



The Co-operators' Sustainability Journey

ICA General Assembly Singapore 2007

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Board of Directors
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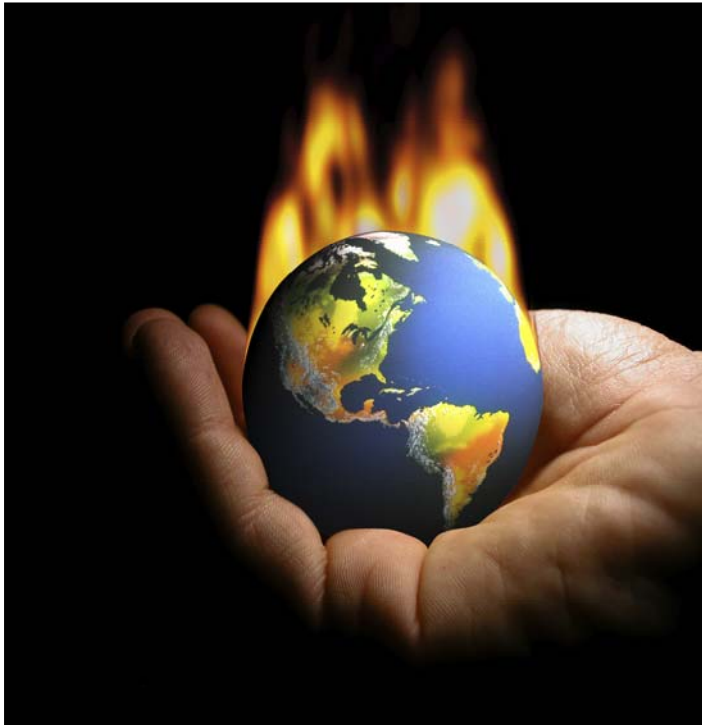
- To enhance The Co-operators brand demonstrating Sustainability as part of our DNA – achieve competitive differentiation
- To learn how integrating Sustainability can continue to keep The Co-operators financially sound while addressing the triple bottom line – i.e. Sustainability and financial success can be achieved together – they ARE NOT mutually exclusive
- To effectively integrate Sustainability it will need all stakeholders from across our group of companies to believe in this focus – CMG – Vice-Presidents – middle management – line staff – it will only be achieved with all levels participating
- To build on the energy that exists in the company and begin to show some early wins and share the 3 year plan

Presentation Overview



SUSTAINABILITY
The Co-operators: Taking care of tomorrow—today

- What is Sustainability?
- The Insurance Industry
- The Co-operators' Sustainability Plans



Sustainability

“Meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

**Brundtland Commission
1987**

 **the co-operators**
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Our world as it is today is not sustainable – economically, socially and environmentally. The time to act is now.

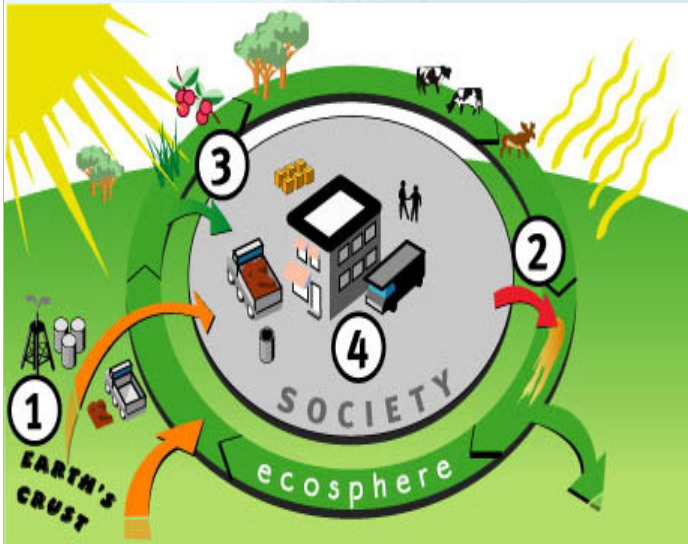
To integrate SUSTAINABILITY (focus on this word in messaging) - that is the balanced integration of economic, social & environmental activities into our decision making processes & activities

The goal of our Sustainability is that it supports the triple bottom line – not an isolated project but integral to our continued success and embedded in all our business units and processes

Four Sustainability Principles

The Natural Step:

In a sustainable society, nature is not subject to systematically increasing



- ① concentrations of substances extracted from the earth's crust
- ② concentrations of substances produced by society
- ③ degradation by physical means
- ④ and, in that society, people are not subject to conditions that systematically undermine their capacity to meet their needs.

