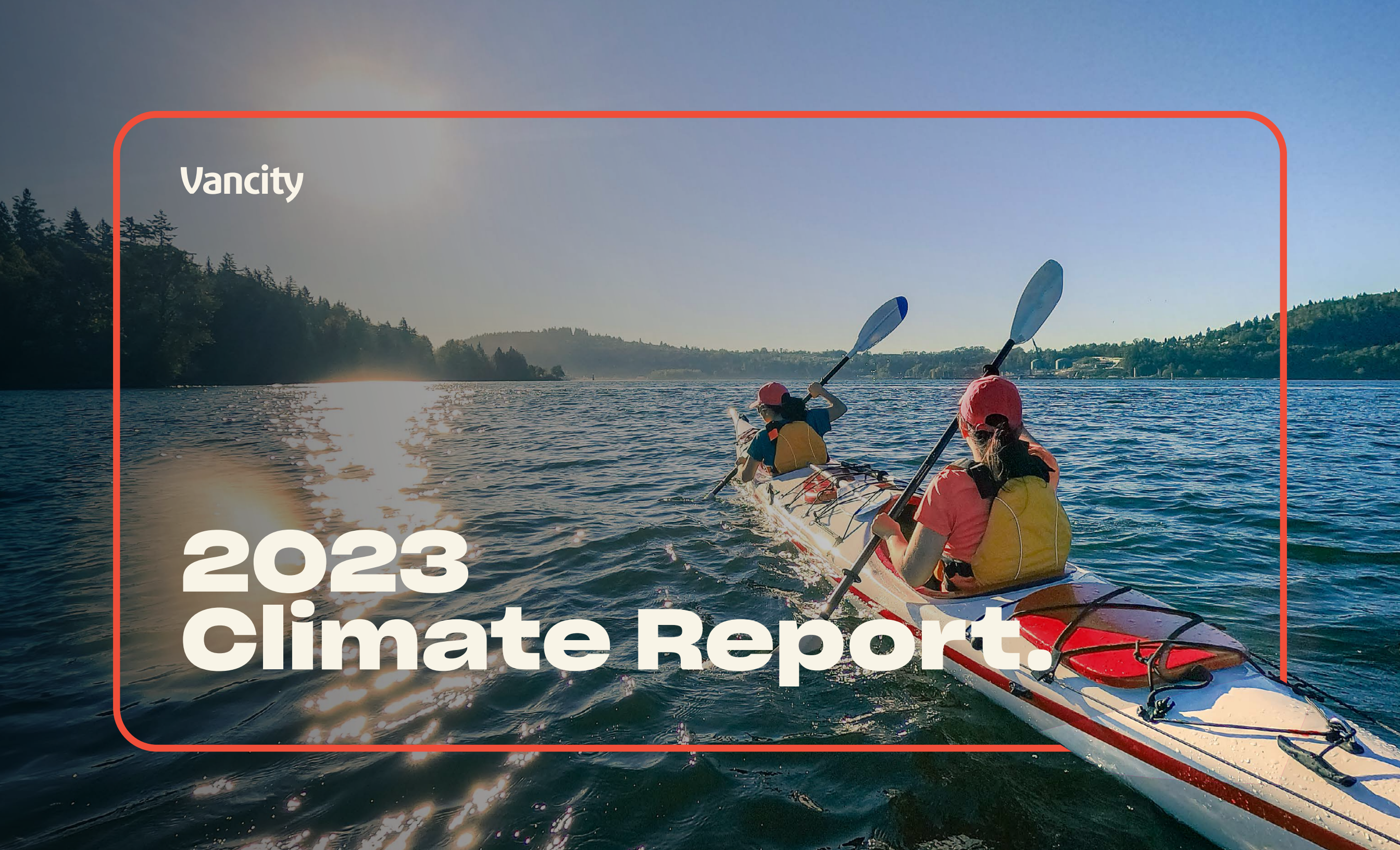


Vancity

# 2023 Climate Report.



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# Introduction.

We believe financial institutions can and should play a critical role both in enabling the transition to a clean, resilient, and fair economy and in addressing the impacts of climate change. The climate crisis is a global issue with significant implications for the financial sector, our own operations and business model, and for the people and communities we serve.

With climate change come extreme weather events. These result in lost lives, damage to property, lost income due to business closures, and lost productivity. They are particularly hard on vulnerable and marginalized communities. As evidenced by the wildfire season in 2023, the heat dome of 2021, and the increase in average temperatures, the climate crisis is happening now. It requires a fundamental shift in the way we all do business. Without significant emissions reductions over the near term, the world could reach net zero near mid-century and still see warming above the targeted 1.5 degrees Celsius,<sup>1</sup> causing more extreme weather events that will further exacerbate the financial pressures many of our members are already experiencing.

## About this report.

This report includes information on:

**Strategic ambition and external factors:** We aim to achieve our climate targets by setting a strategic ambition that aligns with the Paris Agreement and the United Nations' Sustainable Development Goals (SDGs). We also depend on external factors such as government policies, technological advancements, and stakeholder engagement to achieve our goals.

**Climate-related risks and opportunities:** We recognize the risks and opportunities associated with climate change and have integrated them into our governance practices and business strategy. We will continue to monitor and assess these risks and opportunities and take appropriate actions to mitigate or capitalize on them.

**Climate action:** We prioritize climate change mitigation and adaptation policies at all levels, and we advocate for the changes we collectively need. We provide programs, products, and services to support our members and communities in an equitable transition to a low-carbon economy and adapting to a changing climate. And we develop internal policies and conditions that help us meet our climate commitments.

**Climate risk management:** We identify, evaluate, and monitor climate risks as part of our risk management framework from the Board level and down. We use risk appetite statements and key risk indicators, and we conduct scenario analyses and stress testing to assess the potential impact of climate risks on our business and take appropriate actions to manage them.

**Emissions reduction targets:** We have set emissions reduction targets that align with the Paris Agreement and the SDGs. We regularly monitor and report on our progress towards these targets and take actions as needed.

**Greenhouse gas emissions measurement:** We measure our greenhouse gas emissions, both operational and financed, and continuously seek to improve our measurement methodologies. We also report on our emissions and disclose any improvements or adjustments we've made.

This report is guided by the IFRS S2 Climate-related Disclosures standard released in June 2023 by the International Sustainability Standards Board and meets the disclosure requirements of the Net-Zero Banking Alliance (NZBA). Our methodology is aligned to the Partnership for Carbon Accounting Financials (PCAF) and Glasgow Financial Alliance for Net Zero (GFANZ).

This report covers the 2023 calendar year. KPMG provided limited assurance over select 2019 and 2023 data. For details, see KPMG LLP's Independent Practitioners' Assurance Report in our [Annual Report](#), page 42.

Vancity also publishes climate-related information in our Annual Report, [Accountability Statements](#), and [Principles for Responsible Banking Self-Assessment Report](#).

A note on some key terms used: In this report, we present data related to our emission reduction climate targets for real estate, which align to the [Science Based Targets initiative's Tool for Commercial Real Estate and Residential Mortgages](#), version 1.2. We refer to data relating to targets in terms of buildings, specifically commercial service buildings and residential buildings, and we disclose progress made between 2019 (our base year) and 2023. In line with the tool, targets for residential buildings include residential buildings and units owned by a business. We also present financed emission profile data, which covers six asset classes as defined by the [Partnership for Carbon Accounting Financials' \(PCAF\) Global GHG Standard](#). These asset classes include commercial real estate and residential mortgages, and they include different properties than our targets. See [page 35](#) for details.

<sup>1</sup> [The Critical Next Step: What you need to know about Canada's 2030 climate target](#)  
International Institute for Sustainable Development (iisd.org)

# Climate timeline.

## 1986

Offers Canada's first socially responsible mutual fund.

## 2004

First in Canada to offer specialized financing for energy-efficient home renovations.

## 2008

Discloses operational GHG emissions and purchases equivalent carbon offsets: a first for a North American-based financial institution (FI).

## 2020

Becomes North America's representative on the Board overseeing the implementation of the PRB.

Declares support for the Task Force on Climate-related Financial Disclosures (TCFD).

## 2022

Sets reduction targets for financed emissions under the guidelines of the NZBA and as part of our PRB commitments.

First in Canada to offer credit card holders the option to estimate the carbon footprint that comes from their purchases.

Vancity's investment management subsidiary, VCIM, commits to reach net zero by 2050 for its assets under management.

## 1990

First in Canada to dedicate 5% of credit card profits to local environmental projects through our enviroFund™ program. By 2023, the program totalled over \$14 million in grants.

## 2005

First financial institution to win a Ceres-ACCA North American Sustainability Reporting Award for its environmental, social and financial sustainability reporting.

## 2019

Signs the Global Alliance for Banking on Values (GABV) Climate Change Commitment, pledging to measure and disclose the carbon impact of our loans and investments and to support the development of, and apply, the Partnership for Carbon Accounting Financials (PCAF) methodology.

Joins the UN Principles for Responsible Banking (PRB).

Shifts all managed investment funds to be fossil fuel-free. We do not invest in or lend to fossil fuel companies.

## 2021

Founding signatory of the global Net-Zero Banking Alliance (NZBA); the first Canadian FI to join the alliance.

Sets ambitious climate commitments, including achieving net zero by 2040 across all mortgages and loans.

First public disclosure of financed emissions.

## 2023

As part of our PRB commitments, and recognizing the connection between climate, climate justice, and financial health and inclusion, Vancity announces a Financial Health & Inclusion target to increase members' level of financial confidence.

# 2023 Climate highlights.

## Strategy



Working towards **net zero by 2040** for all mortgages and loans



Signatory to the **UN-convened Net-Zero Banking Alliance (NZBA)**



Launched GHG emissions coaching and tracking supports to **help business members develop climate action plans**

## Metrics and targets



Continued to improve our data processes and calculations, guided by **PCAF methodology**



**\$14.4 million** worth of new Planet-Wise™ loans and commercial retrofits to help members take climate action in affordable ways



**729,635 ft²** of energy-efficient buildings financed



Continued to implement the UN's Guidelines for Climate **Target Setting** for Banks



**\$3.3 million** in climate-opportunity aligned grants



**\$435 million** in green assets and **\$0** financing for fossil fuels



**-21% emissions** from commercial service buildings and **+13%** from residential



Established new **business member engagement** targets

## Governance



Our elected **Board of Directors** incorporates **climate risk** into its overall risk oversight



The Board reviews progress on our **climate commitments and targets**

## Risk management



**Externally assured** base and current year financed emissions data for near-term real estate targets



**Included climate risk** considerations in new initiatives

# Climate commitments.

We are working towards a climate transition that puts people at its centre and leaves no one behind. We've embedded these [climate commitments](#) in our strategy.

## Net zero by 2040 across mortgages and loans

Our ambition is to make Vancity net zero by 2040 across all our mortgages and loans. That means the carbon emitted from anything we finance will be eliminated or significantly reduced, with any remaining emissions being brought to net zero. See [page 10](#).

Having joined the Net Zero Asset Managers initiative in 2021, Vancity Investment Management took a further step and committed to achieving net zero by 2050 across the investment portfolios it manages. See [page 25](#).

## Financing an equitable climate transition

Unaddressed, climate change will impact how people work and live, and will drive further inequality. We're focusing our work in financial and social inclusion to provide banking and other solutions to help people who are affected by the climate crisis, as well as those seeking support in transitioning to cleaner and more sustainable living. See [Annual Report](#) page 16.

## Investments for a better future

We will help our members invest for the future we all need by offering responsible investment options that can demonstrate the integrity of their environmental, social, and governance (ESG) screening and stewardship process. See [Annual Report](#) page 25.

## Be transparent and accountable

We're encouraging change within the financial services sector by accurately measuring and openly reporting on how our own actions are improving the wellbeing of people, communities, and the environment. We aim to continue implementing, testing, and helping improve emerging international standards for climate and impact reporting. See [Annual Report](#) page 41.

## Walk the talk in all we do

We're living our values in our daily decision-making to serve the diverse needs of our members, employees, and communities. We will do our part across our operations to contribute to a just climate transition.



# Governance.

## Board oversight of climate-related risks and opportunities

Elected by and accountable to our members, Vancity's Board of Directors is responsible for setting Vancity's strategic direction and overseeing a strong risk culture. Effective governance ensures there is understanding, oversight, and accountability for both financial and non-financial risks and opportunities Vancity and our members face from climate change.

Governance of Vancity's response to climate change is a key strategic priority. The Board provides oversight of our goal to create a clean and fair world and receives updates on progress on the five climate commitments via quarterly reports from management. The Board also provides oversight of climate risk management, which enhances Vancity's understanding of climate risks based on quantitative and scenario-based analysis in conjunction with external stakeholders.

The Board continues to increase the expertise it needs to carry out these responsibilities. Directors requested specific education sessions on climate risk and governance, and sessions were held in 2021. As well, a Board education session on climate governance from the Global Risk Institute took place in February 2024. Individual Directors have also taken external courses relating to general risk management in a financial institution that may touch on climate risk through Directors' Forum, as well as receiving information sessions from management on climate initiatives, co-operative values and principles, and Indigenous banking for our members. In recruiting candidates for the 2023 election, the Board identified leadership in service of financial inclusion, labour relations, or climate justice as one desired area of focus and experience for nominees. Successful nominees all had climate experience, social or sustainability experience, or both.

The Board has delegated certain climate-related accountabilities to its committees, per the table to the right.

### Board committees' climate-related mandate

Board committee	Climate-related mandate
<b>Risk Committee</b>	<p>Provides oversight and advice to the Board on current and potential future risk exposure and risk strategy, including determination of risk appetite, key risk indicators, and related tolerance thresholds. Vancity's Risk Appetite Frameworks (RAF) monitor organizational risk using nine risk dimensions, each with defined risk appetites statements, risk thresholds, and key risk indicators. One of the nine dimensions that the Risk Committee governs is Climate. It is responsible for ensuring that there is proper oversight of Vancity's risk profile and both current and future risk exposures.</p> <p>In conjunction with the Board, the Committee approves Vancity's Internal Capital Adequacy Assessment Process (ICAAP). Vancity's ICAAP includes modelling on credit risk impacted by climate-related events (such as flooding and wildfires) and ensures we have adequate capital reserves to operate during unlikely but severe climate-related stress events.</p>
<b>Audit Committee</b>	<p>Responsible for reviewing management's annual plan and performance indicators for the annual integrated report (including this Climate Report), ensuring there is an effective process in place that includes appropriate controls designed to provide reasonable assurance that non-financial reporting has integrity, includes material issues, and provides for reliable and fairly presented non-financial statements that are consistent with any financial information disclosed.</p> <p>Considers the appropriateness and materiality of all measures and receives and reviews quarterly progress updates on public targets and commitments and on significant aspects of non-financial performance, as available.</p>
<b>Governance Committee</b>	<p>Reviews and recommends for approval Vancity's Ethical Principles for Business Relationships policy on an annual basis.</p>
<b>Board</b>	<p>Uses climate-related issues as a key lens in the revision and approval of risk management policies and frameworks, business plans, strategic priorities, and setting and monitoring of organizational performance objectives. Approves Vancity's Enterprise Risk Management Framework (ERMF), RAF, ICAAP, and Ethical Principles for Business Relationships policy.</p>



### Management structure and accountabilities

Vancity's CEO and Executive Leadership Team are responsible for delivering on the strategic direction set by the Board, for fostering an effective risk culture, and integrating financial, social, and environmental factors into the business decision-making process. Specific accountabilities for climate risks and opportunities at the executive level are as follows:

Role or business area	Climate-related accountability
<b>Executive Leadership Team (ELT) members</b>	Work within their respective divisions to identify, assess, and act upon opportunities to drive positive climate impacts among our members, in the community, and within Vancity.
<b>Chief Risk Officer</b>	Oversees climate-related risks, focusing on physical risk identification and mitigation. Oversight is in accordance with the ERMF and RAF. Chairs the executive Risk Management Committee.
<b>Chief External Relations Officer (CERO)</b>	Oversees and leads Vancity's public climate-related commitments as well as our climate-related obligations under the international agreements and partnerships we are part of. Oversees the development of banking products, including those tailored to support members' emissions reductions.
<b>Chief Financial Officer (CFO)</b>	Oversees the preparation of the Annual Report, including related disclosure of our environmental and social risks. The CFO is responsible for establishing and maintaining adequate internal controls over external reporting, supported as applicable by executive team members and other senior management.
<b>Vice President (VP) Impact Strategy</b>	Reports to the CERO and is responsible for implementing actions to achieve our climate targets. Chairs the Climate Commitments Council.
<b>Climate Strategy and Performance (CSP) team</b>	Creates and leads Vancity's approach to achieving net zero and our other climate commitments, measuring our climate performance and establishing targets. The Director of CSP reports to the VP Impact Strategy.

The Climate Strategy and Performance and Enterprise Risk Management teams engage with external experts, including climate consultants, insurance companies, regulators, and standards organizations. These teams also engage with peers by sharing learnings and advising on climate-related risks and opportunities through internal working groups described below:

Working group	Mandate
<b>Operational Risk Management Committee</b>	A sub-committee and advisory body to the Risk Management Committee (RMC). Meets bimonthly or quarterly to discuss enterprise-wide operational risks, including physical and transition climate risks (i.e., what they are, where they exist, and what mitigations are being taken or recommended).
<b>Sustainability and Climate Risk working group</b>	Informal group that meets bimonthly to promote knowledge and collaboration among multiple areas of Vancity involved in climate-related and sustainability risk management efforts.
<b>Climate Commitments Council</b>	Chaired by the VP Impact Strategy, this cross-functional team meets quarterly to review progress on climate commitments and ensure an organization-wide and co-ordinated approach to climate action, including climate-aligned public policy advocacy and lobbying.
<b>Impact Review Committee</b>	Chaired by the CERO, this Committee meets on an ad hoc basis to consider lending and investment opportunities that require deeper assessment of their alignment to our Ethical Principles for Business Relationships, impact goals, and reputational risk tolerance.



# Strategy.

## Climate-related risks and opportunities

### Climate-related risks

The rate and magnitude of climate change is already straining community infrastructure, health and wellbeing, and cultural traditions and practices. We can expect impacts to worsen due to a greater frequency and severity of weather-related events. These impacts will differ across communities as climate risks continue to compound existing social inequalities. As the global transition toward net zero is accelerated, it will also result in fast economic shifts.

Climate risks include physical risks resulting from climatic events, such as wildfires, storms, and floods, and transition risks stemming from actions taken to transition the economy off fossil fuels.

While we have some influence over how we affect the climate directly, if the global community doesn't take urgent actions to keep warming below 1.5°C, the consequences will be significant. Even with a 1.5°C warming scenario, there will be greater climate risks facing Vancity than ever before. Heatwaves and wildfires in BC are something we expect to see more frequently in the short term. 2023 was the most destructive year yet for wildfires, with more than 2.84 hectares burned during BC's wildfire season.<sup>1</sup>

We also expect greater rainfall during the winter and faster snowmelt from warming temperatures, both of which are likely to increase flooding. Over the longer-term we'll see rising sea levels. We've identified flooding as our greatest current and short-term climate-related physical risk, with wildfires as an emerging risk, given the lending growth we're seeing in locations that could face higher fire risk.

We also consider the potential impacts of climate risk that our members and communities will face. We've assessed physical and transition impacts of climate change on our lending and investment portfolios and incorporated them into our risk appetite framework. Our climate risk analysis confirms that besides real estate lending, we have relatively low transition risk exposure to high-emitting sectors across lending and investment portfolios.

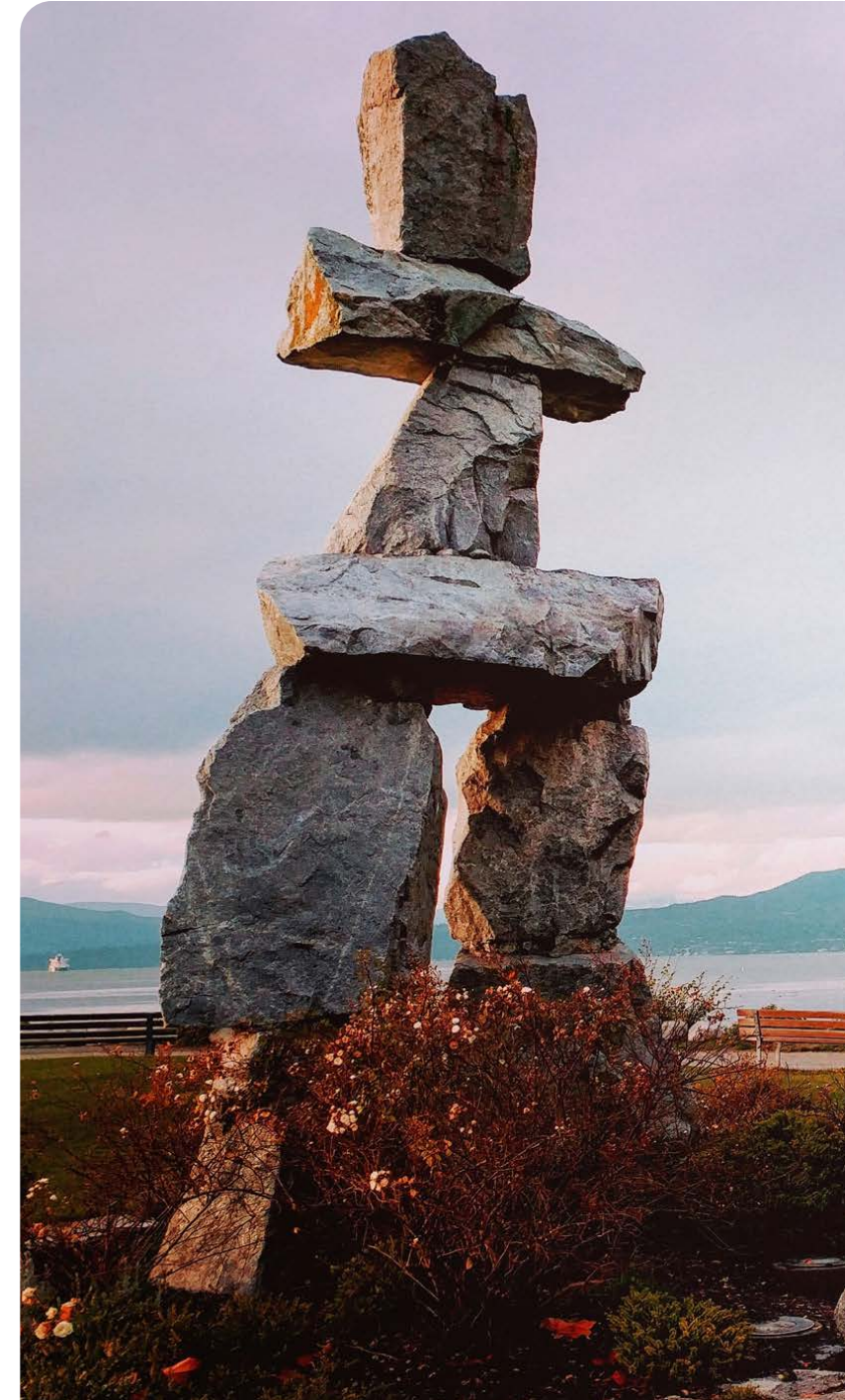
Uncertainties persist about the extent of climate disruptions and the emergence of technologies that could effectively tackle both climate mitigation and adaptation challenges. Consequently, we have not yet categorized our risks within specific time frames. For more on our approach, please refer to the Risk management section on [page 20](#).

### Climate-related opportunities

Climate-related opportunities refer to economic, business, and investment opportunities that arise from efforts to address and adapt to climate change. They include activities that contribute to environmental sustainability, the reduction of emissions, and the overall mitigation of climate-related risks.

Canadians are increasingly impacted by extreme weather events, and many are looking to take climate action by shifting away from fossil fuel. Vancity is working to cater our products and services to support emissions reductions and to foster resilience across our membership. We have included examples throughout this report, including financing of renewable energy projects, energy efficiency, and low-emission buildings and the launch of our first Sustainable Issuance Framework.

We are also well positioned to support the transition to a low-carbon future by getting capital into the hands of those who are looking to lead low-carbon-related technological innovation. This includes financing dedicated to the currently under-invested small- to mid-size renewable energy market. For more on our approach, please refer to Products and services on [page 13](#).



<sup>1</sup> ["B.C.'s wildfire crisis arrived decades earlier than experts forecast"](#) | CBC News

## Strategy and decision-making

Vancity's approach to climate-related risks and opportunities incorporates current and anticipated changes, resource allocation, and both mitigation and adaptation efforts.

We began in 2008 with our practice of disclosing our operational emissions from building energy consumption, vehicle fleet, paper, business travel and employee commuting, and purchasing equivalent carbon offsets. Through Vancity Investment Management we have been a signatory to the Principles for Responsible Investing (PRI) since 2009, and we joined the Net Zero Asset Managers initiative (NZAM) in 2021.

