



2023

Environmental, Social, and Governance (ESG) Report

Helping clients and communities adapt and thrive

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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. In particular, information regarding our expectations about future ESG results, performance, achievements, prospects or opportunities, the communities and markets in which we operate, and our future ESG disclosure 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” occur. 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 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 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 metrics, data, science, opinions, estimates, and assumptions which are the basis of such information will prove to be correct. Forward-looking information is based on metrics, data, science, 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 and/or rate of change; the availability of comprehensive and high-quality GHG emissions data; the pace and substance of evolving ESG reporting standards and mandatory reporting requirements; 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 client, 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; our ability to achieve our voluntary ESG goals or meet evolving investor or other stakeholder expectations and standards regarding ESG practices, such that our brand, reputation, employee retention and financial condition and the willingness of our customers and suppliers to do business with us may be negatively impacted based on an assessment of our ESG practices; and the other factors set out on page 21 of [Definity’s 2023 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 the forward-looking information found herein. 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.



ADDITIONAL INFORMATION REGARDING THIS REPORT

As ESG reporting rules evolve in Canada, Definity is taking a proactive posture by adapting our disclosures to address emerging requirements. This ESG report has been restructured from previous disclosures to more closely align with the guidance from the Office of the Superintendent of Financial Institutions' climate risk management and the International Sustainability Standards Board by: focusing on disclosing information about sustainability-related risks and opportunities that could reasonably be expected to affect our cash flows, and our access to finance or cost of capital over the short, medium or long term; and providing information specific to governance, strategy, risk management, and metrics and targets. Definity is planning to align with relevant International Financial Reporting Standards (IFRS) standards if and when they are endorsed by the Canadian Sustainability Standards Board and implemented by the Canadian Securities Administrators.

Climate metrics, data, and other information contained in this report, including but not limited to information relating to our net-zero related commitments, goals, and targets (including interim targets), financed emissions, and emissions from our own operations, is based on assumptions, estimates, and judgement.

Any commitments, goals, and targets discussed in this report, including but not limited to the net-zero related commitments, goals, and targets, as well as our interim targets, are aspirational and may need to be changed as available data changes and as climate science, transition pathways and market practices regarding standards, guidance, methodologies, metrics, and measurements evolve.

This report details the environmental, social, and governance (ESG) performance and activities for the 2023 fiscal year (January 1, 2023, to December 31, 2023) of Definity Financial Corporation, Petline Insurance Company, Sonnet Insurance Company, Family Insurance Solutions Inc., Definity Insurance Company, and Westmount Financial Inc. In this document, unless stated otherwise, "we", "our", "us", and "Definity" refer to these companies collectively. All figures reported are as of December 31, 2023, unless otherwise noted. Data and disclosure regarding entities that are not within the operational control of Definity Financial Corporation, including but not limited to brokers and portfolio investments, are not included in this report. Periodic data is for January 1 through December 31, 2023, unless otherwise noted. All currency is stated in Canadian dollars. Many figures have been rounded for presentation throughout the report.

This report and the information contained within it is unaudited. Ernst & Young LLP (EY) has performed a limited assurance engagement for a select number of performance indicators, and the remainder of the information contained within this report was not subject to the limited assurance engagement. More details about the nature and scope of the engagement with EY can be found on page 55 of this document.

RELATED PUBLICATIONS



[2023 Annual Report](#)



[2024 Management
Information Circular](#)



[2023 Public
Accountability Statement](#)



[Sustainability on
definityfinancial.com](#)

ABOUT DEFINITY

Publicly listed in 2021, Definity Financial Corporation is the parent company to some of Canada’s most long-standing and innovative property and casualty insurance companies and brands, including Economical Insurance, Sonnet Insurance, Family Insurance Solutions, and Petline Insurance. By investing in businesses and innovation, the companies in our group help our clients, broker partners, employees, and communities adapt and thrive now and in the future.

OUR BRANDS



OFFICES



ECONOMIC VALUE GENERATED (IN MILLIONS)¹

\$4,157²

Revenue

ECONOMIC VALUE DISTRIBUTED (IN MILLIONS)¹

\$3,020

Operating costs, including
over \$2,000 of claims
coverage for
policy holders

\$499

Employee wages and
benefits

\$70

Payment to providers
of capital

\$289

Payments to governments

\$3

Community investment

¹Calculations of these metrics follow guidance from the Global Reporting Initiative
²Includes Insurance Revenue, Distribution Revenue, and Net Investment Income

A MESSAGE FROM OUR CEO

Definity is guided by our purpose — building a better world by helping our clients and communities adapt and thrive. Our products and services provide a critical foundation for individuals and businesses across Canada, and we strive to use the power of our business to create positive change for our environment, our people, and our communities. I am pleased to share our 2023 ESG Report with you, with deeper insight into the progress we are making as we continue to support the long-term sustainability of our business and create value for all our stakeholders.

As I've said in past reports, the climate crisis is a defining issue of our time, and adapting to its influence remains a central focus for Definity. Its profound impact on how we serve our clients and how we manage risk across our business was underscored this past year with the most significant Canadian wildfire season on record and increased severe weather events from coast to coast — all told, catastrophe events resulted in \$3.1 billion in losses for the Canadian P&C insurance industry during 2023. Although the financial aspect of these events is only part of their total impact on society, we were proud to do our part to support Canadian families and businesses through our skilled and committed claims and catastrophe response teams.

We know that the frequency of these events will increase and their impact on infrastructure, homes, communities, and human health across Canada will continue. This is why the release of Canada's National Adaptation Strategy this year was so important. At Definity, we appreciate that the federal government has identified key targets and initiatives that will move our country forward, but these objectives cannot be achieved through siloed initiatives — it must be a truly whole-of-society approach in which we all play a part. Our membership in Climate Proof Canada is a significant part of how we plan to help drive change and support the timely and ambitious implementation of the National Adaptation Strategy.

We are proud of the various ways we advanced our promise of making insurance better in 2023. As part of our focus on giving back where we live and work, we are proud to have contributed \$2,350,000 to the Definity Insurance Foundation (Foundation). As part of that commitment, we partnered with the Foundation to deliver \$1.1 million to Windmill Microlending, accelerating pathways to prosperity for newcomers to Canada by supporting skilled immigrants and refugees with affordable loans to pay for accreditation, training, and career development.

We also made important strides in 2023 to advance our journey for Indigenous reconciliation, through extensive consultation with key groups on the opportunities available for Definity to support Truth and Reconciliation, including with employees, external stakeholders, and Indigenous rightsholders. The guidance received from these valuable conversations will help inform the development of a more formalized approach for Definity in 2024 and beyond.

I am also very proud of the work Definity has done as a leader in developing and deploying practical tools and guidance to assess and mitigate potential bias or unfairness in machine learning and analytical models as we continue to harness the incredible power and value of artificial intelligence for our business and society.

Our success as a company depends on our ability to attract, retain, and develop top talent to meet our business objectives and deliver on our values and purpose. We are committed to creating an innovative, high-performing, and inclusive workplace through a combination of competitive compensation, development support, and a dynamic work culture where all employees are appreciated for who they are and what they contribute. We are proud of the many recognitions we've received, including being named one of Forbes Canada's Best Employers for Diversity, one of Canada's Most Admired Corporate Cultures by Waterstone Human Capital, and one of the Best Workplaces™ in Canada by Great Place to Work®.

I am grateful for the ongoing sustainability contributions of our employees and leadership, as well as our Board of Directors, who continue to guide and support our efforts with a focus on helping Definity be a force for good in the world over the long-term. As you read more about our progress in the pages of this report, you will see how we remain guided by our purpose of building a better world by helping our clients and communities adapt and thrive as we invest in creating a sustainable future.

Thank you.



ROWAN SAUNDERS

PRESIDENT AND CEO



2023 ESG HIGHLIGHTS



Established a **Climate Centre of Excellence** to support inclusion of climate change implications into product development, underwriting, and risk management

Supported **Climatesmart Canada's advocacy** for intelligent and timely implementation of climate adaptation and resilience measures across the country, including sponsorship of the National Adaptation Summit in Ottawa



Achieved an approximate reduction of 25% in **Scope 1 and 2 greenhouse gas emissions** (location-based) relative to 2019 baseline levels³



Launched **Sonnet Shift** – a usage-based insurance product that incentivizes less driving through mileage discounts, and rewards safer and more fuel-efficient driving habits



Extended our **ethical data usage framework** to consistently perform bias and fairness assessments, developing predictive models and to address bias detected



Published a **Human Rights Policy Statement** that codifies Definity's existing approach to respecting human rights through our business activities and operations



Contributed \$2,350,000 to the **Definity Insurance Foundation**



More than doubled **employee volunteerism** year-over-year by both hours and number of participants



Received **MSCI ESG Rating** upgrade from BBB to AA, placing Definity among the top third of P&C insurers worldwide rated in 2023

³ 2019 baseline year was recalculated due to a change in the calculation approach to fleet related emissions which exceeded our threshold for significance.

AWARDS AND RECOGNITION

Building an engaging, values-based culture that champions innovation, teamwork, and an ownership mindset is integral to helping achieve our goals. We are proud to have received the following organizational recognitions in 2023:





Our rating: Medium risk 21.9

Our score: C

⁴ In 2023, Definity Financial Corporation received a rating of AA in the MSCI ESG Ratings assessment. The use by Definity of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Definity by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

⁵ Copyright © 2024 Morningstar Sustainalytics. All rights reserved. This section contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third-party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers>. As at December 31, 2023

⁶ In 2023, Definity disclosed to CDP's Climate Change questionnaire



ESG GOVERNANCE

Robust corporate governance and effective leadership are essential to meeting our ESG goals and objectives, now and in the future. Definity is committed to promoting the long-term sustainability of its business, and instilling trust in our employees, clients, partners, and communities. We do this through transparent and open communication with our stakeholders, and ensuring our policies and practices are of appropriately high standards, taking a thoughtful approach to emerging issues, and delivering on our commitments.

BOARD OVERSIGHT

The proactive management of material ESG issues is an important element of our corporate strategy which we believe creates 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 and its committees which are engaged on specific components of our ESG agenda. The Board of Directors oversees our ESG strategy as a whole.

At the committee level, physical and transition climate risks (including insurance and investment risks) are reported quarterly to the Risk Review Committee of the Board. This committee reviews our progress against our enterprise climate change strategy annually or more frequently, as required. The Audit Committee oversees Definity's annual ESG disclosures. The Human Resources and Compensation Committee governs talent, succession, engagement and culture, pension, and executive compensation – including the incorporation of ESG-related performance objectives in compensation programs. They also oversee our inclusion, diversity, equity, and accessibility efforts for employees. The Corporate Governance Committee oversees conduct, governance framework, and community investment activities.

MANAGEMENT RESPONSIBILITY

Our Executive Leadership Team (ELT) seeks to embed the appropriate ESG factors and initiatives into Definity's business plans, and to ensure 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 more closely oversees the company's ESG strategy development and related execution.

The Management Risk Committee oversees enterprise risk and control activities with a view to ensuring that the magnitude of core and emerging risks remains within the established Board-approved risk appetite and that adequate mitigation strategies are undertaken where appropriate.

The Executive Investment Committee oversees compliance with our Investment Policy Statement (which includes climate change considerations) and the performance of the investment portfolio. It assesses the impact of external, social, economic, capital markets, and regulatory environment influences on the company's investment portfolios, strategies, and operations.

The Chief Risk and Actuarial Officer maintains oversight of all identified key and emerging risks and, supported by other members of senior management, is responsible for our climate change strategy.



STRATEGY DEVELOPMENT AND EXECUTION

A dedicated ESG function within our Corporate Strategy group is responsible for the development of sustainability strategies and implementation plans, and provides day-to-day oversight, thought leadership, and execution support for our business lines and corporate functions. Several cross-functional groups support the day-to-day development and execution of ESG-related priorities, including but not limited to the following:

- Our **ESG Working Group**, chaired by the head of our ESG function, to continually develop, implement, and measure progress against ESG priorities across the enterprise.
- A **Climate Change Working Group**, co-chaired by the heads of our Enterprise Risk and ESG functions. This group supported the development of the enterprise climate change strategy and is responsible for the ongoing execution of prioritized initiatives. It is responsible for enhancing and promoting existing climate-related offerings, as well as supporting the development of further climate-related offerings across the business, including the establishment of a Commercial Insurance Underwriting Working Group to further integrate environmental factors into underwriting practices.
- A **Climate Centre of Excellence** established in 2023. Headed by a climate scientist, the centre of excellence serves as a technical hub for climate information and assists the business to incorporate climate change implications into scenario analysis, product development, and underwriting risk appetite decisions and risk management. It will assess the short-term and long-term impact of climate change on our insurance operations and develop strategies to mitigate climate-related risk and explore climate-related opportunities. These learnings will further inform our advocacy efforts to support climate adaptation across Canada.
- The **Inclusion, Diversity, Equity, and Accessibility Advisory Committee**, chaired by our Senior Vice-President and Chief Technology Officer, includes chairs of employee groups and a variety of business leaders focused on the continuous enhancement of our culture of inclusion and belonging.

STRATEGIC OVERSIGHT

BOARD OF DIRECTORS

- Audit
- Corporate Governance
- Human Resources and Compensation
- Risk Review

EXECUTIVE LEADERSHIP TEAM

- Management Risk Committee
- Executive Investment Committee

ESG STEERING COMMITTEE

INCLUSION, DIVERSITY, EQUITY, AND ACCESSIBILITY ADVISORY COMMITTEE

DEVELOPMENT AND EXECUTION

BUSINESS UNITS

- Personal Insurance and Digital Channels
- Commercial Insurance
- Claims
- Investments

SUPPORT FUNCTIONS

- Finance
- Human Resources
- Risk & Actuarial
- Enterprise Analytics & Data Office
- Corporate Services
- Investor Relations

WORKING GROUPS

- Climate Change Working Group
- ESG Working Group
- Commercial Insurance Underwriting Working Group
- Innovation Council

ESG FUNCTION

CLIMATE CENTRE OF EXCELLENCE

EMPLOYEE GROUPS

- Anti-Racism and Cultural Equity
- Disability & Accessibility Advocacy
- Environment and Climate Action
- LGBTQ+
- Women's Empowerment

MEMBERSHIPS

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 our industry, the capital markets, and Canadian society.

We are supporters or members of the following:



CLIMATE PROOF
CANADA



IBC
Insurance Bureau
of Canada



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



Institute for Catastrophic Loss Reduction
Institut de prévention des sinistres catastrophiques



CORPORATE STRATEGY



OUR NORTH STAR

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 Promise

Making insurance better

STRATEGIC OBJECTIVES

Definity's enterprise strategic objectives are to:



To achieve these objectives, Definity proactively addresses the environmental, social, and governance issues that we believe are most material to our business, as outlined in the following section, and makes meaningful contributions toward societal challenges where we fulfill our purpose.

This report outlines many of our contributions to support climate adaptation and resilience and enable more equitable outcomes in Canadian society. These are issue spaces in which a property and casualty insurer is well-placed to help our clients adapt and thrive, and over time will yield benefits to our market and industry by mitigating insured losses and supporting wider prosperity.



