

Member Perspectives on ESG: **An In-Depth Analysis**

Assessing members' perceived importance
of Environmental, Social and Governance (ESG) policies.

October 2024



Executive Summary

Innovation Federal Credit Union (“Innovation”) remains committed to driving change and finding ways to better serve communities across Canada. The following study was conducted to understand the perception of Environmental, Social, and Governance (ESG) policies and how well Innovation is performing in these areas. Inshtrix Research worked with the credit union to gather a sample of more than 1800 members and non-members to participate in a survey to determine the importance of these ESG policies.

The findings demonstrated that most individuals perceived Innovation’s ESG policies positively. Both members and non-members put a heavy importance on the governance pillar. Most aspects of the environmental and social pillars were also well received. However, there were concerns surrounding Diversity, Equity, Inclusion (DEI) and limiting financing for high-emission industries.

Going forward, Innovation must remain committed to doing what’s best for the planet and for communities while addressing member concerns and safeguarding against potential risks. The credit union will have to maintain environmental best practices, improve social progress, and establish a more ESG-centric governance process.

Research Methodology

This report was created by drawing primarily on responses from a detailed survey meant to assess the perception of importance surrounding Environmental, Social and Governance (ESG) policies and the performance of Innovation Federal Credit Union (“Innovation”) in addressing them. Innovation members and the Saskatchewan (SK) general population were asked their thoughts on these subjects, and the responses were also compared to perceptions in the broader Canadian financial landscape along with our own internal analysis. The results were intended to provide a better understanding of the attitudes surrounding ESG issues, for both Innovation members and the public, and how we can better serve our communities.

The starting point for understanding member and public perceptions was an online survey, which was administered from April 26th to May 21st, 2024, by Insightrix Research. Innovation provided a list of members from which a random contingent would be contacted, while data from the Saskatchewan general population was collected by Insightrix through the SaskWatch™ Research Panel.

From these, a select sample of 1,031 Innovation members – which were divided into consumer members and business/agricultural members – and 834 members of the Saskatchewan general population were surveyed to determine the importance and awareness of ESG policies regarding financial institutions and in general.

Survey Demographics

65+ 25-64 24 AND UNDER



Breakdown of respondent ages



Members: 50/50 male/female
SK general population: 55% female/45% male

>50%

Completed university degree or technical/college diploma

70%

Members and SK general population employed full-time or retired

46%

Members employed in Agriculture, Forestry, Fishing and Hunting (AFFH), health care/social assistance or educational services

The responses to survey questions were then compared to perceptions in the broader federal credit union system, broken down by each of the three pillars of ESG (environmental, social and governance) to see not only how respondent perceptions matched organizational performance, but also to see how the responses compare to recent developments within the credit union system, especially B-15 guidelines that are now in place. These comparisons were also used to develop a section of this report aimed at identifying how to better support Innovation's consumer and agriculture and business members from an ESG perspective, as well as determining a "path towards the future" for Innovation's ESG focus.

We hope that this report shows that Innovation's members are being heard, and that by better understanding how particular ESG policies are viewed they can be better addressed within the federally regulated frameworks that are mandated. ESG policies should provide benefits not only to the planet and social causes, but also to Innovation members and the communities in which they live. Environmental, social, and governance policies enacted by companies all over the world are accelerating changes, creating opportunities for economic participation in areas that may not be top of mind.

How others are responding

Companies that may have at one time been associated with negative environmental impacts, such as Nestle and Walmart, are now focusing on sustainable sourcing, which supports local farmers who adopt environmentally friendly

practices. Walmart's [Project Gigaton](#), for example, aims to reduce 1 billion metric tons of CO2 emissions from its supply chain – meaning that they prioritize suppliers that reduce their carbon footprint.



The company reached their billion-ton goal six years early by engaging with over 6,000 suppliers that directly benefited from their decision to adopt greener practices. There are also several Canadian agri-tech companies focused on enhancing sustainable farming, such as [ReelData AI](#), [Future Fields](#), and [Provision Analytics](#) – all of which creates greater economic opportunities for people in the same situation as many Innovation members.

In a broader example, the wildfires that devastated Jasper, Alberta in the summer of 2024 have highlighted the need for robust risk management and transparency now, not in the vague future. The estimated Jasper damages of over \$700 million, combined with that of Toronto's major flood only weeks earlier, means severe weather costs for these

two events alone will be more than \$1.7 billion. This puts the Canadian insurance industry past the halfway point towards another \$3 billion year in “NatCat” (Natural Catastrophe) damages. Morningstar DBRS, a global credit rating agency with a presence in Toronto, states that though wildfires were not a major contributor to Canada’s insured natural catastrophe losses historically, they have become more of a concern since 2021. Canada experienced two large wildfires in 2021 and three in 2023, which represented about one-third of the insurance industry’s total \$3.1 billion in severe weather-related losses in 2023.

