



A Natural Step Case Study The Co-operators



MAINSTREAMING SUSTAINABILITY IN THE CANADIAN INSURANCE INDUSTRY

The Co-operators Group Limited insures more than 845,000 homes, 1.1 million vehicles and 600,000 lives, 132,000 businesses and 44,000 farms. It also covers 300,000 employees through group benefit plans and more than one million Canadians through travel insurance products. The Co-operators is the leading Canadian-owned multi-product insurance provider in Canada with assets totaling over \$7 billion.

Social sustainability has always been an integral part of The Co-operators success. Founded in 1945 as a co-operative (it remains incorporated under the Canada Cooperatives Act), The Co-operators is committed to organizing and operating its enterprises in accordance with cooperative principles. This philosophy permeates the company's governance structure and human resources management. Today, 4,481 people work with the organization plus agents and brokers.

The Co-operators is one of the largest insurance providers in Canada. Perceiving the tremendous opportunities associated with sustainability, The Co-operators invited The Natural Step to help guide the integration of sustainability into their business planning process and engage its staff and agents by committing to a bold vision as a catalyst for a sustainable society.

The Co-operators

Insurance is The Co-operators core business, representing 85% of its revenue. The companies within the organization are licensed to write all classes of insurance in all provinces and territories in Canada. Home, auto, commercial and farm insurance policies represent 74% of the insurance business, while life and health insurance products comprise the remaining 26%. Other business activities support the core business and include wealth management products, investment counseling services and insurance product brokerage.

The business risk of insurance resides in pricing the policies, managing investment funds and estimating policy liabilities. The Co-operators uses highly specialized management practices and policies in its underwriting, claims and investment activities to control its risk exposure. Prompted by the attention focused in the past 10 years by industry leaders on the risks associated with climate change and other potential results of unsustainable practices, The Co-operators began to examine its role as an insurance provider.

Our commitment to sustainability started when the organization was born, with the formation of a co-operative that provided financial security for Saskatchewan farmers. The journey will continue as long as the organization exists. We must continue to grow profitably so that we can fully embed sustainability into our business practices and meet the changing needs of our communities. We will remain committed to the needs of the environment, our staff and our communities, and preserve the financial strength of our organization.

KATHY BARDSWICK
PRESIDENT AND CEO
THE CO-OPERATORS

Social sustainability is something we're further ahead on; we embraced it a long time ago.

ALEXANDRA WILSON
FIRST VICE-CHAIR OF THE CO-OPERATORS BOARD OF DIRECTORS, MEMBER OF THE BOARD SUSTAINABILITY COMMITTEE

Extreme weather events linked to climate change are already on the balance sheet; the cumulative impact to the insurance and reinsurance industry of storms, hurricanes, flooding, fires, and drought will be dramatic. There will be exclusions of covers, red-zones and uninsurable activity resulting in market destabilization. Investments are at risk, including property investments, and business disruption and supply chain disorder is predicted... There will be many changing business patterns, particularly within the agricultural area as bio-diversity migrates to find its most comfortable microenvironment. There will be significant shifts in the way industry operates over the coming decade, with the accompanying social issues.

CORO STRANDBERG
STRANDBERG CONSULTING
FUTURE OF SUSTAINABLE INSURANCE:
THOUGHT LEADERS SURVEY STUDY, P. 15.

FOCUS ON SUSTAINABILITY

After hearing Dr. Karl-Henrik Robèrt, founder of The Natural Step (TNS), speak at the International Cooperative and Mutual Insurance Federation (ICMIF) Annual General Meeting in Singapore in 2005, and inspired by leading insurance providers in the UK and Australia, The Co-operators President and CEO, Kathy Bardswick, Senior VP Dennis Deters and others in senior management began to investigate what it would take to move their organization toward sustainability. In April 2006, The Co-operators invited Dr. Robèrt to deliver the keynote address at its annual general meeting in Montreal, Quebec. The Co-operators then invited Chad Park, Senior Sustainability Advisor for TNS Canada, to address The Co-operators Senior Management Forum in June 2006 and facilitate a session on integrating sustainability into The Co-operators strategic planning process. During the next year, The Co-operators vision of moving toward sustainability was explored under its existing strategic priority, Trust and Reputation. Once formally approved by the Board in June 2007, there was agreement that the organization had a tremendous opportunity in its sights.

