

Principles for Responsible Banking Self-Assessment.

Vancity

2022 Annual Report



Introduction

The UN Environment Programme's Finance Initiative (UNEP-FI) developed the [Principles for Responsible Banking](#) (PRB) to provide a framework for a sustainable banking system. There are over 300 signatory banks representing almost half of the global banking industry. Through the Principles, financial institutions take action to align their core strategy, decision-making, lending, and investment with the UN Sustainable Development Goals, and international agreements such as the Paris Climate Agreement.

The Principles define the global banking industry's role and responsibilities in addressing current societal problems, including the climate emergency and inequality. Transparency and accountability are an important part of the initiative. Signatories that continuously fail to meet transparency requirements, set adequate targets, or demonstrate progress will face removal from the list of signatories.

Vancity became a signatory to the PRB in 2019. This is our report on progress in implementing the Principles. It follows the PRB's reporting and self-assessment template.

The PRB requires limited assurance on sections of this self-assessment report related to Principle 2, Impact and target setting (sections 2.1, 2.2, 2.3), and 5.1 Governance Structure for Implementation of the Principles (section 5.1). KPMG provided limited assurance over these sections (highlighted in blue below). For details, see KPMG LLP's independent practitioners' assurance report on page 34.

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g., the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e., by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

Vancity is a financial co-operative that operates within the territories of the Coast Salish and Kwakwaka'wakw people. Our head office is on the territory of the Musqueam, Squamish and Tsleil-Waututh Nations in Vancouver, British Columbia (BC). We are a member-owned, community-based, full-service financial institution with over 562,000 members, \$34.3 billion in assets and assets under administration, 2,738 employees, and over 50 branches in Metro Vancouver, the Fraser Valley, Victoria, Squamish, and Alert Bay. Our active subsidiaries include Vancity Investment Management Ltd. (VICIM) and Vancity Community Investment Bank™ (VCIB™), which operates primarily from Toronto, Ontario, territory of multiple Indigenous nations, including the Haudenosaunee and the treaty territory of the Mississaugas of the Credit. Our primary lines of business include retail and business banking (deposit-taking and lending), commercial mortgage lending, and investment advice and services.

Links and references (to 2022 Annual Report unless noted otherwise)

Business model, p. 6

Active subsidiaries, p. 35

Business and commercial loan portfolio by NAICS; Accountability Statements, p. 38

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes

No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

UN Guiding Principles on Business and Human Rights

International Labour Organization fundamental conventions

UN Global Compact

UN Declaration on the Rights of Indigenous Peoples

- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: -----
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----
- None of the above

Response

Our strategy, climate commitments, and climate transition plan are aligned with the Paris Agreement and support several SDGs. They are designed to support a climate transition that leaves no one behind and aligns people, planet, and profit. To operationalize these commitments, our 2022–2025 business plan is designed to meet the challenges of the climate emergency and to help dismantle legacies of colonialism, systemic racism, and discrimination. Our strategy is guided by our values, one of which is Reconciliation. We work to ensure equitable access to opportunities and build meaningful relationships with Indigenous partners by adopting the principles, norms, and standards of the UN Declaration on the Rights of Indigenous Peoples (UNDRIP).

In 2022, we began the certification process through the Canadian Council for Aboriginal Business’s Progressive Aboriginal Relations (PAR) framework, Canada’s only corporate social responsibility program with an emphasis on Indigenous relations. We’re developing our Indigenous banking strategy with PAR in mind.

Based on our overall business plans and impact analyses, we designed our 2021–2025 community investment strategy to achieve three key outcomes: increased financial resilience, reduced carbon emissions, and Reconciliation and increased racial justice.

Links and references (to 2022 Annual Report unless noted otherwise)

- Message from the CEO, p. 5
- Operating context and strategic priorities, p. 7
- Reconciliation with Indigenous people, p. 29
- Public policy and advocacy, p. 34

[Progressive Aboriginal Relations](#)

Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response

Building on work in 2020 and 2021, we refreshed our impact analysis in 2022 using UNEP-FI's updated Portfolio Impact Analysis Tools for Banks, applying the mapping tools for Institutional Banking, Consumer Banking, and Investment modules*. Data for business and consumer banking was as of July 31, 2022, and income and investment was as of August 31, 2022. This was complemented by stakeholder research and Partnership for Carbon Accounting Financials (PCAF) emissions analysis.

We focused our analysis on Vancity's core business areas: consumer and business banking in Canada, primarily in BC. We expanded the scope of our business banking analysis to include Vancity Capital Corporation (VCC) and our Ontario-based subsidiary Vancity Community Investment Bank (VCIB). We also analyzed Vancity's on-balance sheet treasury investments and owned real estate.

When measured by gross income, this brings the total portion of our business under analysis to 91 per cent. The remaining nine per cent includes Vancity's managed client assets, for which relevant data is not yet available.

The most significant climate-related impacts are as a result of our loans and investments which we track and disclose as part of our financed emissions.

*Context Module Version 3 (July 2022); Consumer Banking Identification Module Version 3 (July 2022); Institutional Banking Identification Module Version 3 (July 2022); Investment Portfolio Impact Analysis Tool Version 1 (July 2021)

Links and references (to 2022 Annual Report unless noted otherwise)

Financed emissions, p. 19

Impact analysis, p. 37

Member priorities for Vancity to focus on, p. 42

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response

Yes, we considered the composition of our portfolio in the analysis. Our consumer portfolio accounts for 67 per cent of our loan book and our business banking portfolio accounts for 33 per cent.¹

Links and references (to 2022 Annual Report unless noted otherwise)

Impact analysis, p. 38

Business banking: loans and mortgages to small- and medium-sized enterprises, top 10 industry sectors, per cent of portfolio

Real estate activities	51.7%
Construction of buildings (residential and commercial)	9.7%
Financial intermediation	7.0%
Membership, civic, social, and religious organizations	6.1%
Management of companies and enterprises	5.3%
Other construction including specialty contractors	3.2%
Healthcare and social assistance	3.0%
Wholesale trade	2.9%
Accommodation and food services	2.2%
Office administrative services	1.1%

Consumer banking and lending products, per cent of members accessing

Savings accounts	93%
Chequing accounts	71%
Credit cards	40%
Line of credit (approved)	23%

³ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

<table border="0"> <tr> <td>Residential mortgages</td> <td>9%</td> </tr> <tr> <td>Consumer loans</td> <td>3%</td> </tr> <tr> <td>Overdraft</td> <td>3%</td> </tr> <tr> <td>Vehicle loans</td> <td>0.24%</td> </tr> <tr> <td>Microcredit</td> <td>0.04%</td> </tr> </table> <p>1 Using UNEP FI's Investment Portfolio module, we also analyzed the impact of Vancity's own investments including Treasury investments and owned real estate. Due to the small size of the portfolio, results were considered immaterial to the overall analysis results.</p>	Residential mortgages	9%	Consumer loans	3%	Overdraft	3%	Vehicle loans	0.24%	Microcredit	0.04%	
Residential mortgages	9%										
Consumer loans	3%										
Overdraft	3%										
Vehicle loans	0.24%										
Microcredit	0.04%										
<p>c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.</p> <p><i>This step aims to put your bank's portfolio impacts into the context of society's needs.</i></p>											
<p><i>Response</i></p> <p>While we need to do more work to fully understand detailed needs across BC and for Indigenous communities, using the UNEP-FI Context Analysis Tool we re-confirmed that the priority challenges facing Canada that intersect with our own business activities and potential impacts areas are:</p> <ul style="list-style-type: none"> • Climate Stability (based on greenhouse gas emissions) • Resource efficiency (based on energy, water, and materials consumption) • Waste (based on solid waste generated) • Housing (based on housing cost overburden for low- and middle-income owners and renters). <p>We also considered the results of a 2022 survey of our members' priorities for Vancity to focus on.</p>	<p><i>Links and references (to 2022 Annual Report unless noted otherwise)</i></p> <p>Impact analysis, p. 37</p> <p>Member priorities for Vancity to focus on, p. 42</p>										
<p>Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁵? Please disclose.</p>											