Overall, extreme weather events are becoming more frequent and severe, according to a 2024 DBRS report. Companies investing in resilience measures, such as fire-resistant infrastructure and advanced monitoring systems, are seeing these investments pay off by reducing long-term costs and enhancing operational stability. Case in point: the CBC states that the \$700 million in losses would have been much worse if not for fire prevention efforts that had previously been put in place. For these and other reasons, strong ESG policies attract investors looking for sustainable investment opportunities, resulting in better access to capital and potentially higher valuations.

At Innovation, we want to be transparent about not only the costs associated with ESG policies, but also the rewards – and how improving our performance can lead to more economic possibilities and opportunities for our members. This report aims to illuminate which policies are supported, which are opposed, and how each of them can be better realized for the benefit of the community and the planet.



Key Findings



Key Findings

Overall, the survey found that awareness surrounding ESG policies is considerable for both Innovation members and the Saskatchewan general population, especially in several areas. Approximately one-half of those surveyed are at least somewhat aware of environmental and social policies, with respondents being least aware of governance policy development, though more than three-quarters of respondents claimed that this was the most important of the three main ESG pillars for organizations to develop. While some skepticism toward ESG practices has been voiced, it appears that this sentiment is targeted at specific policies; people are not upset with recycling programs or community involvement or institutional transparency.

Below are key findings about member and public perceptions related specifically to each ESG pillar and how external pressures, such as B-15 legislation, will impact these areas going forward.

Environmental Pillar

When asked about which environmental policies are important, respondents mentioned concepts such as sustainability and environmental protection. Numerous environmental policies are explicitly supported, such as recycling, reducing waste, and going paperless. The acceptance of these policies is not coincidental, as the concept of “[Reduce, Reuse, Recycle](#),” evolved from wartime conservation efforts into a global environmental mantra, gaining momentum in the 1960s and 1970s before leading to widespread recycling programs in the 1980s and 1990s.

30%

of ag members view restricting financing for high-emission industries as important

33%

of Innovation agriculture and business members have either implemented or are implementing environmental policies

71%
WASTE
REDUCTION

67%
ENERGY
EFFICIENCY

65%
ENERGY
CONSERVATION

Environmental policies supported
by percentage of survey respondents:



8/10 or below

9/10 or 10/10

Innovation's environmental rating, according to members
(1 being very dissatisfied and 10 being very satisfied)

This led businesses and governments to go further and begin adopting wider sustainability practices in the 2000s, as they began recognizing the economic benefits that could be realized from embracing change.

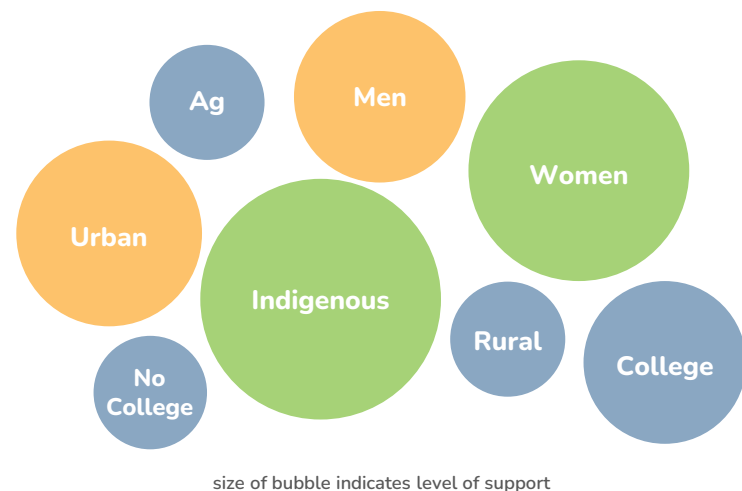
The early 1970s also saw the rise of sustainability education in school curriculum with [David Suzuki's Suzuki on Science](#) as an early popular example. Following Suzuki's initial success was the 1990s hit [Bill Nye the Science Guy](#) who emphasized ecological and environmental principles with the aid of experiments. There was also The Magic School Bus, which included episodes discussing climate and the water cycle at length. Many of these educational tools are still utilized to this day and have clearly led to the growth of environmentally conscious adults.

