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The Co-operators Group Limited

January 30th, 2017

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Senior Policy Coordinator
Ministry of the Environment and Climate Change
Climate Change and Environmental Policy Division
Air Policy and Climate Change Branch
77 Wellesley Street West, Floor 10
Toronto, ON M7A2T5

Subject: Comments on the proposed Ontario Change Solutions Deployment Corporation
EBR Number 012-9270

The Co-operators is a group of Canadian companies focusing on insurance and financial services. As a co-operative, our 43 members include co-operatives and credit union centrals representing a combined membership of millions of Canadians.

In 2016 alone, The Co-operators contributed over $1.7 million to Ontario non-profits, charities and community initiatives. We employ almost 3,000 staff, 250 Advisors and insure approximately 518,570 private passenger vehicles, 323,000 homes, 8,720 farms, and 35,110 businesses in the province.

As an asset owner and, a majority owner of an investment manager (Addenda Capital) with approximately $27 billion under management, The Co-operators strongly believes that the timing is right to enable broader investment in sustainability. With a large amount of assets to invest, it is vital that we follow a sustainable approach. Sustainable investing is a philosophy that considers not only the financial aspects of investing but also gives weight to environmental, social and corporate governance (ESG) considerations. We are committed to this approach. In fact, in 2016, we invested 97% of The Co-operators $9 billion in assets through this policy.

In 2015, we set an ambitious goal to invest six to ten per cent of our invested assets into impact investments by the end of 2018. Impact investing is an approach to investing that seeks to create both financial returns and positive social or environmental impact. It is intentional, and the social or environmental impacts are actively measured and reported to stakeholders. In addition to supporting social, economic and environmental sustainability, impact investing aligns with our values.

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The Co-operators believes that it is possible to balance economic, environmental and social priorities as a responsible corporate citizen. Our corporate vision statement calls on us to be a catalyst for a sustainable society.

As leaders in risk analysis, insurers are uniquely positioned to advocate for better ways to predict and prevent losses from extreme weather events. As society's risk managers, the insurance industry could play a role in helping individuals manage the risks associated with their deployment of technologies to reduced greenhouse gas emissions including, for example, insuring the financial savings from deep energy retrofits. We believe in taking a proactive approach to helping reduce Ontarians' risk.

We appreciate the opportunity to expand on our previous submission on the government's *Climate Change Discussion Paper*, where we outlined our efforts and initiatives in enabling the transition to a low-carbon economy and provided recommendations.

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Ontario's Climate Change Action Plan outlined the establishment of a "green bank" that would help homeowners and businesses access and finance energy efficient technologies to reduce greenhouse gas pollution from buildings. In addition to focusing on households, as outlined in the Environmental Registry posting, the green bank is intended to "support large commercial and industrial projects, or projects that require scale to be financed privately, by working with commercial banks to help aggregate projects to reduce risk."

One area of potential activity for the corporation should be **debt issuance**; building on the Ontario Government's three successful rounds of green bond issuance in October 2014, January 2016, and January 2017 respectively. This type of debt issuance could fund many other projects in Ontario, enabling more Ontarians to invest in clean technologies, increasing our adaptive capacity, and bringing us closer to Ontario's 2020 and 2050 goals.

We are pleased to see that the corporation will support projects that require scale to be financed privately. As outlined in our previous submission, one barrier holding back mainstream investments in low-carbon buildings and technologies is the **small scale of the investment opportunities**. The small scale significantly slows efforts to build large-scale mainstream investor interest in low-carbon buildings and technologies.

The due diligence effort required for a $500,000 private investment in an unknown enterprise (which might have a unique capital structure and a unique term sheet) is generally greater than the due diligence effort required for a $50,000,000 investment in debt issued by a public company with a long track record subject to scrutiny from many stakeholders.

To illustrate this point, we refer to Ontario's social venture exchange, SVX, of which Addenda Capital is a member. There have not been many investment opportunities seeking to raise $5 million or more, listed on the exchange. This small scale makes it difficult to invest capital.

There are not a lot of Canadian investment managers offering impact investing funds and many of the funds are small themselves. It is difficult for investors to deploy large amounts of capital into these funds because it would not be prudent to have a large portion of any one fund.

In order for impact investing to be carried out on a much larger scale, enabling investments by more Ontarians, we need larger investment opportunities. Larger investment opportunities would be more common if there were more intermediaries and there would be more intermediaries if there was more capital ready to be deployed.

Below are a few additional recommendations for the proposed Ontario Change Solutions Deployment Corporation, largely pulled from or derived from the recommendations of others:

- **Increase the supply of capital**:
  - Explore further use of tax credits to encourage social enterprise and impact investing.
  - Consider providing first loss facilities or other guarantees.
  - Explore the idea of social impact retail mutual funds, and introduce tax benefits that would make them attractive to retail investors.

- **Increase the quantity and quality of impact investing intermediaries**:
  - Look to the UK example of Big Society Capital. It is spurring the development of intermediaries that will be able to cater to the needs of investors seeking to make impact investments. It is funded by dormant bank accounts and large banks.
  - Explore an impact investing matching program that would co-invest with private investors.
  - Consider early-stage support to specialist impact investment funds, intermediaries and advisory firms.
  - Credit enhancement from government—provide low cost insurance to the banks for loans made to social enterprises.[1]

- **Other opportunities**:
  - Provide capability-building grants for impact-driven organisations.
  - Continue issuing green bonds at benchmark size.

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[1] Global Impact Investing Network. (2013, October). *Issue Brief: Catalytic First-Loss Capital*. Retrieved from http://www.thegiin.org/binary-data/RESOURCE/download_file/000/000/552-1.pdf

We appreciate the opportunity to comment on the proposed Ontario Change Solutions Deployment Corporation. We are not full members of the Insurance Bureau of Canada as we prefer to contribute to the policy development process directly. As a co-operative financial services provider, we believe we bring a unique perspective to public policy consultations. Please do not hesitate to call 519-824-4400 ext. 302244 or email maya_milardovic@cooperators.ca for further discussion.

Sincerely,

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