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

<p><i>Response</i></p> <p>Our 2022 analysis re-confirmed climate and financial health and inclusion as Vancity's two most significant areas of impact. This dual focus supports our Climate Commitments strategy to work towards a climate transition that puts people at its centre and leaves no one behind. We've prioritized these two areas in our target setting strategy. The analysis also showed Housing as a significant area of impact. We manage this area as a part of our Financial Health and Inclusion and Climate work, including development of specialized offerings and tracking relevant performance metrics, but we are not setting separate targets for Housing at this time.</p>	<p><i>Links and references (to 2022 Annual Report unless noted otherwise)</i></p> <p>Impact analysis, p. 37</p>
<p>d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.</p> <p>In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e., qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.</p> <p>If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.</p> <p><i>The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.</i></p>	
<p><i>Response</i></p> <p>By applying the mapping tools in UNEP FI's Portfolio Impact Analysis Institutional Banking, Consumer Banking, and Investment modules, we identified potential positive and negative impacts associated with sectors or products and disclose these in the description of our impact analysis in our Annual Report.</p> <p>Climate</p> <p>We measure and disclose our financed emissions annually, continuing to expand coverage and data quality over time in line with the PCAF Global GHG Accounting and Reporting Standard.</p> <p>Because most (approximately 98 per cent) of our on-balance sheet loans and investments support real estate through lending to homeowners and businesses, we set targets for emissions reductions for residential and commercial service buildings. Progress made on both targets were assured in 2022, and we intend on seeking assurance annually.</p> <p>Financial Health and Inclusion</p> <p>In 2022, we built on research begun in to understand the level of resilience and vulnerability of our members. 2022's research reinforced key themes from 2021 and highlighted the opportunity to further analyze the unique characteristics and needs of Vancity members who fall into the "extremely vulnerable" and "financially vulnerable" categories. The 2022 study also concluded that extreme weather events are proven to negatively impact households' financial vulnerability, highlighting the correlation between climate change, financial stress, and financial vulnerability.</p> <p>We've begun the process of selecting key performance indicators (KPIs) and measuring performance. This includes a context analysis, identifying the Canadian and provincial policies and strategies that are relevant to our target setting,</p>	<p><i>Links and references (to 2022 Annual Report unless noted otherwise)</i></p> <p>Financed emissions, p. 19</p> <p>Impact analysis, p. 37</p> <p>Climate Report</p> <p>Net-zero commitment</p> <p>Net-zero interim targets</p>

and determining baseline measurements. We've begun working with internal stakeholders to gather data for baseline metrics, looking at the PRB's core indicators as well as additional indicators for financial health and inclusion at Vancity. We plan to report and obtain assurance on these KPIs as soon as feasible.

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity,
financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication**
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets⁶ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) *Alignment:* which international, regional or national policy frameworks to align your bank's portfolio with⁷ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Response

Climate

We've published a goal of net-zero emissions across our mortgages and loans by 2040. That means the carbon emitted from anything we finance will be eliminated or significantly reduced, with any remaining emissions being brought to net zero.

In 2022, we published our interim climate targets and strategy which focuses on the sectors and customers with the greatest potential for emissions reductions.

Our net zero by 2040 target is ten years ahead of the Paris Agreement targets and the net-zero targets set by the Canadian and BC governments. Vancity is part of the UN-led Net Zero Banking Alliance (NZBA) and the UN's Collective Commitment to Climate Action (CCCA).

Financial Health and Inclusion

We were one of the founding signatories of the PRB's Commitment to Financial Health and Inclusion (CFHI) which requires us to set and publish targets within 18 months of signing (by June 2023).

Links and references (to 2022 Annual Report unless noted otherwise)

Financed emissions, p. 19

Impact analysis, p. 37

Climate Report, NZBA disclosure checklist: targets, p. 33

[Net-zero commitment](#)

[Net-zero interim targets](#)

[Climate Targets Technical Report](#)

⁶ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

⁷ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Climate change mitigation</i>	A.1.1 Climate strategy	Yes, we have a climate strategy in place.
	A.1.2 Paris alignment target	In progress. Our long-term portfolio-wide Paris-alignment target is net zero by 2040. We're in progress of setting portfolio specific emission baselines and have set targets for our real estate lending portfolio. The 2019 baseline for residential buildings was 39,610 tCO ₂ e and for commercial service buildings was 23,579 tCO ₂ e.
	A.1.4 Portfolio analysis	Yes, we have analyzed (parts of) our lending and/or investment portfolio in terms of financed emissions (scope 3, category 15). We've analyzed our commercial and residential real estate lending portfolio, business loans, project management activities, as well as part of our owned and managed client investments. See our Climate Report for more details.
	A.1.5 Business opportunities and financial products	Yes, we have developed financial products (such as green loans) tailored to support clients' and customers' reduction in GHG emissions. The portfolio balance for our Planet-Wise™ suite of products was \$6.5 million.
	A.2.1 Client engagement process	Yes, we began an engagement process with clients regarding their strategy towards low(er)-carbon practices in BC. We're providing clients in our retail portfolio with access to a third-party service which provides them with advice on how to make updates to their home that will increase energy efficiency and decrease GHG emissions. This is available to any Vancity member with a single family detached or attached home, town home, or row home.
	A.3.1 Financial volume of green assets/low-carbon technologies	Our portfolio balance invested in green assets ¹ was \$369.3 million.
	A.4.1 Reduction of GHG emissions	Financed emissions from residential buildings increased by 3% and 1,397 tonnes CO ₂ e since 2019 (baseline) and commercial services buildings increased by 43% and 10,073 tonnes CO ₂ e since 2019 (baseline). ²

¹ Also known as "Triple Bottom Line Assets and Assets under administration, climate aligned opportunities." Includes Vancity's total lending in projects, products or services that reduce the use of natural resources, generate renewable energy, finance the construction or purchase of buildings that meet or exceed acceptable green building standards (see Community Impact Transactions (CIT) Guidelines for acceptable green building standards), improve the energy efficiency of existing buildings, or finance the development of businesses and/or technologies that generate positive environmental benefits.