You can also see a clear shift in agricultural practices as well. A growing global population and unpredictable climate concerns have put pressure on farmers. This has led the agricultural industry to answer questions about food security and sustainability. [Nutrien stands as a global leader in promoting sustainable agricultural practices that reduce greenhouse gas emissions, enhance energy efficiency, and promote nutrient stewardship practices.](#) Their science-based farming recommendations prove to not only be more environmentally friendly but result in better crop yields as well.

All these events and more have led to wider innovations in renewable energy, sustainable packaging, waste management technologies, and more.

Still, as expected from a diverse group of respondents, environmental policies received mixed support. While the more well-known initiatives like reducing waste and improving energy efficiency were championed, more controversial ideas such as limiting financing for high-emission industries faced some opposition. Regardless, future advances in developing environmental policies must continue to evolve, especially when considering B-15 guidelines. [B-15 guidelines require Federally Regulated Financial Institutions \(FRFIs\) integrate climate risk considerations in their policy construction and governance structure.](#) These guidelines also include target emission commitments as well as the financial risks associated with moving towards a low-greenhouse gas (GHG) economy.

Likelihood of Supporting Environmental Policies by Member Segment



Social Pillar

Social policies also received mixed support from all respondents. Employee well-being, fairness, and community support were all policies that were rated favourably, while others were much more contentious, particularly diversity, equity, and inclusion (DEI) initiatives, which received the most varying levels of support. This is in line with [previous research conducted by the Pew Research Center](#) who reported in 2023 that 28% of employees were indifferent to the importance of DEI initiatives and 16% considered DEI a negative. This is only further exacerbated by the current political and economic climate regarding unemployment rates, rising housing prices, and immigration.

Innovation's reputation for fairness and community involvement was viewed positively by both members and the Saskatchewan population; however, future policies will need to grapple with the more divisive issues such as DEI, as social efforts will need to rely on more cohesiveness and support to tie in with mandatory B-15 regulations. Furthermore, the indirect effects of climate change on social policies, such as public health and community implications, must also be addressed by FRFIs – which could lead to important benefits if properly implemented.

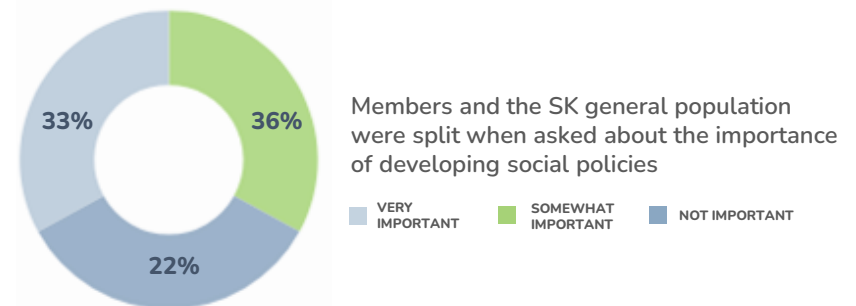
Governance Pillar

Of the three ESG pillars, governance policies are most supported and are the least divisive. Qualities such as being a trustworthy organization, acting in the best interest of customers, transparency, and managing risk, were all important to respondents: no significant differences were

found between Innovation members or the public, urban or rural location, or education or income level in terms of their support for strong governance procedures. Focusing on further strengthening these policies will be helpful for us at Innovation as they will help members, as well as the public, in the long run – and B-15 regulations stipulate that FRFIs should have appropriate governance and risk management practices to manage identified climate-related risks.

34% of members (and 51% of SK general population) did not state any top-of-mind policy

17% of all respondents stated Community Engagement and Support as their top-of-mind policy





43%

of members and SK general population state that governance policies are very important



59%

vs.



37%

SK general population

Innovation members

percentage of respondents that don't know or had no comment on governance policies

11%

of Innovation members stated concerns of governance policies surrounding overregulation and excessive control

Bringing together the three pillars

While “Governance” enjoys broad support and “Environmental” and “Social” pillars have areas of contention, we believe that it is necessary to work to continue addressing all three of these areas. It is vital that Innovation remains financially resilient through the ever-evolving landscape of sustainability practices as it pertains to ESG, climate risk scenarios, and implementation into business cases, all while recognizing the diverse viewpoints of members.

According to a World Economic Forum piece published in 2023, the global cost of climate change damage is estimated to be between \$1.7 trillion and \$3.1 trillion per year by 2050. This of course includes damage to infrastructure but notably agriculture and human health. ESG policies, if properly enacted, will lead to significant cost savings associated with related damages. Consequently, these savings are passed onto members who then drive innovation by encouraging the development of innovative products and services.