If we remember what our “knitting” is, we know that we’re not specialists in the area of sustainability – to build a successful sustainability strategy we need to engage the specialists.

KATHY BARDSWICK
PRESIDENT AND CEO
THE CO-OPERATORS

EMPHASIS ON TRAINING AND ENGAGEMENT

In charting a new strategic direction for the organization, senior management felt strongly that staff should participate fully in the process. Two AGMs with a focus on sustainability helped communicate the importance of this new direction. In 2007, with a donation from The Co-operators, TNS Canada produced a one-hour, bilingual e-course, *Sustainability 101*, which teaches employees about the fundamentals of sustainability. The course was customized using examples from The Co-operators and the insurance industry. More than 500 staff and other stakeholders – 110 delegates and 22 Board members and member-owners – have since registered for the course.

The Co-operators also produced a video on sustainability for strategic planning featuring Dr. Robèrt and Bob Willard, author of *The Sustainability Advantage* and board member of TNS Canada; CEO Kathy Bardswick and her senior management team personally led in-depth staff focus groups on sustainability in ten locations across Canada and Barbara Turley McIntyre, Director of Sustainability at The Co-operators, delivered a series of internal presentations to staff and agents.

The Co-operators then asked The Natural Step to help it raise awareness about sustainability throughout the co-operative and credit union movements by speaking at events such as the Co-op CSR Forum in Winnipeg, Manitoba in June 2006, the Ontario Co-operative Association Forum in Burlington, Ontario in October 2006 and the Co-op CSR Forum in Guelph, Ontario in May 2007.



The Co-operators CEO Kathy Bardswick at the launch of a new recycling program at their head office

CHANGING THE CONSTITUTION

With staff engaged and gaining awareness of and competence in sustainability, one major recommendation emerging from the staff focus groups was to “get our own house in order.” Chad Park of TNS Canada and Coro Strandberg of Strandberg Consulting were engaged to develop its sustainability strategy, including creating a sustainability analysis of their business using The Natural Step Framework.

A new sustainability policy for the organization emerged together with updated statements of the company’s vision and values to reflect its commitment to sustainability. Consensus on these new “building blocks” for The Co-operators organizational culture was reached in April 2007 and the Board formally approved the new platform in June 2007.

Having the framework of The Natural Step principles and the planning process gave it the rigor we needed to come out with a policy and vision. We really had the opportunity to embed this within the organization.

BARBARA TURLEY-MCINTYRE
DIRECTOR OF SUSTAINABILITY
THE CO-OPERATORS

SUSTAINABILITY AT THE CO-OPERATORS

MISSION STATEMENT: FINANCIAL SECURITY FOR CANADIANS AND THEIR COMMUNITIES.

OUR 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.**

STATEMENT OF VALUES:

The Co-operators believes...

- ⊙ in holding the highest level of integrity as our standard of conduct.
- ⊙ that our success depends on meeting and anticipating our clients’ needs.
- ⊙ in enhancing the excellence of our products and services through innovation
- ⊙ in fostering open communication, teamwork and team spirit throughout the organization.
- ⊙ **in balancing economic, environmental, and social priorities as a responsible corporate citizen.**
- ⊙ in the co-operative principles, which complement our values.
- ⊙ **that we are accountable for operating our business within a closed ecosystem.**

*Bolded items were added in June 2007 to better reflect The Co-operators commitment to sustainability

SUSTAINABILITY POLICY

The Co-operators recognizes that our business, our communities, and the whole global economy exist within the closed system of the Earth, which provides unique and irreplaceable resources and support for all forms of life. We also recognize that the capacity of the Earth, to continue to provide these resources and supports, is threatened by growing demand and by the degradation of natural and social systems.

As an insurer, employer, investor, community partner and a co-operative, The Co-operators believes that we can and must lead the way in ensuring a sustainable future.

