

Reflecting the **values** of VanCity's members, staff, and communities.

## VANCITY'S STATEMENT OF VALUES AND COMMITMENTS

### Our Mission

To be a democratic, ethical, and innovative provider of financial services to our members. Through strong financial performance, we serve as a catalyst for the self-reliance and economic well-being of our membership and community.



### Our Purpose

Working with people and communities to help them thrive and prosper.

### Our Values

#### *Integrity*

We act with courage, consistency, and respect to do what is honest, fair, and trustworthy.

#### *Innovation*

We anticipate and respond to challenges and changing needs with creativity, enthusiasm, and determination.

#### *Responsibility*

We are accountable to our members, employees, colleagues, and communities for the results of our decisions and actions.

### Our Commitments

We make the following commitments in order to live our purpose and values in how we do business. Our aim is to strengthen VanCity's long-term business while contributing to the well-being of our members, staff, communities and the environment.

- We will be responsible and effective financial managers so VanCity remains strong and prospers.
- We will provide you with outstanding service and help you achieve your financial goals.
- We will provide meaningful opportunities for you to have input in setting the direction of the credit union.
- We will ensure that VanCity is a great place to work.
- We will lead by example and use our resources and expertise to effect positive change in our communities.
- We will be accountable for living up to our commitments.

The full text of the Statement of Values and Commitments can be found at [vancity.com](http://vancity.com). To request a printed copy of the Statement, call 604-877-7000 or 1-888-VanCity.

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### Our 2000-01 Accountability Report

This externally audited report is an account of VanCity's social, environmental, and economic performance during 2000 and 2001. It complements our annual report, which provides a detailed account of our financial performance.

The report is structured around our Statement of Values and Commitments – it measures our performance at living up to each of our stated commitments, and against societal and key stakeholder (members, employees, and community leaders) expectations. We have not provided an opinion on our performance, but have left it to our stakeholders to be the judges.

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| <b>VanCity Credit Union's Board of Directors 2002-03</b> |  |    |
| <i>Bruce Ralston, Chair</i>                              |  |    |
| <i>Elain Duvall, Vice-Chair</i>                          |  |    |
| <i>Doreen Braverman</i>                                  |  |    |
| <i>Reva Dexter</i>                                       |  |    |
| <i>Catherine McCreary</i>                                |  |    |
| <i>Greg McDade</i>                                       |  |    |
| <i>Sylvia Pritchard</i>                                  |  |    |
| <i>Sandy Watson</i>                                      |  |    |
| <i>Rhonda Zabinsky</i>                                   |  |    |



Not very long ago, many people were drawn to credit unions, not out of choice, but out of necessity. Because for them, credit unions often provided loans, mortgages and accounts where banks wouldn't.

Today, however, choices abound. One can just as easily choose a bank over a credit union or a trust company over any other type of financial institution that's out there.

So maybe the thing that makes VanCity such an attractive choice for more and more people today, is that as a VanCity member, you're also an owner. In fact, you're part of a democratic, member-owned financial institution. Which means that every time you choose to do business with VanCity, you're supporting an organization that contributes to the local economy, employs British Columbians and enriches life in your community.

Our social audit process is an essential means in which to openly report on our commitment to our members, to remain a vibrant, strong financial institution. A process that helps us to be accountable to the people who actually own this company – you.

**VanCity**

**Tim Quan**  
*Member since 1977*





Community. It's where you live. It's where you work. It's the group you belong to. It's the people you pass on the street. In fact, community can be defined in any number of ways.

At VanCity, we know that a credit union with more than seven billion dollars in assets, 1,600 employees and a quarter million members has tremendous influence in the community, especially in the Lower Mainland and Fraser Valley. We also know that how we use that influence can either be a benefit or a detriment to the communities we serve.

That's a responsibility we don't take lightly. So much so, we've made it our company's purpose: "to work with people and communities to help them thrive and prosper". Which means we must use our influence wisely, from the types of organizations we fund with grants, to the types of loans we offer, even to the paper we use or the type of coffee we drink.

Providing grants to worthwhile community groups is important. Grants give them money to put important plans into action. But we can't forget we have other ways to help, like providing low interest loans, or the way we invest our members' money, as well as how we purchase goods.

It all comes down to doing the right thing. Because when we benefit our community, ultimately, we benefit ourselves.



**Linden Santorelli**  
*Member since 1991*



The Inukshuk, used as a marker by First Nations people, is the symbol we at VanCity have chosen to mark the extraordinary efforts of our staff.

Every year, VanCity staff members nominate their co-workers on everything from outstanding member service to community commitment. This elite group of individuals, having demonstrated tremendous leadership and outstanding service ability, are then honoured amongst a thousand of their peers at our annual Recognition Night gala.

At VanCity, we know that balancing a busy, dynamic career with the external pressures of family, friends and outside interests is anything but easy. That's why we believe so strongly in the importance of recognizing those staff members who give so much extra. Because when our staff feel recognized and valued, our members are sure to benefit in the end.

However, this is not to say that we're perfect in this matter. In fact, we'll continue to strive to do better, as you'll see in this report and future ones. But we do want to thank our staff, on behalf of our members, for giving us so much of their time and energy in making VanCity the kind of financial institution it is today. And, more importantly, what it can become tomorrow.



LIVING OUR  
VALUES AWARD  
2001

VanCity  
VanCity

**Cara MacKillop**  
*Financial Services Advisor*  
*Member since 1995*

## MESSAGE FROM THE CHAIR AND CEO

### Mirroring the values of our stakeholders

As our organization continues to grow and evolve, we know the most important thing is to continuously reflect on our progress and measure it against our values. To that end, we are pleased to not only release the results of our third social audit, but to also present these results benchmarked against our Statement of Values and Commitments. Our core purpose – working with people and communities to help them thrive and prosper – and our values of integrity, innovation, and responsibility, are now formally embedded into the way we do business day in and day out.