In 2021, we were a founding member of, and the first Canadian financial institution to join, the UN-convened Net-Zero Banking Alliance (NZBA). Both the NZBA and NZAM commit signatories to support the goal of net-zero emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C above pre-industrial levels. Through various working groups, we have helped shape the United Nations Environment Program Finance Initiative's (UNEP FI) Guidelines for Climate Target Setting for Banks, and the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting Standard for measuring financed emissions.

To manage climate-related risks and opportunities we:

- Measure and disclose operational and financed emissions annually, expanding coverage and data quality over time in line with the PCAF Global GHG Standard
- Establish targets in line with the Net-Zero Banking Alliance's Guidelines for Climate Target Setting for Banks (for on-balance sheet assets) and the Net Zero Asset Managers initiative (for off-balance sheet client investments managed by Vancity Investment Management)
- Advocate for changes to government policies and regulations to speed the transition and make it more equitable, accessible, and affordable for members
- Support and incent our members, learn what works, and iterate a comprehensive approach to net zero that is aligned with our climate targets and net zero by 2040 ambition

- Assess the impacts of climate risk on Vancity's lending and investment portfolios and mitigate them in accordance with our enterprise risk management framework
- Make community investments, using Shared Success and enviroFund™ grant funds, to support initiatives and organizations working to create the enabling conditions for reaching net zero and for an equitable transition to a climate-resilient and inclusive economy
- Monitor progress, scientific consensus, and best practices to inform our work, including funding and participating in initiatives and forums to share opportunities and challenges and to contribute to the development of harmonized and ambitious sustainability frameworks and standards
- Regularly review and adjust our strategy and targets as needed

As we carry out our climate strategy, it will be important to also consider biodiversity impacts. Efforts to preserve biodiversity contribute to climate change mitigation and adaptation, and the financial sector plays a role in supporting sustainable practices and investments that address both climate change and biodiversity conservation. For more information see [page 19](#).

### Near-term portfolio climate targets

The most significant sector we finance is real estate, both commercial and residential. This is where we set our emissions reduction targets. Setting decarbonization targets for all, or a substantial majority, of the following carbon-intensive sectors meets the requirements of the Net-Zero Banking Alliance (NZBA): power generation, coal, oil and gas, cement, commercial real estate, residential real estate, iron and steel, agriculture, transport, and aluminum. We don't lend to or invest in coal, oil, or gas, or materially to many of the carbon-intensive industries, and we prioritize renewable energy and clean transportation projects such as infrastructure for electric vehicles. While we provide lending for the purchase of motor vehicles, including electric, hybrid, and internal combustion engine vehicles, our lending portfolio associated with the latter is not material.

See the Financed emissions profile sections for more details, including a snapshot of business lending by NZBA priority sectors on [page 40](#).

### Commercial and residential building loans

We follow the NZBA's [Guidelines for Climate Target Setting for Banks](#) to ensure our approach to achieving net zero follows best practice and is aligned with the evolving science. Our 2025 absolute emission reduction targets cover the two most significant sources of emissions attributed to our lending: residential and commercial service buildings. Buildings (residential and commercial combined, excluding construction) account for around 18 per cent of greenhouse gas emissions in BC and Canada,<sup>1</sup> mainly from fossil gas used to heat and cool them and to provide hot water. Additional emissions relate to building materials and the construction sector.

Vancity's Board of Directors approved the following emissions reduction targets in 2022:

- A 17 per cent reduction in absolute financed emissions for residential buildings by 2025 from a 2019 base year
- A 27 per cent reduction in absolute financed emissions for commercial service buildings by 2025 from a 2019 base year

These targets collectively cover 66 per cent of on-balance sheet lending in 2023. To establish our targets, we applied the [Science Based Targets initiative's Tool for Commercial Real Estate and Residential Mortgages, version 1.2](#). In line with this tool, targets for residential buildings include residential buildings and units owned by a business.

In addition to decarbonizing our commercial and residential building portfolios, we're working with our small- and medium-sized business members to help them reduce their emissions.

<sup>1</sup> <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/healthy-environment-healthy-economy/annex-homes-buildings.html>

**Achievement of our targets**

To drive emissions reductions our focus is threefold. We've included examples of our plans and the actions we're taking throughout this report.

**Policy advocacy**

Our work includes advocating for public policies that will help result in sizable emissions reductions across our membership and communities, helping ensure planned and existing policies are implemented and that they achieve the goals they were designed to achieve. This work involves advocacy at all levels of government, policy development, thought leadership, and strategic partnerships, as well as coordination among many stakeholders. See [page 16](#).

**Member engagement**

Our approach involves working with community partners, as well as engaging with members directly and developing products and other solutions to help finance and support the actions members want to take toward decarbonization. See [page 15](#).

**Clean growth**

We're working to grow our lending in lower-emitting assets and businesses to reduce our financed emissions. As part of this we don't provide financing for fossil fuel companies and projects. See [page 19](#).

We consider our policy advocacy work to be a critical component of our climate strategy. Vancity, and our members and clients, depend on effective policies and regulation for an equitable and timely transition to a net-zero economy. For example, Canada's [Green Buildings Strategy](#)'s goal is net-zero emissions and a climate-resilient buildings sector by 2050, with an interim goal of 37 per cent emissions reductions from 2005 levels by 2030. The province of British Columbia, where we primarily operate, has enacted climate legislation and targets that include reducing emissions from building and communities by 59–64 per cent.

BC residents still rely on fossil fuels to meet more than half the energy needs in buildings, so fuel-switching to electricity is a critical step. However, relatively high upfront costs in addition to navigating rebates and the installation process remain barriers. Given our focus on the building sector, key provincial government policies that will help us to achieve our targets include requirements for new buildings to be zero carbon and for new space and water heating equipment to be at least 100 per cent efficient by 2030.

There are two additional challenges when it comes to achieving our financed emissions targets. First, the emissions captured in the targets are not under our direct control: they're the emissions generated by our members as they live their lives and operate their businesses. Second, we currently rely on highly estimated data that makes it challenging to assess actual progress toward our targets. However, we think the actions we and our members are taking, and reductions achieved through government climate policy and regulations will result in emissions reductions.

We'll continue to review and adjust our approach, and our targets, to meet evolving requirements and do what we believe is needed to achieve our long-term net-zero goals and a just and equitable climate transition.

**Reviewing and adjusting our targets**

When [disclosing our interim targets](#) in 2022, we noted our expectation that we'll need to recalculate and amend our targets in the future. Since we established these targets, we have improved and recalculated our base year data. Furthermore, at the time we set our targets, 1.5 degree aligned real estate pathways and tools were not accessible. Nonetheless we further disclosed that we planned to review our targets once better tools became available. We planned to do this work in 2023, but at the time of writing, the Science Based Targets initiative's (SBTi) 1.5 degree aligned Tool for Commercial Real Estate and Residential Mortgages – which includes Canadian pathways – had yet to be released in its final version. We decided to delay this work until 2024, which will also allow us to review and, to the extent feasible, apply the updated Guidelines for Climate Target Setting for Banks, which are scheduled to be released by the Net-Zero Banking Alliance (NZBA) in spring 2024.

Please refer to our [2022 Climate Report](#) for our approach to establishing our 2025 building-related targets, including key assumptions and underlying scenarios. See [page 24](#) for progress on targets.

**Managed client investments**

We made our initial target disclosures in November 2022, using the Paris Aligned Investment Initiative's [Net Zero Investment Framework \(NZIF\)](#), one of the target-setting approaches endorsed by the [Net Zero Asset Managers initiative](#). The targets focus on the following material sectors: Energy, Industrials, Materials and Utilities as defined by Global Industry Classification Standard.<sup>1</sup> These sectors made up 11 per cent of client assets under management at the end of 2023.

- **Portfolio coverage target:** 90 per cent of assets under management in material sectors will be net zero, aligned, aligning or subject to engagement by 2030, with 100 per cent net zero, aligned or aligning by 2040.
- **Portfolio decarbonization reference target:** We will maintain the carbon footprint of the funds managed by Vancity Investment Management below each funds' respective benchmark with key check points of interim targets in 2030 and 2040. As the benchmark footprint declines towards net zero, VCIM's footprint will equal it by 2050.

- **Engagement threshold target:** 75 per cent of financed emissions generated by portfolio companies in material sectors will either be aligned with net zero or subject to engagement with VCIM by 2025. That figure will be 90 per cent of portfolio companies by 2030.

To achieve our targets for managed client investments, we will significantly increase the percentage of portfolio companies that align to net zero by 2050 objectives. We will also increase the percentage of our portfolios comprising companies with whom we are actively engaging to help them achieve net-zero emissions.

We plan to increase the scope of these targets to 100 per cent over time. Currently, we are only able to get good-quality data for publicly listed equity holdings. We excluded corporate bonds and sovereign debt pending improved data access and processes. See [here](#) for our Net Zero Asset Managers signatory disclosure, [page 16](#) for our approach to engaging portfolio companies, and [page 25](#) for the progress we've made so far.

**Use of offsets**

We believe that the use of carbon credits in the form of high-quality and externally verified offset projects has a role to play in climate action. Since 2008, Vancity has been accounting for our operational emissions, making efforts to reduce these emissions, and then purchasing high-quality offsets from the BC carbon market to offset the estimated equivalent amount of remaining GHG emissions.

Our strategy for financed emissions is different: we are prioritizing emissions reductions first and foremost, and plan to purchase carbon offsets and removals for our residual financed emissions at or near 2040. This approach may evolve as we continue to monitor and contribute to emerging standards and best practices.

**Operational emissions**

In 2023, we focused on engaging with internal stakeholders who have influence over our operational emissions to help identify the opportunities that are available for further reductions. These included our vehicle fleet manager, paper vendor managers, and vehicle business travel account managers. We also worked toward improving our facility and utility data collection and management. This has given us the information that we need to monitor and manage our utility consumption by investigating and responding to large variances in fossil gas and electricity demand. Better data also gives us a better understanding of our current state and the opportunities available to us. We are continuing to decarbonize our branch and office portfolio and will take the learnings from this process to inform our strategy.

Climate-related risks and opportunities are included in our real estate management and procurement decision-making. For example, when evaluating potential sites for new or relocated branches, we take into consideration avoiding those that have fossil gas as the heating source.

We are working to refine our strategy for reducing our scope 1 and 2 emissions to net zero, including utility demand reduction and strategic decarbonization of our facilities and vehicles, and developing a plan to achieve this.

One of the most significant data improvements made in 2023 comes from our commuting survey. Our new survey platform collects vehicle-specific data, allowing us to use specific fuel economies, which have resulted in more specific emissions calculations.

<sup>1</sup> GICS® is an industry analysis framework that helps investors understand the key business activities for companies around the world and was developed by MSCI and S&P Dow Jones Indices.



Paper statements make up roughly 75 per cent of the total paper we use each year (by weight). For environmental and cost reasons, we've been trying for several years to encourage members to switch from paper statements to [e-statements](#). In 2023, we announced a new fee to be introduced in March 2024 for most paper statements. We also joined with veritree to [plant one tree](#) every time a member or Vancity Visa cardholder opted out of a paper statement from late October 2023 to early January 2024. Trees in the Williams Lake, BC, area will be planted to help regenerate an old-growth stand lost to the Hanceville wildfire in 2017. Veritree will work closely with specialized teams and local Indigenous organizations and Nations on this work, and it will monitor restoration efforts. More than 33,000 accounts had switched to e-statements by early January 2024.

### Products and services

#### Lending and advisory-related products and service

Our Planet-Wise™ products are designed to help members reduce their emissions in affordable ways:

- **Transportation:** financing zero- and low-emission transportation including new or used pedal bikes, e-bikes, scooters, electric and hybrid cars, charging stations, and conversion kits
- **Renovation:** financing home energy retrofits that will reduce emissions and increase efficiency in residential homes, and providing support to access advice, evaluations, and rebates
- **Teardown:** taking borrowers through the financial and environmental benefits of deconstruction, providing information on tax credits, and working with them to find the best financing option
- **Business:** financing for businesses and not-for-profit organizations to undertake equipment upgrades, switch to electric vehicles, and acquire other energy-saving technologies

We continue to offer our free [Home Energy Advice service](#) to individuals and families in collaboration with City Green Solutions. In 2023, we promoted this service through new channels including in-branch digital signage and mortgage renewal letters. We also saw continued uptake of our EnerGuide rebate which offers Vancity members with a mortgage or a Planet-Wise™ Renovation loan money back on their assessment cost when using a certified Energy Advisor. Both offers aim to provide

## Commercial retrofit financing.

In 2023, we launched a new financing program to target deep energy retrofits in our commercial mortgage portfolio. Our Commercial Retrofit Financing Pilot offers preferential lending terms, such as extended mortgage amortization and a lower debt servicing ratio, to incentivize and support members that achieve a minimum 30 per cent greenhouse gas emissions reduction in their building. We are piloting the program to learn more about what terms and conditions are most effective and what types of reporting and verification we can utilize to qualify the retrofits. Under the criteria members must also agree to create and share their EnergyStar™ Portfolio Manager account, which provides us with high-quality energy use and emissions data.

members with access to high-quality information and advice about their home so that they can make more informed decisions about building upgrades or equipment replacement.

In 2023, the size of our green and energy-efficient commercial building portfolio grew by approximately 16 per cent. While our Planet-Wise™ portfolio continued to grow, we saw renovation lending slow down as compared to 2022, potentially due to increased interest rates, rising costs, and moderate growth in transportation loans. In 2023, we provided our first loan through our Commercial Retrofit Financing Pilot and initiated a campaign with our commercial account managers in November and December to promote the pilot to relevant members.

Our business loan portfolio comprises small, medium, and micro businesses and non-profit organizations in a variety of sectors. With limited capacity, resources, and expertise to advance climate action in their businesses, we focused significant effort on developing new solutions for this group in 2023. These solutions aim to increase awareness, provide high-quality advice and information, and give businesses the support they need to make a well-informed plan to take action and to remain competitive in their sector. In addition to our Planet-Wise™ lending we are now offering businesses and non-profits:

- **Climate coaching:** Members can receive complementary advisory services through Synergy Enterprises, which helps businesses measure and reduce their carbon footprint. It's designed to help members better understand their main emission sources, identify key opportunities, learn about relevant rebates and programs, and create a Climate Action Plan to help guide them in their planning and implementation.
- **Downloadable emissions workbook:** Business members can find our free downloadable excel-based emissions workbook on [vancity.com](https://vancity.com). It is simple to use and designed for small businesses specifically. Businesses can input their electricity, fossil gas, refrigerant, and other fuel use to better estimate and understand their emissions and identify areas for improvement. Vancity members can also work with a climate coach to assist them in completing their workbook.
- **BC Green Business discount:** [BC Green Business](#) is a province-wide green business certification program that offers a practical and affordable checklist-based approach to helping businesses become recognized climate leaders. Vancity offers members a 30 per cent discount on their first year of certification. Vancity also contributed to a fund that makes the program free for any Indigenous-owned business in BC.

- **EnergyStar™ Portfolio Manager (ESPM) support:** ESPM is a free government-run program that allows businesses to measure, track, and benchmark their energy use and emissions. As this program becomes increasingly popular with building owners and governments, we wanted to make sure that our members had support to access the program. Members can work with an ESPM expert at OPEN Technologies who can walk them through the process, to access customized building reports annually to show them where their energy is going in their building and what could be done to improve cost, efficiency, and emissions.
- **Non-Profit Housing Retrofit Grant Program:** This program launched in 2022 provides grants to non-profit and co-operative housing organizations to plan and implement deep, energy-efficient retrofits. This program is available to Vancity members only, and priority is given to members with a mortgage. Non-profits and co-operative housing providers can access up to \$80,000 in planning grants, plus up to \$99,000 for capital and implementation. This program is also in service of our commitment to finance an equitable climate transition, ensuring access to affordable, climate-ready housing.

[Vancity Community Investment Bank](#) (VCIB's) areas of focus include clean energy projects, affordable housing, social purpose real estate, and values-aligned businesses. In 2023, the clean energy projects we financed generated 21,103 megawatt hours of electricity, and resulted in an estimated 6,654 tonnes of avoided CO<sub>2</sub> emissions. Examples of financing include:

- [7Gen](#) provides electric vehicle (EV) and supporting infrastructure leasing solutions to help last mile delivery companies deploy zero-emission vehicles. In 2023, we supported the financing of 71 EV vans and 37 EV chargers.
- [Subterra Renewables](#) develops and operates thermal district energy systems using geothermal and heat recovery technology. We financed the build-out of two vertical closed-loop well geo-exchange systems: one for a 27-story residential mid-rise condo development in Pickering, Ontario, and the other for a four-story residential low-rise and townhouse development in Oakville, Ontario.

- [Noventa Energy Partners](#) is a renewable energy company that provides energy services to help organizations significantly reduce their carbon offsets. We provided Noventa with a senior secured loan to finance the construction and operations of the world's largest wastewater energy transfer project, located at Toronto Western Hospital.

#### **Investment products and service**

Our wealth management professionals are committed to offering members accessible responsible investment options that can demonstrate the integrity of their environmental, social, and governance (ESG) screening and stewardship process and to raising awareness of the benefits of responsible investment. See page 25 of the [Annual Report](#) for more details.

[Vancity Investment Management](#) (VCIM) offers customized and discretionary portfolio management services to individuals, businesses, and organizations. As a signatory to the United Nations Principles for Responsible Investment we follow the responsible investment philosophy. For more on our approach to engaging portfolio companies, see [page 16](#).

In 2023, we published our first [Sustainability Issuance Framework](#) to guide issuances of green, social, and sustainable financing instruments, including bonds, loans, commercial paper, and deposit products. See our [2023 Sustainability Issuance Report](#) for details.

## Member and client engagement

We engage directly with members and clients and work with partners to deliver products and services to lower the emissions from homes, buildings, and businesses. Purchasing an electric vehicle, installing a heat pump, or switching to more energy-efficient equipment are important actions we want to encourage our members to take if they can. We recognize that some members chose to pay for these out of pocket, some may rely on rebates, and others will look to borrow. Our goal is to help members use debt or savings tools appropriately, while also offering other ways to support members to make climate-friendly choices in their home or business.

Connected to this is our desire to help members – especially our most vulnerable members – build financial resilience so they can handle unexpected stressors and shocks, including those related to climate change. In September 2023, we set and published the following Financial Health and Inclusion target: increase the average member financial confidence score from 7.4 in 2023 to 8.0 by 2030<sup>1</sup> (full target details [here](#)). We recognize the connection between climate, climate justice, and financial health and inclusion and have therefore incorporated climate-related metrics in the list of key performance indicators we'll use to monitor progress toward achieving this target. For details on our financial health and inclusion metrics, see our PRB Self-Assessment.

### Business engagement targets

While our business operating loan portfolio is small in terms of balance sheet lending (1.6 per cent), in 2023 it contributed to 19 per cent of scope 1 and 2 measured lending-related client emissions, and around half if we factor in scope 3 client emissions. Despite contributing significantly to Canada's economy small- and medium-sized enterprises (SMEs) are often overlooked in net-zero pathways and goals. With rising consumer expectations, and supply chain practices increasingly considering sustainability factors, SMEs who reduce their emissions will have a competitive advantage. We want to support SMEs in contributing to a low-carbon, resilient, and fair economy, and to ensure they have the resources to remain competitive.

However, in 2023, the economic environment of high interest rates and inflation was challenging for all businesses. Meeting businesses where they are at and helping to connect climate action to their current business challenges is part of our strategy for business engagement.

In June 2022, we released one-year business engagement targets to guide our efforts towards engaging with our small- and medium-sized business members to act on climate. Our three targets were aimed at helping members to measure their emissions, creating a requirement for new lending in our high-emitting sectors to disclose their emissions, and supporting at least 15 business members to complete a climate transition plan.

These targets expired in June 2023, and we did not meet them in full. Some of the barriers we faced to achieving these targets were the lack of SME-specific emissions measurement tools in the market and recognizing that businesses need more support to understand the value of measuring their emissions and pursuing climate action. We also learned we need to avoid prescriptive solutions and use a broader range of products and services to raise awareness and support business members. Finally, we acknowledge that we need better integration of our targets into our member-facing role accountabilities and need to build the confidence and expertise of our employees so that they can better engage in climate action conversations with members.

Following a review of our previous targets in the fall of 2023, we established new targets to guide us until the end of 2025. Our updated targets reflect what we've learned since setting our first engagement targets, including the need to take an active approach to advocating for a more enabling environment for businesses to take climate action.

## Refreshed business engagement targets.

Our new goals to address emissions from our business loan portfolio are to:

- Engage with business members, stakeholders and industry associations, and all levels of government to advance policy solutions for SMEs that reduce emissions from all sources, with a focus on our high-emitting sectors
- Support more Vancity business members with financing to reduce their emissions through our products and services, with a focus on our high-emitting sectors. We will connect with our members through employees and community partners with the goal of empowering our business members to:
  - Complete 40 climate actions in 2024
  - Complete 80 climate actions in 2025

A "climate action" is the use of our climate products, services, or offers. These include climate coaching and creating a climate action plan, certification with BC Green Business, or taking out a Planet-Wise™ business loan. Our list of eligible climate actions will evolve with our member needs and through feedback about what we can do to support our business members to make meaningful emissions reductions.

<sup>1</sup> Based on a Vancity retail member survey question: "Overall, how confident are you, that you can successfully manage your financial situation over the next 12 months? (1 = Not at all confident and 10 = Extremely confident)" and uses the average score across respondents.

### Engagement with portfolio companies

Shareholder engagement through Vancity Investment Management (VCIM) is a key component of our responsible investment approach and climate risk strategy. It encourages environmental, social, and governance best practices and includes direct dialogue with company leaders and boards of directors, shareholder proposals, and proxy voting.

VCIM votes proxies in alignment with the [SHARE 2022 Proxy Voting Guidelines](#). As outlined in these guidelines, VCIM supports most climate-related proposals filed by shareholders. Examples include voting against the chair of the board at companies that fail to adequately disclose climate-related emissions, risks, plans, or targets as significant emitters, and voting against proposals on climate/energy transition plans if they don't include specific criteria, including absolute emission reduction targets and a five- to ten-year plan, phase-out of fossil fuel use and production, executive compensation, strategy and lobbying that is aligned with Paris Agreement goals, actions to address deforestation through cuts to harvesting and increases to reforestation, independent auditing of emissions, annual performance reporting to shareholders, and a commitment to a just transition for workers and communities.

In 2023, we led or participated in the following collaborative climate-related engagement initiatives: Climate Action 100+, [Climate Engagement Canada](#), and the Carbon Disclosure Project (CDP). In addition, VCIM filed and co-filed shareholder proposals with three financial institutions asking for more detailed disclosures on how they are ensuring that they meet their 2030 interim carbon reduction targets.

### Policy advocacy and community engagement

#### Industry and government

Our climate commitments are highly dependent on changes to government policy and regulations, and we've formed strategic partnerships and networks to serve those goals and drive systemic change. Our engagement strategy is guided by analysis of Vancity's financed emissions across our mortgages and loans, helping us focus on the right policy changes in targeted jurisdictions and sectors of the economy that can do the most to advance Vancity's decarbonization efforts. We're also building coalitions of stakeholders who share our goals, as well as working with community partners to inform research and initiatives that serve to elevate the profile of our advocacy priorities. We sit on the federal government's Sustainable Finance Action Council, and we meet regularly with decision-makers to discuss strategies for reducing GHG emissions from commercial and residential buildings. In 2024, we will continue to engage with decision-makers in local governments and the Government of BC to accelerate measures that reduce emissions in the built environment.

