

outstanding service

inside

Member profile data

About our member satisfaction survey

Member survey results on being treated with respect

Resolution of complaints

Member survey results on addressing concerns in a timely manner

Member survey results on protecting their right to privacy

Member survey results on giving their input and concerns careful consideration

Ways members can provide feedback and input

Our new products and services

Vancity Investment Management

Inhance Investment Management

Insurance products with social or environmental benefits

Providing good advice to help members achieve their financial goals

Member survey results on achieving financial goals

Online Business Plus

Approved business loans by size

Business loans and commercial mortgages outstanding

Mortgages for self-employed members

Micro-finance solutions for our members

Support for non-profits and co-operatives through education

Banking services available to all members

Service charges for key accounts

Access to basic financial information and advice

Assisting members who are new to Canada

Credit provided through specialized services and community partnerships

Aboriginal engagement strategy

Meeting the needs of our members with disabilities

Openings/closings/relocations of branches and ATMs

more on membership growth

Member profile data

Distribution of members by account type				
	Account type	2005	2004	2003
Vancity Credit Union	personal	89%	89%	89%
	business	10%	10%	9%
	non-profit organizations	2%	2%	2%
Citizens Bank	personal	98%	98%	96%
	business	2%	2%	4%
	non-profit organizations	included in with business members		

Personal members by age and gender (2005)			
		Vancity Credit Union	Citizens Bank
Age	1-19	9%	1%
	20-24	4%	3%
	25-34	13%	17%
	35-44	22%	29%
	45-54	22%	24%
	55-64	15%	14%
	65-74	8%	7%
	75+	6%	4%
	age not available	1%	2%
men		52%	61%
women		46%	39%

Personal and business members by geographic region		
	Region	2005
Vancity Credit Union	Vancouver	48%
	Rest of Lower Mainland	34%
	Victoria capital region	2%
	Rest of British Columbia	7%
	Other	10%
Citizens Bank	British Columbia	44%
	Alberta	16%
	Ontario	33%
	Other	8%

more on overall service satisfaction

About our member satisfaction survey

Every year, we survey our members to understand them better and how satisfied they are with our services.

In 2005, the response rate for Vancity personal members was eight per cent. For business members it was nine per cent. For Citizens Bank it was ten per cent. The sampling error of the results, 19 times out of 20, is approximately plus or minus 1.8 per cent for Vancity personal, 4.8 per cent for Vancity business and 4.9 per cent for Citizens Bank.

We use a five-point response scale. We have reported the results for the percentage of members responding “totally satisfied/agree” (5) or “satisfied/agree” (4).

Member survey results on being treated with respect

Members agree they are treated with respect (2005)		
Vancity Credit Union	personal	81%
	business	84%
Citizens Bank	personal	85%

Seven per cent of Vancity personal, five per cent of business and seven per cent of Citizens Bank members surveyed were unable to provide an opinion.

more on addressing concerns and complaints

Resolution of complaints

At Vancity, the CEO’s office handles the majority of complaints that cannot be resolved by the business unit. In addition, our Directors are accountable to members; members can contact them directly at board_directors@vancity.com

At Citizens Bank, when issues can’t be dealt with within the business unit, they are escalated to the CEO’s office. If members are still not satisfied with the resolution, they can write a complaint to the ombudsperson. The Director of Corporate Compliance is the ombudsperson for Citizens Bank. There were 22 escalated complaints in 2005, all resolved by the CEO’s office.

Member survey results on addressing concerns in a timely manner

Members agree we perform well at addressing their concerns in a timely manner					
	Account Type	Progress since 2003	2005	2004	2003
Vancity Credit Union	personal	↑	66%	69%	60%
	business	↓	58%	62%	70%
Citizens Bank	personal	n/a	68%	n/a	n/a

In 2005, 18 per cent of Vancity personal, 20 per cent of business and 18 per cent of Citizens Bank members surveyed were unable to provide an opinion.

more on member privacy

Member survey results on protecting their right to privacy

Members agree that we protect their right to privacy					
	Account Type	Progress since 2003	2005	2004	2003
Vancity Credit Union	personal	↔	71%	74%	69%
	business	↑	71%	71%	67%
Citizens Bank	personal	n/a	69%	n/a	n/a

In 2005, 22 per cent of Vancity personal, 19 per cent of business and 26 per cent of Citizens Bank members surveyed were unable to provide an opinion.

more on opportunities for input

Member survey results on giving their input and concerns careful consideration

Members agree we give their input and concerns careful consideration		
Vancity Credit Union	personal	54%
	business	44%
Citizens Bank	personal	56%

Eighteen per cent of Vancity personal, 33 per cent of business and 36 per cent of Citizens Bank members surveyed were unable to provide an opinion.

Ways members can provide feedback and input

Members can provide input and feedback in different ways.

Vancity:


- Vote or run for the Board of Directors
- Attend Vancity's annual general meeting (AGM)
- Propose an ordinary or special resolution for Vancity's AGM
- Vote for enviroFund issue areas (In 2005, more than 1,700 Vancity VISA cardholders voted)
- Vote for Vancity's \$1 million Award (In 2005 more than 16,000 Vancity members voted)
- Send a letter or email feedback@vancity.com
- Email Vancity's Board of Directors board_directors@vancity.com

Citizens Bank:

- Email Citizens Bank's President and CEO ceo@citizensbank.ca or the ombudsman: ombudsman@citizensbank.ca
- Nominate or vote for Citizens Bank's Shared Interest Award (In 2005, more than 800 Citizens Bank members voted)

All:


- Provide feedback to branch, contact-centre staff, by mail or online through our websites
- Participate in research (surveys, focus groups)

 For more information on how to contact us, visit our websites: vancity.com/MyMoney/ContactUs or citizensbank.ca/Personal/AboutUs/ContactUs

more on our range of products and services

Our new products and services

Over the past couple of years Vancity and Citizens Bank have launched a number of new VISA products and redesigned Vancity's current suite of cards.

 For more information on our VISA cards, go to vancity.com/envirovisa or citizensbank.ca/visa

In 2005, Citizens Bank introduced the Ultimate Savings Account. This high interest savings account earns the best savings account rate compared to the major banks¹.

Inhance Investment Management broadened its mutual fund offerings to better meet member needs and provide a complete suite of socially responsible investment options. The funds employ many leading practices in the mutual fund industry, including capped management expense fees and penalties for frequent trading. This helps to ensure that all unit-holders are treated fairly and that returns from investments go towards increasing fund value.

Vancity Investment Management

Investors can access Vancity Investment Management's (VCIM) services with a minimum investment of \$350,000 (an increase of \$100,000 since 2003). Typically, many of its competitors have minimum investments of \$500,000 or more.

VCIM has a policy of contacting each client annually, at a minimum, to review their portfolio's performance and objectives. This contact may be completed by phone or through face-to-face meetings depending on the clients' preference. VCIM's Economic Outlook is prepared and mailed with each quarterly statement and focuses on issues driving market valuations. It also invites clients to call their assigned portfolio manager at any time if they have questions regarding their investments or the market in general.

Inhance Investment Management

At Inhance, the minimum initial subscription for Class A units of a fund is \$500.

Investors receive either monthly or quarterly account statements depending on their account activity. Inhance issues a semi-annual and annual report to unit holders, provides daily updates on fund values, and has quarterly summaries of fund holdings on its web page.

¹ Major banks include Royal Bank of Canada, Bank of Montreal, Toronto-Dominion Bank, Canadian Imperial Bank of Commerce, Bank of Nova Scotia, ING Direct and President's Choice Financial.

Return on investment

Return on investment 2004 and 2005 (%)	2005	2004	2003
Canadian Social Equity Index Fund	24.27	15.17	24.97
S&P/TSX Composite Index (benchmark)	24.13	14.48	26.73
US Social Equity Index Fund	3.98	3.11	5.70
Standard and Poor 500 Index (benchmark)	2.28	2.8	5.26
Inhance Social Leaders Fund	-0.44	6.84	n/a
Inhance Social Impact Balanced Fund - A Class	9.51	5.66	n/a
Inhance Social Impact Balanced Fund - M Class	10.95	7.38	n/a

Insurance products with social or environmental benefits

Currently, Vancity Insurance brokers a variety of insurance products for non-profits and co-operatives, including property, liability, and directors' and officers' insurance.

In 2005, Vancity was involved in creating a special insurance agreement for residents of Dockside Green. The insurance coverage includes a commitment to repair and replace insurable damage with materials and labour practices that are equivalent to the environmentally responsible standards of the original construction. For more on Dockside Green, see C5 Socially responsible development.

Providing good advice to help members achieve their financial goals

In 2005 Vancity hired 12 new investment specialists who represent seven additional branches. Investment specialists are available to give investment advice and our ultimate goal is to have one investment specialist for each branch.

We also improved the tools that support our staff in giving financial advice by adding two financial calculators in 2005; enhancements were made to four other calculators. We launched a financial resource centre that helps all branch staff and specialists when faced with detailed financial advice questions from our members. In addition, an initiative in 2005 focused on improving Account Managers' ability to provide retirement advice.

Member survey results on achieving financial goals

Members agree we provide advice to help them achieve their financial goals no matter how modest these might be (2005)

Vancity Credit Union	personal	53%
	business	44%

Question not applicable to Citizens Bank members because we do not provide financial advice services. Twenty-seven per cent of Vancity personal and 27 per cent business members surveyed were unable to provide an opinion.

Member satisfaction with service received from financial advisors (2005)

Vancity Credit Union	personal	Advice regarding investments	70%
		Advice managing debt	84%
		Advice on planning for retirement	78%

Questions not applicable to Citizens Bank members because we do not provide financial advice services.

more on support for business

Online Business Plus

Online Business Plus, our newest addition to our online services, was introduced in 2005. This service was designed specifically to meet the needs of our small and medium-sized enterprises. Some of its features make it easier to securely manage multiple accounts and users and wire transfer funds.

Approved business loans by size

Sixty-five per cent of business loans approved at Vancity are under \$50,000. The average size of a business loan at Vancity in 2005 was \$286,736. At Citizens Bank it was \$4,763,156. This size difference is largely due to the fact that all commercial mortgages², including those approved by Vancity, are held on Citizens Bank's books. (See C2 More on support for small business and entrepreneurs.)

Approved business loans by size (2005) (millions of dollars)

Loan Size	Vancity		Citizens Bank		Total	
	Value	Number	Value	Number	Value	Number
\$0 - \$24,999	\$38.6	3,369	\$0	0	\$38.6	3,369
\$25,000 - \$99,999	\$86.6	2,126	\$0.2	2	\$86.8	2,128
\$100,000 - \$249,999	\$116.4	770	\$1.0	5	\$117.4	775
\$250,000 - \$499,999	\$165.5	481	\$5.5	16	\$171.0	497
\$500,000 - \$999,999	\$266.8	395	\$30.5	40	\$297.3	435
\$1,000,000 - \$499,999	\$738.5	384	\$246.5	104	\$985.0	488
\$5,000,000 and greater	\$765.6	71	\$830.9	67	\$1,596.5	138
Total Business Loans Approved	\$2,178.0	7,596	\$1,114.6	234	\$3,292.6	7,830

Totals may not be exact due to rounding.

² A commercial mortgage is a mortgage on real estate that is not owner-occupied.

Business loans and commercial mortgages outstanding

Business loans and commercial mortgages outstanding to for-profit businesses and non-profit organizations (2005) (millions of dollars)

Company	For profit businesses	Non-profit organizations	Total
Vancity Credit Union	\$1,561.6	\$54.9	\$1,616.5
Citizens Bank	\$267.6	n/a	\$267.6
Vancity Capital	\$28.3	\$2.7	\$31.0

Support for small business and entrepreneurs

Mortgages for self-employed members

Getting approved for a mortgage is often a challenge for entrepreneurs. To support our self-employed members, in 2004 Vancity introduced the Self-Employed Mortgage. This specialized mortgage product offers entrepreneurs with a good credit history and three years of business records a mortgage of up to 90 per cent of the value of their home. Buyers are not required to provide income verification and they have interest rate options.

Micro-finance solutions for our members

Introduced seven years ago, Vancity's Peer Lending program has helped about 700 people. We're the only financial institution in Canada to offer such a program. Peer Lending is a unique credit arrangement in which a small group of borrowers guarantee each other loans in lieu of collateral. The program looks at commitment and ability, rather than assets. Loans range from \$1,000 to \$5,000. More than half of the borrowers generated between \$500 and \$1,000 additional income per month. And, 40 per cent have developed enough skills to leave the program for new jobs or they've further grown their small business. The program has a 96 per cent repayment rate.

We are dedicated to supporting entrepreneurs with disabilities through our ABLED program (Advice and Business Loans for Entrepreneurs with Disabilities). The program offers loans for start-up or expansion of an existing business, and business management advice and training. Loan approval is based on non-traditional criteria like business viability and personal character.

In 2004 we developed our MOSAIC³ Immigrant Loan Program to help immigrant and refugee entrepreneurs build their credit ratings, access loans, and gain Canadian banking experience. This loan allows immigrants with foreign credentials to gain similar certification in Canada.

Many new immigrant micro-entrepreneurs face roadblocks when qualifying for loans due to lack of collateral, personal credit history or full-time employment. To help change this, Vancity has created a micro-credit toolkit. It is currently available to local non-profit organizations serving new immigrants through a partnership with MOSAIC.

