca)

The information, data and content found in these pages focuses on our larger operations outlined above. Unless noted, non-financial reporting items from a number of smaller companies are excluded from this report, based on size or The Co-operators ownership interest. These organizations include: Aviso Wealth Limited Partnership; AZGA Service Canada Inc.; Co-operators Financial Investment Services Inc., CU Agencies Alliance Ltd.; Duuo Insurance Services Inc.; Premier group of companies; Les Systemes de gestion Technicost Inc.; The Edge Benefits Inc.; and UNIFED Insurance Brokers Limited.

Our Integrated Annual Report captures the activities of The Co-operators Group Limited and its major subsidiaries, unless otherwise stated, for the 2020 calendar year.

[This report can be found in English and French at cooperators.ca/integrated-report.](https://www.cooperators.ca/integrated-report) [To obtain a printed copy, or for more information, email us at service@cooperators.ca.](mailto:service@cooperators.ca)

Our report validation process

To increase validation mechanisms, our internal audit department has assessed the data integrity of several key financial and non-financial measures and statements in this report. Measures and statements were included in the assessment based on a risk ranking. We incorporate our internal audit department's recommendations on reporting controls where applicable, and future reports will continue to do so. Through a separate process, our consolidated financial statements are subject to an annual external audit. Several key financial figures arising from this process have been included in this report.

2020 taxes paid/payable (recovered/recoverable)¹ (in thousands of Canadian dollars)

	Income and capital taxes	Premium taxes	Total
Federal	65,698	0	65,698
Provincial			
Alberta	8,414	40,527	48,941
British Columbia	4,164	12,169	16,333
Manitoba	1,385	3,404	4,789
New Brunswick	1,500	3,749	5,249
Newfoundland and Labrador	2,106	7,068	9,174
Nova Scotia	1,791	5,673	7,464
Ontario	25,928	69,175	95,103
Prince Edward Island	531	1,598	2,129
Quebec	2,678	8,118	10,796
Saskatchewan	1,845	7,739	9,584
Territories	187	695	882
Total Provincial	50,529	159,915	210,444
Total	116,227	159,915	276,142
Other taxes²			109,969
Total taxes paid/payable (recovered/recoverable)			386,111

1. All income and capital tax amounts may contain accrued tax estimates.
2. Other taxes includes commodity, property and business, payroll, and other miscellaneous taxes.

2020 debt financing

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

	Number of authorizations	Amount authorized
\$0 to \$24,999	5	\$34,338
\$25,000 to \$99,999	3	\$129,609
\$100,000 to \$249,999	11	\$1,716,791
\$250,000 to \$499,999	7	\$2,759,063
\$500,000 to \$999,999	15	\$11,080,277
\$1,000,000 to \$4,999,999	42	\$93,220,412
Over \$5,000,000	16	\$134,020,025
Total	99	\$242,960,515

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

Co-operative memberships

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

- Canadian Association of Mutual Insurance Companies
- Canadian Co-operative Investment Fund
- Co-operatives and Mutuals Canada
- International Co-operative Alliance
- International Cooperative and Mutual Insurance Federation
- Provincial and local co-operative associations

Other memberships

- Canadian Association of Direct Relationship Insurers
- Canadian Drug Insurance Pooling Corporation
- Canadian Life and Health Insurance Association Inc.
- Canadian Marketing Association
- Federation of Mutual Fund Dealers
- Investment Funds Institute of Canada
- Garnter CIO Research Board
- LOMA and LIMRA International, Inc.
- Mutual Fund Dealers Association of Canada
- Travel Health Insurance Association

Other affiliations and partnerships

- Accounting for Sustainability CFO Leadership Network
- Advisory Committee for the University of Guelph Masters of Cybersecurity and Threat Intelligence
- Bank of Canada and the Office of the Superintendent of Financial Institutions - Pilot project on climate risk scenarios
- Canadian Bond Investors Association (Addenda Capital Inc.)
- Canadian Mental Health Association
- Canadian Red Cross
- Carbon Pricing Leadership Coalition
- CDP (Carbon Disclosure Project)
 - Climate change program (Addenda Capital Inc. and The Co-operators Group Limited)
 - Water program (Addenda Capital Inc.)
 - Forests program (Addenda Capital Inc.)
- Ceres Investor Network on Climate Risk and Sustainability (Addenda Capital Inc.)
- Climate Action 100+ (Addenda Capital Inc.)
- Corporate Knights' Council for Clean Capitalism
- Enactus Canada
- FireSmart® Canada
- Green Bond Principles (Addenda Capital Inc.)
- Home Fire Sprinkler Coalition Canada
- Institute for Catastrophic Loss Reduction
- Institute for Sustainable Finance (Addenda Capital Inc.)
- Insurance Development Forum
- Kids Help Phone

- Montreal Carbon Pledge (Addenda Capital Inc. and The Co-operators Group Limited)
- Partners for Action Network
- Portfolio Management Association of Canada (Addenda Capital Inc.)
- Responsible Investment Association (Addenda Capital Inc., The CUMIS Group Limited, The Co-operators Group Limited)
- Share the Road Cycling Coalition
- Smart Prosperity Leaders' Initiative
- Task Force on Climate-related Financial Disclosures (Addenda Capital Inc. and The Co-operators Group Limited)
- The Conference Board of Canada
- United Nations Environment Programme – Finance Initiative
 - Global Steering Committee
 - Pilot asset management group – implementing the TCFD recommendations (Addenda Capital Inc.)
 - Pilot insurer group – implementing the TCFD recommendations
 - Principles for Sustainable Insurance
- United Nations-supported Principles for Responsible Investment (Addenda Capital Inc.)

Awards and recognition in 2020

Client satisfaction

- Pollara's 2020 Insurpoll Study
- **Auto:** Ranked second in Net Promoter Score among a sample of Canadian clients
- **Home:** Ranked second in Net Promoter Score among a sample of Canadian clients

Sustainability and citizenship

- Corporate Knights' Best 50 Corporate Citizens in Canada
 - #4 overall
 - #1 in insurance
- Canada's Greenest Employers

Key contacts

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Supplementary Disclosures

Governance disclosures
The Co-operators Management Group profiles
The Co-operators Sustainability Policy
UNEP FI Principles for Sustainable Insurance – annual disclosure of progress
Our carbon footprint
Sustainability-related insurance and wealth products and services
Compliance and ethics
Montreal Carbon Pledge – carbon footprint of investments
Sustainable investing and impact investing policies
Credit ratings
Workforce disclosures



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