In 2023, we developed climate action briefs:

- Calling for a renewed and just provincial flood strategy to help make our communities and financial system more resilient in a changing climate
- Encouraging the Government of BC to consider climate action and equity as key elements of its poverty reduction strategy
- Supporting the Government of BC in introducing requirements in the BC Building Code to limit overheating in new homes
- Providing positive feedback to the Office of the Superintendent of Financial Institutions and the British Columbia Financial Services Authority on the introduction of requirements for financial institutions to identify and manage climate-related risks
- Supporting the Government of BC and BC Hydro's commitment to maintaining affordable, stable electricity for British Columbians

## Public policy priorities.

The following climate-related policy priorities are critical to enable us to reduce our financed emissions. These policies are aimed to make it easier, more affordable, and more accessible for members to take climate action:

- Policies driving direct emissions reductions in the built environment, with a focus on equipment, new construction, and existing buildings
- Policies aimed at creating the underlying conditions to facilitate these emissions reductions, such as those addressing affordable electricity, increasing the number and diversity of skilled tradespeople to meet growing demand, and supporting supply chains for products needed for net-zero buildings
- Policies aimed at providing energy, emissions, and climate risk data and tools to businesses and organizations to inform their decision-making
- Policies enabling sustainable finance by aligning lending, investment, and risk frameworks to net-zero targets



### Peer networks and alliances

In line with our climate commitments, we share and encourage best practices across the banking sector and contribute to the development of harmonized and ambitious sustainability frameworks and standards by participating in various initiatives and working groups. In 2023, examples included:

- [UNEP FI Banking Board](#), which oversees the effective implementation of the Principles for Responsible Banking (PRB), as well as the Community of Practice for Chief Sustainability Officers, and other PRB working groups, including Financial Health and Inclusion, Biodiversity, and Reporting and Assurance
- [Net-Zero Banking Alliance](#), including contributing to the proposed Guidelines review process, and participating on the Implementation Work Track
- [Global Alliance for Banking on Values](#), including participating in the Metrics Community of Practice that oversees the development of the Global Alliance for Banking on Values (GABV) Scorecard and the Triple Bottom Line classification methodology that informs measurement of Vancity's TBLAA metric. See [page 19](#)
- [Sustainable Finance Action Council](#) (SFAC), SFAC's Disclosure technical expert group and the Capital Allocation working group
- UN Principles for Responsible Investments [Sustainable Systems Investment Managers Reference Group](#), which provides a forum for investment managers to share developments, questions, concerns, and feedback related to responsible investment and a sustainable financial system
- [BDC GHG Calculator Advisory Group](#) to develop a simplified GHG calculation methodology for Canadian SMEs
- Regional and asset-class specific working groups related to the [Partnership for Carbon Accounting Financials](#)
- [Building to Electrification \(B2E\) Coalition](#), whose purpose is to identify and address barriers to electrification and take actions that contribute to a meaningful and equitable market shift to decarbonizing BC's building sector
- [Provincial Virtual Home Energy Rating System \(VHERS\) Advisory Committee](#), whose goal is to improve energy information available for buyers and renters

In 2022, Vancity signed the Corporate Knights' Action Declaration on climate policy engagement, along with 57 other companies. The Action Declaration outlines how industry leaders will support ambitious action to close the "say-do" gap on countries' emissions reductions by supporting climate action aligned with the Paris Agreement when engaging with policymakers; working with their major industry/trade associations to advance alignment with the Paris Agreement; and monitoring and disclosing climate policy alignment for their companies and their major industry/trade associations. Vancity has a strong record of advocating for climate action at all levels of government. We're developing a plan to expand this work to our industry associations and community partnerships, including engaging with our business members to mobilize solutions for decarbonizing their businesses.

### Community partners

Vancity shares 30 per cent of net profits with members and communities through the Shared Success program, and five per cent of annual profits from Visa card products go to enviroFund™ programs. A significant component of our plan to achieve our climate commitments is to deploy funds from these programs to support organizations and initiatives that align with and help advance our commitments of carbon emissions reduction and climate resilience, Reconciliation and racial equity, and financial health and inclusion.

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 fulfill our commitments. For more information about supporting communities, see the [Annual Report](#), page 31.

In 2023, we provided \$3,316,448 in grants in support of climate-related initiatives. In most cases, our funding achieves multiple outcomes across other impact areas, including Reconciliation and anti-racism, financial health and inclusion, and affordable housing.



## Organizations and projects funded



**Aboriginal Housing Management Association** (AHMA) supports 52 Indigenous housing and service providers representing more than 8,700 Indigenous families and individuals living in urban, rural, and northern regions of British Columbia. We provided core funding for AHMA to expand their team to provide enhanced services that lead to improved energy efficiency and resilience for existing buildings. In 2023, they supported 613 units of housing through their building conditions assessments, projects, and planning. Ten buildings were retrofitted, which supported 432 units of housing to improve energy efficiency.



**Empower Me** is Canada's only energy conservation and education program designed for and delivered by members of diverse, multilingual, and hard-to-reach communities. Empower Me acts as a bridge into multilingual, multicultural, and vulnerable communities to ensure that important information on energy, utility programs and services, and climate education reaches all residents of BC. Through funding from Vancity they plan to create five jobs for newcomers as energy mentors and deliver 70 workshops to 700–900 Lower Mainland residents.



**The Fraser Basin Council** is delivering the Energy Efficiency Mentorship Program: Building Indigenous Capacity for Energy-Efficient Housing (EEMP). EEMP aims to build skills and knowledge in energy-efficient homes and buildings within Indigenous communities through a peer group of Indigenous trainees who are interested in building their capacity, skills, and knowledge in energy efficiency.



**China Creek Housing Co-op** has worked with Affine Climate Solutions to develop a business case and financing framework for achieving net zero. They plan to achieve this by installing heat pumps and solar cells. They accessed funding from Vancity's Non-profit Housing Retrofit Program to complete an energy audit, project management, schematic design, cost estimates, etc. These activities will set up China Creek to apply for government funding sources and to make all the units in the co-op net zero, more resilient to extreme heat, and more affordable and comfortable for the residents of the 35 households located there.



**The Construction Foundation of BC's Build Green Together Program** is helping to create the workforce needed to build and retrofit for a cleaner, greener future. The program goes beyond teaching the technical skills of sustainable construction, aiming to get youth excited about working with their hands and gives them the ability to make choices and catalyze their curiosity. Since Build Green Together launched in the summer of 2023 with Vancity's support, the program has engaged more than 2,100 diverse youth across BC through hands-on green building workshops. More than 63 per cent of participants identify as women, newcomers, or Indigenous people. Following Vancity's grant, Build Green Together received significant funding from the Province of BC; an example of seed funding from Vancity helping to cultivate additional support for new initiatives.

## Policies and conditions for clean growth

Our [Ethical Principles for Business Relationships](#) (EPBRs) support employees to make decisions about who we lend to, buy from, invest in, and do business with. The EPBRs direct us to focus on working with businesses and organizations that generate positive impact or reduce harm for people and community, in line with core Vancity values. Internal guides for applying the EPBRs include an industry sector overview that pre-identifies certain sectors that require further investigation for alignment with our Principles and those that we would generally want to decline.

Our EPBRs also highlight opportunities of high interest, including businesses and organizations that demonstrate environmental and sustainability leadership. Loans to, and investments in, such businesses and organizations are included in our triple bottom line assets and assets under administration metric (TBLAA). We review our definition of triple bottom line assets annually. This metric enables us to track and communicate the proportion of assets, including mortgages, personal loans, business loans and investments, that support specific areas of impact such as affordable and/or lower-emission buildings, organizations with a social or environmental purpose, and/or underserved people and communities.

### Lending approach and policies

We don't directly lend to oil, gas, or coal producers or projects, and we've embedded that in our policies. We have a specific policy to guide lending to energy-related projects and support the transition to a low-carbon economy. Because this is a rapidly evolving area, we review these policies regularly with both internal and external stakeholders.

In 2023, we initiated a review of our triple bottom line (TBL) framework with the objective of developing it into a refreshed Impact Management and Measurement Framework that supports Vancity in delivering on our commitments around climate, financial resilience and inclusion, Reconciliation, and anti-racism and equity. The work will include zero-tolerance recommendations (what we do not lend to) and "do no significant harm" recommendations, where we want to be aware of potential negative impacts associated with our lending and take measures to mitigate them. We will also be updating our classifications of impact, informed by best practices and aligned with our net zero by 2040 goal and other Impact commitments. As the financing of buildings is one of our most significant activities, we will be focusing there to start.

At the same time, we do not see it as our role to limit new financing to only energy efficient and/or fossil fuel-free buildings. While such an approach would lower our financed emissions and help us to meet our targets, it would not contribute to lowering actual emissions in our communities. It would also cause challenges for our members. While we do actively seek to finance low-emissions buildings, we will also continue to focus efforts on supporting members to reduce the emissions in the buildings they own and live in.

Also in 2023, we assessed potential biodiversity impacts and dependencies associated with our lending portfolio, taking into consideration regional factors. For example, we know that a key threat to biodiversity in BC is urbanization, and that our wetlands and forests provide critical ecosystem services such as flood protection, storing carbon, and surface water. Using [ENCORE](#),<sup>1</sup> we analyzed 86 per cent of on-balance sheet commercial real estate and business loans. Our analysis revealed that around two-thirds of our business lending portfolio, primarily real estate and construction financing, has high or very high potential dependencies on one or more ecosystem services, as well as high/very high potential impacts on biodiversity. We believe that actual negative impacts on biodiversity related to our lending portfolios are reduced because of our responsible lending practices and triple bottom line framework. We plan to incorporate biodiversity criteria, including specifics on deforestation and land use change, into our refreshed Impact Management and Measurement Framework.

### Investment approach and policies

Our general approach to investing is to seek out responsible, progressive companies that we believe are better managed, resilient, and competitive, which enhances their growth potential. We don't invest in companies whose primary line of business is the extraction, production, and distribution of fossil fuels. This means we don't directly invest in oil, gas, and coal producers, pipeline companies, fossil gas distribution utilities, or liquefied fossil gas operations. We also avoid investing in service companies whose primary business is supporting the fossil fuel industry.

Once we select a company for inclusion in the portfolios we manage on behalf of clients, we actively monitor its environmental, social, and governance (ESG) progress and use our rights as shareholders to engage company management if an issue arises (see Engagement with portfolio companies [page 16](#)). We remain invested in railroad companies despite them being involved in transporting fossil fuels, as it's not core to their business and can be replaced by other freight and cargo. We also invest

in specific renewable energy companies. While they may have some legacy fossil gas-powered co-generation facilities, they're committed to growing their renewable energy generation assets.

Vancity Investment Management (VCIM) is a signatory to the Finance for Biodiversity pledge, which calls on financial institutions to commit to protecting and restoring biodiversity through their finance activities and investments. We have criteria for biodiversity in our approach to selecting companies, and biodiversity is a core topic in our engagement with portfolio companies in line with the Task Force on Nature-based Financial Disclosures. As a next step, we plan to quantify biodiversity impacts across our portfolio once the guidance is in place. We are also, through VCIM, a signatory to the financial sector statement on biodiversity to the UN Biodiversity Conference (COP15).

### Skills and culture

To achieve our climate commitments, we are continuing to pursue new strategies and tactics that will further encourage a culture and way of serving members that is impact centric. In 2023, we used various channels to educate and inspire our employees and members through stories of success, while equipping them with the resources and tools they need to make climate action more understandable and accessible. We created a new internal climate action resource centre, brought in experts to educate employees on topics such as building retrofits, and actively collaborated with member-facing teams to design new training, goals, and strategies that would support both business and climate targets.

## Financial position and cash flows

We continue to work at improving our modelling tools for scenario analysis to determine expected impacts to our financial position and income over the short and medium term based on physical risk and anticipated losses or defaults (see Climate resilience [page 21](#)). In 2024, we expect to be participating in standardized scenario testing exercises, facilitated by regulators.

Our strategy includes incentivized targets for increasing our proportion of TBLAA (see [page 22](#)). These assets include loans with the purpose of enabling members to reduce their carbon emissions (see Products and services [page 13](#), and Metrics and targets [page 22](#)). We actively seek opportunities in the clean energy sector, see [page 14](#). This strategic initiative aligns with our goal of capturing a larger share of the market within a robust and expanding sector of the Canadian economy.

<sup>1</sup> An online tool that helps financial institutions identify nature-related risks they are exposed to through their lending, underwriting, and investment in high-risk industries and sub-industries.

# Risk management.

## Process for identifying and assessing climate risks

### Enterprise Risk Management Framework and Risk Appetite Framework

Our commitment to robust risk management is embedded in the Enterprise Risk Management Framework (ERMF), a methodology addressing risk at the enterprise level. The ERMF establishes a vital link between strategy, risk, and business objectives, providing a comprehensive structure for identifying, assessing, managing, and reporting risks. Aligned with this framework is the Risk Appetite Framework (RAF), a structured approach facilitating consistent decision-making to mitigate uncertainties. The RAF is revised annually, reviewed by the Executive Leadership Team (ELT), endorsed by the Risk Committee, and approved by the Board. Performance against risk appetite is monitored through key risk indicators (KRIs) and reported to the Board quarterly. The ERMF and RAF are interdependent and core to risk management at Vancity.

### Climate risk integration

We are committed to actively integrating climate considerations into the core of decision-making processes for new initiatives and projects. Our approach encompasses not only the identification and assessment of climate-specific risks but also the pursuit of opportunities arising from the transition to a low-carbon economy throughout the implementation of new initiatives.

Through our robust frameworks and processes, we ensure that climate risk integration becomes an integral part of the planning, implementation, and ongoing management of our projects. This comprehensive approach allows us to navigate the complexities of both physical and transition risks associated with climate change. By doing so, we not only fortify our organization against potential negative impacts but also position ourselves to capitalize on emerging opportunities in the evolving landscape of sustainable finance.

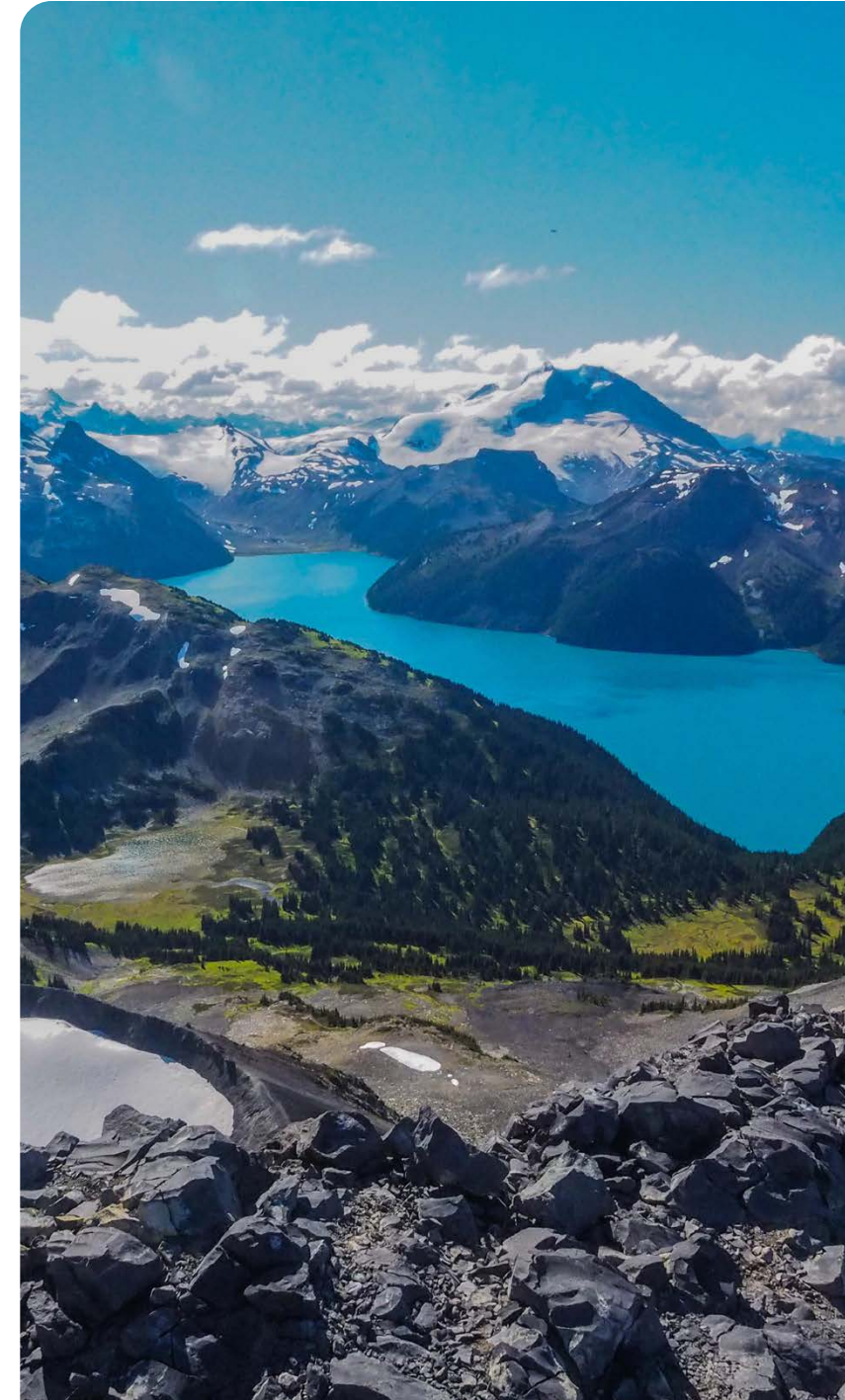
Moreover, our commitment to aligning with Canada's and BC's climate action plans demonstrates our stance in contributing to broader environmental goals. We understand that addressing climate change is not only a responsibility but also a strategic imperative for long-term success. As we continue to incorporate climate risk and opportunities into our initiatives, we aim to not only mitigate potential adverse effects but also drive positive environmental outcomes and contribute to the collective efforts to combat climate change.

### Forward-looking modelling tool

While predicting the future scale of climate risks remains challenging, our commitment to staying at the forefront of climate risk management led to collaboration with Munich Re in 2022, utilizing their Location Risk Analysis Tool, and with Co-operators throughout 2023, on the development of their climate modelling software. These tools, based on Representative Concentration Pathway (RCP) scenarios, provide a deeper understanding of climate futures and support our efforts to assess risks stemming from natural hazards and climate changes on a global scale. We leverage opportunities to provide feedback to Munich Re and Co-operators on the enhancements of these tools, allowing us to both influence usability of the tool and expand our knowledge of climate modelling. We will also be participating in OSFI's climate scenario testing exercises in 2024 enabling us to further deepen our understanding of the various climate scenarios relevant to our markets and establish forward-looking risk thresholds and metrics.

### Physical risk

Our collaboration with the insurance industry is crucial in assessing flood and fire exposure based on severe weather events. We continuously evaluate our members' protection against these events and explore ways to mitigate these risks beyond insurance coverage. Our recent improvements in climate-related flood risk modelling, incorporating precise property location data, demonstrated a decrease in overall flood risk exposure. To manage these risks effectively, we are initiating conversations with our members to enhance their climate risk resilience.



### Transition risk

Our work on measuring emissions attributed to our lending (see [page 30](#)) helps us identify transition risks and opportunities by showing us where our highest concentrations of financed emissions are, including by asset class, sector, and building use. Transition risk can be divided into policy, legal and regulatory, market, and reputational risks. We continuously monitor the legal and regulatory landscape and engage with industry associations and government bodies. Our community-centric approach mitigates reputational risks by aligning our products, services, strategy, and messaging with the needs of our community.

### Managing climate risks and integration of climate risk into risk management practices

Effectively managing climate risks and incorporating them into our risk management practices is a key focus for us. We acknowledge that risks are not linear; rather, they are interconnected, interdependent, and dynamic. Our strategic discipline of enterprise risk management plays a crucial role in achieving our business objectives by comprehensively addressing various risks and understanding their combined impact on Vancity and its subsidiaries.

The Enterprise Risk Management Framework (ERMF) serves as a vital link between our strategy, identified risks, and business objectives. This connection allows the Board of Directors, ELT, and employees throughout Vancity to share a common understanding of the risks we face and the strategies in place to manage them. Employing a structured approach, we categorize risks affecting Vancity's objectives, facilitating a standardized method for identification and mitigation across diverse business areas.

Annually, we refresh the Risk Appetite Framework (RAF) in alignment with our business plan, enhancing our risk appetite statements and KRIs. This process aids in the clear identification of core issues, enabling us to address challenges and avoid unpleasant surprises. Alongside risk statements and metrics, we set thresholds that clearly define the levels of risk we are willing to accept, manage, or escalate to the Board.

This comprehensive approach ensures that our risk management practices evolve alongside our strategic objectives, enabling us to navigate uncertainties and challenges effectively while safeguarding the interests of Vancity and its stakeholders.

### Climate resilience

Climate risk modelling has been a significant component of our Internal Capital Adequacy Assessment Process (ICAAP) analysis for several years. For physical risk analysis, we utilize a basic climate modelling tool based on assumptions and proxies. By using these models, we assess the probability of defaults tied to low, medium, and high flood and fire risk maps with a three- to five-year forecast. This helps us quantify the risk from a capital adequacy perspective, considering insurance coverage for specific damages or deductible costs associated with expected climate events.

Transition risk has been tracked for a few years, revealing low exposure due to our non-investment in the oil and gas sector. Transition risk monitoring in our real estate lending portfolio remained for 2023 but was removed from our 2024 RAF as our overall exposure has historically been low. Notably, member employment in transition risk sectors is not currently quantifiable due to data limitations.

## Fossil fuel-free.

Vancity does not invest in or lend to fossil fuel companies. In 2019, we shifted all investment funds we manage to be fossil fuel-free. Our investment funds exclude oil and gas producers, pipeline companies, coal power producers, natural gas distribution utilities, LNG operations, as well as service companies whose primary business is supporting the fossil fuel industry.

We do have investments in banks which in turn invest in the fossil fuel industry. As a large institutional investor, we believe we achieve change more effectively by engaging with these banks on behalf of shareholders. For examples, see the latest [shareholder engagement report](#).



# Metrics and targets.

## Key metrics

Measures	Performance		
<b>Governance – climate-related remuneration</b>			
Senior management remuneration impacted by climate considerations	Executive incentive remuneration is linked to climate indirectly through targets for TBLAA, which includes climate-related impact categories. For more on incentive plans, please see page 10 of the <a href="#">Annual Report</a> .		
<b>Assets, investing, and financing aligned to climate-related opportunities</b>			
	2023	2022	2021
Green assets (a portion of triple bottom line assets under administration including those that are climate-opportunity aligned. Includes Planet-Wise™ loans. Please refer to the Glossary for more details.)	\$435 million	\$377 million <sup>1</sup>	\$308 million
Business opportunities and financial products tailored to support members' and clients' reduction in GHG (Includes Planet-Wise™ loans and commercial retrofit product)	\$14.4 million	\$6.5 million	n/a
Climate-opportunity aligned grants (Shared Success and Vancity enviroFund™ programs)	\$3.3 million 25% of total granting	\$4.9 million 33% of total granting <sup>2</sup>	\$1.8 million 21% of total granting
Avoided emissions from clean energy projects	Approx. 6,654 tonnes CO <sub>2</sub> e	Approx. 5,743 tonnes CO <sub>2</sub> e	Approx. 4,300 tonnes CO <sub>2</sub> e
Square feet of energy efficient buildings financed	729,635 ft <sup>2</sup> (67,785m <sup>2</sup> )	617,024 ft <sup>2</sup> (57,323 m <sup>2</sup> )	720,133 ft <sup>2</sup> (66,902.5 m <sup>2</sup> )
Capital invested in own operations toward climate risks and opportunities	\$52,794	\$238,326	\$357,000
<b>Carbon price and other financial impacts of climate risks</b>			
Impact on cost from carbon price	BC's 2023 carbon tax increased to \$65 from \$50 per tonne of CO <sub>2</sub> . These costs are incorporated into the price we pay for vehicle fuel and fossil gas used in our branches and office space.		
Other impacts on cost (business interruption, contingency, etc.)	While we expect the nature of climate events to change and increase in severity, we've not experienced, nor do we expect to experience in the short term, any material impacts to business operations. There have been some immaterial impacts, such as the need to retrofit our owned infrastructure to address cooling and air quality needs during heatwaves, and we expect there will be more.		
Impairment charges due to assets exposed to physical and transition risks	By not doing business directly with the oil and gas sector and by having a small portfolio of carbon-intensive assets (e.g., construction and internal combustion vehicle lending), impairment may come in the form of assets exposed to physical risks, rather than transition risks. While we've improved our understanding of our portfolio exposure to physical risks, there is more work to be done before we assess potential short-, medium- or long-term impairments.		