The toolkit, which will be rolled out to other groups, is modeled after Vancity's Peer Lending Program, which helps entrepreneurs, the majority of whom are new immigrants, get better access to financial services.

³ MOSAIC is a Vancouver multicultural non-profit that works with new immigrants and refugees settling into Canada.

The majority of our micro-finance members surveyed are satisfied with the loans they received and agree that the loan helped them to establish or grow a business. A majority also agree the loans helped them earn more income, to improve their confidence and/or learn valuable new skills. About a third of members surveyed agreed the loans helped them to get a better job and/or to build or repair their credit rating.



More on our website at vancity.com/communitybusinessloans

- Information on peer lending, self reliance and ABLED loans



More on our website at vancity.com/mosaic

- Information on MOSAIC loans

Support for non-profits and co-operatives through education

As well as deposits and credit, we also support our non-profit and co-operative members through education. In 2005, the credit union and partners delivered workshops to around 175 participants from non-profits and cooperatives. The workshops consisted of:

- Financial Sustainability Workshop Series: eight workshops delivered in partnership with Volunteer Vancouver, United Way and Volunteer Victoria (Vancouver and Victoria)
- Financial Sustainability (Whistler)
- Leveraging Your Assets delivered in partnership with the BC Association for Community Living Annual Conference (Richmond)

more on access to financial services and social inclusion

Banking services available to all members

Vancity and Citizens Bank provide various lines of financial services for members. Visit www.vancity.com or www.citizensbank.ca for complete listing of products and services offered.

We offer all our services in English. In addition, many of our employees speak other languages. In our branches, we have signs written in those languages to show members what languages each employee can serve them in.

In 2005, Vancity eliminated fees for electronic transactions. This free, unlimited, anytime banking is available through vancity.com and the 24-Hour Service Line. Free services include bill payment options, access to detailed account information through cheque imaging and customized statements, and transfers among Vancity accounts.

Vancity's Easy Save Account and Term Deposit help members who find it difficult to save to get into a routine. Through monthly transfers into a savings account, funds are automatically converted to a term deposit when a minimum balance has been reached.

Service charges for key accounts

Account type	Institution	Monthly fee	Maximum number of transactions allowed	Fee/Transaction
Standard Chequing*	Vancity Chequing/Savings Package Account	\$10.00**	40 per month	\$0.25
	Citizens Bank Chequing/Savings Package Account	\$8.00**	unlimited	\$0.10
	Canadian Banks (range)	\$6.50 - \$12.95	25-unlimited	\$0.50-\$1.00
Low-fee Savings, no minimum monthly balance	Vancity Plan 24 Account	\$0.00	10 per month	\$0.50-\$0.70*
	Citizens Bank Ultimate Savings Account	\$0.00	4 per month	\$0.19*
	Canadian Banks (range)	\$0.00	0-2 per month	\$0.50-\$5.00
Senior	Vancity Gold Club Account (ages 55 +)	\$0.00	unlimited	\$0.00
	Citizens Bank Gold Club Account (ages 55 +)	\$0.00	unlimited	\$0.00
	Canadian Banks (range) (ages 60+)	\$0.00	12-unlimited	\$0.00-\$1.00
Investment	Vancity Investment Savings Account	\$0.00	2 per month	\$0.80-\$1.00*
	Citizens Bank Investment Account	\$0.00	4 per month	\$1.50*
	Canadian Banks (range)	\$0.00	0-unlimited	\$0.85-\$5.00
Youth/Student	Vancity Youth Account (includes children, teenagers, young adults under 25)	\$0.00	40	\$0.50-\$0.70
	Citizens Bank			Not available
	Canadian Banks (range) (includes ages under 18-under 21)	\$0.00-\$3.50	10-unlimited	\$0.00-\$1.00

Source: Canadian Financial Products & Service Charges Market Survey 2005, CUCBC; Canadian Banks include: BMO, CIBC, RBC, Scotiabank, TD Canada Trust and HSBC; Transactions include: balance inquiries, bill payments, transfers, ATM deposits and withdrawals (CAN), point of sale purchases, cheque clearing and pre-authorized payments.

+ Assumes 80 transactions = unlimited.

* Fee for transactions after free ones have been used.

** Fee is waived if minimum monthly balance is over \$1,000 or total deposits exceed \$25,000.

Access to basic financial information and advice

Vancity's personal members are most interested in receiving advice or information on how to save for personal goals, as well as planning for financial changes. Citizens Bank members also express a relatively high level of interest in understanding and using banking services.

In 2005, Vancity and community partners delivered 14 workshops, providing 187 participants with basic financial education/advice.

On our website we provide basic financial information and advice on a variety of topics such as saving money, insurance, tax planning, home ownership and family finances.

More on our website at vancity.com/planningandadvice

- Information on financial planning and advice

While the first step to self-sufficiency and financial sustainability is gaining access to financial services, it is not a complete solution. To assist low-income earners build their savings, Vancity partnered with the Burnside Gorge Community Centre, Canadian Mental Health Association - Vancouver Burnaby Branch, Mennonite Central Committee, West Coast Community Enterprise and EMBERS to start up matched savings programs⁴. During 2005, 109 individuals participated in our matched savings accounts programs to save for home ownership, a business start-up or expansion, self-employment, education or training. The 79 graduates of the programs saved over \$29,000 and matching grants earned totaled over \$88,000.

Assisting members who are new to Canada

In 2005, Vancity opened accounts for 1,723 members through our Resettlement Assistance Program.

 More on our website: vancity.com/rap

- Resettlement Assistance Program

Credit provided through specialized services and community partnerships

Credit provided through specialized services and community partnerships (2005)

	Number approved	Amount approved
Secured VISA cards	3,607	\$3,092,940
Self Reliance Loans and Lines of Credit	81	\$1,405,966
Peer Lending Loans	35	\$99,095
MOSAIC Loans	32	\$131,249
ABLED	6	\$101,585
Total	3,761	\$4,830,835

In 2005, more than \$4.8 million in credit was provided to approximately 3,700 members through specialized Vancity services and community partnerships.

⁴ Matched savings programs allow participants to set goals and save money to achieve them. They participate in financial literacy workshops. At the end of the program, their savings are matched (often at 3 to 1) and participants use these funds to achieve their goals.

Success can be measured in a number of ways. At Vancity, borrowers of specialized and micro-credit who graduate to more conventional types of credit are seen as a success. In 2005, three members were able to qualify for a self-reliance loan after participating in our Peer Lending Program. In addition, 90 secured VISA* card holders were able to convert to an unsecured VISA card.

Aboriginal engagement strategy

We recognize that the Aboriginal community is underrepresented at Vancity. We've developed a strategy to address this gap. The underlying theme is to build trust and develop long-lasting sustainable relationships with this community. Our focus areas include improving access to financial services for Aboriginal people and organizations, identifying opportunities to develop affordable housing and home ownership projects, capacity development within the Aboriginal and First Nations non-profit sector, and supporting initiatives to build capacity with this community.

Meeting the needs of our members with disabilities

At Vancity and Citizens Bank, all our branches and automatic teller machines (ATMs) are wheelchair accessible. In addition, Vancity has a formal agreement with PLAN (Planned Lifetime Advocacy Network) to develop products and services to better meet the needs of our members with disabilities.

In 2005, Vancity granted \$140,000 towards the Accessible and Inclusive Cities and Communities Project. The purpose of this project is to advance accessibility and inclusion for people with a disability along with BC communities and companies.

* VISA Int./Vancity, Licensed User

Openings/closings/relocations of branches and ATMs

	Branches Opened	Branches Relocated	Branches Closed
2005	Maillardville Community Branch, Coquitlam* North Side Community Branch, Port Coquitlam* Port Moody Community Branch* Sardis Community Branch, Chilliwack* Westview Community Branch, North Vancouver	Citizens Bank – Calgary Community Banking Centre	None
	ATMs installed	ATMs Relocated	ATMs Removed
2004	No net new installations, only replacements.	None	Pigeon Park Savings (1)
2005	Maillardville Community Branch, Coquitlam (1)* North Side Community Branch, Port Coquitlam (1)* Port Moody Community Branch (1)* Sardis Community Branch, Chilliwack (1)* Westview Community Branch, North Vancouver (1) Citizens Bank – Calgary Community Banking Centre (1)	None	Pigeon Park Savings (1)

* Former Village Credit Unions branches. ATMs are new to Vancity but not new installations.

responsible governance

inside

Key memberships in industry and business associations

Externally developed, voluntary principles or initiatives that we subscribe to or endorse

Vancity Credit Union's director election process

Vancity Credit Union's Annual General Meeting

Director term limits

In-camera sessions

Relevant education and experience of our board directors

Director development

Director attendance at board committee meetings

Composition of our Audit and Social Audit Committees

Independence and oversight of the external auditors

Role of our internal auditors and relationship with our Audit Committees

Board, Chief Executive Officer and senior management compensation

List of stabilization central's standards of sound business and financial practices

Key areas for improvement based on self-assessments

Codes and compliance mechanisms to protect member and employee privacy

Summary of stakeholder consultations that informed our accountability reporting process

List of issues sensitive to stakeholders

more on our accountability framework: keeping us true to our values

Key memberships in industry and business associations

Association	Member (as at Dec 31, 2005)
BC Technology Industry Association bctia.org	Vancity Capital
Better Business Bureau bbb.org	Vancity Credit Union and Citizens Bank
Canadian Business for Social Responsibility cbsr.ca	Vancity Credit Union and Citizens Bank and Real Assets
Canadian Community Economic Development Network ccednet-rcdec.ca	Vancity Credit Union and Vancity Community Foundation
Canadian Bankers Association cba.ca	Citizens Bank of Canada
Coalition for Environmentally Responsible Economics ceres.org	Vancity Group
Credit Union Insurance Services Association cuisa.com	Vancity Insurance Services
Global Reporting Initiative - Organizational Stakeholder globalreporting.org	Vancity Group
Imagine Caring Company imaginecanada.ca	Vancity Credit Union
Independent Power Producers of BC ippbc.com	Vancity Capital
Institute of Social and Ethical Accountability (AccountAbility) accountability.org.uk	Vancity Group
Markets Initiative marketsinitiative.org	Citizens Bank
Mortgage Investment Association of BC miabc.com	Vancity and Citizens Bank
Risk Management Association rmahq.org	Vancity Credit Union
Social Investment Organization (Canadian Association for Socially Responsible Investment) socialinvestment.ca	Vancity Credit Union and Inhance
Vancouver and Burnaby Board of Trades boardoftrade.com & burnabyboardoftrade.com	Vancity Credit Union and Citizens Bank

Externally developed, voluntary principles or initiatives that we subscribe to or endorse

Externally developed voluntary principles or initiatives that we subscribe to or endorse	
Voluntary principle or initiative	Organization
AA1000 framework, AA1000AS, AA1000SES	Vancity Group
Canadian Green House Gas Emissions Challenge Registry ghgregistries.ca	Vancity Group
Ceres principles ceres.org	Vancity Group
Co-operative principles, International Co-operative Alliance coopscanada.coop	Vancity Credit Union
Global Reporting Initiative Sustainability Reporting Guidelines globalreporting.org	Vancity Group
Markets Initiative marketsinitiative.org	Citizens Bank

more on the credit union model

Vancity Credit Union's director election process

All members in good standing are eligible to vote in Vancity's Board Elections. Members in good standing are:

- At least 19 years in age
- First named on an account or have applied for full member status
- Not delinquent in any obligations to Vancity
- Have at least \$5 in their membership share account

Board candidates must be nominated in writing by at least three Vancity members in good standing. Nominees are asked to provide a biography and nomination statement between 150 and 500 words for inclusion in the election bulletin. A Nominations Committee oversees Nominations and an Election Committee oversees the election.

Percentage members who agree Vancity makes it easy and straightforward for them to vote for the Board of Directors				
Account type	Progress	2005	2004	2003
Personal	↓	61%	65%	65%
Business	↓	63%	62%	80%

In 2005, a further 26 per cent of personal members and 25 per cent of business members responded "don't know" or "not applicable" to this question.

Vancity Credit Union's Annual General Meeting

Member attendance at our Annual General Meeting (number and per cent of eligible members)

Progress since 2003	2005	2004	2003
↔	365	411	439
	0.2%	0.2%	0.1%

Figures include employees in attendance, all of whom are also members; In 2005, 435 people participated if web cast viewers are included.

To make the meeting more accessible, in 2005 we web-cast the Annual General Meeting. Around 70 people viewed it and we received one email question from a web-cast viewer.

Ordinary and special resolutions

A special resolution relates to a significant action or change such as amendments to Vancity's rules, or the termination of a member's membership. A special resolution requires advance notice to the membership.

An ordinary resolution is one that is proposed from the floor at the Annual General Meeting (AGM). An added restriction during the AGM is that an ordinary resolution can only be proposed from the floor if it is within the scope of the meeting's purpose.

A credit union member may also propose from the floor that "the Board of Directors consider..." a certain course of action and that the Board report on the issue at the next AGM. As an example, in 2004 a member put forward a resolution that the Board consider "...the establishment of a working group of staff and community stakeholders to develop for presentation to the membership for approval at the 2005 AGM policies based on the principles of location efficient mortgages..."

more on board governance

Director term limits

Each Vancity Credit Union Director serves a three-year term. At least three Directors are elected by members each year. These staggered terms ensure continuity of leadership. Directors can serve a maximum of four consecutive terms or 12 years. At Citizens Bank, Directors are appointed annually by the credit union's Board. There are no specified term limits.