2 We report Financed GHG emissions in accordance with the Global GHG Accounting and Reporting Standard for the Financial Industry issued by the Partnership for Carbon Accounting Financials (“PCAF Standard”) with the exception of the calculation of attributable annual GHG emissions from residential and commercial service buildings to Vancity. The PCAF Standard requires an attribution factor to be calculated using a loan-to-value ratio based on the property value at the time of loan origination consistently over the life of the loan. Due to data limitations, we are currently unable to obtain a consistent, historic property value to calculate the loan-to-value attribution factor and therefore apply the most recent property value available, which may impact comparability year-over-year.

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Response

Climate

We established baseline (2019) data for our first set of near-term climate target(s) focusing on two asset classes that are responsible for most of our known lending-related emissions: commercial mortgages and residential mortgages.

We chose 2019 as the base year because this is the most recent representative year with data of sufficient quality, when our lending volumes were not affected by the pandemic. Our base year is more than two full reporting years prior to the year we set the targets, and as such is an exception to the Guidelines for Climate Target Setting for Banks. However, because of the impact of the pandemic on 2020 and 2021 data, the NZBA has clarified that a 2019 base year is acceptable for banks setting targets in 2022.

Financial Health and Inclusion

We’re working with internal stakeholders to gather data for baseline metrics, considering the PRB indicators as well as additional indicators for financial health and inclusion at Vancity.

Links and references (to 2022 Annual Report unless noted otherwise)

Financed emissions, p. 19

Climate Report, p. 9

[Net-zero interim targets](#)

[Climate Targets Technical Report](#),

Financed emissions and base year, p. 5

c) SMART targets (incl. key performance indicators (KPIs): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Response

Climate

To bring the emissions we finance through our loans and mortgages to net-zero by 2040.

In 2022, we set the following interim targets:^{1,2}

Commercial service buildings:

27% emissions reduction by 2025 from 2019 base year

Residential buildings:

17% emissions reduction by 2025 from 2019 base year

Links and references (to 2022 Annual Report unless noted otherwise)

Financed emissions, p. 19

Climate Report, NZBA disclosure checklist: targets, p. 33

[Net-zero interim targets](#)

[Climate Targets Technical Report](#),

Alignment with the UNEP FI’s Guidelines for Climate Target Setting for Banks, p. 20

<p>1 Our targets were calculated using the SBTi's SDA real estate target setting tool, version 1.2.</p> <p>2 Our real estate targets exclude loans where we don't have sufficient data to be able to estimate emissions, and loans used for construction and renovation of buildings. Construction and renovation loans are optional according to the PCAF Global GHG Standard due to complexities with measuring these emissions and a lack of a methodology.</p>	
<p>d) <i>Action plan:</i> which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>	
<p><i>Response</i></p> <p>To both achieve our targets and mitigate negative impacts, we're focused on three key areas:</p> <p>Policy advocacy: includes advocating for sizable emissions reductions through public policies as well as helping ensure planned and existing policies are implemented and that they achieve the goals they were designed to achieve.</p> <p>Member engagement: working across our membership to support emissions reductions in our communities associated with existing and future lending.</p> <p>Clean growth: growing our lending in lower-emitting assets and businesses and investing in climate solutions will be key to supporting emissions reductions.</p> <p>We recognize that some of us are more vulnerable to the impacts of the climate emergency, and will bear more of its burdens, while others are better positioned to adapt their lives to the clean economy of the future. We are committed to financing an equitable climate transition, and our strategy to create a clean and fair world that leaves no one behind embodies this.</p> <p>Our initial analysis using the UNEP-FI portfolio analysis tools shows that pursuing specific targets to drive impact in one area could potentially generate negative impacts or maintain status quo inequalities in another. For example, higher prices related to the energy transition may have an impact on lower income people. Through stakeholder interviews we have further identified these interlinkages and opportunities to address them.</p>	<p><i>Links and references (to 2022 Annual Report unless noted otherwise)</i></p> <p>Public policy and Advocacy, p. 34 Climate Targets Technical Report, How we will achieve our targets, p. 14 Financing an equitable climate transition</p>

Self-assessment summary		
Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...		
	... first area of most significant impact: Climate	... second area of most significant impact: Financial Health & Inclusion
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

Climate

In 2022, we established two interim climate targets (see 2.2.c. above) to help us achieve our net-zero by 2040 goal. We applied the UN Environment Programme Finance Initiative's (UNEP FI's) Guidelines for Climate Target Setting for Banks, which set out requirements for types and coverage of targets, financed emissions disclosure, use of decarbonization scenarios to set targets, and review of targets. To establish our 2025 targets, we used the Science Based Targets initiative Sectoral Decarbonization Approach (SBTI's SDA) tool for residential and service buildings. Of note:

- We established interim targets for 2025, five years ahead of the requirements in the guidelines
- We set absolute emissions reduction targets that reduce the total quantity of GHGs emitted to the atmosphere by the specified amount
- Most of our lending supports real estate through mortgage lending to homeowners and businesses, which is why we've focused our emission reduction targets here
- In addition, we set a target to engage with business members to support them to reduce their emissions.

In parallel to working to calculate financed emissions using the PCAF methodology, and setting targets, we've been making progress on actions that will help to achieve the targets. This work, and our work going forward, focuses on three key areas: policy advocacy, member engagement, and clean growth. See 3.1 below.

In 2022, we wrote position papers to government and regulators calling for, for example, a federal strategy to bring buildings to net-zero while looking after the financial wellbeing of families and businesses and for BC to switch the focus of utility-funded efficiency programs from incentives for gas heating to building-envelope measures and heat pumps. Our submissions are available online.

We launched a support service in 2022 called Home Energy Advice in partnership with the not-for-profit City Green Solutions. This service helps our members reduce emissions related to their homes by having access to energy expert advice about how they can address both home comfort and emissions. We offered a webinar on heat pumps, updated our website to include links to rebates, and equipped employees with scripting tools and job aids to help them talk to

Links and references (to 2022 Annual Report unless noted otherwise)

Financed emissions, p. 19

Climate Report, Engagement with our value chain – Business and individual members, p. 12, Engagement with government, p. 13

[Climate Targets Technical Report](#),
[Advocating to equitable climate action](#)

members about home energy retrofits. We also created a grant program to support non-profit housing providers to plan retrofits of their buildings.

Commercial service buildings, financed emissions

2022 = 33,652 tCO₂e

Since 2019 = +43%

Residential buildings, financed emissions

2022 = 44,652 tCO₂e

Since 2019 = +3%

Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers⁸ in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

Climate

Our ability to achieve our climate commitments relies heavily on informed and engaged employees and members that can promote and utilize the climate products and services we offer. To develop a culture that is aligned with our strategic ambition, we're seeking to inspire, educate and equip our employees and members with resources and tools that can make climate action less complex, more accessible, and connected to everyday challenges and needs.

We plan to develop more tailored training and engagement programs for key lines of business to help equip them to be leaders in low-carbon lending and to support our members in understanding what climate actions would work for them and why.

