

definity.

A woman with long blonde hair, wearing a brown polka-dot shirt and blue jeans, is smiling and looking down at a young child. The child, wearing a white jacket, is also smiling and holding a red and yellow tool. They are standing in a grassy field with a house in the background. A blue banner is overlaid at the bottom of the image.

2021 Environmental,
Social, and Governance
(ESG) Report

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CAUTIONARY STATEMENTS ABOUT FORWARD-LOOKING INFORMATION

This report contains “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future business, our ESG outlook, and anticipated events or results, and may include information regarding our business strategies, addressable markets, operations, workforce, governance, climate-related risks and opportunities, investments, plans and objectives. Particularly, information regarding our expectations of future ESG results, performance, achievements, prospects or opportunities, and the communities and markets in which we operate, is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “goals”, “commitments”, “promises”, “expects”, “estimates”, “strategy”, “intends”, “anticipates”, “believes”, or variations of such words, and phrases or statements that certain actions, events or results “may”, “could”, “would”, or “will”. In addition, any statements that refer to expectations, intentions, plans, projections or other characterizations of future events, achievements or circumstances contain forward-looking information; these include, among other things, statements concerning our emissions and diversity. Statements containing forward-looking information are not historical facts or promises of future performance but instead represent management’s expectations, estimates and projections regarding possible future events or

circumstances. Certain statements made in this report use a greater number and level of assumptions and estimates, and are over longer time frames, than many of our required disclosures under applicable corporate and securities laws. These assumptions and estimates are highly likely to change over time.

Despite our careful preparation and review of the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions which are the basis of such information will prove to be correct. Forward-looking information is based on opinions, estimates and assumptions that we considered appropriate and reasonable as at the date such statements are made, and is subject to many factors that could cause our actual results, performance or achievements, or other future events or developments, to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors: climate change dynamics; the availability of comprehensive and high-quality GHG emissions data; economic and investment market conditions; the need for active and ongoing engagement with stakeholders, including businesses and governmental and non-governmental organizations; the development and deployment of new technologies and industry-specific solutions; evolutions in customer, community and other stakeholders’ expectations; labour

market demographics and competition; our ability to recruit, retain and develop employees; legislative and regulatory developments; our ability to successfully implement various initiatives within expected time frames; and the other factors set out on page 22 of Definity’s [2021 Annual Report](#).

These factors are not intended to represent a complete list and there may be other factors that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such forward-looking information will prove to be accurate; actual results and events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as at the date made and is subject to change after such date; we disclaim any intention, obligation or undertaking to update or revise any forward-looking information, except as required under applicable securities laws in Canada.

The forward-looking information in this report is expressly qualified by the foregoing cautionary statements.

ABOUT DEFINITY

We're in it for good

Formed in 2021 through the demutualization of Economical Mutual Insurance Company, Definity Financial Corporation is the parent company to some of Canada's most long-standing and innovative multi-channel property and casualty insurance brands and distributors, including Economical Insurance, Sonnet Insurance, Family Insurance Solutions, and Petline Insurance. Definity's initial public offering (IPO) on the Toronto Stock Exchange (TSX) and concurrent private placements were completed in November 2021 for proceeds of more than \$2.3 billion, making it the largest IPO on the TSX in 2021, and one of the largest in Canadian history.

Definity has deep roots, dating back to 1871, when Economical Mutual Fire Insurance Company of Berlin issued its first policy. Today, Definity continues the tradition of "neighbours helping neighbours" by investing in multi-channel operations to provide Canadians with insurance options for their homes, vehicles, farms, pets, and businesses, whether that's through a licensed broker or through our direct channels.

Definity is focused on delivering a reliable customer and broker experience, developing scalable digital platforms, practising disciplined underwriting, and building a dynamic and inclusive high-performing organizational culture. With a well-diversified business and financial flexibility to support value creation, we are well placed to deliver growth and profitability while responding to the needs of our various stakeholders.

[Read more about our history.](#)

OUR PURPOSE

Building a better world by helping our clients and communities adapt and thrive

OUR AMBITION

To be one of Canada's leading and most innovative P&C insurers

OUR BRAND PROMISE

Making insurance better



OFFICES



2021 FINANCIAL HIGHLIGHTS

(in millions of Canadian dollars, except as otherwise noted)

\$3,123.4M

Gross written premiums

11.5%

Operating return on equity¹

93.1%

Combined ratio¹

¹This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. For more information about these supplementary financial measures, non-GAAP financial measures, and non-GAAP ratios, refer to Section 12 – "Supplementary financial measures and non-GAAP financial measures and ratios" in the MD&A of Definity's 2021 Annual Report.

ABOUT THIS REPORT

This report details Definity Financial Corporation's environmental, social, and governance (ESG) performance and activities for the 2021 fiscal year (January 1, 2021 to December 31, 2021). All figures reported are as of December 31, 2021 unless otherwise noted. Periodic data is for January 1 through December 31, 2021 unless otherwise noted. All currency is stated in Canadian dollars.

Comprehensive ESG disclosure enables engagement concerning issues that are relevant to our business and to our stakeholders. We use common ESG reporting frameworks and standards to help inform and report on material ESG topics, and we support efforts that will further enable consistent and comparable disclosures across the capital markets and beyond.

We are supporters or members of the following:



Other related publications:



[2021 Annual Report](#)



[2021 Public
Accountability Statement](#)



[2021 Task Force on
Climate-related Financial
Disclosures \(TCFD\) report](#)



[Sustainability on
definityfinancial.com](#)

A MESSAGE FROM OUR CEO

To our stakeholders,

Welcome to Definity Financial Corporation's inaugural report on our ESG activities. 2021 was a momentous year for our organization, as we celebrated 150 years of Economical Mutual Insurance Company and successfully completed an initial public offering with our debut on the Toronto Stock Exchange, including \$100 million in demutualization benefits allocated to fund the Definity Insurance Foundation. Definity Financial Corporation is now the parent company to Definity Insurance Company, Sonnet Insurance Company, Family Insurance Solutions Inc., and Petline Insurance Company, and we embark on this next chapter with wind in our sails and a renewed commitment to creating long-term value for our stakeholders. Further, we have demonstrated our capacity to navigate significant change while delivering strong business results that support our growth ambitions.

The progress detailed throughout this report is built upon the foundation of our 150-year legacy as neighbours helping neighbours, and we have now strengthened our commitment through a stronger and more comprehensive ESG strategy. In addition, the demutualization of Economical Mutual Insurance Company in 2021 led to the founding of the Definity Insurance Foundation – an independent charitable foundation seeded with \$100 million from the proceeds of our demutualization. We have a long-standing commitment to serving the communities where we live and work and are confident the Foundation will build on this legacy.

As we build on our long-standing efforts to create positive impacts for our communities and environment, we also recognize that we are operating in an age of increasingly complex and interconnected challenges. The COVID-19 pandemic continues to affect our lives, work environments, and the global economy. It has exposed many inequities through its disproportionate impacts on various members of our communities, and issues like racial and gender equity and mental health and well-being have rightly come into much sharper focus. The climate crisis becomes more apparent and urgent with each catastrophic weather event and call from the international community for accelerated action.

These issues require sustained effort from the corporate sector and all parts of our society to show genuine and lasting progress. We will continue to focus on attracting and developing a diverse pool of talent throughout the organization and to uphold a culture of inclusion, diversity, equity, and accessibility — one where all Definity employees feel safe to be the fullest version of themselves. As a property and casualty insurer, we deeply understand the devastating effects of climate change and the leading role the business community must play in response to it. We're proud of the steps Definity has taken in

these regards, and it's our privilege to share the details and results of these activities with you here.

Our purpose is building a better world by helping our clients and communities adapt and thrive. This statement is a reminder of our responsibility to be a positive force for our policyholders, brokers, shareholders, and communities, as well as the planet that we inhabit. Our employees are the beating heart of Definity, and we cannot thank them enough for their dedication to bringing this purpose to life each and every day. In many ways, the good works you see highlighted in this report represent the tip of the iceberg when it comes to their commitment to fulfilling our purpose, our ambition, and our promise of making insurance better.

On behalf of all of our team members, we thank you sincerely for your interest in our organization.



ROWAN SAUNDERS
PRESIDENT AND CEO



2021 HIGHLIGHTS



\$2.3+ billion

raised through IPO and concurrent private placements



\$100 million

in demutualization benefits allocated to fund the Definity Insurance Foundation, a new registered charity in Canada



Nearly \$1 million

invested in local communities



49%

manager and director-level roles were held by women



28%

of employee survey respondents self-identified as BIPOC (Black, Indigenous, People of Colour)



10%

of employee survey respondents self-identified as members of the LGBTQ+ community



17%

reduction in Scope 1 and 2 greenhouse gas emissions from 2020 levels and 31% reduction since pre-pandemic 2019 levels



\$1.6 million

invested in energy-efficient office retrofits in 2021 and \$4.6M since 2019



83%

of employee survey respondents indicated a belief that our company is committed to social and environmental responsibility

ESG GOVERNANCE AND MANAGEMENT

The proactive management of material ESG issues is an important element of our corporate strategy and creating long-term value for our stakeholders.

Given that a variety of ESG topics can materially impact Definity's business operations, the associated risks and opportunities are overseen by the Board of Directors, both directly and through Board committees engaged in detail on particular aspects of the ESG agenda.

Our Executive Leadership Team (ELT) seeks to ensure that the appropriate ESG factors and initiatives are embedded into Definity's corporate strategy, and that key risks and opportunities are managed effectively. The ELT is supported by a cross-functional executive-level ESG Steering Committee, chaired by the Senior Vice-President, Legal and Strategy, which oversees the company's ESG strategies and execution.

A dedicated ESG function within our Corporate Strategy group provides day-to-day oversight, thought leadership support, and execution coordination to our business lines and corporate functions. A number of cross-functional groups support the day-to-day development and execution of ESG-related priorities, including but not limited to the following:

- **ESG Working Group:** Chaired by the head of our ESG function, to continually develop, implement, and measure ESG priorities across the enterprise
- **Climate Change Working Group:** Chaired by the heads of our Enterprise Risk and ESG functions, to facilitate progress toward objectives of the enterprise climate change strategy
- **Inclusion, Diversity, Equity, and Accessibility Advisory Committee (IDEAAC):** Chaired by our Senior Vice-President and Chief Human Resources Officer and includes chairs of Employee Groups (EGs), to continually enhance our culture of inclusion and belonging



ESG MATERIALITY & STRATEGY

In early 2021, we initiated a biennial materiality assessment to confirm the ESG issues that we believed would be most material to our business. We engaged our employees, suppliers, brokers, senior management, Board of Directors, and potential investors through direct consultation and surveys. We also utilized a third-party data service to assess the frequency and importance of material topic mentions in media, social media, peer reporting, regulation, voluntary standards, and frameworks for our sector.

The key output of this assessment is the identification of ESG issues deemed most material to our business:



Customer privacy and data security



Business ethics



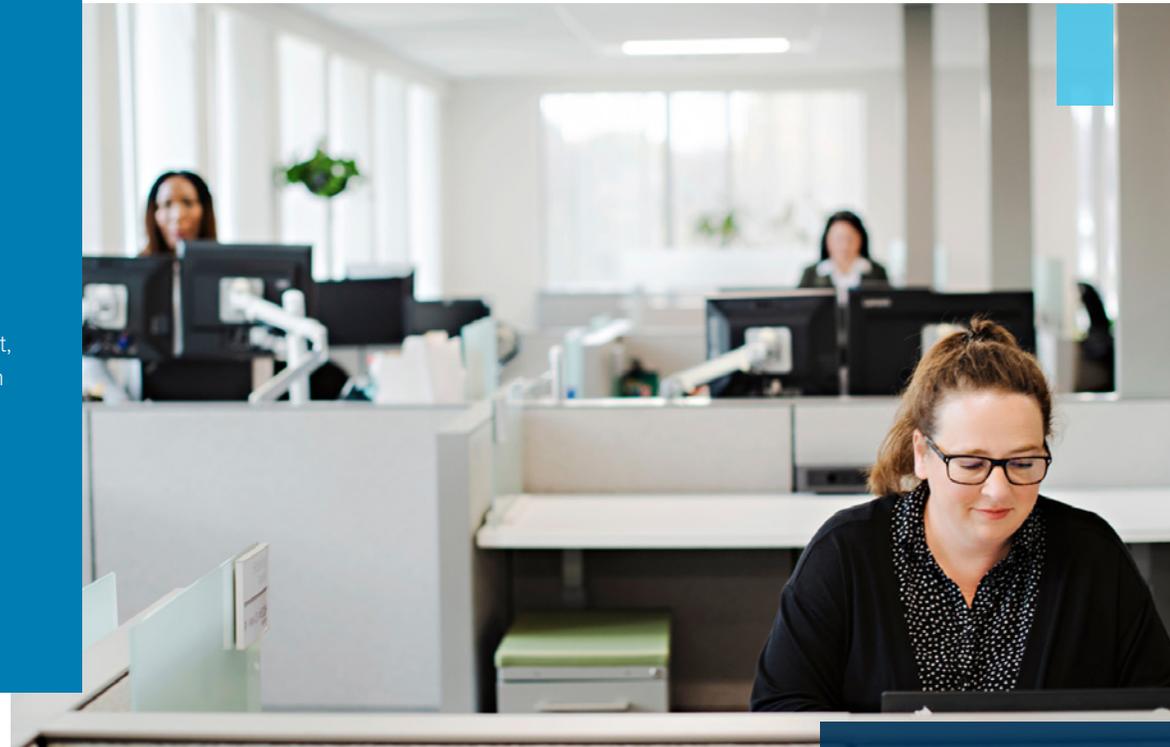
Employee engagement, diversity, and inclusion