In-camera sessions

An in-camera session is when Directors meet alone without management present. These sessions help to ensure Board independence.

Both Vancity Credit Union's and Citizens Bank's Boards follow a pattern of open, closed and in-camera sessions. During the open session, various senior managers are in attendance. The closed session includes the Board, Chief Executive Officer (CEO) and corporate secretary only. The in-camera session is for Directors only. At the Bank, the CEO (who is also a Board Director) is not present during the in-camera session.

Our Audit Committees' terms of reference state that a member of an Audit Committee may meet with the Chief Financial Officer, the Director of Internal Audit, external auditors and/or regulators without management being included if the Committee so desires, or at the request of any of these parties. In practice, the Chair of the Audit Committee meets individually with the Director of Internal Audit and with the external financial auditors on a quarterly basis.

Relevant education and experience of our board directors

Our Boards need the necessary skills, experience and expertise to govern the Vancity Group effectively. Below is a table showing the relevant education and experience of our Board Directors. In 2005, Citizens Bank developed a document setting out the qualifications that need to be represented by the collective of Directors appointed to the Board.

Vancity Credit Union Board Directors (2004 and 2005)		
Name	Year	Relevant education and experience (self declared)
Duvall, Elaine Chair	2004, 2005	Education/qualifications: University of Saskatchewan; 3rd year Education & Arts, University of British Columbia Experience: Non-profit housing development; business planning; cooperatives; housing policy
Dexter, Reva Vice-Chair	2004, 2005	Education/qualifications: BA, Concordia University; Teaching Diploma, McGill University; MA Psychology, Columbia University Experience: Governance consultation; support to community colleges and non-profit boards; public speaking; moderator and career counseling; Vice-President, A.S. Dexter and Associates Management Consultants; recent owner/operator of Educational Consulting Business
Braverman, Doreen	2004, 2005	Education/qualifications: B.Ed, University of British Columbia; MBA, Canadian School of Management, Toronto; numerous certificates in marketing Experience: Small business; marketing; volunteerism, fundraising; mentoring business start-ups; 30 years retail manufacturing, franchising
Gill, Ian	2005	Education/qualifications: Journalism Fellowship, Europe Experience: 20 years experience as print and television reporter at a senior level (Australia, Canada, Europe); 12 years as Chief Executive Officer of leading environmental non-profit; various positions on non-profit boards
Ho, Cheeying	2004, 2005	Education/qualifications: MA Education; BSc Experience: Organizational development; policy development; planning; public outreach; urban issues; smart growth
McCreary, Catherine	2004, 2005	Education/qualifications: LLB, University of Calgary Experience: Employment equity; issues relating to labour law; credit unions and co-operatives; Vice-Chair Labour Relations Board; Director, Credit Union Central of British Columbia

Vancity Credit Union Board Directors (2004 and 2005)

Name	Year	Relevant education and experience (self declared)
Pratt, Patrice	2005	Education/qualifications: Some university in USA and Canada; many additional courses Experience: Union director, 28 years, BCGEU, supervised all departments during that time
Ralston, Bruce	2004, 2005	Education/qualifications: Law and history degrees, University of British Columbia; history degree, Cambridge University, UK Experience: Law; socially responsible investing; community planning and development, particularly in the suburbs
Sylvester, Shauna	2004, 2005	Education/qualifications: MA Management, McGill University Experience: Social enterprise development; public policy, media and communications; international development and non-profit management
Watson, Sandy	2004	Education/qualifications: BA Economics, University of Western Ontario; Chartered Accountant, Canadian Institute of Chartered Accountants Experience: Customer service, corporate financial management, entrepreneur, and consulting
Zabinsky, Rhonda	2004	Education/qualifications: BA Arts and International Business Relations; MA Trade and Environment, Royal Rhodes; Diploma in Peace and Conflict Studies Experience: Accounting, audit, finance and executive training

Citizens Bank Board Directors (2004 and 2005)

Name	Year	Relevant education and experience (self-declared)
Mowat, Dave Chair	2004, 2005	Education/qualifications: BComm Finance, University of British Columbia Experience: Chief Executive Officer – Vancity; small business financing; venture capital; community issues; financial services
Duvall, Elain Vice Chair	2004, 2005	Education/qualifications: University of Saskatchewan; 3rd year Education & Arts, University of British Columbia Experience: Non-profit housing development; business planning; cooperatives; housing policy
Dobrzanski, Chris	2004, 2005	Education/qualifications: MA Economics and MBA Finance, University of British Columbia Experience: Senior Vice President, Risk Management and Operations – Vancity; financial services; risk management; international lending
Jaffer, Mobina	2004, 2005	Education/qualifications: Law degree, London University, UK; Executive Development Program, Simon Fraser University, BC Experience: Law, human rights

Citizens Bank Board Directors (2004 and 2005)

Name	Year	Relevant education and experience (self-declared)
Mia, Essop	2004, 2005	Education/qualifications: BA and MA, University of British Columbia; Chartered Accountant Experience: Accounting; auditing; taxation; business advice; community development; affordable housing
Warner, Ian	2004, 2005	Education/qualifications: BComm, University of British Columbia; Chartered Financial Analyst Experience: Chief Executive Officer – Citizens Bank; treasury; credit
Wilson, Alexandra	2004, 2005	Education/qualifications: Undergraduate course in business and the humanities Experience: Co-operative housing development and management; housing finance; association management; co-operative financial services (credit unions, insurance)
Woodward, Roger	2004, 2005	Education/qualifications: Grade 13 Graduate, Ontario Experience: 39 years banking; VP consumer division, CIBC; 7 years President, VISA Canada

Director development

It's important we provide new Directors with sufficient information so they can be as effective in their positions as possible. At the credit union, each Director receives a Director's Manual, and in 2005, we developed and rolled out a formal orientation process. New Directors received orientation in the following key areas:

- What the credit union and fellow Board members expect of Directors
- Vancity's values, mission, ethics and operations
- An introduction to the business of the credit union and subsidiaries

The orientation provided a forum for new Directors to ask questions and obtain clarification on Vancity and its operations. Feedback on the session was gathered and used to update the orientation process, which has subsequently been adopted as a standing practice for newly elected Board members.

We also provided in-house training to the Directors on specific topics such as enterprise risk management (June 2005) and economic capital (July 2005).

All directors are required to take the Credit Union Director Achievement training. This training program consists of computer-based training tutorials and face-to-face workshops. It covers the following areas:

- 1 The credit union system and cooperatives
- 2 The Boards roles and responsibilities
- 3 Director's roles and obligations
- 4 Legal basics
- 5 Financial statements
- 6 Asset-liability management
- 7 Monitoring performance

At Citizens Bank, no new Directors were appointed to the Board during 2004 or 2005. However, there is a formal orientation process, which was updated in 2005. Its intent is to provide new Directors with an outline of the organization, the business environment and the regulatory requirements for Directors of the Bank and Trust. We also hold quarterly education sessions. In 2005, these were on the following topics: an overview of our subsidiaries, residential mortgage fraud, the Vancity Group's growth strategy and outsourcing and fair pricing between parent and subsidiary.

During 2004 and 2005, Citizens Bank's Directors spent, on average, 12.5 hours on training and education per year¹.

Director attendance at board committee meetings²

The following tables show Director attendance at Board Committee meetings in 2005. In addition to these, there are other special, ad-hoc committee meetings Directors are expected to attend, as well as public appearances and speaking engagements.

Vancity Director	Board meetings attended		Committee meetings attended			
	Regular	Special*	Admin	Audit	Conduct Review*	Financial Policy*
Braverman, Doreen	10 / 10	7 / 8	4 / 5	2 / 2	-	11 / 15
Dexter, Reva	10 / 10	6 / 8	3 / 5	-	7 / 8	-
Duvall, Elain	10 / 10	8 / 8	2 / 2	-	1 / 1	13 / 15
Gill, Ian	7 / 7	4 / 5	1 / 3	-	-	5 / 11
Ho, Cheeying	9 / 10	7 / 8	5 / 5	4 / 5	-	1 / 1
McCreary, Catherine	10 / 10	6 / 8	2 / 2	5 / 5	-	-
Pratt, Patrice	7 / 7	4 / 5	3 / 3	-	-	-
Ralston, Bruce	10 / 10	7 / 8	-	-	4 / 7	13 / 15
Sylvester, Shauna	9 / 10	7 / 8	-	2 / 5	8 / 8	11 / 15
Watson, Sandy	3 / 3	3 / 3	-	2 / 2	-	3 / 4
Zabinsky, Rhonda	3 / 3	3 / 3	2 / 2	-	-	-

* These Committee meetings include meetings held by teleconference, often called at short notice.

- 1 Data for average hours spent on training and development is not available for Vancity Credit Union's Directors.
- 2 The total number of Board and Committee meetings varies for each Director to reflect the fact that Directors join and/or step-down from the Board and Committees throughout the calendar year.

Vancity Director	Committee meetings attended					
	CEO Compensation	Governance	ER ad hoc*	Nomination	Election	Social Audit
Braverman, Doreen	-	-	-	2 of 2	-	-
Dexter, Reva	2 / 3	3 / 3	4 / 4	0 of 1	2 of 2	3 of 4
Duvall, Elain	3 / 3	3 / 3	4 of 4	1 of 1	-	1 of 1
Gill, Ian	-	-	-	-	1 of 2	3 of 4
Ho, Cheeying	-	-	-	-	2 of 2	-
McCreary, Catherine	-	-	1 / 1	-	2 of 2	5 of 5
Pratt, Patrice	-	2 / 2	2 / 3	1 of 1	-	-
Ralston, Bruce	3 / 3	-	-	-	2 of 4	-
Sylvester, Shauna	-	-	-	1 of 1	-	-
Watson, Sandy	-	-	-	-	-	0 of 0
Zabinsky, Rhonda	-	-	-	-	-	-

* The Enterprise Risk (ER) ad hoc Committee reported to the Governance Committee.

Vancity Director	Committee meetings attended				
	Community Partnership	Vancity Award	Ethical Policy	Surrey Regional	Victoria Regional
Braverman, Doreen	-	-	-	-	-
Dexter, Reva	2 / 2	1 / 1	-	-	5 / 5
Duvall, Elain	8 / 8	2 / 2	-	-	-
Gill, Ian	-	-	-	-	-
Ho, Cheeying	-	2 / 2	-	-	-
McCreary, Catherine	7 / 8	-	2 / 2	-	-
Pratt, Patrice	4 / 6	-	-	-	-
Ralston, Bruce	-	0 / 1	-	3 / 4	-
Sylvester, Shauna	-	-	-	-	-
Watson, Sandy	-	-	-	-	-
Zabinsky, Rhonda	-	-	-	-	-

Citizens Bank Director	Board meetings attended	Committee meetings attended					
		Governance	Audit	Credit	Conduct Review	Social Audit	Ethical Policy
Mowat, Dave	5 / 5	6 / 6		4 / 24			
Duvall, Elain	5 / 5						
Wilson, Alexandra	5 / 5	5 / 6	4 / 4	14 / 24	5 / 5		2 / 2
Mia, Essop	5 / 5		4 / 4	24 / 24	5 / 5		
Jaffer, Mobina	4 / 5		3 / 4		4 / 5	1 / 3	1 / 2
Woodward, Roger	4 / 5	6 / 6	3 / 4		4 / 5		
Dobrzanski, Chris	5 / 5			20 / 24			
Warner, Ian	5 / 5			22 / 24			

Composition of our Audit and Social Audit Committees

Joint Vancity Credit Union and Citizens Bank Social Audit Committee	
Directors (voting members)	Management (non-voting members)
<p>A minimum of four Directors including:</p> <ul style="list-style-type: none"> - Chair of Vancity's Audit Committee - An independent Director of Citizens Bank 	<p>Five executive as follows:</p> <ol style="list-style-type: none"> 1. Chief Executive Officer, Vancity 2. Chief Executive Officer, Citizens Bank 3. Sr. Vice-President Marketing and Strategic Planning, Vancity 4. Vice-President Human Resources, Vancity 5. Vice-President Finance, Vancity
Vancity Credit Union's Audit Committee	Citizens Bank's Audit Committee
<p>No less than four Directors.</p> <p>Neither the Chair nor Vice-Chair will serve on the Audit Committee.</p> <p>The majority of members should be literate with financial and audit practices.</p>	<p>Four Directors, none of whom may be officers or employees of the Bank or any of its subsidiaries, or employees of any parties related to the Bank.</p> <p>All members of the Audit Committee must be financially literate and at least one member must have significant financial expertise*.</p>

* This is not currently the case. See action plan below.

Percentage of independent and financially literate Directors – Audit and Social Audit Committees

	Independent Directors ³		Financially literate Directors ⁴	
	Count	Percentage	Count	Percentage
Vancity Credit Union's Social Audit Committee (9)	4	44%	n/a	n/a
Vancity Credit Union's Audit Committee (4)	4	100%	3	75%
Citizens Bank's Audit Committee (4)	4	100%	3	75%

Financial literacy is determined through education, past experience on an Audit Committee and/or through business experience.

2006-07 Action Plan

Change the terms of reference to state that the majority (instead of all) of Citizens Bank's Audit Committee members will be financially literate, and at least one Director will be a financial expert.⁵

- Accountable: Karen Hoffmann, Senior Vice President, Governance and Corporate Risk Management

Independence and oversight of the external auditors

Independence and objectivity of our external auditors is critical to the performance of the external audit process as well as the confidence of the members and our regulators. By law, our external auditors must abide by the accounting and auditing standards that govern auditor independence. Our Audit and Social Audit Committees also take steps to satisfy themselves that both our external financial and social auditors are independent.