Our Accountability Report is the result of an externally verified social audit, a process which includes the views and concerns of those who matter most to us – our members, staff, and community leaders. We are proud of how far we've come – not just with a more focused audit process, but with the integration of social auditing into all phases of our annual business planning. The process has matured and been embraced by our senior management as a way of helping us become more effective managers, an outstanding employer and better at providing the right services to our members and community partners.

While we may have come of age, we won't rest on our laurels. There is still much we have to do, including broadening our consultations to include other stakeholder groups, refining our key performance indicators, and serving as a leader to other organizations as they embark on their own reporting process.

Today, the financial and social performance of publicly traded corporations is under intense scrutiny. The unethical practices of some of those corporations has caused skepticism and mistrust among their stakeholders and has eroded public trust in corporate governance. While social auditing is no replacement for good governance, the transparency it requires is an important tool that can be a catalyst to rebuild trust with the public.

We're delighted to see other firms taking steps to balance financial and social performance. Corporations can no longer be accountable simply to shareholders – they must consider other stakeholders such as employees and customers, or risk alienating the groups upon which they depend to keep their business alive.

While VanCity's co-operative structure provides a different and more direct form of accountability to members, we will continue to work to improve this process of ensuring accountability to all our stakeholders.

We would like to acknowledge former members of the VanCity Board of Directors who had the foresight to begin social auditing at VanCity in 1997. It was their vision and persistence that brought us to where we are today. We'd also like to thank our staff who worked so hard to create this report – particularly our Social Audit Manager Joanne Westwood for effectively facilitating such a positive and constructive dialogue among our stakeholders.

As always, we invite you to share with us your thoughts, concerns, or kudos about our 2001-02 Accountability Report. Feedback from readers like you helps make the next report even better.



Bruce Ralston  
Chair, VanCity Board of Directors



Dave Mowat  
Chief Executive Officer

**Bruce Ralston**  
Chair  
VanCity Board of Directors  
Member since 1986

**Dave Mowat**  
Chief Executive Officer  
VanCity Credit Union  
Member since 1998

## GUIDE TO THE READER

### Report scope

The information provided in this report covers VanCity Credit Union (our head office and 39 branches). The Accountability Report for the full VanCity group of companies, including the performance of our subsidiaries, is available on VanCity's website at [vancity.com/accountabilityreport](http://vancity.com/accountabilityreport). Our subsidiaries' financial performance has been included in all consolidated financial data.


In writing this report, we have fully disclosed all information of material relevance to our key stakeholders, except where the information is confidential. We define confidential as: information that would affect the privacy rights of one or more of our stakeholders; or information that is commercially sensitive or proprietary. Comparative quantitative data for 1999 and 1997 has been presented where possible. For comparative information on qualitative and descriptive information, please refer to our 1997 and 1998-99 Social Reports.

For information relating specifically to:


- **Members**, see commitments two, three, and four (pages 19, 21, and 27)
- **Employees**, see commitment five (page 29)
- **Communities (including the environment)**, see commitment six (page 36)

### Explanation of symbols used

The performance indicators found throughout this report are either key performance indicators (KPIs) or supporting indicators. KPIs are stand-alone indicators that provide an overall rating of how well we are performing relative to our Statement of Values and Commitments.


 = key performance indicator

To ensure continuous improvement of our social, environmental, and economic performance, we have set targets and action plans.

 = new target or action plan

Targets and action plans set in response to finding from previous audits are highlighted in yellow boxes throughout the report. The full list appears on page 15.

Throughout this report there will be references to additional information available on our website.

 = more on the web

### Contact information

*For further information on anything contained in this report, or to receive additional copies, call 604 877-7000 or 1-888-VanCity, or email us at [info@vancity.com](mailto:info@vancity.com).*

### Feedback

*We welcome your comments and feedback. Please complete the online feedback form at [vancity.com/accountabilityreport](http://vancity.com/accountabilityreport) or email us at [info@vancity.com](mailto:info@vancity.com).*

## VANCITY AND KEY STAKEHOLDER PROFILE

### MISSION STATEMENT

*Vancouver City Savings Credit Union is a democratic, ethical, and innovative provider of financial services to its members. Through strong financial performance, we serve as a catalyst for the self-reliance and economic well-being of our membership and community.*

VanCity is Canada's largest credit union; as of December 31, 2001 we had \$7.5 billion in assets, more than 275,000 members, and 39 branches throughout Greater Vancouver, the Fraser Valley and Victoria. Our major activities include day-to-day banking, lending, insurance, and investment services.

Founded in 1946, we conduct our business in a way that strengthens our long-term success while contributing to the social, economic, and environmental well-being of the communities we serve. As a credit union, we are member owned – all our members have a say in our future and a share in our earnings.

VanCity has several subsidiaries and affiliates:

- Citizens Bank of Canada
- VanCity Insurance Services Ltd.
- VanCity Enterprises Ltd.
- VanCity Investment Management Ltd.
- VanCity Capital Corporation
- Inventure Solutions Inc.
- Real Assets Investment Management Inc.
- VanCity Community Foundation

#### More on the web:



[vancity.com/accountabilityreport](http://vancity.com/accountabilityreport)

- Accountability Report and organizational chart for the VanCity group of companies.

### Employee Profile<sup>1</sup>


- At the end of 2001, there were 1,665 employees in the VanCity group of companies (1,602 in 1999)
- 75% of employees are permanent and full time (71% in 1999); 16.5% are permanent and part-time (18% in 1999); 8.5% are temporary (11% in 1999.)
- 80% are in non-management, non-supervisory roles (81% in 1999)
- 71% of employees are female
- 63% of employees are aged between 30 and 49
- 17% of employees belong to a union

<sup>1</sup> Excludes Citizens Bank

### Member Profile

- At the end of 2001, we had 275,700 members (261,400 in 1999)
- 53% of members (including joint members) are female
- 12% are under 25; 28% are over 55
- 90% of member accounts are personal; 9% are business; 1% are non-profit organizations

### More on the web:

 [vancity.com/accountabilityreport](http://vancity.com/accountabilityreport)

- Detailed profiles of our members and employees.