1 Restated 2022 Green Assets figure due to improved data quality of impact loans.

2 Restated 2022 climate-opportunity aligned grants due to an overstatement of the enviroFund™ contribution.

Measures	Performance		
Assets, investing, and financing activity exposed to material transition and physical risks and greenhouse gas emissions			
	2023	2022	2021
Percentage of mortgage portfolio exposed to high or very high flood risk (assessment of storm surge – a 1-in-20-year event – and excessive rainfall causing fluvial flooding <sup>1</sup> of the Fraser River)	0.25%	0.30%	0.28%
Percentage of mortgage portfolio exposed to high or very high wildfire risk (exposure to historic wildfires using a footprint database with records from 1986 to 2020 and a 20 km buffer)	3.38%	3.48%	2.37%
Greenhouse gas emissions (absolute scope 1, scope 2, and relevant, material categories of scope 3 operational emissions, and financed emissions, where data exists, see <a href="#">page 27</a> ) <sup>2</sup>	<b>Operational emissions:</b> 2,112 tonnes CO <sub>2</sub> e <b>Financed scope 1 + 2 emissions due to lending:</b> 88,162 tonnes CO <sub>2</sub> e <b>Financed scope 1 + 2 emissions due to on-balance sheet investments:</b> 27,337 tonnes CO <sub>2</sub> e <b>Financed scope 1 + 2 emissions due to managed client investments:</b> 24,051 tonnes CO <sub>2</sub> e	<b>Operational emissions:</b> 3,090 tonnes CO <sub>2</sub> e <b>Financed scope 1 + 2 emissions due to lending:</b> 89,415 tonnes CO <sub>2</sub> e No directly comparable data for on-balance sheet investments <b>Financed scope 1 + 2 emissions due to managed client investments:</b> 22,404 tonnes CO <sub>2</sub> e	Directly comparable data is not available due to improvements in methodology and/or changes in boundary.
Percentage change in financed emissions for residential buildings: over base year (2019) <sup>2,3,4</sup>	+13%	+11%	Not applicable
Percentage change in financed emissions for commercial service buildings: over base year (2019) <sup>2,3,4</sup>	-21%	-19%	Not applicable
Percentage of client assets under management in material sectors that are net zero, aligned or aligning, or subject to engagement	56%	44% (base year) <sup>5</sup>	Not applicable – target set in 2022
The carbon footprint of Vancity Investment Management’s fund remains below each funds’ respective benchmark	Yes	Yes	Not applicable – target set in 2022
Percentage of financed emissions associated with Vancity Investment Management funds in material sectors that are net zero, aligned or aligning, or subject to engagement	45%	23% (base year) <sup>5</sup>	Not applicable – target set in 2022

1 Fluvial flooding or river flooding occurs when the water level in a river, lake or stream rises and overflows onto the neighbouring land.

2 Note that 2022 data has been restated from last year’s climate report. Please see “Changes to data and methodologies since 2022” on [page 31](#).

3 There are differences between what we include in our financed emissions profile, which aligns to the PCAF definitions for the asset classes of commercial real estate and residential mortgages, and what we include in our climate targets for commercial service buildings and residential buildings, which is based on the definitions applied by the target-setting tool we used: the [Science Based Targets initiative’s Tool for Commercial Real Estate and Residential Mortgages, version 1.2](#)). In line with this tool, targets for residential buildings include residential buildings and units owned by a business. For financed emissions profile, these are included under the asset class “commercial real estate.”

4 This percentage change was calculated based on recalculated financed emissions data (see [page 31](#)). Note that the financed emissions used for target setting were based on earlier estimates of financed emissions.

5 Base year data is as at September 30, 2022.



## Progress made on near-term climate-related targets

### Residential and commercial buildings

Our building-related targets are for 2025. We’re aware that setting early targets strongly challenges our ability to both meet the target and track actual emissions reductions because of the actions we and our members take. However, we believe such challenges should not delay target setting and action. Our targets have galvanized climate action across our organization and ensured it is a top priority for leadership. We are also well positioned for when the national and provincial climate-related disclosure regulations come into effect.

To measure financed emissions associated with the buildings we finance we rely on energy use averages sourced from Natural Resource Canada (NRCAN), which are based on location, building type, use, and size. For example, for single detached houses located in the province of BC, which make up the majority of our residential building portfolio, around 40 per cent of energy use is electricity based, 50 per cent comes from the burning of fossil gas (often referred to as “natural gas”), and ten per cent from heating oil, wood, or other sources. In terms of emissions, more than 80 per cent is attributed to the use of fossil gas. At the time of writing, the most current data was for 2020, resulting in a three-year time lag. Until we can access actual and timely building-level energy use data, we can’t track actual progress. This also means that the underlying data, assumptions, and estimates our targets are based on are subject to change. In 2023, we made several improvements to our data and processes that resulted in recalculations (see [page 31](#)).

By being transparent and continuing to share best practices with our peers our hope is that we’ll help evolve, improve, and harmonize financed emissions reporting and climate target setting. We also hope that upcoming regulations calling for disclosure of climate-related information will accelerate efforts to ensure financial institutions and others can access the energy data needed to label low emissions or net-zero aligned financial products such as mortgages more accurately, and to better track progress on targets.

### 2023 performance compared to 2019 base year

We are on track to meet targets for Commercial service buildings and off track to meet our Residential buildings targets. However, with access to actual building energy use data currently unavailable, our data is highly estimated, and may require revisiting on an ongoing basis.

### Change in financed emissions since 2019 base year for real estate targets

	Financed emissions totals		Targeted change in financed emissions	Actual change in financed emissions
	tCO <sub>2</sub> e	tCO <sub>2</sub> e	%	%
	2023	2019	2025 from 2019	2023 from 2019
Residential buildings (SBTi)	38,868	34,451	-17%	+13%
Commercial service buildings (SBTi)	19,366	24,586	-27%	-21%

The financed emissions data we used to set our two targets was based on earlier estimates of financed emissions. The actual percentage change in emissions is based on recalculated financed emissions data. See [page 31](#) for full details on changes to data and methodologies.

The operational energy use attributed to the commercial service buildings we finance accounts for 22 per cent of measured client scope 1 and 2 lending-related financed emissions. Our commercial services building portfolio primarily comprises buildings used for retail trade and offices. Financing residential buildings accounts for 44 per cent of measured client scope 1 and 2 lending-related emissions, and primarily comprise single detached houses. Most emissions can be attributed to fossil gas use.

Without access to actual building energy use we can’t track reductions in estimated financed emissions as a direct result of the actions our members are taking, such as installing heat pumps, or as a result of our financing of lower-emission buildings. We expect these actions to be reflected in our emissions data in the future as we access actual energy use data or as the resulting lower emissions show up in the proxy data we use.

What we can track are changes in emissions due to loan growth or shifts in the types, sizes, and or locations of the buildings we finance. We may also see changes as a result of grid emission factor changes, or as the average energy use and building energy mix change. For example, as the average building energy mix shifts in favour of electricity, this will be reflected in our data as reduced emissions.

Since 2019, the balance sheet value of both real estate portfolios has grown. Our residential buildings portfolio grew by around one third while the building floor area financed grew by 19 per cent. A key driver of both portfolio and emissions growth was the acquisition of single detached homes by individuals and families, and single attached homes by businesses. Overall, financed emissions increased by 13 per cent. One reason for the slightly lower emissions growth compared to building area was a reduced emissions intensity of BC’s electricity grid since 2019.

The balance sheet value of our commercial buildings portfolio grew more slowly – by five per cent, while the financed building floor area decreased by eight per cent and financed emissions decreased by 21 per cent from our baseline. The reason for the drop in emissions relates to the decrease in floor area financed, especially for offices, as well as a significant decrease in financing for buildings located in Alberta, whose electricity grid has a significantly higher emissions intensity than BC’s.

See Strategy and decision making starting on [page 10](#) for details on the approach we’re taking to reduce emissions associated with real estate lending.





**The role of government policy and regulations**

Achievement of our targets relies heavily on public policy and regulations. We primarily operate in the province of BC. [Legislated province-wide climate targets](#) are to reduce greenhouse gas emissions 40 per cent by 2030, and 80 per cent by 2050 below 2007 levels. Additionally, BC has an interim target of 16 per cent reductions by 2025, as well as sectoral targets for 2030, which include reducing emissions below 2007 levels by 59–64 per cent for buildings and communities.

If all planned provincial policies and programs are fully implemented on time, the province projects that BC could achieve 96 per cent of its overarching 2030 target. Emissions from buildings are forecast to modestly decline by 2030, but as the core policies (equipment efficiency standards and Zero Carbon Step Code for buildings) aren't planned to come into effect until 2030, emissions are not projected to decline significantly until the early 2030s.

Risks that may impact actual emissions reductions include reduced policy stringency and/or delayed timing of policy implementation, new large industrial projects with significant emissions not accounted for, and external factors being less conducive to the shift away from fossil fuels than anticipated, e.g., lower prices for gasoline or higher prices for electric vehicles. BC's total greenhouse gas emissions for 2021 (most recent data available) were down three per cent from 2007 (the year BC uses to baseline its targets). Based on BC's [2023 Climate Change Accountability Report](#), the CleanBC Better Homes and Better Buildings program provided 13,045 residential retrofit rebates in 2022 and 2023, with 6,018 incentives for heat pumps. This falls far short of the 30,000 homes and 17,000 apartment units that the [Pembina Institute](#) estimates B.C. needs to retrofit every year until 2050 to meet its climate targets. Twelve per cent of households now use heat pumps for primary and secondary heating.

In addition, the Government of Canada's [2023 emissions progress report](#) outlines the actions and results of Canada's work to meet federal climate targets. Canada is currently tracking to exceed the 2026 target of 20 per cent below 2005 levels, but to miss the 2030 target of 40 per cent below 2005 levels (reaching 36 per cent). Buildings are a weak spot: emissions from residential and commercial buildings are projected to decline by a maximum of 12 per cent by 2026, and this assumes policies under development will be implemented fully. If modelling is done using only existing policies and measures, the projected reduction is just six per cent. For 2030, reductions are estimated to be 25 per cent when modelled using all measures and 12 per cent using only existing measures. The models include measures at both the provincial/territorial and national level and do not distinguish between the two. There is currently no roadmap for how the Government of Canada will reduce emissions from the buildings sector; the Canada Green Buildings Strategy is mentioned but with no policy or funding details or implementation timeline.

**Managed client investments**

**2023 performance compared to 2022 base year**

Prior to establishing interim climate targets, we had already taken steps to significantly reduce our portfolio's carbon footprint, including a fossil fuel-free strategy. We opted not to set emissions reduction target(s) given that we have already significantly decarbonized our portfolios. Current guidance regarding fossil fuel investments from the Paris Aligned Investment Initiative Net Zero Investment Framework recommends that investors should not allocate additional capital to companies that are involved in expanding thermal coal projects or new exploitation of tar sands. Given that our portfolios have been divested from thermal coal and tar sands since 2015 and in 2019 we shifted all investment funds we manage to be fossil fuel free, we are ahead in our decarbonization strategy relative to our benchmarks.

We are focused on the engagement component of our net-zero commitment, while regularly monitoring our overall carbon footprint to ensure that we maintain it below our benchmarks with key check in points at 2030 and 2040.

Target description	Performance 2023	Base year 2022	Target 2025	Target 2030
Portfolio coverage: percentage of client assets under management in material sectors <sup>1</sup> that are net zero, aligned or aligning, or subject to engagement.	56%	44% <sup>2</sup>	n/a	90%
Engagement: percentage of financed emissions associated with Vancity Investment Management funds in material sectors <sup>1</sup> that are net zero, aligned or aligning, or subject to engagement.	45%	23% <sup>2</sup>	75%	90%

<sup>1</sup> The targets focus on these material sectors: Energy, Industrials, Materials, and Utilities as defined by Global Industry Classification Standard. These made up 11 per cent of client assets under management at the end of 2023.

<sup>2</sup> Base year data is as at September 30, 2022.

It's worth noting that by investing in and engaging with clients adopting new technologies that will reduce emissions in the future, we may have to increase our exposure to carbon-intensive sectors. This is why, in addition to portfolio emissions, it's important to track what percentage of these emissions come from clients that are net zero aligned and subject to engagement to contextualize any short-term increase in financed emissions. Our goal is to move companies from "subject to engagement" to "net-zero aligned."

Companies are considered net-zero aligned when they have net-zero targets that have been approved and certified by the Science Based Targets initiative (SBTi), an independent third party that provides validation services for climate goals. We have 14 investees in material sectors that are considered net-zero aligned. Companies are considered subject to engagement when VCIM has participated in a direct engagement, either collaboratively or individually, with the company on climate related disclosure, performance, targets, governance or strategy. We have eight investees in material sectors that are subject to engagement. Of these, two companies were both subject to engagement and net-zero aligned to ensure that they are progressing towards their net-zero commitments.

In 2023, VCIM increased engagement activities, and expanded our involvement with CDP's Non-Disclosure Engagement Campaign, where we took a leading role engaging with companies in material sectors represented in our portfolios. Additional companies in our portfolios had their net-zero commitments certified by the SBTi in 2023, and we added companies to our portfolios that had SBTi certified net-zero commitments. We plan to continue to identify opportunities for climate engagement with companies that do not have SBTi certified net-zero commitments and to identify investment opportunities that fit our fund's mandates in companies that already have certified SBTi net-zero commitments. While we expect fluctuations year over year as portfolio holdings shift and investment mandates expand, overall we anticipate being on track to meet our interim targets.

Our third target is that the carbon footprint of our funds remain below each funds' respective benchmark, with key check points of interim targets in 2030 and 2040. As the benchmark footprint declines towards net zero, VCIM's footprint will equal it by 2050. Benchmarks are the investable universe from which investors can select companies for investment in a particular strategy (e.g., strategies focused on capital appreciation or strategies focused on generating income). We use benchmarks to evaluate a fund's financial performance as well as carbon footprint performance. Our aggregate benchmark is composed of the carbon footprint of MSCI World Index, S&P TSX Composite Index and the MSCI World Small Cap Index, combined proportionally based on the market value of assets benchmarked to each index. Our overall carbon footprint continued to be lower than the benchmarks.

See [page 25](#) for more on these targets, including plans to expand the scope, and [page 16](#) for our approach to engaging portfolio companies.

## Emissions profile (all scopes)

Scope 1 emissions are from sources that an organization owns or controls directly, such as burning fuel in a company vehicle. Scope 2 emissions are indirect emissions from energy purchased, such as the emissions from electricity used in a company's buildings. Scope 3 relates to emissions that are not produced by the organization, rather they are from assets or activities in their value chain. An example is the emissions that result when a company buys, uses, and disposes of products from suppliers.

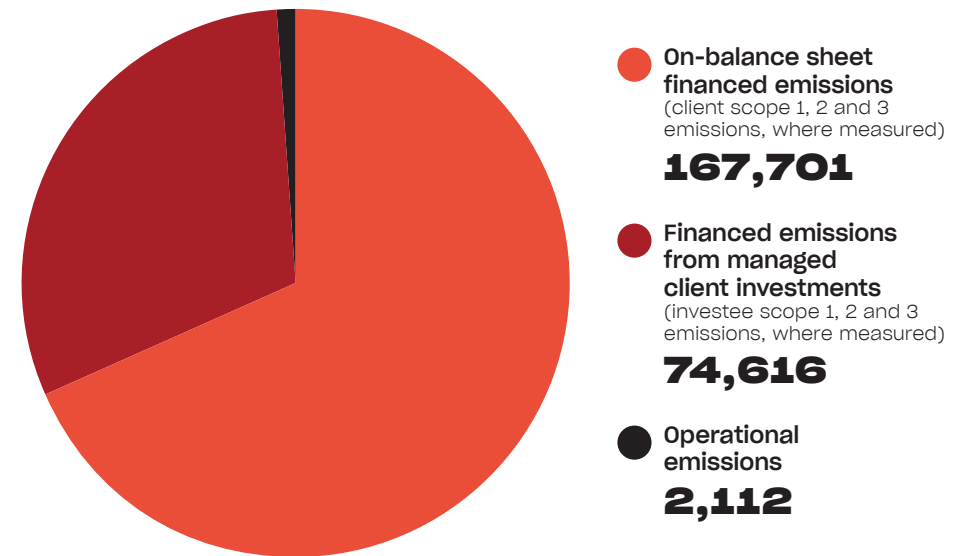
Emissions attributed to our scope 1, 2 and relevant scope 3 activities are presented below.<sup>1</sup> Of note is the relative size of our measured scope 3 emissions compared to scopes 1 and 2 – they are more than 400 times more.

### Estimated emissions by scope, 2023

Emission scopes and categories	2023 Emissions (tCO <sub>2</sub> e)
Total scope 1 (from fossil gas, fleet)	481
Total scope 2 (from purchased electricity <sup>2</sup> )	102
Scope 3: categories 1, 6, and 7	1,529
Scope 3: category 15 investments and loans (financed emissions) <sup>3</sup>	242,317
<b>Total scope 3 (including category 15)</b>	<b>243,846</b>
<b>Total estimated emissions all scopes</b>	<b>244,429</b>

Emissions from CH<sub>4</sub> and N<sub>2</sub>O have been included in the calculations and converted to CO<sub>2</sub>e. Emissions from other GHGs (HFCs, PFCs, and SF<sub>6</sub>) aren't significant and therefore not reported in above table.

### Operational and financed emissions (tonnes CO<sub>2</sub>e)



<sup>1</sup> For additional detail on our assessment of relevant scope 3 categories, please see the [2022 Climate Report](#).

<sup>2</sup> Scope 2 emissions are calculated using the location-based method. Vancity does not operate in markets that provide product or supplier-specific data or other contractual instruments.

<sup>3</sup> Includes client scope 1, 2 and 3 emissions, where measured. See [page 31](#) for Emissions coverage by asset class.

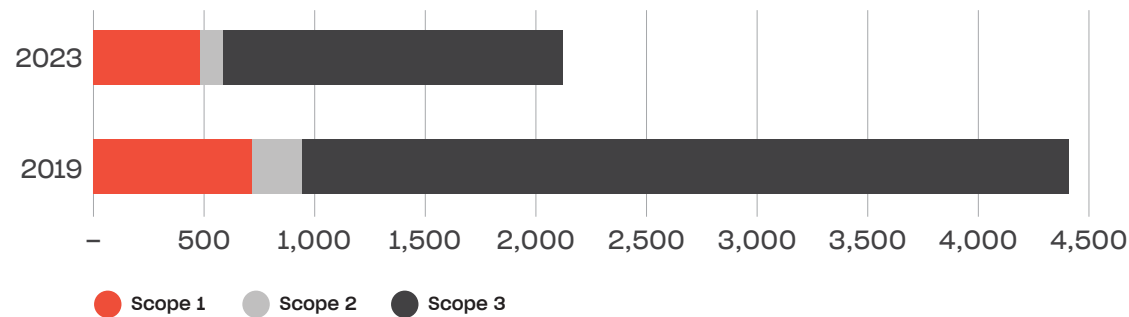
## Operational emissions profile

### Operational greenhouse gas emissions – scopes 1, 2, and 3 (categories 1, 6, and 7)

We reduced our operational greenhouse gas emissions in 2023 by 52 per cent from the 2019 baseline. Calculated operational emissions for 2023 were 2,112 tonnes, which is a notable decrease from our 2022 emissions. Over half of the GHG reductions from base year 2019 relate to scope 3 commuting emissions, where the change relates to a combination of more employees now working from home and improvements in data collection and methodology.

Energy conservation measures also resulted in a 33 per cent reduction in our scope 1 emissions.

### Vancity operational emissions: baseline and current GHG emissions (tonnes CO<sub>2</sub>e)



#### Actions to reduce our scope 1 and 2 emissions

We review and analyze energy use data from our branches and office spaces and compare these with the facilities’ historic five-year average utility consumption for the month. Our maintenance team responds to large variances in utility consumption by investigating any issues with the facility in question and reprogramming the heating, ventilation, and cooling (HVAC) controls. About half of our reduction in fossil gas consumption can be attributed to the HVAC control reprogramming of our facilities in 2023, while the other half can be attributed to the closure of one of our underutilized offices.

We are continuing to fuel switch our branches from fossil gas to electricity using air-source heat pumps. One branch decarbonization will be completed in early 2024, informing our approach for the rest of the portfolio. We have also completed two energy studies of our facilities, and three more are underway. These studies are critical to identifying the energy and GHG reduction opportunities in our facility portfolio. The opportunities identified will provide us with the foundational information needed to create a phased plan to achieve net-zero for our scope 1 and 2 emissions. Net-zero targets for our operations are under development.

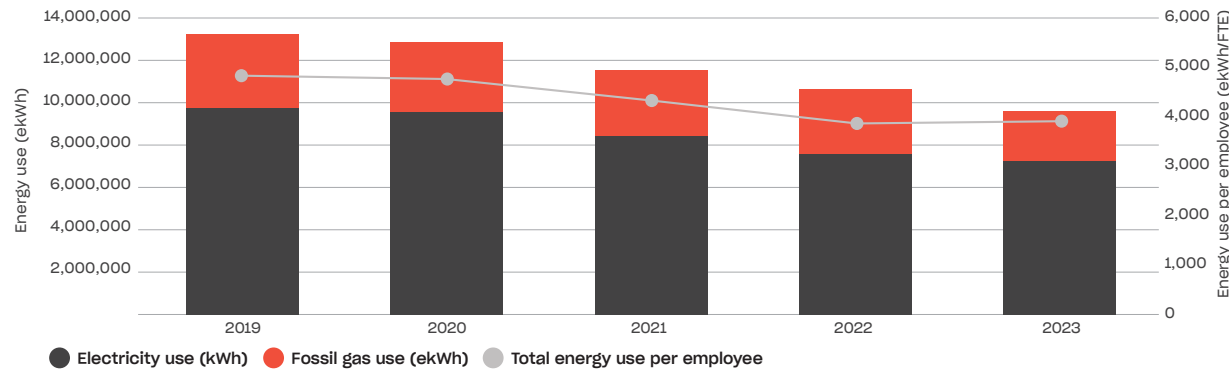
Operational GHG emissions by scope and category (tCO <sub>2</sub> e) <sup>1</sup>	2023	2019 <sup>4</sup>	Percentage change from 2019 baseline
Scope 1: Fossil Gas	455	676	-33%
Scope 1: Fleet	26	38	-32%
<b>Total scope 1<sup>2</sup></b>	<b>481</b>	<b>715</b>	<b>-33%</b>
Scope 2: Electricity <sup>3</sup>	102	221	-54%
<b>Total scope 2<sup>2,3</sup></b>	<b>102</b>	<b>221</b>	<b>-54%</b>
Scope 3, category 1: Purchased Goods and Services (paper use) <sup>4</sup>	470	770	-39%
Scope 3, category 6: Business Travel	153	469	-67%
Scope 3, category 7: Employee Commuting	906	2,211	-59% <sup>5</sup>
<b>Total scope 3<sup>2,6</sup></b>	<b>1,529</b>	<b>3,451</b>	<b>-56%</b>
<b>Total operational GHG emissions<sup>2,6</sup></b>	<b>2,112</b>	<b>4,387</b>	<b>-52%</b>
<b>Total operational GHG emissions per employee (FTE)</b>	<b>0.90</b>	<b>1.8</b>	<b>-83%</b>

tCO<sub>2</sub>e = tonnes of CO<sub>2</sub>-equivalent.

Emissions from CH<sub>4</sub> and N<sub>2</sub>O have been included in the calculations and converted as CO<sub>2</sub>e. Emissions from other GHGs (HFCs, PFCs, and SF<sub>6</sub>) are not significant and therefore not reported in above table. For further details on how emissions are calculated see Methodology for operational GHG emissions section, [page 45](#).

- 1 We have not reported historical emissions for 2020 and 2021 since they no longer reflect our current calculation methodology and are therefore no longer comparable. 2019 base year operational emissions were restated to reflect updates in methodology, interpretation of guidance, and correction of errors. The 2019 restatements are in line with our base year recalculation policy.
- 2 May not sum to total due to rounding.
- 3 We calculated scope 2 emissions using the location-based method. Vancity does not operate in markets that provide product or supplier-specific data or other contractual instruments.
- 4 We used the [Environmental Paper Network Paper Calculator](#) to make environmental impact estimates.
- 5 We updated the methodology for calculating employee commuting in 2023, and although we cannot apply it to prior years retroactively, the reduction in emissions is due to more employees now working from home combined with the improvements in data collection and methodology.
- 6 We report scope 3, category 15, financed emissions separately. We have included the emissions from upstream leased assets as part of our reporting for fossil gas use under scope 1.

### Premises energy use: metered and estimated



#### Premises energy use: electricity and fossil gas

Total energy consumption and energy consumption per employee (full-time equivalent) have been decreasing since 2019. Our total energy use in 2023 was 18 per cent below the 2019 baseline, and the energy consumption per employee decreased by 85 per cent compared to the 2019 calculated baseline. The reductions in energy use can be attributed to right-sizing the number of branches and office spaces in our portfolio and energy conservation measures. We will continue to pursue opportunities to reduce our energy consumption as we decarbonize the energy sources used to power our branches and office spaces.

We use emission factors published by the National Inventory Report (NIR) by Environment and Climate Change Canada. The most recently published NIR (2023) shows a doubling of the emission factor from purchased electricity in BC, thereby causing an almost equivalent doubling of our scope 2 emissions in 2023, compared to our previously published 2022 GHG emissions, despite a decrease of 22 per cent in our electricity consumption compared to 2022. We recalculated 2022 emissions using improved methodologies and the updated emission factor for electricity.

#### Changes to our calculation methodology

We made several changes to our calculation methodology for 2023, so we recalculated our 2022 data and our 2019 baseline. This can be found in the Changes to our calculation methodology section of the Methodology Appendix.