Climate change risks and opportunities

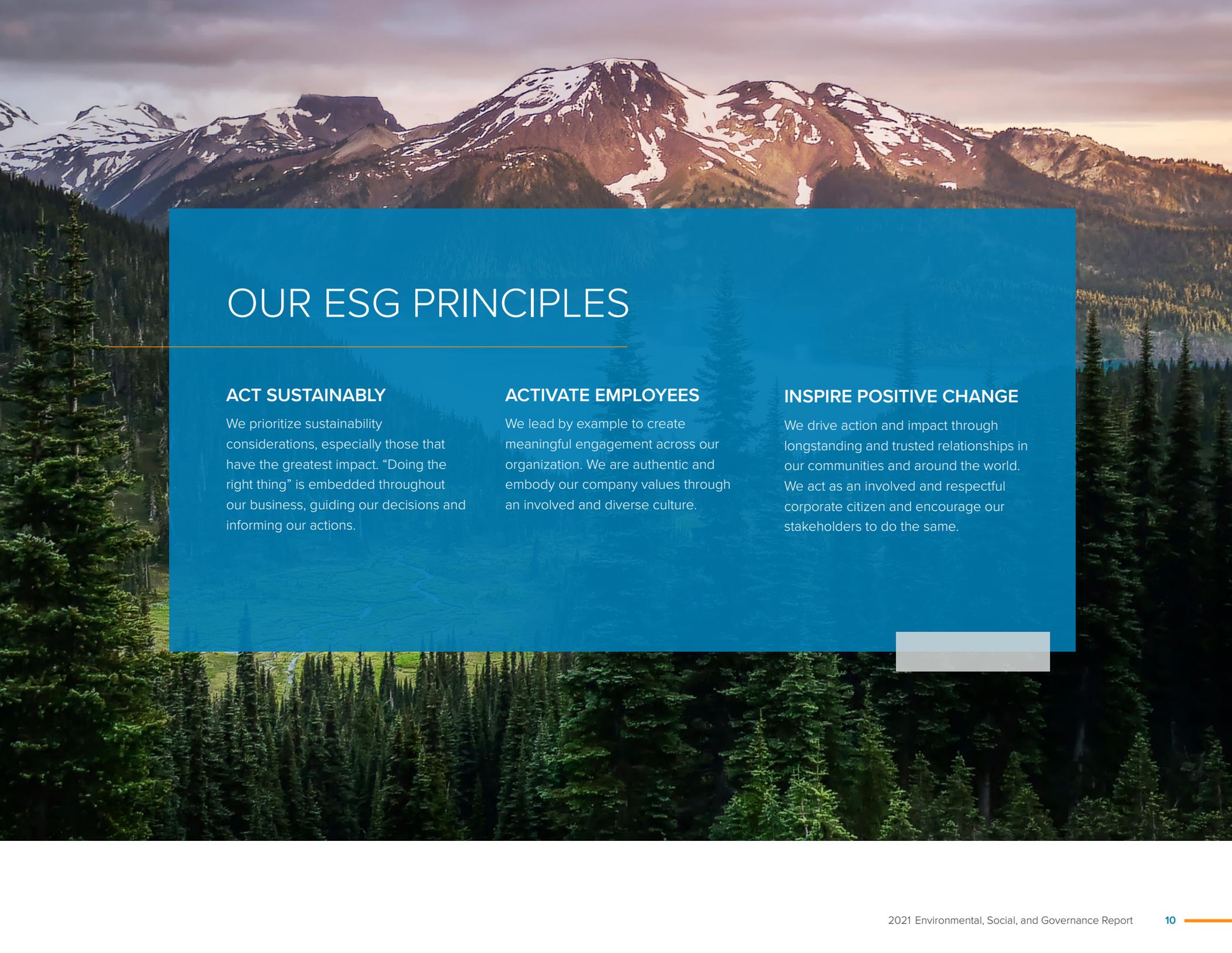


Customer practices



The past two years have demonstrated the dynamic nature of our operating environment, thrusting issues like health and safety, employee well-being, socio-economic disparities, racial equity, and climate change further up our corporate agenda. We plan to update this materiality assessment every other year in the absence of significant or disruptive events, but also approach materiality as a dynamic concept, regularly monitoring ESG issues to assess their impact on our business and operations and refining our strategy accordingly.

Definity's approach to environmental, social, and governance matters begins with our purpose of **building a better world by helping our clients and communities adapt and thrive**. The following principles and pillars outline our view that we will succeed by first engaging our people through our operations and business interactions where we can have a more direct influence. On that foundation we aim to create a broader positive impact for our stakeholders, communities, and future generations.



OUR ESG PRINCIPLES

ACT SUSTAINABLY

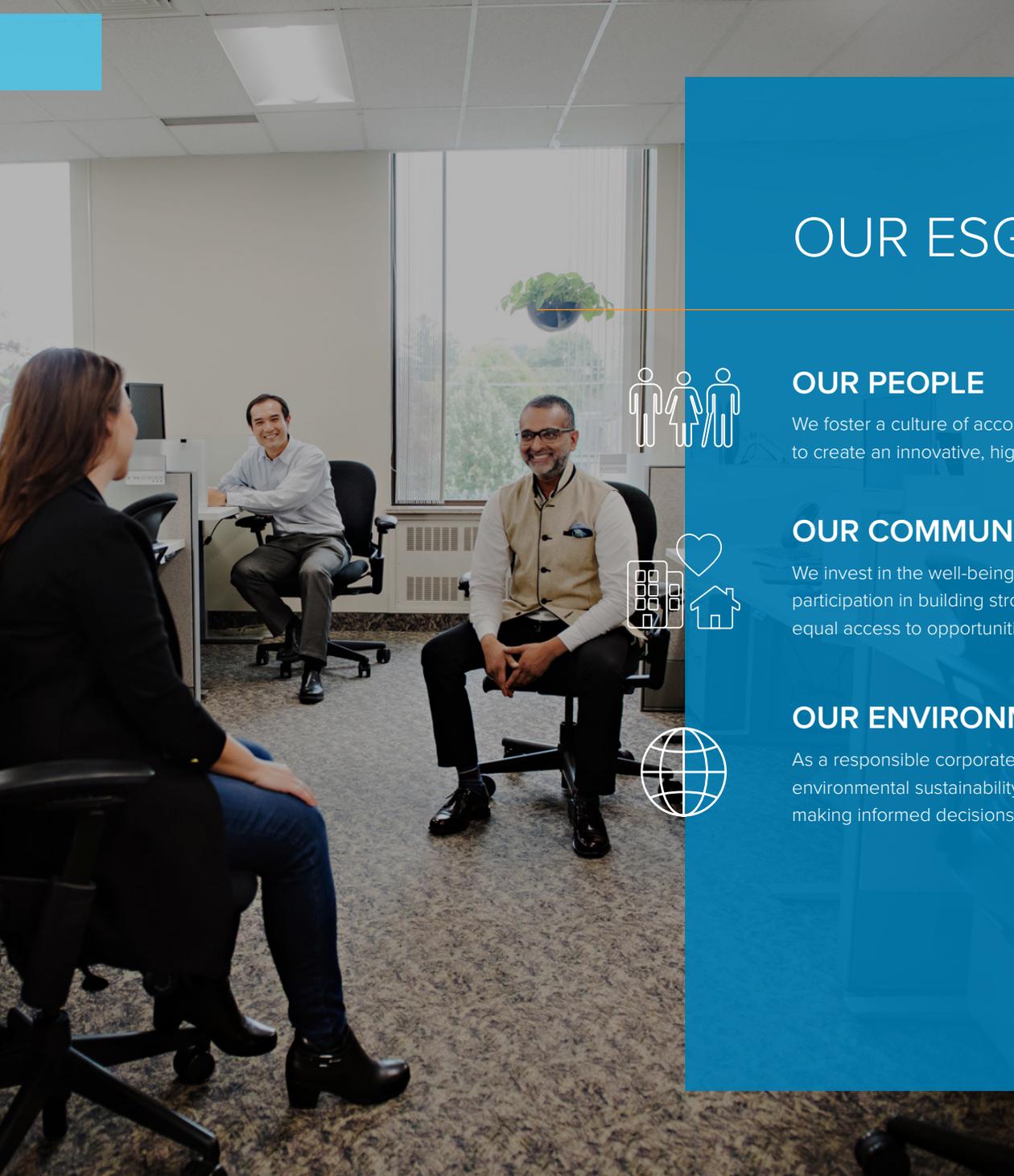
We prioritize sustainability considerations, especially those that have the greatest impact. “Doing the right thing” is embedded throughout our business, guiding our decisions and informing our actions.

ACTIVATE EMPLOYEES

We lead by example to create meaningful engagement across our organization. We are authentic and embody our company values through an involved and diverse culture.

INSPIRE POSITIVE CHANGE

We drive action and impact through longstanding and trusted relationships in our communities and around the world. We act as an involved and respectful corporate citizen and encourage our stakeholders to do the same.



OUR ESG PILLARS

OUR PEOPLE

We foster a culture of accountability, empowerment, and collaboration. Our commitment is to create an innovative, high-performing, and inclusive workplace.



OUR COMMUNITIES

We invest in the well-being of our communities to create measurable social impact. Our participation in building strong communities within and outside of our company supports equal access to opportunities and development.



OUR ENVIRONMENT

As a responsible corporate citizen within the insurance industry, we embrace environmental sustainability. We take an active role in managing environmental risks and making informed decisions to protect our environment.



OUR PEOPLE



Our commitment is to offer an innovative, high-performing, and inclusive work environment that fosters a culture of accountability, empowerment, and collaboration.

2021 HIGHLIGHTS



TOP EMPLOYER RECOGNITION

The Definity family was once again recognized externally as a leading employer in 2021:

WOMEN IN INSURANCE EMPLOYER OF CHOICE

Economical Insurance
Insurance Business 2021

BEST PLACES TO WORK

Economical Insurance
Canadian HR Reporter 2021

50 MOST ENGAGED WORKPLACES

Economical Insurance
Insurance Achievers 2021

BC TOP EMPLOYER

Family Insurance Solutions
Canada's Top 100 2021

80%

employee engagement score in 2021

49%

of mid-management positions (manager & director) were held by women

28%

of employee survey respondents self-identified as BIPOC

10%

of employee survey respondents self-identified as members of the LGBTQ+ community

89%

of employee survey respondents feel that we have a work environment that is accepting of diverse backgrounds and ways of thinking

89%

of employee survey respondents feel accepted and included for who they are at work

17–73 years

was the age range of our employees

CELEBRATING 150 YEARS OF ECONOMICAL INSURANCE

Economical Insurance marked its 150th anniversary in 2021, and we took the opportunity to engage employees in honouring this historic event throughout the year by:

- Sharing historical moments in our internal e-newsletter The Weekly, such as our foundation in fire insurance and our auto insurance road sign program
- Holding a “What’s in the Archives?” webinar exploring various items and stories from the company’s rich history
- Giving employees a chance to contribute to a time capsule to be opened 25 years from 2021
- Gifting employees and brokers with a commissioned art piece (pictured) by University of Waterloo Fine Arts student Baz Kanold that is intended to capture Economical’s deep roots and the spirit of community and diversity



ENABLING A CULTURE OF HIGH PERFORMANCE AND ENGAGEMENT

A dynamic and healthy culture helps us to deliver on our business strategy, strengthen our brand, and encourage employees to bring their best every day. We invest in our people, who represent our greatest asset, to provide our brokers and customers with knowledgeable and dependable service. At Definity, the contributions, creativity, and energy that employees bring are sought-after and rewarded.

We prioritize a respectful, safe, and inclusive workplace that's driven by our values:

WE ARE
ALL
OWNERS

WE INSPIRE
CUSTOMER
CONFIDENCE

WE WORK
TOGETHER TO
WIN TOGETHER

Employee Appreciation Week (EAW) is an annual, five-day recognition event to thank our employees for the incredible work they do and collectively celebrate our accomplishments. EAW features virtual enterprise-wide activities that all employees may participate in, while allowing time for teams to schedule their own departmental activities. Enterprise-wide activities typically include an all-employee event, an evening family-friendly event, and contests throughout the week. People managers are provided with an EAW Leader Guide that includes a handy checklist to walk them through how to prepare for and observe EAW by recognizing their team members, and how to build a culture of ongoing recognition throughout the year.

Definity Days were introduced for 2022 to consolidate and make permanent the three Personal Needs Days and two temporary COVID Personal Needs Days that were provided in 2020 and 2021. Full time employees now have five Definity Days each year to use as they wish, whether to focus on their mental, physical, or social well-being, or observe cultural celebrations which may not be associated with a statutory holiday. This change was made in response to feedback from our Employee Pulse Surveys.

The **Definity Share Ownership Plan** was launched in 2021 in conjunction with our IPO to help employees purchase shares of Definity. This program is administered by a third-party who buys the shares from the open market for the benefit of participating employees, with contributions coming from employee payroll deductions supplemented by matching contributions from Definity up to a maximum of \$1,500 annually per participant. One of our values is that “we are all owners,” and with an initial company-sponsored contribution, most of our employees became owners of shares in the company. All regular status employees are eligible to participate in the Definity Share Ownership Plan, and a welcome contribution is provided to new hires. As of the end of February 2022, nearly 60% of eligible employees are making regular payroll contributions through this program.

RECOGNIZING AND REWARDING PERFORMANCE

Recognizing employees for great work and for reaching milestones is part of our culture of high performance and belonging at Definity. Employees and leaders use the Appreciate+ platform, where they can provide real-time recognition and rewards for work accomplishments that reflect our three values, as well as to celebrate special occasions like birthdays and service anniversaries.

Definity's **executive compensation** program focuses executives on the successful execution of our business strategy, in alignment with our risk appetite and company values. Definity recognizes the relevance and importance of ESG factors in the company's purpose, culture, strategy, and overall performance. Accordingly, various prioritized ESG metrics are part of the individual objectives for executives and many other employees across the company, including enterprise employee engagement, inclusion, and diversity objectives.

2021 HIGHLIGHTS

34,876
recognitions received

\$118,050
rewards granted

EMPOWERING OUR EMPLOYEES THROUGH LEARNING AND DEVELOPMENT

Continuous learning opportunities provide employees with the skills needed to succeed in their jobs, deliver on business strategy, meet the needs of our brokers and customers, and grow into future roles to build a fulfilling career with Definity.

Employee learning opportunities include:

- On-site or virtual instructor-led technical training
- Cloud-based learning management system providing self-directed, microlearning resources available 24/7 on targeted topics
- Financial rewards to employees who complete professional certifications
- Tuition reimbursement
- Harvard Manage Mentor & Harvard Business Review content
- ‘Learn at Work Month’ to inspire employees to explore practical skills and knowledge
- Learning paths that support mastery in current jobs, promotions, or transfers to new or different roles
- Development and onboarding programs to support culture, peer learning, on-the-job learning, and leadership development
- Career Talks — a live panel discussion on career development and building insurance industry knowledge
- Leadership Development Program
- Paid professional memberships

EMPLOYEES’ PROFESSIONAL FEES AND EXTERNAL COURSES PAID FOR BY DEFINITY IN 2021:

Total number of memberships	1210
Total cost of memberships	\$197,648
Number of employees to take a course	491
Total number of external courses	587
Total cost of external courses	\$611,318

2021 HIGHLIGHTS

61%

of employees accessed voluntary learning offerings

246

new team leaders participated in Leadership Essentials training to be oriented to our approaches for performance management, rewards and recognition, and inclusion

50

leaders participated in the High-Performing Leader program, building skills around communication, giving and receiving feedback, emotional intelligence, and leading through change

5.3 hours

estimated time spent per employee on training and development in the Definity Learning system



EMBRACING THE FUTURE OF WORK

Influenced by our experiences working remotely during the pandemic, we are moving to a flexible and hybrid approach to how and where we work so we can deeply collaborate, build informal mentoring relationships, and solve complex or cross-functional problems together. It also allows our teams to work in the environment that best supports what they're working on, and who they're working with.

In our new work environment, we need to be flexible and understand there is not one right answer for all teams. Flexibility is paramount, and leaders have been asked to find the right balance of on-site and remote work that best meets the needs of their team, the company, and our brokers and customers.