### Community Profile

For the purpose of stakeholder consultations, we decided that “communities” will be represented by local “community leaders”. We have defined community leaders as widely respected individuals knowledgeable about the needs and challenges facing various groups and interests within the communities in which VanCity operates. Examples of interest areas include children/youth, people with disabilities, poverty, social housing, environment, arts and culture, health, business, and visible minority groups.

## AUDITOR'S REPORT

In this Auditor's Report, "VanCity" refers to the parent company Vancouver City Savings Credit Union. The Accountability Report of the full VanCity group of companies, together with our Auditor's Report, is available on VanCity's website at [vancity.com/accountabilityreport](http://vancity.com/accountabilityreport).

### Framework for VanCity's Accountability Report

This is VanCity's third externally audited accountability report ("the report"). There is no legislative requirement for credit unions to publish social reports - VanCity does so voluntarily. As in 1998-99, VanCity has used the AccountAbility 1000 Framework (AA1000) of the Institute of Social and Ethical AccountAbility ([accountability.org.uk](http://accountability.org.uk)) as the basis for its social accounting and reporting process. AA1000 is an international standard for the process of social accounting, auditing and reporting. It does not stipulate the content of reports. VanCity should be commended for adopting this demanding standard.

### About the auditor

Solstice Consulting, based in Burnaby, B.C. ([solsticeconsulting.ca](http://solsticeconsulting.ca)), specializes in sustainability and accountability consulting and auditing. Solstice has been the independent social auditor of VanCity and its related organizations since 1998. We have no other consulting relationships with the VanCity group of companies. The audit team consisted of Susan Todd and Kathy Wardle. Susan Todd, Principal of Solstice Consulting, is a member of the Institute of Social and Ethical AccountAbility and the Institute of Chartered Accountants of British Columbia.

### Responsibilities of VanCity and the auditor

The preparation of the Accountability Report, and the social accounting systems that support it, are the responsibility of VanCity's management. The Board of Directors of VanCity has approved the report. Our responsibility is to provide readers with reasonable assurance, based on our audit work, that the 2000-01 Accountability Report is reliable, balanced and a fair representation of VanCity's social and environmental performance during 2000 and 2001, in relation to VanCity's Statement of Values and Commitments (SOVAC).

### Scope and limitations of the audit

Solstice has audited the 2000-01 Accountability Report in accordance with the Auditing Guidelines of AA1000 (November 1999). A revised standard for assurance was under development at the time of writing this report.

Solstice has audited all sections of the report, except future commitments. Our work extended to information about the credit union reported on VanCity's website that has been referenced in this report. Our procedures included observing member and employee focus groups; reviewing survey processes; reviewing systems and processes for social accounting; reading documentation such as minutes of Board, management and employee committees, policies, project and program reports, financial statements and member correspondence; interviewing personnel; testing data; checking supporting documentation; and reviewing the work of both internal audit staff and external consultants.

The scope of the audit has been determined by us to parallel the scope of VanCity's Statement of Values and Commitments (SOVAC). While the SOVAC may not cover every possible aspect of social and environmental responsibility, it was developed through extensive consultation with members, employees and community leaders to cover the areas of greatest importance to these stakeholders. To assess whether VanCity has completely and adequately reported on its performance in relation to the SOVAC, we considered whether information was material and relevant to these stakeholders. (See comments under Inclusivity below). We ensured that any relevant information excluded was either immaterial or could reasonably be considered confidential (see definition of confidential on page 9).

Readers should be aware of the following limitations of the audit process:

- As there are no generally accepted standards for the content of social reports, the auditor must exercise judgement in assessing management's decisions regarding the depth and breadth of reporting;
- Like any audit, this one involved tests of data and estimations. Therefore, the audit should not be relied upon to detect all errors, omissions or misinterpretations in reporting, nor can it guarantee the quality of social accounting systems and processes;
- We have not independently audited the financial accounts or financial systems from which some of the information in this report is drawn. We have relied on the integrity of the main accounting systems and restricted our work to the context and interpretation of financial data in the report;
- In a few cases it was not possible to audit specific data. These have been labeled unaudited.

## Findings

As VanCity uses the AA1000 framework as its guide, we have considered how well the report reflects certain principles of AA1000:

1. **Completeness** – to reduce the length of the printed report, VanCity has published certain information, including sections on subsidiaries and affiliates, only on its website. We encourage readers to refer to the website for a more complete appreciation of VanCity's group performance.
2. **Continuous Improvement** – VanCity has continued to deepen its understanding and coverage of significant issues for financial institutions. In particular we note that data is now included for CO<sub>2</sub> emissions related to buildings and employee transportation, member investments in socially responsible investment options and entry-level wages relative to local cost of living. On the other hand, we note that several commitments due to be completed in 2001 are still outstanding, some of them dating from the 1997 Social Report.
3. **Embeddedness** – This refers to the integration of social accounting, auditing and reporting into all systems and decision-making. In 2000-2001, VanCity began to align the social reporting process with the business planning process. This alignment has given greater weight to the social accounting process and provided the internal accountability mechanism for following through on targets and action plans. In effect, VanCity is beginning to use the social reporting process as a management tool. The new targets and action plans presented in this report were based on early findings and developed through the fall 2001 business planning process. As later audit findings will only be addressed in the fall 2002 business planning process, there is a limited response to them in this report.
4. **Inclusivity** – AA1000 includes an expectation that, over time, the social accounting process will include genuine engagement with all stakeholder groups. By using the SOVAC to frame the accounting and reporting exercise, VanCity has produced a more focused report. However, by limiting consultations to those defined as "key" – members, employees and community – VanCity has had no means to include the views of other stakeholders. Without consultations, we cannot know whether issues relevant to these groups have been omitted. Stakeholders identified in past reports included suppliers, credit unions, business partners and stakeholders specific to subsidiaries and affiliates.