Vancity's Audit Committee is responsible for recommending the appointment of the external auditors to the membership. Citizens Bank's Audit Committee recommends the appointment of the external auditor to the Board of its shareholder – Vancity. The Committees are also responsible for reviewing any issues that arise between the external auditor and management during the audit and approve the external audit scope and fees.

The policies of both Vancity and the Bank state that we may not engage the external audit firm for other services without considering if the assignment could compromise the auditor's independence. These policies have been in place since October 2005 and define three categories of non-audit services: those that are prohibited; those that are permitted without prior approval; and those that require prior approval by the Committee.

3 An independent Director is defined by the Canadian Securities Administration as a Director who "has no direct or indirect material relationship with the company or any subsidiary or parent of the company."

4 An individual who is financially literate is defined by the Canadian Securities Administration as someone who has the "ability to read and understand a set of financial statements that presents a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements".

5 This will ensure the Audit Committee can always be comprised of independent Directors.

Both our external social and financial auditors are defined as strategic suppliers. This means they are selected through a formal process as set out in our procurement policy and are periodically subject to a formal review. Our goal is to conduct a formal review of our external financial auditors every three years.

The terms of engagement of our external social auditors state that we won't engage them past December 31, 2008 (or three accountability reporting cycles, whichever is the shortest time period) in the interest of maintaining auditor independence.

2006-07 Action Plan

Develop a policy for employing staff and partners from the external audit firm.
(Vancity Credit Union and Citizens Bank)

- Accountable: Johan Lemmer, Vice President Finance and Doug Cruickshank, Director, Internal Audit

Role of our internal auditors and relationship with our Audit Committees

Our internal audit department is an important part of risk management across the Vancity Group. It's management's responsibility to develop strategies and design and operate systems to manage risk. Internal Audit evaluates the adequacy of these strategies and systems and provides a quarterly report to both Vancity Credit Union's and Citizens Bank's Audit Committees.

At the credit union, the Audit Committee, along with the Chief Executive Officer, appoints and dismisses the Director, Internal Audit. At the Bank, it's the responsibility of the Audit Committee alone.

Both the credit union and the Bank's Audit Committees are responsible for approving Internal Audit's mandate and annual plans. The Committees receive regular reports from internal audit providing progress against their annual plan, principle weaknesses in internal controls and management's response to those noted weaknesses.

Both Audit Committees are also responsible for satisfying themselves that management co-operates fully with Internal Audit, and that Internal Audit is fulfilling its role appropriately.

Board, Chief Executive Officer and senior management compensation

Board compensation

At Vancity Credit Union, a committee of volunteer members who are independent of the Board provides a recommendation regarding Director compensation. The members then vote on the recommendation at the Annual General Meeting. At Citizens Bank, Board compensation is decided by the Bank's Board.

Typical Director compensation		
2005	Board Chair	Director
Vancity Credit Union	\$22,850	\$15,660
Citizens Bank and Trust	\$11,600	\$9,200
Benchmark	\$33,062	\$11,939

Total dollars include annual honorarium and assumes: 11 Board meetings and 20 Committee meetings attended in person (Vancity); 4 Board meetings and 8 Committee meetings attended in person (Citizens Bank); 4 Board meetings (Citizens Trust).

Benchmark source: Director Compensation Survey 2006, Western Compensation and Benefits Consultations – average total compensation.

Each Director receives an annual base honorarium, as well as compensation for participating in Board and Committee meetings. In addition, Directors may receive a \$1,000 bonus based on corporate performance measured by earnings from operations.

The credit union's Director compensation has remained unchanged since 2003. In 2005 we initiated a review in recognition of the changes in governance practices evident in the significant increase in both responsibilities and time commitment of each Director and particularly the Chair of the Board. The Bank's Director compensation was last updated in 2004.

2006-07 Action Plans

- Recommend an increase in Vancity Credit Union's Director compensation at the 2006 annual general meeting.
- Review Citizens Bank's Director compensation.
- Change approval of Citizens Bank's Director compensation from a self-approval process to approval by the shareholder - Vancity's Board.
 - Accountable: Karen Hoffmann, Senior Vice President, Governance and Corporate Risk Management

Chief Executive Officer and senior management compensation

At the credit union, the Chief Executive Officer's (CEO) compensation is set by the CEO Compensation Committee. At Citizens Bank this is the responsibility of the Governance and Executive Compensation Committee. These Committees conduct an in-depth review of CEO compensation every three years to ensure the CEO's salary remains competitive. They also develop and implement an annual CEO performance review. Based on the findings, the Committees make a recommendation to their respective Boards for an annual CEO bonus. In addition, the Committees are responsible for ensuring the existence and annual review of the succession planning process for the CEO and senior management positions.

Approval of CEO compensation and benefits is the responsibility of the respective organizations. In 2005, the ratio of CEO compensation to the average employee salary⁶ was 7.7:1 for Vancity and 5.8:1 for Citizens Bank.

Our CEO Compensation (the credit union) and Governance and Executive Compensation (the Bank) Committees are also responsible for ensuring that a fair, principle-based senior management compensation philosophy exists. Executive compensation is made up of two components: base salary and an annual executive incentive plan. The amount for both components is matched to the market by an external consulting firm every three years. The plan is focused on the key measures in our business, such as member experience and employee engagement and reflects Vancity's triple bottom line approach to doing business.

Composition of our Compensation Committees	
Vancity Credit Union's CEO Compensation Committee	Citizens Bank's Governance and Executive Compensation Committee
Three Directors: 1. Chair of the Board 2. Vice-Chair of the Board 3. Past Chair of the Board who immediately preceded the present Chair of the Board (if still a Director)	Three Directors: 1. Chair of the Board 2&3. Two non-affiliated Directors

⁶ Average employee salary, excluding executive salaries; salaries exclude benefits and profit sharing.

more on our approach managing risk

List of stabilization central's standards of sound business and financial practices

There are 14 governance standards:

- Understand and fulfill responsibilities
- Exercise independent judgment
- Establish board committee and the Chief Executive Officer's (CEO) responsibilities and accountability
- Select the CEO
- Review compensation
- Establish standards of business conduct and ethical behaviour
- Evaluate the CEO
- Oversee strategic management
- Oversee risk management
- Oversee liquidity and funding management
- Oversee capital management
- Affirm a control environment
- Oversee the independent internal audit function
- Ensure the institution is "in control"

There are 13 management standards:

- Strategic management process
- Risk management process
- Credit risk
- Investment and market risk
- Asset/liability matching risk
- Fiduciary risk
- Operational risk
- Liquidity and funding management
- Capital management
- Regulatory compliance risk
- Control environment
- Business conduct and ethical behaviour
- Process to ensure control

Key areas for improvement based on self-assessments

Based on the self-assessments conducted by Vancity and Citizens Bank, we developed action items to improve our performance. Below are some of the key action items and their status:

- Update Vancity's Standards of Business Conduct; communicate and educate employees (in progress)
- Establish standards of business conduct and ethical behaviour specific to Vancity's Board (in progress)
- Create a confidential, safe process for employees of the Vancity Group to report misconduct or breaches of the standards of business conduct (in progress)

- Update Vancity's and Citizens Bank's Director orientation and Board evaluation processes (in progress)
- Update the terms of reference for Vancity's Board, Directors, Board Chair (completed) and various Board Committees (in progress)
- Clarify and update Vancity's lending policy regarding climate control implications (to be completed at next policy review)
- Create a fiduciary risk policy for Vancity (in progress)
- Update Citizen Bank's Board Committee Terms of Reference (completed)
- Review Citizens Bank's practices in light of Basel II using the Standardized Approach (in progress)

Codes and compliance mechanisms to protect member and employee privacy

Both Vancity and Citizens Bank have member privacy codes explaining how and why we collect and protect personal information, and outlining members' rights regarding their privacy. There are safeguards in place to ensure that members receive our privacy brochures when opening an account with us. We also have employee privacy codes that outline our principles and procedures regarding the confidentiality and security of our employees' personal information.

In 2005, we centralized our corporate privacy office to service the entire Vancity Group so our employees, members and clients receive consistent responses to privacy questions and to provide a centralized location to document privacy related incidents. We developed a role and mandate for our corporate privacy office, as well as a role description for the Chief Privacy Officer and the Privacy Specialist.

The Privacy Office facilitates a Corporate Privacy Council with representatives from over 20 business units. The Council is responsible for recommending policy, distributing information to designated "privacy champions" and raising issues in support of privacy compliance. The Privacy Office provides Vancity's Board of Directors with a report on internal and external incidents and inquiries on a quarterly basis. The office also produces a newsletter to keep employees up to date on privacy trends and issues related to privacy. In addition, our communication lines with members are kept open on privacy issues through corporate websites, newsletters and a public email inbox.

To ensure employees are aware of their obligations on privacy and protection of personal information, Vancity and Citizens Bank require that all new employees take a privacy skills training course as part of their orientation to the Vancity Group. We're in the process of implementing an on-line privacy training system that will provide ongoing privacy training for employees. (See C2 Member privacy)

2006-07 Action Plan

Roll out on-line based training that will provide ongoing privacy training for employees. (Vancity Group)

- **Accountable:** Karen Hoffmann, Senior Vice President, Governance and Corporate Risk Management

more on our approach to stakeholder engagement

Summary of stakeholder consultations that informed our accountability reporting process

Below is a summary of stakeholder consultations during 2004 and 2005, the results of which are included in or informed the development of this report.

Vancity Credit Union members:

- 2004 and 2005 annual personal and business member satisfaction surveys to gather opinions on our products and services.
- 2005 community leadership survey to gather opinions on our socially and environmentally responsible products and services and community-related activities. Participants surveyed included low-income, personal, business and micro-finance members.
- 2004 member focus groups (4) to obtain feedback on Vancity's 2002-03 Accountability Report and measures. The groups included personal, business and non-profit organization members. Twenty-eight members participated.
- 2005 member focus groups (2) to gather opinions on financial goal achievement, meaningful opportunities for input and community leadership. Fifteen members participated.

Citizens Bank members:

- 2004 and 2005 annual personal member satisfaction surveys to gather opinions on our products and services.
- 2005 community leadership survey to gather opinions on our socially and environmentally responsible products and services and community-related activities.
- 2004 member focus groups (4) to obtain input into Accountability Report measures. Thirty-three members participated.

Vancity employees:

- 2004 and 2005 annual employee engagement surveys.
- 2005 annual employee transportation survey.
- 2004 employee focus groups (4) to obtain feedback on Vancity's 2002-03 Accountability Report and the measures we use. Thirty-seven employees participated.

Citizens Bank employees:

- 2004 and 2005 Annual Employee Engagement Survey.
- 2005 Annual Employee Transportation Survey.
- 2004 employee focus groups (2) to obtain input into Accountability Report measures. Nine employees participated.

Community leaders and others:⁷

- Stakeholder consultation in 2006 to obtain feedback on draft 2004-05 Accountability Report prior to its publication (See B2). Twenty-six people participated, included community leaders, subject matter experts, and a few members and employees of Vancity Credit Union and Citizens Bank. One consultation was held in Toronto and one in Vancouver.

List of issues sensitive to stakeholders

Sensitive issues are defined as those where general public interests and business interests diverge. These will vary over time. During 2004 and 2005 these included:

- 1 Anti-money laundering (See C6 Managing financial and environmental risks)
- 2 Member privacy, including the Patriot Act (See C2 Member privacy)
- 3 Overdraft charges - class action lawsuit (See C6 Managing financial and environmental risks)
- 4 Residential mortgage fraud (See C6 Managing financial and environmental risks)

⁷ For consultation purposes, in 2003 Vancity identified community stakeholders would be represented by "local community leaders defined as highly respected individuals knowledgeable about the needs and challenges facing various groups and interests where Vancity operates." In 2004, Citizens Bank identified community stakeholders as "Canadians who are contributing to a better world. We are a community that supports those in Canada and abroad who believe in: healthy lifestyles; environmental leadership; respect and fair treatment; ethical business practices; and peaceful communities."

Great place to work

inside

Our employee survey

Our employee engagement index

Employee profile data

Relevant policies and procedures

Employee diversity data

Employee compensation data

Employee survey results on benefits

Employee survey results on work-related stress

Relevant policies and procedures

Our health and safety committees

Health and safety data

Employee survey results on health and safety

Data on the number of unionized employees

Our position on information, consultation and negotiation with employees over changes in our operations

Employee survey results on voicing opinions openly

Employee survey results on training and career development

Employee survey results on recognition and appreciation

The Vancity Story

Employee survey results on the Statement of Values and Commitments, Ethical Policies, and understanding business goals and objectives

more on overall employee satisfaction

Our employee survey

Every year, we survey our employees to obtain their feedback on issues such as compensation, benefits, working environment, personal development, and well-being. In 2005, the response rates were: Vancity—76 per cent, Citizens Bank—85 per cent, Inventure Solutions – 65 per cent. Unless otherwise stated, data for Inventure Solutions is not included in survey results.

We use a six-point response scale and, in this report, have provided results for the percentage of employees responding “strongly agree” (6) or “agree” (5). We haven’t included the percentage of employees responding “slightly agree” as we believe this response doesn’t indicate a sufficient level of satisfaction. “Don’t know” responses were excluded when calculating the employee engagement score.