KEY ELEMENTS TO OUR REINTEGRATION APPROACH:



COVID-19 protocols including physical distancing, sanitization, health screening, and vaccine mandate for on-site working



Newly designed workspaces and meeting room booking software



Phased approach to office reintegration, including employee surveys, leader Q&As, and orientation sessions



Enhancements and standardization of technology to better enable in-office and remote collaboration

PROMOTING MENTAL HEALTH AND WELLNESS

The mental, physical, social, and financial health of our employees is critical, and this came to the forefront during the ongoing pandemic and remote work. Remote working can provide a variety of benefits, including enhanced flexibility to attend to personal and family needs and eliminating commute times and expenses. However it can also present significant challenges, such as loneliness and lack of connection, increased childcare or eldercare burdens during lockdowns, and blurring lines between work and personal time. Definity is consistently focused on supporting our employees' well-being, and this was particularly important in 2021 as the pandemic continued through its second year.

Some of the offerings provided to keep employees safe and well in 2021 were employee surveys about remote working and hybrid work, overviews of Definity's COVID-19 protocols and approach to employee and visitor vaccinations, Q&A sessions with a physician about COVID-19 and vaccinations, and Q&A sessions with Definity's Chief Human Resource Officer about hybrid working and office reintegration.

1753 participants



in webinars on mental health and well-being involving, among others, Hal Johnson and Joanne McLeod, LifeWorks, and GoodLife Fitness, and including a summer wellness series and a full virtual wellness day in the fall

1.5 million minutes



of wellness activities were logged by **1,831 employees** during the Spring Wellness Campaign

8 webinars

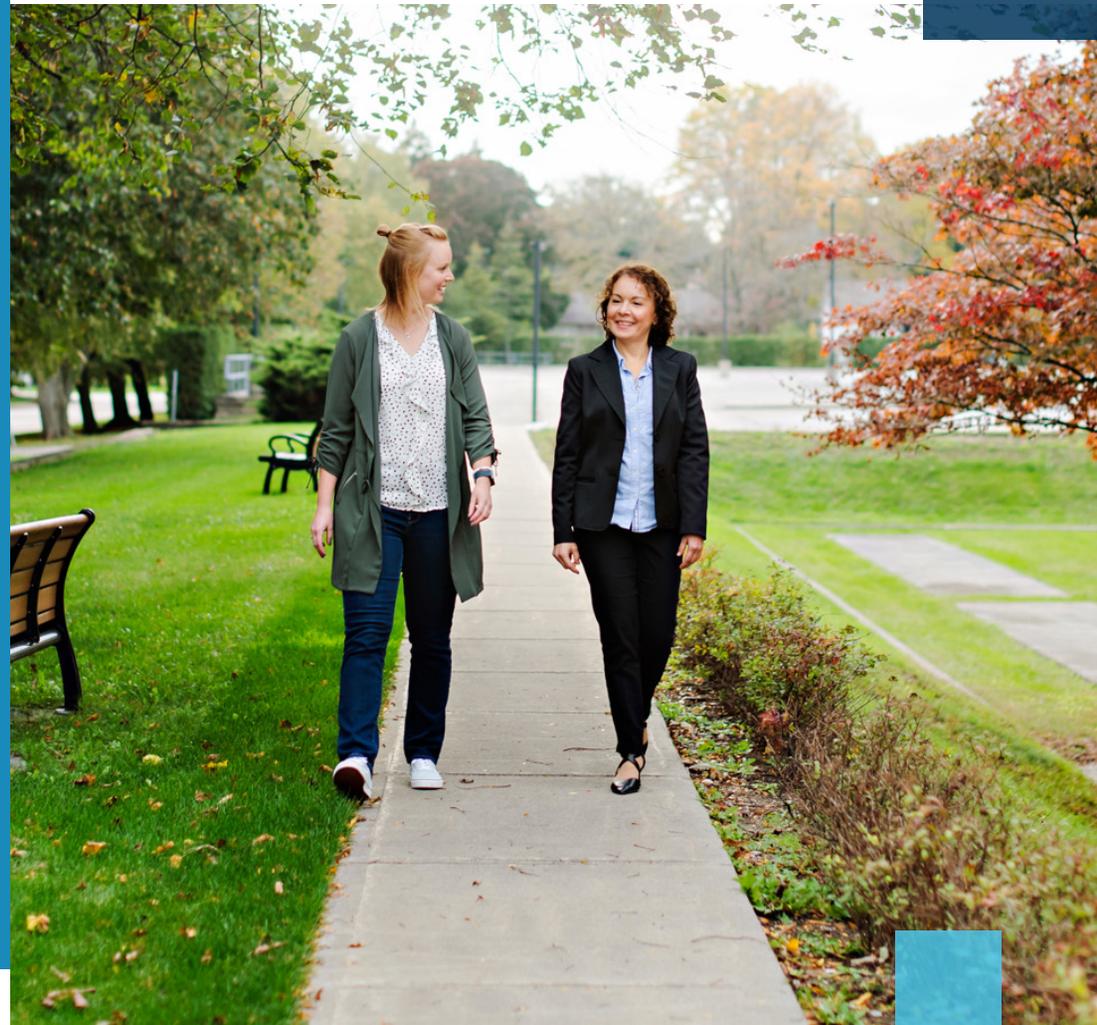


on financial literacy through Sun Life Financial

2,161 employees



participated in the Fall Wellness Challenge, with **97%** earning monetary credits for their Personal Wellness Accounts by tracking activities



PROVIDING SUPPORT AND TOOLS

Throughout 2021, we continued to invest significantly in supports that enabled our employees' to navigate the realities of the pandemic, such as:



Paid time off up to three hours for employees to receive their COVID-19 vaccinations or take their children for vaccinations



Leadership development training to help our people leaders lead their teams both virtually and effectively



Employee Office Equipment Expense Program with \$250 for each employee to spend on ergonomic keyboards, sit/stand desks, office chairs, or other equipment



Webinars for employees with certified ergonomists to better understand how to arrange their virtual and physical work areas



Increasing the number of paid personal days from three to five in recognition of our employees' work and to support their need to regenerate



Providing support for parents through a partnership with Kids & Company, including:

- A guaranteed childcare spot within six months of registration
- Access to Family Resource Centre with learning activities and webinars
- Backup childcare benefit for up to two days
- Eldercare options for in-home personal care and lifestyle support

PREPARING FOR LIFE AS A PUBLIC COMPANY

2021 also marked our transition from a 150-year-old mutual company to a publicly held company listed on the Toronto Stock Exchange. Definity's IPO occurred on November 23, 2021, following the successful demutualization of Economical Mutual Insurance Company, and could not have been achieved without the incredible efforts of our employees.

Regular communication was crucial to our public company readiness efforts, and included regular updates from the Chair of the Board of Directors about the demutualization process, tips for how to speak to family and friends, and advisories about conduct leading up to and following the IPO. Further, we engaged 3,040 employees across the company through more than 150 training and readiness sessions that included:

- **“CultureU,”** a required and interactive program to deepen shared understanding of and engage employees in the power of our Values and Behaviours, was delivered by leaders across Definity to 3,000 employees including 500 leaders at all levels of the organization and is now a component of onboarding new employees
- In 2021, Definity delivered a learning series to help all employees understand various aspects of **“Life as a Public Company”** which included information on shareholders as a new stakeholder group, securities and trading policies, disclosure policies, reputational issues, and ESG
- Townhalls to understand and celebrate our IPO



Last year was a true milestone year for our company. Becoming a publicly listed company gives us the opportunity to access capital to grow our business and realize our goals. At the same time, we will continue our 150-year heritage of neighbours helping neighbours in our future activities.

HUGO SIN

VP, STRATEGIC INITIATIVES



'Building a better world by helping our clients and communities adapt and thrive' is more than just talk. It's our shared purpose at Definity to make a meaningful difference to those we serve.

MARC VIOLA

VP, ORGANIZATIONAL DEVELOPMENT & TALENT

ATTRACTING TALENTED EMPLOYEES

During a period of high competition for talent in the labour market, it is vital that we harness the culture and employee experience at Definity as a significant attraction tool for prospective employees. Throughout the pandemic we have experienced significant hiring needs to support our business growth. As a result, we have identified key actions to ensure that the Talent Acquisition function is well-positioned to support the hiring needs of the business now and in the future.

We have added front-line recruiting resources to support the full cycle of our recruiting efforts, and created a "high-volume hiring pod" to proactively fill high volume roles (e.g. contact centres). Specialized roles have also been added to support campus recruitment, our employer brand, and recruitment operations. We have accessed new and more diverse pools of talent through partnerships with the Black Business and Professional Association, Indigenous Professionals Association of Canada, Equitek Employment Equity Solutions, Ontario Women's Law Association, Pride at Work, and Magnet. Definity also uses a gender decoding tool to utilize language in job postings that is neutral, balanced, and inclusive.

Early-career talent is a key focus for Definity, and we have established campus relationships with twelve post-secondary institutions across Canada to support our hiring. Partnerships with the University of Waterloo and Wilfrid Laurier University are strategic given their proximity to our headquarters. These and other partnerships provided exposure to over 800 students through our participation in campus events during 2021, and Definity has significantly increased its co-op hiring, now targeted at approximately 30 per term. These team members are offered a customized onboarding experience and career and skills-building workshops to support their development. This approach also extends to summer students, of which Definity is welcoming 39 students for Summer 2022. A new graduate rotational program is currently under development to further support our early-career professionals.

METRIC	2021	2020	2019
Average employee tenure (years)	6.8	7.6	7.4
Retention of key talent²	92.9%	97.7%	94.9%

²Employees rated 4 or 5 out of 5 on their performance reviews.

BUILDING A CULTURE OF INCLUSION, DIVERSITY, EQUITY, AND ACCESSIBILITY

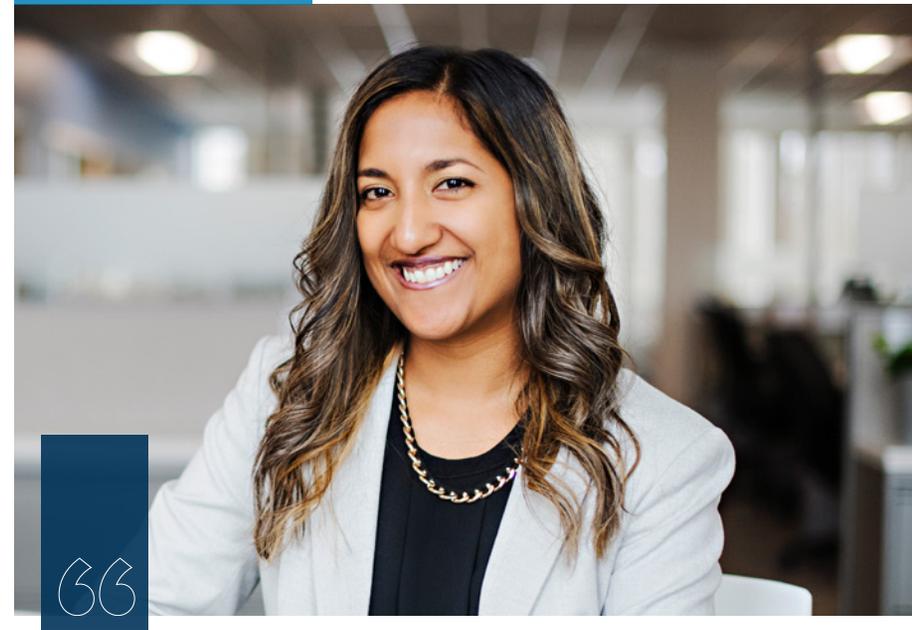
Definity is focused on building a dynamic, high-performance culture where everyone feels a sense of belonging. We know that diversity makes us stronger, so we aim to attract and nurture the best and brightest from a wide variety of backgrounds and lived experiences. IDEA — inclusion, diversity, equity, and accessibility — is everyone’s job at Definity.

IDEA ENABLEMENT AND GOVERNANCE

Definity’s commitment to IDEA is demonstrated by the ongoing involvement of its senior executives. Rowan Saunders, our President and CEO, is our executive sponsor for inclusion, diversity, equity, and accessibility. He is also a mentor to the Chair of our Inclusion, Diversity, Equity, and Accessibility Advisory Committee (IDEAAC).

The 16 members of IDEAAC reflect diversity across positional levels, business units, regions, and backgrounds. Several of our senior executives are sponsors and ongoing participants in IDEAAC. All other members of our ELT are mentors to the Chairs of our Employee Groups, while our Employee Group Chairs serve as reverse mentors to our ELT on IDEA-related matters.

Our 2021 Leadership Essentials training program included a module on unconscious bias to support our leaders to create a more inclusive working environment through our words and deeds. We also developed a channel on our Definity Learning platform called “Celebrating Across Cultures” which shares holidays from around the world and includes videos to learn more about them.



Our strategy and governance model for inclusion, diversity, equity, and accessibility (IDEA) across the business keeps us focused on making Definity a place where all can thrive and feel a deep sense of belonging.

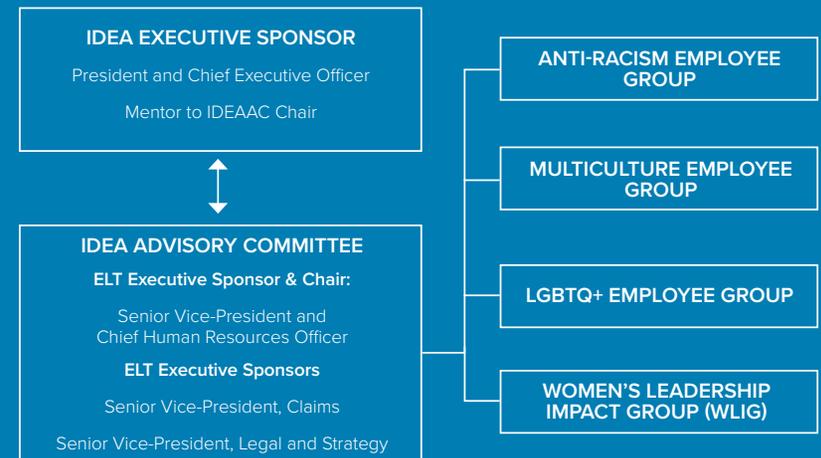
ANGIE SINGH

INCLUSION & ORGANIZATIONAL DEVELOPMENT MANAGER

IDEA GOVERNANCE

The following IDEA governance structure is in place to provide oversight on inclusion, diversity, equity, and accessibility initiatives across the organization.