But financial institutions could go beyond saving and significantly increase their long-term bottom line as well, leading to improved service offerings for members. As reported by Equity Quotient, companies that embrace ESG principles report a 19% higher revenue, 50 bps lower cost of capital, and 3 times stronger member retention.

Financial institutions will also have to consider effective DEI implementation as a part of the social element of their ESG. adaptation. Statistics show that 75% of organizations with

diverse frontline decision-making teams exceed their financial targets. And gender-diverse and inclusive teams outperformed the alternative by an average of 50%. DEI benefits extend even to individual employee output, with diverse organizations seeing a 12% increase in employee performance and a similar improvement in desire to stay.

The widespread approval and importance placed on the governance pillar of ESG policies is no surprise. It is paramount that financial institutions capitalize on this widespread support by elevating ESG tracking to the level of financial reporting, starting at the executive level. Governance over ESG implementation should help reap the rewards of the environmental and social pillars mentioned above.

Lastly, financial institutions with strong ESG performance are often able to offer easier access to capital, which should benefit all members and the general public in the long run. Change is accelerating and Innovation is at the forefront of understanding how regulatory mandates can be utilized to create more economic participation for all members.

Introduction

While it is important for financial institutions to focus on holistic sustainability, the term ESG focuses specifically on measurable factors (Environmental, Social and Governance) that not only impact performance and company risk profile, but also allow for better reporting and, as a direct result, improvement in these areas. Environmental factors include a company's carbon footprint, energy efficiency, and resource management. Social factors encompass issues such as labour practices, diversity and inclusion, and community engagement. Governance factors relate to the structure and oversight of corporate boards, executive compensation, and adherence to ethical standards and legal requirements.

Financial institutions, in particular, tend to focus on ESG specifically because these factors have become increasingly important considerations for investors, regulators, and other stakeholders. Better ESG performance has been linked with better risk management, regulatory compliance, and market competitiveness, all of which are predictors of long-term performance.

In 2019, Innovation became a founding signatory of the [UN's Principles for Responsible Banking™](#), reflecting the cooperative's values that are focused on more than just profit. Since then, ESG awareness has grown among banks and credit unions, including at Innovation, where a strong social and governance foundation had already been formed. However, maintaining ESG momentum has been challenging, leading to a relative decline in comparison

to intensifying efforts from other institutions to ramp up ESG policies. This report was developed as part of a comprehensive attempt to gain momentum in relation to other financial institutions, fueled in part by consumer demand, regulatory mandates, the Responsible Banking™ principle, competition, and management commitment. We aim to mature Innovation's ESG relevance by aligning with global trends prioritizing ESG and assessing how they can best be utilized to improve Innovation's core offerings. Our policies are driven by member needs, and they always reflect Innovation's commitment to providing comprehensive banking solutions and reinvesting profits into members, communities, and employees. ESG policies are no different in this regard.

Member feedback is critical for understanding not only the importance of ESG policies to those being surveyed, but also, to provide a clear picture of how well progress and achievements are being externally communicated. The following sections outline in detail how ESG policies and themes are currently viewed by Innovation members and the Saskatchewan general population, followed by an in-depth look at how Innovation can support members and businesses – and a potential path to a more sustainable future.

Environmental



Environmental

Climate change and accompanying threats can present significant risks for financial institutions. These risks, also known as “climate-related risks” according to B-15 guidelines, are broadly categorized as physical and transition risks. Physical risks refer to “the financial risks from the increasing severity and frequency of climate-related extremes and events, longer-term gradual shifts of the climate, and indirect effects of climate change such as public health implications. Transition risks, on the other hand, refer to “the financial risks related to the process of adjustment towards a low-greenhouse gas (GHG) economy” and they can emerge “from current or future government policies, legislation, and regulation to limit GHG emissions, as well as technological advancements, and changes in market and customer sentiment towards a low-GHG economy.” Furthermore, B-15 states three expected outcomes that FRFIs are expected to achieve due to this recently enacted legislation, which are:

1. The FRFI understands and mitigates against potential impacts of climate-related risks to its business model and strategy.
2. The FRFI has appropriate governance and risk management practices to manage identified climate-related risks
3. The FRFI remains financially resilient through severe, yet plausible, climate risk scenarios, and operationally resilient through disruption due to climate-related disasters.