OUR SUSTAINABILITY 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 SUSTAINABILITY 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

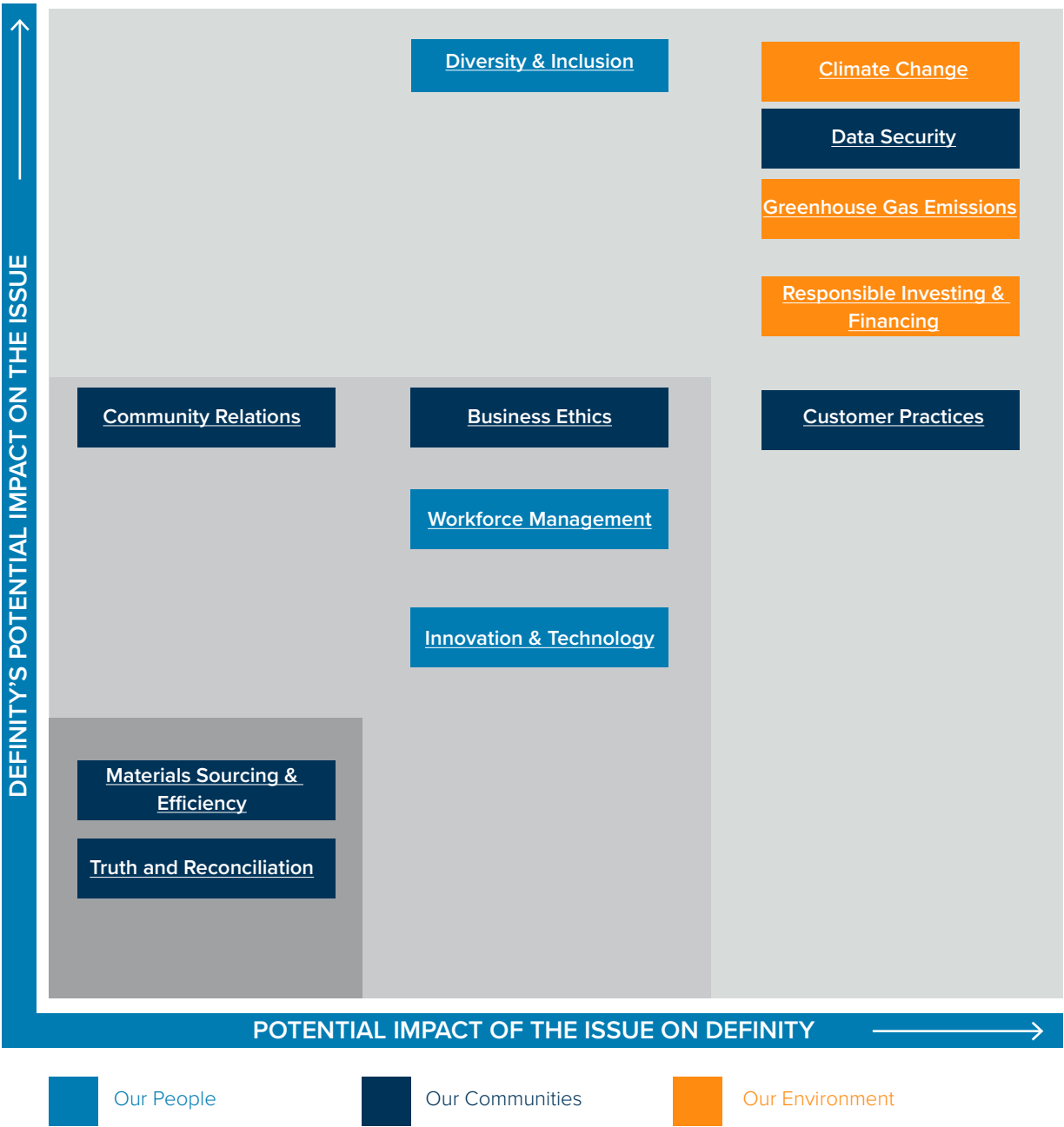
As a responsible corporate citizen within the insurance industry, we embrace environmental sustainability. We take an active role in managing environmental risks and making informed decisions to protect our environment.

MATERIALITY

We approach materiality as a dynamic concept and regularly monitor ESG issues to assess their potential impact on our business operations and outlook and refine our strategy accordingly.

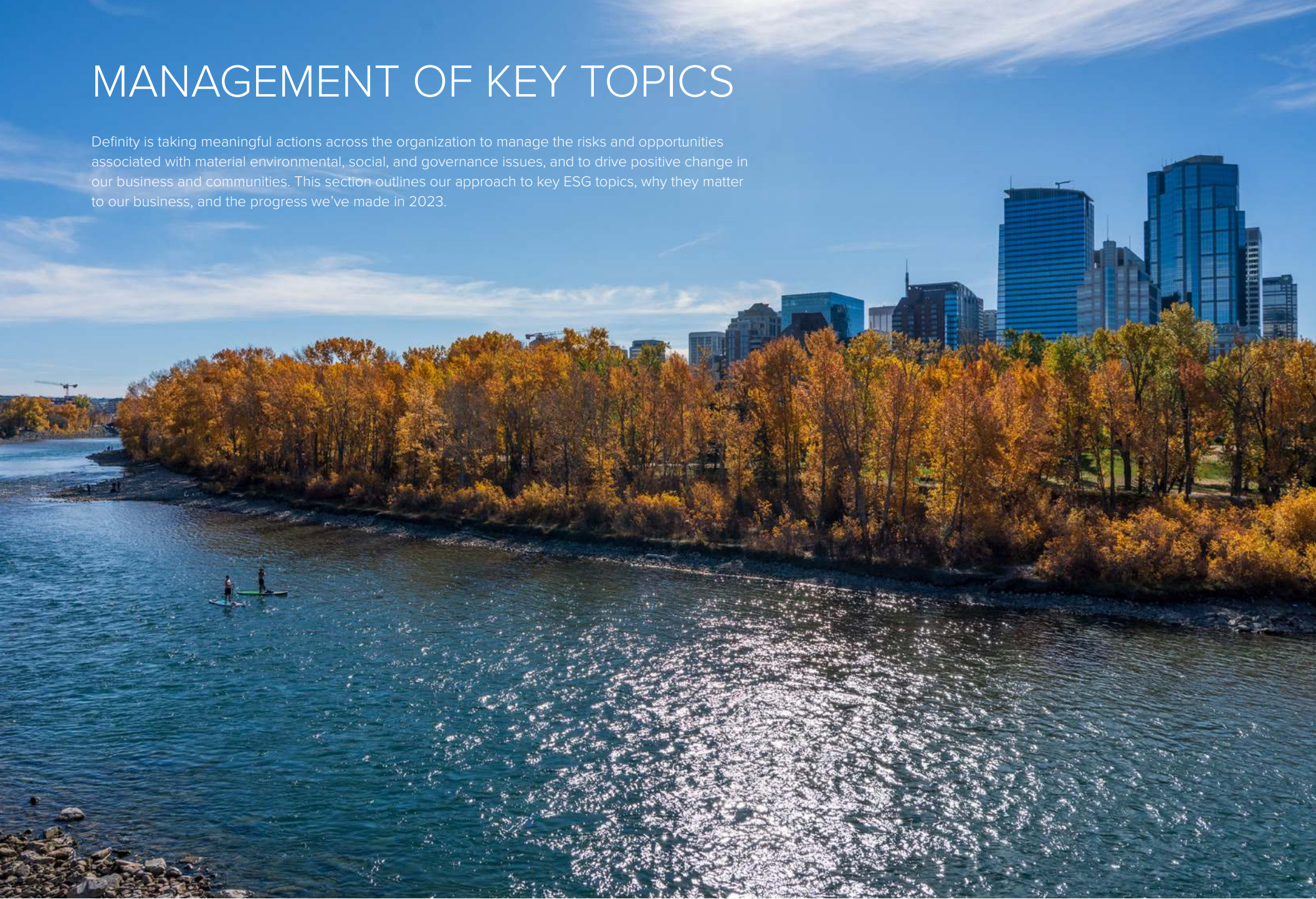
A materiality assessment is used to identify the ESG issues that we believe could influence Definity’s long-term sustainability, including our ability to execute on our strategy, our financial performance, and our valuation. As part of this process, we engage our employees, suppliers, brokers, clients, senior management, Board of Directors, and investors through direct consultation and surveys. We also assess the frequency and importance of material topic mentions in traditional media, social media, peer reporting, regulations, voluntary standards, and frameworks for our sector. The key output of this assessment is the identification of the ESG issues that we consider most material to our business.

We conduct materiality assessments biennially and in 2023 implemented a “double-materiality” view, assessing both the financial impact of material issues on our business and the potential outward impacts of our company on the environment, society, and the economy.



MANAGEMENT OF KEY TOPICS

Definity is taking meaningful actions across the organization to manage the risks and opportunities associated with material environmental, social, and governance issues, and to drive positive change in our business and communities. This section outlines our approach to key ESG topics, why they matter to our business, and the progress we've made in 2023.



ADAPTING TO A CHANGING CLIMATE

Definity analyzes and manages the implications of climate change in our operations, products and services, claims practices, underwriting and investment portfolios, and reinsurance strategy, and the ways in which we engage with clients, employees, suppliers, governments, and other stakeholders.



Why it matters:

Climate change is at the point of crisis, increasingly destabilizing the natural systems on which our economy and society rely and challenging the resiliency of our business and the well-being of our employees, clients, and communities. Definity incorporates climate risk and opportunity considerations across our business and helps to drive change to support a healthier environment and a more resilient society.

Climate Change Strategic Pillars



PRODUCTS, PRICING & CLAIMS

Targeted integration of sustainability factors in product, pricing, and claims to manage climate-related risks and opportunities



RISK & ACTUARIAL

Provide risk management and expertise to inform enterprise actions to manage physical and transition risks impacting the industry



OPERATIONS

Advance key initiatives toward net-zero objective



INVESTMENTS & FINANCE

Incorporate climate risks and opportunities as core elements of investment decision-making



ADVOCACY & ENGAGEMENT

Work with community leaders and partners to support climate adaption and resiliency



GOVERNANCE & REPORTING

Ensure regulatory requirements and disclosure needs are met

Climate risk management

Our enterprise risk management framework is rooted in the understanding that we are in the business of taking risk for an appropriate return. Balancing risk and reward is sought through dynamic alignment between business strategy and risk appetite, diversification of risk, seeking appropriate compensation for risk, managing risk through preventive, detective, and mitigating controls, and transferring risk to third parties, where appropriate. As discussed in “Section 12 - Risk Management and Corporate Governance” of Management’s Discussion and Analysis in our [2023 Annual Report](#), we take an integrated approach to the identification, assessment, monitoring, reporting, and mitigation of risks across the organization, including emerging risks. All identified key and emerging risks are assessed for their potential impact on our corporate strategy, competitive position, operational results, reputation, and financial condition.

Climate change is a core strategic risk, defined as one that we are willing to assume and manage to achieve our return expectations and business objectives. Definity actively manages both physical and transition climate-related risks through our overall enterprise risk management framework.

Physical: Relates to acute impacts of increasing frequency and severity of extreme weather events arising from changing climate patterns (such as floods, wildfires, tornadoes), as well as chronic changes in climate patterns that occur over time (for example degrading and/or overwhelming infrastructure, drought, sea-level rise, coastal erosion).

Transition: Relates to economic, market, and policy changes associated with transitioning to a low-carbon economy, including reputational risks from stakeholders’ views of our approach to climate change.

Financial planning: Climate change risks and opportunities are factored into Definity’s capital and operating budget planning processes. Weather-related events may impact loss trends and are incorporated in our budgeted projections of loss ratio and claims reserves, including catastrophe losses and reinsurance recoveries where appropriate. Loss and reinsurance trends further impact our policy pricing and underwriting risk appetite, and can translate to changes in our gross written premiums and net earned premiums.

Investments: Investment values and returns may be affected by climate change and transition risks. Weather-related losses or the transition to a low-carbon economy may impact the profit and prospects of an investee, and this, along with investor sentiment, could adversely affect the value of our investments. We manage these risks by maintaining a highly liquid investment portfolio that is diversified across industries and regions. We’ve adopted targets to reduce the emissions intensity of our equity and corporate bond investments to help manage climate-related risk to our investments, which can be found under the Metrics and Targets section, on page 47. Definity has integrated these and other ESG considerations into its investment process and Investment Policy Statement. We’ve conducted a qualitative risk assessment of the investment portfolio and conduct regular risk monitoring of physical and transition risks. Our investment portfolio is heavily weighted toward low-risk sovereign debt, is well diversified to climate risks and opportunities across regions and industries, and in our view is liquid enough to enable rapid shifts if necessary.

Risk complexity: Climate change risks are interdependent and interact with many of the other risks we face, adding further uncertainty and complexity, and the potential to exacerbate other risks. Our climate change strategy is integrated into our business strategy across the organization. We analyze the implications of climate change on our underwriting and investment portfolios and on our own operations and take steps to educate clients and employees on how to mitigate weather-related losses.

Concentration of risk: We mitigate our catastrophe loss exposure by monitoring exposure to concentrations of insured risks, and by considering the potential impact on our capital position and overall risk tolerances through the deductibles charged to policyholders, by placing limitations on policy terms, by limiting underwriting capacity for particular risks or regions, and by purchasing reinsurance. We respond to claims caused by weather-related events through our catastrophe response teams, reinsurance program, and claims vendors, who are assessed to determine if they can offer quality service even when responding to the demands of natural catastrophe events.

Influence on offerings: Physical and transition risk considerations can also influence pricing, coverage options, product features, and services sought by clients or offered by our competitors. If we’re unable to maintain competitive pricing, coverage options, product features, and services that are attractive to clients, our ability to grow or maintain our written premium levels and underwriting profitability may be affected.



Modeling impact: We're continuously enhancing our modeling capabilities to better understand changes in key climate-related risk exposures, to confirm that our pricing, coverage options, risk accumulations, reinsurance program, and claim liability estimates remain appropriate in our view. We're also assessing other climate change hazards or reputational risks present in our insurance offerings.

Extreme weather: Higher global average temperatures will result in more frequent and severe extreme weather events, presenting acute physical risks that are likely to result in more frequent and higher-value property, auto insurance, commercial, and farm claims. Climate-related perils impact national and international supply chains and drive inflationary pricing, potentially increasing claims costs of specialized coverages. Climate patterns will also 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. We also anticipate an increased interaction of perils or successive extreme weather events, such as the wildfires and flooding experienced in Nova Scotia in 2023. These factors could ultimately influence the insurability of certain regions or types of property and activity. It will become increasingly important for Definity to understand the potential impacts of the changing climate on our clients and operations, and take these factors into account in our underwriting, pricing, reserving, claims management, reinsurance, capital management, and operations.

Reinsurance: Climate change risks influence the cost, coverage, and availability of reinsurance for some regions, risk profiles, or carbon-intensive industries. These risks could impair the ability or desire of reinsurers to provide us with reinsurance protection and impact our ability to obtain adequate reinsurance coverage on acceptable terms or at all. We've developed relationships with our reinsurers and work with them to help them understand the risk profile present in our book of business in relation to climate change risk. We believe that these relationships, along with proactive management of our reinsurance program, help us to maintain access to sufficient and cost-effective reinsurance.

Net zero: A societal transition to net zero implies policy and economic changes that are unpredictable and not yet quantifiable. These changes could include a rising price on carbon emissions in Canada, more dynamic market and regulatory environments, more commercial liability claims, and heightened stakeholder expectations. Positioning our business strategically considering these transition risks — by decarbonizing our operations and investment portfolio, for example — may help mitigate their potential impacts over time.

Qualitative risk assessment: The following chart represents a qualitative assessment of the climate-related risks and opportunities to Definity's business lines, investments, and operations, updated in late 2023. These risks and opportunities were primarily identified on the basis of potential changes in asset values, operating revenues and costs, and the frequency and severity of insurance claims. In the qualitative analysis, a "business as usual" scenario was used to demonstrate the maximum physical impacts, and a Paris-aligned emissions scenario⁷ used to demonstrate maximum transition impacts.

RISK	RISKS AND OPPORTUNITIES	IMPACT AREAS	SOURCES OF VULNERABILITY	TIME HORIZON
PHYSICAL RISK	Flooding and extreme precipitation	- Personal Insurance - Commercial Insurance - Investments - Operations	- Climate change may drive more extreme precipitation events, resulting in increased pluvial flood risk. - Changes in rain, snow, and temperature patterns may increase fluvial flood risk, but the Canada-wide pattern is uncertain and heterogeneous. - Changes in flood risk may result in more frequent catastrophic loss events, potentially increasing claims for all insurance lines. - Floods may pose an operational risk to our office locations and financial risk to investment returns.	1 - 5 years
	Wildfires	- Personal Insurance - Commercial Insurance - Investments - Operations	- Canadian regions may face some of the highest increases in wildfire risk globally due to climate change-driven warming, and parts of Canada have already experienced an increasing trend. - Wildfires are a source of catastrophe losses, potentially triggering P&C claims across all insurance lines. - Wildfires could affect operations and significant wildfires could pose a financial risk to investment returns.	1 - 5 years
	Extreme wind events	- Personal Insurance - Commercial Insurance - Investments - Operations	Warming ocean temperatures and other factors may increase the intensity but decrease the overall number of tropical storms.	1 - 5 years
	Global sea level rise and Great Lakes water level	- Personal Insurance - Commercial Insurance - Investments	- Due to melting ice sheets, ice caps, and glaciers, global sea level will rise significantly in the 21st century. This will increase coastal flood risk and affect coastal communities and businesses. Much of Atlantic Canada additionally faces land subsidence and is more at risk from coastal flooding due to sea level rise than Pacific coastal areas. - Higher sea levels will raise the risk of high tide flooding, and drastically increase coastal flood risk during storms. - The range of extreme water levels in the Great Lakes may increase, resulting in extreme low and high values not yet observed. - Commercial clients and investments in industries that operate in coastal areas and depend on ports and coastal transport infrastructure will be negatively affected.	10 years and longer
	Extreme temperatures	- Personal Insurance - Commercial Insurance - Investments - Operations	- All Canadian regions are expected to see significant increases in the number of heat waves and high temperature days. Increased extreme heat in Northern Canada has already been attributed to climate change. - Heat waves can lead to behaviours and impacts that cause increased insurance claims, including: - increased theft and violent crime - increased ticks and tick-borne diseases impacting pet health - property damage from exterior façade and roof damage - stress to electricity grid could drive up casualty claims due to breakdowns in air conditioning and/or refrigeration systems - Increased extreme temperatures may also reduce economic productivity in all regions, particularly impacting outdoor-work industries. - Increases in extreme temperatures and the increased frequency of heatwaves may affect our employees, and through their chronic impacts on the economy affect investment portfolio returns in sectors such as agriculture, manufacturing, and construction.	10 years and longer

⁷ A scenario in which greenhouse gas emissions decrease on a trajectory consistent with the UNFCCC Paris Agreement to limit global temperature rise to well below 2°C above pre-industrial levels.