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Sustainability is fundamentally about maintaining human life on earth and the ecosystems required to support it. It is a supply and demand issue – the world's population continues to grow at a rapid rate and there are a limited number of resources available.

The first three system conditions focus on interactions between humans and the planet:

(1) Society mines and disperses materials at a faster rate than they are re-deposited back into the Earth's crust (examples of these materials are oil, coal, and metals such as lead);

(2) Society produces new substances faster than they can be broken down by natural processes, if they can be broken down at all (examples of such substances include dioxins, DDT, and PCBs); and,

(3) Society extracts resources at a faster rate than they are replenished (for example, overharvesting trees or fish), or by other forms of ecosystem degradation (for example, paving over fertile land or causing soil erosion).

(4) Therefore, the fourth system condition focuses on socio-economic dynamics in terms of the importance of meeting human needs worldwide as an integral and essential part of sustainability.

Insurance Reports



• **Insurance is the world's largest industry with #3.4 trillion in yearly premium revenue & another trillion in investment income**

UNEP – concept of sustainability is embedded in the insurance business through the practice of risk management & underwriting. Uncovers opportunities of sustainable insurance

360 – urges the insurance industry to face up to the growing threat of climate change. In 2005, natural catastrophes killed 97,000 people & cost the industry \$83 billion - more than ever before.

Ceres – global warming & the growing incidence of extreme weather events pose an enormous challenge to the industry. While climate change poses potential threats, it also creates new business opps. Historically provided leadership to minimize risk from building fires & earthquakes, now time for creative loss-prevention solutions & products that reduce climate related losses.

In the Front Line: The Insurance Industry's Response to Climate Change – Sept 2007 – This report launched in conjunction with the UK insurance sector initiative, ClimateWise has 37 signatories – including global insurers – Swiss Re, Allianz, Lloyds of London, Co-operative Insurance, AXA, AIG, Munich Re, Royal & Sun Alliance, Zurich and Aviva. Six principles were developed to support the insurance industry deal with the growing climate change risk. It addresses the importance of our industry within the global economy, the risks faced by our industry and also the opportunities to combat climate change.

Insurance Industry Issues

“So far the industry has not taken changing catastrophe trends seriously enough. If we do not take action now to understand the risks and their impact, the changing climate could kill us. The insurance industry must now seize the opportunity to make a difference, not just to the future of our own industry, but to the future of society.”

Climate Change: Adapt or Bust – Lloyds 2006

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The insurance industry's clout is sizable

2nd largest asset based industry in the world

Directly affected by fires, floods, droughts, hurricanes, pollution, aids, cancers – related health issues

Directly impacted by changes in the environment, demographics & growing global consumer connection

Direct link to most homeowners & businesses

Has the ability to change behaviour, policies & communicate with clients

Direct effect through their investments & underwriting activities

Climate change risk awareness is high but lagging are reduction plans & risk assessments



Climate change includes a number of events including:

- Erosion of the Arctic ice – originally thought that the total melting might occur in 2070 – it has now been moved up to 2030 if the higher temperatures continue
- Hurricanes
- Tsunamis
- Raging fires
- Severe winter storms
- Floods

•**Example** – Katrina – cost of \$45 billion of insured losses

Possible Outcomes of Inaction:

- Increase flood risk / droughts
- Declining crop yields
- Storm severity & frequency
- Illnesses
- Lack of or limited coverage for identified markets

The Co-operators' Sustainability Journey

- Sustainability Steering Committee
- The Natural Step
- e-learning course
- focus groups
- research
- recommendations to senior management and board of directors



• In 2007, The Co-operators set out to develop a Sustainability policy, strategy and framework to manage our journey.

• Senior level representation across the group of companies & key departments – 15 in all

• TNS – engaged to adopt their approach & lead our journey to a high level strategy

• E-learning – customized course – close to 400 staff, Directors & Delegates registered

• Focus groups – 10 staff – 8 at AGM (included our Directors & Delegates of our member owners)

• Research – 3 Cdn insurance and 3 Canadian non-insurance companies & 5 international insurance – benchmarked our organization with these companies

• 10 Thought Leaders interviews internationally – what are the future CSR trends – where will the insurance industry be in 10 years – how could we best position ourselves – available to the public

• Embed Sustainability into the entire organization – have accountability with each person – individually and collectively it will be a success

The Co-operators' Mission

Financial security for Canadians and their communities



The concept of “security” includes the concept of sustainability. Our Mission remains the same, it is the way that we execute on it (described in Vision and Values) that needs enhancement.