- Oversight provided by Advisory Committee of cross-functional employees including Chairs of Employee Groups
- President and CEO is overall Executive Sponsor for IDEA and Mentor to IDEACC Chair, while IDEACC Chair is Reverse Mentor to President and CEO
- Employee Group Chairs have an ELT Mentor and are Reverse Mentors to ELT Mentors



EMPLOYEE GROUPS

Four employee groups (EGs) were in place in 2021: Anti-Racism Employee Group, LGBTQ+ Employee Group, Multiculture Employee Group, and Women in Leadership Employee Group. The mandate for Employee Groups expanded in 2021 from being more exclusively focused on holding diversity and inclusion events to:

- Advocating for awareness
- Identifying barriers and opportunities for inclusion
- Holding diversity and inclusion events
- Being a champion for the advancement of equity-deserving groups into leadership roles



LGBTQ+ Employee Group

- Successfully advocated for **gender transition coverage** to be added to Definity's benefit plan
- Celebrated **Pride at Work** through educational webinars with Rainbow Railroad, courses from the Canadian Centre for Diversity and Inclusion, highlighted programming on the Definity Learning platform, online engagement activities, and flying the pride flag at our Riverbend and Westmount buildings
- Collaborated with Communication function to add pronouns to the **email signature generator, enabling all employees to easily share their pronouns to promote** a greater sense of inclusion. The LGBTQ+ Employee Group provided education in the communication and through Definity Learning to support this change

Multiculture Employee Group

- Launched the **Name Pronunciation Tool** on our appreciation platform to foster a more respectful and inclusive workplace through correct pronunciation employees' names
- Celebrated **World Day for Cultural Diversity for Dialogue and Development** with a trivia challenge, highlighted programming on Definity Learning, and a donation-matching opportunity through our iCare platform to charities supporting multicultural initiatives

Anti-Racism Employee Group

- Celebrated **Black History Month** with a featured event with the Right Honourable Michaëlle Jean as a keynote speaker, recognition of Viola Desmond Day, facts about Black History in The Weekly newsletter, Soca-Fit and Afro-Aerobics classes, a culinary event, and an employee giving campaign for the Black Health Alliance
- Celebrated **Asian Heritage Month** with a featured event with Judy Trinh from CBC recognizing the many contributions of Canadians of Asian heritage through arts, science, sports, business, government, and their rich traditions, courses through the Canadian Centre for Diversity and Inclusion (CCDI), and a K-pop dance class
- Celebrated **Latin Heritage Month** through sharing Latin food and flavours through Yammer posts, an Afro-Cuban Dance Class, highlighted programming on Definity Learning, a Latin American Heritage Month quiz, and monetary donations to several charities in support of these communities

Women in Leadership Employee Group

- Commemorated **International Women's Day (IWD)** by celebrating women's contributions, sharing suggestions of books, podcasts, and other resources to support women, and a Definity Appreciate+ campaign to recognize the impact and contributions of women at Definity in which more than 500 messages were sent and 2,000 recognitions received
- Celebrated **Women's History Month** with a trivia contest, a wellness workshop, and a webinar with the CEO of the Canadian Women's Foundation, Paulette Senior

INSIGHTS FROM OUR EMPLOYEE CENSUS

Our first standalone Employee Census was conducted in 2021 and included a Diversity Index, an Inclusion Index, and voluntary self-identification questions on employee demographics. In total, 1,685 employees (63%) completed the Census in full.

The Diversity Index is comprised of three questions that measure employee sentiment about the extent to which the organization values and is accepting of diverse backgrounds and that the diversity of the workforce helps us better meet the needs of our customers. In 2021, the average result for these questions was 85% of employees responding “agree” or “strongly agree”, compared to 81% in 2019.

The Inclusion Index was a new component for 2021 comprised of four questions to measure the sense of inclusion, belonging, and equity that employees feel. The average result for these questions was 81% of employees responding “agree” or “strongly agree”.

There were 1,500 self-identification responses in 2021 in which employees identified with one or more equity-deserving groups. Over 1,300 comments were received related to the Diversity Index, Inclusion Index, sharing demographics at work, and the Census itself.

Recommendations coming out of the Census included:

- Increase representation of equity-deserving groups throughout our pipeline, especially in senior leadership and Board of Directors roles
- Provide learning for leaders at all levels on leading inclusively to continue to build a culture of trust and belonging, as well as improving openness to different ways of thinking and doing things
- Review policies, tools, and practices for career development and growth opportunities for potential bias, and update them to support equitable access for employees
- Communicate results and actions to employees

REPRESENTATION IN LEADERSHIP

Definity has adopted the following targets for diversity in representation among its senior leadership groups.



2026 DIVERSITY TARGETS

Our objective is to have at least 30% women and at least 15% Black, Indigenous, People of Colour (BIPOC), LGBTQ+, and/or persons with [dis]abilities at the Vice President and Executive Leadership Team levels by 2026

The Board of Directors has committed to a Board in which women and men each represent at least 30% of all independent directors by 2026, and at least one director that identifies as BIPOC, LGBTQ+ or person with [dis]ability by that time

PARTNERING TO ADVANCE DIVERSITY AND INCLUSION

In 2021, a Diversity & Inclusion (D&I) Working Group was formed as an extension of the General Insurance HR Group (GIHRG) which is made up of senior HR leaders and executives across the P&C insurance industry. The D&I Working Group, co-founded and led by Definity, has tasked itself with identifying how the P&C insurance industry could be a more attractive destination for talent through an IDEA lens, in partnership with the Insurance Institute of Canada (IIC).

Two initiatives were launched in 2021 as part of a 12-month plan:

Expanded Ambassador Program: As part of the Insurance Institute's Career Connection Program, the Ambassador program features representatives from P&C companies speaking to high-school and post-secondary students and new career entrants. The D&I Working Group partnered with the Institute to expand the number and diversity of representation of Ambassadors to better reflect our industry and the audiences from which we are attracting talent.

Voices of Inclusion: This is a four-part series of events where participants who have created successful careers in P&C insurance and represent equity-deserving groups inform students about opportunities found in the industry. The first event occurred in November 2021 and focused on Women in Insurance. A panel of speakers from across the industry shared their career journeys and learnings with post-secondary students and new career entrants.

Definity has also partnered with the Canadian Centre for Diversity and Inclusion (CCDI) which provides an annual calendar of celebrations, as well as resources and learning opportunities through scheduled events.

A variety of talent acquisition partnerships were formed in 2021 to expand where we source talent and to broaden the diversity of our workforce. These included Pride at Work, Black Business and Professional Association (BBPA), Equitek Employment Equity Solutions, Indigenous Professional Association of Canada (IPAC), Magnet, and the Ontario Women's Law Association.

Insurance Supper Club (ISC) is a global business community that provides personal, professional, and business development for women in insurance. Our partnership with them includes 10 Executive Memberships and 20 Aspire Memberships. This also includes three bespoke workshops which the Women's Empowerment Employee Group offer in 2022. As part of our relationship, a Definity executive took on a volunteer role as a member of ISC's board in Canada.



The partnership we have with the General Insurance Human Resources Group (GIHRG) D&I Working Group has been immeasurably valuable. It's wonderful to have an alliance of many companies united to highlight the many faces of the industry and illustrate it as a welcoming, diverse, and inclusive place to be. Working together with this group supports our mission to encourage students and career seekers to explore and find their place in the P&C industry.

BEVERLY LEWIS-HUNTE

CAREER CONNECTIONS SENIOR PROGRAM OFFICER
INSURANCE INSTITUTE OF CANADA

WELLNESS AND BENEFITS TO SUPPORT A CULTURE OF INCLUSION

In 2021, we used an IDEA lens to incorporate these offerings into our wellness and benefits programming:

- Gender affirmation surgery coverage was added to our benefits offering in 2021. This option supports the cost of feminization or masculinization procedures that may not be covered by provincial healthcare plans.
- Starting in 2021 and based on a suggestion from Definity's Anti-Racism EG and Wellness Team, LifeWorks began offering voluntary self-identification (BIPOC, gender, LGBTQ+, etc.) of intake counsellors to employees requesting this service so that employees from equity-deserving groups could have the opportunity to request someone who reflects their lived experience if they wished to.
- Canadian icons Hal Johnson and Joanne McLeod were invited in for a three-part series on wellness. One of the sessions was completely focused on anti-racism and lived experiences of members of the BIPOC community, including Hal Johnson.



TRUTH AND RECONCILIATION

As a Canadian company, Definity acknowledges the long history of colonialism and the trauma it has inflicted on Indigenous peoples and communities. To move forward, we must strive to understand the truth and lived experiences of the people of this land. In 2015, the Truth and Reconciliation Commission of Canada (TRC) provided a detailed set of calls to action to support the development of a new and respectful relationship between Indigenous and non-Indigenous peoples. Definity continues to assess the role that our organization can play in this shared journey, and we will be guided by Call to Action #92 for corporate Canada in consultation with Indigenous communities and partners.

In 2021, Definity observed Canada's first National Day for Truth and Reconciliation. With Call to Action #92 Section 3 of the Truth & Reconciliation report being focused on education, Definity employees were encouraged to:

- Read the 94 Calls to Action
- Explore the Definity Learning platform content about Truth & Reconciliation, the history and legacy of the residential school system in Canada, Indigenous culture and traditions, and understanding the meaning of land acknowledgements
- Share posts on our Yammer social platform with reflections on what they had learned — accompanied by photos of themselves or their team wearing orange shirts purchased from a list of Indigenous-owned vendors
- Donate through iCare to support charities dedicated to Indigenous communities and causes

Definity also observed International Day of the World's Indigenous Peoples to recognize the contributions of the world's 370 million Indigenous People who live in more than 90 countries. As mass graves have been uncovered at former residential school sites across Canada, we have emphasized to our employees the availability of EFAP and provided contact details for the Hope for Wellness helpline and Indian Residential School Survivors Society Crisis Line. Definity had a matching program for employees' donations to the Legacy of Hope Foundation, Indspire, and the Indian Residential School Survivors Society.

FOSTERING INNOVATION ACROSS THE ENTERPRISE

In the P&C industry, innovation is driven by evolving customer needs, the rapid increase of data sources, and increasing information processing power. We believe that combining innovative technology and new business models with disciplined financial management, sound insurance fundamentals, and market agility is key to delivering sustainable returns, and we are committed to maintaining our pace of innovation to create exceptional experiences for our customers and our brokers.

Not only is innovation critical to our competitiveness in a rapidly changing industry but we also believe in the potential for innovation itself to create exceptional experiences for our employees. While many companies use a lab or accelerator model made up of

a few individuals working in isolation, we have taken a more collaborative approach to innovation that leverages the diverse knowledge and skills at all levels and areas of the company to focus on emerging market themes. The foundation of our practice is a multi-modal innovation framework that combines the speed and flexibility of embedded pursuits with future-oriented enterprise view, which combines: 1) embedded “always on” innovation within business functions; 2) a centre-led innovation practice; and 3) the innovation focus we’ve embedded into our long-term business transformation initiatives to chart new territory and respond to evolving industry dynamics.

Our innovation approach pursues many objectives concurrently:



- ▶ We actively innovate across the spectrum of **Configuration, Offering, and Experience**
- ▶ As we **modernize our systems**, we bring new capabilities to market that **distinguish us from our competitors**
- ▶ As we **transform our operating model**, we combine **new technologies with re-imagined processes** so that the whole is greater than the sum of its parts
- ▶ We actively pursue how to **reconfigure assets** we already own to extend our **competitive advantage and open new opportunities**
- ▶ We search for **new business models, partnerships, and strategic relationships** to test new combinations across multiple horizons



CENTRE-LED INNOVATION HIGHLIGHTS



16

Cross functional leaders in the Leadership Team

50

Voluntary participants in the working teams

13

Functions represented from across the organization

6000+

Research and analysis hours to date

Our centre-led practice is coordinated by a group of cross-functional leaders who guide and support a larger working group of employees across all levels, functions, and business units.

Overall, our approach to innovation aims to get the best out of the collective talents of employees from across the enterprise and gives them an opportunity to also help build a culture where innovation is fully integrated into the fabric of our business. Those experiences not only deepen employees' understanding of what the future might hold but gives them yet another opportunity to connect and work with people from across the company that they might not typically encounter in their roles. Our goal is to embed innovation in every aspect of the company, so it becomes who we are, rather than something we do.

In 2021 we continued to strengthen our enterprise innovation capabilities as we explored new partnerships and integrated innovation into our technology transformation programs and existing platforms to reflect ongoing changes in market dynamics, customer expectations, and evolving technology. Strategic partnerships are an important facet to how Definity fosters innovation across the enterprise and throughout our innovation model. Partnerships with other companies enable us to connect and participate when there is alignment with our strategic interests. Here are just a few examples:

- Sonnet Connect is a network of 12 like-minded businesses focused on protecting, improving, and simplifying customers' lives. These relationships provide our customers with the opportunity to access discounts and offers on a variety of products and services related to financial wellness. This includes Sonnet's collaboration with FLO,

Canada's largest EV charging network that provides drivers access to over 55,000 publicly accessible stations, to offer insurance discounts to FLO members.

- Economical Insurance has collaborated with Swiss Re Corporate Solutions to access its PULSE and Network services that enable brokers to support commercial clients with business interests outside of Canada.
- In early 2022, Economical Insurance established a relationship with Turo – the world's largest peer car sharing marketplace – to provide commercial auto insurance coverage for Turo's host and guest community in Ontario, Québec, Alberta, and Nova Scotia.
- Definity has strategic investment relationships with multiple global venture funds, which provide us with access to early-stage companies that focus on emerging trends in insurance, financial services, data, and analytics.
- In March 2022, Definity announced a strategic partnership with APOLLO Insurance Solutions Ltd., a leading Canadian digital insurance broker and MGA specializing in the distribution of commercial insurance.
- Definity has established a relationship with Google Cloud that will allow the two companies to collaboratively innovate. Combining the extensive insurance expertise of Definity's family of companies with Google Cloud's leading technology services will provide the opportunity to create a smoother, more intuitive insurance experience for customers and brokers.

OUR COMMUNITIES

We invest in the well-being of our communities within and outside of our company to create measurable social impact and support equal access to opportunities and development.



ENABLING OUR CUSTOMERS

Definity is building a better world by helping our clients and communities adapt and thrive. We strive to meet our customers' needs every day with an offering of products and services that provide security, safety, peace of mind, and a smooth experience to navigate challenging times. We are harnessing data and technology to improve speed and quality, and we are relentlessly focused on getting it right the first time.

CLAIMS

In the end, claims — and how we respond to them — is our most tangible “product,” and we’re always working to improve the claims experience for our customers. When a customer experiences a covered loss, their insurance policy represents our promise to be there when they need us most. It’s our moment of truth, and one where we continuously strive to excel. Our claims leadership and team members are constantly looking for better ways to make the process as efficient and stress-free for our customers as possible.

Serving as trusted advisors, our caring, engaged, and results-oriented claims specialists are talented at what they do. They are given the autonomy to make the best decisions with our customers in mind. We support them with sophisticated technologies and digitized workflows to make the process efficient. Our goal is always to resolve claims without delay to minimize disruption to our customers' lives. In fact, less complex losses can often be handled in one or two phone calls, thanks to our approach in how we triage and process claims.

Transforming the claims experience

We're always working to improve the claims experience, and this effort will be ongoing in years to come. In 2021, we implemented several enhancements to make the claims experience easier, and more flexible for our customers.

- We now offer our auto and property customers e-transfer as an option for payment of their claim. For many, this is a faster, easier alternative that gets funds in their hands much more quickly than a cheque.