RISK	RISKS AND OPPORTUNITIES	IMPACT AREAS	SOURCES OF VULNERABILITY	TIME HORIZON
PHYSICAL RISK	Water stress/drought	- Personal Insurance - Commercial Insurance - Investments - Operations	- Most Canadian regions are expected to become drier due to warmer temperatures and changes in precipitation patterns. This may negatively affect our agriculture portfolio and may exacerbate other perils such as wildfire or floods. - Long-term water stress or drought in the Canadian Prairies may affect the Canadian economy and investment returns.	10 years and longer
	Ice storms and freeze-thaw cycles	- Personal Insurance - Commercial Insurance - Operations	- Freezing rain occurrence in Eastern Canada may shift northward. A shift away from key population centers may reduce overall ice storm risk. - Freeze-thaw cycles lead to accelerated structural degradation for properties and crop damage that impacts the agricultural industry. Fewer freeze-thaw cycles from increased temperatures would result in fewer associated claims.	10 years and longer
TRANSITION RISK	Regulatory intervention	- Personal Insurance - Commercial Insurance	Climate risks and impacts may lead regulators to impose requirements relating to coverage, pricing, capital, operations, disclosures, or otherwise.	1 - 5 years
	Stakeholder action	- Personal Insurance - Commercial Insurance - Investments - Operations	- Definity may face stakeholder pressure or protest related to its activity (clients, investments). - Definity may face negative impacts if we are perceived to not be adopting or executing against an adequate climate strategy.	1 - 5 years
	Carbon pricing	- Personal Insurance - Commercial Insurance - Investments - Operations	- Climate policy, along with other societal factors such as remote work and public transit development, may decrease the number of people electing to own personal vehicles. This risk may be offset by clients choosing to drive electric vehicles. - Carbon-intensive businesses and industries may see decreased demand if certain sectors contract in a low-carbon scenario. - Investment returns may be affected through write-downs of stranded climate assets and due to new capital expenditures required for the transition.	1 - 10 years
	Market contraction	- Commercial Insurance - Investments	- Demand for emission-intensive fuel sources and products may decline and therefore reduce market size in certain segments. - Lower demand for emission-intensive fuel sources and products may cause a reduction in investment returns.	5 years and longer
	Liability	- Commercial Insurance - Investments	Climate litigation may affect clients in emission-intensive industries, as well as investment returns from those industries.	5-10 years

RISK	RISKS AND OPPORTUNITIES	IMPACT AREAS	SOURCES OF VULNERABILITY	TIME HORIZON
OPPORTUNITIES	Operational efficiency	Operations	We can invest in buildings, fleet, remote working, and virtual meeting capabilities that reduce greenhouse gas emissions and deliver cost savings and/or cost certainty.	1 - 5 years
	Renewable energy	- Personal Insurance - Commercial Insurance - Investments	- Development of the renewable energy industry may present a market opportunity for residential and commercial installations. - Renewable energy development may provide an investment growth opportunity.	1 - 5 years
	Building retrofits	- Personal Insurance - Commercial Insurance	- The drive to increase the energy efficiency of buildings through retrofits will likely increase their climate resilience, while also likely increasing property value. - Increasing property value can drive increased premiums, while increasing climate resilience can drive down claims. - Increased retrofits may also help drive increased construction insurance.	1 - 5 years
	Electric vehicles	- Personal Insurance - Commercial Insurance	Growth of the electric vehicle segment presents an opportunity for market evolution and/or growth.	1 - 5 years
	Other products and services	- Personal Insurance - Commercial Insurance	We have an opportunity to develop innovative product and service solutions that enable our clients to mitigate their climate impacts by lowering emissions, and to increase awareness and understanding of climate-related risks and reduce or prevent material and financial losses from climate-related weather events. By extension, this will contribute to our clients' climate adaptation and resilience.	1 - 5 years
	Climate-smart investment	Investments	We can incorporate climate transition as a factor in the investment process to identify growth and valuation opportunities for potential investee companies.	1 - 5 years
	Community investment for climate resilience	Communities	We can make grants and partner with charities, non-profit organizations and social enterprises that support community-level risk assessment, infrastructure improvements, capacity building, and tools for increasing community-level resilience and adaptation capacity to the effects of climate change.	1 - 5 years
	Advocacy for climate solutions	- Personal Insurance - Commercial Insurance - Investments - Operations	We can participate in collaborative efforts in support of public policy to advance climate change mitigation and adaptation policies and funding, including nature-based solutions.	1 - 5 years
	Property revaluation	- Personal Insurance - Commercial Insurance	As climate risk becomes a part of property valuations, rates of change in personal and commercial property values could differ for areas with low and high climate risk. This is an opportunity for insurers to inform clients of their changing exposure and improve the alignment of risk and pricing.	5-10 years



Research partnerships

Definity continues to develop capabilities to evaluate the implications of various climate scenarios on its businesses and regions of operation. Through research partnerships with two leading Canadian post-secondary institutions, we've modelled the potential physical risks and impacts of climate change on the insurance industry and, by extension, on our insurance portfolio.

One research study initially focused on the potential effects of high-emissions scenarios on pluvial flooding (resulting from extreme and/or concentrated rainfall in a short timeframe) and fluvial flooding (resulting from riverine inundation that causes water to flow onto surrounding land) across Canada in future decades. We extended this partnership in 2023, to research the long-term impact of climate change on tropical storms. Our other partnership focused on the impact of weather on insured catastrophe perils in three metropolitan areas of Canada, procuring detailed weather-related data which can be used for future climate modelling work.

The outputs of this modelling have provided Definity with useful insights to consider as our climate risk management approach evolves. Over time, development of these and further learnings could prove useful to our business decisions including individual risk selection, policy wording, pricing, insurance and investment portfolio strategy, reinsurance, broker management, and client communications.

Additionally, as part of Definity's 2023 financial condition testing program, we assessed the financial impact to our property and casualty operations due to physical and transition risks associated with climate change. We created a stress scenario that included the impact of additional catastrophe losses for each of the three projection years, and the macroeconomic impact of transitioning to a green economy. The result of the stress testing of this scenario confirmed that Definity would remain financially stable and able to fulfill our contractual obligations, all within the context of the assumptions and methodology of the testing.

In 2023, Definity continued its efforts to quantify and assess greenhouse gas (GHG) emissions associated with its commercial insurance underwriting. In close collaboration with external partners, Definity used proprietary models and the Partnership for Carbon Accounting Financials (PCAF)⁸ Global GHG Accounting Standard for the Financial Industry to develop a baseline understanding of key emissions-related metrics. This analysis covered the majority of Definity's 2022 premium written in our commercial insurance business and indicated that in general our commercial insurance business has a lower emissions profile than the Canadian market average. Overall, the analysis validated our confidence in our approach to managing ESG-related risks and exposure, which were found to be relatively low and well-diversified.

We also explored how ESG-related attributes might yield decision-useful insights that could be leveraged by commercial underwriting operations and in the monitoring of commercial lines exposure to ESG-related risks in the future.

We're committed to further integration of forward-looking climate modelling into our risk management and opportunity analyses. In the near term, we intend to conduct further scenario analysis that focuses on the potential impact of transition-oriented risks and opportunities associated with a Paris-aligned emissions scenario. We plan to continue to disclose insights arising from these efforts concerning the resilience of our corporate strategy relative to the potential impacts of climate change as this modelling is completed and refined over time.

⁸ Partnership for Carbon Accounting Financials (PCAF): <https://carbonaccountingfinancials.com>

platform, which is a key element of the company's strategy to strengthen its resilience. The company has also realized the importance of climate change adaptation to disaster risk management, and is actively engaged in the development of a climate resilience and economic recovery plan. The company is committed to proof Canada's cross-sectoral approach to build a more resilient Canadian economy and society, and is actively implementing the National Adaptation Strategy. The company's cross-sectoral approach is required for both climate change adaptation and resilience, and that the insurance sector plays a meaningful role in this process.

The company sponsored Climate Proof Canada's National Summit in Ottawa. Definity and our fellow coalition members participated in meetings with various federal Cabinet ministers on climate adaptation and resilience, along with opposition Members of Parliament. The company also engaged with regulators and industry bodies to help shape policy and activities. Definity has members in various working groups at the Bureau of Canada and of the Canadian Institute of Actuaries, and in providing feedback on legislation and regulatory proposals of the Superintendent of Financial Institutions. The company also outlines expectations for the sound management of climate-regulated financial institutions.



Paul MacDonald, EVP Personal Insurance & Digital Channels, welcomes the Honourable Steven Guilbeault, Minister of Environment and Climate Change, at the National Climate Adaptation Summit in Ottawa.

ENABLING A THRIVING WORKFORCE

INCLUSION, DIVERSITY, EQUITY, AND ACCESSIBILITY

Definity's commitment to Inclusion, Diversity, Equity, and Accessibility (IDEA) is demonstrated by the ongoing involvement of its senior executives. Rowan Saunders, our President and CEO, is our executive sponsor for IDEA at Definity and serves as a mentor to the Chair of our IDEA Advisory Committee. This committee is made up of employees who reflect different functions, regions, levels, and diverse experiences across our business and plays a prominent role in establishing our diversity and inclusion strategy, plan, and measures, as well as in initiating efforts that make us more inclusive. More details about employee demographics can be found under the "Metrics and targets" section on page 47.

Definity co-chairs the General HR Insurance Group diversity and inclusion working group, which works in partnership with the Insurance Institute of Canada to help position the P&C insurance industry in Canada as a desirable sector for diverse talent. This working group has become an IDEA community of practice for the industry. We've also built strong partnerships with other organizations, such as Pride at Work, Indigenous Works, and the Canadian Centre for Diversity and Inclusion to offer learning opportunities, along with the employee group events in our monthly IDEA calendar.



Why it matters:

A culture of belonging enables employees to thrive and deliver high performance. Definity's IDEA principles are embedded throughout our employee practices and experiences and reflect our commitment to a barrier-free culture for our employees, our clients, and our communities. IDEA is built into our corporate culture, talent acquisition practices, learning and development programs, philanthropic activities, and products and services. Our IDEA philosophy applies to our interaction with all stakeholders, including employees, brokers, clients, communities, suppliers, investors, regulators, and industry partners.



INCLUSION, DIVERSITY, EQUITY AND ACCESS HIGHLIGHTS



Named to Forbes' **Canada's Best Employers for Diversity**



Introduced the **Disability Accessibility Advocacy Employee Group**

Reached **100%** in **inclusive hiring**



Introduced our **Equity Scholarship Program**, targeting students from equity deserving groups



Partnered with an Indigenous-owned and operated consultancy to help develop our **reconciliation framework**



Participated in an intersectionality roundtable with employer partner **Canadian Centre for Diversity and Inclusion**



Launched a **parent and caregiver employee community**



More than **900 employees** participated in our **National Day for Truth and Reconciliation** learning event



24% of employees participated in IDEA events in 2023, compared to 16% in 2022

OUR COMMITMENT TO EQUAL OPPORTUNITY

Provincial human rights legislation forms the foundation for Definity's approach to equal opportunity and its basic principles:

- Employment decisions are based on individual merit and ability
- Each individual is treated with dignity and respect
- Action is taken to eliminate discrimination and harassment
- Barriers that prevent people from having a fair chance to participate and succeed in the workplace are identified and removed

Definity believes that this policy will help the company meet future challenges by:

- Creating a work environment that is based on fairness and merit, allowing us to attract and retain employees in an increasingly competitive skilled labour market
- Providing an atmosphere where everyone can work to their full potential, improving our productivity
- Creating an environment that respects individuals and values differences, ensuring that we can provide excellent service to an increasingly diverse client base

In 2023, Definity published a **Statement on Human Rights** that takes into account relevant Canadian human rights laws and regulations and internationally recognized human rights standards and values.



Why it matters:

Definity acknowledges the long history of colonialism and the intergenerational trauma inflicted on Indigenous peoples and communities of the lands we call Canada. To move forward, we must strive to understand the truth and lived experiences — past and present — of the people of this land and take action to develop healing relationships.

TRUTH AND RECONCILIATION

In 2023, Definity made a more formal commitment to Truth and Reconciliation by developing a framework for reconciliation with Indigenous peoples and communities, anchored in the Truth and Reconciliation Commission of Canada's Call to Action #92 for corporate Canada. We partnered with an Indigenous-owned consultancy to assess Definity's activities to date, potential gaps, and opportunities for impact. Together, we embarked on an extensive consultation process including six internal focus groups to understand employees' perspectives, as well as three sharing circles designed to absorb the perspectives of a variety of Indigenous organizations, stakeholders, and rightsholders.

The knowledge and insights gathered through the baseline assessment, focus groups, and sharing circles were then compiled into a framework for reconciliation action and an inventory of potential actions. We are currently working to refine those outputs into a formal enterprise Reconciliation Action Plan in 2024 that will guide Definity's efforts in the short-to-medium term, to support existing initiatives, new programs, and the development and nurturing of reciprocal relationships with Indigenous employees, clients, and communities.

We intend to be vulnerable, transparent, and authentic in our continued journey, and to centre Indigenous voices in an equitable, reciprocal way to recognize their unique aspirations, needs, and rights.

TALENT MANAGEMENT

Our promise to our employees is to provide a workplace that is collaborative, ambitious, rewarding, and empowering (CARE).

Talent attraction and retention

In 2023, Definity invested in diverse early-career talent and growing talent from within. We increased our presence on campus and partnered with campus student groups, reaching more than 10,000 students through various events. In addition to our co-op partnerships, we introduced two New Graduate Rotational Programs in Actuarial and Advanced Analytics and Specialty Lines Underwriting which allows us to develop internal talent and fill key skill needs within the organization.

As a result of these efforts, more than 30% of our co-ops returned for additional co-op terms or full-time roles with us. While 14% of our available roles in 2023 were student-related, student applicants made up a total of 34% of all applications, and our new graduate offer acceptance rate was 100%.

Our talent acquisition strategy also included a campaign to increase awareness of Definity career opportunities, promoting our employee experience through our brand campaign. We also executed a Quebec-focused campaign to attract talent to fill vacancies in Quebec.

In 2023, we focused on our promise of CARE and providing opportunities for employees to develop and grow. As a result, our internal mobility rate is 46%. We saw a decrease in our voluntary turnover rate⁹, to 11.3 % in 2023 down from 12.9% in 2022. Our average tenure for employees started to rise (6.3 years in 2023, up from 5.9 years in 2022), after a decrease in the previous year due to the hiring of new talent.

We partner with various groups to create awareness of our employment opportunities, including the Black Business Professionals Association, Indigenous Professional Association of Canada, Magnet, and the Women's Law Association of Ontario. In 2023, we added a new partner, Link Canada, whose mission is to make the insurance industry the employer of choice for the LGBTQ2S+ community. We continue to explore how these partnerships can help us make our recruitment and onboarding processes more inclusive.



Why it matters:

Definity's success depends on our ability to attract, retain, and develop top talent to meet our business objectives and deliver on our values and purpose. We are committed to creating an innovative, high-performing, and inclusive workplace. We do this through a combination of competitive compensation, development support, flexible benefits, and a work culture that supports our diverse employee population throughout their career and life stages.