We're taking an education and awareness approach to engaging with individual and business members that we believe will help to increase the likelihood and ability for them to take action on the emissions stemming from their homes, buildings and businesses. For individuals and families, in addition to the launch of Home Energy Advice, we offered a webinar on heat pumps, updated our website to include links to rebates, and equipped employees with scripting tools and job aids to help them talk to members about home energy retrofits. To better understand the homeowner experience when undertaking home energy upgrades, we partnered with OPEN Technologies to conduct a

Links and references (to 2022 Annual Report unless noted otherwise)

Diversity and anti-racism, p. 15
 Public policy and advocacy, p. 34
 Responsible marketing and selling; Accountability Statements, p. 7
 Member feedback mechanisms; Accountability Statements, p. 4
 Ethical Principles for Business Relationships, Accountability Statements, p. 28
 Climate Report, p. 11
[Advocating for equitable climate action](#)

homeowner journey mapping study. We've used the published report to inform Vancity offers, and it has also been utilized by community partners and other stakeholders looking at home retrofits.

Shareholder engagement is a key component of Vancity Investment Management's (VCIM) responsible investment process and climate risk strategy. Climate related engagements undertaken include leading and participating in engagements with the following collaborative initiatives: Climate Action 100+, Climate Engagement Canada (CEC) and the Carbon Disclosure Project (CDP). In addition to these collaborative initiatives, VCIM co-filed four shareholder proposals with financial institutions on climate related topics in 2022.

We participate in numerous global, national, and local working groups and forums to share and encourage the implementation of best practices across the banking and broader business sector, and to contribute to the development of harmonized and ambitious sustainability framework and standards.

A significant component of Vancity's climate transition plan is to deploy funds from our Shared Success and enviroFund™ programs to support organizations and initiatives that align with and help advance our climate commitments. We fund a range of projects and programs. Some directly support our members to reduce their greenhouse gas emissions (thereby helping to reduce Vancity's financed emissions), while others help create the enabling conditions necessary for us to fulfil our commitments.

Vancity meets and consults regularly with officials and policymakers at every level of government to advance our commitment to building a cleaner and fairer world, as well as in service of our business and regulatory needs. Our climate commitments are highly dependent on enabling government policy and regulations. We've formed strategic partnerships and networks to serve those goals and drive systemic change. We've also begun building coalitions of stakeholders who share our goals, as well as working with community partners to inform research and initiatives that serve to illuminate and elevate the profile of our advocacy priorities. In 2022, we wrote position papers to government and regulators calling for, for example, a federal strategy to bring buildings to net-zero while looking after the financial wellbeing of families and businesses and for BC to switch the focus of utility-funded efficiency programs from incentives for gas heating to building-envelope measures and heat pumps. Our submissions are available online.

Financial health and inclusion

Client engagement is at the heart of Vancity's financial health and inclusion work. These interactions between members and employees are core to understanding and improving a) our members' access to financial services, and b) the impact of our products and services on their financial health and resilience. Specific actions related to client engagement will be outlined in the action plan and KPIs that will be developed, as we finalize our financial health and inclusion targets by June 2023.

Collaboration with organizations in our community, by way of community partnerships, is a primary tool for client engagement in the area of financial health and inclusion. These partnerships touch on financial education, advocacy,

<p>low-barrier access to financial services and advice, and they provide valuable resources and support for members who are financially vulnerable. For example, in 2022 we launched the Wealth Mindset program – a series of workshops on Indigenous financial resilience that are delivered in partnership between trained Vancity employees and Indigenous organizations. The courses aim to remove barriers for Indigenous people to build wealth, and pass learnings down to future generations.</p> <p>Client engagement is an important part of our target setting process for financial health and inclusion. For example, through our partnership with the Financial Resilience Institute, we’re engaging with Vancity members via an annual survey to better understand the financial resilience of our membership (benchmarked against the Canada-wide index that Financial Resilience Institute runs). This partner is also collaborating with other Vancity community partners to consult on how organizations working with specific populations in our communities can better understand – and improve – financial resilience, creating a ripple effect that is benefiting members and the community overall.</p> <p>Other</p> <p>We apply our Ethical Principles for Business Relationships when deciding with whom to do business (e.g., opening business accounts, lending, suppliers, etc.). We welcome the opportunity to work with organizations that value: accountable and sustainable business; leadership that engages in co-operative principles and practices; economic and social inclusion for all people; strong and resilient communities; and environmental and sustainability leadership.</p>	
<p>3.2 Business opportunities</p> <p>Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).</p>	
<p><i>Response</i></p> <p>The main driver of our climate commitments is enabling our members to successfully transition to a clean and fair economy. To achieve this, we employ both a variety of banking tools and our ability to advocate on behalf of our members to policymakers at every level of government to encourage sustainable practices and enable sustainable economic activities.</p> <p>Our Planet-Wise™ suite of products and services was designed to help our retail and small- and medium-sized business members take climate action in affordable ways. They address sustainable transportation, renovations, and teardowns. Planet-Wise™ Business Solutions helps finance energy-efficient and climate-friendly initiatives for businesses and not-for-profits. The portfolio balance for Planet-Wise™ loans was \$6.5 million (SDG 11 Sustainable cities and communities).</p> <p>We support developers to provide affordable housing through predevelopment loans and lending for below-market residential housing. We provide financing that includes upgrades that aim to significantly improve energy-efficiency and/or install significant onsite renewable energy generation i.e., photovoltaics (PV –solar electric) or solar thermal, or</p>	<p><i>Links and references (to 2022 Annual Report unless noted otherwise)</i></p> <p>Affordable housing, p. 14</p> <p>Products and services to address climate change, p. 20</p> <p>Responsible investment, p. 22</p> <p>Supporting local communities, p. 28</p> <p>Public policy and advocacy, p. 34</p>

other renewable energy source. In 2022, we financed 617,024 square feet of energy efficient buildings (SDG 11 Sustainable cities and communities).

Vancity's Carbon Counter™, developed in 2022 to be launched in early 2023, provides Visa credit cardholders with estimated carbon emissions on their purchases, allowing people to connect their daily spending decisions to the change they want to see in the world. The Carbon Counter is intended to help cardholders better understand their carbon footprint and provide helpful advice on how to reduce it.

We provide an array of products and services in support of financial inclusion, often starting with essential supports such as securing identification for members. Pigeon Park Savings provides low-barrier access to basic financial services to people living on low incomes in Vancouver's Downtown Eastside. Vancity's Resettlement Assistance Program provides account opening and financial literacy to newcomers and refugees settling in BC. Our micro-loan program provides low-barrier access to credit to targeted groups such as Black entrepreneurs, newcomers and women. Our Foreign Credential Loan Program provides lending for foreign trained individuals encountering issues related to the recognition of their academic credentials. (SDG: 1 No Poverty, 5 Gender equality, 8 Decent work and economic growth, 9 Industry, Innovation and Infrastructure, 10 Reduced inequality, 17 Partnerships for the goals).

We're developing our Indigenous banking strategy with the Progressive Aboriginal Relations (PAR) framework in mind (SDG 8 Decent work and economic growth).

Our subsidiary Vancity Community Investment Bank (VCIB) is exclusively focused on working with organizations that drive social, economic, and environmental change. VCIB invests in areas such as clean energy projects, affordable housing, social purpose real estate, and values aligned businesses. (SDG 8 Decent work and economic growth).