The Co-operators' Vision

We will be

- the Canadian Champion
- where Canadians are, with the financial security products and services they need, when they need them, however they wish to buy them
- a member of, and contributor to, a strong co-operative community
- a catalyst for a sustainable society



“Catalyst” is a dynamic word that is more descriptive and may generate productive discussion with stakeholders.

The Co-operators' Values

We believe...

Former:

- that good business depends on responsible corporate citizenship

Revised:

- in balancing economic, environmental and social priorities as a responsible corporate citizen

The Co-operators' Values

New value:

- we are accountable for operating our business within a closed ecosystem



The additional statement emphasizes the systems view of sustainability (i.e. related to The Natural Step 4 principles) and reinforces the concept of “accountability.”

Sustainability Policy

“As an insurer, an employer, investor, community partner, and a co-operative, The Co-operators believes that it can and must play a leadership role in ensuring a sustainable future.”



Four Sustainability Strategies

1. climate change
2. operations
3. products and services
4. stakeholder engagement



1. Climate Strategy includes not only our own footprint assessment, reduction programs and offsets but also integrate our business risks. The strategy can include elements of the three other areas - products and services, operations and stakeholder engagement.

2. We will measure our own footprint – electricity, heating/cooling, transportation and paper use. Once we have our measurement, we will set targets to reduce our own footprint. We will be a sustainability leader/catalyst as an insurer, co-operative, employer, investor & community partner. We will develop a sustainability purchasing policy; work with our suppliers and vendors to engage and train them; train and engage our own staff and agents.

3. Develop a suite of sustainable products and services – to provide a suite of sustainable products & services to our clients – i.e. go beyond sustainable governance, community investment programs, recycle programs etc.

4. not only considering discounts (such as on hybrid cars) but also researching premium generating products (possibly a sustainability endorsement that if purchased would allow a client to rebuild with environmentally friendly supplies; develop educational material for our clients – similar to Insurance 101 but known as Sustainability 101; consider the availability & affordability of insurance – examples would be the Voluntary Non Profit Initiative known as Community Guard – The Co-operators aims to be the insurance provider of choice to the sector. Another example would be Takaful insurance. To educate, communicate and engage our staff, clients & member owners in our Sustainable practices

5. In collaboration with our member owners and the co-op sector raise the awareness of sustainability. Become a public advocate for sustainability. Ensure that our community investment programs are in alignment with our sustainability strategies.

Sustainability Framework

- board of directors Sustainability Committee
- Sustainability Steering Committee
- sustainability leadership within management
- staff and member owner engagement



- 1) – ad hoc committee
- 2) 3 year mandate – reps from all companies & key departments appointment by CMG
- 3) Director of Sustainability
- 4) What will make it happen is our staff and member owners – and they are engaged – emails, calls, focus groups – harness their energy

Sustainability—Next Steps..

- get our own house in order
- engage staff and agents
- create a communications plan
- develop sustainability initiatives to incorporate into 2008 plans



The four strategies - Climate Change, Operations, Products & Services and Stakeholders were approved by the Board in June and are now being introduced through the 2008 planning process.

We are preparing the Request for Proposal (RFP) to measure our own environmental footprint (includes electricity, heating and cooling, transportation and paper use). Once we know our footprint, we will develop plans to reduce and offset and establish metrics to track.

We have been engaging staff through spreading The Co-operators sustainability message to many groups throughout the organization from the Service Excellence Conference to management planning groups. In the fall, presentations will be made to all the Region Committee meetings and the six CAP groups. In addition to the presentation we run a workshop to get their feedback on our plans. We have turned down no request to share the sustainability journey and suggest ways for staff engagement. This also includes a number of staff taking The Natural Step e-learning course.

An external and internal communication plan has been created and over the next few months will be executed. We began by creating a Sustainability site on The Source (our intranet site) with comprehensive info for the staff. Also, a number of articles related to our plans and the environment in general have been issued on Today's News.

A number of environmental initiatives have been launched recently at our head office in Guelph, HB and CLIC. These include reduce, reuse and recycle programs. For example, at head office, the Caf no longer uses Styrofoam and other disposable material. Coffee mugs with the Sustainability logo were created and handed out to the staff groups in these locations. Duplex printing is becoming the norm.

Introducing Sustainability throughout the group of companies through the 2008 planning process.

Sustainability—Next Steps..

- explore opportunities and challenges
- develop targets and metrics
- produce The Co-operators' annual Sustainability Report



Introducing Sustainability throughout the group of companies through the 2008 planning process



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