Building resilience against climate-related risks requires FRFIs to address vulnerabilities through forward-looking approaches that are holistic, integrated, and built on reliable empirical data and sound analyses. It also necessitates FRFIs to continuously monitor and incorporate developments in climate-related risk management, such as improving data quality and evolving risk measurement methodologies. With this, strong ESG positions are increasingly adopted by major Canadian financial institutions. Innovation’s transition to become an FRFI has shifted the organization into a market that features more mature ESG practices, which is becoming increasingly important not only throughout Canada, but in Saskatchewan and the Prairies in particular.

When discussing environmental policies, Innovation members and the public gave feedback with positive sentiments toward sustainability endeavors like environmental protection and conservation. People were very familiar with recycling and supported its continuation, along with conserving energy, minimizing waste, and going paperless whenever possible. Only around 10% of respondents expressed any negative opinions regarding environmental policies, mainly citing concerns about government intrusion, viewing some of them as untrustworthy and questioning their efficacy or cost-effectiveness. Agricultural Innovation members are least likely to state that environmental policies are important at 50%. But the science suggests that environmental policies may lead to better agricultural outcomes.

Methods like cover cropping and reduced tillage have shown to increase organic matter retention, promote crop resilience, and stronger farming ecosystems in general. Therefore, it is up to financial institutions to bridge this gap and communicate these benefits effectively.

While over two-thirds of respondents considered it important to develop sound environmental policies, Innovation members showed a little less enthusiasm than the general population in this area. Limiting financing for high-emission industries was especially unpopular, as less than half of all people surveyed expressed support for such a policy. This is important to understand, as many Innovation members and members of the Saskatchewan general population earn their living in industries that would be excluded from investment, yet federal mandates push credit unions towards adopting policies that uphold this limitation. That could provide an explanation for why 50% of agricultural members stated environmental policies are less important to them. Ultimately, decisions will be made based on how member needs can best be facilitated within the directives put forth in B-15 and other legislation.

Although there is skepticism among some members regarding certain environmental policies, a significant portion of Innovation members have either implemented, or are in the process of implementing, environmental policies within their organizations. This is encouraging, as focusing on the “E” in ESG is meant to increase overall sustainability, leading to long-term organizational resilience in addition to environmental benefits.

Environmental Key Findings



Overall, respondents predominantly expressed positive views on environmental policies, highlighting efforts in sustainability such as environmental protection and conservation.



Specific policies mentioned include transitioning to paperless operations, promoting recycling, conserving energy and minimizing waste

10%

of respondents expressed negative opinions regarding environmental policies.



Social

Social

Initial efforts in ESG pursuits at Innovation have largely been driven by individuals within the organization who are passionate about these causes and feel empowered by the organizational culture. This has so far resulted in noteworthy achievements, such as the establishment of "Responsible Banking" as a trademark. It has also been a catalyst in fostering a more diverse and inclusive organizational landscape, with nearly two-thirds of leadership roles held by women and five out of twelve board members being female – and representation among underrepresented groups has more than doubled in the past five years.

Based on these achievements, it should be expected that survey responses would associate Innovation's social policies with initiatives such as community engagement, diversity, and inclusion. However, while over half of respondents were aware of these policies, not everyone was onboard with their support.

Similar to environmentally-focused questions, disparities emerged in perceptions of the importance of social policies – and they differed based on education levels, genders, and residential preference. The survey responses made it clear that gender and cultural backgrounds do influence attitudes towards certain areas of social policy development. Still, social factors like confidentiality of personal information, equitable treatment of employees, and support for local communities received significant

endorsement from all respondents, regardless of background.

Furthermore, the survey indicated that Innovation was positively viewed regarding critical social policies, with community engagement emerging as a prominent theme for both consumer members and the general public. This is something that we genuinely appreciate as it stays true to our organizational core values. We are aware of concerns surrounding diversity and inclusion and will continue to explore methods of communicating their importance in building a sustainable social pillar.

Social Key Findings



The importance of having a diverse and inclusive workforce was deemed low by members and the SK general population – however, 1 out of 10 claimed diversity and inclusion was a top-of-mind policy



Most supported social policies:

1. Confidentiality of personal information
2. Equitable treatment of employees
3. Invests in employee wellbeing, health and safety.

Governance

A photograph of a modern conference room, viewed through a green-tinted overlay. The room features a large, light-colored conference table with several black office chairs arranged around it. In the background, there are glass partitions and a potted plant on a shelf. The word "Governance" is written in white text on the left side of the image.

