

# Principles for Responsible Banking Self-Assessment.

2023 Annual Report

Vancity



# Introduction.

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

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

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

The PRB requires limited assurance on sections of this self-assessment report related to Principle 2, Impact and target setting (sections 2.1, 2.2, 2.3), and 5.1 Governance Structure for Implementation of the Principles (section 5.1). KPMG provided limited assurance over these sections (highlighted in blue below). For details, see KPMG LLP's independent practitioners' assurance report on page 29.

## Principle 1: Alignment



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

### Business model

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

#### Response

Vancity is a financial co-operative that operates within the territories of the Coast Salish and Kwakwaka'wakw people. Our head office is on the territory of the Musqueam, Squamish and Tsleil-Waututh Nations in Vancouver, British Columbia (BC). We are a member-owned, community-based, full-service financial institution with over 569,000 members, \$35.5 billion in assets and assets under administration, 2,639 employees, and 52 branches in Metro Vancouver, the Fraser Valley, Victoria, Squamish, and Alert Bay. Our active subsidiaries include Vancity Investment Management Ltd. (VCIM) and Vancity Community Investment Bank™ (VCIB™), which operates primarily from Toronto, Ontario, territory of multiple Indigenous nations, including the Haudenosaunee and the treaty territory of the Mississaugas of the Credit. Our primary lines of business include retail and business banking (deposit-taking and lending), commercial mortgage lending, and investment advice and services.

*Links and references (to 2023 Annual Report unless noted otherwise)*  
Business model, p. 7  
Active subsidiaries, p. 38  
Business and commercial loan portfolio by NAICS; Accountability Statements, p.53

### Strategy alignment

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

- Yes  
 No

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

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

- UN Guiding Principles on Business and Human Rights  
 International Labour Organization fundamental conventions  
 UN Global Compact

**UN Declaration on the Rights of Indigenous Peoples**

**Any applicable regulatory reporting requirements on environmental risk assessments, e.g., on climate risk - please specify which ones: IFRS S2 Climate-related Disclosures (voluntary)**

Any applicable regulatory reporting requirements on social risk assessments, e.g., on modern slavery - please specify which ones: -----

None of the above

**Response**

Our strategy and climate commitments are aligned with the Paris Agreement and support several SDGs. Based on our overall business plans and impact analyses, we focus our efforts on serving individuals' needs and societal goals around increased financial health and inclusion, reduced carbon emissions, Reconciliation with Indigenous people, and racial justice.

We work to help ensure equitable access to opportunities and build meaningful relationships with Indigenous partners by adopting the principles, norms, and standards of the UN Declaration on the Rights of Indigenous Peoples (UNDRIP).

In 2023, we continued the certification process through the Canadian Council for Aboriginal Business's Progressive Aboriginal Relations (PAR) framework, Canada's only corporate social responsibility program with an emphasis on Indigenous relations. We developed our Indigenous banking strategy with the PAR framework in mind.

*Links and references (to 2023 Annual Report unless noted otherwise)*

Message from the CEO, p. 6

Operating context and strategic priorities, p. 8

Reconciliation with Indigenous people, p. 32

Public policy and advocacy, p. 37

[Progressive Aboriginal Relations](#)

## Principle 2: Impact and Target Setting



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

### 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>1</sup> and fulfil the following requirements/elements (a-d)<sup>2</sup>:

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

#### *Response*

We refreshed our impact analysis in 2022 using UNEP-FI's updated Portfolio Impact Analysis Tools for Banks, applying the mapping tools for Institutional Banking, Consumer Banking, and Investment modules<sup>3</sup>. Data for business and consumer banking was as of July 31, 2022, and income and investment was as of August 31, 2022. This was complemented by stakeholder research and Partnership for Carbon Accounting Financials (PCAF) emissions analysis.

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

When measured by gross income, the total portion of our business under analysis in 2022 was 91 per cent. The remaining nine per cent includes Vancity's managed client assets, for which relevant data is not yet available. The most significant climate-related impacts are as a result of our loans and investments which we track and disclose as part of our financed emissions.

#### *Links and references (to 2023 Annual Report unless noted otherwise)*

Financed emissions, p. 22

2022 Principles for Responsible Banking Self-Assessment, Appendix: Impact analysis, p. 30

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

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

<sup>3</sup> Context Module Version 3 (July 2022); Consumer Banking Identification Module Version 3 (July 2022); Institutional Banking Identification Module Version 3 (July 2022); Investment Portfolio Impact Analysis Tool Version 1 (July 2021).

<p><b>b) <u>Portfolio composition:</u></b> Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope</p> <p>i) by sectors &amp; industries<sup>4</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or</p> <p>ii) by products &amp; services and by types of customers for consumer and retail banking portfolios.</p> <p>If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.</p>	
<p><b>Response</b></p> <p>Yes, we considered the composition of our portfolio in the 2022 analysis. Our consumer portfolio accounts for 67 per cent of our loan book and our business banking portfolio accounts for 33 per cent.<sup>5</sup> Real estate activities (51.7 per cent of portfolio) and construction of buildings (residential and commercial) (9.7 per cent) are the top two industry sectors in our portfolio of loans and mortgages to small- and medium-sized enterprises. Savings (93 per cent of members accessing), chequing accounts (71 per cent), and credit cards (40 per cent) are the top three consumer banking and lending products. For a complete breakdown see 2022 PRB Self-Assessment.</p>	<p><i>Links and references (to 2023 Annual Report unless noted otherwise)</i></p> <p>2022 Principles for Responsible Banking Self-Assessment, Appendix: Impact analysis, p. 30</p>
<p><b>c) <u>Context:</u></b> What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?<sup>6</sup> Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.</p> <p><i>This step aims to put your bank's portfolio impacts into the context of society's needs.</i></p>	
<p><b>Response</b></p> <p>When we used the UNEP-FI Context Analysis Tool in 2022 we re-confirmed the result of our 2021 analysis of priority challenges facing Canada that intersect with our own business activities and potential impacts areas:</p> <ul style="list-style-type: none"> <li>• Climate stability (based on greenhouse gas emissions)</li> <li>• Resource efficiency (based on energy, water, and materials consumption)</li> <li>• Waste (based on solid waste generated)</li> <li>• Housing (based on housing cost overburden for low- and middle-income owners and renters).</li> </ul> <p>We also considered the results of a 2022 survey of our members' priorities for Vancity to focus on.</p>	<p><i>Links and references (to 2023 Annual Report unless noted otherwise)</i></p> <p>2022 Principles for Responsible Banking Self-Assessment, Appendix: Impact analysis, p. 30</p> <p>Member priorities for Vancity to focus on, 2022 Annual Report, p. 42</p>

<sup>4</sup> 'Key sectors' relative to different impact areas, i.e., those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

<sup>5</sup> Using UNEP FI's Investment Portfolio module, we also analyzed the impact of Vancity's own investments including Treasury investments and owned real estate. Due to the small size of the portfolio, results were considered immaterial to the overall analysis results.