Another subsidiary, Vancity Community Investment Bank (VCIM) is a signatory to the Finance for Biodiversity Pledge, committed to collaborating, engaging, assessing its own biodiversity impact, setting targets, and reporting on biodiversity matters by 2024. In 2022, VCIM began engaging with companies on the need to conduct biodiversity assessments in line with the Task Force on Nature-based Financial Disclosures. It also signed the financial sector [statement on biodiversity](#) to the UN Biodiversity Conference (COP15). (SDG 17 Partnerships for the goals)

We've committed to offering responsible investment options that can demonstrate the integrity of their environmental, social, and governance (ESG) screening and stewardship process. We've been raising awareness of the benefits of Responsible Investment, and our net sustainable wealth management inflows increased to \$188 million in 2022 (SDG 11 Sustainable cities and communities).

We're focused on increasing the assets we have and the lending we do that have a positive community impact (TBLAA). Our TBLAA assets grew to \$11.0 billion. (SDG 11 Sustainable cities and communities).

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups⁹) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response

As a financial co-operative, members are our main stakeholder – they are both our customers and our investors or providers of financial capital. We regularly engage with members in developing our products and services and in our strategic planning process.

We began a stakeholder mapping process to identify relevant stakeholders to engage around our climate commitments and organizational pledges on anti-racism and Reconciliation with Indigenous peoples. We've identified key stakeholders with whom we have active relationships and can explore collaboration on shared goals, and those we need to invest in and continue to deepen for shared benefit. Examples include provincial and federal government ministries, municipal governments, which will have a particularly significant role to play among our membership base, as well as academic institutions, non-profit organizations, and broader civil society actors.

Vancity regularly meets with and advises officials at every level of government to advance our commitment to building a cleaner and fairer world, and in service of our members, business, and regulatory needs. Our commitment to net-zero by 2040, in particular, is highly dependent on enabling government policy and regulations.

Links and references (to 2022 Annual Report unless noted otherwise)

Asset management and corporate engagement, p. 22

Public policy and advocacy, p. 34

<p>In 2022, we participated in meetings and roundtables with key policymakers, including the Prime Minister of Canada, on topics such as affordable housing, climate resilience and disclosure, financial wellbeing, interest rates, open banking, and pay equity.</p> <p>Our CEO sits on the UNEP Finance Initiative Leadership Council, a high-level body championing the integration of sustainability considerations into financial practice and fostering industry uptake of the PRB, as well as the UNEP FI Banking Board, which oversees implementation of the PRB.</p> <p>Our CERO sits on the Government of Canada's Sustainable Finance Action Council, helping to lead the Canadian financial sector towards integrating sustainable finance into standard industry practice.</p> <p>Employee Resource Groups (ERG) are voluntary, employee-led groups intended to foster a diverse, inclusive workplace. There are six Vancity ERGs: mental health, persons with disabilities, racial equity, Indigenous, women's equity, and 2SLGBTQAI+. These groups provide advice on how to advance our diversity and inclusion goals.</p> <p>Through Vancity Investment Management, we manage socially responsible funds and undertake shareholder engagement activities.</p> <p>Vancity is one of Canada's largest private-sector Living Wage employers. We work closely with key suppliers and contractors to support them in paying their employees a living wage.</p>	
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Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Vancity's Board of Directors acts as steward of our organization, provides critical oversight and helps ensure that members' money is invested in ways that improve our communities and align with the Principles. The Board receives training and education in areas such as Indigenous rights, and Environmental, Social, and Governance (ESG) issues.

The Board delegates the day-to-day management of Vancity to the President and Chief Executive Officer, who establishes the accountabilities of each member of the executive leadership team.

Our executive leadership team sets targets and monitors progress towards implementing the PRB and other key sustainability initiatives and provides regular updates to the Board. Senior management incentive compensation is linked to climate indirectly through targets for TBLAA, which includes climate-related impact categories.

A member of the executive leadership, the Chief External Relations Officer (CERO) chairs the Climate Commitments Council. This group includes senior management representatives from all Vancity teams responsible for delivering on, in whole or in part, our climate commitments. They meet quarterly to ensure a coordinated approach, drive progress against targets once set, keep relevant parties updated, including any roadblocks or changes in approach, and discuss challenges and leverage collective problem solving. The CERO is accountable for achieving our net-zero targets. The Vice-President, Impact Strategy reports to the CERO and is responsible for implementing actions to achieve targets.

Links and references (to 2022 Annual Report unless noted otherwise)

Targets and results, p. 9

A more equitable Shared Success program, p. 25

Board of Directors, p. 31

Structure and executive leadership team, p. 35

Climate Report, p. 5

<p>We allocate 30 per cent of our profits to members and communities through our Shared Success program which the Board approves annually. This is one of the tools we have to promote positive and mitigate negative impacts.</p>	
<p>5.2 Promoting a culture of responsible banking: Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).</p>	
<p><i>Response</i></p> <p>Capacity building All employees are expected to complete annual training on policies and procedures concerning aspects of human rights and on our Code of Conduct. We offer training on topics such as anti-racism, progressive Indigenous relations, active bystanders, neurodiversity, psychological safety, and the climate emergency and Vancity's climate commitments. Several employees participate in global working groups designed to help implement various aspects of the Principles for Responsible Banking. They meet quarterly to share learnings on implementing the Principles. Several leaders have participated in the Global Alliance for Banking on Values (GABV) leadership academy and other GABV activities.</p> <p>Leadership communications We hold regular events with the executive leadership team and all employees, including quarterly all-employee update meetings that address our climate commitments and our 2022–2025 strategy, which include the creation of a clean and fair world that leaves no one behind. We've held townhall-style meetings on Reconciliation with Indigenous people, our climate commitments and becoming an anti-racist organization. Executives, including our CEO, who sits in the PRB leadership council and Banking Board, have held live chats that addressed different aspects of responsible banking.</p> <p>Remuneration and performance management Behaviours are 50 per cent of employees' annual performance evaluation and impact their incentive pay. These behaviours include a focus on values.</p>	<p><i>Links and references (to 2022 Annual Report unless noted otherwise)</i></p> <p>Targets and results, p. 9 Compliance, Accountability Statements, p. 6</p>

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹⁰ Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response

In fulfilling our vision, we take calculated risks to seize opportunities to fulfill our strategic intent, while rigorously managing risks that could potentially harm or disrupt our community ecosystem of members, communities, and Vancity. To do this, we utilize the Risk Appetite Framework (RAF) and the Enterprise Risk Management Framework (ERM) to meet our strategic objectives and manage risks across the organization. Climate-related risk is one of nine key risk dimensions we monitor quarterly and report to both the Risk Management Committee and the Board Risk Committee.

Our executive leadership team sets targets and monitors progress towards implementing the PRB and other key sustainability initiatives and provides regular updates to the Board. We have a Climate Commitments Council. See section 5.1 for accountabilities of this group.

Since 2020, we've reported our approach to managing climate-related risks and opportunities using the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD).

For every business relationship we enter, we look for alignment with our Ethical Principles for Business Relationships and we look for ways to promote positive social, economic, and environmental practices. Applying the Principles gives our employees the ability to have values-based conversations with business partners to truly understand how they contribute to their communities and to ultimately make decisions about who we choose to partner with to build healthy communities. Where possible, we aim to help move organizations along the spectrum into greater values-based alignment, rather than screening out.