- For customers who have had a car accident, we now offer the option of using Uber as an alternative to a car rental, where available. This may be more convenient for customers in urban centres or customers who may not feel comfortable getting behind the wheel immediately after a car accident.
- We have integrated our claims system with collision reporting centres in Ontario and Alberta. When a customer reports a collision at these centres, we are sent the details, allowing us to proactively initiate the claim and assist the customer more quickly.
- We implemented a new digital platform to gather enhanced insights from our customers, which we are using to make customer experience improvements.
- The Green Coverage Enhancement provision incentivizes environmentally responsible behaviors by offering customers up to \$10,000 for increases in direct cost to repair or replace insured property using environmentally friendly products.
- The Claims team has significantly reduced the volume of paper documents sent between our staff and customers through the course of a claim, shifting to electronic exchange wherever possible.
- We have introduced new processes to minimize the need for in-person, on-site visits by our staff, and to ensure everyone is safe when onsite visits are conducted. We are utilizing virtual technology that allows customers to provide images of the damage incurred, further reducing the need for in-person assessment of damages.

CATASTROPHE RESPONSE

When large-scale events such as flooding or wildfires affect entire communities, Definity deploys our catastrophic loss team to provide immediate, onsite support to individuals, families, and business owners. In November 2021 our “catastrophe response” team went to British Columbia to help our customers affected by widespread flooding. As always, they worked diligently — and safely during



2021 HIGHLIGHT

630,000+

Canadians received financial benefits through the demutualization of Economical Insurance

the COVID-19 pandemic — to quickly process claims and provide meaningful relief.

PERSONAL INSURANCE

Broker Assist Centre (BAC)

Throughout the pandemic, the BAC has increased flexibility in payment deferrals for customers who suffered financial hardship during the pandemic and required increased flexibility. Accommodations were made for more than 2,000 customers who might have otherwise lost coverage due to missed payments. This initiative created positive outcomes for customers and brokers.

The Vyne system allows our broker partners to set up policies and make policy adjustments in real time to provide customers peace of mind with their coverage. This ease of service increases value to our broker partners as well as our customers.

Calls to the BAC are regularly audited to provide coaching and development feedback to staff to improve service experience for our brokers. Regular coaching helps develop the skills of our staff and has resulted in the BAC becoming a talent pipeline for other functions across Definity.

PETLINE

Petline was the first to launch our contact centre modernization project consisting of a new telephony software for all call centres within Definity. Due to financial hardship suffered by some customers throughout the pandemic, all customers remained at existing co-payment levels from July 2020 through December 2021 — despite any changes in risk profile — to maintain affordability of medical treatments for their pets.

In 2021, we launched Sonnet Pet, which provided one-stop shopping for Sonnet customers for their home, auto, and pet insurance needs. Existing Sonnet customers get a 5% discount from pet insurance premiums, and we also provide an 8% group discount to partner organizations. A multi-pet discount of 10% is offered to customers with three pets or more, and 15% for six pets or more across all brands, helping to make insurance affordable for pet owners.

During the pandemic, flexible payment arrangements were offered to customers who had experienced financial hardship, and delinquent premium collection was halted for 2020 and 2021.

To streamline the claims experience, we added the ability for a customer to upload a PDF document for claim submission in the customer portal, making it simpler for customers to pass along PDF invoices from their veterinary clinics.

In 2021, we launched a referral program with Lumino Health (an innovation from Sun Life), whereby Lumino Health members receive a 5% discount and Sun Life members are offered at 10% discount.

SONNET

Sonnet has implemented a chatbot solution that provides customers with immediate answers to their questions 24/7, rather than waiting for a live chat with an insurance advisor, calling our contact centre, or searching FAQs.

Chatbot utilization within the secure customer site is 58% of visits.

We continued to expand the Sonnet Connect program, which



Sonnet Connect is our growing network of curated partners that offer a wide variety of additional benefits to our customers, from financial products and services to electric vehicle charging infrastructure.

MARK FUJITA

VP, BUSINESS DEVELOPMENT AT SONNET

provides value for customers beyond insurance products. This includes a partnership with FLO which provides access to electric vehicle charging stations across Canada, as well as discounts to purchase home charging units, while FLO members can receive a discount on their Sonnet home and auto insurance policies.

Sonnet provides access to offers from a variety of partners related to financial wellness (e.g., Wealthsimple, Borrowell, Moka, Willful, Intuit).

284,000 prospective and current customers have opted in to receive our monthly e-newsletters.

Outcomes from several partnerships to incentivize health, safety, and environmentally responsible actions and behaviours:

- **Parachute** (the digital arm of Munich Re) — offers Sonnet customers access to life and health products
- **National Hockey League Players' Association (NHLPA)** — “Goals & Dreams” program donates equipment to deserving children and supports grassroots and diversity-oriented hockey programs
- **Professional Women's Hockey Players Association** — sponsorship encourages girls to get into playing hockey and pursue professional opportunities
- **ParticipAction** — promoting the health and wellness of Canadians
- **Holland Bloorview** — sponsored “Capes for Kids” fundraiser for children with disabilities
- **SickKids** — supporting Child Life programs that promote a positive hospital experience by using play as a tool for socialization, expression of feelings, and learning



COMMERCIAL INSURANCE

Vyne Commercial

In 2021, we launched broker self-serve capabilities for Small & Medium Enterprise (SME) property and casualty insurance, a new way of doing business that allows brokers to digitally quote and bind new policies for SME customers in real time. Part of the Vyne Commercial brand, SME Pathway is integrated directly into brokers' own software systems, making it easier for them to do business with us. Vyne is much more than just a technology platform — it provides brokers with a seamless digital offering that modernizes their workflows, enhances customer experience, and is supported with a market-leading insurance solution.

Risk Services

Commercial Insurance has a Risk Services offering to support customers with on-site risk analysis and loss prevention and mitigation. Customized for each operation, we offer a full suite of loss prevention services for manufacturing, agriculture, transportation, and service industries and work with our customers to create a practical action plan that can help prevent the leading causes of loss.



SOLUTION IN FOCUS: INFRARED TECHNOLOGY

Fires in commercial settings can have significant financial and emotional costs for owners. That's why our Risk Services team includes experts in thermography — the science of detecting potentially disastrous hot spots that are otherwise invisible. For operations with large-scale mechanical or electrical systems, our thermographers can scan panels with the covers off, while plants are in full production, so there's no need for equipment shutdown. A significant investment when sourced through a third party, this important service is available to qualifying Economical customers at no extra cost.

Our full suite of loss-prevention services includes:

- on-site risk analysis
- thermography inspection
- risk reduction
- controls evaluation
- action plans
- loss-prevention programs
- customized risk-reduction tools
- claims analysis
- accident analysis
- training and seminars
- knowledge transfer
- best practices by industry or operation
- tools and tips
- case studies
- fleet management

Also available in many of our commercial property products is an Eco-Friendly Enhancement for building and equipment, providing customers who elect to settle on a replacement cost basis with an additional \$50,000 limit per occurrence towards any increase in the direct costs to repair or replace materials (or modes of construction) with energy-efficient (or environmentally friendly) versions after a loss.

DATA SECURITY, PRIVACY, AND ETHICAL USE

We continue to deliver on our cyber security strategic priorities, making targeted investments to support an in-depth defence strategy to protect our technology and information assets across the enterprise.



DEFENCE AT SCALE

Deployment of artificial intelligence and machine learning tools to reduce detection time and automate defensive remediation



DATA PROTECTION AND IDENTITY

Capabilities are deployed to protect data assets while utilizing the principle of least privilege to restrict access to authorized users



CYBER RESILIENCE

The company conducts regular internal and external security audits, vulnerability assessments, and penetration testing of company systems



DETECTION AND PREVENTION

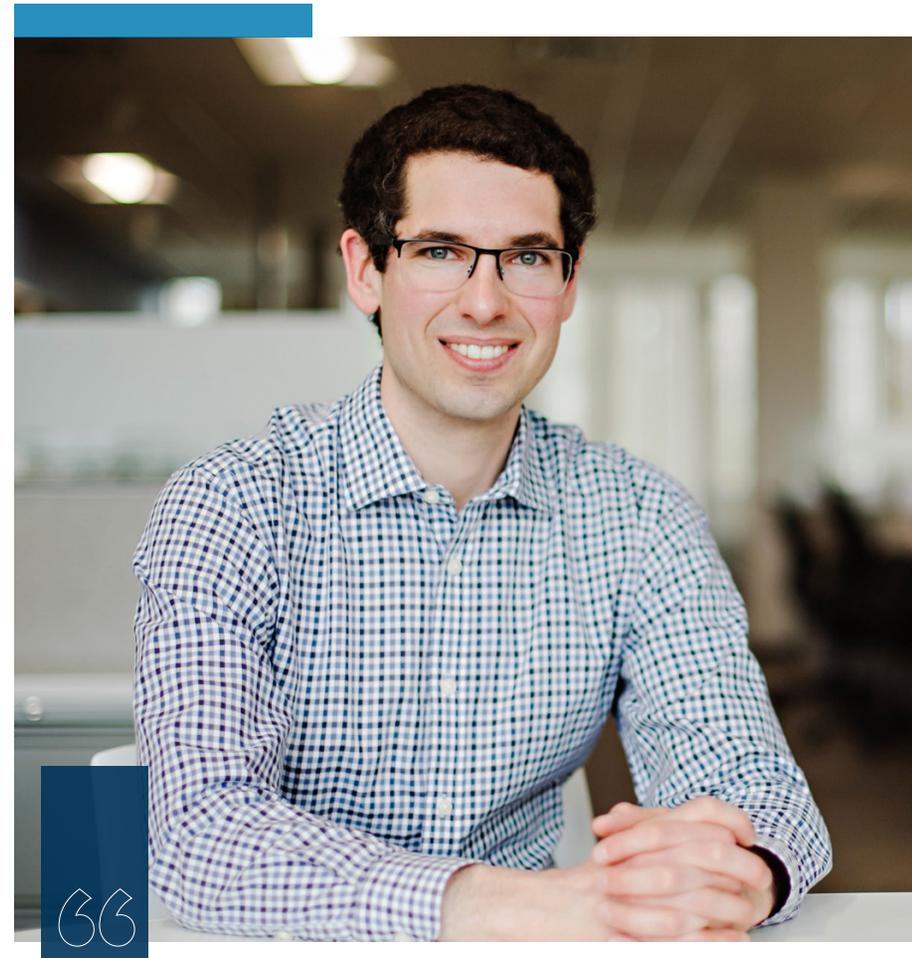
A combination of cyber intelligence along with preventative and detective tooling is used to continuously identify and prevent threats to our technology infrastructure and data assets

THE DATA USAGE ETHICS STANDARD

Definity has developed a Data Usage Ethics Standard that establishes an ethical framework governing the use of automated decision-making, machine-learning, and analytical models, systems, and tools — all seeking to help ensure that our data collection and usage align with both privacy legislation and industry best practices. Committing to follow a set of ethical principles governing the collection and use of personal data reduces potential reputational and brand management risk and offers policyholders greater confidence in the fairness of Definity's pricing and claims adjudication practices.

Ethical use of data is important to ensure good customer experience, data privacy, regulatory compliance, and employee trust. These factors are equally, if not more, important than ensuring AI recommendations result in good business decisions.

The Data Usage Ethics Standard will be refined and further operationalized in 2022, with all teams using automated decision-making tools or developing analytical models required to demonstrate compliance by attesting that their models, tools, machine learning, AI applications, or other automations comply with its principles, and by creating and maintaining a registry of all tools and models that is updated annually.



Artificial intelligence and machine learning are significantly shaping the way that business decisions are made. As an employer of choice for analytics professionals, and as a good corporate citizen, we are committed to being best-in-class in the ethical application of analytics to improve the customer experience and make a positive social impact.

JEFFREY BAER

VP, ADVANCED ANALYTICS & BUSINESS INTELLIGENCE

SUPPORTING BROKERS TO DELIVER FOR CUSTOMERS

We partner with nearly 700 independent insurance brokers from coast to coast to ensure our customers receive first-rate service and personalized advice.

Our long-lasting, strategic relationships with brokers thrive on mutual respect and support. Every day we value the advice of our brokers as we continuously improve our broker value proposition and enable our brokers to deliver the service and products customers expect.

In 2021, we continued to refine our investments in technology and advanced analytics to enhance service delivery, product and pricing sophistication, and fraud detection capabilities.

Our broker partnerships are a key pillar of our growth strategy. We work together to win together, helping our broker partners win new business, earn customer trust, and enhance customer retention.

Vyne is a policy administration system we built using the Guidewire platform and launched in 2018. The significant features include guaranteed quote, plain-language policy wordings, high flowthrough with limited need for underwriting exceptions, “once and done” input and processing, real-time policy issuance, document suppression, and improved billing features. Internal efficiencies include reduced programming time and complexity for changes, improved speed to market for underwriting and rate changes, and improved building management system (BMS) integration capability. Billing and invoice enhancements include simplified statements, improved presentation and documentation, and access to billing information through the system.

Customer Digital Document Delivery (CDDD) was implemented in 2021 to capitalize on increasing consumer appetite for digital communication and online interaction. Policy documents can now be delivered digitally to customers through the My Proof of Insurance platform and through broker digital platforms, increasing customer satisfaction by improving speed of document delivery

through secure means and reducing Definity’s paper and postage expense and environmental impact.

Our broker partners have access to Broker Extranet, a portal which provides product brochures, information sheets, marketing materials, and other resources to help them best support our customers’ insurance needs.

Definity Learning is a self-serve learning platform launched in 2021 to house and deliver onboarding guides, training documentation, and job aide tools to our staff and brokers. The system provides access to our underwriting, process, and system use guides, along with professional development courses covering a broad range of topics. A business development learning and development site was also introduced in 2021 to provide tools and aides for our broker-facing business development staff for frequently asked questions, process documentation, and product launch details.

To grow our market share with SMEs, Definity launched the SME Pathway program with a wider array of insurance options and quoting functionality for brokers to utilize.

SUPPORTING OUR BROKERS’ COMMUNITIES

Community initiatives that matter to our broker partners matter to us.

Every year, a portion of our community investment budget is donated to local charities as requested by our broker partners. Brokers identify and champion causes that make critical change in their communities, while also aligning with Economical’s community giving priorities: safety and security, youth and education, and health and wellness.

In 2021, Economical supported 17 grants endorsed by our broker partners in 11 communities across Canada. From supporting hospital foundations and social service organizations with immediate COVID-19 response needs to youth programming, our broker partners shared causes across the country that were important to them and their communities.

Broker grants contributed to outcomes including:

- Benefitting **70,000** patients in seven hospitals, including by increasing capacity in emergency departments and mental health spaces
- Installing new equipment for stroke rehabilitation for up to **1,900 patients**
- Supporting **26 young adults** with [dis]abilities with access to resources to grow their independence skills
- Providing youth on the autism spectrum with access to **social programming**
- Supplying **300 meal vouchers** for families whose children are going through cancer treatments
- Providing **800 homeless people with compassionate care and funding programming** to empower those who may be at risk of becoming criminalized, specifically women and girls, to reach their full potential



ENGAGING WITH OUR SUPPLIERS

Definity's success depends on the strong relationships that we nurture with our supplier partners and the relationships that they in turn build with our customers and communities. In 2021, we conducted an internal assessment of how environmental and social considerations could be more formally integrated into our procurement and supplier management processes. Along with other considerations, this process led to the development of a new Supplier Code of Conduct that was formalized in early 2022 and will be adopted throughout the balance of the year. Other purchasing and vendor management process improvements are underway and will be implemented during 2022. The following table provides an overview of our contributions to the Canadian economy through our procurement activities.