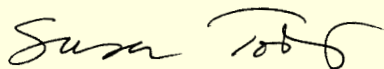
## Auditor's statement

Except for the effect, if any, of unidentified issues due to the limited scope of consultation discussed above, I am satisfied that VanCity's 2000-01 Accountability Report is reliable, balanced and a fair representation of VanCity's social and environmental performance as defined by the SOVAC.

## Recommendations

VanCity has continued to refine its reporting and underlying systems since 1997. To assist VanCity in continuing to improve we make the following recommendations concerning the social accounting and reporting process:

1. Consider extending consultation to other stakeholder groups.
2. Deepen the alignment of social reporting and business processes to ensure that targets and commitments are adequately resourced and subject to internal accountability processes like individual performance plans.
3. Publish the Ethical Policy, once implemented, and report on compliance with it.



**Solstice Consulting**

Vancouver, Canada

August 13, 2002

## KEY PERFORMANCE INDICATORS

Our performance indicators have been refined since our 1998-99 Social Report to measure our performance relative to our Statement of Values and Commitments, as well as against stakeholder and societal expectations. Our indicators are a combination of stakeholder survey results and internally generated data. We have also included external benchmark data throughout this report, where available.

The following key performance indicator table is a summary of our performance at living up to our commitments.

| PAGE   | KEY PERFORMANCE INDICATOR   | 2001       | 1999       | 1997       |
|--|---|------------|------------|------------|
| <b>We will be responsible and effective financial managers so VanCity remains strong and prospers</b>              |   |            |            |            |
| <i>(thousands of dollars, consolidated)</i>  |   |            |            |            |
| 19   | Net earnings  | \$ 25,927  | \$ 23,742  | \$ 17,570  |
| 19   | Members' equity (retained earnings)   | \$ 299,071 | \$ 254,761 | \$ 206,919 |
| 19   | Return on equity (ROE) after distributions to members and communities   | 9.1%       | 9.8%       | 8.9%       |
| 19   | Allowance for loan losses as a % of total loans outstanding   | 0.4%       | 0.3%       | 0.4%       |
| <b>We will provide you with outstanding service and help you achieve your financial goals</b>                      |   |            |            |            |
| 21   | Retail member satisfaction with VanCity's service   | 76%        | 79%        | 82%        |
| 21   | Business member satisfaction with VanCity's service   | 75%        | 79%        | -          |
| 24   | % of members who agree VanCity gives them trustworthy advice about their financial options  | 55%        | -          | -          |
| 24   | % of members who agree VanCity offers products and services that meet their unique needs  | 61%        | -          | -          |
| 25   | % of members who agree VanCity provides them with access to necessary financial services  | 75%        | -          | -          |
| <b>We will provide meaningful opportunities for you to have input in setting the direction of the credit union</b> |   |            |            |            |
| 27   | % of members who agree VanCity provides meaningful opportunities for them to have input in setting the direction of the credit union  | 53%        | -          | -          |
| 28   | % of members who agree VanCity is open and responsive to their input and concerns   | 54%        | 71%        | -          |
| <b>We will ensure that VanCity is a great place to work</b>  |   |            |            |            |
| 29   | % employees who would recommend VanCity as a great place to work  | 81%        | 62%        | -          |
| 29   | Employee Engagement Index (based on seven key questions)  | 77%        | -          | -          |
| 35   | Work/Life Balance Index (based on three key questions)  | 55%        | 47%        | -          |
| <b>We will lead by example and use our resources and expertise to effect positive change in our communities</b>    |   |            |            |            |
| 36   | Disclosure and status of VanCity's Ethical Policy:<br><i>VanCity's Ethical Policy is intended to clarify the types of business VanCity prefers to engage in. By the end of 2001, the Ethical Policy had been developed but not yet implemented.</i> |            |            |            |
| 39   | CO <sub>2</sub> equivalent emissions from energy use/sq foot  | 2.3kgs     | -          | -          |
| 40   | % employees using alternative transportation modes  | 44%        | -          | -          |
| 40   | Member/client investments in socially responsible investment options as a % of total funds under administration   | 6.6%       | -          | -          |
| 41   | Community investment loans outstanding as a % of assets (unconsolidated)  | 0.19%      | 0.26%      | 0.19%      |
| 43   | Distribution to community as a % of average consolidated pre-tax earnings   | 7.8%       | 4.8%       | 4.7%       |

### More on the web:



[vancity.com/accountabilityreport](http://vancity.com/accountabilityreport)

- Key performance indicators for the VanCity group of companies.

## TARGETS AND ACTION PLANS – SUMMARY OF PROGRESS IN 2000-01

To ensure continuous improvement, we set future targets and action plans based on the finding of our social audit. At the end of our 1998-99 social audit, 19 targets and actions plans were set for the credit union. During 2000-01, eight were completed. Of the 11 not completed, some progress was made on six. As part of the 2000-01 social audit, the 11 incomplete targets and action plans were reviewed and decisions made to defer or to include in future targets and action plans. The following table summarizes progress made and the outcome of this review process.