Supporting employee well-being

Our employees are critical to our success, and Definity is committed to supporting the mental, physical, social, and financial health of our employees.

Employee compensation

Our compensation programs and practices include regular audits and reviews to ensure our compensation is competitive, and that our programs are compliant with pay-equity requirements across Canada.

Definity has a structured pay system for both base pay and variable pay, reducing the effect of gender, race, ethnicity, or other such attributes on pay decisions. All jobs are measured and ranked using a gender-neutral evaluation tool which looks at the content of jobs so that we grow and reward our workforce in an equitable and bias-free manner.

Salaries are reviewed annually as part of our merit process. Each year, leaders are encouraged to use employee placement in the salary range, individual performance, and other factors, to support merit decision-making. In recent years, Definity has provided additional guidance to leaders to also consider employee income levels in response to rising inflation, and to address any market pay gaps resulting from the evolving talent landscape.

We also provide annual pay-for-performance incentive compensation. This annual, variable incentive pay aligns the performance of our regular full- and part-time employees with the objectives of the company. Incentive amounts are based on Definity's financial results and individual performance relative to goals and are calculated as a percentage of the employee's earned salary for the year.

In 2023, British Columbia passed the Pay Transparency Act. Definity responded by enhancing our pay practices not only in British Columbia, but across Canada by publishing expected pay ranges for all opportunities. We recognize that pay transparency plays a significant role in increasing the number and quality of applicants and accelerates the removal of systemic bias.

⁹Based on voluntary separations as a percentage of active headcount for active (excludes individuals on leave) permanent (excludes students, contract employees, independent contractors or individuals employed by a third party staffing agency are not included) full-time and part-time employees (derived from 12 monthly headcount reports). Does not include retirements.



DEFINITY SHARE OWNERSHIP PLAN

In 2023, the percentage of employees making a regular payroll contribution in the Definity Share Ownership plan increased to 61% of all eligible employees. Employee contributions are made on a voluntary basis and are matched at 100% by the company up to \$1,500 per year. All eligible new employees are offered a welcome contribution. The program also provides employees with savings account options such as a Registered Retirement Savings Plan (RRSP) or Tax-Free Savings Account (TFSA).

Employee benefits

Definity's Total Rewards program is foundational to our employee experience. The mental and physical well-being of our workforce is critical to our operations.

We actively monitor and adapt our benefits to meet the needs of our diverse employee population, including using employee surveys to obtain feedback about the benefits and support programs they value most. The feedback influences long-term decisions about programs that best support our employees and organizational goals.

Updates in 2023 include:

- Maternity leave top-up enhancement — Birth parents (including parentage through surrogacy) are eligible for up to 100% of their weekly salary for 14 weeks, as a top-up to government Employment Insurance benefits
- Parental leave top-up enhancement — Non-birth parents (including parentage through adoption) are eligible for up to 100% of their weekly salary for 4 weeks, as a top-up to government Employment Insurance benefits
- Added Indigenous health expenses to the personal spending account
- Significantly increased mental health coverage
- Increased fertility services coverage

Definity offers employees 24/7 access to our TELUS Health One Employee Family Assistance Program, which includes access to professional counselling, as well as financial, family, and legal support services.

TELUS Health also offered virtual seminars in 2023, including topics such as resiliency for working parents, mindfulness, caregiving, and reducing stress. More than 200 employees registered for these seminars.

Safe and healthy workplace

Definity embraces sustaining a workplace that aims to prevent occupational illness or injury and promotes the health and safety of all employees.

At Definity, we provide accommodation for employees with disabilities, medical restrictions and limitations, injuries, or illness, offer an ergonomics program to enhance the well-being of all employees, and strive to ensure that our furniture, fittings, and equipment are purchased, designed, and installed to meet sound ergonomic principles with respect to their use. Where necessary, we also provide assistive devices (e.g., footrests and monitor risers) to assist with workstation height and layout adjustment.

OUR CULTURE

Employees who are connected and engaged help drive our purpose and ambition and deliver for our clients and partners. Our employee promise is our commitment to providing an experience that is collaborative, ambitious, rewarding, and empowering. While our Employee Promise Index was 80%, compared to 81% in 2022, we are committed to CARE.

As part of our listening strategy, we conducted three surveys in 2023 to gather employee feedback on their work experience at Definity. The results of these surveys enable our organization to adapt our practices to provide an engaging and empowering experience for everyone. We are committed to conducting surveys twice a year to remain in a position to be accountable to our employees.

Our survey participation rate for the final survey of 2023 was 90%. Our Engagement Index¹⁰ was 77%, compared to 80% in 2022, and our Hybrid Work Index was 81%, compared to 85% last year. These changes reflect a more competitive talent market and inflationary financial pressures. However, these relatively high scores continue to signal that employees feel that they have equal opportunities to collaborate regardless of work location, are comfortable with health and safety protocols, and have had the chance to provide input into the hybrid model.

The Inclusion and Belonging Index¹¹ score of 88% is up from 87% in 2022 and is a measure of whether our employees feel that they can be themselves at work, whether they can voice diverse perspectives and different ideas, and whether they feel they can succeed to their full potential no matter who they are.

OUR VALUES

WE
ARE ALL
OWNERS



WE INSPIRE
CUSTOMER
CONFIDENCE



WE WORK
TOGETHER TO
WIN TOGETHER



EMPLOYEE ENGAGEMENT

84%

of employees believe our company is committed to social and environmental responsibility

88%¹¹

Inclusion and Belonging Index

85%

Values Index

81%

Hybrid Work Index

90%

participation rate for our latest 2023 survey

Employees also share their views on how they feel we are living our values. The Values index score in 2023 was 85%, compared to 81% in 2022. Additionally, 94% of respondents agreed that they understood how the work they do makes a difference for our clients.

A strong enabler of Definity's overall culture is that employees feel supported by their direct leader. In fact, 92% of employees who responded to the survey shared that they believe their direct leaders care about them as people, up two points from last year.

We created more opportunities for employee engagement in our ESG strategy and to embed ESG into our business. This year our Executive Summit included an ESG component for the first time. Afterward, leaders volunteered their time to pack 75 Be Ready disaster preparedness kits containing essential food and safety items, later delivered to Attawapiskat, a remote First Nation community situated on the James Bay coast in Northern Ontario.

All employees are requested to include an ESG goal as part of their annual performance and development plan. This step to embed ESG into our day-to-day business is reflected by 84% of our employees who responded to the final survey of 2023 stating their belief that the company is committed to social and environmental responsibility.

¹⁰ Engagement Index is compiled from scores to 5 questions during the last survey of 2023: 1) I am proud to work for this company, 2) The company motivates me to contribute more than is normally required to complete my work, 3) My work gives me a feeling of personal accomplishment, 4) I would recommend this company to people I know as a great place to work, 5) I rarely think about looking for a new job with another company. Respondents rated each question on a 5-point Likert scale (from strongly disagree "1" to strongly agree "5"). The score for each question is calculated using the following formula: = (Number of respondents who indicate "agree" + number of respondents who indicate "strongly agree")/ total number of respondents to this question. The Index is the average score of 5 questions. All full time / part time, permanent and temporary employees, who are active (not on any leaves) are eligible to take the survey. 90% of recipients completed the survey.

¹¹ Inclusion and Belonging Index is compiled from scores to 4 questions during the last survey of 2023: 1) Diverse perspectives are valued and encouraged in my team, 2) I can be myself at work, 3) I am comfortable voicing my ideas and opinions, even if they are different from others, 4) At this company, everyone can succeed to their full potential, no matter who they are. Respondents rated each question on a 5-point Likert scale (from strongly disagree "1" to strongly agree "5"). The Index is compiled by the averaging the number of respondents who indicate "agree" or "strongly agree" to each question divided by total number of respondents to the questions. The score for each question is calculated using the following formula: = (Number of respondents who indicate "agree" + number of respondents who indicate "strongly agree")/ total number of respondents to this question. The Index is the average score of 4 questions. All full time / part time, permanent and temporary employees, who are active (not on any leaves) are eligible to take the survey. 90% of recipients completed the survey.

Definity CEO Awards

The Definity CEO Award is our highest level of recognition for individuals or groups who demonstrate our values — we are all owners, we inspire customer confidence, we work together to win together. In 2023, more than 100 individuals and 20 teams from across Definity were nominated by their colleagues for demonstrating “it’s better here” through their wide-ranging and meaningful impact on our culture, business, brokers, clients, and/or communities.

The 10 individual and four team winners were recognized for their exceptional work on a diverse range of projects, including data integrations to improve processes for Definity and our clients, the IFRS 17 implementation project, IDEA allyship efforts, and public policy advocacy. They were honoured at an in-person celebration hosted by Definity President and CEO Rowan Saunders.

CEO AWARD WINNER PROFILE

Definity’s Uber team, which includes relationship management and client support for the ride sharing economy company, is one of four team winners of the 2023 CEO Awards. Through their efforts and those of supporting business teams, they provide expertise and a high level of client service, providing guidance on key decision-making strategies. Their work and dedication help to make Definity a trusted business partner, and help Uber fulfil its mission of “reimagining the way the world moves for the better.”

DEFINITY LEARNING HIGHLIGHTS

Investing in learning and development

Definity continually invests in the learning and development of our employees. Professional development contributes to the success of our organization, our high-performing culture, and to the growth and career satisfaction of our employees. It leads to higher retention and provides a pipeline of talent for internal promotion (see Talent attraction and retention, page 28).

We combine external education opportunities with in-house learning, both in person and on demand, to address identified training needs. In 2023, we invested almost \$1,628,000 in training and development — \$1,467,000 in memberships, licenses, and certifications, \$670,000 in external courses, and \$685,000 in tuition reimbursements or education assistance programs. We also provide financial rewards for employees who achieve an eligible diploma or certification, such as the Chartered Insurance Professional or the Certified Business Intelligence Professional.

Definity Learning is our bilingual, cloud-based learning management system. We offer approximately 1,800 online courses tailored to major business units, including personal insurance, commercial insurance, and claims. There are custom pages that feature content specific to our contact centers, cloud-computing platform teams, leadership programs, co-op students, and our ESG strategy. As part of performance and development conversations, leaders work with their employees to identify development goals, which could include leveraging resources on Definity Learning.

We capitalize on the collective intelligence of our employees through social learning with our Buzz Learning segments, which feature employee recordings, live sessions, and insurance insights to increase business acumen organically. This informal content showcases our employee groups and provides access to employee-led tutorials and how-to content. In 2023, Buzz Learning earned Definity an international award for Best Social Learning Strategy by Docebo.

More than 990 employees participated in our “Learn at Work” week in 2023 — an annual initiative that inspires our employees, teams, and the organization to demonstrate their commitment to continuous learning. We also held our first ESG Hackathon as part of this initiative. Almost 100 people registered for two sessions to collaborate and submit business proposals to help make insurance better.

BUILDING RESILIENT BUSINESS PRACTICES

BUSINESS ETHICS

Definity is committed to upholding high ethical standards and conduct at the individual employee and corporate level. The [Code of Business Conduct](#) communicates expectations for ethical behaviour and guides our work, relationships, decisions, and actions. The Code is supported by policies governing ethical behaviour, anti-harassment, and non-discrimination, and by Definity's whistleblower policy and ethics reporting program. It is included in our onboarding and hiring, and employees must annually attest to their compliance with it.

Our Board seeks to ensure that effective mechanisms are in place for employees to raise ethical concerns. Our ethics reporting program provides a toll-free hotline and website that are maintained by an independent third party. Employees can use those channels to report any breach of our Code or accounting, controls, or auditing concerns anonymously and confidentially, as well as suspected fraudulent activity. If an employee prefers, they can report concerns to their leader or Human Resources.



Why it matters:

Sustainable business requires strong corporate governance and operating with integrity. Definity is committed to upholding high ethical standards and conduct at the individual employee and corporate level to maintain the trust of all our stakeholders. The Board and senior management play a significant role in reducing conduct risk by setting the tone at the top. This includes clearly communicating expectations for appropriate conduct and business practices and demonstrating accountability for conduct, corporate values, and culture through their actions and decisions, as well as challenging others to do the same.

As part of ensuring that employees understand expectations related to ethical behaviour and compliance with legislation, the following compliance training is required to be completed within the first 30 days of employment:

- Accessible Workplace and Customer Service
- Code of Business Conduct
- Disclosure
- Emergency Preparedness and Response Plan
- Legal Risk Management
- Privacy
- Risk Management
- Securities Trading Policy
- Security Essentials

In 2023 the following courses were added, and all employees were required to complete them:

- Security Awareness and Cyber Security
- Threat Management Protocol
- Visitor Management

Leaders must also complete the following training within their first 30 days:

- Workplace Violence and Harassment
- Occupational Health and Safety

Definity requires compliance with applicable legislation and conformity with applicable non-legislative standards and has enterprise-wide practices in place designed to prevent and identify misconduct or non-compliance.

Management is required to report on operational performance and key indicators on outcomes arising from business decisions so our Board can oversee and challenge business decisions, corporate conduct, and the effectiveness of risk management. This provides an opportunity to inform enterprise learnings and response plans.

We've implemented internal controls intended to reduce the inherent risk of external and internal fraud, including fraud identification models for underwriting and claims.



CLIENT PRACTICES

Insurance is a powerful enabler of countless pursuits in our society and provides crucial underpinning for our economy. Insurance provides security and peace of mind for people to take the risks that are necessary to pursue their ambitions – to buy a home, drive a car, or grow a business. When the unexpected happens, insurance acts as a “financial first responder” to help get things back to normal.

Definity offers a comprehensive range of property and casualty insurance products to support Canadian households, drivers, businesses, pet owners, and other organizations. These offerings are competitively priced and widely distributed — directly and through a vast network of broker partners. Through timely processing and fair settlement of claims, we play a restorative role to minimize the disruption to our clients’ lives and businesses, enabling them to focus on what matters most.

We’ve developed climate-related offerings for our clients to help them mitigate the effects of climate change on their property and activities. These include:

- Eco-friendly products such as Sonnet Shift — a new usage-based insurance product that incentivizes fuel-efficient driving habits and donates 1% of premiums to local charities focused on green infrastructure development
- Available discounts for homes that have backflow valves, sump pumps, and/or water sensors as these technologies reduce the likelihood of water damage
- A partnership between Sonnet and FLO, one of North America’s largest electric vehicle (EV) charging networks, to offer discounts to FLO members who have an EV on their auto insurance policy
- Amending coverage for residential solar panels so clients are not precluded by their coverage from installing solar panels and batteries to store energy and receive government or utility credits for installation and any surplus energy generated
- A variety of strategies in our claims processes to reduce debris, including using Advanced Structural Drying and decontamination solutions, and repair versus replace where possible to reduce the need to replace materials that can be salvaged
- Solutions to increase our clients’ resilience to climate change, including a green endorsement that provides property claimants with additional funds to include what we consider to be more climate resilient or environmentally friendly solutions in their repairs
- A collection of educational materials, social media posts, and blog articles on how to reduce environmental impact and avoid damage caused by severe weather



Why it matters:

Our clients expect us to provide quality products and services that meet their needs while helping communities adapt and thrive. Definity’s business strategy incorporates a variety of environmental and social considerations in our products and services, claims processes, actuarial and risk management practices, investment operations, stakeholder engagement, communication activity, and reporting.