For those questions designed by Hewitt Associates, we have included the survey results of the 50 Best Employers in Canada for comparison; considered a high standard. If benchmarks are not included, it means these survey questions are unique to the Vancity Group.

Our employee engagement index

Employee satisfaction in a number of key areas is measured annually through a survey sent to all employees. One of our key measures is the employee engagement index. Hewitt Associates uses this index globally and in their 50 Best Employers in Canada study. They describe engagement as a measure of the “energy or passion that employees have for their employer or the extent to which the employer has captured their hearts and minds”. The index is based on six key questions:

- I would not hesitate to recommend Vancity/Citizens Bank to a friend seeking employment
- This company really inspires me to do my best work
- It would take a lot to get me to leave this company
- Given the opportunity, I tell others great things about working here
- I hardly ever think about leaving this company to work somewhere else
- This company motivates me to contribute more than is normally required to complete my work

Employee profile data¹

Total number of employees			
	2005	2004	2003
Vancity Credit Union	1,700	1,547	1474
Inventure Solutions	148	132	131
Vancity Insurance Services	94	93	91
Inhance Investment Management	11	7	9
Vancity Capital	7	7	7
Vancity Community Foundation	7	8	6
Vancity Investment Management	7	6	7
Vancity Enterprises	6	3	3
Citizens Bank	481	393	361
Total Vancity	1,980	1,803	1,728
Total Vancity Group	2,461	2,196	2,089

Job creation (net change in the number of employees)		
	2005	2004
Vancity	+177	+75
Full-time employees	+119	n/a
Part-time employees	+41	n/a
Contract employees	+17	n/a
Citizens Bank	+88	+32
Full-time employees	+48	n/a
Part-time employees	+2	n/a
Contract employees	+38	n/a
Total Vancity Group	+265	+107

Percentage of employees by position status							
	Canadian banks	Vancity			Citizens Bank		
	2002	2005	2004	2003	2005	2004	2003
Permanent full-time	73%	76%	79%	75%	70%	74%	71%
Permanent part-time	17%	18%	17%	16%	23%	19%	21%
Contract	10%	7%	5%	8%	6%	7%	8%

Benchmark source: Canadian Bankers Association (most recent data available).

¹ The employee numbers provided are for headcount.

Employees by province, Citizens Bank (2005)

	Total	Permanent full-time	Permanent part-time	Contract
Ontario	35	31	1	3
British Columbia	431	298	112	21
Alberta	15	10	0	5

more on workplace diversity and equity**Relevant policies and procedures**

We want a workplace that's representative of our communities in all occupations and levels and a workplace that's fair and just for everyone. As a federally regulated bank, Citizens Bank is subject to the Employment Equity Act and must file employee equity data with the Human Resources Skills and Development Canada each year.

Employees are informed about Vancity's and Citizens Bank's employment equity and no discrimination/no harassment policies on joining the Vancity Group. The intent of these policies is to ensure a workplace that is fair and just for everyone and that is representative, in all occupations and levels, of the communities we serve. These policies set out our employee complaints procedure(s). All complaints filed and resolved are tracked and reported. We also measure how well we are living up to these policies by tracking employee demographics and satisfaction by diversity based on self-disclosure in employee surveys and application forms. These and other employee-related policies and procedures are easily accessed through our corporate intranets.

Employee diversity data**Employee diversity statistics**

	Vancity			Citizens Bank		
	2005	2004	2003	2005	2004	2003
Employees by level						
Non-management	82%	81%	81%	80%	84%	n/a
Management and supervisory	15%	16%	17%	15%	10%	n/a
Senior management	3%	3%	2%	5%	6%	n/a
Employees by age						
17–29	22%	24%	26%	33%	32%	n/a
30–39	32%	33%	35%	29%	32%	n/a

Employee diversity statistics

40–49	28%	28%	25%	23%	21%	n/a
50–64	18%	14%	14%	15%	16%	n/a
Employees by gender						
Men	31%	31%	32%	40%	42%	37%
Women	69%	69%	68%	60%	58%	63%
Employees by status ¹						
Permanent full-time	76%	78%	75%	70%	74%	71%
Permanent part-time	16%	15%	17%	23%	23%	21%
Contract/temporary	6%	6%	9%	6%	6%	8%

Figures may not be exact due to rounding.

Employee diversity compared to benchmarks

	British Columbian companies	Vancity	Canadian labour market	National banking sector	Citizens Bank
	2004	2005	2004	2004	2005
Women	44%	69%	47%	70%	58%
Visible minorities	20%	36%	13%	19%	41%
Aboriginal people	2%	1%	3%	1%	1%
People with disabilities	3%	2%	5%	2%	4%

Benchmark sources: 2004 Employment Equity Act Annual Report; Data for visible minority, aboriginal, and disability is based on employees' self-disclosure.

Percentage of women by level

	Canadian banks	Vancity			Citizens Bank		
	2002-2004	2005	2004	2003	2005	2004	2003
All employees	70%	69%	69%	68%	58%	60%	63%
Non-management	n/a	71%	71%	69%	60%	62%	63%
Management and supervisory	52%	63%	66%	65%	57%	70%	66%
Senior management	28%	41%	40%	41%	24%	25%	25%

Benchmark sources: 2004 Employment Equity Act (all employees); 2004 Canadian Bankers Association (management and senior management); 2003 Citizens Bank data is for permanent employees only.

Percentage of employees belonging to visible minority or Aboriginal groups by level

	Canadian banks	Vancity			Citizens Bank		
	2002	2005	2004	2003	2005	2004	2003
All employees	18%	36%	37%	35%	41%	40%	31%
Non-management	n/a	39%	39%	37%	32%	33%	27%
Management and supervisory	n/a	24%	31%	30%	45%	43%	22%
Senior management	6%	31%	17%	12%			

Benchmark source: Canadian Bankers Association; Vancity Group data is based on employees' self-disclosure. 2003 and 2004 data excludes Inventure Solutions; 2003 Vancity data for management and supervisory and senior management has been restated.

more on employee compensation and benefits

Employee compensation data²

Average salaries as a percentage of market salaries

Job level	Vancity		Citizens Bank
	2005	2003	2005
Support roles	108%	113%	101%
Specialist roles	109%	106%	103%
Management roles	100%	102%	-

Average salaries include bonus/variable pay or profit sharing; Market data source: Credit Union Central of BC, Watson Wyatt and Hay-comparison to other credit unions and banks; 2004 and 2003 Citizens Bank data is not available; Strong benchmark data for Citizens Bank management positions is not available.

Average salary for women as a percentage of average salary for men

Job level	Vancity		Citizens Bank
	2005	2003	2005
Support roles	117%	105%	105%
Specialist roles	109%	103%	132%*
Management roles	100%	98%	-

Salaries include bonus/variable pay or profit sharing. 2004 and 2003 Citizens Bank data is not available; Strong benchmark data for Citizens Bank management positions is not available; *Only one male was included in the sample.

² Vancity salary data excludes Inventure Solutions and small subsidiaries.

³ Statistics Canada's low income cut-offs are set according to the proportion of annual family income spent on food, shelter, and clothing. It provides a threshold below which a family will likely devote a larger share of its income to the necessities of food, shelter and clothing than would an average family. We used the low income cut-offs, adjusted by the Consumer Price Index, for urban areas of 500,000 and more.

Average entry level salaries compared to low income cut-offs³

Stats Canada's low income cut-offs (2005)	Vancity's average entry level salary as a % of low income cut-offs		Citizens Bank's average entry level salary as a % of low income cut-offs	
	including benefits and profit sharing	excluding benefits and profit sharing	including benefits and profit sharing	excluding benefits and profit sharing
\$20,784 (One person)	175%	132%	180%	138%
\$25,876 (Two person household)	141%	106%	145%	111%
\$31,811 (Three person household)	115%	86%	118%	90%
\$38,622 (Four person household)	94%	71%	97%	74%
\$43,805 (Five person household)	83%	62%	86%	65%

Average salary is calculated for financial service representatives (Vancity Credit Union) and employees at the contact centre (Citizens Bank).

Employee survey results on benefits

Employees agree Vancity's/Citizens Bank's benefits meet their (and their family's) needs

	Hewitt 50 best employers	Progress since 2003	2005	2004	2003
Vancity	75%	↓	81%	84%	84%
Citizens Bank		↔	80%	81%	82%

more on employee work-life balance

Employee survey results on work-related stress

Employees agree their work-related stress is manageable for them

	Hewitt 50 best employers	Progress since 2003	2005	2004	2003
Vancity	73%	↔	62%	65%	61%
Citizens Bank		↑	65%	75%	58%

more on health and safety

Relevant policies and procedures

The health and safety of all employees is a priority for us; we are committed to do our best to eliminate injury and illness from the workplace. We review our health and safety program on an annual basis. Our BC-based companies are provincially legislated under the Workers' Compensation Act of British Columbia to be in compliance with the WorkSafe BC's workplace standards. Citizens Bank offices in Calgary and Toronto are subject to the relevant provincial legislation. As well, the Bank is subject to the Canada Labour Code and all corresponding health and safety rules and regulations.

Our rules and safe work procedures manual sets out emergency procedures and general safety rules. It includes policies and procedures for workplace violence, including prevention and dealing with irate customers or members.

We keep records related to injuries, inspections, investigations, training and maintenance. We also track accident frequency (how often accidents are happening) and accident severity (how severe the accidents are that do happen). This information helps us identify trends, problem areas and evaluate our health and safety program.

We have a Business Continuity Program to ensure we are prepared to deliver vital services and restore normal operations following a business interruption. Staff health and safety is paramount in this program, as is timely and ongoing clear communication to staff and members. As part of the program, Vancity has developed procedures to deal with outbreaks of communicable diseases.

Our health and safety committees

Our occupational health and safety committees include management and employee members. Each committee assists in creating a safe workplace, makes recommendations for health and safety improvements and helps ensure compliance with regulations.

Health and safety data⁴

Number of incidents accepted by WorkSafeBC, by type				
Type of injury	Progress since 2003	2005	2004	2003
Vancity				
Falls/slips/trips, strains/sprains and cuts	↑	2	5	5
Robbery related stress / acts of violence	↑	3	9	5
Total	↑	5	14	10
Citizens Bank				
Falls/slips/trips, strains/sprains and cuts	↔	1	0	1
Robbery related stress / acts of violence	↔	0	0	0
Total	↔	1	0	1

⁴ 2005 Vancity data does not include Village Credit Union.

Working days lost in a year as a result of workplace injuries

	Progress since 2003	2005	2004	2003
Vancity				
# of days lost as a % of total working days	↑	n/a	0.03%	0.15%
working days lost in a year	↑	42	154	732
Citizens Bank				
# of days lost as a % of total working days	↔	n/a	0%	0%
working days lost in a year	↓	65	0	1
Financial and lending institutions				
# of days lost as a % of total working days	↔	n/a	0.03%	0.03%

Data and benchmark source: WorkSafeBC; Working days lost in a year is calculated by multiplying the number of full-time equivalent employees by number of working days in a year (260); Vancity data excludes Inventure Solutions and Inhance Investment Management.

Short term disability leave

	Progress since 2003	2005	2004
Vancity			
Number of days	n/a	4,204	4,960
Average per permanent employee	↑	2.3	2.9
Citizens Bank			
Number of days	n/a	2,060	1,470
Average per permanent employee	↓	4.6	4.0

Vancity data excludes Inventure Solutions and Inhance. 2003 data is not available.

Employee survey results on health and safety

Employees agree Vancity/Citizens Bank is a physically safe and secure place to work

	Progress since 2003	2005	2004	2003
Vancity				
All employees	↔	86%	87%	84%
Head office and back office employees	↔	87%	89%	89%
Branch and member facing employees	↑	86%	87%	83%
Citizens Bank				
All employees	↑	92%	88%	84%

more on labour relations and workplace standards

Data on the number of unionized employees

	2005	2004	2003
Vancity			
Percentage unionized employees	9%	9%	8%
# unionized branches	8	5	5
# unionized departments	1	1	1
Citizens Bank			
Percentage unionized employees	52%	46%	46%
# unionized branches	-	-	-
# unionized departments	1	1	1

Our position on information, consultation and negotiation with employees over changes in our operations

For non-union employees, our employee transition policy is currently being developed. This policy will cover instances when we find it necessary to make changes in the delivery of services that result in the elimination of or creation of substantive change to an employee's job.

For our employees belonging to a union, a clause in the collective agreement covers all aspects of human rights relevant to our operations.

2006-07 Action Plan

Develop an employee transition policy. (Vancity Group)

- Accountable: Grace Pulver, Vice President, Human Resources

more on voicing opinions openly

Employee survey results on voicing opinions openly

Employees agree they feel free to voice their opinions openly				
	Progress since 2003	2005	2004	2003
Vancity	↔	59%	63%	57%
Citizens Bank	↔	53%	63%	54%

more on training and career development

Employee survey results on training and career development

Employees agree Vancity / Citizens Bank provides them with the opportunities to do their best work and achieve their full potential

	Progress since 2003	2005	2004	2003
Vancity	↑	70%	71%	63%
Citizens Bank	↑	59%	60%	48%

Employees agree Vancity / Citizens Bank provides them with the training they need to perform their job well

	Progress since 2003	2005	2004	2003
Vancity	↓	70%	73%	74%
Citizens Bank	↑	64%	70%	60%

more on employee recognition

Employee survey results on recognition and appreciation

Employees agree they are truly appreciated for the contribution they make to Vancity/ Citizens Bank

	Progress since 2003	2005	2004	2003
Vancity	↑	66%	69%	53%
Citizens Bank	↑	53%	57%	49%

Employees agree they receive adequate recognition (beyond compensation) for their contributions/accomplishments

	Hewitt 50 best employers	Progress since 2003	2005	2004	2003
Vancity	57%	↑	59%	62%	54%
Citizens Bank		↑	53%	54%	45%

more on values and business objectives

The Vancity Story

In 2004, Vancity launched The Vancity Story. More than 1,000 employees participated in researching and writing our Story. The goal of the project was to return to our roots and talk with our staff and members to determine what, exactly, makes Vancity the unique organization it is.