#### 2022 offset purchase

To offset our restated 2022 operational GHG emissions we purchased carbon offsets from the Quadra Island Forestland Conservation Project through Ostrom Climate Solutions for \$71,379.<sup>1</sup>

<sup>1</sup> Since 2008, Vancity has been accounting for our operational emissions, making efforts to reduce these emissions, and then purchasing high-quality offsets from the BC carbon market to offset the estimated equivalent amount of remaining GHG emissions. Reporting on operational greenhouse gases is prepared in accordance with the World Resources Institute's [GHG Protocol](#). Our GHG calculation methodology is outlined in the Methodologies for emissions calculations section beginning on [page 45](#), and our offset criteria can be found in the [2022 Climate Report](#).



## Financed emissions profile – scope 3 (category 15)

Financed emissions refer to greenhouse gas emissions that are created as a result of the loans and investments financial institutions make or facilitate. Reducing financed emissions plays a pivotal role in ensuring a successful transition to a low-carbon economy. It is important that financial institutions track and report financed emissions – especially emissions from high emitting sectors – in a transparent and consistent way so that they can be tracked and compared by investors and consumers, as well as by key policy and decision-makers at the national and global level.

When reporting financed emissions, it is best practice to report client and investee scope 3 emissions in addition to client scope 1 and 2 emissions where significant and where data allows. In general, quantifying emissions for scopes 1 and 2 is much easier than for scope 3. For many organizations, scope 3 emissions account for by far the highest proportion of total emissions – and they are typically also the hardest to reduce.

While more public companies are disclosing and managing their emissions, our business members tend to be private small- and medium-sized organizations and few measure and report on their emissions at all, let alone scope 3 emissions. Even fewer have their emissions-related data verified. For now, we therefore rely heavily on estimates by industry sector and building type for our commercial real estate, residential mortgage, and business loan asset classes.

We report financed emissions in accordance with the Global GHG Accounting and Reporting Standard for the Financial Industry issued by the Partnership for Carbon Accounting Financials (PCAF Global GHG Standard). See the Appendix for details on our approach and calculation methodologies. The [Partnership for Carbon Accounting Financials \(PCAF\)](#) is an industry-led initiative working to enable financial institutions to consistently measure and disclose the GHG emissions financed by their loans and investments, and align with the goals of the Paris Agreement.

An important input into our work is via the PCAF working groups and their technical team. Topics discussed at the Canadian working group included the ongoing challenges of accessing data for buildings and private/unlisted companies, especially small- and medium-sized businesses; reliable sources for timely emission factors, data fluctuations caused by changes in valuations (versus actual emissions performance), challenges associated with scope 3 client emissions, the issue of data time lags, and protocols for updating/recalculating historical data. A key objective of the working group is to harmonize approaches across Canadian banking institutions, with a view to documenting key decisions and eventually integrating them into future updates of the PCAF Global GHG Standard.

We're in the process of developing long-term data goals to ensure we prioritize data improvements critical to tracking actual progress made on targets and meeting our net zero by 2040 commitment. An example of an initiative we expect to benefit from is the adoption of energy benchmarking, labelling, and disclosure for residential and commercial buildings across Canada and provincially. This will help us, and our members, understand how energy efficient their buildings and homes are, as well as what steps should be taken to make the building more comfortable and reduce energy bills. We're also actively engaging with peers, government, and industry to explore how financial institutions might access actual client energy use data.

## The uncertainty of climate data.

The climate-related data, related conclusions, and statements we disclose in this report are necessarily based on many assumptions and estimates. Measurement errors, inaccurate approximations, and choice of methodology can all lead to higher levels of uncertainty in the data we have reported. While we applied the PCAF Global GHG Standard to the extent feasible, reducing uncertainty by constraining the choices we may make in our methodology, we still needed to make certain methodological choices and assumptions. We've outlined these in the Appendix for transparency and to allow others to understand and use the same approach, or to build on and improve it.

The underlying data, assumptions, and estimates contained in this report are subject to change, just as our climate-related capabilities and climate transition strategy and plans will continue to evolve. We expect that certain disclosures made in this report will be amended, updated, recalculated, and restated in the future.

### Changes to data and methodologies since 2022

We made several data improvements for commercial and residential asset classes throughout 2023, including the following:

- To align with PCAF, we improved our process to ensure our calculations use the property value at loan origination, or the earliest property value available closest to loan origination if necessary, and “fix” (i.e., keep static) this value for the following years of accounting.
- To better align with PCAF and common practice among Canadian financial institutions, we updated our approach by removing lines of credit lending from both residential mortgages (also called Home Equity Lines of Credit or HELOCs) and commercial real estate loans. These lines of credit are now included in consumer loans (for which we don’t yet track emissions) or business loans respectively.

Consistent with our goal to improve data completeness and quality over time, in line with the PCAF Global GHG Standard we also:

- Began reporting emissions associated with industrial buildings. (These are excluded from our Targets, and are reported separately from emissions related to commercial service and commercial residential buildings to maintain comparability with 2019 data).
- Added mobile home mortgages to the commercial real estate and residential mortgage asset class (total balance sheet value and related emissions). Due to data limitations, we were unable to include term loans used to fund mobile home purchases.
- Included a high-level estimate of fugitive emissions attributed to refrigerant use in the buildings we finance. This is reported separately from total financed emissions and is not currently assured as we are using the data for informational purposes only.
- Applied updated client data and emission factors where available and applicable.
- Improved the way we calculate emissions from motor vehicle loans by applying a separate emission factor for hybrid or electric vehicles.

### Emissions coverage by asset class

The main reasons for changes in coverage since 2022 are noted under Changes to data and methodologies at left. In general, our goal is to increase coverage over time to cover our entire lending and investment book as the data and the methodologies become available. However, some of the improvements we made to increase the reliability of 2023 and historical data resulted in reduced coverage, especially for commercial real estate where we excluded some loans that were missing sufficient or verifiable information. Limitations and exclusions are noted. In 2023, we estimated emissions for 61 per cent of on-balance sheet loans and financial investments by dollar value.

### 2023 Estimated financed emissions coverage, by asset class

Asset class (as defined by PCAF)	Loan balance or market value \$ million	Value covered in emissions measurement \$ million	Percentage coverage 2023 %	Brief description of what’s covered in emissions measurement
Commercial real estate (service, residential, and industrial buildings)	6,971	4,952	71	Mortgages provided to an organization to purchase real estate
Residential mortgages	12,957	11,309	87	Mortgages provided to an individual to purchase real estate
Business loans	411	384	94	General purpose loans and lines of credit provided to a business
Motor vehicle loans	18	18	100	Loans and lines of credit provided to individuals or businesses to purchase a motor vehicle or fleet
Project finance	91	33	36	Project finance for solar and wind power generation
On-balance sheet financial investments – various types	3,730	459	12	Corporate, private, and sovereign bonds, and deposits
Off-balance sheet managed client investments	3,850	1,938	48	Listed equity and preferred shares

In addition to reasons related to specific loan-by-loan data limitations, we exclude the following activities in our emissions calculations due to broader data limitations and/or because there is no generally accepted global methodology in place to quantify them:

- Building construction and retrofit loans (see note at right)
- Consumer credit, including credit cards, loans; lines of credit including Home Equity Lines of Credit that can be used for general purposes; and term loans for mobile home purchases
- Financing the purchase of land for development purposes
- Business credit cards
- Certain types of project finance
- Specific types of on-balance sheet investments including “funds of funds,” mortgage-backed securities, green/impact/sustainability bonds, and sub-sovereign bonds
- Managed client investments such as corporate bonds and sovereign bonds

In addition, our reporting of investee scope 3 emissions for on- and off-balance sheet investments remains limited due to issues with data reliability.

#### **Building construction and retrofit loans**

Emissions are released not only during the operational life of a building, but also during the manufacturing, transportation, construction, and end of life phases. These emissions are commonly referred to as embodied emissions. As new buildings become more energy efficient and the electricity supply transitions towards net zero, operational emissions will fall, and embodied emissions will represent a larger portion of building life cycle emissions. Today, the average share of embodied emissions from buildings globally is estimated to be between 20 and 25 per cent of life cycle greenhouse gas emissions. This increases to up to 50 per cent for highly energy-efficient buildings and can exceed 90 per cent in extreme cases.<sup>1</sup>

Loans used for the purposes of building construction, maintenance, retrofits, and deconstruction (including financing for energy-efficient retrofits) totalled \$1.9 billion for commercial and residential real estate combined. The PCAF Global GHG standard states that such loans are optional to include in emissions estimations. This is because buildings are typically constructed or renovated by a third party (i.e., a construction company or a home builder) who is contracted by the project developer or homeowner. As such, any emissions related to construction and retrofit activities would normally be accounted for by the third party and it can be impractical for the lender to measure financed emissions unless the third-party reports construction-related emissions. The Net-Zero Banking Alliance similarly acknowledges that embodied emissions are difficult to include in targets due to limited data availability and evolving approaches and concepts and does not yet require that they be included.

For the reasons noted above, we do not measure or have targets for construction-related loans. We continue to advocate for net-zero aligned policy and regulations and to provide support to community partners that encourage and support net-zero aligned building practices. We will monitor developments and update our approach as needed to reflect changes in data access, methodologies, and best practice.

<sup>1</sup> [Embodied GHG emissions of buildings – The hidden challenge for effective climate change mitigation](#), (Röck et al. 2020)



### Financed emissions profile by asset class (current and prior year)

Our financed emissions data, despite being highly estimated, provides us with valuable insights into the size and concentration of emissions within our lending and investment portfolios. While many financial institutions must contend with emissions attributed to fossil fuel financing, we don't lend or directly invest in that sector. Most of our lending-related emissions can be attributed to fossil gas use from the buildings and homes we finance. Our business loans support small- and medium-sized enterprises and in 2023, the top emitters in terms of absolute emissions were associated with manufacturing and construction (primarily construction and renovation of buildings). For exposures and emissions estimates by the Net-Zero Banking Alliance's carbon-intensive sectors, see [pages 39](#) (loans) and [43](#) (on-balance sheet investments). We don't participate in capital market activities such as underwriting of initial public offerings, equity, and bonds. When we syndicate large loans, we include emissions related to the portion held on Vancity's or Vancity Community Investment Bank's balance sheet in the respective asset class.

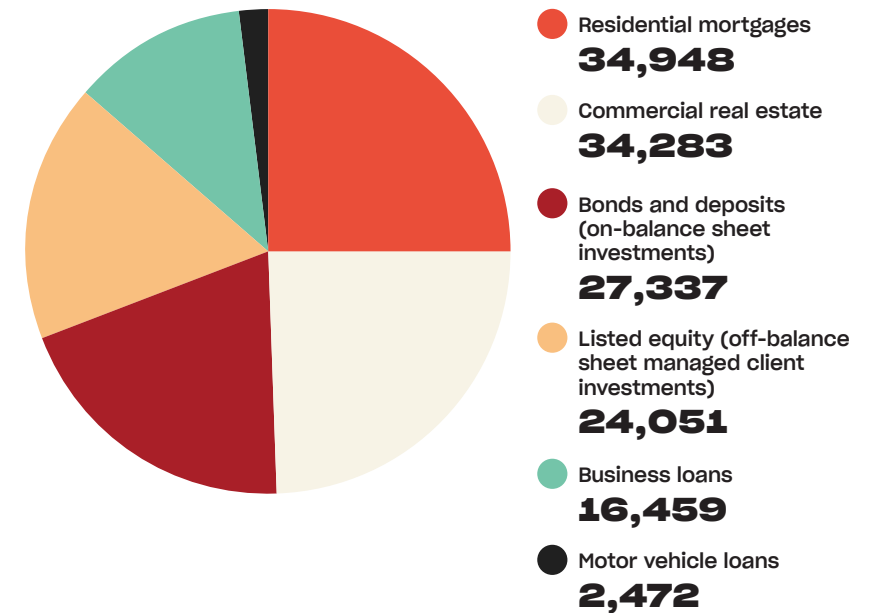
As noted above, in 2023 we made several improvements to our data and processes that resulted in recalculations. In the table and chart on [page 34](#) we've reported the recalculated data for the current year (2023) as well as comparable data for the prior year (2022) unless otherwise stated.

### Performance 2023

Highlights of our 2023 performance as compared to 2022 include the following:

- For our commercial real estate portfolio the total floor area financed increased by four per cent and emissions remained stable. Of note was strong growth in single attached homes being purchased by businesses, offset by a decrease in financing for buildings used for commercial purposes. For residential mortgages, the portfolio value grew by five per cent, and the emissions growth of 1.8 per cent reflected the growth in the floor area financed.
- For business loans, scope 1 and 2 client emission declined by almost nine per cent, primarily as a result of a lower portfolio balance in 2023 compared to 2022.
- While loan amounts increased over the year, emissions related to motor vehicle loans declined in line with a decrease in the number of vehicles being purchased.
- Throughout 2023, our project finance portfolio continued to support clean energy (solar and wind), for which we assume no emissions are generated.
- Due to the absence of available methodologies for the various types of on-balance sheet financial investments, we currently measure emission for just 13 per cent of portfolio. In 2023 our investments in conventional sovereign bonds, for which we estimate emissions, increased two and a half times, while the overall portfolio grew by around 6.5 per cent. Until we have sufficient coverage, year over year emissions comparisons are not meaningful.
- For managed client investments, the slight increase in scope 1 + 2 emissions was because we launched a new investment fund mandate in 2023, the [VCIM Global Small Cap Equity Fund](#), a portfolio primarily invested in equity securities of issuers with small market capitalization located around the world, and which expanded our investment holdings in 2023. We expect there to be annual fluctuations in our absolute carbon footprint as we expand investment mandates and as data quality improves.

### Financed emissions by PCAF asset class: 2023 scope 1 and 2 emissions (tCO<sub>2</sub>e)



**2023–2022 Estimated financed emissions profile by asset class**

Asset class <sup>1</sup>	2023 scope 1 + 2 emissions (annual)	2023 scope 1 + 2 emissions per million dollars financed	2022 scope 1 + 2 emissions (annual)	2022 scope 1 + 2 emissions per million dollars financed	Change in scope 1 + 2 emissions since 2022	2023 scope 3 emissions (annual)	2023 scope 3 emissions per million dollars financed	2023 weighted data quality score <sup>2</sup>
	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	%	tCO <sub>2</sub> e	tCO <sub>2</sub> e	High quality = 1 Low quality = 5
Commercial real estate – service and residential	23,285	5.8	23,751	6.0	-2.0			
Commercial real estate – industrial buildings	10,998	11.8	10,572	13.1	+4	Not estimated	Not estimated	4.3
<b>Total commercial real estate</b>	<b>34,283</b>	<b>6.9</b>	<b>34,322</b>	<b>7.2</b>	<b>-0.1</b>	<b>Not estimated</b>	<b>Not estimated</b>	<b>4.3</b>
Residential mortgages	34,948	3.1	34,335	3.2	+1.8	Not estimated	Not estimated	4.0
Business loans	16,459	42.8	18,056	45.1	-8.8	52,202	136	4.6
Motor vehicle loans	2,472	137	2,702	183	-8.5	Not estimated	Not estimated	5.0
Power generation (clean energy project finance) <sup>3</sup>	0	0	0	0	No change	Not estimated	Not estimated	Not applicable
<b>Total lending</b>	<b>88,162</b>	<b>5.3</b>	<b>89,415</b>	<b>5.6</b>	<b>-1.4</b>	<b>Not estimated</b>	<b>Not estimated</b>	<b>Not estimated</b>
Bonds and deposits (on-balance sheet investments) <sup>4</sup>	27,337	60	3,627	7.1	Not applicable	Not estimated	Not estimated	2.7
<b>Total on-balance sheet loans and investments</b>	<b>115,499</b>	<b>6.7</b>	<b>93,042</b>	<b>5.6</b>	<b>Not applicable</b>	<b>Not estimated</b>	<b>Not estimated</b>	<b>Not estimated</b>
Listed equity (off-balance sheet managed client investments) <sup>4</sup>	24,051	12.4	22,404	13.0	+7.4	50,565 <sup>5</sup>	Not estimated	2.5

Note that 2022 data for commercial real estate, residential mortgages, business loans, and motor vehicle loans has been restated from last year's climate report. Please see "Changes to data and methodologies since 2022" on [page 31](#).

Not estimated: reasons include it's not required by the PCAF Global GHG Standard, data or resource limitations, the lack of a standardized approach, or it is not meaningful.

Please refer to the Glossary for definitions for these and other technical terms, including "absolute emissions," "emissions intensity," "scope 1–3," and "weighted data quality score."

1 Activities/asset classes are defined according to the PCAF Global GHG Standard and may not align with the terms used in our financial statements.

2 Per the PCAF Global GHG Standard, a data quality score of 5 is highly estimated/uncertain and a score of 1 signifies certainty (i.e., verified reported emissions).

3 Our clean energy projects assume zero emissions associated with them.

4 Our third-party data provider tools don't include relevant data for fixed income securities, therefore, we've reported emissions attributed to listed equity and preferred shares only.

5 Scope 3 emissions reported for only the Global Industry Classification Sector (GICS) for Mining (2022), and for Mining, Materials (excluding Mining) and Industrials in 2023.



### Real estate financed emissions profile disclosures versus buildings targets data

The following table outlines the differences between what is included in our financed emissions profile data presented in this section and our climate targets (see [page 24](#)).

Buildings target data	Financed emissions profile data
<p>As defined by the SBTi's Tool for Commercial Real Estate and Residential Mortgages, based on building types (residential or commercial service) regardless of who the financing is provided to.</p>	<p>As defined in the PCAF Global GHG Standard, based on whether the property is used for commercial or residential purposes.</p>
<p><b>Commercial service buildings targets (per SBTi)</b>                      Includes:  <ul style="list-style-type: none"> <li>Commercial service buildings</li> </ul>                     Excludes:  <ul style="list-style-type: none"> <li>Industrial buildings</li> <li>Residential buildings</li> </ul> </p>	<p><b>Commercial real estate emissions profile data (per PCAF Global GHG Standard)</b>                      Includes:  <ul style="list-style-type: none"> <li>Commercial service buildings</li> <li>Residential buildings/units where the property is used for commercial activities (i.e., the financing is provided to a business)</li> <li>Industrial buildings</li> </ul> </p>
<p><b>Residential buildings target</b>                      Includes:  <ul style="list-style-type: none"> <li>Residential buildings, including residential buildings/units where the property is used for commercial activities (i.e., the financing is provided to a business)</li> </ul>                     Excludes:  <ul style="list-style-type: none"> <li>Mortgages for mobile homes</li> </ul> </p>	<p><b>Residential mortgage emissions profile data</b>                      Includes:  <ul style="list-style-type: none"> <li>Residential buildings where the property is used only for residential purposes and not for commercial activities (i.e., the financing is provided to an individual)</li> <li>Mortgages for mobile homes</li> </ul> </p>

### Commercial real estate

Our commercial real estate portfolio, including industrial buildings, accounts for around 39 per cent of measured on-balance sheet lending-related scope 1 and 2 emissions. Most of our portfolio supports businesses to purchase buildings that are used for retail trade, housing (both apartment buildings and individual houses and apartments), industrial buildings, and offices. For many years we've been focused on financing green buildings and affordable housing and we believe that actual emissions will likely be less than estimated emissions, which are based on averages.

To measure financed emissions, we rely on emissions and energy use averages sourced from NRCAN, which are based on location (province) and building use, and which typically have a three-year time lag. The buildings we finance may have energy use that varies significantly from the provincial averages, which is why it is important we access actual energy use data or better proxies, such as building energy labels.

**2023 Estimated financed emissions for commercial real estate, by property use**

Commercial real estate and business mortgages for property acquisition	Loan balance covered	Scope 1 + 2 absolute emissions (annual)	Emissions per million dollars financed	Gross floor area financed <sup>1</sup>	Annual emissions per square metre financed <sup>2</sup>	Notes and key assumptions
Property use	\$ million	tCO <sub>2</sub> e	tCO <sub>2</sub> e	Metre <sup>2</sup>	kgCO <sub>2</sub> e	
Accommodation and food services	78	1,068	13.7	16,369	68.3	Includes care facilities, assisted living and childcare facilities, hotels and restaurants.
Educational services	23	148	6.5	5,153	28.7	Includes schools and religious buildings.
Health care and social assistance	11	190	16.8	2,053	92.7	Includes hospitals and medical buildings.
Offices	647	5,108	7.9	134,077	36.7	Includes mixed-use buildings, including retail/commercial and office/residential. Where mixed use, we allocate the building to the category with the higher emission factor.
Retail trade	1,524	10,661	7.0	297,730	38.0	Includes mixed-use buildings, including retail/commercial and office/residential. Where mixed use, we allocate the building to the category with the higher emission factor.
Other services	285	2,191	7.7	66,133	33.3	Includes buildings associated with commercial and hobby farms, golf courses, and recreational property.
Industrial	934	10,998	11.8	351,344	31.8	Includes buildings associated with warehousing and storage.
Residential	1,449	3,920	2.7	249,539	15.7	Includes multi-unit residential apartment buildings owned by a business, as well as single-family attached, single-family detached, apartments, and mobile homes owned by a business.
<b>Total emissions from building operational energy use</b>	<b>4,952</b>	<b>34,283</b>	<b>6.9 Weighted average</b>	<b>1,122,399</b>	<b>31.1 Weighted average</b>	

Please refer to the Glossary for definitions and other technical terms, including “absolute emissions” and scopes 1–3.

1 Where we didn't have floor area data, we estimated it (see [page 51](#)).

2 We calculated annual emissions per square metre financed based on loans where we had actual floor area data.

## Residential mortgages

Our residential mortgage portfolio (as defined by the GHG PCAF standard, see methodology on [page 52](#)) accounts for 40 per cent of measured on-balance sheet lending-related client scope 1 and 2 emissions. Most of our mortgages support individuals and families to purchase single-family detached houses, which have the highest average emissions per square metre of the three main property types; and most of the emissions are attributed to the use of fossil gas.

To measure financed emissions, we rely on emissions and energy use averages sourced from NRCAN, which are based on location (province) and building type, and which typically have a three-year time lag. The buildings we finance may have energy use that varies significantly from the provincial averages, which is why it is important we can access actual energy use data or better proxies, such as building energy labels.



## Fugitive emissions.

A significant source of greenhouse emissions in the building sector is, according to PCAF, “the fugitive emissions released through the leakage of fluorinated gases including HFCs and PFCs during the use, regular refilling, and disposal of refrigeration and air conditioning equipment” including heat pumps. Refrigerants are gases that aid in the transfer of heat from one place to another. For examples, in a fridge they move unwanted heat from inside to the outside. While leakage of refrigerant is regulated, persistent leaks of these gases are typically overlooked and not tracked. Furthermore, it’s likely that their significance will increase over time as existing building stocks age, and as air or ground-source heating and cooling systems become more prevalent.

In 2023, we worked with Synergy Enterprises to develop an approach to estimate emissions related to refrigerant use in buildings. We estimated that emissions related to the use of refrigerants in properties associated with our residential mortgage portfolio contributed an additional 6,250 tonnes of emissions. For our commercial real estate portfolio, this contributed an additional 5,000 tonnes of emissions.

### 2023 Estimated financed emissions for residential mortgages, by property type

Residential mortgages for home purchases	Loan balance covered	Scope 1 + 2 absolute emissions (annual)	Annual emissions per million dollars financed	Gross floor area <sup>1</sup>	Annual emissions per square metre financed <sup>2</sup>	Notes and key assumptions
Property type	\$ million	tCO <sub>2</sub> e	tCO <sub>2</sub> e	Metre <sup>2</sup>	kgCO <sub>2</sub> e	
Single-family house detached	7,959	26,987	3.4	1,753,796	15.4	
Single-family house attached	1,586	4,571	2.9	325,382	14.0	Single attached includes semi-detached, rowhome unit, townhouse unit, duplex.
Apartments	1,762	3,374	1.9	257,944	13.1	Includes high- and low-rise apartments/condos, hotel condo units, stacked, triplex and fourplex, and modular.
Mobile homes	1.6	16	9.8	591	27.1	
<b>Total</b>	<b>11,309</b>	<b>34,948</b>	<b>3.1</b>	<b>2,337,713</b>	<b>14.9</b>	

Please refer to the Glossary for definitions and other technical terms, including "absolute emissions" and scopes 1–3.

1 Where we didn't have floor area data, we estimated it (see [page 53](#)).

2 Annual emissions per square metre financed was calculated based on loans where we had actual floor area data.

## Business loans

In 2022, small businesses with 1–99 employees made up around 98 per cent of all businesses in Canada and employed almost 63.8 per cent of the total labour force.<sup>1</sup> They also contribute significantly to Canada's GHG inventory: [in a 2023 Business Development Canada survey](#) it was estimated that Canada's small businesses contribute to 41 per cent of the country's total greenhouse gas emissions. While there is growing awareness and expectation of climate action from customers, suppliers, and regulators, small business may lack the knowledge and resources to reduce emissions from their own operations and value chain, and/or to build the business case for doing so. Moreover, they are often overlooked when it comes to net-zero pathways and goals. We see supporting SMEs to contribute to a low-carbon, resilient, and fair economy as a significant opportunity.