<sup>6</sup> Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

<p>In August 2023, we conducted research on Financial Health and Inclusion. 1,149 retail<sup>7</sup> members responded to a survey, which reflects a representative sample of our overall retail membership. The results reaffirmed the list of priority challenges listed above.</p>	
<p>Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)<sup>8</sup>? Please disclose.</p>	
<p><i>Response</i></p> <p>Our 2022 analysis re-confirmed climate and financial health and inclusion as Vancity's two most significant areas of impact. We prioritized these two areas in our target setting strategy. The analysis also showed Housing as a significant area of impact. We manage this area as a part of our Financial Health and Inclusion and Climate work, including development of specialized offerings and tracking relevant performance metrics, but we are not setting separate targets for Housing at this time.</p>	<p><i>Links and references (to 2023 Annual Report unless noted otherwise)</i></p> <p>2022 Principles for Responsible Banking Self-Assessment, Appendix: Impact analysis, p. 32</p>
<p><b>d) For these (min. two prioritized impact areas): <u>Performance measurement</u>.</b> Has your bank identified which sectors &amp; industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.</p> <p>In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e., qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health &amp; inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.</p> <p>If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.</p> <p><i>The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.</i></p>	
<p><i>Response</i></p> <p>By applying the mapping tools in UNEP FI's Portfolio Impact Analysis Institutional Banking, Consumer Banking, and Investment modules, we identified potential positive and negative impacts associated with sectors or products and disclosed these in the description of our impact analysis in our 2022 Annual Report and PRB Self-Assessment.</p> <p><b>Climate</b></p> <p>We measure and disclose our financed emissions annually, continuing to expand coverage and data quality<sup>9</sup> over time in line with the PCAF Global GHG Accounting and Reporting Standard. For example, in 2023 we invested resources into improving our financed emissions calculations, hiring dedicated employees, and implementing process and calculation improvements. We also developed a Base Year and Climate Target Recalculation Policy.</p>	<p><i>Links and references (to 2023 Annual Report unless noted otherwise)</i></p> <p>Financial health and inclusion, p. 16</p> <p>Financed emissions, p. 22</p> <p>Climate Report, Metrics and targets, p. 22</p> <p><a href="#">Net-zero commitment</a></p> <p><a href="#">Net-zero interim targets</a></p>

<sup>7</sup> "Retail" refers to individual members (i.e., not business members).

<sup>8</sup> To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g., through stakeholder engagement and further geographic contextualisation.

<sup>9</sup> For a discussion of data quality challenges, see the Climate Report page x.

Because most (approximately 98 per cent<sup>10</sup>) of our on-balance sheet loans and investments support real estate through lending to homeowners and businesses, we set targets for emissions reductions for residential and commercial service buildings. Progress made on both targets has been externally assured.

### Financial Health and Inclusion

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

In 2023, we built on research conducted in 2021 and 2022 to expand our understanding of the financial health and resilience of our members as well as the connection between climate and financial resilience. Needs can be greater for the following prioritized groups: Indigenous people, newcomers and refugees, and people experiencing financial hardship. While we plan to continue to pay particular attention to serving the needs within these communities, we plan to widen our impact to address needs common across the broader membership.

For target setting and performance measurement purposes we selected the average member financial confidence score<sup>11</sup>.

2022 Principles for Responsible Banking Self-Assessment, Appendix: Impact analysis, p. 32

## Self-assessment summary

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

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

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

#### Climate change mitigation

#### Financial health & inclusion

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

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

<sup>10</sup> Based on July 31, 2022, outstanding loan values, as used in our 2022 impact assessment.

<sup>11</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 weighted score across respondents.



## 2.2 Target Setting (Key Step 2)

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

The targets<sup>12</sup> have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) *Alignment:*** which international, regional or national policy frameworks to align your bank's portfolio with<sup>13</sup> have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

*You can build upon the context items under 2.1.*

### Response

#### Climate

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

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

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

#### Financial Health and Inclusion

In September 2023, we set and published a 2030 target to increase the average member financial confidence score to 8 out of 10.<sup>14</sup>

We were one of the founding signatories of the PRB's Commitment to Financial Health and Inclusion (CFHI) which required us to set and publish targets within 18 months of signing. Our target aligns with the priorities outlined in Canada's National Financial Literacy Strategy 2021 - 2026, with a focus on meeting members' needs for timely advice, accessible products and services, and financial empowerment.

*Links and references (to 2023 Annual Report unless noted otherwise)*

Financed emissions, p. 22

Climate Report, NZBA disclosure checklist: targets, p. 59

[Net-zero commitment](#)

[Net-zero interim targets](#)

[Climate Targets Technical Report](#)

[Financial health and inclusion target](#)

<sup>12</sup> Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

<sup>13</sup> Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

<sup>14</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 weighted score across respondents.

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

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

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

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

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

**Response**

**Climate**

In 2022, we established baseline (2019)<sup>15</sup> data for our first set of near-term climate target(s) focusing on two asset classes that are responsible for most of our known lending-related emissions: commercial mortgages and residential mortgages. We chose 2019 as the base year because this is the most recent representative year with data of sufficient quality, when our lending volumes were not affected by the pandemic. Our base year was more than two full reporting years prior to the year we set the targets, and as such is an exception to the Guidelines for Climate Target Setting for Banks. However, due to the impact of the pandemic on 2020 and 2021 data, the NZBA has clarified that a 2019 base year is acceptable for banks setting targets in 2022.