 More on our website at: vancity.com/story

- A copy of the Vancity Story

Employee survey results on the Statement of Values and Commitments, Ethical Policies, and understanding business goals and objectives

Employees agree they are aware of Vancity's Statement of Values and Commitments				
	Progress since 2003	2005	2004	2003
Vancity	↓	87%	90%	90%

Employees agree they are aware of Citizens Bank's Ethical Policy				
	Progress since 2003	2005	2004	2003
Citizens Bank	↔	92%	91%	n/a

Employees agree they have a good understanding of Vancity's / Citizens Bank's business goals and objectives				
	Progress since 2003	2005	2004	2003
Vancity	↓	76%	79%	88%
Citizens Bank	↑	85%	86%	71%

Lead by example

inside

The Vancity Group's Sustainability Group

Citizens Bank's community donations

2004 Vancity award recipient

Responsive and strategic grants by
geographic impact area

Sharing our resources and expertise

Named funds

Community economic development grant program

Member and employee donations

Social enterprises supported by purpose,
stages of development and sector

Premises energy use

Paper use

Employee commuting

CEO air travel

Waste management

Water use

Member survey results on our Ethical Policies

About our community leadership survey

Member and client investments in socially
responsible investment (SRI) options as
a percentage of total investments

Inhance Investment Management

Vancity Investment Management

Member survey results on using our resources and
expertise to benefit the community and environment

Community sponsorships

more on our approach to sustainability

The Vancity Group's Sustainability Group

Vancity Group's Sustainability Group has 14 employees working in the areas of Environmental Programs, Community Programs and Accountability. At the end of 2005, the Group's Director reported directly to the Senior Vice President, Marketing & Strategic Planning.

2006-07 Action Plan

Appoint a Vice President of Community Leadership who will report directly to Vancity's and Citizens Bank's Chief Executive Officer (CEO).

- Accountable: Dave Mowat, CEO, Vancity

more on strong non-profits and cooperatives

Our corporate granting programs

Citizens Bank's community donations

Citizens Bank's community donations disbursed			
	2005	2004	2003
Shared Interest donations	\$244,272	\$169,010	\$133,375
Affinity VISA card donations to Amnesty International	\$16,800	\$13,000	\$12,686
Affinity VISA card donations to Oxfam Canada	\$17,700	\$14,900	10,338
Other	-	-	\$5,600
Total	\$278,772	\$196,910	\$162,000

Shared Interest donations disbursed are based on the previous year's selection process.

Citizens Bank's shared interest donations

Donations from Citizens Bank's Shared Interest Fund are calculated based on Shared Interest VISA* cardholders' transaction activity: we donate ten cents for every transaction. We also donate four per cent of our average previous three year pre-tax profits to the fund. The donations are directed to non-profit organizations based on input from members and VISA* cardholders. In 2005, members and cardholders participated in the recipient nomination, selection and voting process. In 2005, we revised the Shared Interest Program to increase the number of non-profit organizations receiving funding from eight to 12 (three per category).¹


¹ Twelve non-profit organizations will receive grants beginning in 2006.

In 2005, the following eight organizations received grants through our Shared Interest Program:

- BC Persons With AIDS Society
- BEST (Better Environmentally Sound Transportation)
- Camp Oochigeas
- Canadian Physicians for Aid and Relief
- National Anti-Poverty Organization
- Oxfam Canada
- Quest Outreach Society
- Sierra Legal Defence Fund

Citizens Bank's affinity visa card donations

For every purchase a member makes on his or her Amnesty or Oxfam VISA* card, we donate ten cents to these organizations respectively. We also donate \$20 with the addition of each new cardholder.

 More on our website at: citizensbank.ca/sharedinterest

- More on our Shared Interest program, including recipients

* VISA Int./Citizens Bank, Licensed User

2004 Vancity award recipient

In 2004, Phoenix Drug and Alcohol Recovery Education Society received the \$1-million Vancity Award for its plans to build the Phoenix Centre near Surrey Memorial Hospital. The Phoenix Centre is a centre for addiction services, employment and education, housing and social enterprise.

Responsive and strategic grants by geographic impact area

Allocation of responsive grants (\$s funded by geographic impact area, compared to geographic distribution of Vancity Credit Union members)

	Allocation of grants	Geographic distribution of Vancity Credit Union members
Vancouver / North Shore	36%	51%
Burnaby and tri-cities	4%	21%
Richmond, Surrey and Delta	12%	14%
Fraser Valley	3%	5%
Victoria / Gulf Islands	18%	2%
Other	-	7%
Greater Vancouver Regional District	27%	-

Includes community project grants, capacity building grants and branch grants made through Vancity's responsive granting program.

In 2005, the percentage of dollars approved in grants in Vancouver/the North Shore and Burnaby/tri-cities were significantly less than the percentage of the credit union's membership in the same regions.

2006-07 Action Plan

Pilot a regional responsive grant program that will provide more local influence of the allocation of grants within the five granting regions.

- Accountable: Vice President, Community Leadership

Allocation of strategic grants (\$s funded by geographic impact area)

	Allocation of grants
Vancouver/North Shore	22%
Burnaby and tri-cities	4%
Richmond, Surrey and Delta	5%
Fraser Valley	2%
Victoria/Gulf Islands	15%
Lower Mainland	18%
British Columbia	30%
Canada	5%
Other areas	-

Sharing our resources and expertise

In addition to supporting our local communities through philanthropy and specialized products and services, many of our staff and managers contribute by sharing resources and expertise with community groups. We don't have a formal way of tracking these contributions. Here are a few examples of the community initiatives our senior management team members have been involved in during 2004 and 2005:

- Minerva Foundation mentoring program
- Building Opportunities with Business Inner City Society (BOB)
- Canadian Business for Social Responsibility
- Dr. Peter Centre (comfort care for AIDS patients)
- Success by Six Early Childhood Development Provincial Partnership
- Tradeworks (training street involved youth)
- Social Venture Partners (fundraising and mentoring of social enterprise)

We also encourage the donation of used electronic equipment and furniture to local community groups and schools.

The Vancity Community Foundation²

Named funds

Named funds			
	2004-05	2003-04	2002-03
New Named Funds	12	7	6
Total number of Named Funds	64	52	45
Total Named Fund disbursements	\$294,500	\$202,000	\$157,000

Community economic development grant program

Community economic development grants (Amounts disbursed and number of organizations benefiting)			
	2004-05	2003-04	2002-03
	\$182,500	\$181,400	\$169,000
	(18)	(21)	(16)

² Data is reported for the Foundation's fiscal year which runs from June 1 to May 31.

Member and employee donations

Member and employee donations			
	2005	2004	2003
Program: I gave at the office			
Grant recipient: Charities of employees' choice			
Vancity: employee donations*	\$28,400	\$22,700	\$21,600
Vancity's matching amount (up to a budget maximum of \$25,000)	\$25,000	\$22,700	\$21,600
Inventure Solutions: employee donations	\$6,500	\$9,500	\$5,900
Citizens Bank: employee donations**	\$1,000	\$800	\$200
Program: Staff fundraiser			
Grant recipient: 2004 and 2005: Adoptive Families Association of BC			
2003: Family Services of Greater Vancouver			
Vancity: employee donations	\$105,400	\$106,700	\$87,200
Program: Tsunami relief			
Grant recipient: Oxfam			
Vancity Credit Union: member donations	\$243,000	-	-
Vancity Credit Union's matching amount	\$75,000	-	-
Program: Success by Six campaign			
Grant recipient: Success by Six			
Vancity: member donations	\$12,000	-	-

*excludes Inventure employees **The "I gave at the office" program has not formally been rolled out to Citizens Bank employees.

Due to human error, Citizens Bank did not forward Oxfam donations totalling approximately \$6,000 that we received online from members in January 2005 in response to the Tsunami disaster in December 2004. Members' credit card information was never received by Oxfam and their credit cards were not charged. To compensate for this error, the Bank will be donating \$6,000 to Oxfam and notifying the 44 members who attempted to contribute.

more on successful social enterprises

Individual social enterprise development

Social enterprises supported by purpose, stages of development and sector

Social enterprises supported by purpose: dollars disbursed and number of organizations benefiting

Social services and social care	\$62,000 (2)
Education and culture	\$50,000 (1)
Employment and economic development	\$233,750 (5)
Environmental sustainability	\$245,000 (6)
Total	\$590,750 (15)

Social enterprises supported by stage of enterprise development: dollars disbursed and number of enterprises benefiting

Seed: Planning / organizational development	\$205,000 (5)
Start-up: Launch	\$183,750 (5)
Start-up: Survival	\$75,000 (2)
Growth: Profitability	\$50,000 (2)
Maturity: Expansion	\$77,000 (2)
Total	\$590,750 (16)

Social enterprises supported by sector: dollars disbursed and number of enterprises benefiting

Apparel, art, craft manufacturing and sale	\$160,000 (4)
Childcare services	\$30,000 (1)
Consulting services	\$120,000 (2)
Cultural and educational services	\$50,000 (1)
Employment Services	\$28,750 (1)
Environmental services and products	\$50,000 (1)
Fishing and fish processing	\$20,000 (1)
Food retail	\$45,000 (1)
Forestry and wood products	\$30,000 (1)
Photo / video production / publication	\$25,000 (1)
Professional services – translation	\$32,000 (1)
Total	\$590,750 (15)

more on climate change solutions

Reducing our environmental impact

Premises energy use³

As a BC Hydro Power Smart partner, we continually work to make our operations more energy efficient through energy efficient lighting, heating, ventilation and air conditioning upgrades, and building envelope improvements.

Key initiatives undertaken during 2004-2005 included:

- A review of all Vancity Centre's electrical and mechanical systems
- Adjustments to our lighting and air conditioning schedules
- A staff awareness program to shut off equipment and lights when they are not in use
- Revamping of lighting relays
- Changing all lights at Vancity Centre from 32 watt to 25 watt bulbs
- Replacing our main chiller unit at Vancity Centre with a new stacked turbo chiller

The Vancity Group leases space for a number of branch and head office facilities⁴. Our ability to impact actual building design of leased buildings is fairly limited and consists of what we can convince the landlord to undertake as part of the leasing process. In 2005, we conducted an energy audit of the building in which we lease significant space in downtown Vancouver. Although we don't own the building, we felt that as a tenant we could still have a significant impact by helping reduce energy use. We have committed more than \$130,000 to various building energy savings projects for this location that will be completed in 2006.

We've been tracking our use of energy (electricity and fuel) at locations with meters for many years.⁵ We also estimate total energy use for the entire Vancity Group to provide a more complete picture of our environmental impact.

Actual premises energy use, Vancity Centre and metered branches

	Progress since 2003	2005	2004	2003
Total energy use (millions of kWh)	↓	11.0m	10.5m	10.6m
Energy (kWh) use per employee (head count)	↑	6,980	7,740	8,190

kWh = kilowatt hours; 2005 data includes nine more branches than in 2003. 2003 energy use per employee restated as methodology was revised to more accurately calculate headcount in these locations.

Premises energy use, Vancity Group (2005)

	Actual metered consumption	Estimated by extrapolation	Total
Electrical consumption (millions of kWh)	8.4	5.7	14.1
Fuel consumption (GJ)	9,200	6,700	15,900

kWh = kilowatt hours; GJ = giga joules; Extrapolated figures exclude one former Village Credit Union location.

³ Includes electricity and fuel.

⁴ Of 57 Vancity Group locations, we own 11 buildings and lease the remainder.

⁵ In 2005, 35 of our 42 branch locations had electricity meters; 23 had fuel meters.

Total estimated premises energy use, Vancity Group (2005)

Electrical consumption (millions of kWh)	14.1m
kWh per employee (full-time equivalents)	7,090
kWh per member (Vancity Credit Union and Citizens Bank)	39.4
Fuel consumption (GJ)	15,900
GJ per employee (full-time equivalents)	8
GJ per member	0.04

kWh = kilowatt hours; GJ = gigajoules

Paper use

In 2005, we made significant strides in tracking the Vancity Group's environmental impact due to paper use. In addition to tracking use of letterhead, copy/fax paper and statement paper, we put into place accounting mechanisms to identify and measure paper used in:

- Marketing materials (brochures, posters, statement stuffers, and tent cards)
- Member communications (newsletters, annual and accountability reports)
- Business cards
- Envelopes
- Annual General Meeting and board election communications

In November 2005, all printers at Vancity Centre were set to automatically print double-sided and in black and white.

When Citizens Bank became a Signatory Company of the Markets Initiative (www.marketsinitiative.org) in 2000, it committed to reduce its consumption of ancient forest products. At the time, most (70 per cent) of the Bank's paper purchases had no recycled content. Now almost all paper purchases are for 100 per cent recycled paper.