Governance

Like other FRFIs, Innovation's operational ethos revolves around a cooperative model governed by a Board of Directors, entrusted with upholding legal and regulatory standards to “bolster member confidence and exhibit financial robustness.” The organization’s governance framework mandates that targets be sanctioned by the highest echelons of executive authority within the institution. This approach underscores a commitment to initiatives such as those set forth by the Net-Zero Banking Alliance, the CCCA, and OSFI Climate Risk Management mandates.

Survey responses from Innovation members and the Saskatchewan general population offer a nuanced glimpse into the varied perceptions surrounding organizational corporate governance policies. Operational guidelines and transparency were the most important areas of governance, but there were also many different ideas on what the broader idea of governance should entail. For example, while some members expressed concerns over perceived overregulation and excessive control, the majority still underscore the importance of governance policies, citing trust as a foundational element.

As with the other two ESG pillars, demographic disparities emerged around governance; however, these differences were much less pronounced and less divisive than the response to environmental and social policies. In fact, survey responses to governance questions hint at an underlying, more unified narrative compared to the other

pillars. The convergence of views on the importance of governance indicates a shared understanding of the need for organizational integrity.

Moving forward, fostering a better culture of education, and understanding among both the Board and organizational management can further enhance awareness and alignment with not only governance, but all ESG priorities. Moreover, integrating ESG considerations into strategic planning and governance structures presents an opportunity to embed sustainability principles into Innovation's organizational core – which will lead to long-term, risk-adverse benefits for members, the community, and the planet.

Governance Key Findings



Respondents with higher educational backgrounds were more likely to emphasize the importance of governance policies, reflecting a potential correlation between education and awareness of regulatory nuances.



Demographic differences were less pronounced for governance policies compared to environmental and social issues.

The image shows two women in a cafe or office environment. The woman on the left has curly hair and is wearing a light-colored sweater over a dark apron, holding a clipboard. The woman on the right has short blonde hair and is wearing a light-colored blazer over a striped shirt, holding a black folder. The background is blurred, showing other people and interior lights. The entire image is covered with a semi-transparent green filter.

Supporting Members and Businesses

Supporting Members & Businesses

Based on the collection of survey responses and internal analyses, there is ample data showing that Innovation is dedicated to embedding ESG principles while also empowering members on their journey towards implementing beneficial ESG practices.

As a Saskatchewan-based institution deeply rooted in its community, Innovation has demonstrated notable progress and recognition of the evolving landscape of sustainable business practices, as well as a good understanding of the challenges faced by its diverse membership base. It should also be noted that several business members, especially in the ag and oilfield sectors, have made concerted efforts to focus on environmental stewardship in a manner that helps the planet without sacrificing profits. This is the ultimate goal with regards to implementing sound ESG practices: doing what is best for the planet and for society while safeguarding against risks and realizing benefits that would otherwise not be available.

Below are the most important areas of focus for Innovation as we work to support consumers and business/agriculture (ag) members as part of a larger ESG focus and strategy that takes into consideration member feedback and advantages.

Understanding member needs and challenges

As indicated above, we understand that some Innovation members express uncertainty about adopting ESG policies. Among those who have implemented them, environmental

policies lead the way, but challenges such as financial constraints, regulatory complexities, and knowledge gaps hinder broader adoption across sectors. This has resulted in some reluctance to plan for future implementations. However, despite these challenges, members seem to approve of Innovation's transparency and commitment to fair business practices. Another point to consider is that only 3.3% of survey respondents fell between the 18-24 age category. With a growing emphasis on sustainability and social awareness in school curriculum, we can expect this demographic to view financial institutions that adopt ESG policies more favourably.

Continuing to focus on member needs and areas where challenges arise are both crucial for implementing effective ESG policies going forward. Furthermore, adopting educational content surrounding ESG policies may help bridge the gap and alleviate many current contentions.

Supporting members' sustainability goals

In addition to the 2024 survey conducted by Insightrix, Innovation actively and continuously solicits member feedback to refine support strategies for achieving ESG goals. Responses from the survey – and from direct organizational feedback – highlight a desire for financial assistance tailored to sustainability initiatives and robust educational resources. While some express skepticism about the financial industry's role in sustainability, it is clear trustworthy information is critical to facilitate informed decision-making.

Innovation has taken these responses, and all others from every survey respondent, seriously and is committed to working within the B-15 framework and other regulations to ensure all member voices are heard. The institution is considering tailored support approaches that respect sector-specific priorities while advancing overall ESG objectives in line with mandated regulations necessary for FRFIs.