Claims practices

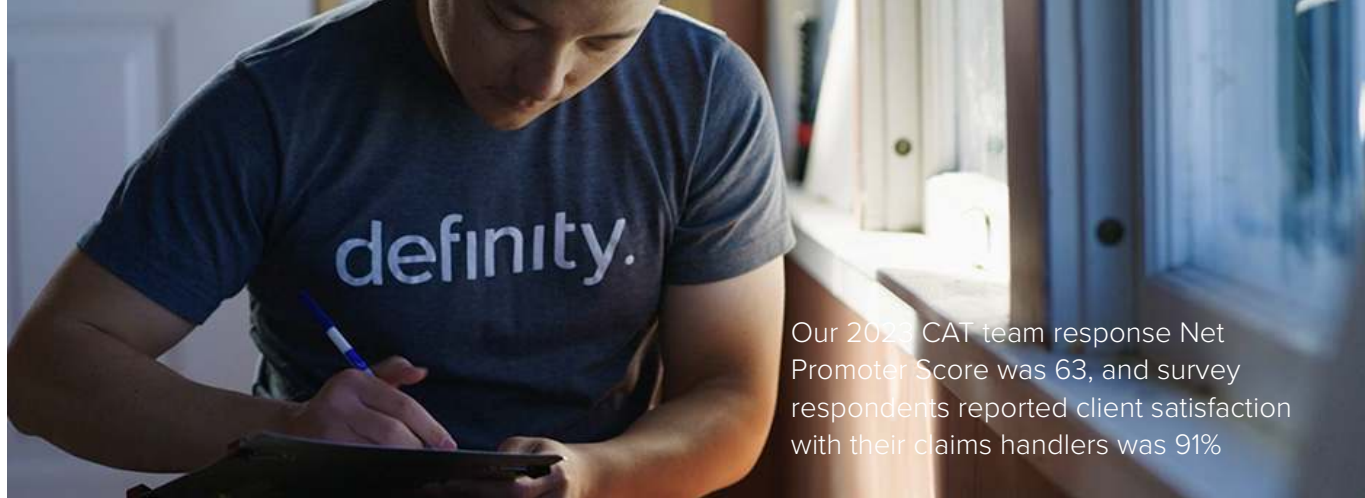
We offer a comprehensive range of property and casualty insurance products to support drivers, pet owners, homeowners, tenants, landlords, businesses, and other organizations across Canada. Making insurance better is our promise to our clients, and getting our clients back to normal as quickly as possible after they've made a claim is essential to keeping that promise.

We work closely with our vendor partners to enhance customer service. Our Definity Repair Partners must meet rigorous performance standards to be part of our program. We regularly reassess our partnerships, conduct cost reviews, upgrade appraisal procedures, offer ongoing training, and fully investigate any customer concerns.

Definity made it easier for our repair partners to collaborate with us and we continued in 2023 to consolidate our repair network. We conducted surveys of our customers to provide feedback on our repair partners that helped us improve communication, timeliness, and the quality of our vendors.

86%

overall client satisfaction reported by survey respondents after using an approved Definity Repair Partner for a property claim



Our 2023 CAT team response Net Promoter Score was 63, and survey respondents reported client satisfaction with their claims handlers was 91%

We embed sustainability into our claims practices to enhance the experience for our clients while reducing impacts to the environment. We updated our default instruction for vendors to approach claims with a mitigation-first approach (repair vs replace) whenever possible, including drying-in-place for water losses. We also mandated the use of surface decontamination and odour, germ, and bacteria removal on all smoke and odour claims. This approach significantly reduces debris sent to landfill, is less intrusive for the property owner, and makes it far more likely that precious or irreplaceable items are preserved.

Our repair-to-replace ratio for eligible auto parts was 44% in 2023, above the industry average, and up from 43% in 2022. Repairing parts reduces the material and energy consumption required to produce and transport new parts, reduces the cost of the claim, and results in less waste. We continue to seek and develop partnerships to increase this percentage over time.

Responding to catastrophe events

Definity's first dedicated National Catastrophe Response (CAT) team was established in 2020. Since then, we added a second CAT team in response to the increasing challenges posed by severe weather events. These highly skilled teams of adjusters and appraisers from across Canada are ready to respond 24/7, quickly coordinating and mobilizing to affected areas as needed to support our clients on the ground.

2023 was a particularly busy year for the CAT teams, who responded to more than 21 events compared to 16 in 2022; 10 CAT events occurred in the third quarter of 2023 alone. Despite the challenges of coordinating vendors for multiple concurrent wildfire-related claims, our CAT teams closed 93% of the Halifax, N.S., claims and 70% of the Kelowna, B.C. claims by year-end.

An increase in severe weather events impacts our clients across the country and underscores the need for collaboration across all sectors to help mitigate the impact to Canadians and our economy. We are a long-standing partner of the Canadian Red Cross and its Disaster Response Alliance, which enables the organization to pre-position supplies and expands its capacity to respond to disasters. More information on our partnership with the Canadian Red Cross is available in Charitable giving on page 41.

Definity supports education on severe weather and catastrophes through our partnerships, and by creating and distributing educational content. Definity produces original content shared through our social media channels and through the Economical and Sonnet blogs — a robust inventory of articles to help clients prepare for and mitigate severe weather damage and recover from it.



PRIVACY

Definity has established a robust privacy program designed to protect the personal information in our possession. Our privacy statements are posted on our websites. Together, these govern Definity's privacy practices, establish common frameworks to govern the collection, use, and disclosure of personal information, and address requirements of privacy legislation.

Processes are in place that proactively identify and evaluate privacy risks, including risks related to the quality, transfer, and use of personal information. This includes a privacy impact assessment process launched in 2023, which considers the application of privacy law through the lifecycle of personal information, from collection to destruction.

All employees undertake mandatory training to promote privacy awareness. This training covers the protection, retention, and disposal of personal information, and our privacy incident protocol. Our privacy incident protocol outlines the process that must be followed by all staff if a possible or actual privacy incident has occurred. It obliges staff to report privacy incidents to our Privacy Office and outlines appropriate steps to take, including notifying clients, regulators, law enforcement, and other third parties as appropriate. Our employee privacy training program also includes micro-training modules on topics that are customized for business units and the personal information they manage.

We manage individual privacy rights, including processes for individuals to request access to their personal information, correct it when inaccurate, or withdraw their consent for us to use it.

Definity also has an information management policy that sets out requirements for the identification, classification, retention, and safe and secure destruction of information, including personal information.



Why it matters:

Our clients trust us to protect their personal data, and maintaining that trust and confidence in their data security is a priority for Definity. Sustaining quality management of our client data is important to achieving our strategic objectives and reducing potential reputational and financial risk. We monitor and manage privacy risks and implement strong measures in order to keep client data secure.



Why it matters:

During this time of geopolitical conflict, the increased sophistication and volume of cyber threats, and a growing artificial intelligence (AI) presence, cyber security remains a key strategic component of our risk management framework. Definity is committed to keeping our clients, employees, partners, and infrastructure protected from security and privacy risks.



DATA SECURITY

Our Chief Information Security Officer (CISO) reports to the Chief Technology Officer and is accountable for the development, administration and enforcement of the approved cyber and information security policies and standards. Definity has implemented policies and standards, aligned with the National Institute of Standards and Technology Cyber security Framework and related industry guidance, to ensure cyber security best practices are followed as the threat landscape evolves. Definity's cyber security department is made up of a team of accredited cyber security experts who are focused on strategically assessing our cyber and information security posture in light of evolving external threats and emerging risks. The cyber security team, through our Security Operations Center, utilizes integrated threat intelligence to provide continuous monitoring of our technology infrastructure while ensuring a robust set of capabilities to rapidly respond to cyber events. The team routinely reviews cyber and information security risks to the business to ensure that appropriate controls have been implemented to reduce and mitigate these risks as appropriate.

The CISO reports monthly to the cyber security working committee — a group of senior leaders from across the enterprise who govern our cyber and information security related activities. Quarterly updates regarding cyber and information security are provided to Definity's Management Risk Committee and the Risk Review Committee of the Board of Directors.

The Risk Review Committee regularly reviews and discusses cyber security activities, strategy, controls, and processes related to managing cyber and information security risk. Education sessions are provided on cyber industry trends and special topics throughout the year. Frequent internal assessments are performed against our cyber security posture and reported to senior management and the Risk Review Committee. An independent third-party review of Definity's cyber security posture is completed at least every three years. Investments are continuously made to strengthen Definity's security posture and protection of client data.

We have also developed a third-party risk management program among our enterprise risk management, cyber security and vendor management teams that helps to assess and mitigate cyber and information security risk arising from suppliers of technology and data.

Cyber training and awareness are an entrenched component of our cyber strategy to promote a cyber-aware corporate culture. Exercises to test Definity's readiness with respect to cyber security are conducted by a third-party firm and training simulations include data breach and ransomware exercises. Our comprehensive incident response plan, regularly tested and updated, seeks to ensure that we can proactively and rapidly respond and recover from cyber incidents, minimizing operational disruption. We track key cyber resilience metrics, including recovery times, to measure our preparedness and drive continuous improvement in our ability to withstand cyber incidents.

Employees are required to complete mandatory training annually as part of our Cyber Security Awareness Month activities. Phishing exercises are conducted routinely to test employees' awareness and provide real-time learning. The results are reported to senior management with recommendations on areas of improvement to further strengthen our defensive posture.

Our privacy policy and standards dictate that we only collect information from current and potential clients that we need to deliver our products and services and are built on the concept of least privilege where employees only receive the access required to perform their role in the enterprise. We seek to securely dispose of personal information in accordance with our information management policy.

If a data breach was to occur, we have practices in place to notify clients, regulators, third-party vendors, and law enforcement as required by applicable regulation and privacy laws. To the extent appropriate, this notification to clients includes enough detail to enable them to understand how their information has been affected, as well as steps they can take to minimize potential risk.

INNOVATION AND TECHNOLOGY

In 2023 we continued to focus on innovation by leveraging our partnership with Google Cloud, enhancing our advanced data systems and platforms, and further developing our analytics, artificial intelligence (AI), and machine learning capabilities. These capabilities were deployed across our business to support our objective of maintaining our digital leadership and enhancing digital experiences for our clients and brokers.

We launched Sonnet Shift — the first-ever usage-based insurance product in Canada to offer quarterly price adjustments based on recent driving scores. Sonnet Shift includes a discount for driving less than the stated annual mileage and can include principal and secondary drivers, including drivers under 25. Our cloud-based platforms enabled us to develop and adjust product experience elements quickly and integrate learnings for an improved client experience.

We collaborated with Agri3 Risk Services to launch an AI-powered crop insurance solution called AgriEnhance. The solution combines state-of-the-art machine learning algorithms with extensive data sources to enable more precise assessment of field-level opportunities and risks, including factors such as yield potential and vulnerability to environmental hazards.

We expanded our use of Vyne's application programming interface (API) capabilities and were recognized as a 2023 Innovation Award winner by Guidewire Software, becoming the first three-time Canadian winner of the international award.

We entered a new partnership with Tangerine Bank, enhancing their digitally focused client experience by offering customized home and auto insurance through Sonnet Insurance to Tangerine clients.

We improved Broker Identity Access management capabilities to improve broker security and lay the foundation for future broker functionality.

Definity continues to monitor emerging markets opportunities in our industry by focusing on medium to long-term enterprise themes through our Innovation Council. A team from across all business segments explores prioritized themes to pursue improvements or transformation projects. The team does a deep dive on potential applications in insurance while conducting social impact and risk assessments. Sonnet Shift, for example, was a result of work initiated by the Innovation Council.



Why it matters:

Data and analytics provide powerful insights into making insurance better. Predictive modeling, machine learning, and data mining help mitigate risk, enhance the client experience, and help deliver on our ambition to be one of Canada's leading and most innovative P&C insurers.

Ethical use of data and models

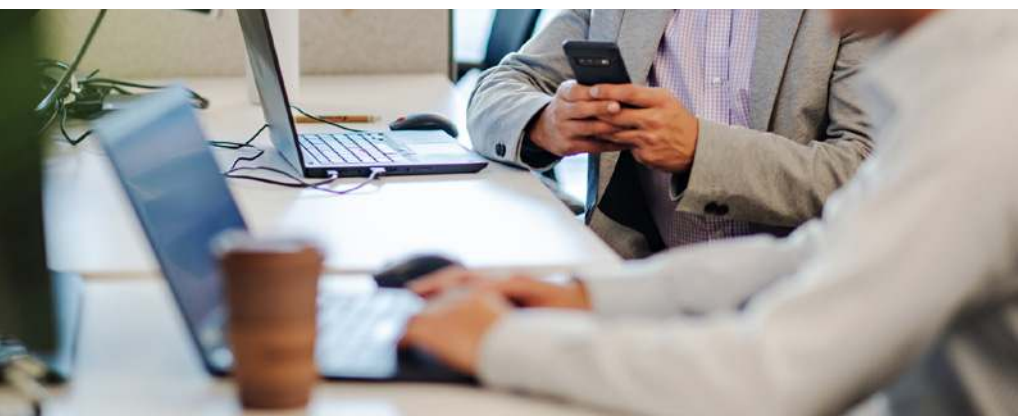
Our ethical data usage framework and model risk management policy govern our use of data and analytics, including machine learning and AI models. Ethical use of data promotes employee and client trust while ensuring data privacy and regulatory compliance.

Definity developed a practical set of tools for Definity's actuarial and analytics practitioners to consistently perform bias and fairness assessments when developing predictive models and to address bias if detected. In 2023, we integrated these tools into our day-to-day modelling processes and workflows.

As generative AI adoption accelerated in 2023, Definity took a proactive approach to educating our employees on safe and ethical use of this technology. In June 2023, we communicated requirements for appropriate use of generative AI technology to all Definity employees — building on our existing Code of Business Conduct and corporate policies — with a view to remaining innovative in a responsible way.

We provide regular educational opportunities for our analytics practitioners to ensure they stay up to date on ethical use of data and models. To further support analytics practitioners in ethics-related decision-making, we introduced an escalation procedure that encourages collaboration with others in the organization to identify and address challenging situations. We also expanded our qualitative guidance to support the development of robust bias testing plans and created a dedicated sub-committee of our 200-person Analytics Community of Practice to provide operational support for integration of bias and fairness considerations into analytics work.

Definity continues to demonstrate our industry leadership on the ethical use of data and models through participation in industry consultations on fair treatment of vulnerable consumers. We presented on "Bias, Fairness, and the Modeling Lifecycle" at the 2023 Casualty Actuarial Society Annual Meeting and shared our perspectives with Ontario industry and regulatory leaders at the Financial Services Regulatory Authority of Ontario Exchange in March 2024.



RESPONSIBLE INVESTMENT AND FINANCING

Our Investment Policy Statement explicitly references the consideration of ESG factors that may influence the risk-adjusted returns of our holdings; this specifically excludes direct investments in businesses for which 5% or more of revenue comes from manufacturing of tobacco products, manufacturing or distribution of controversial weapons, or thermal coal mining and/or coal-fired power generation where no credible plan exists to decommission these assets by 2030. Our commitment to incorporating ESG considerations into investment portfolio management is summarized in our [Sustainable Investment Policy Statement](#).

Diversification is a primary area of focus when devising portfolio structure and investment inclusion. The investment portfolio is diversified by asset class and by different levels and qualities of risk to minimize the risk of large losses while seeking to optimize after-tax returns, unless prevailing circumstances render it imprudent to do so. We also seek to ensure that our investment portfolio is well diversified in respect to climate risks and opportunities across regions and industries, and liquid enough to enable rapid shifts, if necessary.

Investment values and returns may be affected by climate change risks. Weather-related losses or the transition to a low-carbon economy may impact the profit and prospects of an investee, and this, along with investor sentiment, could adversely affect the value of our investment portfolio. We seek to manage these and other risks by maintaining a highly liquid investment portfolio that is diversified

across industries and regions. We have adopted targets to reduce the financed emissions intensity of our equity and corporate bond portfolios as a means of managing climate-related risk to our investments. More details about our financed emissions can be found under the “Metrics and targets” section on page 47.

Definity’s Chief Investment Officer is accountable for the execution of our investment strategy. Additionally, the Executive Investment Committee (EIC) oversees compliance with our Investment Policy Statement, which includes considerations relating to climate change and other ESG risks and opportunities. The EIC is also responsible for assessing the potential impacts of external, economic, capital markets, and regulatory environment influences on the company’s investment portfolios, strategies, and operations.

Compliance monitoring is performed by the Enterprise Risk Management team, which also monitors the financed emissions associated with our investment portfolio. These processes:

- provide a level of transparency with respect to investment performance reporting and compliance,
- monitor investments so that they reflect our policies and commitments (e.g., supporting reduction of GHGs), and
- provide confidence to our stakeholders that a robust monitoring process is in place.

Why it matters:

Our commitment to sustainability includes our investing approach, and Definity considers both financial returns and ESG issues in our investment decisions. We use a composite of ESG ratings in recognition of the different methodologies employed to consider ESG factors in the selection of investments.





FOSTERING STRATEGIC RELATIONSHIPS

STRENGTHENING BROKER RELATIONSHIPS

In 2023, we continued to improve the functionality and expand the industry segments available through our Vyne platform, broadening product accessibility and simplifying business processes for our broker partners.

We expanded our broker training through Definity's learning platforms, delivering more than 5,000 hours of broker training in 2023, and offering almost 200 courses in-house.