Total paper use, Vancity Group

	Paper use	Total tonnes consumed	PCW* paper as a % of total paper consumed	FSC** labelled paper as a % of total paper consumed
Vancity	Marketing materials	162.5	74%	8%
	Other	32.7	18%	5%
	Stationary and envelopes	38.1	59%	48%
Citizens Bank	Marketing materials	4.5	100%	65%
	Stationary and envelopes	46.3	84%	45%
Vancity Group	Copy paper	79.0	45%	0%
	Total	363	62%	16%

* PCW stands for post consumer waste; **FSC stands for Forest Steward Council certified labelled paper. This is produced in accordance with sustainable forest management practices.

Employee commuting

One of the reasons for Vancity Centre's and our other head office locations is the immediate access to rapid transit and other forms of public transportation. Other features of Vancity Centre include: showers and lockers for those who wish to commute by bike and/or exercise during the day and dedicated carpooling spaces.

According to data obtained from our 2005 employee transportation survey, total kilometres travelled by employees commuting to work in a single occupancy vehicle in 2005 was approximately 8.9 million.

Percentage of employees using alternative modes of transportation to commute, Vancity Group

Progress since 2003	2005	2003
↑	58%	55%

There's no data for 2004 as employee transportation survey wasn't conducted that year.

Modes of transportation most used by employees to commute to work, Vancity Group

Mode of Transportation	Lower mainland residents 2001	Progress since 2003	2005	2003
Single occupancy vehicle	79%	↑	42%	45%
Carpool or vanpool		↔	14%	16%
Motorcycle	-	↔	<1%	<1%
Transit	11%	↑	37%	31%
Walk, bicycle or work from home	8%	↔	7%	8%

There's no data for 2004 as employee transportation survey wasn't conducted that year. Percentages do not add up to 100% due to rounding. Benchmark source: Statistics Canada, 2001 census.

CEO air travel

Business air travel for Chief Executive Officers

	Progress since 2004	2005	2004
Vancity's CEO	↑	94,000km	116,000km
Citizens Bank's CEO	↑	54,000km	66,000km
Total	↑	148,000km	182,000km

We are not currently able to track business travel by other employees.

Waste management

Accurately tracking materials collected and recycled is a challenge as many of our branches and some business units are located in buildings with multiple tenants where waste and recycling is done in bulk. In past years, we have provided an estimate of total materials collected at all Vancity locations. This year we haven't included this information as it involves much estimation and the resulting numbers are not verifiable.

Total materials collected at Vancity Centre in 2005 was about 86 tonnes, a 15 per cent decrease since 2003. Of this total, approximately 48 tonnes went to the landfill, which is more than in 2003. We are disappointed that our overall waste increased but are pleased that our total use of paper has decreased, resulting in less use of materials overall. Recycling as a percentage of materials collected has decreased.

Materials collected and recycled, Vancity Centre

Type	Progress since 2003	2005		2003	
		Weight	% of total	Weight	% of total
Waste (tonnes)	↓	48	58%	45	44%
Paper and cardboard recycled (tonnes)	↑	39	41%	53	53%
Glass, plastic and metal recycled (tonnes)	n/a*	0.8	1%	2.5	21%
Total materials collected	↑	86	100%	101	100%
Kgs materials collected per employee (full-time equivalents)	↑	103	–	171	–

Data not collected in 2004; figures may not add up to 100% due to rounding; * 2003 data was estimated as actual data was not available.

Vancity has had an active program of recycling of paper, glass, cans and plastic within its branch and head office environments for over a decade. At Vancity Centre, a battery recycling program exists so staff can bring their used batteries to work to ensure that they are recycled appropriately. Fluorescent tubes are recycled in an appropriate manner to avoid mercury ending up in landfills and toner cartridges and ribbons are sent back to the supplier for recycling.

The Vancity Group is committed to ensuring that our furniture and electronic scrap doesn't end up in landfills. We encourage the donation of used electronic equipment and furniture to local community groups and schools. If the furniture or equipment is in too poor condition, where possible we will recycle it, or return it to the respective vendor or a third party organization for recycling or disposal in environmentally sensitive ways. We also sell electronic equipment to employees and their families.

A 2005 waste audit identified that around one-third of our garbage is paper.

2008 Target

Increase percentage of materials recycled to 60% from 56% in 2003 (Vancity Centre)

- Accountable: Johan Lemmer, Vice President, Finance

2006-07 Action Plan

Launch GreenFeat 2006, our employee education and awareness program that will help us move toward our 2010 carbon neutral goal. As part of Greenfeat, encourage staff to recycle or shred all office paper.

- Accountable: Johan Lemmer, Vice President, Finance and Vice President, Community Leadership

Disposal of electronic equipment, Vancity Group (2005)

Type of Disposal	Units	As a percentage of total
Recycled	129	72%
Donated	11	6%
Sold or redistributed internally*	39	22%

New indicator in 2005. Includes monitors, PCs, laptops, printers etc. Redistributed internally refers to equipment that is disposed of to a company that deals in obsolete electronics recycling.

When making choices about building material or furniture, we consider recycled content and long-term ability to be recycled where possible. Some examples of this include: steel being chosen over concrete, recycled carpet tiles, composite woods used in furnishings and modular furniture that can be reused over and over again. Most furnishings that are no longer required are donated to charities.

The recycling of construction waste has been the norm for a number of years, commencing with the construction of our Lynn Creek Community Branch in 2003.

Water use

At the end of 2004, Vancity contracted a consultant to conduct a water audit for Vancity Centre. It found that water consumption and cost per unit area was approximately 10 per cent lower than average when compared to similar buildings located in Lower Mainland⁶.

Water consumption, Vancity Group (2005)

	Actual metered consumption	Estimated by extrapolation	Total
Water consumption (millions of litres)	14m	31m	45m
Water consumption (litres) per employee (full-time equivalents)	15,190		15,400

New indicator in 2005; Actual metred consumption based on data from nine branches and Vancity Centre.

Environmental fines

During 2004 and 2005, there were no incidences or fines for non-compliance with regulations associated with environmental issues.

⁶ Benchmark from Prism Engineering.

more on our ethical policies

Member survey results on our Ethical Policies

Member views on our ethical policies		
Company	Account Type	2005
Members agree they trust us to make business decisions that are socially and environmentally responsible		
Vancity Credit Union	personal	90%
Vancity Credit Union	business	89%
Citizens Bank	members	81%
Members agree it's important we have an ethical policy to guide business decisions		
Vancity Credit Union	personal	91%
Vancity Credit Union	business	94%
Citizens Bank	members	92%

Source: 2005 Vancity/Citizens Bank community leadership survey.

About our community leadership survey

In 2005, we surveyed our members to gather information on members' views about our Community Leadership Strategy and the issue of providing members with meaningful opportunities to set the direction of the credit union.

The response rate for Vancity personal members was four per cent. For business members it was seven per cent. For Citizens Bank it was eight per cent. The overall sampling error of the results, 19 times out of 20, is approximately plus or minus 4 per cent

We used a four-point response scale. We've reported the results for the percentage of members responding "a great deal/very" (4) or "somewhat" (3) in the four-point scale questions.

more on socially responsible investing

Member and client investments in socially responsible investment (SRI) options as a percentage of total investments

Member and client investments in options as a percentage of total member/client investments*	
Vancity Credit Union	4.07%
Citizens Bank*	0.65%
Vancity Investment Management	4.78%
Inhance Investment Management	100.00%
Vancity Group	4.10%

Includes term deposits and funds under administration/management (on and off book investments). * 100% of mutual funds sold through Citizens Bank are in SRI and none of its term deposits are.

Inhance Investment Management

Socially responsible investment principles and criteria

Inhance seeks to enhance returns by holding investments in companies that demonstrate social responsibility, environmental sustainability and good governance. Companies are assessed using qualitative and quantitative analysis based on exclusionary criteria, as well as seven key measures for social and environmental performance and good governance. These include employee relations, diversity, environmental commitments, community relations, corporate governance, human rights and sustainable products. Inhance excludes companies that derive significant revenue from gambling, adult entertainment, military, tobacco, or nuclear energy industries. Those that don't pass the exclusionary criteria or lag behind industry norms on one or more performance measures are deemed unsuitable for investment by Inhance.

To ensure compliance with these criteria, Inhance holds weekly investment committee meetings to review and report on fund holdings' social, environmental, governance and financial performance. It also reviews holdings on a daily basis to assure compliance with its investment selection process and provides quarterly reports to Inhance's Board of Directors. In addition, Inhance uses in-house and third-party reviewers to maintain up-to-date profiles of the companies invested in. When a company's environmental, social, or governance performance suffers, Inhance decides whether divestment or engagement is the right way of addressing the issue.

Proxy voting

Inhance held the right to vote shares on 100 per cent of its assets under management in 2004 and 99 per cent in 2005.⁷ Inhance votes the proxies for each company held in a client's portfolio in accordance with its socially responsible proxy voting guidelines. When deciding how to vote, Inhance takes into account economic returns, good corporate governance, ethical behaviour, and the social and environmental impact of business activities. For a summary of Inhance's proxy voting guidelines visit www.inhance.ca.

Vancity Investment Management

Socially responsible investment principles and criteria

Vancity Investment Management (VCIM) provides discretionary investment management services. It incorporates social and environmental criteria in its investment decisions. In addition, all clients have the option to have their portfolio screened to their own ethical preferences.

VCIM prefers to invest in companies with progressive environmental practices and a commitment to complying with environmental regulations, respect for employees and the community in which it does business, adherence to a high level of corporate governance standards and advocates of progressive human rights practices when carrying on business in a repressive regime. VCIM will not invest in securities issued by companies whose primary line of business includes tobacco, nuclear power, military weapons, pornographic materials or gaming.

⁷ In 2005, Inhance inherited a book of accounts that included \$1,243,186 in stocks and mutual funds that are voted by the individual account holders.

Proxy voting

Vancity Investment Management (VCIM) clients have the option of assigning VCIM to vote proxies on their behalf; for 99.2 per cent of its assets under management VCIM votes proxies. VCIM subscribes to Institutional Shareholder Services Inc., in order to obtain advice on how to vote proxies. These voting recommendations include environmental, social and governance considerations.

more on member opinions on our contributions to the community and the environment

Member survey results on using our resources and expertise to benefit the community and environment

Members agree Vancity/Citizens Bank uses its resource and expertise to benefit the community and environment		
Company	Account type	2005
Vancity Credit Union	personal	86%
Vancity Credit Union	business	86%
Citizens Bank	personal	71%

Ten per cent of Vancity personal, 10% of business and 22% of Citizens Bank members surveyed were unable to provide an opinion.

Community sponsorships

In addition to our granting programs, we also support the community by encouraging employees to fundraise and volunteer and by funding numerous sponsorships. Many of our sponsorships are for local, community-based events or programs. Vancity also has several major corporate sponsorships, typically in the arts or entertainment industries, or that support particular business niches.

responsible financial managers

inside

Operating efficiency

Taxes paid

Financial highlights

Managing financial and environmental risks

Relevant policies

Legal proceedings

Distribution to members and the community

Suppliers and purchases by geographic
area and purchase volume

more on our financial performance

Operating efficiency

The Vancity Group's operating efficiency ratio¹ – the amount it costs us to generate each dollar of revenue – has deteriorated. Our efficiency ratio climbed from 75.5 per cent in 2003 to 78.8 per cent in 2005. Our target efficiency ratio is the range between 73 per cent and 76 per cent.

This increase was due to investment in key new initiatives: the Village Credit Union merger and Squamish partnership, expenditures that reflect the new Vancity identity (new external signage, branch design, etc.) and increasing our ownership of Inhance Investment Management (formerly Real Assets Investment Management) to expand our presence in the socially responsible investment market. These initiatives will help to increase our reach and set us up solidly for future growth. Staffing costs were also higher, which reflects our efforts to provide better service to our members. Finally, our general operating expenses were higher, a reminder of our ongoing challenge to be cost-conscious.

Citizens Bank's efficiency ratio has also deteriorated from 82.7 per cent in 2003 to 86.6 per cent in 2005. We have an ongoing challenge of growing the Bank for the future while balancing short-term profitability.

Taxes paid

Taxes paid by type, Vancity Group (thousands of dollars)			
	2005	2004	2003
Federal and provincial income taxes	\$16,012	\$16,838	\$17,779
BC and Ontario corporation capital taxes	\$6,551	\$5,963	\$5,415
Canada Pension Plan contributions and Employment Insurance premiums	\$5,763	\$5,284	\$4,901
Property taxes	\$1,976	\$1,851	\$1,726
Goods and services and provincial sales tax (estimated)	\$7,782	\$6,612	\$6,261
Total income and other taxes	\$38,084	\$36,548	\$36,082

Unlike publicly listed banks, credit unions can't go to the stock market to raise capital. To address this, the government provides us as a credit union with a tax break on income taxes to enable us to grow our capital in proportion to member deposits and debt. For more information, see Vancity's Annual Report and audited financial statements, available at vancity.com/annualreport

¹ Efficiency ratio = total non-interest expenses (including community donations) divided by total revenue (after loan loss provision).