TOTAL GOODS & SERVICES PURCHASED (IN MILLIONS OF DOLLARS)	2021
(Only includes suppliers with annual spending in excess of \$100,000)	
Non-claims (standard business operations)	\$398
Claims (customer expenses such as auto and property repairs)	\$227
Total number of suppliers	
Non-claims	204
Claims	568

COMMUNITY INVESTMENT AND SOCIAL IMPACT

In 2021, our community investment activities deepened our relationships and social impact. This included support for COVID-19-specific initiatives, natural disasters, Economical Insurance's 150th anniversary, the introduction of Definity, and the continuation of many impactful partnerships. We were able to demonstrate continued support to our communities, our employees, and our purpose by supporting numerous organizations, finding shared value, and providing opportunities for team members to lend their support through their skills and individual charitable interests (e.g. paid volunteer days).

While the pandemic continued to limit our employees' ability to be physically present for community initiatives, we increased virtual employee engagement opportunities and increased the budget for our iCare donation matching program, volunteer grants, and employee-dependent scholarships.

COMMUNITY INVESTMENTS	2021	2020	2019
Total community contributions (\$) ³	970,059	1,050,958	855,000
Employee giving (\$)	50,543	40,147	15,727
Paid volunteer days available per employee	2	2	2

³Includes community investments donations from Definity's family of brands in total.



Our long history of 'neighbours helping neighbours' will continue to guide our community investment and social impact strategy to address our shared challenges to enable a fair, prosperous, and sustainable future.

SARAH SPEEDIE

MANAGER, COMMUNITY INVESTMENT AND SOCIAL IMPACT



\$970,000+

invested for community support

\$80,000+

invested in employee-directed corporate giving for diversity & inclusion initiatives across Canada

\$50,000+

in employee donations, 82% of which were matched by Definity

Nine grants were provided to local organizations by Economical to support capacity at not-for-profit organizations and deliver valuable social services. Highlights include:

MADD Canada: We supported MADD Canada’s Project Red Ribbon Campaign to encourage safe driving practices during the holidays. In addition to funding, we collaborated on a [blog post](#) reinforcing important safe driving actions provided by MADD.

Haven Toronto: Our support increased the capacity of Haven Toronto’s meals program by purchasing more food such as produce, eggs, and meats. This helped reduce food insecurity among elder men experiencing homelessness, poverty, and social isolation. 900 people were able to receive meals through our support of this program.

Shelter Movers Waterloo: Economical covered the moving costs for 100 families to flee intimate partner violence and seek safety in the Kitchener-Waterloo region.

Ronald McDonald House Toronto: Provided meals for 80 parents and caregivers, to help give them more time to care for their seriously ill child rather than shopping for and preparing meals.

Live Different: Supported “Circles” programming that provides an increase in social connectedness, a sense of belonging, as well as activation and an increase in altruistic action. 905 youth carried out a compassion project in their school or local community that was inspired by the Circles program. These projects had an impact on 9,802 people in communities across Canada.

PARTNERSHIPS, SPONSORSHIPS, AND STRATEGIC DONATIONS

We renewed our partnership with the **Canadian Red Cross** as a member of the Disaster Response Alliance and a supporter of Be Ready programming. Be Ready emergency preparedness educational materials and workshops are part of ongoing efforts to increase awareness and actions that contribute to preparedness amongst Canadians, and our partnership has helped deliver Canadian Red Cross emergency preparedness training to over 23,000 Canadians, and counting. Through our support, Be Ready virtual training allows emergency preparedness education to reach even more Canadians, including those from remote communities that historically have not had the opportunity to access Canadian Red Cross emergency preparedness education.

Our support also translated into a direct mail campaign reaching one million Canadian homes, a multi-channel digital campaign, a partnered [blog post](#), and internal activations with employees. These included providing an Emergency Preparedness quiz, volunteer opportunities such as Missing Maps, and participation in Be Ready focus groups where employees provided insights on emergency education opportunities for Canadians.

In 2021, Economical contributed to **Women in Insurance Cancer Crusade (WICC)**, supporting their goal of raising \$25 million for Cancer Research. To highlight our long partnership, WICC shared a [sponsor spotlight](#) with their members.

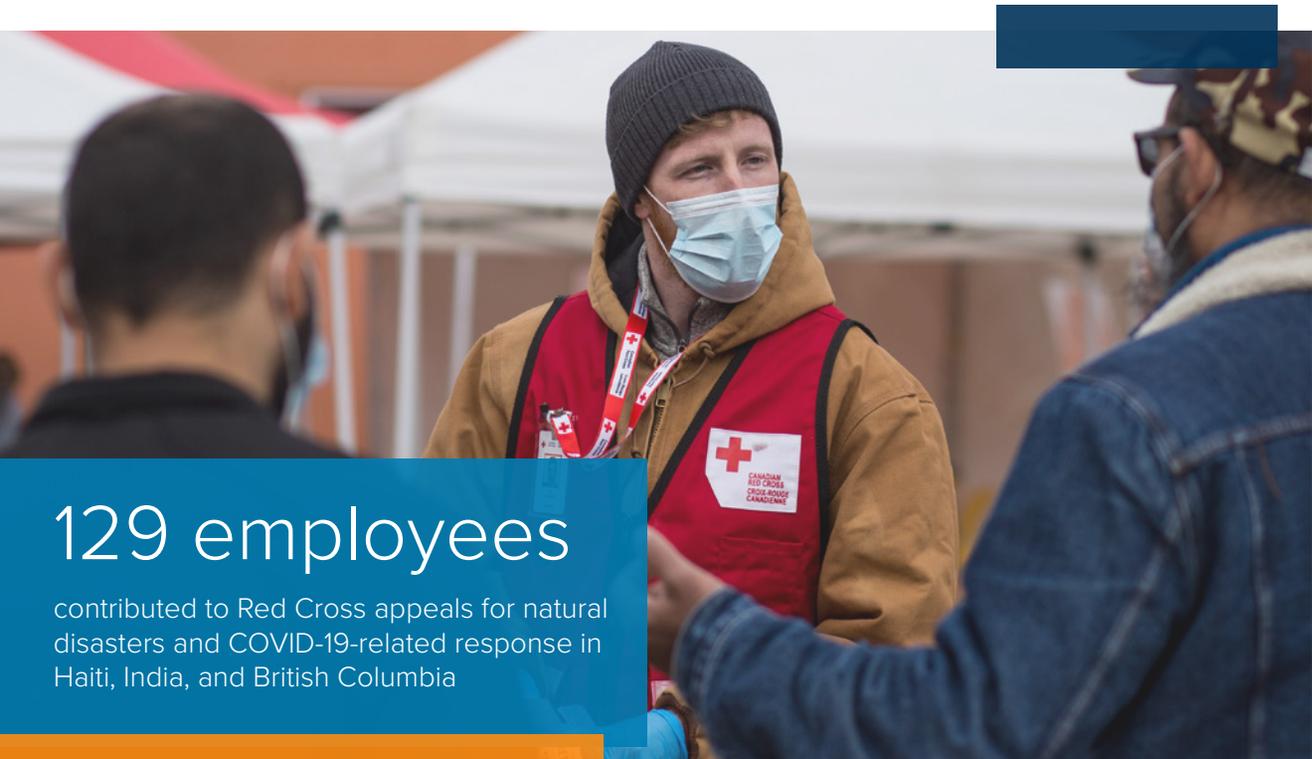
We supported the **Canadian Mental Health Association's** BounceBack programming, and with our funding, the program was able to serve more participants. The program is fully delivered over the phone or virtually and is designed to help adults and youth aged 15+ manage low mood, mild to moderate depression and anxiety, stress, or worry.



Disasters, such as wildfires and floods, have increased in their frequency and severity over recent years, and the Canadian Red Cross is working hard to help people prepare for disasters or emergencies before they occur. With thanks to help from Economical Insurance and Definity, since 2013 the Red Cross has trained more than 29,000 people across the country through emergency preparedness workshops designed to strengthen personal and community preparedness. These workshops have an important role in helping individuals and communities in Canada be better prepared for disasters.

MELANIE SOLER

VICE-PRESIDENT FOR EMERGENCY MANAGEMENT,
CANADIAN RED CROSS



129 employees

contributed to Red Cross appeals for natural disasters and COVID-19-related response in Haiti, India, and British Columbia

Investing in education

In 2021, we invested a total of \$285,000 to support the next generation of leaders across Canada. This included \$135,000 in scholarships to post-secondary students studying math, engineering, social development, film studies, and more.

We contributed \$150,000 to **Junior Achievement Canada**, a non-profit organization inspiring students and preparing them to succeed in a global economy. This funding supported three programs that have helped more than 4,200 students learn financial literacy, entrepreneurship, and work readiness skills.

Scholarships

\$85,000 in scholarships were awarded to additional highly talented post-secondary students from coast to coast through our post-secondary partnerships.

Definity offers scholarships for children or dependents of an employee who will attend a Canadian post-secondary institution. In honour of Economical's 150th anniversary, our scholarship fund was increased to provide \$50,000 in scholarships. We're proud to encourage and equip passionate students in their educational and career development.

Students report that their scholarship has helped them focus on their studies and given them confidence and peace of mind in terms of their finances.

Employee-driven giving & engagement

Definity's Employee Groups (EGs) and Community Investment team partnered throughout 2021 to support a variety of diversity and inclusion initiatives across Canada. Each of our four EGs selected a community organization that aligns with their advocacy work and makes a real impact to receive a \$20,000 donation, totalling \$80,000.

The Women in Leadership EG selected [Canadian Women's Foundation](#), to support funding programs that move women, girls, and gender-diverse people across Canada out of violence, out of poverty, and into confidence and leadership. They accomplish this through systems change by creating policies and practices that build equity and address gender-based violence, economic security, girls' empowerment, and inclusive leadership.

The LGBTQ+ EG selected [Rainbow Railroad](#), a global not-for-profit organization that helps LGBTQI+ people facing displacement and persecution based on their sexual orientation, gender identity, and sex characteristics. Our investment will be directed to those affected by the Taliban's resurgence in Afghanistan, funding continuing evacuation, direct livelihood support, and ongoing resettlement.

The Anti-Racism EG selected the [Mosaic Institute](#), which equips people with tools to dismantle prejudice in their own communities. We're investing in the UofMosaic Fellowship program, which provides university and college students with resources, professional development, and personal growth opportunities to create stronger, more equitable, and peaceful communities on their campuses and around the world.

The Multiculture EG selected the [Toronto Public Library \(TPL\) Foundation](#). Definity's investment supports the Play and Learn STEM (Science, Technology, Engineering, and Mathematics) Kits at the TPL's *Flemingdon Park Branch*, which introduce children aged 6 to 12 to STEM subjects in a fun and engaging way. These kits particularly support young families, newcomers, and children with special needs.



\$285,000

invested to support education
across Canada

\$85,000

in scholarships awarded to highly
talented post-secondary students from
coast to coast through our
post-secondary partnerships

24

scholarships to dependent children of
our employees enrolled in
post-secondary programs

Volunteering

In partnership with the Canadian Red Cross Missing Maps project, more than 150 employees volunteered by mapping nearly 10,000 buildings in areas of Indonesia that are experiencing more frequent and severe cyclones. With mapping of this region, the Red Cross can understand population distribution and model the impacts of cyclones to better understand what humanitarian response support would be needed. Employees showed that even when we couldn't gather in person due to pandemic restrictions, we could still volunteer and give back through our time and skills.

Choose Your Charity

Employees across the company nominated and voted on more than 400 local not-for-profits, which resulted in donations by Definity to ten organizations across Canada, from British Columbia to Nova Scotia.

Definity “Fill it Forward” Water Bottles

In celebration of the new Definity brand, all employees received a “water bottle with a cause”. In 2021, 495 employees downloaded the Fill it Forward App and completed 8,948 reuse scans upon refilling the bottle, each of which triggered a donation to charities that increase access to clean drinking water.

Employee Matching

We continued to support causes that are important to our team members with a matching program for their charitable donations. 240 employees used the iCare platform, donating on average \$100 (compared to \$70 in 2020) or volunteering with 178 causes (compared to 127 in 2020).



Introducing the Definity Insurance Foundation

The Definity Insurance Foundation is a Canadian registered charity dedicated to making a difference in the lives of Canadians, particularly in marginalized and underserved areas. It was initially funded with \$100 million in proceeds of the demutualization of Definity Insurance Company, formerly known as Economical Mutual Insurance Company, and operates independently.

The Foundation is committed to supporting charitable partners in Canada by making grants to reduce the effects of social and economic inequality, increase the health and well-being of marginalized and underserved communities, and slow the speed of climate change through community-based initiatives, advocacy and awareness initiatives, and research and knowledge development.

For each of the next five years, Definity Insurance Company will make an annual contribution of 1% of its net profit before taxes to the Foundation.

Learn more at www.definityfoundation.com.

Subject to a minimum annual contribution of \$250,000.



OUR ENVIRONMENT



As a responsible corporate citizen within the insurance industry, we embrace environmental sustainability.

We take an active role in managing environmental risks and making informed decisions to protect our environment.

ENVIRONMENTAL PROTECTION AND STEWARDSHIP

Definity is committed to continually working towards our purpose of building a better world by helping our clients and communities adapt and thrive, and will:

- listen, consult, respond, educate, and engage with our employees, brokers, suppliers, and customers on environmental impacts, needs, and stewardship opportunities
- support local, regional, and national community-based environmental and social initiatives by incentivizing employees to volunteer and donate
- strengthen a corporate culture that prioritizes environmental stewardship
- reduce emissions associated with investments
- assess the environmental impacts of the corporation's activities
- comply with environmental laws and regulations
- reduce and/or limit the corporation's discharge of pollutants to water, land, and air
- report our progress at least annually through an Environmental, Social, and Governance Report or equivalent disclosure

2021 HIGHLIGHTS

\$1.6 million

invested in office retrofits and GHG reduction in 2021 and **\$4.6M** since 2019

Projects completed: roof replacements, building automation system upgrades, air handling units and rooftop unit replacements, installation of condensing boiler, LED lighting upgrades, washroom upgrades

17%

of Scope 1 and 2 GHG emissions reduced from 2020 levels and **31%** reduction since pre-pandemic 2019 levels



Definity is committed to building a better world by helping our clients and communities adapt and thrive. We are guided by this purpose and our values, but also recognize that our ability to create lasting value for our stakeholders is inherently connected to and dependent on our shared social fabric and the integrity of the natural world.