Every employee is responsible and obligated to protect and safeguard the property and assets of Vancity, its members and clients as outlined in the Vancity Employee Code of Conduct. Our Whistleblowing policy is intended to allow employees to report serious misconduct in good faith and be protected from retaliation when doing so.

We have a range of policies in place to help integrate sustainability/ESG considerations into day-to-day management processes and decision-making for employees.

Links and references (to 2022 Annual Report unless noted otherwise)

Board of Directors, p. 31

Structure and executive leadership team, p. 35

Climate Report, p. 14

¹⁰ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes Partially No

If applicable, please include the link or description of the assurance statement.

Response

KPMG provided limited assurance over sections 2.1, 2.2, 2.3, and 5.1 of this PRB self-assessment

Links and references (to 2022 Annual Report unless noted otherwise)

KPMG LLP's independent practitioners' assurance report, p. 34 (of this document)

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI**
- SASB**
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD**
- Other: Integrated Reporting Framework

Response

Vancity's sustainability-related disclosures are aligned with relevant standards and frameworks from the Global Reporting Initiative (GRI), Sustainability Assurance Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), as well as the Integrated Reporting Framework.

Links and references (to 2022 Annual Report unless noted otherwise)

About this report, p. 41
GRI Index, SASB Index, Accountability Statements, p. 44
Climate Report

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹¹, target setting¹² and governance structure for implementing the PRB)? Please describe briefly.

Response

Based on the results of our 2022 Impact analysis, we plan to explore certain areas in more depth in 2023. This will include work to better understand our underserved members as it relates to our consumer portfolio and financial health and inclusion analysis. It may also include work to assess portfolio biodiversity impacts using relevant tools (e.g., TNFD's LEAP approach).

Climate

We plan to review our targets in 2023, using the updated based year data and considering the SBTi's 1.5 degree aligned real estate target setting tool(s) (not yet released at the time of writing) and any other relevant tools or guidance. We will then make a decision to adjust our targets, or not, in line with our Financed Emissions Base Year and Targets Recalculation Policy.

Financial Health and Inclusion

In 2023, we continue to participate in the PRB Working Group for Financial Health and Inclusion and have the opportunity to engage with and learn from other signatories and provide input into key working group deliverables.

Externally our work is around the delivery of financial inclusion programs in partnership with community groups, as well as research and context analysis relevant for the purpose of setting financial health and inclusion targets. Internally the work is focused on identifying baseline data available at Vancity to better understand the current state and produce targets by June 2023.

Links and references (to 2022 Annual Report unless noted otherwise)

[Pathway to Impact for Financial Health and Inclusion](#)

[Core Indicators to Measure Financial Health and Inclusion](#)

¹¹ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹² For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability |
| <input type="checkbox"/> Conducting an impact analysis | <input type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Setting targets | <input checked="" type="checkbox"/> Assurance |
| <input type="checkbox"/> Other: ... | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:

In addition to the above checked challenges, “prioritizing actions internally” was also a challenge, mainly due to some internal reorganization and the need to determine which roles can best support work related to PRB implementation. Our Climate Report provides detail on the complexities and limitations in measuring financed emissions, setting targets, measuring progress, and other challenges encountered (pages xx-xx).

Appendix: Impact analysis

As a signatory to the Principles for Responsible Banking, we conduct regular portfolio impact analysis to help us understand Vancity's positive and negative impacts and where we can make the greatest difference. Building on work in 2020 and 2021, we refreshed our analysis in 2022 using UNEP-FI's updated Portfolio Impact Analysis Tools for Banks, complemented by stakeholder surveys and Partnership for Carbon Accounting Financials (PCAF) emissions analysis.

Our analysis re-confirmed climate, and financial health and inclusion as Vancity's two most significant areas of impact. It also provided a deeper understanding of the sectors and products driving these impacts – primarily consumer banking products and real estate and construction lending – and the links between these and other important impact areas, including housing, waste, resource intensity, biodiversity, and livelihoods.



Based on these results, the priority UN Sustainable Development Goals (SDGs) related to our most significant impact areas are:

Climate Stability



Financial Health and Inclusion, Livelihoods, Equality and Justice



Waste, Resource Intensity, and Biodiversity



The following describes the steps we took. The results shown are based on data available in 2022.

Step 1: Establish scope

We focused our analysis on Vancity's core business areas: consumer and business banking in Canada, primarily in BC. We expanded the scope of our business banking analysis to include Vancity Capital Corporation (VCC) and our Ontario-based subsidiary Vancity Community Investment Bank (VCIB). We also analyzed Vancity's on-balance sheet treasury investments and owned real estate. When measured by gross income, this brings the total portion of our business under analysis to 91 per cent. As relevant data becomes available, we plan to explore expanding our analysis to cover the remaining nine per cent, which includes Vancity's managed client assets.

Step 2: Portfolio composition

Our consumer portfolio accounts for 67 per cent of our loan book and our business banking portfolio accounts for 33 per cent. Below is a summary of consumer products and the business sectors we provide financing to. As we improve our data and tracking capabilities, we plan to explore how segmentation (e.g., income level, gender) can help us further understand impacts driven by member/population types.

By applying the mapping tools in UNEP FI's Portfolio Impact Analysis Institutional Banking, Consumer Banking, and Investment modules, we identified the following potential positive and negative impacts associated with the sectors or products in the tables above, and the links between them. Note: We used Version 3 of the PRB institutional and consumer banking modules, which were updated in 2022, and Version 2 of the investment module, which was published in 2021.

Business banking: loans and mortgages to small- and medium-sized enterprises, top 10 industry sectors	% of portfolio
Real estate activities	51.7%
Construction of buildings (residential and commercial)	9.7%
Financial intermediation	7.0%
Membership, civic, social, and religious organizations	6.1%
Management of companies and enterprises	5.3%
Other construction including specialty contractors	3.2%
Healthcare and social assistance	3.0%
Wholesale trade	2.9%
Accommodation and food services	2.2%
Office administrative services	1.1%

Consumer banking and lending products	% of members accessing
Savings accounts	93%
Chequing accounts	71%
Credit cards	40%
Lines of credit (approved)	23%
Residential mortgages	9%
Consumer loans	3%
Overdrafts	3%
Vehicle loans	0.24%
Microcredit	0.04%

Consumer lending products

In general, consumer banking products have potential key positive and moderate negative impact associations with financial health and inclusion.



Potential positive impacts

- ✓ All consumer banking products have potential key positive impacts on financial health and inclusion as they can help individuals manage their financial obligations and have confidence in their financial future.
- ✓ Credit products, if targeted well, may also increase financial inclusion, which in turn may reduce inequalities. For instance, our microcredit products, which support access to finance for underserved groups like refugees and newcomers, and our on-reserve housing loans for Indigenous community members, are associated with alleviating inequality.
- ✓ Retail mortgage lending is associated with potential key positive impacts on housing and on financial inclusion by allowing individuals and families to build equity.

Potential negative impacts

- ✗ If not carefully adjudicated, consumer credit products may drive moderate negative impacts related to financial health and inclusion due to the potential for overuse and/or misuse of credit.
- ✗ Consumer credit products may also drive moderate negative impacts on justice and inequality due to the potential for discrimination resulting from traditional systems.