Commitment to excellence and ethical standards

Innovation unequivocally states that the organization holds itself to the highest standards of ethical conduct and operational transparency, going beyond mere compliance to ensure member trust and satisfaction. This includes adhering strictly to privacy codes and treating all personal information with the utmost confidentiality and security – actions endorsed and applauded by most survey respondents. This commitment is not only necessary to meet legal requirements, but also demonstrates respect for member privacy rights and builds trust in the community, which is crucial, critical, and necessary to support members and businesses in their ESG journeys, as well as all aspects of their finances.

To maintain this commitment to excellence and ethical standards, it is necessary to invest in continuous training for staff, as Innovation already does, ensuring that employees are well-equipped with the knowledge and skills necessary to provide accurate information, reliable advice, and

exceptional customer service. By keeping staff updated on industry trends, regulatory changes, and best practices relating to ESG policies, the Innovation team can more effectively support members and businesses in their sustainability initiatives.

Navigating challenges and seizing opportunities

As Innovation – like all FRFIs – navigates the evolving landscape of regulatory requirements and market expectations, there are both challenges and opportunities when it comes to enhancing ESG capabilities. Regulatory frameworks, especially B-15, present compliance challenges, but they can also be seen as opportunities to strengthen commitments to ESG responsibilities.

When it comes to effectively integrating ESG principles into operations, it is essential to establish baselines and collect necessary data, which in turn allows Innovation to monitor progress, identify areas for improvement, and make informed decisions aligned with sustainability goals of the organization as well as members. Furthermore, it is clear from both member feedback and previous reports that Innovation places a premium on fostering a culture where sustainability is embedded in strategic decision-making and day-to-day operations. ESG goals are becoming more prioritized across all facets of the organization, enhancing internal cohesion, and improving the ability to deliver value to members and the community, which is the goal of implementing these policies in the first place.

Path Towards the Future



Path towards the future

Looking ahead, we can envision how ESG policies can help internal practices align with federal mandates while also helping members realize the economic participation provided by proper ESG-focused endeavors. Mandates will ensure more transparent reporting in managing environmental and social risks, and members will also have easier access to more ethical and sustainable investment products, such as green bonds or socially responsible funds. While these types of instruments are not necessarily aligned with the values of all members, they do present an opportunity for less risk and more upside, which is in the best interest of all. Additionally, increasing commitments to social responsibility should translate into even better community engagement and service for members, both of which were already highly regarded according to the survey. Furthermore, ESG mandates could lead to implementing more innovative solutions and improved operational efficiency, benefiting consumer members through potentially lower fees and better services.

Based on the above rationale and evaluating it against survey responses, three major themes can be formed for the future:

1. Implementing better environmental practices
2. Improving social progress, especially in terms of Indigenous Reconciliation
3. Establishing a more ESG-centric governance process

Following are areas of focus within each of these themes for Innovation's "path towards the future."

Towards better environmental practices

Implementing more practical environmental initiatives at Innovation should be a great first step in not only improving the perception of ESG policies, but also in creating real economic benefits from the opportunities that they can offer. These initiatives could include the following:

- Providing financing programs for improving energy efficiency, green building programs, and more sustainable procurement practices
- Creating an avenue for green investments, including for sustainable business ventures
- Developing partnerships and collaborations with environmental organizations, local initiatives, or community groups focused on sustainability
- Helping members achieve green certifications to show their commitment to sustainability
- Incorporating environmental education and drawing the line better between sustainability and improved individual member outcomes

Additionally, we understand that engaging with members on holistic environmental needs is critical to build trust and to help ensure more effectual, collective efforts are put toward sustainable practices. Ideally, these efforts will benefit members, the community, the institution, and the planet.

Towards social progress and Indigenous Reconciliation

As social policies were perceived as somewhat divisive; we understand that it is even more important to implement more cohesive initiatives and actions to move towards achieving socially focused ESG goals. Stronger evaluation of these initiatives – including steps for ensuring positive outcomes for all and proper accountability – can help ensure progress is made in the areas that need it most. We also understand that better communication (especially regarding accountability and results) is needed to help erase some of the divide on social issues that were seen among respondents. These initiatives should include focusing on:

- Supporting community development and measuring impacts
- Creating a strategy that specifically seeks to include people most opposed to this issue
- Developing greater commercial reach to support Indigenous communities needs

Towards more ESG-centric Governance processes

While governance was the most supported of the three pillars, there are still areas of improvement to move these processes forward in the best manner possible. These could include better defining and aligning on ESG priorities, maintaining comprehensive documentation of policies, maximizing awareness and training for employees and any interested public, and monitoring changes in standards and methodologies to ensure continued compliance.