**Financial Health and Inclusion**

In 2023, we established baseline (2023) data for our target focusing on our retail members' level on confidence in their ability to successfully manage their financial situation over the next 12 months.

*Links and references (to 2023 Annual Report unless noted otherwise)*

Financed emissions, p. 22

Climate Report, NZBA disclosure checklist: targets, p.59

[Net-zero interim targets](#)

[Climate Targets Technical Report](#), Alignment with the UNEP FI's Guidelines for Climate Target Setting for Banks, p. 20

[Financial health and inclusion target](#)

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Climate change mitigation</i>	A.1.1 Climate strategy	Yes, we have a climate strategy in place.
	A.1.2 Paris alignment target	In progress. Our long-term portfolio-wide target is net zero by 2040. We're in progress of setting portfolio specific emission baselines and have set targets for our real estate lending portfolio. The 2019 baseline for residential buildings was 34,451 tCO <sub>2e</sub> and for commercial service buildings was 24,586 tCO <sub>2e</sub> .
	A.1.4 Portfolio analysis	Yes, we have analyzed (parts of) our lending and investment portfolio in terms of financed emissions (scope 3, category 15). We've analyzed our commercial and residential real estate lending portfolio, business loans, project management activities, as well as part of our owned and managed client investments. See our Climate Report for more details.
	A.1.5 Business opportunities and financial products <sup>16</sup>	Yes, we have developed financial products (such as green loans) tailored to support clients' and customers' reduction in GHG emissions. The portfolio balance for our Planet-Wise™ suite of products and commercial retrofit product was \$14.4 million.
	A.2.1 Client engagement process	Yes, we began an engagement process with clients regarding their strategy towards low(er)-carbon practices in BC. We're providing clients in our retail portfolio with

		access to a third-party service which provides them with advice on how to make updates to their home that will increase energy efficiency and decrease GHG emissions. This is available to any Vancity member with a single family detached or attached home, town home, or row home. In 2023, we added free coaching sessions for business on how to identify carbon emissions sources and learn potential cost-saving measures. We also offer discounts for BC Green business certification, up to 30 per cent off or free for Indigenous-owned businesses. We created a tracker and calculator workbook to help small and medium-sized businesses understand their greenhouse gas (GHG) emissions, available free on our website.
	A.3.1 Financial volume of green assets/low-carbon technologies	Our portfolio balance invested in green assets <sup>17</sup> was \$434.6 million.
	A.4.1 Reduction of GHG emissions	Financed emissions from residential buildings increased by 13 per cent and 4,416 tonnes CO <sub>2</sub> e since 2019 (baseline) and commercial services buildings decreased by 21 per cent and 5,220 tonnes CO <sub>2</sub> e since 2019 (baseline). <sup>18</sup>
<i>Financial health</i> <sup>19</sup>	B.4.3 Average member financial confidence score <sup>20</sup>	Average member financial confidence score: 7.4 (out of 10)
	B.4.4 Percentage of members with products connected to long-term savings and investment plans	Members with term deposits or GICs at Vancity and/or other providers: 61.8 per cent  Members with managed or self-directed investment products at Vancity and/or other providers: 61.4 per cent
	B.4.5 Percentage of members who	9.3 per cent

<sup>15</sup> Note that the financed emissions data used to set our two targets was based on earlier estimates of financed emissions. The actual percentage change in emissions is based on reticulated data (see page 31 of the Climate Report). 2019 data was restated due to several improvements to our real estate emissions calculations that better align with PCAF.

<sup>16</sup> See the Glossary for more details on climate-related business opportunities and financial products.

<sup>17</sup> Includes Vancity's total lending in projects, products or services that reduce the use of natural resources, generate renewable energy, finance the construction or purchase of buildings that meet or exceed acceptable green building standards (see Community Impact Transactions (CIT) Guidelines for acceptable green building standards), improve the energy efficiency of existing buildings, or finance the development of businesses and/or technologies that generate positive environmental benefits.

<sup>18</sup> We report Financed GHG emissions in accordance with the Global GHG Accounting and Reporting Standard for the Financial Industry issued by the Partnership for Carbon Accounting Financials ("PCAF Standard") with the exception of the calculation of attributable annual GHG emissions from residential and commercial service buildings to Vancity. The PCAF Standard requires an attribution factor to be calculated using a loan-to-value ratio based on the property value at the time of loan origination consistently over the life of the loan. Due to data limitations, we are currently unable to obtain a consistent, historic property value to calculate the loan-to-value attribution factor and therefore apply the most recent property value available, which may impact comparability year-over-year.

<sup>19</sup> Financial Health and inclusion results in this table are from a Vancity retail member survey conducted in August 2023.

<sup>20</sup> This is our interpretation of the suggested PRB metric B.4.3. *Percentage of customers who feel confident about their financial situation in the next 12 months*. Average member financial confidence score is 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 weighted score across respondents.

	could not cover an unexpected expense of \$5,000		
<p><b>c) SMART targets</b> (incl. key performance indicators (KPIs): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.</p>			
<i>Response</i>	<p><b>Climate</b></p> <p>Our target is to bring the emissions we finance through our loans and mortgages to net-zero by 2040.</p> <p>In 2022, we set the following interim targets:<sup>21,22</sup></p> <ul style="list-style-type: none"> <li>Commercial service buildings: 27% emissions reduction by 2025 from 2019 base year</li> <li>Residential buildings: 17% emissions reduction by 2025 from 2019 base year</li> </ul> <p>For supporting climate KPIs, see section 2.2 b) above.</p> <p><b>Financial Health and Inclusion</b></p> <p>In 2023, we set a target: increase the average member financial confidence score from 7.4 in 2023 to 8.0 by 2030<sup>23</sup>.</p> <p>To monitor progress towards achieving this target, we plan to periodically track, based on survey data, the percentage of retail members:</p> <ul style="list-style-type: none"> <li>Who could not cover an unexpected expense of \$5,000</li> <li>With products connected to long term savings (terms and GICs) and investment plans (managed or self-directed investment products)</li> </ul> <p>We are exploring how periodic tracking of the following additional indicators can help monitor progress towards achieving this target and further refine our Financial Health and Inclusion approach. Once initial data on these indicators and our target is understood, it's our intention to decide which indicators are most useful and meaningful in support of our action plan:</p>		<p><i>Links and references (to 2023 Annual Report unless noted otherwise)</i></p> <p>Financed emissions, p. 22</p> <p>Climate Report, NZBA disclosure checklist: targets, p. 59</p> <p><a href="#">Net-zero interim targets</a></p> <p><a href="#">Climate Targets Technical Report</a>, Alignment with the UNEP FI's Guidelines for Climate Target Setting for Banks, p. 20</p> <p><a href="#">Financial health and inclusion target</a></p>