We continued to improve on both our broker value proposition and our sustainability practices, by promoting digital document delivery to brokers and directly to clients and streamlining the process for brokers to enable bulk transfer of their renewal book to digital delivery.

Our ongoing enhancement of the broker experience helps our broker partners win new business, earn the trust of clients, and enhance customer retention. In turn, we value the guidance we receive from our brokers to help improve our value proposition and provide clients with high levels of service. We have multiple forums dedicated to understanding and improving the broker experience so leaders across the business can incorporate the broker perspective throughout our business practices.

In 2023, we continued to build our national broker platform. We expanded our distribution footprint further through the acquisitions by our affiliate McDougall Insurance of McFarlan Rowlands in Ontario and of Drayden Insurance in Alberta. Acquisitions of distribution partners are intended to provide repeatable distribution income and deliver strategic benefits to our core P&C business.



Why it matters:

Our broker relationships are critical to our growth strategy, as their partnership has a direct influence on our ability to deliver on our promise to our clients. We partner with insurance brokers across Canada to offer our clients first-rate products and service.

INVESTING IN RESILIENT COMMUNITIES

Definity Insurance Foundation

Definity Insurance Foundation is an independent¹² national philanthropic organization that works with charitable partners across Canada to advance community-led solutions that further climate, health, and socio-economic justice, with a particular focus on those issues faced by Black, Indigenous, and other racialized communities. It was initially funded with \$100 million of the proceeds of the demutualization of Economical Mutual Insurance Company (now Definity Insurance Company).

Definity Insurance Company committed to contribute 1% of its net profit before taxes annually¹³, a substantial portion of which is a restricted gift, to the Definity Insurance Foundation. Since 2022, Definity has collaborated closely with the Foundation to identify and recommend potential causes for the Foundation to fund, and to make contributions to charities whose activities are aligned to the strategic priorities of both organizations.

Learn more at www.definityfoundation.org.

¹² Definity Insurance Foundation is not an affiliate of Definity Insurance Company, as defined under the *Insurance Companies Act* (Canada).

¹³ For at least five years, and subject to a minimum annual unrestricted gift of \$250,000



Why it matters:

Definity believes that we have a responsibility to think long-term, to enable the sustainability of our business, the planet we live on, and the communities we live in. We align our objectives to this responsibility through our prioritization of corporate donations to help communities adapt and thrive, and by supporting employees and partners to create meaningful engagement opportunities and a culture of giving back.





CHARITABLE GIVING HIGHLIGHTS

\$2,601,000

total charitable donations

\$1,191,000

community investments in diversity,
inclusion, and equity initiatives

\$902,000

community investments in climate
resilience/emergency preparedness

Charitable giving

Definity continued to make recommendations to the Foundation for donations that align with our community investment and social impact strategy to help build climate-ready communities through adaptation and resilience, and help drive more equitable outcomes in society. Definity is focused on building a better world by helping our clients and communities adapt and thrive. Our community giving and impact strategy is to invest in organizations that support our ESG and Inclusion, Diversity, Equity, and Accessibility goals, ensuring our investments in our communities align with our values and purpose.

In 2023, the Foundation contributed \$250,000 to Green Communities Canada at the recommendation of Definity, completing a \$500,000 total contribution in support of the Living Cities Canada Fund. This funding provides organizations across the country with training, resources, and logistical support to engage their community, build public support, advance local policy, and implement equity-driven green (natural) infrastructure projects where they are needed most. This initiative provides several benefits, including absorbing excess rainfall, cooling our communities, and serving as a buffer to protect Canadians from more frequent and severe extreme weather events.

We reaffirmed our long-standing commitment to support the Canadian Red Cross, recommending a \$900,000 contribution by the Foundation over three years in support of the Disaster Response Alliance and Be Ready emergency preparedness programming, which helps Canadians strengthen their resilience before, during, and after emergency situations.

The Foundation made a \$750,000 investment in Windmill's Community Bond program, and provided a \$350,000 charitable gift, at the recommendation of Definity, to support Windmill's Impact Fund. This fund provides affordable loans to help skilled immigrants and refugees pay for accreditation, training, and career development in the pursuit of their desired career plans. This partnership addresses barriers to socio-economic prosperity through innovative blended financing. These loans help immigrants and refugees, on average, triple their incomes over time, break the cycle of poverty and underemployment, and foster economic prosperity, diversity, and inclusivity.

Since 2022, our corporate giving contributions are significantly influenced by Definity Insurance Company's commitment to contribute 1% of its net profit before taxes to the Definity Insurance Foundation. In 2023, Definity made \$2,601,000 in charitable donations¹⁴ compared with \$2,934,000 in 2022. This total also includes causes brought forward by our family of brands, such as Petline Insurance, which continued to advocate for animal welfare, recommending more than \$60,000 to humane societies and SPCAs across Canada; and Sonnet Insurance, which recommended with a \$50,000 donation to SickKids® to create Patient and Family spaces at the Hospital for Sick Children.

¹⁴ Totals include community investments and donations from all Definity operating brands, and include employee giving to the extent recorded in Definity's own system to support employee giving. Donations made directly to registered charities, including donations to the Definity Insurance Foundation (a registered charity), and donations to universities, employee matching, and other donations recorded in the general ledger accounts for corporate charitable giving.

66

I want to express my profound gratitude for being selected as a recipient of the Definity Equity Scholarship. With this support, I can immerse myself in my studies and focus on acquiring the skills and knowledge necessary to contribute meaningfully in the future. Your dedication to inclusivity and equity is not only inspiring but also a powerful motivator for me. I am proud to be a part of Definity's mission to create a fairer and more inclusive world.

SUSHANT VERMA

Investing in education

Definity's scholarship programs help equip the next generation to think innovatively and unleash their potential. In 2023, Definity introduced the Definity Equity Scholarship program as part of our commitment to an inclusive and equitable culture. Available to members of equity-deserving groups, \$55,000 was provided for tuition support to 11 post-secondary students across Canada pursuing a diploma or degree in a field that works toward our goal of making insurance better. Award recipients are invited to apply for co-op terms and explore future career opportunities with Definity.

We also granted \$40,000 through the Definity Dependent Children Scholarship to 20 dependent children of Definity employees, to continue to enhance the employee experience at Definity.



\$95,000

invested to support post-secondary education across Canada

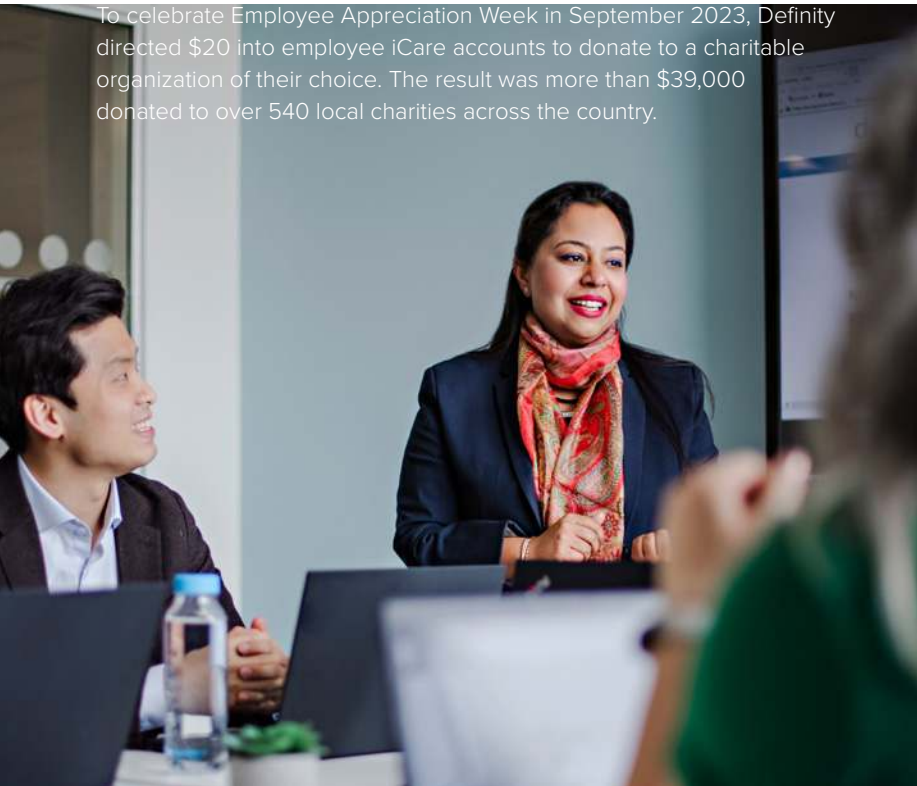
\$55,000

awarded to 11 students from equity-deserving groups

\$40,000

in scholarships to 20 dependent children of our employees

To celebrate Employee Appreciation Week in September 2023, Definity directed \$20 into employee iCare accounts to donate to a charitable organization of their choice. The result was more than \$39,000 donated to over 540 local charities across the country.



Employee-directed giving and engagement

Definity partnered with our employees and other organizations to support a variety of charitable initiatives across Canada in 2023, many of which were related to diversity and inclusion.

Employee-directed donations¹⁵ through the iCare platform totaled \$135,000 to charitable organizations, generating an additional \$62,000 through Definity's donation matching program. In addition, four of our employee groups — the Anti-Racism and Cultural Equity employee group, LGBTQ+ employee group, Women's Empowerment employee group, and Environment and Climate Action employee group — each directed a \$20,000 contribution to an organization aligned with their advocacy work.

Anti-Racism and Cultural Equity Employee Group

Mosaic Institute: Mosaic Institute facilitates meaningful conversations about prejudice and discrimination in local communities through campus dialogues and informative panel discussions, and develops resources for educators, community leaders, students, and policy makers to increase equity, diversity, and inclusion.

¹⁵ Employee giving is defined as personal donations by employees which are matched by the corporation up to \$500 per employee per year.

LGBTQ+ Employee Group

LGBT YouthLine: LGBT YouthLine is a 2SLGBTQ+ youth-led organization that affirms and supports the experiences of youth across Ontario by providing anonymous peer support and referrals, training youth to support other youth, and providing resources to help make informed decisions.

Women's Empowerment Employee Group

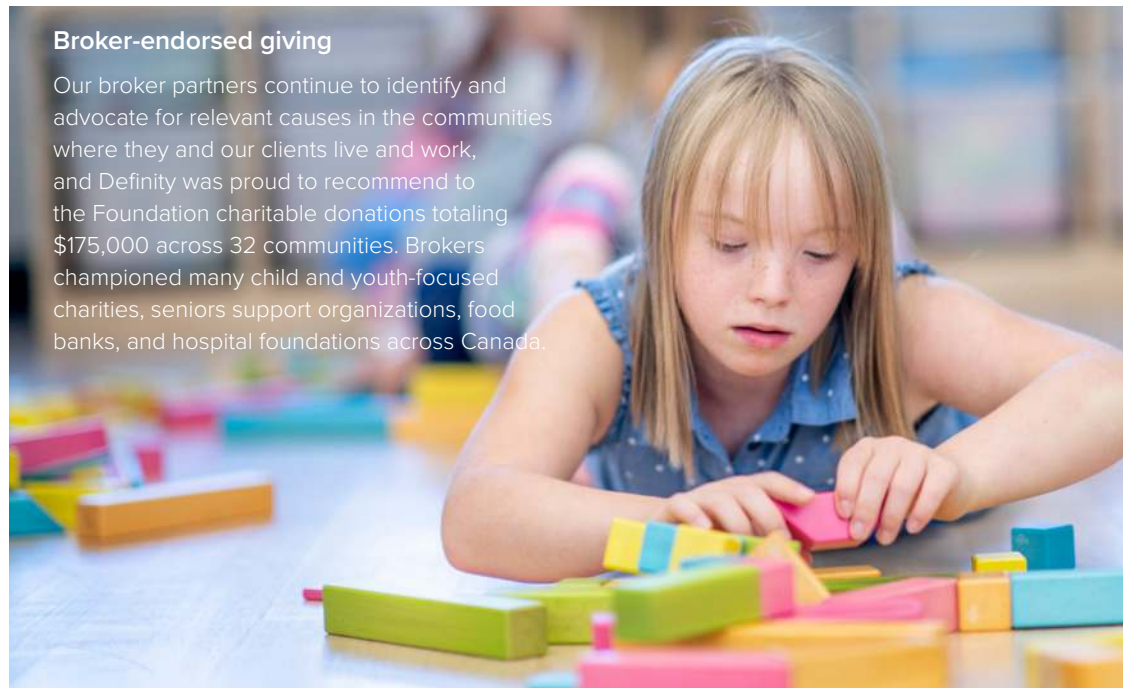
Fora Network for Change: Fora is a centre of excellence for young women's leadership development, making strategic investments in young women through education and training, networking, and providing access to opportunities at home and abroad. Advocating for change at the global level through the annual Global Summit, Fora also helps advance the career trajectories of young women in Canada through their Rise on Boards program, placing emerging leaders from diverse backgrounds on Canadian non-profit boards. Members of the Women's Empowerment employee group also volunteer for activities and provide mentorship to program participants.

Environment and Climate Action Employee Group

The Bruce Trail Conservancy: The Bruce Trail Conservancy is a member-driven, volunteer-based charitable organization, one of Ontario's largest land trusts and the steward of Canada's longest marked footpath across Niagara Escarpment UNESCO World Biosphere Reserve. It works to preserve sensitive Niagara Escarpment lands, while making them safe and accessible. Through monitoring, restoration, planning, and active stewardship, the conservancy maintains and enhances biodiversity and protects species at risk and the Escarpment's unique habitat. In 2023, the Bruce Trail Conservancy established six new protected natural areas, and added another 445 acres to their conservation corridor.

Broker-endorsed giving

Our broker partners continue to identify and advocate for relevant causes in the communities where they and our clients live and work, and Definity was proud to recommend to the Foundation charitable donations totaling \$175,000 across 32 communities. Brokers championed many child and youth-focused charities, seniors support organizations, food banks, and hospital foundations across Canada.





Volunteerism

Definity's employees bring our purpose to life every day, both through their work and through their generous community support. 2023 was a record-breaking year for employee community engagement through our volunteer and giving programs, with employees volunteering 4,500 hours for causes in their communities — more than doubling the amount of volunteer hours logged in 2022.

Individual employees and teams committed to our communities by volunteering for Definity-championed causes — such as the Canadian Red Cross' Missing Maps programs — and to causes in their own neighbourhoods such as local food banks and other community organizations. For each hour volunteered with a registered charity that employees entered in the iCare system, Definity provided \$10 to the recipient charitable organization, to a maximum of \$400 per year, per employee.

In 2023, we introduced a skill-based volunteerism program. Skill-based volunteering provides an opportunity to match an employee's professional skills with a cause they believe in. Our employees share their expertise to address our partner organization's strategic and infrastructure needs and help them serve their community. It provides employees with an opportunity to enhance their leadership skills, expand their professional network, deepen workplace satisfaction, and contribute to a culture of community engagement. This year included opportunities for actuaries to pair with universities for speaking engagements, translation team employees to help non-profit organizations translate their website, and board service for some members of our leadership team.



EMPLOYEE IMPACT

More than 100 employees participated in Canadian Red Cross' Missing Maps programs, mapping nearly 16,000 buildings in support of relief efforts in Nigeria, Malawi, Syria, South Sudan, and Ghana — more than any other Missing Maps group in 2023.

70 employees registered to plant pollinator gardens and mini forests with Green Communities Canada, helping contribute to more than 4,000 square metres of new green infrastructure in Canada.

More than 40 leaders packed 75 Be Ready disaster preparedness kits containing essential food and safety items, later delivered to Attawapiskat, a remote First Nation community situated on the James Bay coast in Northern Ontario.