To us, sustainability is about balancing economic, environmental, and social priorities as a responsible corporate citizen.

We are committed to developing our business in a way that builds on our financial strength and seeks to both minimize any negative effects that our activities could have on the environment and society at large and, further, to perform a restorative function through innovation in business practices, products development, public engagement and partnerships with our stakeholders.

The nature of our activities is such that from a sustainability perspective the indirect impact of our products, services, and stakeholder relationships is more significant than the direct impact of our operations. However, we commit ourselves to a continual assessment of all we do and to the ongoing pursuit of alignment with these four sustainability principles:



Step by step, The Co-operators will strive to align our business operations, products and services and stakeholder relationships with these fundamental sustainability principles in ways that advance our long-term financial objectives.

ESTABLISHING A BASELINE

TNS Canada conducted a sustainability analysis of The Co-operators business, highlighting three areas:

1. Operations
2. Products and Services
3. Stakeholders

In each area, sustainability challenges, transition guidelines toward sustainability and opportunities for innovation were highlighted.

Criteria were then developed to identify significant sustainability aspects. In the Stakeholder area for example, the criteria used was: Which stakeholders have the greatest potential to move The Co-operators forward on its sustainability objectives? Through Strandberg Consulting, The Co-operators also benchmarked their current sustainability practices against industry best practices, and gained an understanding of the gap between its organization and the sustainability leaders in the insurance industry globally. Finally, strategic priorities were identified, based on The Natural Step's backcasting planning approach.

FURTHER IMPACTS FROM THE NATURAL STEP ENGAGEMENT

GOVERNANCE AND STAFFING

Based on one of the recommendations that emerged from the best practices benchmarking, The Co-operators created a Management Sustainability Steering Committee in 2007 to oversee the management and implementation of The Co-operators sustainability strategy. The Board also created a sustainability sub-committee to ensure that sustainable principles are given prominence in the governance of the organization.

In the last half of 2007, Barbara Turley-McIntyre was named the Director of Sustainability for The Co-operators and a team was created to guide progress toward sustainability within the organization.

STRATEGIC SUSTAINABILITY PRIORITIES FOR THE CO-OPERATORS

Overarching:

- ⊙ Implement a governance framework and management structure to implement the Sustainability Strategy.
- ⊙ Develop a climate change strategy, including a program to assess and reduce The Co-operators greenhouse gas emissions.

Operations:

- ⊙ Align purchasing and vendor relations with sustainability objectives.
- ⊙ Move toward zero waste by implementing programs that reduce waste and paper consumption.
- ⊙ Through the engagement of a diverse staff and agency force, advance the organization as a leader in sustainability.
- ⊙ Measure carbon footprint and set reduction targets.

Products and Services:

- ⊙ Incorporate sustainability into The Co-operators product offerings to encourage the sustainable behaviour of clients.
- ⊙ Build on current client education programs to engage clients on sustainability, focusing on The Co-operators strategic priorities, after internal progress has been achieved.
- ⊙ Better understand and address the issues of accessibility and affordability as they relate to the insurance industry.

Stakeholder Engagement:

- ⊙ Work with member-owners and the co-operative sector to raise sustainability awareness and collaborate on shared strategic goals (with the goal of increasing sustainability performance).
- ⊙ Collaborate and partner with communities, governments, NGOs and industry leaders to advance sustainability at The Co-operators, in the insurance industry and in society and become a public advocate for sustainability.
- ⊙ Enhance community investment programs to incorporate sustainability goals (i.e., social, environmental, economic) and align with business objectives and core competencies to maximize the greatest sustainability impact.

DOWN TO ACTION

Through the normal course of yearly board planning cycles, an action plan was created in October 2007 to begin the implementation of strategic sustainability priorities.