History of Cooperative Principles

The seven cooperative principles that guide credit unions such as Innovation have their roots in the early cooperative movement, which began in Europe in the 19th century. The Industrial Revolution brought significant social and economic changes, leading to the formation of cooperatives to protect the rights and livelihoods of workers.

One of the earliest and most influential cooperatives was the [Rochdale Society of Equitable Pioneers](#), founded in 1844 in Rochdale, England. This group of 28 weavers and artisans established a set of principles to guide their cooperative, which became known as the Rochdale Principles. These principles emphasized democratic control, open membership, and fair distribution of profits, setting the foundation for modern cooperative values.

Over time, these principles were refined and expanded to address the evolving needs of cooperatives. The [International Cooperative Alliance \(ICA\)](#), founded in 1895, played a crucial role in formalizing and promoting these principles globally. [The ICA's 1995 Statement on the Cooperative Identity](#) outlined the seven principles that are widely recognized today (see following page):

Towards the 8th Cooperative Principle

These principles have guided cooperatives for over a century, helping them to remain resilient and adaptable in the face of changing economic and social conditions.

As the economy continues to evolve, there is need to consider an 8th principle focused on environmental stewardship, ensuring that cooperatives contribute to the health of the planet while creating economic opportunities.

This will be an area of focus as we seek feedback from members and gain a better understanding of how we can turn environmental policies into opportunities for economic growth rather than costs that hinder progress.



1. Voluntary and Open Membership

Ensuring that cooperatives are open to all individuals willing to accept the responsibilities of membership.



2. Democratic Member Control

Emphasizing that cooperatives are democratic organizations controlled by their members,



3. Member Economic Participation

Highlighting that members contribute equitably to and democratically control the capital of their cooperative.



4. Autonomy and Independence

Ensuring that cooperatives are autonomous, self-help organizations controlled by their members.



5. Education, Training and Information

Promoting education and training for members, elected representatives, managers and employees.



6. Cooperation Among Cooperatives

Encouraging cooperatives to work together to strengthen the cooperative movement.



7. Concern for Community

Focusing on the sustainable development of communities through policies approved by members.

A person's legs and feet are visible, standing on a light-colored floor. Large white arrows are painted on the floor, pointing in various directions. The entire image is covered with a semi-transparent green gradient. The word "Conclusion" is written in white text on the left side.

Conclusion

Conclusion

The landscape of attitudes towards ESG among Innovation members and the Saskatchewan general population reveals varying levels of support and awareness across each of the different pillars that constitute environmental, social, and governance policies. Feedback from nearly 2,000 respondents demonstrated a wide variety of understanding and support around ESG, from nuanced views on comprehensive frameworks to skepticism of environmental and social initiatives. Some areas received near unanimous support, while others were split evenly, and some perceptions emerged along demographic lines.

Some environmental policies, particularly waste reduction and energy efficiency received mostly positive feedback, whereas limiting financing for high-emission industries was seen as more controversial. Better communication and engagement on Innovation's part may help improve these perceptions, but it also may be the case that certain demographics will never favour policies such as placing financial limitations on specific industries. We understand that there is a fine line between educating consumers and trying to force people to accept views that they are simply not willing to accept. We believe that only further engagement, greater transparency, and listening to feedback can ensure more inclusive policies that are more widely supported by all.

Social policies, in general, garnered mixed support as well, with strong backing for employee welfare and community engagement, but more reserved attitudes towards diversity and inclusion initiatives, especially among rural residents, men, and some business/ag members. Much like the

contentious environmental policies, it is possible that these social issues could be better supported with better communication around how these policies are designed to benefit everyone – but it is also possible that they may not be supported regardless of how they are presented. Again, engagement, transparency, and listening are the keys for developing initiatives with more overall support.

Governance policies, on the other hand, were much more universally supported, with strong emphasis placed on trustworthiness, customer-centricity, and effective risk management. However, while this pillar received less divisive support, it was also the area in which most respondents felt they had the least understanding. We believe that better engagement on governance issues would help improve this understanding and could also be used as an opportunity to see if there is more support for environmental and social policies if they are presented under a governance lens.

Looking ahead, Innovation is committed to refining and improving ESG strategies by addressing the divergence in member priorities through better communication, more targeted messaging, greater transparency, and engagement, and soliciting more feedback from members throughout the policy development process. By leveraging the institution's strengths in governance and appropriately responding to concerns about social and environmental policies, we can reinforce Innovation's strong reputation as a leader in ethical finance and sustainable banking practices.



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