<sup>21</sup> Our targets were calculated using the SBTi's SDA real estate target setting tool, version 1.2.

<sup>22</sup> Our real estate targets exclude loans where we don't have sufficient data to be able to estimate emissions, and loans used for construction and renovation of buildings. Construction and renovation loans are optional according to the PCAF Global GHG Standard due to complexities with measuring these emissions and a lack of a methodology.

<sup>23</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 weighted score across respondents.

<ul style="list-style-type: none"> <li>Based on survey data: the percentage of retail members who rate highly the extent of Vancity's role in building confidence to manage finances; find it difficult to meet necessary cost of living expenses; could not cover an unexpected expense of \$400 and who agree that they are on track to have enough money to provide for their future financial needs</li> <li>The percentage of retail members who in the previous six months exhibited an account behaviour indicative of difficulty managing day-to-day expenses.</li> <li>Number of active partnerships to achieve financial health and inclusion targets</li> </ul> <p>An additional dimension of Vancity's approach to financial health and inclusion is the connection to climate and climate justice. Recognizing that many Canadians are already grappling with the financial impact of climate-related weather events, we will continue to examine the impact of climate change on our communities' and members' financial health. We plan to track the following metrics as important indicators of the connection between climate and financial resilience. Based on survey data, the percentage of members who:</p> <ul style="list-style-type: none"> <li>Have been impacted by extreme weather events in the past 12-24 months</li> <li>Anticipate having to spend money to help prepare for extreme weather events this year</li> <li>Have significant financial stress from anticipated expenses to prepare for extreme weather events</li> </ul>	
<p><b>d) <u>Action plan:</u></b> which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>	
<p><i>Response</i></p> <p><b>Climate</b></p> <p>To both achieve our targets and mitigate negative impacts, we're focused on three key areas:</p> <ul style="list-style-type: none"> <li>Policy advocacy: includes advocating for sizable emissions reductions through public policies as well as helping ensure planned and existing policies are implemented and that they achieve the goals they were designed to achieve</li> <li>Member engagement: working across our membership to support emissions reductions in our communities associated with existing and future lending</li> <li>Clean growth: growing our lending in lower-emitting assets and businesses and investing in climate solutions will be key to supporting emissions reductions</li> </ul> <p><b>Financial Health and Inclusion</b></p> <p>Key next steps in our action plan to achieve our target include:</p> <ul style="list-style-type: none"> <li>Further developing internal data collection and reporting systems</li> <li>Continuing research and analysis to understand context, levers and initiatives driving financial confidence, particularly as it relates to vulnerable communities</li> <li>Reviewing and evaluating our current financial health and inclusion programs and partnerships for opportunities to scale, replicate, and embed successful initiatives</li> </ul>	<p><i>Links and references (to 2023 Annual Report unless noted otherwise)</i></p> <p>Public policy and advocacy, p. 37</p> <p>Climate Report, Strategy and decision making, p. 10</p> <p><a href="#">Financing an equitable climate transition</a></p>

- Identifying opportunities to support increased financial confidence, health and inclusion through existing programs and products

**Interlinkages**

We recognize that some of us are more vulnerable to the impacts of the climate emergency, and will bear more of its burdens, while others are better positioned to adapt their lives to the clean economy of the future. We are committed to financing an equitable climate transition, and our strategy to create a clean and fair world that leaves no one behind embodies this.

Our initial analysis using the UNEP-FI portfolio analysis tools shows that pursuing specific targets to drive impact in one area could potentially generate negative impacts or maintain status quo inequalities in another. For example, higher prices related to the energy transition may have an impact on people with lower incomes. Through stakeholder interviews we have further identified these interlinkages and opportunities to address them.

## Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: <b>Climate</b>	... second area of most significant impact: <b>Financial Health &amp; Inclusion</b>
Alignment	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> In progress <input type="checkbox"/> No

## 2.3 Target implementation and monitoring (Key Step 2)

### For each target separately:

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

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

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

### Response

#### Climate

We've been making progress on actions that will help to achieve our targets. Our work focuses on three key areas:

- Policy engagement: We have written position papers to government and regulators calling for, for example, adoption of zero emissions building codes and integration of climate-risk into British Columbia's financial regulations. Our submissions are available online.
- Member engagement: See 3.1 below.
- Clean growth: See for example commercial retrofit pilot in 3.2 below.

Progress on interim targets<sup>24</sup>:

Commercial service buildings, financed emissions  
2023 = 19,366 tCO<sub>2</sub>e  
Since 2019 = -21%

Residential buildings, financed emissions  
2023 = 38,867 tCO<sub>2</sub>e  
Since 2019 = +13%

#### Financial Health and Inclusion

In 2023, we set our financial health and inclusion target and developed an action plan (incorporated into our 2024 business plan).

*Links and references (to 2023 Annual Report unless noted otherwise)*

Financial health and inclusion, p. 16

Financed emissions, p. 22

Climate Report, Member and client engagement p.15 Policy advocacy and community engagement, p. 16

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

<sup>24</sup> Note that the financed emissions data used to set our two targets was based on earlier estimates of financed emissions. The actual percentage change in emissions is based on reticulated data (see page 31 of the Climate Report). 2019 data was restated due to several improvements to our real estate emissions calculations that better align with PCAF.