Symbols: ● = completed; ◐ = not completed; some progress made; ○ = not completed; no/little progress made

| YEAR <sup>1</sup>  | PAGE | 2000 - 2001 TARGET OR ACTION PLAN   | PROGRESS | DECISION                   |
|--|------|---|----------|----------------------------|
| <b>We will provide you with outstanding service and help you achieve your financial goals</b>                      |      |   |          |                            |
| 1999   | 22   | Serving non-profit organizations (NPOs): In 2001, achieve a minimum of 89% satisfaction level among NPO members.  | ○        | 2005 Target Set            |
| 1999   | 22   | Serving non-profit organizations (NPOs): Increase number of NPO members by 3% (from year 2000) to 2,750.  | ●        | Complete                   |
| 1997   | 25   | Accessibility: In 2001, complete the roll-out of the accessibility program for retail members (including financial literacy).   | ◐        | 2002 Action Plan           |
| <b>We will provide meaningful opportunities for you to have input in setting the direction of the credit union</b> |      |   |          |                            |
| 1997   | 28   | Member feedback opportunities: Expand tracking of member feedback to include comments from electronic media.  | ◐        | 2002 Action Plan           |
| <b>We will ensure that VanCity is a great place to work</b>  |      |   |          |                            |
| 1997   | 29   | Employee satisfaction: Increase the percentage of overall employee satisfaction from 76% to a minimum of 90% (including employees responding "slightly agree").   | ●        | Complete                   |
| 1997   | 29   | Employee satisfaction: Increase the percentage of employees who say they receive the information they need to be effective in their job to a minimum of 80% (including employees responding "slightly agree").  | ●        | Complete                   |
| 1999   | 34   | Creating a safe and healthy workplace: Conduct a workplace violence risk assessment according to new WCB requirements.  | ●        | Complete                   |
| <b>We will lead by example and use our resources and expertise to effect positive change in our communities</b>    |      |   |          |                            |
| 1997   | 36   | Ethical Policy: As part of the implementation of the Statement of Values and Commitments, develop ethical guidelines for screening business relationships.  | ◐        | 2002 and 2003 Action Plans |
| 1997   | 36   | Environmental Loans Policy: Complete and implement an Environmental Loans Policy with lending criteria that go beyond environmental risk management.  | ◐        | 2002 and 2003 Action Plans |
| 1999   | 37   | Screening investments: Review/update ethical screens of VanCity's Investment Policy. Develop clear guidelines to ensure that screens can be easily interpreted and applied to the lists of approved counterparties and corporate borrowers. Track compliance with the updated policy. | ◐        | 2002 Action Plan           |
| 1997   | 37   | Purchasing: Align Procurement Policy with the Statement of Values and Commitments and define what "local" means for VanCity.  | ●        | Complete                   |
| 1997   | 39   | Paper Use: Develop a plan and set targets for decreasing paper consumption and increasing the environmental quality of paper used.  | ○        | Defer                      |
| 1999   | 39   | Employee transportation choices: Establish a benchmark and set a target to increase the percentage of employees who use alternative modes of transportation to get to and from work.  | ◐        | 2002 Action Plan           |
| 1997   | 40   | Community Investment Deposits: Establish a fund management system to track community investment deposits and loans.   | ○        | 2002 Action Plan           |
| 1999   | 40   | Community Investment Term Deposits: Increase the amount of member term deposits from \$2.7m (1999) to \$4m.   | ●        | Complete                   |
| 1999   | 41   | Community investments: Establish a benchmark and 2005 target for VanCity's community investments.   | ○        | Defer                      |
| 1999   | 42   | Energy efficiency: Develop a loan program that supports energy efficiency.  | ○        | 2002 Action Plan           |
| 1997   | 43   | VanCity EnviroFund VISA: Develop a policy for determining how future EnviroFund contributions will be calculated; revise promotional material to explain this policy.   | ●        | Complete                   |
| 1997   | 44   | Employee community involvement: Develop employee community involvement guidelines to clarify what VanCity expects, and is prepared to support, with regards to employee volunteer activities.   | ●        | Complete                   |

<sup>1</sup> Year in which target or action plan was set.

## FUTURE TARGETS AND ACTION PLANS

After reviewing the findings from our 2000-01 social audit, and progress made on the 19 targets and actions plans arising from our 1998-99 social audit (page 15), the following future targets and action plans have been set for the credit union. Progress made will be reported in future accountability reports.