In 2023, operational business loans represented 1.6 per cent of the total value of lending dollars for which we estimated emissions, and contributed 19 per cent of measured lending-related client scope 1 and 2 emissions, and 49 per cent if we factor in scope 3 emissions, though scope 3 emissions for this type of lending is very highly estimated. Our loans support small- and medium-sized enterprises and not-for-profit organizations. For years we've lent to organizations that are community oriented and values based. We expect that our actual emissions will be less than estimated emissions, which are based on averages by sector.

In 2023, more than half the dollars loaned supported three sectors: real estate rental and leasing, healthcare and social assistance, and construction. The highest emitters in terms of absolute scope 1, 2 and 3 emissions in our portfolio were associated with construction (in particular, emissions related to the construction and renovation of buildings), manufacturing, and wholesale trade. In terms of emissions (all scopes) per dollar invested, the most carbon-intensive sectors we lend to are mining and quarrying, utilities, and agriculture. Our exposure to the first two sectors is limited.

## 2023 Estimated financed emissions for business loans, by sector

Business loans used for general operational purposes		Loan balance covered	Scope 1 + 2 absolute emissions (annual)	Scope 3 absolute emissions (annual)	Total emissions (annual)	Annual emissions per million dollars financed (all scopes)
NAICS/Description of North American Industry Classification System		\$	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e
11	Agriculture, forestry, fishing and hunting	3,772,786	2,392	1,230	3,622	960
212–213	Mining and quarrying and support activities for mining	159,071	127	59	186	1,172
22	Utilities	122,147	87	12	98	804
23	Construction	41,381,680	1,428	16,764	18,191	440
31–33	Manufacturing	16,134,226	1,531	7,545	9,076	563
42	Wholesale trade	21,144,849	2,299	8,309	10,608	502
53	Real estate rental and leasing	126,954,235	704	2,740	3,444	27
62	Health care and social assistance	45,255,059	207	1,963	2,169	48
Other	Remaining sectors	129,274,292	7,684	13,581	21,265	164
<b>Total</b>	<b>All sectors</b>	<b>384,198,345</b>	<b>16,459</b>	<b>52,203</b>	<b>68,659</b>	<b>179</b>

Please refer to the Glossary for definitions for technical terms, including “absolute emissions” and scopes 1–3.

<sup>1</sup> Innovation, Science, and Economic Development Canada: [Key Small Business Statistics 2023 \(canada.ca\)](#).



According to the Net-Zero Banking Alliance’s [Guidelines for Climate Target Setting for Banks](#), carbon-intensive sectors are agriculture, aluminum, cement, coal, commercial and residential real estate, iron and steel, oil and gas, power generation, and transport. We have indicated our lending exposure to each on the table below.

**2023 dollars and emissions estimates by NZBA carbon-intensive sector: business loans**

NZBA sector	NAICS used	Loan balance	Emissions scope 1 + 2 (annual)	Emissions scope 3 (annual)	Intensity: annual emissions per million dollars financed	Comments
		\$	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	
Power generation	2211 Electric power generation transmission and distribution	93,155	69	24	998	Lending supports renewable energy generation. See <a href="#">page 42</a> for details on our clean energy projects, and <a href="#">page 43</a> for notes on an investment in a bond issued by a hydro power transmission and distribution company.
Coal, oil, and gas	211 Oil and gas extraction 2121 Coal mining 213111/112/113 Support activities for oil and gas extraction & coal mining 221112 Fossil fuel power generation 2212 Natural gas distribution	0	0	0	0	We do not finance or invest in coal, oil, or gas.
Commercial and residential real estate	Reported under the asset classes “Commercial real estate” and “Residential mortgages,” see <a href="#">page 33</a> .					
Iron and steel	21221 Iron ore mining 33121 Iron and steel pipes and tubes manufacturing 33122 Rolling and drawing of steel 33151 Iron and Steel foundries	12,955	6	6	929	Minimal exposure. No iron mining, or iron and steel manufacturing. Lending supports custom machine fabrication.
Agriculture	11 Agriculture, forestry, fishing and hunting	3,772,786	2,392	1,230	960	Minimal exposure. Lending supports small scale vegetable, fruit and tree nut farming; floriculture, hay farming, commercial fishing, aquaculture, and apiculture.





NZBA sector	NAICS used	Loan balance	Emissions scope 1 + 2 (annual)	Emissions scope 3 (annual)	Intensity: annual emissions per million dollars financed	Comments
		\$	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	
Transport	48-49 Excluding warehousing and storage 336 Transportation equipment manufacturing 3361 Motor vehicle manufacturing	5,138,529	610	451	206	Minimal exposure. No auto manufacturing or air transportation/aviation. Lending mainly supports road transportation/trucking.
Aluminium	3313 Alumina and aluminium production and processing	67,874	12	29	607	Minimal exposure.
Cement	3273 Cement and concrete product manufacturing	0	0	0	0	No exposure.

### Motor vehicle loans

In 2020, transportation represented the largest source of emissions in BC, approximately 40 per cent of BC's gross emissions.<sup>1</sup> While vehicle emissions don't represent a significant portion of our loans or financed emissions, the emissions intensity of vehicle loans (137 tonnes CO<sub>2</sub>e/\$ million) is substantial. Beyond offering a Planet-Wise™ transportation loan, which provides financing for electric and hybrid vehicles at a preferred rate, this is not currently a priority area of focus.

#### 2023 Estimated financed emissions for motor vehicle loans

	Loan balance covered	Scope 1 + 2 absolute emissions (annual)	Annual emissions per million dollars loaned	Notes and key assumptions
	\$ million	tCO <sub>2</sub> e	tCO <sub>2</sub> e	
Motor vehicle loans	18	2,472	137	Includes consumer loans, business loans, and lines of credit for the known purpose of purchasing a motor vehicles.

### Project finance (including clean energy power generation)

Our power generation projects are all clean energy projects (wind and solar) and emissions generated are assumed to be zero. In addition to our commitment to report financed emissions for power generation projects, we report avoided emissions from all projects. These represent emissions that would have occurred without the projects' implementation. In 2023, our clean energy projects resulted in approximately 6,654 tonnes of avoided emissions, the majority of which were from geothermal, solar, and wind technologies. This is equivalent to removing 2,035 passenger vehicles off the road or eliminating 15,011 barrels of oil, according to [Natural Resources Canada Greenhouse Gas Equivalencies Calculator](#).

Read more on our clean energy financing at [Vancity Community Investment Bank Climate Financing](#).

#### 2023 Estimated financed emissions for project finance, by type

Activity	Loan balance covered	Absolute avoided emissions (annual)
	\$ million	tCO <sub>2</sub> e
<b>Project finance, by type</b>		
Power generation (solar, wind)	33.0	2,616
Energy efficiency (geo-exchange, building efficiency, wastewater energy transfer)	49.8	3,402
Motor vehicle (electric vehicles)	8.7	636
<b>Total</b>	<b>91.5</b>	<b>6,654</b>

Please refer to the Glossary for definitions for technical terms, including "absolute emissions," "emissions intensity," and scopes 1-2.

<sup>1</sup> [Provincial and Territorial Energy Profiles – British Columbia](#)

**Bonds and deposits (on-balance sheet investments)**

The majority of on-balance sheet financial investments are for liquidity purposes, and we must necessarily be able to quickly and economically convert them to cash. These liquidity investments include various bonds (sovereign, sub-sovereign, green/impact, corporate and private) as well as mortgage-back securities and deposits held with Central 1. Other investments include an impact-focused fund of funds and strategic investments, valued at \$43 million at the end of 2023.

Note that in 2023 we measured emissions for just 12 per cent of the portfolio's market value due to the unavailability of methodologies for many investment types, see Coverage on [page 31](#). Of the Net-Zero Banking Alliance's carbon-intensive sectors, the only one we were invested in at the end of 2023 was power generation, and in our case, this was hydro power transmission and distribution. This sector accounted for two per cent of the book value of our investments, and emissions were an estimated 584 tonnes, or around two per cent of emissions.

**2023 Estimated financed emissions for on-balance sheet financial investments**

Activity	Investments covered (in the calculated emissions)	Scope 1 + 2 absolute emissions (annual)	Annual emissions per million dollars invested	Notes and key assumptions
Investment type	\$ million	tCO <sub>2</sub> e	tCO <sub>2</sub> e	
Term deposits	42	140	3	Deposits held at Central 1
Sovereign bonds	104	24,619	237	Canadian federal bonds (treasury bills)
Corporate and private bonds	313	2,579	8	Primarily banks/financial services, consumer goods, and one utility company (hydro)
<b>Total</b>	<b>459</b>	<b>27,337</b>	<b>60</b>	

Please refer to the Glossary for definitions for technical terms, including "absolute emissions," "emissions intensity," and scopes 1-3.

### Listed equity (off-balance sheet managed client investments)

PCAF guidance requires financial institutions to report scope 3 emissions for the oil, gas, and mining sectors, and to report on additional sectors in 2023 subject to data availability and impact, prioritizing transportation, construction, buildings, materials, and industrial activities, while acknowledging that the comparability, coverage, transparency, and reliability of scope 3 data still varies greatly per sector and data source. We do not invest in oil and gas.

Using the Global Industry Classification Standard (GICS), we've broken out Mining from "Materials" and reported scope 3 emissions for that sector. We have further expanded disclosure of scope 3 emissions to include the "Industrials" sector, which includes the additional sectors noted by PCAF above, as well as the rest of the Materials sector. We plan to continue to expand our scope 3 disclosures.

Our highest emitting investees for scope 1 and 2 emissions in 2023 were from the following two sectors: "Industrials" and "Materials," excluding Mining. This was the same as in 2022. Our general approach to investing is to seek out well-managed, responsible, and progressive companies. We don't invest in companies whose primary line of business is the extraction, production, and distribution of fossil fuels.

See [page 23](#) for targets and performance since 2022.

### 2023 Estimated financed emissions for managed client investments

Global Industry Classification Standard		Dollars invested (market value)	Scope 1 + 2 absolute emissions (annual)	Scope 3 absolute emissions (annual)	Annual scope 1 + 2 emissions per million dollars invested	Annual scope 1 + 2 emissions per million dollars revenue <sup>1</sup>
#	Description	\$ million	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e
10	Energy	0	0	Not estimated	0.0	0.0
15 <sup>2</sup>	Materials	39	7,883	15,616	202.1	17.3
15	Mining	20	364	901	18.2	1.3
20	Industrials	310	9,575	34,048	30.9	30.6
25	Consumer discretionary	229	2,258	Not estimated	9.9	3.4
30	Consumer staples	69	1,166	Not estimated	16.9	1.3
35	Health care	177	206	Not estimated	1.2	0.9
40	Financials	428	194	Not estimated	0.5	0.8
45	Information technology	433	504	Not estimated	1.2	2.8
50	Communication services	99	200	Not estimated	2.0	0.6
55	Utilities	20	1,094	Not estimated	54.7	5.3
60	Real estate	113	609	Not estimated	5.4	5.4
<b>Total</b>		<b>1,938</b>	<b>24,051</b>	<b>50,565</b>	<b>12.4</b>	<b>69.8</b>

Please refer to the Glossary for definitions for technical terms including "absolute emissions" and scopes 1–3.

<sup>1</sup> Emissions intensity according to MSCI measure for public equities.

<sup>2</sup> Excludes mining.

# Appendix: Methodologies for emissions calculations.

## Operational emissions: scopes 1, 2, and 3 (categories 1, 6, and 7)

### General process and review

Data supporting our resource consumption for premises energy, water, waste, paper, and business travel are collected by the Climate Strategy and Performance team on a quarterly basis, at a minimum. We have established a process for the regular monitoring of premises energy use and paper and are in the process of expanding the ongoing monitoring to all of the other resource consumption that we conduct as we operate our business. Our organizational boundary can be found in the [2022 Climate Report](#).

This feeds into our annual reporting, where we have also established a peer-review process, and complete annual GHG calculations that are reviewed and audited by a third party.

### Changes to our calculation methodology

In 2023, we completed a thorough review of our calculation methodologies and data collection processes, particularly for our scope 3 emissions. This revealed some areas of improvement that we have actioned and outlined below.

#### Scope 1

We changed our calculation methodology to categorize all the emissions from using fossil gas in our facilities under scope 1, instead of splitting between scope 1 and scope 3, category 8. This is due to an update to our methodology for determining operational control. Where previously Vancity considered the presence of sub-metering in leased facilities as the key factor for determining operational control, we updated our approach to consider the ability to control usage of the facility itself as the key factor for determining operational control. This change in methodology was also applied retrospectively to restate 2022 and our 2019 baseline.

#### Scope 2

Vancity applies an electricity generation emissions factor to calculate scope 2 emissions. The emission factor for 2019 and 2022 was updated due to revisions to the emission factors for purchased electricity in BC from the most recently published NIR (2023).

#### Scope 3

##### Category 1: Paper

We made corrections to adhere to the Environmental Paper Network's online calculation tool. Our emissions for this category have increased, and we updated the 2019 baseline and 2022 calculations to reflect this correction.

##### Category 6: Business travel

We identified that the previous calculation methodology was double-counting some emissions from commuting. This has been resolved in the 2023 calculations, and we made updates to 2022 calculations and to the 2019 baseline.

##### Category 7: Employee commuting

Our new commuting survey includes more details that better reflect the reality of our post-pandemic working environment. Due to this survey change, it was not possible to retrospectively apply the new survey to prior years emissions data, therefore methodologies in prior years aren't comparable with 2023 data using our new methodology.

##### Category 8: Upstream leased assets

See details under scope 1.

Given the changes outlined above, we updated the 2019 baseline since the changes exceeded the five per cent threshold outlined in our baseline recalculation policy.

Scope and category	Change from previously published values (%)
Scope 1	+67%
Scope 2	+15%
Scope 3	-2%

### Facility overview

Vancity owns facilities, and leases space to operate our branch network. As of 2023, 25 facilities run on electricity only, two are connected to a district energy system (DES) for space heating, 25 use fossil gas with gas boilers, five are dual-sourced from electricity and fossil gas, and four use electric heat pumps with fossil gas back-up (hybrid).

While the majority of our facilities have metering for their energy consumption, there are some facilities that do not have metering. Wherever there is no metering, energy use is estimated by analyzing the energy use intensities (EUI) of the metered sites, arranged by building type, and applying the EUI to the area of the unmetered site. The facilities are primarily categorized by fuel type (electricity, fossil gas, DES, dual-sourced, hybrid), then the appropriate EUI is applied to the unmetered site. In exceptional cases where there might not be any utility meter readings due to a system upgrade or meter replacement, the average energy use of the same month from previous years will be used as a proxy for the month or months that do not have any meter readings.



**Scope 1 (fossil gas)**

Most of Vancity’s facilities are in British Columbia and procure fossil gas from FortisBC. Fossil gas consumption is metered at most facilities and is estimated at non-metered facilities by using a model based on the energy use intensity of similar metered facilities. Two of Vancity’s facilities are connected to district energy systems, which use a mix of energy sources but currently primarily operate on fossil fuels. Emission factors for these systems were obtained from the organizations that manage them.

The fossil gas consumed by Vancity’s portfolio of facilities is reviewed monthly. The data is extracted by the Property Management Specialist from Vancity’s Real Estate, Facilities and Procurement Team, then reviewed by the Manager, Sustainable Operations from the Climate Strategy and Performance team. The data is analyzed and significant variances are identified and investigated to create a feedback loop in the measurement and monitoring process.

**District energy systems**

Creative Energy provides the heating for our offices located at 815 Hastings through its district energy system. The landlord provides us with copies of the monthly invoices from BC Hydro and Creative Energy. There are three data inputs that need to be collected to complete the emissions calculations:

- Percentage of the building at 815 W Hastings that is leased by Vancity
- Building thermal energy consumption for the billing period
- Creative Energy emission factor

Vancity’s proportional usage for this facility depends on the leased area. There were several changes to the leased space in 2023, summarized in the table below. Creative Energy’s emission factor for its Downtown Vancouver district energy system was 0.07 tCO<sub>2</sub>e/GJ in 2023. Note that we terminated our lease and exited all leased space in this building in December 2023.

Month (2023)	Space leased by Vancity
January	21,360
February	1-8: 21,360 9-28: 17,729
March to December	17,729

**Lonsdale Branch (BR 72)**

Lonsdale Energy Corporation (LEC) requires that all buildings in its service area connect to their services. Our branch is included in the service area zone. There are three data inputs that need to be collected to complete the emissions calculations:

- Percentage of the building that is leased by Vancity
- Building thermal energy consumption for the billing period
- LEC emission factor

Note Vancity’s proportional usage from LEC must be calculated from the total building-level usage. The total area of the building is 50,903 ft<sup>2</sup>, and Vancity occupies 5,048 ft<sup>2</sup>, or 9.92 per cent of the total building area.

LEC’s emission factor for its district energy system is 186 kgCO<sub>2</sub>e/MWh in 2023.

**Emission factors**

We used emission factors from Canada’s most recent National Inventory Report (NIR) unless specific emission factors are available, as in the case of district energy systems. Where we used National Inventory Report factors, we used emission factors specific to each province for carbon dioxide emissions (CO<sub>2</sub>). We used emission factors for residential, commercial, institutional, and agricultural for CH<sub>4</sub> and N<sub>2</sub>O. There are also emissions associated with fossil gas distribution. However, as distribution emissions are small (about one per cent based on FortisBC’s 2005 estimate of 0.539 kg CO<sub>2</sub>e), we have not included them. Previously published emission factors may change with every update to the NIR. We will update the baseline calculations as per the guidance outlined in our baseline recalculation policies.

**Calculation procedure**

- The fossil gas emission factor is measured in Metric Tonnes/Cubic Metre (t/m<sup>3</sup>).
- The fossil gas emission factors for carbon dioxide, methane, and nitrous oxide are taken from the latest version of Canada’s National Inventory Report from Environment and Climate Change Canada (Tables A6.1-1 and A6.1-3). The fuel combustion for fossil gas and fossil gas liquids emission factor are used.
- Global warming potential (GWP) factors per IPCC Fifth Assessment Report (AR5) are applied to methane and nitrous oxide to convert the emissions to CO<sub>2</sub> equivalent.
- Where applicable, specific emission factors from district energy systems are obtained directly from the managing organization of the district energy system.
- The fossil gas emission factors are reviewed each reporting period at the beginning of the period. Should emission factors change, an assessment is performed to determine if base year recalculation is required. For more, see the Baseline Recalculation Policy for Operations.
- Emission factor is applied to metered and estimated gas consumption for each of the gas consuming facilities.



**Vehicle fleet**

Vancity operates a small fleet of vehicles. Actual fuel consumption isn't tracked at this time; however, both the type of vehicle and the distance travelled are tracked. Fuel consumed (calculated in litres (L) of fuel) and resulting emissions are estimated using the odometer readings and the published fuel economy values from NRCan.

Vancity's fleet of service vehicles are managed by the Real Estate, Facilities and Procurement (REFP), Information Technology (IT), and Marketing teams.

Two of the vehicles in Vancity's fleet are 100 per cent plug-in electric, while all other vehicles run on gasoline. Energy used to charge these vehicles is captured by the facility electricity consumption in scope 2. These two vehicles are parked and charged overnight in the residences of our employees.

**Scope 2: purchased electricity**

All of Vancity's facilities in British Columbia are powered by BC Hydro for our electrical requirements. Nearly all Vancity facilities have direct metering of our electricity consumption.

We review the electricity consumption at Vancity's portfolio of facilities monthly. The data is extracted and recorded by the Property Management Specialist from Vancity's Real Estate, Facilities and Procurement Team, then reviewed by the Manager, Sustainable Operations from the Climate Strategy and Performance team. The data is analyzed and significant variances identified and investigated to create a feedback loop in the measurement and monitoring process.

For those that are not metered, electricity consumption is estimated using a model based on the energy use intensity of metered facilities of similar building types.

Exceptions to this are made for hybrid sites, which use gas as a back-up fuel source. There are two hybrid facilities that are metered for both gas and electricity, and two that do not have direct metering for gas. In this case, the energy use intensity of the two metered sites is applied to estimate the annual gas consumption and not reported under scope 2.

**Scope 3, category 1: purchased goods and services (paper)**

The operational boundary for measuring emissions for purchased goods and services includes emissions from paper consumption only at this time. Paper consumption data is collected from the following data providers on a quarterly basis:

Data Collectors	Consumption Scope	Department	Frequency
Purchasing Specialist	Organizational Procurement	Real Estate, Facilities & Procurement	Quarterly
Marketing and Communications Coordinator	Marketing materials	Marketing	Quarterly
Governance Officer	AGM and Election Materials	Governance	Q2 only

Data collectors request paper consumption data from each supplier and are expected to review the submissions before submitting the data to Accountability Reporting on a quarterly basis.

**Emissions factor**

The Environmental Paper Network [online calculator](#) is used to calculate the emissions from paper consumption.

**Calculation procedure**

- Paper use emission factors are measured in Metric Tonnes of CO<sub>2</sub>e per Metric Tonnes (t/t) of paper consumed.
- Paper use data is collected and reviewed every quarter.
- Paper consumption data includes the weight of the paper consumed, the percentage of recycled content and the paper grade, based on the Environmental Paper Network's (EPN) categorizations of paper type.
- Paper consumption data is consolidated into one spreadsheet, and pivot tables are used to aggregate and organize the data by paper grade and recycled content percentage.
- Data inputs are entered into the Environmental Paper Network's online calculator. At the time of writing, the most current version of the calculator is 4.0.

**Scope 3, category 6: business travel**

There are three sources of activities for this emissions category:

- Air travel
- Business vehicle travel
- Expensed vehicle fuel consumption (mileage reimbursement)

**Air travel**

Flights purchased by employees for the purpose of business-related travel are purchased by the employees themselves and are then reimbursed by Vancity. Every quarter, the Finance team records the flight data (airport locations and cabin class) in a spreadsheet, which is then sent to Accountability Reporting and reviewed by Climate Strategy and Performance.

The flight distances are estimated based on the mapped distances provided by Google Maps between the departure and destination airports. These distances are used along with the corresponding emission factors and cabin classes to calculate the emissions.

**Emission factor**

The UK Department for Environment, Food and Rural Affairs (DEFRA) publishes the most widely used air travel emission factors. These emission factors are specified as a function of flight length and are based on UK flight patterns. Vancity has adopted these emission factors and reclassified the flight lengths to be compatible with the North American aviation environment.

Vancity has classified flights into short-haul and long-haul to correctly apply DEFRA's emission factors. Flights with distances of 3,700 km and greater are classified as long-haul, while flights with distances less than 3,700 km are classified as short-haul.

DEFRA publishes emission factors that incorporate the radiative forcing index (RFI). These incorporated emission factors are used in our calculations. Emission factors for local float plane and helicopter transportation factors are taken from the 2022 BC Best Practice Methodology for Quantifying GHG Emissions.

**Calculation procedure**

- Air travel activity is measured in kilometres (km) per person.
- The Finance Officer (FO) reports all employee business air travel to the Documentation Collection Officer at the end of each quarter. The FO shall report the departure, destination, and intermediate airport codes, cabin class, and the subsidiary the travel is associated with.
- The flight cabin class determines the cabin class classification (e.g., economy or business/first class) and the appropriate emission factor to use (see emission factor procedures).
- Air travel emission factors are measured in metric tonnes CO<sub>2</sub>e per kilometre per person (tCO<sub>2</sub>e/km/person).
- Flight length classifications (e.g., short or long haul) are based on classifications provided by DEFRA to be consistent with the emission factors used. Flights are classified once per period at the beginning of the period.
- Total flight kilometres are aggregated based on flight length and cabin class, and the appropriate emission factor is applied to determine emissions from each flight type.

**Business vehicle travel**

MODO is a car share co-operative where members can lease vehicles that are parked all over Metro Vancouver on demand. In 2023, a vehicle was parked in Vancity's head office parkade and was reserved for the exclusive use of Vancity employees. Our corporate MODO account also allows employees to use the vehicles in MODO's fleet for business purposes. MODO has a variety of vehicles in its fleet, and these are recorded as part of the account's activity data. Each quarter, the data collector from Marketing extracts the data provided in the MODO account, which outlines the distance driven for each booking made through the Vancity corporate MODO account. The model, make and year of each vehicle is also recorded for each booking, as well as the fuel efficiency, which is consistent with NRCAN's published values for each vehicle type.

Employees who use their own personal vehicles for business-related travel submit their expense through an internal Vancity portal. Kilometres driven and the purpose of the mileage are the data points collected. Our Finance team submits the vehicle mileages disbursed each quarter by extracting the data points through PowerBI. These are then submitted to Accountability Reporting and reviewed by Climate Strategy and Performance.