Real estate and construction lending

The most significant impact areas associated with our business banking portfolio are driven by our real estate and construction loans.



Potential positive impacts

- ✓ Financing for residential real estate has potential key positive impacts on access to quality housing, which is linked to increased opportunities for stable employment and access to education.
- ✓ Building preservation may contribute to waste reduction and heritage conservation.

Potential negative impacts

- ✗ Real estate development has the potential to drive key negative impacts on climate stability due to the emissions associated with some buildings.
- ✗ Real estate also shows moderate negative impacts related to housing due to the potential in some areas to exacerbate gentrification (e.g., displacement of existing community and businesses, and increasing housing inaccessibility).
- ✗ Construction and operation of buildings may drive key negative impacts on resource intensity (e.g., building materials, energy, and water use) and on waste (e.g., construction waste) both of which can be linked to negative impacts on biodiversity.
- ✗ Some construction is associated with further key negative impacts on biodiversity due to the creation of nonporous surfaces, the potential for soil deterioration, and for habitat loss affecting species.

Small- and medium-size enterprise lending

While not key impacts, most of our business lending supports small and medium-sized enterprises (SMEs) – including social enterprises, non-profits, and co-operatives.



Potential positive impacts

- ✓ Lending to SMEs is associated with potential moderate positive impacts on employment and wages. SMEs account for the majority of companies and approximately half of private sector employment in BC.

Potential negative impacts

- ✗ Depending on the sector, SME lending can also be associated with potential moderate negative impacts on employment and wages, and on health and safety. For example, agriculture and manufacturing are associated with higher health and safety risks, while some service sectors (e.g., accommodation, food and beverage) can sometimes be associated with lower wages and lack of benefits.
- ✗ Like businesses of all sizes, some SMEs may also be resource intensive and produce significant waste.

Treasury Investments

Potential positive and negative impacts associated with Vancity's own assets are driven primarily by Treasury investments in government, corporate, and covered bonds.



Potential positive impacts

- ✓ Our Treasury investments in government and corporate bonds are associated positively with inclusive economies, employment, and wages because governments provide enabling environments for economic activity, and both governments and corporations are providers of employment.
- ✓ Some investments in Canada Mortgage and Housing Corporation (CMHC) covered bonds may have positive impacts on climate and circularity, as noted under real estate and construction.

Potential negative impacts

- ✗ Some investments in CMHC covered bonds may have negative impacts on housing, as noted under real estate and construction.

Step 3: Consider context and relevance

While we need to do more work to fully understand detailed needs across BC and for Indigenous communities, using the UNEP-FI Context Analysis Tool we re-confirmed that the priority challenges facing Canada that intersect with our own business activities and potential impacts areas are:

Climate Stability (based on greenhouse gas emissions)

Resource Efficiency (based on energy, water, and materials consumption)

Waste (based on solid waste generated)

Housing (based on housing cost overburden for low- and middle-income owners and renters)

Step 4: Assess performance for our most significant impact areas

Considering these alongside other results – especially the strong relationship between consumer banking and financial inclusion – our analysis re-confirmed Climate and Financial Health and Inclusion as Vancity's two most significant areas of impact. This dual focus supports our Climate Commitments strategy to work towards a climate transition that puts people at its centre and leaves no one behind. The analysis also showed Housing as a significant area of impact. We manage this as a part of our Financial Health and Inclusion and Climate work, including developing specialized offerings and tracking relevant performance metrics, but we are not setting separate targets for housing at this time.

To understand our climate impact, we measure and disclose our financed emissions annually, continuing to expand coverage and data quality over time in line with the PCAF Global GHG Accounting and Reporting Standard. Most of our lending supports real estate through lending to homeowners and businesses. In 2022, we established our 2019 baseline year data and published our interim climate targets and strategy which focuses on how we will meet our emission targets for residential and commercial service buildings. Our real estate targets cover 81 per cent of our balance sheet lending (dollars outstanding at the end of 2021). See page xx for an overview of our financed emissions by asset class.

In 2022, we built on research begun in 2021 to better understand the level of resilience and vulnerability of our members. 2022's research reinforced key themes from 2021 and highlighted the opportunity to further analyze the unique characteristics and needs of Vancity members who fall into the "extremely vulnerable" and "financially vulnerable" categories. The 2022 study also concluded that extreme weather events are proven to negatively impact households' financial vulnerability, highlighting the correlation between climate change, financial stress, and financial vulnerability.

We've developed key performance indicators (KPIs) for Climate and are in the process of selecting KPIs and measuring performance for Financial Health and Inclusion. This includes a context analysis, identifying the Canadian and provincial policies and strategies that are relevant to our target setting, and determining baseline measurements. Outreach with many internal stakeholders is underway, which is helping inform both baseline and target setting processes.

For how we are using this impact analysis, see the Principles for Responsible Banking Self-Assessment.

KPMG LLP's independent practitioners' assurance report

To the members of Vancouver City Savings Credit Union ("Vancity"):

We have been engaged by the management of Vancity to undertake an assurance engagement on certain aspects of Vancity's Annual Report (the "Report") and Vancity's Principles for Responsible Banking Self-Assessment (the "PRB Self-Assessment"), in respect of the year ended December 31, 2022, as described below.

Subject matter information, level of assurance and applicable criteria

Table 1

Collectively the "Subject Matter Information"	Level of Assurance	Collectively the "Applicable Criteria"
Subject Matter 1 for the year ended December 31, 2022		
Vancity's progress on organizational targets and results indicated with symbol ● on pages 9-10 of the Report	Reasonable	Criteria internally developed by management as described in the 2022 Annual Report glossary and the accountability statements available at www.vancity.com/annualreport
Subject Matter 2 for the year ended December 31, 2022		
Vancity's responses to the following United Nations Environment Programme Finance Initiative Principles for Responsible Banking (UNEP-FI PRB)'s requirements and indicated with blue shading on pages 5-15 and 23 of the PRB Self-Assessment: <ul style="list-style-type: none"> • 2.1 Impact analysis • 2.2 Target setting • 2.3 Target implementation and monitoring • 5.1 Governance structure for implementation of the principles 	Limited	The UNEP-FI PRB's Self-Assessment Template questions for requirements 2.1, 2.2, 2.3 and 5.1 and the <i>UN PRB Reporting and Self-Assessment Template Reviewed version (V2) from September 2022</i> available at https://www.unepfi.org/prb-reporting-and-self-assessment-template/
Vancity's progress on other commitments and associated measures indicated with symbol ▲ on pages 9-10 of the Report	Limited	Criteria internally developed by management, as described in the 2022 Annual Report glossary, the accountability statements, and the 2022 Climate Report available at www.vancity.com/annualreport
Subject Matter 3 for the years ended December 31, 2019 and December 31, 2022		
Vancity's operational Scope 1, 2 and 3 GHG emissions indicated with symbol ▲ on pages 9 and 18 of the Report	Limited	<ul style="list-style-type: none"> •The World Resources Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol ("GHG Protocol") - Corporate Accounting and Reporting Standard Revised Edition; •The GHG Protocol Scope 2 Guidance, An amendment to the GHG Protocol Corporate Standard; and •The Corporate Value Chain (Scope 3) Accounting and Reporting Standard as applicable to Scope 3 emissions Available at: https://ghgprotocol.org/standards
Subject Matter 4 for the years ended December 31, 2019 and December 31, 2022		
Vancity's Financed GHG emissions and Percentage change since 2019 from residential and commercial service buildings indicated with symbol ▲ on pages 10 and 19 of the Report	Limited	Criteria internally developed by management as described in the 2022 Annual Report Glossary and the 2022 Climate Report at www.vancity.com/annualreport and the Global GHG Accounting and Reporting Standard for the Financial Industry (2020) issued by the Partnership for Carbon Accounting Financials ("PCAF Standard") available at https://carbonaccountingfinancials.com/standard

Other than as described in Table 1, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report and the PRB Self-Assessment, and accordingly, we do not express a conclusion on this information.