| PAGE   | TARGET OR ACTION PLAN  | RESPONSIBILITY  |
|--|--|---|
| <b>We will provide you with outstanding service and help you achieve your financial goals</b>                      |  |   |
| 21   | Retail member satisfaction: 2005 Target – Increase the percentage of retail members satisfied overall with VanCity's service from 79% (1999) to 85%, and the percentage of members "totally satisfied" from 33% to 40%.  | Lydia Johnson, VP<br>Sales & Service                                      |
| 22   | Business member satisfaction: 2005 Target – Increase the percentage of business members satisfied with VanCity's service from 75% (2000) to 79%, and the percentage of members "totally satisfied" from 33% to 40%.  | Kevin Zakus, VP<br>Business Services                                      |
| 22   | Serving non-profit organizations (NPO): 2005 Target – Increase NPO member satisfaction to 89%.   | Kevin Zakus, VP<br>Business Services                                      |
| 23   | Employee satisfaction: 2005 Target – Increase the percentage of employees satisfied overall with VanCity's service from 65% (1999) to 85% and the percentage "totally satisfied" from 12% to 40%.  | Dave Mowat, CEO   |
| 23   | Employee privacy: 2002 Action Plan – Review and clarify our policy around access to employee information and provide clear guidelines to all employees.  | George Scott, Sr VP Corp.<br>Strategy & Marketing                         |
| 24   | Service charges: 2002 Action Plan – Launch strategy to pro-actively contact members who could benefit financially by transferring to a more appropriate account.   | George Scott, Sr VP Corp.<br>Strategy & Marketing                         |
| 25   | Accessibility: 2002 Action Plan – Re-assess Accessibility Pilot Program.   | George Scott, Sr VP Corp.<br>Strategy & Marketing                         |
| <b>We will provide meaningful opportunities for you to have input in setting the direction of the credit union</b> |  |   |
| 28   | Member concerns: 2002 Action Plan – Implement MRM member complaint/feedback tracking system  | George Scott, Sr VP Corp.<br>Strategy & Marketing                         |
| 28   | Member concerns: 2002 Action Plan – Use member survey results for our 2003 business planning process and set performance target in the area of member complaints.  | Lydia Johnson, VP Sales & Service and Kevin Zakus VP<br>Business Services |
| <b>We will ensure that VanCity is a great place to work</b>  |  |   |
| 32   | Employee recognition: 2002 Action Plan – Roll-out enhanced recognition program.<br>2002 Action Plan – Feed survey results into 2003 business planning process and set performance target in the area of employee recognition.  | Donna Wilson,<br>VP Human Resources                                       |
| 33   | Career development: 2002 Action Plan – Feed survey results into 2003 business planning process and set performance target in the area of career development/advancement opportunities.   | Donna Wilson,<br>VP Human Resources                                       |
| 33   | Employee communication: 2002 Action Plan – Survey staff to determine percentage of employees who agree that they feel free to voice their opinions openly at VanCity.  | Dave Mowat, CEO   |
| <b>We will lead by example and use our resources and expertise to effect positive change in our communities</b>    |  |   |
| 36   | Ethical Policy: 2002 Action Plan – Develop implementation procedures for the Ethical Policy; train employees to apply the policy.<br>2003 Action Plan: Apply the Ethical Policy to new and renewing business relationships.  | George Scott, Sr VP Corp.<br>Strategy & Marketing                         |
| 36   | Environmental Loans Policy: 2002 Action Plan – Develop implementation procedures for the Environmental Loans Policy. Train employees to apply the policy.<br>2003 Action Plan: Apply the Environmental Loans Policy to business lending activities.                            | George Scott, Sr VP Corp.<br>Strategy & Marketing                         |
| 37   | Screening investments: 2002 Action Plan – Establish a formal arrangement with Ethical Funds Inc. to screen VanCity's approved list of investments. Implement the procedural guidelines in the Investment Policy.   | Chris Dobrzanski, Sr VP<br>Risk Management & Operations                   |
| 37   | Suppliers: 2002 Action Plan – Screen all strategic suppliers using VanCity's Ethical Policy.<br>2003 Target: 100% of strategic suppliers to meet the standards in VanCity's Ethical Policy.  | Johan Lemmer, VP Finance and<br>VPs/CEOs of key purchasing areas          |
| 39   | Waste management: 2003 Action Plan – Assess and implement systems to more reliably measure and track total waste generated and recycled.   | Johan Lemmer,<br>VP Finance   |
| 39   | Employee transportation choices: 2002 Action Plan: Set a target to increase the percentage of trips to and from work by employees using alternative transportation modes.  | George Scott, Sr VP Corp.<br>Strategy & Marketing                         |
| 40   | Community Investment Deposits: 2002 Action Plan – Establish a fund management system to track community investment deposits and loans.<br>2002 Action Plan – Develop a plan to disburse difference between interest foregone and interest discounts received by the community. | George Scott, Sr VP Corp.<br>Strategy & Marketing                         |
| 42   | Energy efficiency: 2002 Action Plan – Re-assess options for loan programs to support energy efficiency.  | George Scott, Sr VP Corp.<br>Strategy & Marketing                         |

## “WE WILL BE ACCOUNTABLE FOR LIVING UP TO OUR COMMITMENTS”

### THIS MEANS WE WILL:

- *Make continuous and measurable progress in meeting our commitments*
- *Involve our members, staff, and communities in measuring our performance and report the findings in a public, externally verified report*

### Corporate Social Responsibility (CSR) Governance at VanCity

VanCity’s Statement of Values and Commitments (inside front cover) commits our Board of Directors to oversee continuous improvement of our social, environmental, and economic performance and provides the framework for decision-making at VanCity. Our social audit process helps us measure how well we are achieving this, and our Audit Committee is mandated to ensure social audit reporting is complete and accurate. Specific board/executive subcommittees are established on an as-required basis to oversee various CSR initiatives. VanCity’s CSR group of 11 employees reports to our board and executive committees on a regular basis and is responsible for community involvement, corporate philanthropy, social auditing, environmental initiatives, and other CSR-related policies, programs, and strategies.

### Overview of VanCity’s social audit process

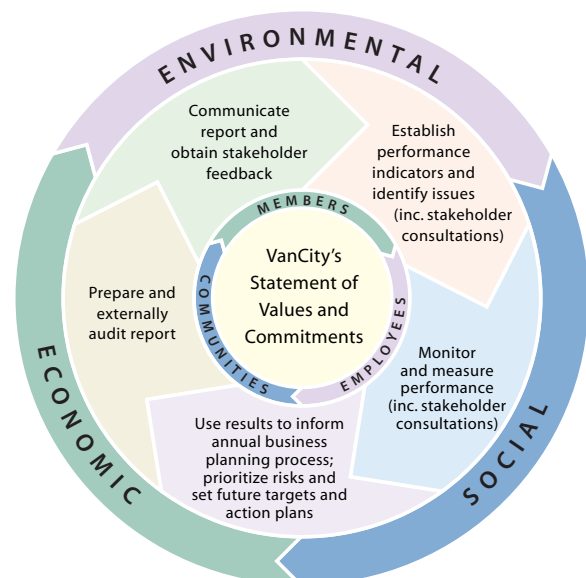
VanCity’s social audit process is externally audited by Solstice Consulting Ltd. in accordance with the AccountAbility 1000 (AA1000) process standard for social accounting, auditing, and reporting (visit [accountability.org.uk](http://accountability.org.uk) for further details). We believe external assurance provides readers with the confidence that the report is a reliable, balanced, and reasonable account of our performance. It also provides us with an accurate and consistent picture for our business planning process. The Auditor’s Report appears on page 12 of this report.

The key objective of our social audit process is ultimately to improve our performance at living up to our Statement of Values and Commitments. The social audit process facilitates this by identifying stakeholder issues and areas in which VanCity is not performing so well, through data collection, stakeholder consultations and document review. Key findings are used to inform our business planning process, resulting in the setting of targets and action plans. Embedding our social audit process into existing management systems and ensuring that stakeholder engagement impacts decision-making at VanCity enables us to continuously improve our social, environmental and economic performance.