OUR SUPPLIERS

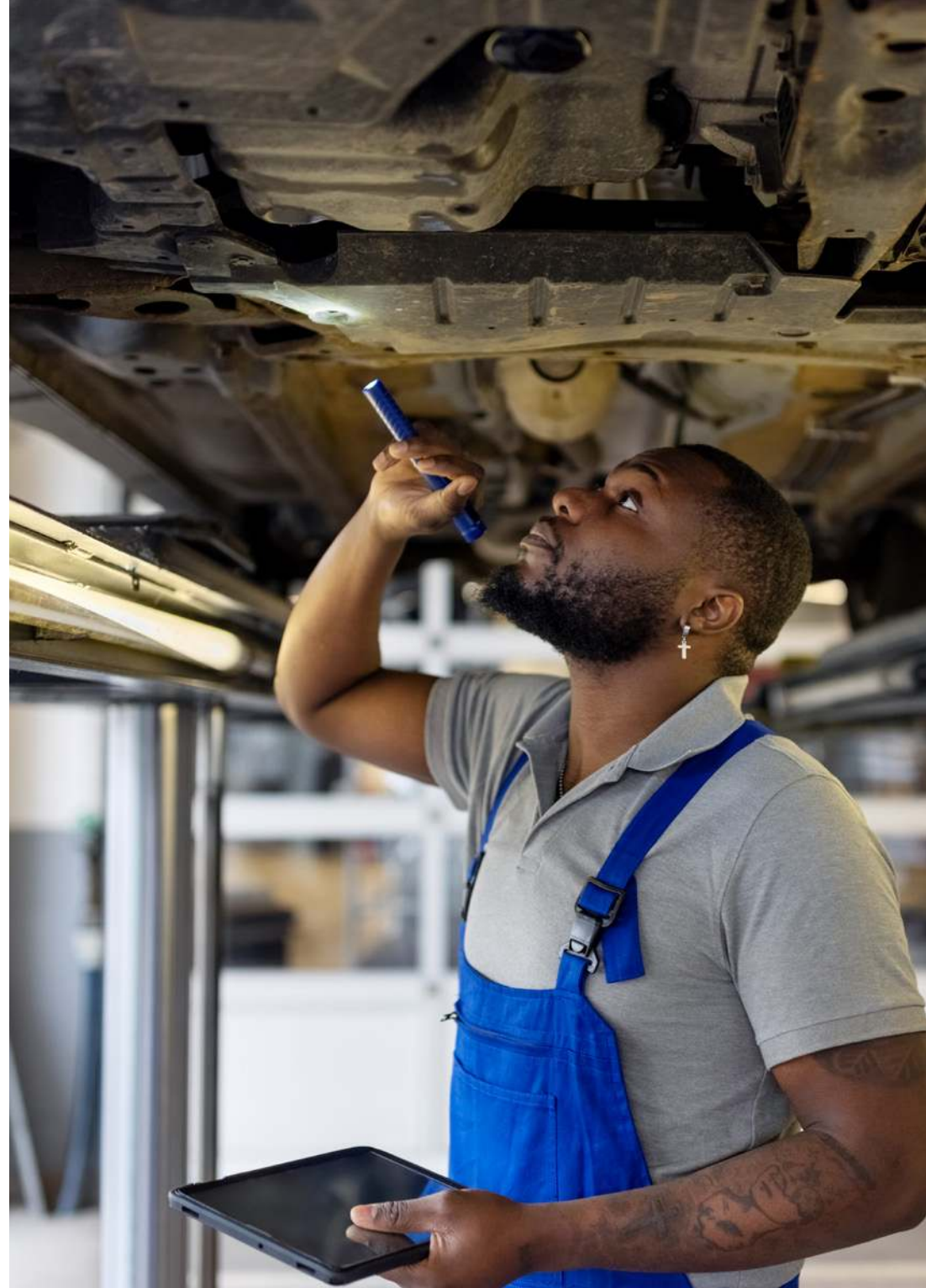
Our goal is to work with supplier partners who share our values and commitment to strong ESG practices. These expectations are integrated into our procurement and supplier management processes through our [Supplier Code of Conduct](#), and we are working to embed ESG considerations further within our sourcing and procurement process. For instance, in 2023 we began a pilot project that introduced electric and plug-in hybrid vehicles into our fleet to reduce our use of gas-powered vehicles.

A significant proportion of our vendors support our customers during a claim – to find out more about our claims vendors, see page 34. We work to establish that vendors adhere to our governance practices in terms of technology and data protection policies (as outlined in Data Security, page 36) and that our supply chains are professionally managed for business continuity. Definity proactively monitors and incorporates regulatory changes to manage third-party risk appropriately and in a timely manner.



Why it matters:

Definity's relationship with our suppliers is an important part of our success, and we nurture our long-standing partnerships while seeking opportunities to provide positive, responsible outcomes with new suppliers.



METRICS AND TARGETS

CLIMATE TARGETS AND PERFORMANCE

Definity has established an ambition to achieve net-zero emissions in our operations and investment portfolio (listed equity and corporate bonds only) by the year 2040 or sooner. “Net zero” means that at the date of target achievement, any residual emissions (less than 10% of the baseline) are balanced by an equivalent amount of emissions removed from the atmosphere¹⁶. These targets are supported with interim milestones to guide our progress.

Our operational emissions targets include all Scope 1 and 2 emissions market-based (tonnes of carbon dioxide equivalent) and are calculated on an absolute basis relative to a 2019 baseline that reflects operational conditions prior to the COVID-19 pandemic.

Our investment emissions targets are measured on an intensity basis of GHG emissions (tonnes of carbon dioxide equivalent) per million dollars invested relative to a 2020 baseline and applies to listed equity and corporate bonds, according to the methodology developed by the Partnership for Carbon Accounting Financials⁸.

Our interim targets for the areas noted above are as follows:

YEAR	SCOPE 1 AND 2 MARKET-BASED – OPERATIONAL EMISSIONS (absolute tonnes CO ₂ e) relative to 2019 baseline ¹⁶	SCOPE 3 – INVESTMENTS (CATEGORY 15) ¹⁷ (tonnes CO ₂ e per million dollars invested) relative to 2020 baseline
2025	-30%	-30%
2030	-50%	-65%
2035	-70%	-85%
2040	Net zero (-90% before removals)	Net zero (-90% before removals)

Definity has committed to take part in the Science Based Targets initiative (SBTi) and in 2023 initiated the validation process for its above near-term and net-zero targets as per the requirements of SBTi.

Methodology and refinements

Definity’s greenhouse gas inventory was prepared using the methodology prescribed by the GHG Protocol¹⁸. Due to the nature of Definity’s operating impacts as a property and casualty insurer, certain Scope 3 categories are deemed to be immaterial and have been omitted (i.e., upstream and downstream transportation and distribution; processing, use, and end-of-life treatment of sold products; downstream leased assets and franchises). An increase in Scope 3 emissions, particularly purchased goods and services and business travel, was driven by an increase in business growth and normalization of activity to pre-pandemic levels.

Financed emissions¹⁹ (Scope 3 Category 15 – Investments) from listed equity, corporate bonds, and sovereign debt²⁰ were calculated using the methodology prescribed by the Partnership for Carbon Accounting Financials (PCAF). For financed emissions from listed equity and corporate bonds, Scope 1 and Scope 2 emissions for investees are based on the emissions data for the period ending one year before the end of the current reporting period, where actual emissions reported by the investee is available on Bloomberg at the time of calculating the emissions. Where the actual emissions data is not available for the most recent year from Bloomberg and where Definity’s investment in the investee is significant, emissions data is based on the most recently available data published by the investee, where available. Where not available, industry sector emissions intensity averages based off Definity’s own investment portfolio are applied. The financial information of the investee is calculated using the market value of equity as of December 31, for publicly listed companies, and the book value for debt using the most recently available financial information.

In the table below, Scope 3 financed emissions associated with listed equity and corporate bonds have been restated for the 2020 baseline year (79,559 t CO₂e; 37 t CO₂e/ Millions) as well as 2021 and 2022 due to methodology refinements. Most notably, Definity’s emissions from corporate bonds of an investee have been calculated using its book value rather than its market value, and the enterprise value of the holding has been calculated using total debt as a component rather than total liabilities. These changes influence the attribution factors that determine the share of investees’ emissions associated with Definity’s security holdings. The net effect of these methodology changes is higher total financed emissions and higher emissions intensity for each of the aforementioned reporting periods.

These methodology refinements support further alignment with emerging best practices in applying PCAF standards and are being implemented to enable greater comparability between Definity and other issuers as we move forward. They do not change Definity’s confidence in our ability to achieve the previously stated emissions reduction targets.

¹⁶ The recalculated 2019 baseline for Scope 1 & 2 emissions (2,879 CO₂e) was calculated using the location-based method, which represents the 2019 market-based Scope 1 & 2 emissions.

¹⁷ Target only includes emissions from listed equity and corporate debt. Excludes emissions from sovereign debt. The dollars invested used in the emissions intensity calculation is the combination of market value (MV) for equity investments and book value (BV) for corporate bonds investments. This is consistent with the PCAF methodology for calculating financed emissions, which also uses MV for listed equity and BV for corporate bonds.

¹⁸ GHG Protocol: <https://ghgprotocol.org>

¹⁹ Definity has excluded certain assets classes (i.e., unlisted equity and business loans) that may be applicable, but not material from its financed emissions inventory.

²⁰ 2023 emissions from sovereign debt is calculated using GDP (from the most recent 2022 GDP at the time of calculating the emissions from the World Bank) and emissions based on the most recent inventory year, which is 2021 (from the UNFCCC).

Performance

Greenhouse Gas Emissions (t CO ₂ e) ^{21 22 23 24 25}			
Scope 1 emissions	2023	2022	2021
Stationary Combustion ²⁶	771	910 ²⁷	971
Refrigerants ^{28 29}	160	157	137
Fleet ^{30 31}	760	614	471
Total Scope 1 emissions	1,691	1,681²⁷	1,579
GHG reductions from green natural gas (GNG)	(595)	(447)	-
Total Scope 1 emissions with reductions from GNG purchases	1,096	1,234²⁷	1,579

Scope 2 emissions location-based ³²	2023	2022	2021
Electricity ³³	305	298	340
Steam ^{34 35}	177	98 ²⁷	45
Total Scope 2 location-based emissions	482	396²⁷	385

Scope 2 emissions market-based ³²	2023	2022	2021
Electricity ³³	305	298	340
Steam ^{34 35}	177	98 ²⁷	45
GHG reductions from renewable energy certificates	(305)	(281)	-
Total Scope 2 market-based emissions	177	115²⁷	385

TOTAL SCOPE 1 AND 2 EMISSIONS (location-based)	2,173	2,077²⁷	1,964
TOTAL SCOPE 1 AND 2 EMISSIONS (market-based)	1,868	1,796²⁷	1,964

Scope 3 emissions Category (except Category 15)	2023	2022	2021
Purchased goods and services	25,064	19,750	17,864
Capital goods	2,163	3,885	3,112
Fuel and energy activities	211	231 ²⁷	302 ²⁷
Waste generated in operations	121	84	182
Business travel	1,310	587	272
Employee commuting	692	568	553
Scope 3 Emissions without investments	29,560	25,105²⁷	22,285²⁷

TOTAL SCOPE 1, 2 AND 3 EMISSIONS (location-based)	31,733	27,182²⁷	24,250²⁷
TOTAL SCOPE 1, 2 AND 3 EMISSIONS (market-based)	31,428	26,901²⁷	24,250²⁷
TOTAL SCOPE 1, 2, AND 3 EMISSIONS (net of reductions from GNG and RECs)	30,833	26,454²⁷	24,250²⁷

²¹ The methodology for collecting data and calculating operational GHG emissions is based on The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) and GHG Protocol Scope 2 Guidance for calculating Scope 2 GHG emissions.

²² GHG emissions (Scope 1 and 2) reported for 2021 to 2023 include annual data from all Canadian-based operations within Definity's operational control. Reported GHG emissions data for 2021 to 2023 pertains to all leased and owned real estate facilities located within Canada, covering 100% of our global occupied floor space and leased vehicles.

²³ Definity has a significance threshold of 5% (e.g., a change of more than 5% to overall emissions due to structural changes) in these cases to trigger re-calculation of the base year, applicable to both GHG emissions increases and decreases.

²⁴ We use actual natural gas, electricity or steam data provided by the building landlord for our occupied floor space, where available. Where this is unavailable, we use whole building natural gas, electricity or steam data obtained from the landlord and prepare estimates by calculating the square foot intensity of the full building and applying it to our occupied floor space, where available. Where this is unavailable, we prepare estimates by applying average energy use intensity for office buildings in relevant province, provided by Natural Resources Canada (representing 2021 data) and multiplied by our office floor area.

²⁵ All Global Warming Potentials (GWPs) are from the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, except for the R-123 GWP which is from the Fifth Assessment Report of the IPCC.

²⁶ Direct emissions from the combustion of natural gas in stationary equipment for heating office space, calculated using the emission factors sourced from the National Inventory Report 1990-2021: Greenhouse Gas Sources and Sinks in Canada.

²⁷ Restated to reflect improved accuracy and comprehensiveness of data.

²⁸ Emissions from intentional and unintentional gas releases for cooling within offices.

²⁹ Refrigerant gas emissions estimated using the Environmental Protection Agency's (EPA) HFC Emissions Accounting Tool Simplified Screening 2 Approach based on type of building (warehouse, service, and industrial or office) and square footage of facility, and duration the space was occupied for the reporting year. Assumed R-410, a refrigerant blend consists of 50 percent HFC-125 (R-125) and 50 percent HFC-32 (R-32) by weight where the actual gas type is not available.

³⁰ Direct emissions from the combustion of fuels in long-term leased vehicles, calculated using the emission factors sourced from the EPA Emission Factors for Greenhouse Gas Inventories, February 2024.

³¹ Mobile combustion is calculated using fleet data obtained from Definity's fleet service provider for kilometers driven and litres of fuel consumed. Kilometers driven is entered by Definity employees who operate the vehicles.

³² In accordance with the GHG Protocol's Scope 2 Guidance, we report both location-based and market-based Scope 2 figures. In calculating Scope 2 emissions from electricity, location-based Scope 2 uses grid emission factors, while market-based Scope 2 uses the emission factors associated with our renewable energy certificate (REC) purchases. Market-based Scope 2 emissions reflect the purchase of RECs to account for our total electricity consumption in 2022 and 2023. In 2023, Definity purchased RECs that exceeded our Scope 2 emissions associated with purchased electricity, totaling -376 t CO₂e. The remaining emissions in market-based Scope 2 are attributed to steam use.

³³ Indirect emissions associated with the use of purchased grid electricity, calculated using the emission factors sourced from the National Inventory Report 1990-2021: Greenhouse Gas Sources and Sinks in Canada.

³⁴ Indirect emissions associated with purchased district steam use for heating, calculated using the emission factors sourced from the EPA Emission Factors for Greenhouse Gas Inventories, February 2024.

³⁵ Boiler fuel is natural gas and assumed to have a thermal efficiency of 80%.

Greenhouse Gas Emissions from Investments (t CO₂e)

Scope 3 Category 15 emissions ^{36 23}	2023	2022	2021
Scope 3 Category 15 – Investments (listed equity and corporate bonds) ³⁷	82,738 ³⁸	79,051 ³⁹	59,680 ⁴⁰
Scope 3 Category 15 – Investments (sovereign debt) ⁴¹	323,412 ⁴²	not measured	not measured
Emissions intensity of investments – listed equity and corporate bonds (t CO ₂ e per million dollars invested) ³⁷	34	30 ⁴³	23 ⁴³
Emissions intensity of investments – sovereign debt (t CO ₂ e per million dollars invested) ⁴¹	217	not measured	not measured
TOTAL INVESTMENT EMISSIONS	406,150	79,051	59,680

³⁶ Includes approximately 78% of Definity's total investments.

³⁷ Includes all common stocks, preferred stocks and all types of corporate bonds (excluding ETFs). Excludes sovereign debt. The financed emissions reported for listed equity and corporate bonds include only the Scope 1 and 2 emissions of investees. Using the best available Scope 3 emissions data for investees in the energy, mining, transportation, construction, buildings, materials, and industrial sectors results in financed emissions totaling approximately 334,000 t CO₂e.

³⁸ Data quality score for 2023, as per PCAF methodology: 1.51.

³⁹ Restated due to methodology improvements. Data quality score for 2022, as per PCAF methodology: 1.71.

⁴⁰ Restated due to methodology improvements. Data quality score for 2021, as per PCAF methodology: 2.06.

⁴¹ Excluded from the Scope 3 – Investments emissions reduction target. Calculated using the Production-based approach, outlined by PCAF, and includes Land Use, Land-Use Change and Forestry. Excludes sub-sovereign and municipal debts.

⁴² Data quality score for 2023, as per PCAF methodology: 1.00.

⁴³ Restated due to methodology improvements.