### Emission factor

Emission factors for vehicle use are taken from the most recent National Inventory Report: Greenhouse Gas Sources and Sinks in Canada (NIR, Table A6, 1-14). There are different emission factors depending on the tier of vehicle used. The NIR has factors for CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O. These are normalized as CO<sub>2</sub> equivalents using the global warming potential (GWP) published by the Intergovernmental Panel on Climate Change (IPCC) in the Fifth Assessment report.

### Calculation procedure

Vehicle fuel consumption and emissions

- Vehicle fleet activity is measured in litres (L) of fuel.
- Each vehicle that was used by employees using the corporate MODO account is recorded for its make, model, year, fuel type, fuel economy, and distance driven.
- Natural Resources Canada publishes a Fuel Consumption Guide on their website. For every vehicle in the fleet, the combined highway and city fuel economy in L/100km is obtained from this guide. For vehicles that are not provided a generic average fuel economy (those that are not gasoline and diesel), reasonable proxies are selected as follows:
  - Hybrid – Toyota RAV4 Hybrid AWD (Combined) from NRCan's Fuel Consumption Guide
  - BEV – Zero Tailpipe Emissions
  - Plug-in Hybrid – Kia Niro Plug-in Hybrid from NRCan's Fuel Consumption Guide
- Distance driven is extracted from the corporate MODO account on a quarterly basis.
- Annual distance travelled for each vehicle is calculated by aggregating the distances driven for each vehicle type during the year.
- For reimbursed mileage, the total mileage (in km) for the reporting period, and the subsidiary the travel is billed to, is obtained quarterly.
- The percentage of gasoline and diesel vehicles is obtained from the Travel Survey.
- Fuel consumption (L) from each vehicle is calculated as: (Annual Distance Travelled (km)) x (Average Fuel Economy (L/100km))/100.
- Based on the fuel type, the appropriate emission factor (diesel or gasoline) is used to calculate total emissions. It is assumed that all hybrids use gasoline, and not diesel.

### Scope 3, category 7: employee commuting

Vancity uses the Commutifi survey platform and GHG calculator to quantify emissions from employees commuting to and from Vancity locations. Commutifi provides comprehensive analytics and reporting on an organization's scope 3, category 7 emissions. Through annual surveying in the platform, Commutifi:

- Collects the data necessary to get accurate commuting data
- Utilizes up-to-date emissions reporting factors for all transportation modes and connects into transportation feeds, like the General Transit Feed Specification (GTFS) to ensure accuracy of its calculations
- Provides aggregated emissions data for employees across all Vancity locations in Metro Vancouver, Vancouver Island, Cormorant Island, and Toronto

### Key assumptions

- Travel Patterns: Commutes are modeled through the Commutifi system based on user survey data
- Commute Distance: Employees are required to list their home address, nearest cross-streets, or postal code to ensure the Commutifi system provides the most accurate commute distance per use
- Employees are requested to provide their vehicle year, make, and model
- Remote Work and Office Commute Status: The Commutifi Commuter Survey 2023 captures current remote work and commute schedules

### Data inputs and processes

The main inputs used in the generation of the estimates are:

- September Commutifi Commuter Survey 2023
  - Distributed September 2023 with a response rate of 47 per cent

Vehicle MPG data comes from a third-party service ([Edmunds](#)) that sources data directly from vehicle manufacturers via the US EPA.<sup>1</sup>

The calculation for vehicle-based emissions of a commute is:<sup>2</sup>

$$\frac{\text{Distance (miles)}}{\text{Combined MPG}} \times \frac{8.78 \text{ kg CO}_2}{\text{gallon gasoline}} \div \# \text{ of passengers} = \text{kg CO}_2 \text{ per person per trip}$$

### Public transit emissions process

The Commutifi system measures the exact transit route an employee takes using data from the [GTFS](#).<sup>3</sup> This includes the public transit mode, operating transit agency, and exact distance.

Public transit emissions are calculated based on the distance taken in each public transit mode and the average passenger mile emissions (i.e., kg CO<sub>2</sub> per mile per passenger) for that mode.

Passenger mile emissions information was provided directly to Commutifi by TransLink as part of their [partnership](#).

<sup>1</sup> All vehicle fuel economy is mapped from local units to miles per gallon prior to Commutifi calculating total emissions.

<sup>2</sup> Emission factor for gasoline taken from [EPA's 2023 Emission Factors for Greenhouse Gas Inventories, Table 2 Mobile Combustion CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O](#) emissions are calculated based on distance-based motor vehicle emission factors.

<sup>3</sup> The General Transit Feed Specification (GTFS) is an Open Standard used to distribute relevant information about transit systems to riders. It allows public transit agencies to publish their transit data in a format that can be consumed by a wide variety of software applications.

The values for public transit passenger mile emissions are as follows:

- *TransLink emission factors are from 2020. Updated data is released approximately every two years and the calculations will be adjusted once new data is available. Bus emissions are notably lower than the Industry average since half of its bus fleet uses lower-emission technologies. ([www.translink.ca/about-us/about-translink/corporate-sustainability](http://www.translink.ca/about-us/about-translink/corporate-sustainability)).*
- *Industry average emission factors are derived from 2019 industry averages across North America.*

The calculation for public transit emissions of a commute is:

**Distance (miles) x Passenger Mile Emissions = kg CO<sub>2</sub> person per trip**

#### Zero-emission modes

The following modes are considered to produce 0 kg of CO<sub>2</sub> emissions. While the emissions for these modes are not technically zero, they are negligible, so the Commutifi system treats them as zero.

- Bike/E-bike
- Scooter/E-scooter
- Walk
- Remote

#### Baseline Recalculation Policy for Operational Emissions

Our calculation methodology for scope 1, 2, and 3 operational emissions are based on the guidance provided by the GHG Protocol. While the protocol is relatively established, the following activities may impact the baseline calculations:

- Changes to the emission factor published annually by NIR
- Changes and improvements to the calculation methodology as best practice evolves
- Errors identified

The baseline values may need to adjust as a result of changes to the emission factor for the baseline year and changes to the calculation methodology. We will recalculate and restate the baseline whenever difference from the old baseline (by scope) exceeds the five per cent threshold, as recommended by the GHG Protocol. We recognize that there are instances where baseline recalculation may not be possible (e.g., instances where the data depends on survey results that we cannot retroactively accomplish). No changes to the baseline will be made in cases such as this. In addition, we will omit reporting historical data that isn't comparable to base or current year data.

#### Financed emissions: scope 3, category 15

We apply the [PCAF Global GHG Standard](#) when measuring and disclosing emissions, which in turn aligns to the GHG Protocol. This reduces uncertainty by constraining the choices we make in our methodology. However, we still need to make certain methodological choices, interpretations, and assumptions, and we've documented these below.

There are numerous challenges associated with measuring our scope 3, category 15 emissions, also known as financed emissions. For financial institutions, financed emissions equate to scope 1, 2, and 3 client emissions. Best practice is to report on clients' scope 1, 2, and 3 emissions where significant, and where data allows. The key challenge we and other financial institutions face is the availability of reliable data. Very few of the members we lend to measure and report on their emissions. And while most of the companies in our managed client portfolios report scope 1 and 2 emissions, few of them report scope 3 emissions. Even fewer have their emissions-related data verified. This means that for the most part, our financed emissions data is highly estimated, which gives rise to another challenge: tracking progress (reductions) over time in a meaningful way as it's not possible to attribute any changes directly to the activities of our members.

Meaningful tracking of progress is further challenged by the fact that emission factors are updated over long periods of time and can change considerably over that span. There can be as much as a three-year time lag between the year we're reporting, and the release of the emission factor or other external data that we rely on. Furthermore, even if members were to report financed emissions information, we may not be able to access it in time to include it in the appropriate transaction year. Despite these challenges, we have opted to both disclose our highly estimated financed emissions, set reduction targets, and offer products and other solutions to support emissions reductions. As noted in the introduction to the report, what matters is delivering emissions reductions. We believe that to do this we need to take action even if we can't yet reflect it in our data, and that by demonstrating the challenge of measuring reductions towards our targets we can help to galvanize progress on critical climate data needs.

We expect our voluntary disclosure of our financed emissions (and associated targets) to be amended, recalculated, and restated in the future as we implement improvements to data, methodologies, and processes. To this end, we've developed a financed emissions base year data and *climate targets recalculation policy* (see page 53 of our [2022 Climate Report](#)) to guide us when making decision whether to recalculate and restate data. It includes what could trigger an emissions or target recalculation, considerations to assess whether a recalculation is necessary, and quantitative change thresholds (five per cent of base year emissions for data errors and ten per cent for all other reasons).

### Note on PCAF data quality score

Disclosing and improving data quality over time is a core requirement of the PCAF Global GHG Standard. PCAF's data quality hierarchy ranges from 1 to 5. A data quality score of 5 is highly estimated/uncertain and based primarily on sector or building averages, and a score of 1 signifies certainty (i.e., verified reported emissions). Because data quality will differ across asset classes, and can also vary within asset classes (e.g., by sector or building type), PCAF requires financial institutions to report the weighted data quality score by asset class. This normalizes the data quality score for each asset class based on the total outstanding loan amount. We've included the weighted data quality score along with additional explanations on data quality in the sections below, by asset class.

In 2023, we made significant improvements to our processes and calculation approach, including documenting our methodology and assumptions in detail. See [page 31](#) for a summary of the improvements we made. We continue to work on data improvements and options for accessing additional data and hope that in the future we will be able to access actual energy use data related to buildings and businesses (small- and medium-sized enterprises).

### Note on emission factors

In general, we first looked to PCAF's web-based emission factor database to access emission factors. These include national and provincial emission factors by building use and type and for various industry sectors. Where we didn't use PCAF's database, we've noted the rationale, which is typically because we identified a more up-to-date emission factor from the same original source. Note there is typically an unavoidable two- to three-year time lag between the reporting year and the year to which the emission factor applies.

### Commercial real estate

In line with the PCAF Global GHG Standard, we included on-balance sheet loans used for the purchase and refinance of commercial real estate (CRE), defined as property that is used for commercial purposes, such as retail, hotels, office space, or large multifamily rentals. We exclude lines of credit as the purpose of the funds is unknown. In all cases, the building is used to conduct income-generating activities.

### Calculation approach

Actual building energy consumption isn't widely available in Canada. In the absence of data, we estimated emissions based on building characteristics and publicly available data and emission factors, in line with PCAF's data quality hierarchy (see page 92 of the PCAF GHG Standard for more details). While we collect floor area data for most of our mortgages, this data is typically contained within a PDF and not easily accessed. In addition, we don't always have reliable or verifiable data for property value at loan origination.

After exploring options and potential data sources, we decided to purchase property attribute data for BC-based commercial and residential properties associated with our portfolios, and to manually collect property attribute data for loans outside of BC and for large commercial real estate loans (more than \$10 million). In addition to enabling us to estimate financed emissions with a greater degree of accuracy, the property attribute data helps us assess physical climate-related risks associated with mortgage lending.

We calculated on-balance sheet financed emissions for commercial real estate and business mortgages based on PCAF guidance, per the formula below. Our overall approach to calculating financed emissions is to multiply an attribution factor to the emissions associated with the estimated energy use of the property financed. The attribution factor is intended to reflect Vancity's contribution to the purchase of real estate by our members.

**Financed emissions =  $\Sigma$  Attribution factor x Building emissions**

**Attribution factor =  $\Sigma$   $\frac{\text{Outstanding amount}}{\text{Property value at origination}}$**

The **Attribution factor** reflects our contribution to the acquisition of new or existing commercial buildings by our members.

The **Outstanding amount** is the drawn amount of funds by the businesses we lend to at the end of the year (December 31).

The **Property value at origination** is the appraised value of the property at the time of the loan origination. We used the property value available closest to loan origination either from our files (where manually collected) or from a third-party data provider.

**Emissions of the building =  $\Sigma$  (Energy consumption x Emission factor)**

For commercial services buildings where we have **floor area data**, we estimated emissions as follows:

- We obtained emission factors expressed in **tonnes CO<sub>2</sub>e per square metre**, scope 1 plus scope 2, according to building use and location (province of British Columbia, Ontario, or Alberta)
- We multiplied the appropriate emission factors (i.e., by building use and province) by the relevant floor area of the buildings in Vancity's portfolio and summed these to get total emissions
- This approach equates to a PCAF data quality of 4

For commercial buildings where we don't have floor area data, we calculated total emissions based on extrapolating the data we used to calculate emissions for "data quality 4 buildings," where we did have floor area data. Our tested assumption is that this is more representative of our building portfolio, which tends to comprise buildings that are smaller on average, than using Natural Resources Canada's "per building" averages. PCAF were supportive of our approach. We calculated emissions as follows:

- We divided the **floor area** of data quality 4 loans by the **property value** to obtain the average **square metre per dollar value**, by building use
- For each building use, we multiplied the **property value** of data quality 5 loans by the average **square metre per dollar value** to estimate the floor area
- Once we had the estimated floor area, we applied the same methodology as for data quality 4 loans above
- We assigned these loans a PCAF data quality score of 5, given the estimated floor area data



We appreciate that financed emissions estimations for the same buildings might change in the future as the mix of “data quality 4 buildings” (and based on this, calculated dollar value per square metre) changes.

For residential properties used for income-generating purposes by a business, we applied the same calculation methodologies that we used for residential mortgages.

**Data quality**

The current data quality of our commercial real estate lending is a combination of 4 and 5.

**Weighted data quality score for managed client investments (all emissions scopes):**

$$\frac{((A \times 4) + (B \times 5))}{A + B} = 4.3$$

PCAF data quality score	Mortgage balance (\$ million)
<b>Data quality score 4:</b> Estimated building emissions based on floor area	3,391 (A)
<b>Data quality score 5 (lowest quality/most uncertain):</b> Estimated building emissions based on number of buildings	1,560 (B)

**Emission factors**

We used emission factors by building use and location from the PCAF database.

What	Source	Year of emission factor	Publication date
<b>Emissions by building type and location (province) expressed in tCO<sub>2</sub>e/m<sup>2</sup>, broken down by scope 1 and scope 2</b>	PCAF database (which sources emission factors from NRCAN)	2019	2022

**Fugitive emissions methodology: refrigerants**

Fugitive emissions, including those resulting from refrigerant use in buildings, is a new area of study and established methodologies for estimations are not yet available. Data related to refrigerant use in building maintenance is not available across Vancity’s portfolio of investments/mortgages. To estimate refrigerant-related emissions, we sought advice from Synergy Enterprises, who recommended we use an average for refrigerant leakage by building type, sourced from a robust study conducted in the same climate zone as Vancity’s core portfolio of buildings: The [City of Seattle Refrigerant Emissions Analysis](#) by PAE. We obtained average emissions per square foot from PAE directly and created averages across HVAC systems by building type. We felt that the geographic relevance and comprehensiveness of the study made it the best available source for these calculations at the time of writing. We did not factor in the financing we provided for certified “green” buildings, and we made some assumptions when mapping emission factors to the building types we track.

**Residential mortgages**

In line with the PCAF Global GHG Standard, we included on-balance sheet consumer loans used for the purchase and refinancing of residential property and excluded lines of credit as the purpose of the funds is unknown. We’ve included residential property owned by a business for income-generating purposes under the commercial real estate asset class.

**Calculation approach**

Actual building energy consumption isn’t widely available in Canada. In the absence of data, we estimated emissions based on building characteristics and publicly available data and emission factors, in line with PCAF’s data quality hierarchy (see page 92 of the PCAF GHG Standard for more details). While we collect floor area data for most of our mortgages, this data is typically contained within a PDF and not easily accessed. In addition, we don’t always have reliable or verifiable data for property value at loan origination.

After exploring options, we decided to purchase property attributed data for BC-based residential properties associated with our portfolios. As well as enabling us to estimate financed emissions more reliably, the property attributed data helps us assess physical climate-related risks associated with mortgage lending.

We calculated on-balance sheet financed emissions for residential mortgages based on PCAF guidance, per the formula below. Our overall approach to calculating financed emissions is to multiply an attribution factor to the emissions associated with the estimated energy use of the property financed. The attribution factor is intended to reflect Vancity’s contribution to the purchase of real estate by our members.

**Financed emissions = Σ (Attribution factor x Building emissions)**

$$\text{Attribution factor} = \frac{\text{Outstanding amount}}{\text{Property value at origination}}$$

The **Outstanding amount** is the drawn amount of funds by the individuals we lend to at the end of the year (December 31).

**Property value at origination** is the appraised value of the property at the time of the loan origination. We used the property value available closest to the time of loan origination, obtained from a third-party data provider.

**Emissions of the building = Σ (Energy consumption x Emission factor)**

For residential buildings where we have floor area data, we estimated emissions as follows:

- We multiplied **electricity use by building type in BC** by the most recent **consumption intensity emission factor** per the Natural Resources Canada’s consumption intensity emission factors for the BC Grid
- For non-electricity-related emissions (e.g., from fossil gas, oil, wood) we applied the most recent **non-electricity-related GHG emission factors by building type in BC**
- We summed these to obtain **total emissions for each building type in BC**
- We divided this by **total floor space by building type in BC** to obtain total emissions per square metre
- We multiplied emissions per square metre by the relevant total floor area of the buildings (i.e., by type) in Vancity’s portfolio, and summed these to get total emissions
- This approach equates to a PCAF data quality of 4

For residential buildings where we don’t have floor area data, we calculated total emissions per square metre based on data quality 4 loan data, with our tested assumption that this would be more representative of our building portfolio than using Natural Resources Canada’s “per building” averages. The buildings we finance tend to be smaller on average. PCAF confirmed they were supportive of our approach, assuming we had solid rationale. We calculated emissions as follows:

- We divided the **floor area** of data quality 4 loans by the **property value** to obtain the average **square metre per dollar value**, by building use
- For each building use, we multiplied the **property value** of data quality 5 loans by the average **square metre per dollar value** to estimate the floor area
- Once we had the estimated floor area, we applied the same methodology as for data quality loans 4 above
- We then applied the same methodology as for data quality 4 loans above
- We assigned these loans a PCAF data quality score of 5 given the estimated floor area data

**Data quality**

The majority of our residential mortgages are a PCAF data quality of 4.

**Weighted data quality score for residential mortgages:**

$$\frac{((A \times 4) + (B \times 5))}{A + B} = 4.0$$

PCAF data quality score	Mortgage balance (\$ million)
<b>Data quality score 4:</b> Estimated building emissions based on floor area	10,988 (A)
<b>Data quality score 5 (lowest quality/most uncertain):</b> Estimated building emissions based on number of buildings	321 (B)

**Emission factors and external data**

We use consumption intensity grid emission factors by province, as well as electricity energy use and non-electricity emission factors by building type sourced from Natural Resources Canada (NRCAN), in line with the PCAF database.

Grid factors	Source	Year of emission factor	Publication date
Consumption intensity GHG/kWh electricity generated	PCAF database: <a href="#">National Inventory Report 1990–2021 Part 3</a> BC: Page 71 Ontario: Page 67 Alberta: Page 70	2021	2023

<sup>1</sup> While the same source, the PCAF database, at the time of writing, provided 2019 data. We used 2021 data.

Energy use by building type in BC	Source	Year of emission factor	Publication date
Electricity use (PJ) for detached homes, attached homes, apartments	PCAF database: <a href="#">Office of Energy Efficiency, Natural Resources Canada and Statistics Canada</a> , Tables 32, 34, and 36	2020	2023
GHG emissions – non-electricity (Mt CO <sub>2</sub> e) for detached homes, attached homes, apartments	<a href="#">Office of Energy Efficiency, Natural Resources Canada and Statistics Canada</a> , Tables 32, 34, and 36	2020	2023

Data quality 4: floor area by building type in BC – square metres	Source	Year of emission factor	Publication date
Detached homes, attached homes, apartments	PCAF database: <a href="#">Office of Energy Efficiency, Natural Resources Canada and Statistics Canada</a> , Table 18	2020	2023

**Fugitive emissions methodology: refrigerants**

We applied the same approach to estimate fugitive emissions resulting from refrigerant use in the buildings we finance as for commercial real estate, please see [page 52](#).



**Business loans**

In line with the PCAF Global GHG Standard, we include on-balance sheet loans and lines of credit to businesses, nonprofits, and any other structures of organization that aren't traded on a market and are for general corporate purposes (i.e., with unknown use of proceeds as defined by the GHG Protocol). We also include revolving credit facilities, overdraft facilities, and business loans secured by real estate.

**Calculation approach**

Our approach to calculating financed emissions in line with PCAF is to multiply an attribution factor by the emissions of the borrower. While not required, we report estimated scope 3 member emissions, as well as scope 1 and 2 member emissions.

$$\text{Attribution factor} = \frac{\text{Outstanding amount}}{\text{Company value}}$$

We accounted for a portion of the annual emissions of the organizations we finance by determining the ratio between our outstanding amount (numerator) and the economic value of the organization (denominator). This ratio is called the **Attribution factor** and reflects that our financing funds general operating activities undertaken by organizations in our communities.

The **Outstanding amount** is the drawn amount of funds by the organizations we lend to at the end of the year (December 31).

We calculated **Company value** in two ways:

- Where available from our internal records, we used total debt and equity to calculate enterprise value based on year-end reported financials. However, the financial data may not be up to date. PCAF recognizes that there is often a time lag between the year of reporting and required emissions or business-related data.
- In cases where information on debt and equity was not readily available, we defaulted to using the total balance sheet value of the business loan portfolio as a proxy for organizational value.

**Financed emissions = Attribution factor x Emissions of the borrower**

Few of the small- and medium-sized enterprises we lend to track or currently report emissions. In the absence of reliable member and client data on their emissions, we estimated emissions using economic activity-based emissions by sector in line with PCAF's data quality hierarchy (see page 73 of the PCAF GHG Standard for more details). We calculated emissions of the borrower in one of two ways and used the same approach for scope 1, 2, and 3 emissions:

- For companies where we knew the company's revenue, we applied the appropriate emission factor for the sector (based on NAICS) per unit of revenue (e.g., tCO<sub>2</sub>e per dollar revenue earned in a sector). This approach equates to a data quality of 4.

- Where we knew the outstanding amount in the company but didn't have financial data, we applied the appropriate emission factor for the sector (based on NAICS) per unit of asset (e.g., tCO<sub>2</sub>e per dollar of asset in a sector). This approach equates to a data quality of 5.

**Data quality**

The majority of our business loans are a PCAF data quality of 5.

**Weighted data quality score for operational business loans:**

$$\frac{((A \times 4) + (B \times 5))}{A + B} = 4.6$$

PCAF data quality score	Loan balance (\$ million)
<b>Data quality score 4:</b> Economic activity-based emissions	154 (A)
<b>Data quality score 5 (lowest quality/most uncertain):</b> Economic activity-based emissions	230 (B)

**Emission factors**

We applied updated emission factors based on updates PCAF made in 2023 to the PCAF Database. Because we applied the same emission factors, which were updated to 2019 from 2015, to both current and prior year data, there were no comparability issues. While the PCAF Database includes country-specific emission factors, PCAF's advice is to use the appropriate regional averages for emissions calculations. For Canada this is "Advanced economies".

Emission factor	Source	Year of emission factor	Publication date
Emission intensity per million € of revenue by sector based on industry sector code	PCAF database: Economic Activity-based Emission Factors for Advanced Economies	2019	2023
Emission intensity per million € of assets by sector based on industry sector code	economies derived from EXIOBASE <sup>1</sup>	2019	2023

<sup>1</sup> The EXIOBASE database is a global, detailed multi-regional table that estimates emissions by industry. The database has high sectoral coverage and a large set of environmental information (e.g., types of emissions, materials/resources). Note that we convert euros to Canadian dollars when performing emissions analysis using the Bank of Canada rates.



**Motor vehicle loans**

In line with the PCAF GHG Standard, we've included on-balance sheet consumer loans and lines of credit that are used for the specific purpose of financing motor vehicles. Many of the vehicles are financed through our Planet-Wise™ transportation loan, which provides financing for electric vehicles and hybrid vehicles at a preferred rate. Our assumption is that some members also purchase vehicles using loans and lines of credit. We don't know the value or number of these loans, and so we have either excluded them (in the case of consumer loans) or included them under general purpose operational business loans.

**Calculation approach**

**Financed emissions = Σ Attribution factor x Vehicle emissions**

The overall approach to calculating financed emissions in line with PCAF is to multiply an attribution factor to scope 1 and 2 emissions associated with the energy use of the motor vehicle, scope 1 being direct emissions from fuel combustion in vehicles and scope 2 being indirect emissions from electricity generation consumed in hybrids or fully electric vehicles.

$$\text{Attribution factor } \Sigma = \frac{\text{Outstanding amount}}{\text{Value of motor vehicle at origination}}$$

We account for the portion of the annual emissions of motor vehicles we finance by determining the ratio between our outstanding amount (numerator) and the total value of the motor vehicle at the time of the transaction (denominator). This ratio is called the Attribution factor and reflects our contribution to the purchase of vehicles by our members.

The **Outstanding amount** is the drawn amount of funds by the individuals we lend to at the end of the year (December 31).