We believe we also benefit from social auditing and reporting in the following ways:

- strengthened relationships with stakeholders
- enhanced reputation
- innovation and market differentiation
- recruitment and retention benefits
- improved risk management
- operational efficiency

### VanCity’s social audit process



## Stakeholder consultations

VanCity's Statement of Values and Commitments defines our key stakeholders as members, employees, and communities. During 2000 and 2001 we have concentrated our consultations with these groups.

In addition to the stakeholder consultations, shown below, we conducted an Employee Engagement Survey in July 2001, and also surveyed our staff in February 2001 on the Statement of Values and Commitments. The results of these surveys were used to inform our 2002 business planning process as well as to determine areas to investigate further through focus groups. Additional member and staff focus groups and surveys were held/conducted as required. The results of the following stakeholder consultations (the most up-to-date) have been included in this report:

### Members

*Member Survey on VanCity's Statement of Values and Commitments, July 2001*

- 600 telephone surveys (400 retail and 200 business members randomly selected)
- Further over-sample surveys were conducted as required to ensure statistical significance.
- Surveys were conducted in Punjabi, Mandarin, and Cantonese as required

**Margin of error:** readers can be confident that 95 times out of 100, results are within +/- 5% (retail members) and +/-7% (business members) of actual results had all VanCity members participated in the survey.

*Retail Member & Business Member Satisfaction Surveys, Fall 2001*

Surveys were received by mail from 2,934 retail members, 732 business members and 149 non-profit members.

**Response rate:** 12% retail and business members, and 15% non-profit members.

**Margin of error:** readers can be confident that 95 times out of 100, results are within +/- 1.8% (retail members) and +/- 4.5% (business members) of actual results had all VanCity members participated in the survey.

*Focus groups, August 2001*

51 randomly selected members participated. Each group was recruited to include both youth and senior members.

### Employees

*Employee Engagement Survey, November 2001*

Web-based survey, sent to all employees

**Response rate:** 52% (874 employees)

**Margin of error:** readers can be confident that 95 times out of 100, the results are within +/- 3% of actual results had all VanCity employees chosen to participate in the survey.

*Focus groups, August 2001*

63 randomly selected employees participated

| Management    | Non-management |
|---------------|----------------|
| 1 branch      | 1 branch       |
| 1 head office | 1 head office  |
| 1 mixed       | 1 mixed        |

### Community leaders

*21 telephone interviews, July 2001*

Community leaders were selected using:

- the Red Book Directory of Services for the Lower Mainland
- recommendations from executive directors of community service societies and other related organizations
- recommendations from VanCity staff

For our definition of community leaders, see page 11.

## “WE WILL BE RESPONSIBLE AND EFFECTIVE FINANCIAL MANAGERS SO VANCITY REMAINS STRONG AND PROSPERS”

### THIS MEANS WE WILL:

- *Make sound business decisions to achieve solid financial results*
- *Manage risks responsibly to safeguard VanCity's assets*
- *Prudently exercise fiduciary responsibility with members' deposits*

thousands of dollars, consolidated

|              | 2001      | 2000      | 1999      | 1998      | 1997      |
|--------------|-----------|-----------|-----------|-----------|-----------|
| Net earnings | \$ 25,927 | \$ 21,001 | \$ 23,742 | \$ 24,100 | \$ 17,570 |

### Overview of VanCity's financial performance

After experiencing moderate growth in 2000, 2001 turned out to be a shaky year for the B.C. economy. The tragic events of September 11, the Canada-US lumber trade dispute and a broader North American slowdown all contributed to the downturn. Despite this, 2001 was VanCity's best year to date in terms of net earnings. We attribute this to a favourable interest rate environment, solid membership growth (3.6% in 2001), and a strong performance in commercial mortgages. A major factor in the net earnings decline in 2000 was higher than usual loan losses due to a high number of personal bankruptcies. By the end of 2001, new technologies and processes were in place to help minimize loan losses, including the creation of a centralized Independent Credit Function responsible for all credit decisions and the introduction of automated credit scoring for all retail and small business lending.

In 2001 VanCity offered members of 15 or more years' standing the opportunity to purchase investment shares with the objective of raising \$10 million in capital to fund VanCity's expected growth. The offering was extremely successful, with \$12 million of \$1.00 par value investment shares sold in just two days. This was just the second time in its history that VanCity had issued investment shares. Unlike membership shares, investment shares do not offer voting privileges for the annual Board of Director's elections and do not impact VanCity's democratic structure.

No branches were closed during 2000 and 2001 and one branch was relocated. We also announced the construction of a second North Vancouver branch – our fortieth in total.

thousands of dollars, consolidated

|  | 2001       | 2000       | 1999       | 1998       | 1997       |
|--|------------|------------|------------|------------|------------|
| Members' equity (retained earnings)  | \$ 299,071 | \$ 273,144 | \$ 254,761 | \$ 231,019 | \$ 206,919 |
| Return on equity (ROE) <sup>1</sup> after distributions to members and communities | 9.1%       | 8%         | 9.8%       | 11%        | 8.9%       |
| Allowance for loan losses as a % of total loans outstanding                        | 0.4%       | 0.4%       | 0.3%       | 0.4%       | 0.4%       |

<sup>1</sup>Numerator=net earnings; denominator=average retained earnings, excluding member shares.

### Sound business decisions

In focus groups, employees gave us relatively low ratings for our performance at being responsible and effective financial managers, particularly with respect to making sound business decisions. Reasons for low ratings provided by employees included the fact that there was no profit sharing based on 2000 financial results, high loan losses, and high costs associated with changes in the branch computer system. Some employees said they feel they are not provided with enough information about the challenges and risks VanCity faces and reasons for decisions made by management. Business initiatives are in place that address high loan losses (see above) and we are constantly looking for ways to ensure we attract and retain high-calibre employees and improve two-way communication (see page 29).