## Principle 3: Clients and Customers



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

### 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers<sup>25</sup> in place to encourage sustainable practices?

Yes       In progress       No

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

Yes       In progress       No

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

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

#### Response

##### Climate

Policy advocacy:

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

Vancity regularly engages with decision makers at every level of government in service of our members, business, and regulatory needs and to advance our commitment to building a clean and fair world. Our climate commitments are highly dependent on enabling government policy and regulations. We've formed strategic partnerships and networks to serve those goals and drive systemic change. We've also begun building coalitions of stakeholders who share our goals, as well as working with community partners to inform research and initiatives that serve to illuminate and elevate the profile of our advocacy priorities.

Shareholder engagement is a key component of Vancity Investment Management's (VCIM) responsible investment process and climate risk strategy. 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-

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

Diversity and anti-racism, p. 18

Public policy and advocacy, p. 37

Responsible marketing and selling; Accountability Statements, p. 7

Member feedback mechanisms; Accountability Statements, p. 3

Ethical Principles for Business Relationships, Accountability Statements, p. 36

Climate Report, Member and client engagement, p. 15

[Advocating for equitable climate action](#)

[Business Decarbonization videos](#)



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.

[VCIM Shareholder Engagement Report](#)

#### Member engagement:

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

To that end, in 2023, we provided targeted training on building retrofits to our Community Business Account Managers, Small Business Advisors, and Branch Business Account Managers. This continued their education on the business case for deep energy retrofits, how to identify good opportunities within our membership and how to talk to members. This was done to complement the launch of the Commercial Retrofit Financing Pilot (see 3.2).

In 2023, we began offering free coaching sessions for businesses through a community partner on how to identify carbon emissions sources and learn potential cost-saving measures. Through the coaching the business will create a personalized climate action plan. We also began offering discounts to BC Green Business, a provincial certification program. We're giving members 30 per cent off their first year and the program is free for Indigenous-owned businesses. We also created a tracker and calculator workbook to help small and medium-sized businesses understand their greenhouse gas (GHG) emissions, available free on our website. Finally, we created a series of educational videos on business decarbonization to help teach businesses the basics of where emissions come from, how to measure, and how to start taking action.

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

#### Financial Health and Inclusion

Engagement is at the heart of Vancity's financial health and inclusion work. These interactions between members and employees are core to understanding and improving a) our members' access to financial services, and b) the impact of our products and services on their financial health and resilience. In 2024, we plan to identify specific actions related to client engagement and our target for financial health and inclusion.

Collaboration with organizations in our community, through community partnerships, is a primary tool for client engagement. These partnerships touch on financial education, advocacy, low-barrier access to financial services and advice, and they provide valuable resources and support for members who are financially vulnerable. For example, in 2023 we continued to roll out the Wealth Mindset program – a series of workshops on Indigenous financial resilience that are delivered in partnership between trained Vancity employees and Indigenous organizations. The courses aim to remove barriers for Indigenous people to build wealth, and to pass learnings down to future generations.

Client engagement is an important part of our target setting process. For example, we conduct financial health surveys of our members to further our understanding of financial health, resilience, and inclusion challenges and opportunities.

#### Other

We apply our Ethical Principles for Business Relationships when deciding with whom to do business (e.g., opening business accounts, lending, suppliers, etc.). We welcome the opportunity to work with organizations that value: accountable and sustainable business; leadership that engages in co-operative principles and practices; economic and social inclusion for all people; strong and resilient communities; and environmental and sustainability leadership.

## 3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g., green mortgages – climate, social bonds – financial inclusion, etc.).

#### Response

The main driver of our climate commitments is enabling our members to successfully transition to a clean and fair economy. To achieve this, we employ both a variety of banking tools and our ability to advocate on behalf of our members to policymakers at every level of government to encourage sustainable practices and enable sustainable economic activities.

#### Climate

Our Planet-Wise™ suite of products and services was designed to help our retail and small- and medium-sized business members take climate action in affordable ways. These products address sustainable transportation, renovations, and teardowns. Planet-Wise™ Business Solutions helps finance energy-efficient and climate-friendly initiatives for businesses and not-for-profits. The portfolio balance for Planet-Wise™ suite of products and commercial retrofit product was \$14.4 million (SDG 11 Sustainable cities and communities).

In 2023, we explored how conventional finance tools could be used to incentivize and support deep retrofits in our commercial mortgage portfolio. After market scans and focus groups we decided to run a pilot to test some alternative lending terms. In July we officially launched our Commercial Retrofit Financing Pilot which seeks to finance retrofits for-profit and non-profit owned buildings across all asset classes. To be eligible buildings must implement upgrades that will reduce the annual emissions by a minimum of 30 per cent and share their EnergyStar™ Portfolio Manager account with Vancity. In return, Vancity is able to offer extended amortization, lower debt servicing requirements, and preferred pricing. After training our employees in this program they began having active conversations with existing members to look for opportunities where this program could be a good fit.

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

*Links and references (to 2023 Annual Report unless noted otherwise)*

Affordable housing, p. 17

Products and services to address climate change, p. 23

Responsible investment, p. 25

Supporting local communities, p. 31

Public policy and advocacy, p. 37

[Sustainability Issuance Framework](#)  
2023 Sustainability Issuance Report

We provide developers with financing that includes upgrades that aim to significantly improve energy-efficiency and/or install significant onsite renewable energy generation i.e., photovoltaics (PV –solar electric) or solar thermal, or other renewable energy source. In 2023, we financed 729,635 square feet of energy efficient buildings (SDG 11 Sustainable cities and communities).