The **Value of the motor vehicle at origination** is the assessed value of the motor vehicle at the time of loan origination. If this information isn't readily available in our systems, we take a conservative approach and assume 100 per cent attribution of the vehicle's emission as per PCAF's recommendations.

**Emissions of the motor vehicle = Σ Distance travelled x Efficiency x Emission factor**

PCAF prescribes that emissions per vehicle-year are calculated by multiplying the distance travelled (km) in a year by the vehicle's fuel efficiency (litres of gasoline/km) and the vehicle's fuel type-specific emission factor (kg CO<sub>2</sub>e/litre of gasoline).

In the absence of reliable data (we don't track the model or make or year of the motor vehicle we're financing), we estimated emissions by multiplying the number of motor vehicles financed (using number of loans as a proxy) by **emissions per average vehicle year in BC**, which we calculated with sources from [Clean BC](#) and [Natural Resources Canada](#).

We used two different emission factors: one for gasoline motor vehicles (general loans and lines of credit), and one for hybrid vehicles (Planet-Wise™ transportation loans). To account for the increasing number of light trucks (including SUVs and minivans) on the road, we used a weighted average for the emission factors. While many of our Planet-Wise™ transportation loans are for full electric vehicles, we do not track this detail in a meaningful way, so we used the hybrid emission factor to be conservative.

**Data quality**

We applied a highly estimated approach to calculating emissions in line with PCAF's lowest data quality score of 5.

**Emission factors**

Emission factor	Source	Year of emission factor	Publication date
Emissions per average vehicle-year in BC – car & light truck gasoline	<a href="#">Clean BC</a> and <a href="#">Natural Resources Canada</a>	2022	2023
Emissions per average vehicle year in BC car & light truck, hybrid	<a href="#">Clean BC</a> and <a href="#">Natural Resources Canada</a>	2022	2023

**Project finance (including clean energy power generation)**

In line with the PCAF Global GHG Standard, we included on-balance sheet loans for specific projects/ purposes, including financing for power generation. We also track avoided emissions for these projects.

**Calculation approach**

**Financed emissions = Σ Attribution factor x Project emissions**

The overall approach to calculating financed emissions in line with the PCAF Global GHG Standard is to multiply an attribution factor to scope 1 and 2 absolute emissions associated with the project.

$$\text{Attribution factor } \Sigma = \frac{\text{Outstanding amount}}{\text{Project value}}$$

We need to account for a portion of the annual emissions of the financed project by determining the ratio between the outstanding amount (numerator) and the total project value (denominator). Accessing updated **Project value** data has proved challenging. In addition, our approach to calculating **Project emissions** varies greatly by project, and in many cases relies on projected energy consumption and/or emissions generated that the project developer calculates based on certain assumptions. For these reasons, we have chosen to only report generated emissions for power generation projects, which are a priority sector according to the Net Zero Banking Alliance.



**Avoided emissions**

Avoided emissions related to renewable power projects are the reduction in emissions of the financed project compared to what would have been emitted in the absence of the project (the baseline emissions). To calculate emissions avoided as a result of the project, we used annual kWh avoided estimates provided directly by the project developer compared to what would have been emitted in the absence of the project (the baseline emissions).

**Bonds and deposits (on-balance sheet investments)**

Our 2023 calculation included term deposits, corporate and private bonds, and sovereign bonds. We didn't estimate emissions for certain derivatives, including mortgage-backed securities, green/impact/sustainability bonds, and provincial or municipal bonds due to data limitations and the absence of a methodology. To calculate emissions for corporate and private bonds, as well as deposits, we applied the PCAF methodologies for listed equity and bonds. To calculate emissions for sovereign bonds, we applied the PCAF methodology for sovereign debt.

**Calculation approach**

Our overall approach to calculating financed emissions was to multiply an attribution factor to scope 1 and 2 absolute emissions associated with the investments. We do not include scope 3 emissions due to challenges accessing reliable scope 3 data.

We accounted for a portion of the annual emissions associated with the investments by determining the ratio between the outstanding amount of our investments (numerator) and financial investments classified and designated as fair value through other comprehensive income (FVOCI – denominator). The denominator excluded financial investments measure at fair value through profit or loss (FVTPL), which primarily consist of impact investment funds.

*Corporate and private bonds, and deposits:*

**Financed emissions = Attribution factor x Investee emissions**

$$\text{Attribution factor } \Sigma = \frac{\text{Outstanding amount}}{\text{Enterprise value including cash or total equity plus debt}}$$

The **Outstanding amount** was the on-balance sheet book value of the investment at the end of the fiscal year (December 31).

Financial data for Enterprise value including cash (EVIC) or **Total equity and debt** (the denominator(s)) was based on the most recent available company data.

We obtained investee financial and emissions data primarily from Bloomberg. PCAF recognizes that *“There is often a lag between financial reporting and required data, such as emissions data for the borrower or investee becoming available. In these instances, financial institutions should use the most recent data available even if it's representative of different years, with the intention of aligning as much as possible.”*

**Sovereign bonds:**

**Financed emissions = Σs Attribution factors × Sovereign emissions (with s = sovereign borrower)**

We calculated financed emissions by multiplying the **Attribution factor** by **Sovereign emissions** (emissions of the respective sovereign borrower).

$$\text{Attribution factor} = \frac{\text{Outstanding amount}_s}{\text{Purchasing Power Parity (PPP) – adjusted Gross Domestic Product (GDP)s (with s = sovereign borrower)}}$$

The **Outstanding amount** was the exposure to the sovereign bond and is the on-balance sheet market value of the investment as at the end of the fiscal year (December 31).

**Purchasing Power Parity (PPP) – adjusted Gross Domestic Product (GDP)** is the value of a country's output as a proxy for the “value of the country.”

**Sovereign emissions** are scope 1, 2, and 3 emissions of the country. PCAF requires financial institutions to report sovereign borrowers' absolute scope 1 emissions and encourages them to report scope 2 and 3. We only report scope 1 at this time, which PCAF defines as GHG emissions attributable to emissions generated within the national territory's boundaries – in our case, Canada. More specifically, PCAF's proposed scope 1 definition aligns with “Production Emissions” and should be reported both including and excluding land use, land-use change, and forestry (LULUCF). In our financed emissions profile data above, we calculated emissions excluding LULUCF for simplicity.

**Emission factors and external data**

Emission factor	Source	Year of emission factor	Publication date
Sovereign (production) emissions including and excluding LULUCF (ktCO <sub>2</sub> e) for Canada	PCAF database: <a href="#">United Nations Climate Change GHG Profile</a>	2021	2023
PPP-adjusted GDP (\$ millions int'l) for Canada	PCAF database: <a href="#">World Bank</a>	2023	2023

**Data quality**

Data quality varies by the type of investment, and in our case, ranges from 1 (highest data quality) to 3.

**Weighted data quality score for bonds and deposits:**

$$\frac{((A \times 1) + (B \times 2) + (C \times 4))}{A + B + C} = 2.7$$



PCAF data quality score	Third-party data source	Value (\$ million)
<b>Data quality score 1:</b> Sovereign bonds – verified GHG emissions of the country are available. These GHG emissions are reported by the country itself and can be extracted from UNFCCC.	UNFCCC	104.1 (A)
<b>Data quality score 2:</b> Corporate and private bonds, and deposits: Outstanding amount in the company and EVIC/ total company equity plus debt are known. Unverified emissions calculated by the company are available.	Bloomberg reported company data	150.5 (B)
<b>Data quality score 4:</b> Corporate and private bonds, and deposits: outstanding amount in the company, EVIC/ total company equity plus debt, and the company's revenue are known as well as emission factors for the sector per unit of revenue.	Bloomberg estimated data using proprietary model	204.7 (C)

**Listed equity (off-balance sheet managed client investments)**

Total managed investments include mutual funds, stocks, bonds, and cash plus equivalents. In 2023, our emissions calculation covered equity investments including holdings in mutual funds – specifically public common and preferred stock. While we have not estimated emissions for other types of client investments such as corporate bonds and sovereign bonds due to challenges accessing the required data, we plan to include these in the future, as data allows.

**Calculation approach**

**Financed emissions = Attribution factor x Company emissions**

PCAF guidance covers on-balance corporate bonds and listed equity; we have voluntarily applied this methodology to estimate emissions for off-balance sheet managed client investments in listed equity. The overall approach to calculating financed emissions for listed equity is to multiply an attribution factor to emissions associated with covered investee companies.

MSCI accounts for a portion of the annual emissions associated with our investments by determining the ratio between the outstanding amount of our investment (numerator) and the value of the investee company (denominator). MSCI uses enterprise value including cash (EVIC) to calculate the value of the investee company.

$$\text{Attribution factor } \Sigma = \frac{\text{Outstanding amount}}{\text{Enterprise value including cash (EVIC)}}$$

The **Outstanding amount** is the market value of the dollars invested as at the end of the fiscal year (December 31).

We source emissions data for investee companies from MSCI ESG Research. MSCI ESG Research collects data once per year from the most recent corporate sources, including annual reports, corporate social responsibility/sustainability reports, and websites. When reported company data is unavailable, MSCI looks at emissions data reported through the CDP (formerly the Carbon Disclosure Project) or government databases. In cases where companies haven't disclosed any relevant data, MSCI ESG Research uses a proprietary methodology to estimate emissions either from previous company data or extrapolated values from peer groups. We don't report scope 3 emissions for many sectors because of concerns surrounding the reliability of scope 3 data and potential double (or triple) counting. However, we expanded scope 3 reporting in 2023; and as data and methodologies allow, we plan to report scope 3 emissions attributed to portfolio holdings for additional sectors in the future.

Because of an inherent lag in public greenhouse gas emissions accounting and reporting by investees, the majority of reported 2023 actuals and estimates are likely based on 2022 company financial and emissions information. This is a known issue for this type of calculation and reporting, with PCAF recognizing that *“There is often a lag between financial reporting and required data, such as emissions data for the borrower or investee becoming available. In these instances, financial institutions should use the most recent data available even if it's representative of different years, with the intention of aligning as much as possible.”*

**Data quality**

Emissions data for investee companies was provided by MSCI ESG Research, a third party using a proprietary methodology. We are therefore unsure of the weighted data quality score. Data quality likely ranges between 2 (company-reported emissions) and 5 (estimated emissions based on extrapolation from peer groups), assuming the methodology used is in line with the GHG Protocol. There may be reported data that is verified, but we're unable to confirm this. In these cases, we've assigned reported data a data quality score of 2.

**Weighted data quality score for managed client investments (all emissions scopes):**

$$\frac{((A \times 2) + (B \times 4) + (C \times 5))}{A + B + C} = 2.5$$

PCAF data quality score	Third-party data source	Value (\$ million)
<b>Data quality score 2:</b> Outstanding amount in the company and EVIC are known. Unverified emissions calculated by the company are available.	MSCI reported company data	1,563 (A)
<b>Data quality score 4:</b> Outstanding amount in the company, EVIC, and the company's revenue are known. Emission factors for the sector per unit of revenue are known.	MSCI estimates (based on company data)	50 (B)
<b>Data quality score 5 (lowest quality/most uncertain):</b> Outstanding amount in the company is known. Emission factors for (a) the sector per unit of asset are known or (b) revenue and asset turnover ratios for the sector are known.	MSCI estimates data (based on peer group)	246 (C)

# Glossary and abbreviations.

**Absolute emissions:** The emissions attributed to a financial institution's lending and investing activity. Expressed in tonnes CO<sub>2</sub>e.

**Assurance provider (independent/external):** A practitioner who provides assurance. Types of assurance providers vary from professional audit and quality assurance firms, sustainability assurance consultancies, civil society assurers, and opinion/non-governmental organization leaders or advisory panels.

**Attribution factor:** The share of total greenhouse gas (GHG) emissions of the borrower or investee that is allocated to the loans or investments made.

**Base year:** A historical year against which a company's emissions are tracked over time.

**Business loans/Operational business loans:** Per the PCAF Global GHG Standard, for the purposes of emissions reporting, this asset class includes on-balance sheet loans and lines of credit for general business purposes (i.e., with unknown use of proceeds) to non-listed/private businesses and not-for-profits. Loan recipients can include businesses, nonprofits, and any other structure of organization that isn't traded on a market. We include revolving credit facilities, overdraft facilities, and real estate secured general purpose loans/line of credits. Note that mortgages for purchasing or refinancing a building, including buildings occupied by the owner-business, are included under commercial real estate loans (see below).

**Carbon offsets:** A reduction in greenhouse gas emissions created by one party that can be purchased and used to compensate for (offset) the greenhouse gas emissions of another party.

**CO<sub>2</sub> equivalent (CO<sub>2</sub>e):** The universal unit of measurement to indicate the global warming potential (GWP) of each greenhouse gas, expressed in terms of the GWP of one unit of carbon dioxide. It's used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.

**Commercial real estate (CRE) loans:** Per the PCAF Global GHG Standard, this asset class includes on-balance sheet loans for specific corporate purposes, namely the purchase and refinance of CRE, and on-balance sheet investments in CRE. This definition implies that the property is used for commercial purposes, such as retail, hotels, office space, industrial, or large multifamily rentals. In all cases, the owner of the building (the borrower or investor) uses the property to conduct income-generating activities. This includes using the property for their own business (which we interpret to include owner-occupied buildings) as well as renting or leasing the property to tenants who use the property for either commercial or residential purposes.

**Commercial service buildings:** Defined according to SBTi's Sectoral Decarbonization Approach, commercial service buildings include properties related to trade, finance, retail, public administration, health, food and lodging, education, and commercial services. We used this definition to establish base year data for our near-term climate targets.

**Direct emissions:** Emissions from sources that are owned or controlled by the reporting entity or the borrower or investee.

**Emission factor:** A factor that converts activity data into GHG emissions data (e.g., kg CO<sub>2</sub>e emitted per litre of fuel consumed, kg CO<sub>2</sub>e emitted per kilometre travelled, etc.).

**Emissions:** This is a short-form way of referring to greenhouse gas emissions (GHGs) and refers to the release of greenhouse gases into the atmosphere.

**Emissions intensity (economic):** Absolute emissions divided by the loan and investment volume, expressed as tCO<sub>2</sub>e/\$M invested.

**Emissions intensity (physical):** Absolute emissions divided by an output value, expressed as tCO<sub>2</sub>e/MWh, tCO<sub>2</sub>e/tonne product produced.

**Energy Use Intensity (EUI):** Refers to the amount of energy used per square foot annually. It's calculated by dividing the total energy consumed by the building in a year by the total gross floor area.

**External assurance:** The provision of an independent, objective examination and assessment of certain subject matter or performance information to give confidence or credibility.

**Financed emissions:** Absolute emissions that banks and investors finance through their loans and investments.

**Fossil gas:** More commonly referred to as natural gas, fossil gas is composed mainly of methane, which is a potent greenhouse gas – about 80 times more potent than carbon dioxide over the short term. Produced largely through hydraulic fracturing (fracking), fossil gas is responsible for around one third of Metro Vancouver's greenhouse gas emissions. Fossil gas can also include renewable natural gas (RNG) from animal waste, sewage, or crop and food waste, which utilizes methane instead of allowing it escape into the atmosphere. Current estimates show that just one per cent of BC's fossil gas is derived from renewable sources.

**Fugitive emissions:** Emissions that result from the direct release to the atmosphere of GHG compounds from various types of equipment and processes. Fugitive emissions sources that are common for organizations in many sectors include refrigeration and air conditioning systems, fire suppression systems, and the purchase and release of industrial gasses.

**Global Industry Classification Standard (GICS):** A method for assigning companies to a specific economic sector and industry group that best defines its business operations. It's used widely by investment market participants as an industry analytical framework for investment research and portfolio management.

**Green assets:** 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](#), improve the energy efficiency of existing buildings, or finance the development of businesses and/or technologies that generate positive environmental benefits.

**Greenhouse gases (GHGs):** Six gases covered by the United Nations Framework Convention on Climate Change (UNFCCC): carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF<sub>6</sub>).

**GHG Protocol:** A comprehensive global standardized framework to measure and manage GHG emissions from private and public sector operations, value chains, and mitigation actions. The GHG Protocol supplies the world's most widely used GHG accounting standards.

**Indirect emissions:** Emissions that are a consequence of the activities of the reporting entity but occur at sources owned or controlled by another entity. Scope 2 and scope 3 emissions cover indirect emissions.

**Listed equity:** Shares, units, or other financial products listed and traded on an exchange.

**Loan origination:** The process by which a borrower applies for a new loan, and a lender processes that application.

**Motor vehicle loans:** Per the PCAF Global GHG Standard, for the purpose of financed emissions reporting this asset class includes on-balance sheet consumer loans and lines of credit used for the specific purpose of financing motor vehicles. Note that personal and business loans/lines of credit may also be used to finance motor vehicles. Vancity is currently unable to track these, and as such, these loans are either excluded (personal) or included under operational business loans.

**North American Industry Classification System (NAICS):** A business classification system that facilitates the comparison of statistics of business activities across North America. Companies are classified and separated into industries defined by the same or similar production processes. For business loans in Vancity's portfolio where we know company revenue, we apply the appropriate emission factor for the sector based on NAICS per unit of revenue (e.g., tCO<sub>2</sub>e per dollar revenue earned in a sector).

**Net zero:** Reducing GHG emissions and investing in solutions that bring the balance of your emissions to net zero. Once reductions have come as close to zero as possible, remaining solutions may include carbon sequestration through forests or other nature-based solutions and/or technologies that sequester (or trap) GHG emissions. Many businesses (and governments) are setting time-bound targets for net zero (e.g., Vancity is committed to net zero by 2040).

**Off-balance sheet managed client investments:** Discretionary and non-discretionary member and client investments, such as mutual funds, stocks, bonds, or cash and cash equivalents, which we manage on their behalf.

**On-balance sheet assets:** Everything a company owns that is determined to have a future economic benefit, and that is reported on the balance sheet.

**Operational business loans:** See Business loans.

**Operational emissions:** The emissions generated by a company's operations, expressed in tonnes of carbon-dioxide equivalent (tCO<sub>2</sub>e). At Vancity, operational greenhouse gas emissions include those from premises energy use, paper use, our vehicle fleet, employee business travel by vehicle or air, and employee commuting to and from work in a vehicle.

**Partnership for Carbon Accounting Financials (PCAF):** An industry-led initiative enabling financial institutions to measure and disclose greenhouse gas (GHG) emissions of loans and investments.

**PCAF Global GHG Standard:** Open-source methodologies that enable financial institutions to measure the greenhouse gas emissions associated with their loans and investments. The Global GHG Standard provides detailed methodological guidance to measure and disclose GHG emissions by specific asset class.

**Project finance:** Per the PCAF Global GHG Standard, for the purposes of emissions reporting, this asset class includes loans or equities to projects for specific purposes (i.e., with known use of proceeds as defined by the GHG Protocol) that are on the balance sheet of the financial institution. The financing is designated for a defined activity or set of activities, such as the construction and operation of a wind or solar project, or energy efficiency projects. (Note that construction and installation emissions are current excluded from Vancity's emissions reporting).

**Residential buildings:** Defined according to SBTi's Sectoral Decarbonization Approach, residential buildings refer to private dwellings such as apartments and houses, and include single-family and multi-family buildings. We used this definition to establish base year data for our near-term climate targets.

**Residential mortgages:** Per the PCAF Global GHG Standard, for the purpose of emissions reporting this asset class includes on-balance sheet loans provided to individual for the specific purpose of purchasing or refinancing residential property. Residential property used to conduct income-generating activities (e.g., properties that are owned by a business and rented out) are included under commercial real estate. Revolving lines of credit including Home Equity Lines of Credit (HELOCs) are excluded as not required per PCAF.

**Science Based Targets initiative (SBTi):** SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI), and the World Wide Fund for Nature (WWF). Its goal is to drive ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets.

**Scope 1 emissions:** Direct emissions that occur from sources owned or controlled by the reporting company (i.e., emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.).

**Scope 2 emissions:** Emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company.

**Scope 3 emissions:** All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. Upstream emissions are the indirect emissions related to suppliers, from the purchased materials that flow into the company to the products and services the company utilizes. Downstream emissions are the emissions related to customers, from selling goods and services to their distribution, use, and end-of-life stages. The downstream category also includes investment emissions, known as financed emissions and of particular relevance for financial institutions.

**Scope 3, category 15 (investments) financed emissions:** This category includes scope 3 emissions associated with the reporting company's loans and investments in the reporting year. Note that scope 3 (15) for Vancity equates to scope 1 and 2 for our members and clients – and scope 3 where required and/or data and methodologies exist.

**Small- and medium-sized businesses/enterprises (SMEs):** According to Industry Canada, small businesses are businesses with 1 to 99 employees; medium-sized businesses are businesses with 100 to 499 employees.

# Disclosure checklist: Net-Zero Banking Alliance Target Setting Guidelines for Banks.

Note that the following checklist applies to on-balance sheet lending and investments, and capital market activities. Managed client investments fall under the Net Zero Asset Management Initiative.

Topic	Section or page (or link if in another report)
<b>Financed emissions</b>	
<b>Emissions profile</b>	Financed emission profile <a href="#">pages 30–44</a> (we cover six asset classes, and we apply the PCAF methodology; we have provided current and prior year data for all asset classes, and progress since 2019 for our targets)
<b>Coverage</b>	<a href="#">Page 31</a> (in 2023, we measured emissions for 68 per cent of lending and 12 per cent of on-balance sheet financial investments. We do not participate in capital market activities besides loan syndications, and we include our share of these in our real estate targets)
<b>Carbon-intensive sectors</b>	<a href="#">Pages 40–41, 42, and 44</a> (real estate is currently the only significant sector we lend to or invest in)
<b>Reporting of emissions</b>	Financed emission profile <a href="#">pages 30–44</a> (we report absolute emissions intensity, portfolio wide emissions intensity, and real estate sector emissions physical intensity (CO <sub>2</sub> e per square metre))
<b>Disclosure</b>	Financed emission profile <a href="#">pages 30–44</a> (see coverage and exclusions)
<b>Targets</b>	
<b>Long-term target</b>	Climate Commitments <a href="#">page 6</a> (net zero by 2040 for all loans)
<b>Intermediate target</b>	Near-term portfolio climate targets <a href="#">page 10</a> (targets for real estate: commercial service buildings and residential buildings)
<b>Target types</b>	Near-term portfolio climate targets <a href="#">page 10</a> (absolute emission reduction targets)
<b>Base year</b>	Near-term portfolio climate targets <a href="#">page 10</a> (our base year for our real estate targets is 2019)
<b>Scenarios</b>	2022 Climate Report, page 33 (we used the SBTi's real estate target-setting tool which uses the IEA ETP B2DS reference scenarios for commercial services and residential buildings, adjusted to a 2040 end point)

Topic	Section or page (or link if in another report)
<b>Carbon-intensive sectors</b>	<a href="#">Pages 40–41, 42, and 44</a> (table and notes on our exposure)
<b>Sector selection</b>	<a href="#">Page 10</a> (real estate is currently the only significant sector we lend to or invest in)
<b>Sector definition</b>	<a href="#">Pages 40–41, 42, and 44</a> (we use NAICS for lending to define high emitting sectors, and GICS for on-balance sheet investments)
<b>Emissions coverage of clients</b>	Financed emissions profile <a href="#">pages 30–44</a> (we include client scopes 1, 2, and 3 for lending. We do not include scope 3 for on-balance sheet investments due to data limitations)
<b>Scope of financial activities</b>	In terms of the dollar value, in 2023 our 2025 real estate targets covered 66 per cent of on-balance sheet loans. In terms of measured emissions, the percentage was 79 per cent (client scope 1 and 2), or 49 per cent (all client scopes). See <a href="#">pages 39</a> (lending) and <a href="#">43</a> (financial investments) for our financial exposure to NZBA priority sectors. Of these sectors, we consider Vancity to have material exposures to only commercial and residential real estate, for which we have established targets.
<b>Automatic inclusion</b>	We do not have loan clients or investees with more than five per cent revenues from thermal coal mining, and we only lend or invest in electricity generation activities.
<b>Other considerations</b>	
<b>Governance</b>	Our 2025 targets were approved by our executive leadership team and Board of Directors
<b>Revision of targets</b>	<a href="#">Page 12</a> (we have plans to review our targets in 2024)
<b>Assurance</b>	See our <a href="#">Annual Report</a> page 10 (progress on our targets 2019–2023 was assured to a limited level)
<b>Offsets</b>	<a href="#">Page 12</a>

We'd like to hear your thoughts on this report. Send comments and questions to [accountability@vancity.com](mailto:accountability@vancity.com), Stay connected with us on Instagram [@VancityCU](https://www.instagram.com/VancityCU), TikTok [@Vancity](https://www.tiktok.com/@Vancity), X (Twitter) [@vancity](https://twitter.com/vancity), and Facebook at [facebook.com/vancity](https://facebook.com/vancity)