Definity's Scope 1 emissions in 2023 were 1,691 t CO₂e, compared to 1,681 t CO₂e in 2022, primarily driven by an increase in fleet vehicle use as claims volumes normalized to pre-pandemic levels. While Scope 1 emissions from stationary combustion decreased from 910 t CO₂e in 2022 to 771 t CO₂e in 2023 due to the business moving out of an office where natural gas is consumed and into an office where steam is consumed as the heating source. This resulted in an increase in Scope 2 emissions from purchased steam for the new office location, from 98 t CO₂e in 2022 to 177 t CO₂e in 2023. A corresponding adjustment to 2022 figures has been made to reflect the move having taken place midway through that year. Market-based Scope 2 emissions for 2023 reflect the purchase of renewable energy certificates (RECs) through Bullfrog Power to account for total enterprise electricity consumption.

In addition to reducing the greenhouse gas footprint of our own business, some of the proceeds from our [partnership with Bullfrog Power](#) are mobilized to support the development of [community renewable energy projects](#). Definity's 2023 Scope 1 and 2 location-based emissions of 2,173 t CO₂e, and market-based emissions of 1,868 t CO₂e, are approximately 25% and 35% lower respectively than the 2019 baseline of 2,879 t CO₂e, in relation to Definity's interim target of a 30% reduction by 2025.

As noted above, Definity's financed emissions associated with listed equity and corporate bonds have been recalculated for 2020, 2021, and 2022 due to updates in methodology used by Definity. In addition, revisions to reported 2023 emissions by certain issuers, along with the revised attribution factors for Definity, together result in a net increase in stated financed emissions and emissions intensity in each of the aforementioned years.

Year-over-year change is primarily influenced by increased exposure to a very limited number of holdings in the Canadian energy sector, one of which also reported significantly higher Scope 1 and 2 emissions due to methodology changes. On an intensity basis,

Definity's 2023 financed emissions associated with listed equity and corporate bonds are 9% lower than the revised 2020 baseline, positioning the company satisfactorily to achieve our interim target of a 30% reduction by 2025, relative to 2020.

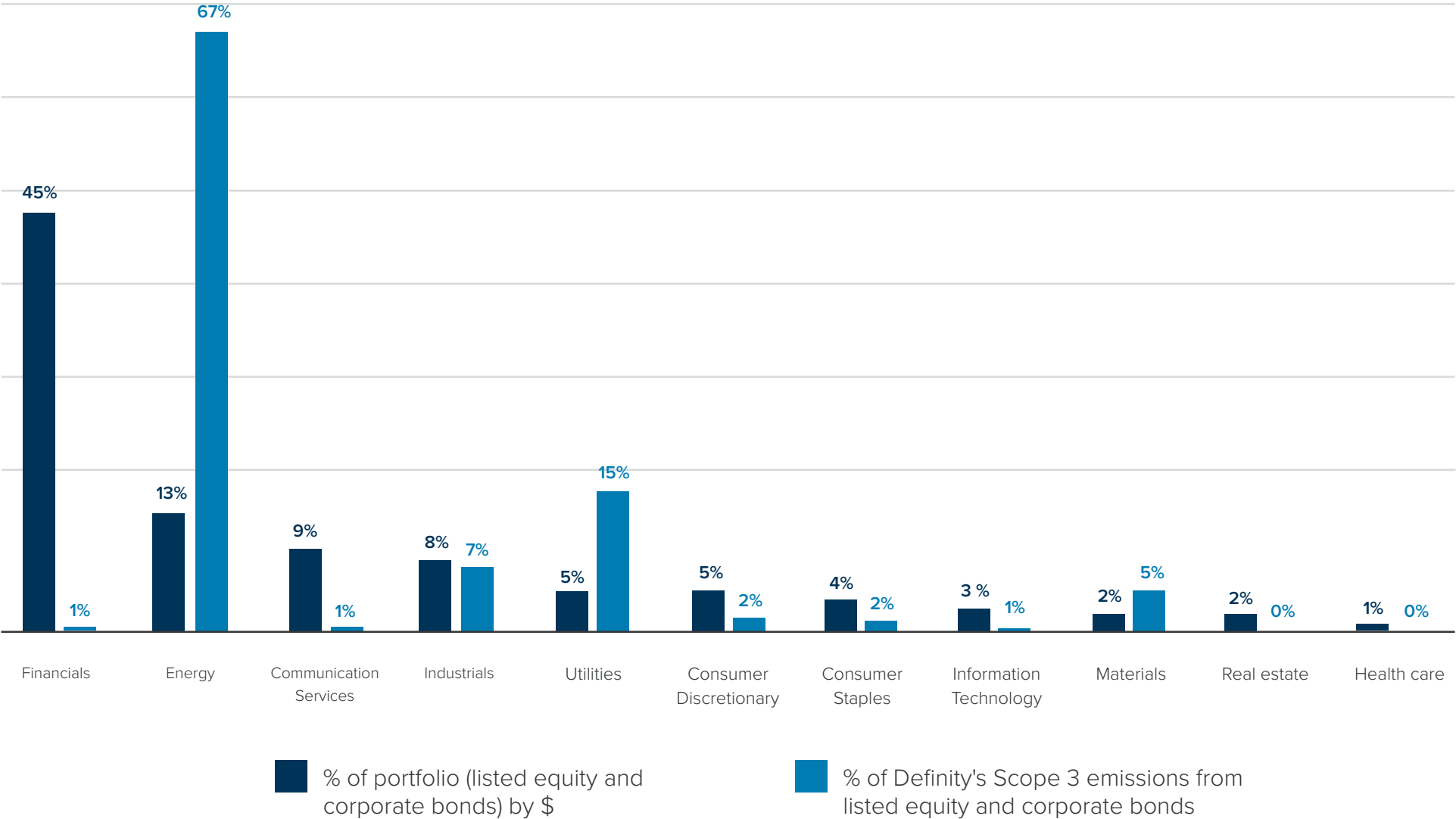
Definity's financed emissions associated with sovereign debt are, in general, a representation of the emissions for the Canadian economy as a whole. Sovereign debt are a high-quality, low-risk asset class and represent a prudent solution in our overall investment strategy. While Definity does not intend on setting emissions reduction targets for this asset class, we remain focused on reducing GHGs for assets where we do have more discretion, such as listed equity and corporate bonds. The emissions intensity for listed equity and corporate bonds (34 t CO₂e per million dollars invested) is considerably lower than that of sovereign debt (217 t CO₂e per million dollars invested), demonstrating the impact of our approach to reducing the GHG intensity of the portfolio while seeking to maximize risk-adjusted returns.



Below is a comparison of the share of investment emissions associated with Definity’s holdings of listed equity and corporate bonds by industry sector versus the share of portfolio holdings in those sectors.

INVESTMENT EMISSIONS VERSUS INVESTMENT EXPOSURE, BY INDUSTRY SECTOR (AS OF DEC 31, 2023)

(Listed equity and corporate bonds only)





KEY INDICATORS

49%

of employees responding to self-disclosure identify as belonging to an equity-deserving group^{44 45}

REPRESENTATION TARGETS AND PERFORMANCE

We have an important role to play as a driver of inclusion, diversity, equity, and accessibility within our industry and our communities.

2026 Diversity Targets

Definity's target is to have at least 30% women and at least 15% Black, Indigenous, People of Colour (BIPOC), LGBTQ+, and/or persons with disabilities 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 directors and has targeted that by Definity's annual meeting in 2026 at least one director identifies as BIPOC, LGBTQ+, or a person with a disability.

Definity has implemented voluntary confidential self-disclosure options for employees and members of our Board of Directors to confidentially identify personal demographic details, including gender identity, sexual orientation, racial/ethnic background, religion, and disability status. In 2023 we campaigned consistently to encourage confidential self-disclosure and have achieved a 40% response rate among employees. To date, 49% of total employees who responded — including 25% at the Vice President level and above — identified as belonging to an equity-deserving group^{44 45}. Given the employee response rate, we've not reported the disaggregated 2023 percentages of LGBTQ+, Black, Indigenous, People of Colour, and Persons with disabilities.

Performance

In 2023, our workforce comprised 58% women, up from 57% in 2022, with 45% of mid-management positions (manager, director, and AVP roles) held by women, which is consistent with 2022. At VP and Executive Leadership Team levels, 24% of all roles were held by women, up from 19% in 2022. These employee demographics figures are calculated on a 12-month average basis to smooth the potential effects of late-year changes but remain sensitive to small absolute changes in representation and/or the total population size.

⁴⁴ Family Insurance is excluded from this metric due to data limitations related to system incompatibility. Headcount includes permanent, active employees, including those on all leaves of absence (except for employees on Long Term Disability). Students, contract employees, independent contractors or individuals employed by a third party staffing agency are not included.

⁴⁵ Data as of December 2023, based on voluntary self-disclosure with a response rate of 40%; includes Black, Indigenous, People of Colour, LGBTQ+, and/or persons with disabilities.

Workforce ⁴⁶	2023	2022	2021
Permanent	3,400	3,504	2,951
Temporary	42	51	56

Total number of employees	2023	2022	2021
Definity/Economical	3,009	3,054	2,593
Sonnet	209	259	205
Petline	138	154	132
Family	86	88	77

Representation and diversity	2023	2022	2021
Total Company			
Women ^{44 47}	58% ⁴⁸	57%	58%
Men ^{44 47}	42% ⁴⁸	43%	42%
Individual from an equity-deserving group ^{44 45}	49%	-	-
LGBTQ+	-	-	10% ⁴⁹
Black, Indigenous, and People of Colour	-	-	28% ⁴⁹
Persons with disabilities	-	-	18% ⁴⁹
Managers, Directors and Assistant Vice Presidents			
Women ^{44 47}	45% ⁴⁸	45%	46%
Men ^{44 47}	55% ⁴⁸	55%	54%
Vice Presidents and above			
Women ^{44 47}	24% ⁴⁸	19%	28%
Men ^{44 47}	76% ⁴⁸	81%	72%
Individuals from an equity-deserving group ^{44 45}	25%	-	-
Board of Directors			
Women	31%	31%	27%
Men	69%	69%	73%
Individuals from an equity-deserving group	8%	-	-

⁴⁶ Includes all full-time and part-time permanent (regular with no set termination date) employees and temporary employees. Includes Family Insurance.

⁴⁷ Based on average headcount in the year from 12 monthly reports.

⁴⁸ 2023 figures include employees on leaves of absence (excluding Long-Term Disability) which were not included in previous years, resulting in an immaterial impact, and thus not restated.

⁴⁹ Data as of October 2021, based on self-identification via an employee survey administered by a third-party with a response rate of approximately 63%. These performance indicators may include employees who have selected more than 1 option within the survey and thus the reported values are not designed to adjust for double counting due to the intersectionality within the employee population.



SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) INDICATORS

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 and fair advice for clients	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 clients	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	In 2023, the complaints-to-claims ratio was 4.3 complaints per 1000 claims received.
	Description of approach to informing customers about products	Discussion and Analysis	FN-IN-270a.4	Please refer to "Client Practices" on page 33.
Incorporation of ESG factors in investment management	Total invested assets, by industry and asset class	Quantitative	FN-IN-410a.1	Please refer to "Investment Portfolio" in ESG Data Sheet.
	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 & Financing" on page 38.
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 "Client Practices" on page 33.
Environmental Risk Exposure	Description of approach to incorporation of environmental risks into: 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 60-62 of our 2023 Annual Report .

TOPIC	ACCOUNTING METRIC	CATEGORY	SASB CODE	RESPONSE
Systemic Risk Management	Exposure to derivative instruments by category: 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 115 of our 2023 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 53 of our 2023 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 57 of our 2023 Annual Report .
Activity Metric	Number of policies in force, by segment : 1. Property and casualty, 2. Life, 3. Assumed reinsurance	Quantitative	FN-IN-000.A	The total number of personal policies in force for 2023 is 1,598,665.

ASSURANCE REPORT (EY)



Independent practitioner's assurance report

To the Management of Definity Financial Corporation

Scope

We have been engaged by Definity Financial Corporation ("Definity") to perform a 'limited assurance engagement,' as defined by Canadian Standards on Assurance Engagements, hereafter referred to as the engagement, to report on select performance indicators detailed in the accompanying Schedule (collectively, the "Subject Matter") for the year ended December 31, 2023 and contained in Definity's 2023 ESG Report (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Definity

In preparing the Subject Matter, Definity applied the applicable guidance contained within the Greenhouse Gas ("GHG") Protocol: Corporate Accounting and Reporting Standard and Scope 2 Guidance (the "GHG Protocol"), the Partnership for Carbon Accounting Financials Global GHG Accounting and Reporting Standard for the Financial Industry ("PCAF"), and internally developed criteria described within the Report (collectively, the "Criteria"). The internally developed criteria were specifically designed for the preparation of the Report. As a result, the applicable Subject Matter may not be suitable for another purpose.

Definity's responsibilities

Definity's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining

ASSURANCE REPORT (EY)



adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Canadian Standard on Assurance Engagements ("CSAE") 3000, *Attestation Engagements Other than Audits or Reviews of Historical Financial Information* ("CSAE 3000") and CSAE 3410, *Assurance Engagements on Greenhouse Gas Statements* ("CSAE 3410"). These standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our independence and quality management

We have complied with the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires us to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

ASSURANCE REPORT (EY)



Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making inquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Conducting interviews with relevant personnel to obtain an understanding of the process for collecting, collating, and reporting the Subject Matter;
- ▶ Undertaking analytical review, making inquiries with relevant personnel, reperforming select calculations and comparing, on a limited sample basis, to underlying source information;
- ▶ Reviewing the presentation and disclosure of the Subject Matter in the Report.

We also performed such other procedures as we considered necessary in the circumstances.

Inherent limitations

Non-financial information, such as the Subject Matter, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the Subject Matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable evaluation techniques which can result in materially different evaluation and can impact comparability between entities and over time.

ASSURANCE REPORT (EY)



The GHG quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

Conclusion

Based on our procedures and the evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter for the year ended December 31, 2023, is not prepared, in all material respects, in accordance with the Criteria.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

May 10, 2024
Toronto, Canada

ASSURANCE REPORT (EY)

Schedule

Our limited assurance engagement was performed on the following Subject Matter for the year ended December 31, 2023:

Subject Matter	Criteria ^{1, 2}	Unit	Amount	Report Page (s)
Total Scope 1 GHG emissions	The GHG Protocol	tCO ₂ e	1,691	48, 49
Total Scope 2 location-based GHG emissions	The GHG Protocol	tCO ₂ e	482	48
Total Scope 2 market-based GHG emissions	The GHG Protocol	tCO ₂ e	177	48
Scope 3 Category 15 - Investments (listed equity and corporate bonds) ³	PCAF	tCO ₂ e	82,738	49
Scope 3 Category 15 - Investments (sovereign debt)	PCAF	tCO ₂ e	323,412	49
Emissions intensity of investments - listed equity and corporate bonds ³	PCAF	tCO ₂ e/\$ million	34	49
Emissions intensity of investments - sovereign debt	PCAF	tCO ₂ e/\$ million	217	49
Total charitable donations	Internally developed criteria ⁴	\$	2,601,000	41
Total Company - Women	Internally developed criteria ⁴	%	58	51, 52
Total Company - Men	Internally developed criteria ⁴	%	42	52
Total Company - Individual from an equity-deserving group	Internally developed criteria ⁴	%	49	51, 52

ASSURANCE REPORT (EY)

Managers, Directors, and Assistant Vice Presidents - Women	Internally developed criteria ⁴	%	45	51, 52
Managers, Directors, and Assistant Vice Presidents - Men	Internally developed criteria ⁴	%	55	52
Vice Presidents and above - Women	Internally developed criteria ⁴	%	24	51, 52
Vice Presidents and above - Men	Internally developed criteria ⁴	%	76	52
Vice Presidents and above - Individual from an equity-deserving group	Internally developed criteria ⁴	%	25	51, 52
Voluntary turnover rate	Internally developed criteria ⁴	%	11.3	28
Engagement index	Internally developed criteria ⁴	%	77	30
Inclusion and belonging index	Internally developed criteria ⁴	%	88	30, 51

¹Significant contextual information necessary to understand how the data has been compiled has been disclosed in the Report. Refer to the applicable Report Page(s) referenced in the Schedule.

²Applicable reporting boundaries used to measure the Subject Matter has been disclosed and explained on page 4 of the Report.

³Includes Scope 1 and Scope 2 emissions attributed to investees. Scope 3 emissions attributed to investees are excluded from the scope of our limited assurance engagement.

⁴Internally developed criteria are described in the Report. Refer to the applicable Report Page(s) referenced in the Schedule.

definity.