BRENDAN SEALE

AVP & HEAD OF ESG

ADDRESSING THE CLIMATE CRISIS

The unfolding climate crisis is a defining issue for our planet and has profound implications across our society and economy. Definity recognizes the potential risks and opportunities to our customers and our business, as well as the role that we can play in supporting the transition to a net-zero emissions future and helping to build resilience and adaptation capabilities in society. Definity has developed an enterprise climate strategy that sets out the following priorities:

- Offering insurance products and services that help reduce the impacts of climate change on our customers and communities
- Advocating for a just and resilient net-zero emissions future
- Identifying and managing climate-related risks across the enterprise
- Reducing the direct climate impacts of our operations
- Managing climate-related risks and opportunities for our investments
- Committing to net-zero emissions for operations and investments
- Disclosing our progress in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

OUR AMBITION

Definity has committed to achieve net-zero emissions from both its operations and investment portfolio* by 2040 or sooner.

In early 2022, Definity committed to the Science Based Targets initiative (SBTi). Accordingly, we will submit our targets to SBTi to be validated for alignment to what the latest climate science deems necessary to limit warming to 1.5°C above pre-Industrial levels.

*Listed equities and corporate bonds



The Intergovernmental Panel on Climate Change (IPCC) defines net-zero as follows:

Net-zero emissions are achieved when anthropogenic (human-caused) emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period.



Given that climate change has widespread implications for Definity's business operations, the risks and opportunities are the purview of the Board of Directors and its committees. The Board of Directors has reviewed and endorsed Definity's ESG strategy – including its climate ambitions – and will review progress against key objectives at least annually.

From a management perspective, a cross-functional Climate Change Working Group, co-chaired by leaders in the Enterprise Risk and ESG functions, has supported the development of the enterprise climate change strategy and is responsible for the ongoing execution of prioritized initiatives. This working group reports regularly to the ESG Steering Committee.

We will provide disclosure of climate risks and opportunities for our business, our climate-related impacts, our governance and management approach to climate issues, and our progress toward stated ambitions.

In September 2021 Definity became an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and its recommendations for transparency on climate-related risks and opportunities in the financial system. In addition to the content that follows, more fulsome disclosure in accordance with the TCFD's recommendations can be found on our [website](#). Full implementation of these recommendations will be an ongoing effort.

UNDERSTANDING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

Higher global average temperatures will present acute physical risks such as more frequent and severe extreme weather events that are likely to result in more frequent and higher-value property insurance claims. Changing climate patterns are also likely to result in more chronic physical effects like drought, heat stress, and more rapid degradation of infrastructure that could change the amount and nature of insurance needs and claims. These factors could ultimately influence insurability of certain regions or types of property and activity. Over time, it will become increasingly important for us to understand the potential impacts of the changing climate on our customers and operations and take these factors into account in our underwriting, pricing, reserving, claims management, capital management, and operations.

The economic and societal shifts required to achieve a net-zero future also present transition risks to Definity. This transition is expected to include a significantly rising price on carbon emissions in Canada, potentially more dynamic market and regulatory environments, and heightened stakeholder expectations. Positioning our business strategically in view of these transition risks — for example, by decarbonizing our operations and investment portfolio — may help to mitigate their potential impacts over time.

Through our Climate Change Working Group, we have conducted a qualitative review of climate change implications for our underwriting and investment portfolios, and continue to incorporate climate change factors into our products and services, pricing, reserving, and reinsurance strategies.

ENABLING MORE SUSTAINABLE OUTCOMES FOR OUR CUSTOMERS AND COMMUNITIES

We recognize the role that a P&C insurer can play in helping to reduce the impacts of climate change. Just some of our initiatives include:

- Updating flood maps and changed sewer backup and flood coverage, which allowed us to provide coverage to more property owners
- Providing discounts on property insurance to incent behaviour that mitigates risk (e.g., installing a security alarm, sump pump, backflow valve, or professionally installed water sensors)
- Providing discounts on auto insurance to incent behaviour that mitigates risk (e.g., installation of anti-theft devices and snow tires)
- Offering the Green Endorsement at no additional charge on property insurance policies; if the basis of settlement is replacement cost, we pay up to \$10,000 for increases in direct cost to repair or replace damaged or destroyed property using environmentally friendly products
- Amending residential solar panel coverage so that the customer can install solar panels and batteries to store energy and receive government or utility credits for installation and any surplus energy generated
- A relationship between Sonnet and FLO, one of North America's largest electric vehicle (EV) charging networks, to offer insurance discounts to FLO members who have an EV on their auto insurance policy

These initiatives help Definity build trust and loyalty with our policyholders and attract new customers who are seeking to understand, manage, and mitigate the effects of climate change. Our Climate Change Working Group is responsible for developing and bringing forward climate-related innovations and offerings to be considered for execution.



Climate disruption is here and now for Canadians. Beyond addressing the impacts of our own operations and investment portfolio, we are committed to progressively partnering with our customers, suppliers, communities, and others to mitigate, manage, and adapt to the destabilizing impacts of climate change to the benefit of Canadians.

TRACY MANN

VP, ENTERPRISE RISK & COMPLIANCE, CHIEF COMPLIANCE OFFICER, AND CO-CHAIR OF CLIMATE CHANGE WORKING GROUP

PARTNERSHIP AND ADVOCACY FOR A CLIMATE-READY FUTURE

Definity is a member of the Institute for Catastrophic Loss Reduction (ICLR). Its mission is to reduce the loss of life and property caused by severe weather and earthquakes through the identification and support of sustained actions that improve society's capacity to adapt to, anticipate, mitigate, withstand, and recover from natural disasters. We are also a participant in Insurance Bureau of Canada's ongoing efforts to advocate for a national resiliency strategy and other public policies designed to help protect Canadians from severe weather and earthquakes.



INTERIM OPERATIONAL GOAL

Reduce Scope 1 and 2 GHG emissions **50%** by 2030

*Versus 2019 levels

Our operational impact

Definity has set a goal to reach **net-zero emissions from our operations by 2040 or sooner** (Scope 1 and 2, as defined by the GHG Protocol), with an interim target of -50% by 2030 relative to 2019 levels.

2021 HIGHLIGHT

31% reduction in absolute Scope 1 and 2 greenhouse gas emissions since 2019 pre-pandemic levels

Greenhouse gas emissions

With offices nearly vacant during the COVID-19 pandemic, our Corporate Services group took the opportunity to make a variety of operational improvements through 2020 and 2021 to Definity-owned buildings that have resulted in greater energy efficiency, including:

- Installation of upgraded building automation systems at 100% of our owned locations
- Repairs to the building envelope at our Waterloo head office
- Conversion of all lighting from fluorescent tubes to LED fixtures activated by motion sensors at our Waterloo head office
- Replacement of the roof at our Kitchener office
- Replacement of HVAC equipment at our Kitchener office

In early 2022, Definity entered into an agreement with Bullfrog Power to secure renewable energy certificates (RECs) in an amount equivalent to our total enterprise electricity consumption.

SCOPE 1 EMISSIONS (t CO ₂ e)	2021	2020	2019
Stationary Combustion	1,003	1,247	1,344
Refrigerants	142	142	142
Fleet	283	432	680
Total Scope 1 Emissions	1,428	1,821	2,166
<i>Change YOY</i>	-21.6%	-16.0%	--
SCOPE 2 EMISSIONS (t CO ₂ e - LOCATION-BASED)			
Electricity	382	387	484
Steam	46	39	46
Total Scope 2 Emissions	428	426	530
<i>Change YOY</i>	0.5%	-19.6%	--
TOTAL SCOPE 1 & 2 EMISSIONS			
<i>Change YOY</i>	-17.4%	-16.7%	--

Definity's full GHG inventory including Scope 3 emissions can be found in the appendix of this report.

RESPONSIBLE INVESTMENT

Investing with climate in focus

Our P&C insurance business is supported by our investment management activities. We had approximately \$5.4 billion in investments as at December 31, 2021. A key tenet of our investment philosophy is the preservation of capital through portfolio diversification and a strong focus on high quality assets.

Definity has integrated ESG considerations, including third-party ESG ratings, into its investment process for listed equities and corporate bonds, and recently integrated climate change targets and other ESG factors into our Investment Policy Statement.

In 2021, Definity conducted a qualitative risk assessment of our investment portfolio, as well as regular risk monitoring of physical and transition risks. The investment portfolio is heavily weighted toward government bonds, well-diversified in respect of climate risks and opportunities across regions and industries, and liquid enough to enable rapid shifts, if necessary.

Definity has set a goal to reach **net-zero financed emissions (listed equities and corporate bonds) by 2040 or sooner**. Interim targets are set on an intensity basis to account for future portfolio growth, and these may be revised in the future as measurement and reporting standards evolve and/or include additional asset classes. For example, government bonds are a significant portion of Definity's investment portfolio, and we intend to quantify the impact of this asset class once relevant guidance from the Partnership for Carbon Accounting Financials (PCAF) is made available.

Financed emissions (Scope 3 Category 15 – Investments) from listed equities and corporate bonds were calculated using the methodology prescribed by PCAF⁴. Definity's financial exposures for these calculations are as at December 31 of the reported year, while the Scope 1 and 2 emissions used for portfolio companies are the data most recently reported prior to that date.

Absolute financed emissions decreased by 16.5% year-over-year, while the economic emissions intensity of our investments decreased by 30% over the same period. Because Definity's investment portfolio is heavily weighted towards bonds, our financed emissions calculations are particularly sensitive to fluctuations in the enterprise value of issuers in the portfolio. For example, if the share price of an emissions-intensive company were to rise substantially between reporting dates, this could significantly reduce the attribution factor of a corporate bond held by Definity (the relatively static book value of the debt as a percentage of the issuer's higher enterprise value), which would in turn be multiplied against the issuer's emissions to determine Definity's financed emissions for that holding. If the share price of the same issuer were to fall significantly, this would reduce the enterprise value of the issuer and therefore increase the attribution factor of the bond held by Definity, resulting in higher financed emissions.

	2021	2020
Financed emissions from investments (listed equities and corporate bonds)	47,729 ⁵	57,200 ⁶
Emissions intensity of investments (t CO₂e per \$ million invested)	18.19	26.14

⁴Partnership for Carbon Accounting Financials (PCAF): <https://carbonaccountingfinancials.com>

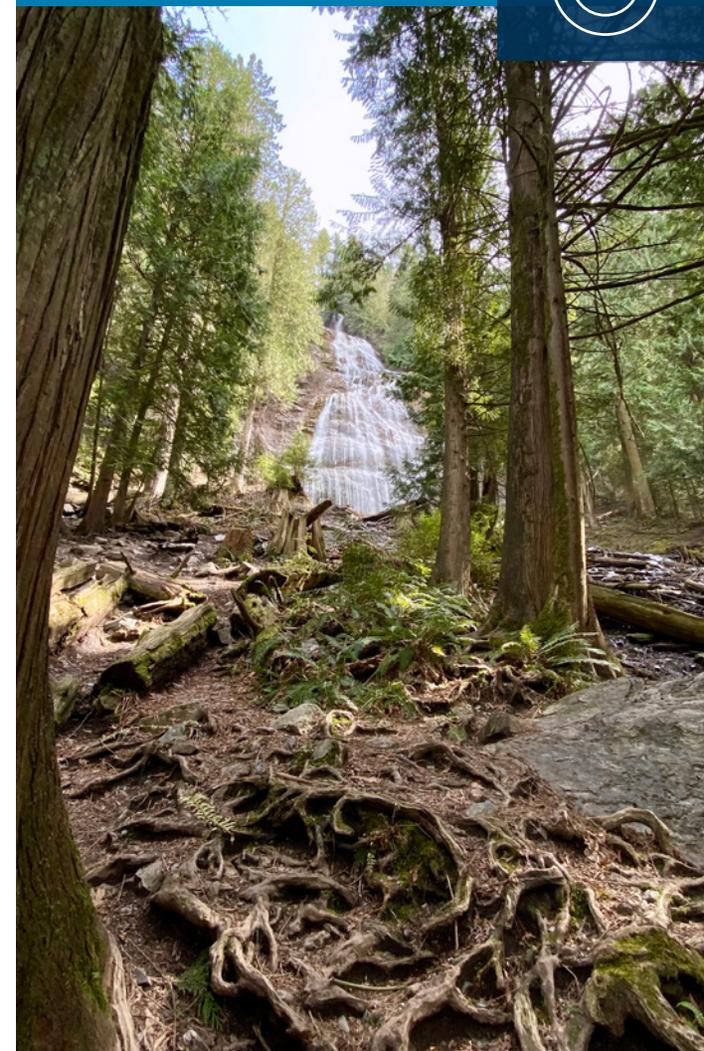
⁵Data quality score for 2021 investment emissions calculations, as per PCAF methodology: 2.06

⁶Data quality score for 2020 investment emissions calculations, as per PCAF methodology: 2.13

INTERIM INVESTMENT GOAL

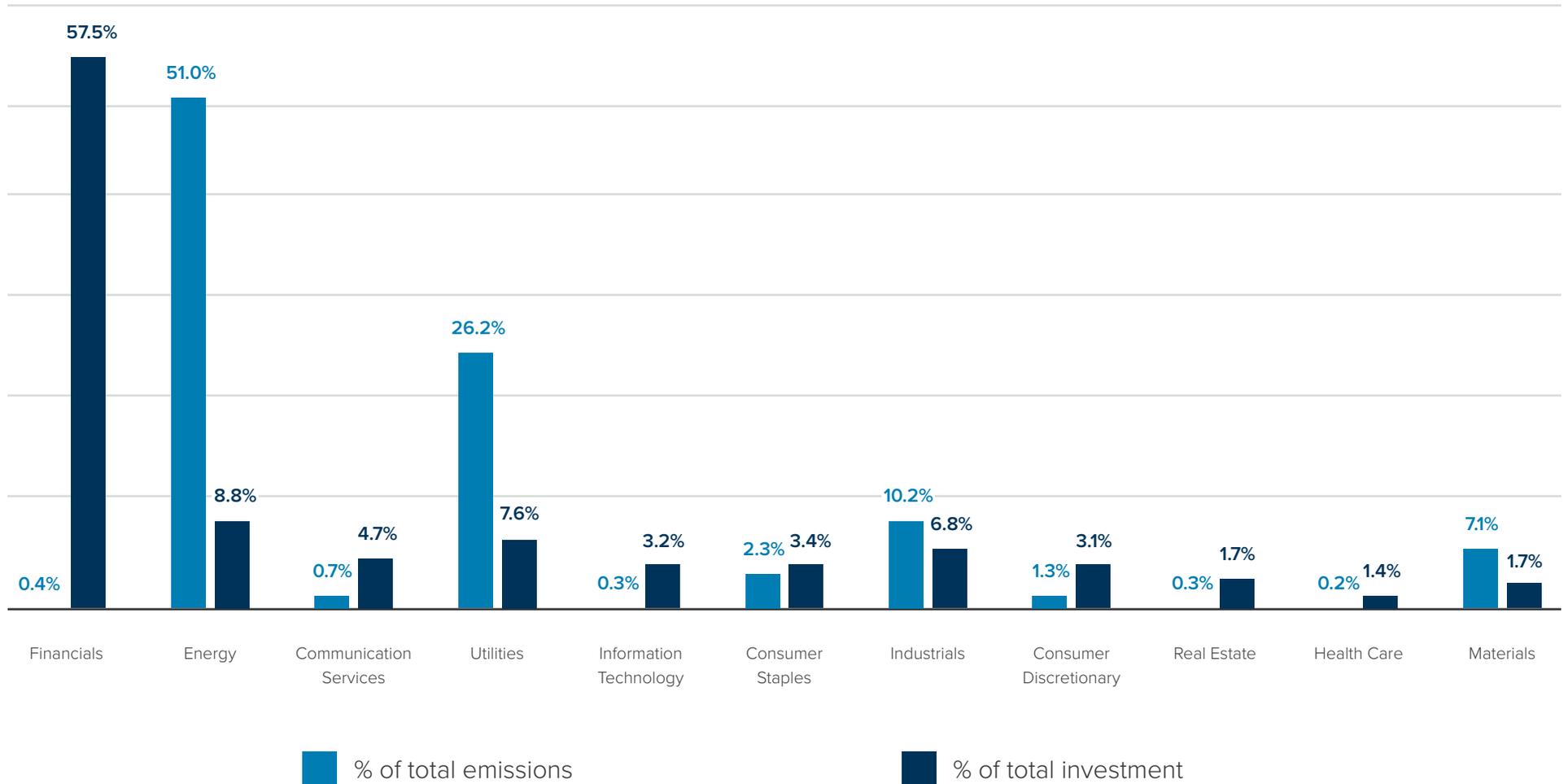
Reduce GHG intensity of investment emissions* per \$ million by **65%** by 2030

*Listed equities and corporate bonds, versus 2020 levels



Below is a comparison of the share of investment emissions associated with Definity’s investments (listed equities and corporate bonds only) by industry sector versus the share of our portfolio holdings in each of those sectors, as at December 31, 2021.