The Subject Matter Information selected for assurance has been determined by management on the basis of Vancity's assessment of the material issues contributing to Vancity's accountability performance and most relevant to their stakeholders.

There are no mandatory requirements for the preparation, publication or review of accountability performance information. As such, Vancity applies the Applicable Criteria, as defined in Table 1 above.

Vancity's responsibilities

Management is responsible for:

- The preparation and presentation of the Subject Matter Information, in accordance with the Applicable Criteria, current as at the date of our report;
- Determining the appropriateness of the use of the Applicable Criteria;
- Determining Vancity's objectives in respect of accountability performance and reporting, including the identification of stakeholders and material issues; and,
- Such internal control as management determines necessary to enable the preparation and presentation of the Subject Matter Information is free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express an assurance conclusion based on evidence obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. For the Subject Matter Information on which we are providing limited assurance, ISAE 3000 and ISAE 3410 require that we plan and perform our engagement to obtain limited assurance about whether based on the procedures performed and evidence obtained, any matter(s) has come to our attention to cause us to believe that the Subject Matter Information is materially misstated.

We were engaged to perform a reasonable or limited assurance engagement according to the Subject Matter being assured. The 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. Accordingly, it is not a guarantee that a limited assurance engagement conducted in accordance with this standard will always detect a matter that causes the practitioner to believe that the Subject Matter Information is materially misstated.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report.

The nature, timing and extent of procedures performed depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the Subject Matter Information.

The nature, timing and extent of procedures depended on our professional judgement including an assessment of the risks of material misstatement, whether due to fraud or error, as well as, the level of assurance being provided and involves obtaining evidence about the Subject Matter Information . Our engagement included:

- Assessing the appropriateness of the s Subject Matter Information, the suitability of the criteria used by Vancity in preparing the Subject Matter Information in the circumstances of the engagement and evaluating the appropriateness of the methods, policies, and models used in the preparation of Subject Matter Information and the reasonableness of estimates made by Vancity.
- Obtaining supporting evidence relating to representations made in the PRB Self-Assessment and reviewing key organizational documents concerning accountability at Vancity including impact analysis, target setting, strategy documents, formalized policies and procedures, and Board reporting;
- Inquiries with relevant employees and completing walkthroughs to understand the data collection and reporting processes for the targets and results;
- Testing the design, and where applicable, the operating effectiveness, of internal controls relating to the collection and reporting of data measuring Vancity's progress on the targets and results and financed emissions calculation;
- Comparing the reported data for the targets and results, including greenhouse gas emissions and carbon offsets, to underlying data sources, including third-party evidence;
- Evaluation of key assumptions and, where appropriate, re-performing certain calculations; and,
- Reviewing the Subject Matter Information presented in the Report and the PRB Self-Assessment to determine whether reported progress is consistent with our overall knowledge of, and experience with, the social, environmental and economic performance of Vancity.

We believe the evidence we obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusion on Subject Matter 1, our limited assurance conclusion on Subject Matters 2 and 3 and our qualified limited assurance conclusion for Subject Matter 4.

Practitioner's independence and quality control

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.

The firm applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement was conducted with a multidisciplinary team, which included professionals with suitable experience in both assurance and in the applicable Subject Matter Information, including social and financial performance and GHG accounting.

Significant inherent limitations

Non-financial information, such as that included in the Report and the PRB Self-Assessment, is subject to more inherent limitations than financial information, given the characteristics of significant elements of the Subject Matter Information and the availability and relative precision of methods used for determining both qualitative and quantitative information. The absence of a significant body of established practice on which to draw allows for the selection of different, but acceptable, measurement techniques which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as described in management's internally developed criteria, may change over time. It is important to read Vancity's reporting methodology in the 2022 Annual Report glossary, the accountability statements, and the 2022 Climate Report available at www.vancity.com/annualreport.

Basis for qualified limited assurance conclusion - Subject Matter 4

Vancity applies the PCAF Standard in the calculation of Financed GHG emissions and Percentage change in financed GHG emissions since 2019 described in Subject Matter 4 above. The PCAF Standard attributes a building's annual emissions to the mortgage provider using a loan-to-value ratio based on the property value at the time of loan origination. As noted on page 10 of the Report, the property values used by Vancity in calculating the attribution factor to determine financed emissions for the years ended December 31, 2019 and December 31, 2022 are dynamic (non-fixed) figures that represent the most recently available property values at the time the data was pulled. Vancity's methodology is a deviation from the PCAF

Standard and results in attribution factors, and consequently attributable building emissions, that are inconsistent year over year. Details on Vancity's financed GHG emissions estimation methodology can be found in the 2022 Climate Report available at www.vancity.com/annualreport.

The scope of our work was limited as we were unable to verify the accuracy of the attribution factor calculation and its impact on Vancity's Financed GHG emissions and Percentage change in financed GHG emissions since 2019 in accordance with the PCAF Standard. Accordingly, verification of the attribution factor calculation was limited to the numerator (i.e., the outstanding loan amount at year-end) and we were not able to determine the materiality of the deviation from the PCAF Standard.

Our conclusions

In our opinion, the Report presents fairly, in all material respects, Subject Matter 1, as described above, for the year ended December 31, 2022, in accordance with the applicable criteria, current as at the date of our report.

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that for the year ended December 31, 2022, Subject Matter 2, as described above, has not been prepared and presented, in all material respects, in accordance with the Applicable Criteria, current as at the date of our report.

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that for the years ended December 31, 2022, and December 31, 2019, Subject Matter 3, as described above, has not been prepared and presented, in all material respects, in accordance with the Applicable Criteria, current as at the date of our report.

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. Based on the procedures performed and evidence obtained, except for the possible effects of the matter described above in the 'Basis for Qualified Limited Assurance Conclusion' paragraph, nothing has come to our attention that causes us to believe that for the years ended December 31, 2022, and December 31, 2019, Subject Matter 4, as described above, has not been prepared and presented, in all material respects, in accordance with the Applicable Criteria, current as at the date of our report.

Specific purpose of subject matter information

The Subject Matter Information has been prepared in accordance with the Applicable Criteria and as a result may not be suitable for another purpose.

The logo for KPMG LLP, featuring the letters 'KPMG' in a stylized, handwritten font, followed by 'LLP' in a smaller, similar font. A horizontal line is drawn underneath the text.

Chartered Professional Accountants May 4, 2023

Vancouver, Canada