### **Financial Health and Inclusion**

We provide an array of products and services in support of financial inclusion, often starting with essential supports such as securing identification for members. Pigeon Park Savings provides low-barrier access to basic financial services to people living on low incomes in Vancouver’s Downtown Eastside. Vancity’s Resettlement Assistance Program provides account opening and financial literacy to newcomers and refugees settling in BC. Our micro-loan program provides low-barrier access to credit to targeted groups such as Black entrepreneurs, newcomers and women. Our Foreign Credential Loan Program provides lending for foreign trained individuals encountering issues related to the recognition of their academic credentials. Since 2014, the Vancity Fair & Fast Loan™ has provided an alternative to payday loans. (SDG: 1 No Poverty, 5 Gender equality, 8 Decent work and economic growth, 9 Industry, Innovation and Infrastructure, 10 Reduced inequality, 17 Partnerships for the goals).

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

We support developers to provide affordable housing through predevelopment loans and lending for below-market residential housing.

### **Interlinked**

We’re focused on increasing the assets we have and the lending we do that have a positive community impact (TBLAA). Our TBLAA assets grew to \$11.8 billion. (SDG 11 Sustainable cities and communities).

In 2023, we published a Sustainability Issuance Framework to support us in raising capital for loans and investments with positive social and environmental impact. We made issuances of \$200 million in sustainability bearer deposit notes (BDNs).

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

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

We’ve committed to offering responsible investment options that can demonstrate the integrity of their environmental, social, and governance (ESG) screening and stewardship process. We’ve been raising awareness of the benefits of Responsible Investment, and our net sustainable wealth management inflows were \$117 million in 2023 (SDG 11 Sustainable cities and communities).

## Principle 4: Stakeholders



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

### 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups<sup>26</sup>) you have identified as relevant in relation to the impact analysis and target setting process?

Yes       In progress       No

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

#### Response

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

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

Vancity regularly engages with decision makers at every level of government in service of our members, business, and regulatory needs and to advance our commitment to building a clean and fair world.

In 2023, we participated in meetings with key policymakers on topics such as climate resilience and disclosure, poverty reduction, and affordable housing.

*Links and references (to 2023 Annual Report unless noted otherwise)*

Asset management and corporate engagement, p. 25

Public policy and advocacy, p. 37

[Sustainable Finance Action Council](#)

Our CEO sits on the UNEP Finance Initiative Leadership Council, a high-level body championing the integration of sustainability considerations into financial practice and fostering industry uptake of the PRB, and our Chief External Relations Officer and Head of Impact Strategy (CERO) is on the UNEP FI Banking Board, which oversees implementation of the PRB.

Our CERO also sits on the Government of Canada's Sustainable Finance Action Council, helping to lead the Canadian financial sector towards integrating sustainable finance into standard industry practice.

Employee Resource Groups (ERG) are voluntary, employee-led groups intended to foster a diverse, inclusive workplace. There are six Vancity ERGs: mental health, persons with disabilities, racial equity, Indigenous, women's equity, and 2SLGBTQIA+. These groups provide advice on how to advance our diversity and inclusion goals.

Through Vancity Investment Management, we manage socially responsible funds and undertake shareholder engagement activities.

Vancity is one of Canada's largest private-sector Living Wage Employers.

# Principle 5: Governance & Culture



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

## 5.1 Governance Structure for Implementation of the Principles

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

Yes       In progress       No

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

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

Vancity's Board of Directors acts as steward of our organization, provides critical oversight, and helps ensure that members' money is invested in ways that improve our communities and align with the Principles. The Board receives reports in areas such as Indigenous banking, climate commitments, and co-operative values and principles. The Board monitors progress on PRB targets and receives and approves our annual PRB Self-Assessments.

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

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

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

*Links and references (to 2023 Annual Report unless noted otherwise)*

Targets and results, p. 10  
 Shared Success, p. 28  
 Board of Directors, p. 34  
 Structure and executive leadership team, p. 38  
 Climate Report, Governance p. 7

We allocate 30 per cent of our profits to members and communities through our Shared Success program which the Board approves annually. This is one of the tools we have to promote positive and mitigate negative impacts.

## 5.2 Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

### *Response*

#### **Capacity building**

All employees are expected to complete annual training on policies and procedures concerning aspects of human rights and on our Code of Conduct. In 2023, as part of our commitment to the Progressive Aboriginal Relations (PAR) certification, we introduced values-based learning to support Indigenous cultural safety education and training for all Vancity employees. Recently, we have offered training on topics such as anti-racism, active bystanders, neurodiversity, psychological safety, and the climate emergency and Vancity's climate commitments. Several employees have participated in global working groups designed to help implement various aspects of the Principles for Responsible Banking. And several leaders have participated in the Global Alliance for Banking on Values (GABV) leadership academy and other GABV activities.

#### **Leadership communications**

We hold regular events with the executive leadership team and all employees, including quarterly all-employee update meetings that address our climate commitments and our strategy, which include the creation of a clean and fair world that leaves no one behind. We've held townhall-style meetings on Reconciliation with Indigenous people, our climate commitments and becoming an anti-racist organization. Executives, including our CEO, who sits in the PRB leadership council and our CERO, who sits on the Banking Board, have held live chats that addressed different aspects of responsible banking.

#### **Remuneration and performance management**

Behaviours are 50 per cent of employees' annual performance evaluation and impact their incentive pay. These behaviours include a focus on values.

*Links and references (to 2023 Annual Report unless noted otherwise)*

Targets and results, p. 10

Compliance, Accountability Statements, p. 7

## 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?<sup>27</sup> Please describe.

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

### Response

In fulfilling our vision, we take calculated risks to seize opportunities to fulfill our strategic intent, while rigorously managing risks that could potentially harm or disrupt our community ecosystem of members, communities, and Vancity. To do this, we utilize the Risk Appetite Framework (RAF) and the Enterprise Risk Management Framework (ERM) to meet our strategic objectives and manage risks across the organization. Climate-related risk is one of nine key risk dimensions we monitor quarterly and report to both the Risk Management Committee and the Board Risk Committee. In 2023, we added a key risk indicator for Financial Health and Inclusion to the quarterly ERM dashboard.

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

Since 2020, we've reported our approach to managing climate-related risks and opportunities using the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) and in our 2023 Climate Report have built on this to begin to align with the International Sustainability Standards Board's (ISSB) new standard, IFRS S2 Climate-related Disclosures.