% INVESTMENT EMISSIONS VS. % INVESTMENT EXPOSURE, BY INDUSTRY SECTOR



APPENDICES

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) INDICATORS

INSURANCE INDUSTRY STANDARD FN-IN

The below index contains commentary or references for a non-exhaustive list of SASB indicators for the insurance industry.

TOPIC	ACCOUNTING METRIC	CATEGORY	SASB CODE	RESPONSE
Transparent Information & Fair Advice for Customers	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product related information to new and returning customers	Quantitative	FN-IN-270a.1	In management's opinion, any amounts should not have a material effect on our business results or financial position.
	Complaints-to-claims ratio	Quantitative	FN-IN-270a.2	The number of claims-related customer complaints investigated by our ombudsperson in 2021 is 237. The number of new claims filed in 2021 is 283,411.
	Description of approach to informing customers about products	Discussion and Analysis	FN-IN-270a.4	Please refer to "Enabling our Customers" on page 29.
Incorporation of Environmental, Social, and Governance Factors in Investment Management	Total invested assets, by industry and asset class	Quantitative	FN-IN-410a.1	Please refer to "Investment Portfolio" on page 52.
	Description of approach to incorporation of ESG factors in investment management processes and strategies	Discussion and Analysis	FN-IN-410a.2	Please refer to "Responsible Investment" on page 45.
Policies Designed to Incentivize Responsible Behavior	Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors	Discussion and Analysis	FN-IN-410b.2	Please refer to "Enabling more sustainable outcomes for our customers and communities" on page 43.

TOPIC	ACCOUNTING METRIC	CATEGORY	SASB CODE	RESPONSE
Environmental Risk Exposure	<p>Description of approach to incorporation of environmental risks into:</p> <ol style="list-style-type: none"> 1. The underwriting process for individual contracts 2. The management of firm-level risks and capital adequacy 	Discussion and Analysis	FN-IN-450a.3	Please refer to "Insurance Risk" on pages 50–63 and 104–107 of our 2021 Annual Report .
Systemic Risk Management	<p>Exposure to derivative instruments by category:</p> <ol style="list-style-type: none"> 1. Total potential exposure to noncentrally cleared derivatives, 2. Total fair value of acceptable collateral posted with the Central Clearinghouse, and 3. Total potential exposure to centrally cleared derivatives 	Quantitative	FN-IN-550a.1	Please refer to "Derivative financial instruments" on page 97 of our 2021 Annual Report .
	Total fair value of securities lending collateral assets	Quantitative	FN-IN-550a.2	Please refer to "Off-Balance Sheet Liabilities and Contingencies" on page 46 of our 2021 Annual Report .
	Description of approach to managing capital and liquidity-related risks associated with systemic non-insurance activities	Discussion and Analysis	FN-IN-550a.3	Please refer to "Risk Management and Corporate Governance" on pages 50–63 of our 2021 Annual Report .
Activity Metric	<p>Number of policies in force, by segment:</p> <ol style="list-style-type: none"> 1. Property and casualty, 2. Life, 3. Assumed reinsurance 	Quantitative	FN-IN-000.A	The total number of personal policies in force for 2021 is 1,550,684.

ESG PERFORMANCE TABLES

EMPLOYEES (AS AT DECEMBER 31, 2021)

WORKFORCE	2021	2020	2019
Permanent	3114	2804	2637
Temporary	67	45	49
Total number of employees	3211	2849	2686
Sonnet	218	225	191
Petline	144	134	135
Economical	2767	2414	2295
Family	82	76	65
REPRESENTATION AND DIVERSITY	2021	2020	2019
Total Company			
Women	61%	60%	58%
Men	39%	40%	42%
LGBTQ+ ⁷	10%	Not measured	3%
Black, Indigenous, and People of Colour ⁷	28%	Not measured	16%
Persons with [dis]abilities ⁷	18%	Not measured	4%
VPs and above			
Women	23%	27%	27%
Men	77%	73%	73%
Managers, Directors and AVPs			
Women	47%	46%	48%
Men	53%	54%	52%

⁷Self-identification from 2019 employee engagement survey and 2021 employee census.



ENVIRONMENT

Greenhouse gas emissions

SCOPE 1 EMISSIONS (t CO ₂ e)	2021	2020	2019
Stationary Combustion	1,003	1,247	1,344
Refrigerants	142	142	142
Fleet	283	432	680
Total Scope 1 Emissions	1,428	1,821	2,166
<i>Change YOY</i>	-21.6%	-16.0%	--

SCOPE 2 EMISSIONS (t CO ₂ e) - LOCATION-BASED	2021	2020	2019
Electricity	382	387	484
Steam	46	39	46
Total Scope 2 Emissions	428	426	530
<i>Change YOY</i>	0.5%	-19.6%	--

TOTAL SCOPE 1 & 2 EMISSIONS	1,855	2,246	2,695
<i>Change YOY</i>	-17.4%	-16.7%	--

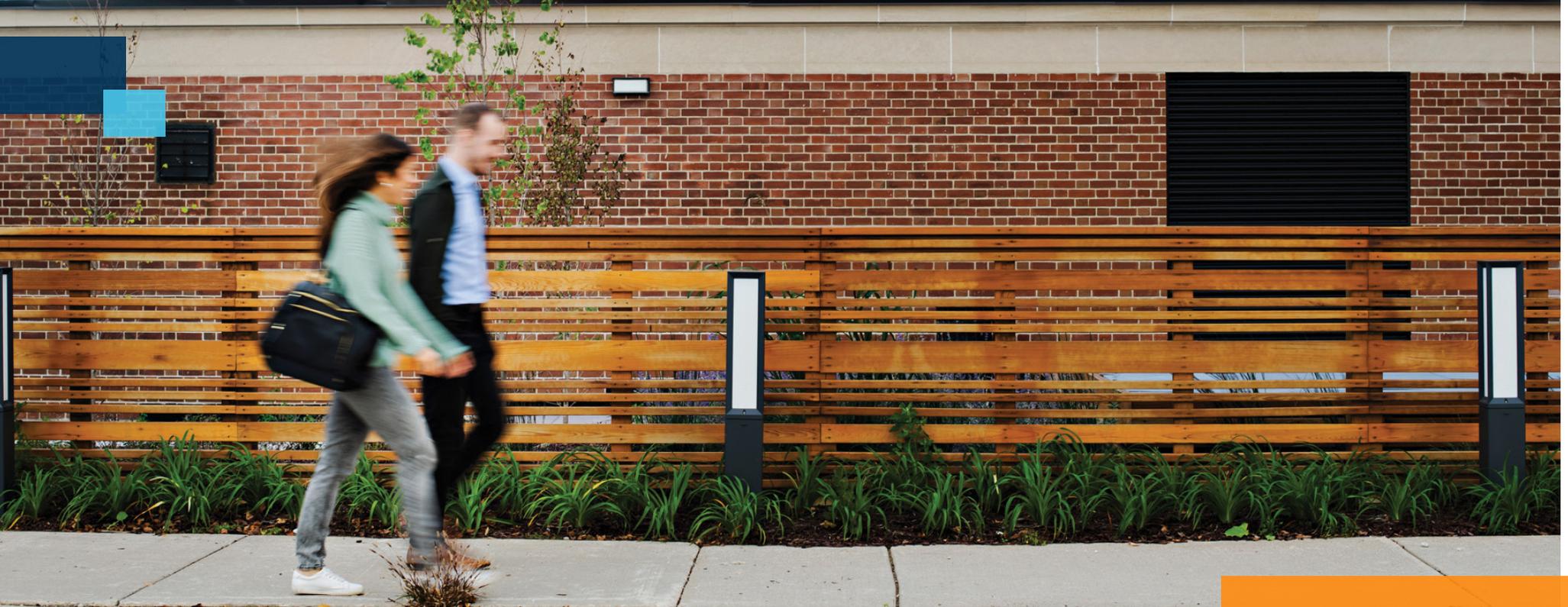
SCOPE 3 EMISSIONS (t CO ₂ e)	2021	2020	2019
Purchased goods and services (PGS)	17,864	16,344	15,505
Capital goods (CG)	3,112	3,491	2,084
Fuel and energy activities	308	384	430
Waste generated in operations	182	180	202
Business travel	272	308	925
Employee commuting	553	542	2,438
Scope 3 Emissions without investments	22,291	21,249	21,584
Investments (listed equities & corporate bonds)	47,729 ⁸	57,200 ⁹	Not measured
Investments (listed equities & corporate bonds) (t CO ₂ e per \$ million)	18.19	26.14	Not measured
Total Scope 3 Emissions	70,020	78,449	21,584¹⁰
<i>Change YOY</i>	-10.7%	--	--

TOTAL SCOPE 1, 2 & 3 EMISSIONS	71,875	80,695	24,279 ⁹
<i>Change YOY</i>	-10.9%	--	--

⁸Data quality score for 2021 investment emissions calculations, as per PCAF methodology: 2.06

⁹Data quality score for 2020 investment emissions calculations, as per PCAF methodology: 2.13

¹⁰Does not include 2019 financed emissions (investments).



PROCUREMENT EXPENSES

PROCUREMENT	2021	2020	2019
Only includes suppliers with annual spending in excess of \$100,000			
Total goods & services purchased (in millions)			
Non-claims (standard business operations costs)	\$398	\$337	\$324
Claims (expenses such as auto and property repairs, legal services, and healthcare-related services)	\$227	\$290	\$426
Total number of suppliers			
Non-claims	204	190	189
Claims	568	446	436

INVESTMENT PORTFOLIO			
(in millions of dollars, except as otherwise noted)	2021	2020	2019
Total portfolio			
By class			
Short-term investments	88.8	218.2	228.1
Bonds	4,233.8	3,400.7	3,223.8
Preferred stocks	405.7	336.6	345.1
Common stocks	570.5	329.8	296.8
Pooled funds	42.7	43.4	44.4
Commercial loans	24.3	37.6	52.8
Total	\$5,365.8	\$4,366.3	\$4,191.0
Region of issuer			
Canada	5,112.6	4,205.5	4,034.2
United States	164.6	86.2	69.0
Europe	37.0	25.2	25.6
Other	27.3	11.8	9.4
Total	\$ 5,341.5	\$4,328.7	\$4,138.2

INVESTMENT PORTFOLIO			
(in millions of dollars, except as otherwise noted)	2021	2020	2019
Investment portfolio sector mix			
Government	49%	49%	46%
Financials	29%	29%	32%
Energy	4%	4%	5%
Communication services	2%	2%	3%
Industrials	4%	4%	4%
Utilities	4%	5%	4%
Consumer discretionary	2%	2%	1%
Materials	1%	1%	1%
Consumer staples	1%	1%	1%
Information technology	2%	1%	1%
Health care	1%	1%	1%
Real estate	1%	1%	1%
Total	100%	100%	100%

FINANCIAL HIGHLIGHTS			
(in millions of dollars, except as otherwise noted)	2021	2020	2019
Consolidated financial results			
Gross written premiums	3,231.4	2,814.7	2,511.0
Net written premiums	2,991.3	2,639.8	2,331.0
Net earned premiums	2,833.6	2,508.7	2,343.2
Underwriting income (loss)	194.5	136.4	(118.3)
Net investment income	96.8	100.3	105.4
Recognized (losses) gains on investments	(20.8)	79.8	68.3
Effective tax rate	24.2%	23.3%	18.0%
Net income (loss)	213.2	153.9	17.4
<hr/>			
Non-operating (losses) gains ⁽¹⁾	(9.7)	(41.5)	31.1
Operating income (loss) ⁽¹⁾	290.9	242.1	(9.9)
Operating net income (loss) ⁽¹⁾	220.4	184.4	(5.4)
<hr/>			
Claims ratio ⁽¹⁾	60.8%	62.3%	73.1%
Expense ratio ⁽¹⁾	32.3%	32.3%	31.9%
Combined ratio ⁽¹⁾	93.1%	94.6%	105.0%
Per share measures (in dollars)			
Earnings (loss) per common share, basic	\$ 2.03	\$ 1.48	\$ 0.17
Earnings (loss) per common share, diluted	\$ 2.02	\$ 1.48	\$ 0.17
Operating earnings (loss) per share ⁽¹⁾	\$ 2.09	\$ 1.77	\$ (0.05)
Book value per share ⁽¹⁾	\$ 20.68	\$ 17.48	\$ 15.49
Return on equity (for the last 12 months)			
ROE ⁽¹⁾	10.7%	9.0%	1.1%
Operating ROE ⁽¹⁾	11.5%	11.0%	-0.3%

FINANCIAL HIGHLIGHTS			
(in millions of dollars, except as otherwise noted)	2021	2020	2019
Financial position			
Total investments	5,365.8	4,366.3	4,191.0
Total assets	7,891.4	6,620.3	5,956.5
Total equity	2,396.3	1,818.0	1,611.0
Minimum capital test (MCT) ratio ⁽²⁾	275%	268%	239%
Financial capacity ⁽¹⁾	1,057.8	n/a	n/a

Notes:

(1) This is a supplementary financial measure, non-GAAP financial measure, or a non-GAAP ratio. Refer to Supplementary financial measures and non-GAAP financial measures and ratios in Section 12 – Supplementary financial measures and non-GAAP financial measures and ratios in the Q4-2021 MD&A.

(2) Consolidated Definity Insurance Company.

definity.