Major actions currently being implemented under the Strategic Sustainability Priorities include:

- ⊙ Baselining The Co-operators carbon footprint and establishing a greenhouse gas emissions management system, to be followed by actions to reduce carbon emissions and the development of a carbon offset strategy.
- ⊙ Developing an overarching climate change strategy and building on the internal greenhouse gas emissions efforts, including strategic approaches to address climate change through product development, stakeholder partnerships, public advocacy and procurement.
- ⊙ Developing a suite of sustainability products, such as the new wind-surance, a comprehensive package of insurance policies tailored to various stages of building a wind farm.
- ⊙ Addressing significant operational aspects, such as energy (heating, cooling and electricity), transportation, paper use, waste management (including electronic equipment).
- ⊙ Introducing a sustainable procurement policy.
- ⊙ Aligning The Co-operators philanthropic projects, such as the Community Economic Development Funds, the Co-operative Development Program and the Corporate Giving Program, with sustainability goals.

One insurance department, whose typical practice was to circulate its business reports on paper went digital, saving \$14,000 annually. Staff benefited directly from the cost savings, as the money is now available to the team.



The Co-operators and the City of Guelph have arranged for a 15% discount to The Co-operators employees who purchase monthly passes as a way to encourage employees to use public transportation

It took a year to birth this initiative, but we wanted whole company behind us. It has been well worth the time it took. Everyone is at the same point on the starting line, and we're really just beginning. That's huge.

BARBARA TURLEY-MCINTYRE
DIRECTOR OF SUSTAINABILITY
THE CO-OPERATORS

LAST WORDS

TNS Canada and Strandberg Consulting continues to coach and advise The Co-operators through its implementation phase. Networking with other organizations trained in The Natural Step Framework has also been valuable for The Co-operators.

CORPORATE-LED, GRASSROOTS-FUELED

People within the organization have commented that the sustainability process has allowed both the top levels and the grassroots of the organization to come together, creating a “perfect storm.” With CEO Kathy Bardswick fully backing the initiative and highlighting its successes in her external speeches, staff members at The Co-operators are confident that senior management is harnessing their energy and ideas. Many staff members have also made the link between sustainability actions they take at home and actions in the workplace, which has brought a new level of energy and connection to their jobs.

It is clear that staff members are fully engaged in the organization’s new direction. An internal baseline survey on sustainability distributed in February of 2008, for example, obtained a 48% response rate (2,600 respondents out of 5,400 who received the survey). The Co-operators continue to engage staff members using its intranet, by capturing and rewarding new ideas and forming ad hoc committees to look at specific sustainability issues.

This partnership [with The Natural Step and Strandberg Consulting] has increased our awareness of the specific sustainability challenges and opportunities that exist in the financial sector and our capacity to strategically face them.

DENNIS DETERS

SENIOR VP, MEMBER AND CORPORATE RELATIONS
AND PLANNING, THE CO-OPERATORS

I’m proud of this work. It’s more than a job, it’s a passion. We pushed this off the corporate floor, and it started to come back from the field... That’s success.

BARBARA TURLEY

DIRECTOR OF SUSTAINABILITY
THE CO-OPERATORS

NEXT STEPS

The Co-operators are working on their Sustainability Report for 2008 and exploring the Global Reporting Initiative (GRI)¹ guidelines for the next iteration. Now that The Co-operators has begun to get its “own house in order,” and to fulfill its vision of being a catalyst for change, it is moving towards ideas that would support Canadians to become more sustainable. As but one example, since their headquarters is based in Guelph, Ontario, The Co-operators is becoming involved at a municipal level, lending its support and involvement in efforts to move towards a vision of Guelph as a model sustainable community.

ADDITIONAL INFORMATION

www.cooperators.ca

Coro Strandberg, Future of Sustainable Insurance: Thought Leaders Study, Burnaby, BC. Strandberg Consulting, 2007. Full report is available on The Co-operators website

This case study was written and researched by Laura MacKay and edited by Sharon Boddy for The Natural Step Canada. Thank you to Barbara Turley-McIntyre and Alexandra Wilson for granting The Natural Step interviews. Creative Commons Copyright 2008. Some rights reserved.



¹ GRI is a worldwide, multi-stakeholder network. Business, civil society, labour, investors, accountants and others all collaborate through consensus-seeking approaches to create and continuously improve its Sustainability Reporting Framework. www.globalreporting.org/Home.