We conduct research as needed to deepen our understanding of our impacts. For example, in 2023, we assessed potential biodiversity impacts and dependencies in our portfolio related to our climate strategy.

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

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

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

*Links and references (to 2023 Annual Report unless noted otherwise)*  
Board of Directors, p. 34  
Structure and executive leadership team, p. 37  
Climate Report, Risk management p. 20

<sup>27</sup> Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.



## Self-assessment summary

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

Yes  No

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

Yes  No

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

Yes  In progress  No

## Principle 6: Transparency & Accountability



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

### 6.1 Assurance

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

Yes       Partially       No

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

#### Response

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

*Links and references (to 2023 Annual Report unless noted otherwise)*

KPMG LLP's independent practitioners' assurance report, p.29 (of this document)

### 6.2 Reporting on other frameworks

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

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

#### Response

Vancity's sustainability-related disclosures are aligned with relevant standards and frameworks from the Global Reporting Initiative (GRI), Sustainability Assurance Standards Board (SASB), as well as the Integrated Reporting Framework. In our 2023 Climate Report we have built on previous reporting per the Task Force on Climate-related Financial Disclosures (TCFD) to begin to align with the International Sustainability Standards Board's (ISSB) new IFRS S2 Climate-related Disclosures standard.

*Links and references (to 2023 Annual Report unless noted otherwise)*

About this report, p. 41

GRI Index, SASB Index, Accountability Statements, p. 60

Climate Report, About this report, p. 3

## 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>28</sup>, target setting<sup>29</sup> and governance structure for implementing the PRB)? Please describe briefly.

### Response

#### Climate

Our financed emissions targets are ambitious, and we have two key challenges when it comes to achieving them. First the emissions captured in the targets are not under our direct control; rather, they're the emissions generated by our members as they live their lives and operate their businesses. Secondly, we rely on highly estimated data that makes it challenging to assess actual progress towards our targets. However, we believe these targets along with the actions we and our members are taking, and the reductions that will be achieved through Government climate policy and regulations, are resulting in emissions reductions.

We plan to review our targets in 2024 using updated and externally assured base year data and applying (a) the updated requirements and guidance from the Net Zero Banking Alliance due for release in April 2024, and (b) a 1.5 degree aligned real estate target setting tool—most likely the SBTi's, which was not yet released in its final form at the time of writing.

We'll continue to review 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.

#### Financial Health and Inclusion

We will focus on implementing our action plan to meet our Financial Health and Inclusion target throughout 2024. Key steps include:

- Further developing internal data collection and reporting systems
- Continuing research and analysis to understand context, levers and initiatives driving financial confidence, particularly as it relates to vulnerable communities
- Reviewing and evaluating our current financial health and inclusion programs and partnerships for opportunities to scale, replicate, and embed successful initiatives
- Identifying opportunities to support increased financial confidence, health and inclusion through existing programs and products

In addition, we will continue to collect data on the indicators related to our target and KPIs. To assist us, in 2024, we plan to continue to participate in the PRB Learning Community and engage with and learn from other signatories.

*Links and references (to 2023 Annual Report unless noted otherwise)*

<sup>28</sup> For example, outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

<sup>29</sup> For example, outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

## 6.4 Challenges

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

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

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

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

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

Related to the above checked challenges, our Climate Report provides detail on the complexities and limitations in measuring financed emissions, setting targets, measuring targets, and other challenges encountered (page 24).

## KPMG LLP’s independent practitioners’ reasonable and limited assurance report.

### To the members of Vancouver City Savings Credit Union (“Vancity”):

We have undertaken an assurance engagement, in respect of the year ended December 31, 2023, on certain information disclosed in Vancity’s Annual Report (the “Report”) and in Vancity’s Principles for Responsible Banking Self-Assessment (the “PRB Self-Assessment”).

### Subject matter information, level of assurance and applicable criteria

The scope of our assurance engagement, as agreed with management, comprises the following performance information and criteria:

Collectively the “Subject Matter Information”	Level of Assurance	Criteria relevant to the Subject Matter Information
<b>Subject Matter 1 for the year ended December 31, 2023</b>		
Vancity’s progress on organizational targets and results indicated with symbol ● on pages 10-11 of the Report	Reasonable	Criteria internally developed by management as described in the 2023 Annual Report Glossary and the Accountability Statements available at <a href="http://www.vancity.com/AnnualReport">www.vancity.com/AnnualReport</a>
<b>Subject Matter 2 for the year ended December 31, 2023</b>		
Vancity’s responses to the following United Nations Environment Programme Finance Initiative Principles for Responsible Banking (UNEP-FI PRB)’s requirements and indicated with blue shading on pages 5 – 15 and 22 of the PRB Self-Assessment:	Limited	The UNEP-FI PRB’s Self-Assessment Template questions for requirements 2.1, 2.2, 2.3 and 5.1 and the <i>UN PRB Reporting and Self-Assessment Template Reviewed version (V2) from September 2022</i>
<ul style="list-style-type: none"> <li>• 2.1 Impact analysis</li> <li>• 2.2 Target setting</li> <li>• 2.3 Target implementation and monitoring</li> <li>• 5.1 Governance structure for implementation of the principles</li> </ul>	Limited	Criteria internally developed by management, as described in the 2023 Annual Report Glossary, Accountability Statements, and Climate Report available at <a href="http://www.vancity.com/AnnualReport">www.vancity.com/AnnualReport</a>
Vancity’s progress on other commitments and associated measures indicated with symbol ▲ on page 10 of the Report		
<b>Subject Matter 3 for the year ended December 31, 2023</b>		
Vancity’s operational Scope 1 + 2 and Scope 3 GHG emissions indicated with symbol ▲ on page 10 of the Report	Limited	<ul style="list-style-type: none"> <li>• The World Resources Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol (“GHG Protocol”) – Corporate Accounting and Reporting Standard Revised Edition;</li> <li>• The GHG Protocol Scope 2 Guidance, An amendment to the GHG Protocol Corporate Standard; and</li> <li>• The Corporate Value Chain (Scope 3) Accounting and Reporting Standard as applicable to Scope 3 emissions</li> </ul>
<b>Subject Matter 4 for the years ended December 31, 2019 and December 31, 2023</b>		
Vancity’s Financed GHG emissions and Percentage change since 2019 from residential mortgages and commercial real estate indicated with symbol ▲ on page 10 and 22 of the Report	Limited	<ul style="list-style-type: none"> <li>• Target setting guidance provided by the Science Based Targets initiative (“SBTI”)</li> <li>• The Global GHG Accounting and Reporting Standard for the Financial Industry (2020) issued by the Partnership for Carbon Accounting Financials (“PCAF Standard”)</li> </ul>