Financial highlights

Consolidated financial highlights, Vancity Group (thousands of dollars)			
	2005	2004	2003
Assets			
Cash and securities	\$1,540,100	\$1,714,446	\$1,151,335
Loans	9,984,474	8,535,816	7,691,599
Other assets	231,745	203,503	187,127
Total Assets	\$11,756,319	\$10,453,765	\$9,030,061
Liabilities and Members' Equity			
Deposits and equity shares	\$10,558,155	\$8,950,835	\$8,425,665
Wholesale borrowings	458,419	813,768	2,000
Other liabilities	248,132	248,861	219,282
Retained earnings and contributed surplus	491,613	440,301	383,114
Total Liabilities and Members' Equity	\$11,756,319	\$10,453,765	\$9,030,061
Statement of Earnings			
Net interest income	\$272,856	\$255,076	\$249,461
Provision for credit losses	(7,525)	(9,968)	(13,324)
Other income	74,665	68,039	57,483
Net interest and other income	339,996	313,147	293,620
Salaries and employee benefits	146,982	133,330	115,803
Other operating expenses	114,613	105,062	99,847
Operating expenses	261,595	238,392	215,650
Earnings from operations	78,401	74,755	77,970
Unusual items	1,359	18,848	-
Earnings after unusual items	79,760	93,603	77,970
Distributions to community and members	16,626	19,578	15,719
Provision for income taxes	16,012	16,838	17,779
Net Earnings for the Year	\$47,122	\$57,187	\$44,472

Financial highlights, Citizens Bank
 (thousands of dollars)

	2005	2004	2003
Assets			
Cash and securities	\$164,920	\$190,178	\$142,709
Loans	\$1,480,477	\$1,417,480	\$1,195,301
Other assets	\$19,943	\$16,277	\$18,167
Total Assets	\$1,665,340	\$1,623,935	\$1,356,177
Liabilities and Members' Equity			
Deposits	\$1,500,992	\$1,445,674	\$1,228,036
Other Liabilities	\$39,925	\$45,874	\$142,720
Term loans	\$34,383	\$44,939	\$2,000
Subordinated debenture	\$10,000	\$10,000	\$10,000
Shareholder's equity (share capital & retained earnings)	\$80,040	\$77,448	\$73,421
Total Liabilities	\$1,665,340	\$1,623,935	\$1,356,177
Statement of Earnings			
Net interest income	\$33,337	\$32,007	\$30,777
Provision for credit losses	\$586	\$350	\$1,543
Other income	\$8,543	\$6,769	\$5,513
Net interest and other income	\$41,294	\$38,426	\$34,747
Salaries and employee benefits	\$26,150	\$24,281	\$19,000
Other operating expenses	\$11,312	\$10,662	\$9,568
Operating expenses	\$37,462	\$34,943	\$28,568
Earnings from operations	\$3,832	\$3,483	\$6,179
Unusual items	-	\$2,734	-
Earnings after unusual items	\$3,832	\$6,217	\$6,179
Provision for income taxes	\$1,240	\$2,190	\$2,586
Net Earnings for the Year	\$2,592	\$4,027	\$3,593

Managing financial and environmental risks

An important part of being a responsible and effective manager is managing risk effectively and ensuring internal controls are adequate to safeguard the assets of the organization. In 2004, we implemented an enterprise risk management system for the Vancity Group. (For more information, see C3 Responsible governance; our approach to managing risk).

The Vancity Board of Directors is accountable to members for sound financial decision making and is responsible for approving Vancity's risk management strategy. Day-to-day management is delegated to the Chief Executive Officer and specific committees are mandated to report on and monitor key risks.

The Vancity Group's annual financial statements are subject to an independent financial audit and we engage a different, independent social auditor to verify our Accountability Report. Vancity is also subject to the controls and guidelines of our financial regulators, Stabilization Central Credit Union of BC and the Financial Institutions Commission.

Vancity's Board of Directors governs financial risk management. Our key financial risks include credit, market and liquidity. Our lending and investment policies address these. Various Board committees provide oversight of risk management, establish risk management policies, procedures and limits, approve risk management strategies and monitor portfolio performance and trends. The Board reviews risk management policies and limits annually. The internal audit and compliance functions monitor adherence to the risk management processes, policies and procedures. In addition, risk is mitigated through our anti-money laundering and terrorist financing policy and our fraud and forgery policies. Our employees receive training to help ensure we respect all relevant legislation.

Financial risk management at Citizens Bank

Citizens Bank's Board of Directors governs risk management for the Bank. Various committees have responsibility for managing the Bank's exposure to financial risk. These committees provide oversight of risk management, establish risk management policies, procedures and limits, approve risk management strategies and monitor portfolio performance and trends. The Board reviews risk management policies and limits annually. The internal audit and compliance functions monitor adherence to the risk management processes, policies and procedures. The Banks' financial statements are subject to an independent financial audit.

The federal Office of Superintendent of Financial Institutions (OSFI) regulates Citizens Bank. The Canadian Deposit Insurance Corporation's standards requiring an annual self-assessment of risks were repealed in 2005. While no longer required to report the results of this assessment, the Bank conducted its annual assessment as usual. In 2007, the Bank will be required to adhere to the new standards in risk management known as Basel II. (For more information see C3 Responsible governance; our approach to managing risk.)

Loan losses, including residential mortgage fraud

Loan loss allowance and loan losses as a per cent of total loans outstanding			
	2005	2004	2003
Vancity Group			
Loan loss allowance	0.64%	0.68%	0.72%
Actual loan losses	0.03%	0.10%	0.17%
Citizens Bank			
Loan loss allowance	0.58%	0.62%	0.74%
Actual loan losses	0.07%	0.04%	0.05%

As lending is one of our core business activities, it's very important that loans are high quality and likely to be repaid. Actual loan losses as a percentage of total loans outstanding decreased in 2005. This decrease was due to recoveries from the mortgage fraud (see below), as well as a stronger economy with lower unemployment rates, fewer bankruptcies, high property values and loans and mortgages at historically low rates.

During 2002, Vancity and other financial institutions experienced a residential mortgage fraud due to misconduct by a lawyer, among others. The Law Society of BC is considering payments to banks and credit unions with claims. We keep a reserve in our earnings and, in response to the fraud, have changed some of our systems. In 2005, Vancity received about \$6 million as part of the recovery. So far, this is the most we've received in any single year and brings us closer to a full recovery of our losses. Citizens Bank was not significantly affected by this particular instance of mortgage fraud.

Environmental risk

It's important that our employees and our business members understand that social and environmental issues are important and can be risky.²

In addition to Ethical Policy screening (see C5) our account manager and the property owner must complete some form of environmental due diligence for all business mortgages.

We want to help clients deal with risk. If there are any issues, we'll prepare a "conditions precedent to funding" checklist that includes tasks that must be completed before we advance the loan. Or, we'll ask the business to carry out a phase 1 or 2 assessment through an environmental consultant. A phase 1 assessment involves taking photos and examining historical information about the site and a phase 2 assessment involves some testing and exploration. If a phase 3 assessment is required (remediation and clean-up) we would generally not do business on that project.

We also keep a list of industries with high environmental risk. We take additional precautions, such as more frequent and in-depth monitoring, when managing risk on lending to any type of business on this list.

Our environmental risk policy states that "an administration plan for monitoring of accounts deemed to have high or very high environmental risk is to form part of the annual review for existing loans. The administration plan will incorporate a review of the borrower's Ministry of Environment monitoring/reporting and is to include reporting on environmental risk on a quarterly basis."

Relevant policies

Lending policy

The Lending Policy is distributed to relevant management and employees only. It sets out our approach to lending and ensures consistent application of lending policies in all transactions and with all applicants and borrowers.

The Lending Policy includes the intent of our Environmental Loans Policy, and includes a commitment to encourage individuals and organizations carrying out activities with positive environmental outcomes and, within prudent credit guidelines, find ways to meet their credit needs. It also states we will develop special loans programs to achieve environmentally beneficial outcomes.

Investment policies

Distributed to relevant management and employees only, our Investment Policies are as follows:

Investment Portfolio Policy: Provides a framework for the managing of a portfolio of investments with the objective of optimizing yields in securities providing a high level of security and liquidity. It also includes investment guidelines related to real property and subsidiaries.

² Environmental risk is addressed in training some of our staff receives.

Liquidity Policy: Provides a framework for the liquidity management under ordinary or reasonably expected business conditions which will ensure the availability of funds to honour all cash outflow commitments (both on and off balance sheet) as they fall due.

Capital Management Policy: Provides a framework to ensure we have adequate capital and effective plans to manage our capital prudently. We recognize that strong operating performance is the single most important contributor in building capital.

Interest Rate Risk Policy: Provides guidance for the monitoring and measurement of a prudent interest rate profile based our risk tolerance as approved by the Board of Directors.

Fraud and forgery policies

These policies are available to all employees via our Intranet. They include procedures to prevent common types of fraud such as counterfeit cheques/money, and forged signatures, as well as procedures for reporting fraud.

Anti money laundering and terrorist financing policy

In 2001, the federal government passed the Proceeds of Crime (Money Laundering) and Terrorist Financing Act requiring certain institutions, including banks and credit unions, to report prescribed and suspicious transactions to authorities.

The Anti Money Laundering and Terrorist Financing Policy is available to all employees via the Intranet. Affected employees are required to attend a computer-based training course. The policy requires that employees make every effort to prevent money laundering³ activities by adhering to the policies and procedures and making reports of any suspicious or prescribed transactions. The Bank's financial statements are subject to an independent financial audit.

Legal proceedings

As part of the normal course of business, the Vancity Group occasionally has legal proceedings brought against it. Provisions have been recorded in the financial statements where appropriate. It is management's opinion that these claims' outcomes will not have a significant negative effect on our financial position or earnings.

Overdraft charge class action lawsuit settlement

For many years, Vancity had an overdraft administration fee of \$10. This is the fee that we charge when a member draws on an account that doesn't have sufficient funds in it to cover the transaction. For example, we charge the fee when we make a decision to honour a cheque for a member who has insufficient funds in their account so the cheque doesn't get returned. While we charge for this service, it is much less than the additional charges our member could face from us, and the merchant, if the cheque were bounced.

³ Money laundering is the process whereby money that has been obtained through the commission of a crime is made to appear legitimate. This process conceals the source of the funds and allows the criminals to keep control of the money and place it beyond the reach of the law.

A class action lawsuit arose as a result of this fee. The issue raised in the suit was whether a portion of our overdraft administration fee could be considered as interest, which, in certain circumstances, could contravene the law. We have always viewed this overdraft administration fee as a service charge, not as interest.

In November 2004 we reached a settlement in this lawsuit. We sent letters to 180,000 members informing them they may be entitled to a refund of a portion of any fee that they may have paid. We set up a dedicated refund call centre to field questions and register claims. Members had the option to participate in the legal settlement or opt out. Members who were eligible for a refund could also donate their refund to the Vancity Community Foundation.

We created a pool of \$2.8 million for the settlement. After paying for all the claims, legal and administrative costs, we disbursed the remainder (about \$580,000) to the Vancity Community Foundation. This was in addition to the \$5,000 in claims that members directed to the Foundation themselves.

more on adding value

Distribution to members and the community

Distribution to members and the community as a per cent of average previous three year pre-tax earnings					
	Progress since 2003	Benchmark	2005	2004	2003
Vancity Group (millions of dollars)					
Distribution to members*	↓	0.12%	\$8.6 13.6%	\$10.5 21.1%	\$8.1 21.0%
Distribution to the community	↓	0.8%	\$6.3 10.0%	\$7.4 14.9%	\$5.9 15.3%
Citizens Bank (thousands of dollars)					
Distribution to the community	↓	0.8%	\$279 5.1%	\$304 7.5%	\$310 9.4%

Pre-tax earnings = net earnings plus taxes paid. Citizens Bank data restated from 2003 to reflect accrued donations.

Distribution to members benchmark source: Stabilization Central Credit Union (52 credit unions). Distribution to community benchmark source: Canadian Bankers Association (eight large Canadian banks).

* Excludes dividends paid to members on investment shares.

The Vancity Board of Directors has set a target of 30 per cent of net earnings returned to members and the community: Eighteen per cent to members and 12 per cent to community. The drop in 2005 is from exceptionally high profits in 2004 due to a one-time accounting change.

Suppliers and purchases by geographic area and purchase volume

Suppliers by total amount of purchases, 2005

	Number of suppliers	Total dollars spent
Vancity Group (excluding Citizens Bank and Inhance)		
\$500,000 and over	2.0%	57.4%
\$100,000 to < \$500,000	5.5%	24.1%
\$25,000 to < \$100,000	12.9%	11.9%
< \$25,000	79.6%	6.6%
Total	1,439	\$74.8 m
Citizens Bank		
\$500,000 and over	0.2%	8.3%
\$100,000 to < \$500,000	2.9%	42.9%
\$25,000 to < \$100,000	7.1%	28.4%
< \$25,000	89.8%	20.4%
Total	519	\$5.7 m

We have improved our data collection systems to better track payments made by wire transfers and those made in foreign currencies. This means however that this 2005 data is not comparable to that reported in the 2002-03 Accountability Report. These figures reflect actual payments made, not accruals.

Suppliers and purchases by geographic area, 2005

	Number of suppliers	Total dollars spent
Vancity Group (excluding Citizens Bank and Inhance)		
Local	70.4%	61.8%
Rest of BC	2.4%	0.8%
Rest of Canada	19.2%	31.4%
USA/Other	8.0%	6.0%
Total	1,439	\$74.8m
Citizens Bank		
Canada	99.4%	99.8%
USA/Other	0.6%	0.2%
Total	519	\$5.7m

"Local" is defined by the "remit to" postal code shown on supplier's invoices. Vancity "local" postal codes are defined as BC's Lower Mainland, Fraser Valley, and Victoria