For the purposes of the remainder of our assurance report:

- “Reasonable Assurance Subject Matter” refers to Subject Matter 1 identified above that was subject to reasonable assurance;
- “Limited Assurance Subject Matter” refers to Subject Matters 2 – 4 identified above that were subject to limited assurance;
- “Subject Matter Information” refers to all information subject to assurance (both reasonable assurance and limited assurance); and
- “Applicable Criteria” refers to the criteria relevant to the Subject Matter Information as identified in the table above.

Other than as described in the table above, we did not perform assurance procedures on the remaining information included in the Report and the PRB Self-Assessment, and accordingly, we do not express a conclusion on this information.

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

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

## Management’s responsibilities

Management is responsible for the preparation and presentation of the Subject Matter Information in accordance with the Applicable Criteria. Management is also responsible for such internal control as management determines necessary to enable the preparation and presentation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error. This responsibility includes determining Vancity’s objectives in respect of accountability performance and reporting, including the identification of stakeholders and material issues, and selecting or developing appropriate criteria.

## Practitioner’s responsibilities

Our responsibility is to form an independent reasonable assurance opinion and limited assurance conclusion, based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the Canadian Standard on Assurance Engagements (“CSAE”) 3000, *Attestation Engagements Other than Audits or Reviews of Historical Financial Information* and CSAE 3410, *Assurance Engagements on Greenhouse Gas Statements*. These standards require that we plan and perform our procedures to obtain reasonable or limited assurance about whether the Subject Matter Information is free from material misstatements, whether due to fraud or error.

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

## Reasonable assurance opinion approach

The nature, timing and extent of procedures depended on our professional judgement including an assessment of the risks of material misstatement, of the Reasonable Assurance Subject Matter, whether due to fraud or error. We identified and assessed the risks of material misstatement through understanding the Reasonable Assurance Subject Matter and the engagement circumstances. We also obtained an understanding of the internal control relevant to the Reasonable Assurance Subject Matter in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. Our reasonable assurance engagement included, amongst others, the following procedures:

- Assessing the suitability of the criteria used by Vancity in preparing Subject Matter 1;
- Evaluating the appropriateness of reporting policies, quantification methods, and models used in the preparation of the Reasonable Assurance Subject Matter and the reasonableness of estimates made by Vancity;
- Testing the design of internal controls, and where appropriate the operating effectiveness, relating to the collection and reporting of data measuring the Reasonable Assurance Subject Matter;

- Recalculating the reported metrics that comprise the Reasonable Assurance Subject Matter;
- Sample testing the underlying source data to supportive evidence; and
- Evaluating the overall presentation of the Reasonable Assurance Subject Matter.

## Limited assurance conclusion approach

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether the Limited Assurance Subject Matter has been prepared, in all material respects, in accordance with the Applicable Criteria.

The procedures selected depended on our understanding of the Limited Assurance Subject Matter and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. Our limited assurance engagement included, amongst others, the following procedures:

- Assessing the suitability of the criteria used by Vancity in preparing the Limited Assurance Subject Matter;
- Evaluating the appropriateness of the methods, policies, and models used in the preparation of Limited Assurance Subject Matter;
- Completing analytical reviews and trend analysis of the reported Limited Assurance Subject Matter;
- Completing enquiries of management and walkthroughs to understand the data collection and reporting processes for the Limited Assurance Subject Matter;
- Reconciling the reported data and claims comprising the Limited Assurance Subject Matter to underlying data sources and supporting evidence; and
- Evaluating the overall presentation of the Limited Assurance Subject Matter.

## Practitioner's independence and quality management

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

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

## Significant inherent limitations

Historical non-financial information, such as that contained in the Report and the PRB Self-Assessment, is subject to more inherent limitations than historical financial information, given the qualitative characteristics of the underlying subject matter and methods used for determining this information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable evaluation techniques, which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as described in the Applicable Criteria, may change over time.

It is important to read Vancity's reporting methodology in the 2023 Annual Report Glossary, the Accountability Statements, and the Climate Report available at [www.vancity.com/AnnualReport](http://www.vancity.com/AnnualReport).

## Emphasis of matter – Subject Matter 3

As discussed in note 1 on page 21 of the Report, the 2019 and 2022 operational GHG emissions have been restated to reflect changes in methodology, changes in the interpretation of guidance and the correction of errors. Our conclusion is not modified with respect to this matter.

## Other matter – Subject Matter 3

We have not been engaged to, and therefore do not, provide any assurance in respect of the restatements discussed in note 1 on page 21 of the Report. Our conclusion is not modified with respect to this matter.

## Reasonable assurance opinion

In our opinion, the Reasonable Assurance Subject Matter for the year ended December 31, 2023, is prepared and presented in all material respects, in accordance with the Applicable Criteria.

## Limited assurance conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and evidence obtained, no matters have come to our attention to cause us to believe that the Limited Assurance Subject Matter for the year ended December 31, 2023, and for Subject Matter 4 also for the year ended December 31, 2019, is not prepared and presented, in all material respects, in accordance with the Applicable Criteria.

## Restriction on use

Our report is intended solely for use by Vancity for the purpose(s) set out in our engagement agreement. Our report may not be suitable for any other purpose and is not intended for use or reliance by any third parties. While KPMG LLP acknowledges that disclosure of our report may be made, in full, by Vancity in Vancity's Annual Report and PRB Self-Assessment, KPMG LLP does not assume or accept any responsibility or liability to any third party in connection with the disclosure of our report.



Chartered Professional Accountants  
May 2, 2024  
Vancouver, Canada