### Taxes paid

Combined federal, provincial, and municipal taxes paid by VanCity totalled over \$23 million, including approximately \$6 million in Goods and Services Tax (GST)<sup>2</sup> and Provincial Services Tax (PST), and \$7.24 million in income taxes. As a credit union, VanCity's taxable rate is based on the relationship between total deposits and accumulated taxable earnings. These benefits resulted in combined federal and provincial statutory income tax rates being reduced by 27% in 2001.

<sup>2</sup> VanCity, as a financial institution, cannot claim back GST through input tax credits (ITCs).

### VanCity's triple bottom line

At VanCity, we believe in a “triple bottom line” – social, environmental, and economic – approach to doing business and evaluating the credit union's success. Once we have achieved sufficient earnings to maintain our financial strength and to fund our expected growth and capital expenditures, we share a significant portion of our net profits with our members and communities through our Shared Success program. This reflects our co-operative values and our commitment to “effect positive change in our communities”. In 2001, over \$7.8 million was distributed to our members and communities, equating to 30% of our net earnings or 19.1% of our pre-tax earnings.

| Distribution of earnings to members as a % of pre-tax earnings | 2001  |          | 1999  |          | 1997  |          |
|--|-------|----------|-------|----------|-------|----------|
| VanCity  | 11.3% | (\$4.8m) | 13.1% | (\$5.1m) | 24.1% | (\$7.4m) |
| B.C. Credit Unions (average) <sup>1</sup>                      | 11.9% | (\$1.5m) | 14%   | (\$0.8m) | 21%   | (\$1.5m) |

<sup>1</sup>Source: Annual reports of four comparable B.C. credit unions

| Distribution to the community as a % average pre-tax earnings | 2001 |           | 1999 |           | 1997 |          |
|---|------|-----------|------|-----------|------|----------|
| VanCity   | 7.8% | (\$3.0m)  | 4.8% | (\$1.7m)  | 4.7% | (\$1.7m) |
| B.C. Credit Unions <sup>1</sup>                               | 5.9% | (n/a)     | 4.0% | (n/a)     | 2.3% | (n/a)    |
| Canadian banks (average) <sup>2</sup>                         | 0.7% | (\$12.9m) | 0.7% | (\$11.6m) | 0.8% | (\$9.4m) |

<sup>1</sup>Source: Angus Reid/CUCBC Community Involvement Survey – all B.C. credit unions, including VanCity; excludes provision of financial services

<sup>2</sup>Source: Canadian Bankers' Association (average donations for seven schedule 1 banks)

### Managing risks responsibly

VanCity uses a comprehensive set of risk management systems and analytical tools to identify, assess and manage risks effectively. Key financial risks - credit, interest rate and liquidity - are addressed by VanCity's Lending and Investment Policies, which are approved by VanCity's Board of Directors and filed with the Financial Institutions Commission (FICOM)<sup>3</sup>. Specific financial committees are mandated to report on and monitor these risks; the Financial Policy Committee is mandated to recommend to the Board matters of a financial policy nature, including the review of VanCity's Lending and Investment Policies. The Asset & Liability and Credit Committees (executive committees) report on and monitor interest rate, liquidity, and credit risks. In addition, the Audit Committee is responsible for policies and practices relating to internal controls, financial reporting, and social reporting.

VanCity's internal audit department ensures internal controls are adequate to achieve control objectives, including safeguarding assets and liabilities, compliance with laws, policies and procedures, reliability of information, operational efficiency, and corporate security. In keeping with industry trends, the past few years have seen a significant shift in internal audit's approach from compliance monitoring to assessing and prioritizing risks.

In addition to internal risk management, VanCity's annual financial statements are subject to an independent financial audit, and our social accounting and reporting process is externally audited. Compliance with applicable provincial legislation is subject to monitoring by FICOM. With respect to new business opportunities, VanCity's annual business and budgeting process ensures that risks are adequately assessed.

### The Proceeds of Crime (Money Laundering) and Terrorist Financing Act

In an effort to detect, deter, and prevent money laundering, the federal government has passed two sets of regulations requiring certain institutions, including banks and credit unions, to report prescribed and suspicious transactions to authorities. The first requirement of suspicious transaction reporting came into effect on November 8, 2001. VanCity has implemented the necessary policies and procedures to ensure compliance, including appointing a compliance officer, strengthening our current policy on money laundering, establishing a reporting system, and training employees.

### Co-operating with credit unions

The current trend within the credit union system is one of consolidation and openness to collaboration. During the past 10 years, the number of credit unions in British Columbia has fallen from 108 to 66, while assets have increased from \$12 to \$25 billion<sup>4</sup>. The federal government has also begun consultations that could lead to legislation allowing the formation of national community banks. Over 2000 and 2001, VanCity identified two opportunities to partner with other credit unions, leading to the creation of two joint ventures, Inovera Solutions and Inventure Solutions Inc. For more details, visit [vancity.com/accountabilityreport](http://vancity.com/accountabilityreport).



For more details on VanCity's financial performance, refer to VanCity's audited financial statements in our annual report. Call 604 877-7000 or 1-888-VanCity for a copy, or visit [vancity.com/annualreport](http://vancity.com/annualreport)

<sup>3</sup> The Financial Institutions Commission is responsible for administering applicable provincial statutes for the protection of the public.



<sup>4</sup> Source: Credit Union Central of B.C.


## “WE WILL PROVIDE YOU WITH OUTSTANDING SERVICE AND HELP YOU ACHIEVE YOUR FINANCIAL GOALS”


### THIS MEANS WE WILL:

- *Treat you with respect and dignity*
- *Give you trustworthy advice about your financial options*
- *Offer products and services that meet your unique needs and provide good value*
- *Protect your right to privacy*
- *Ensure that low-income and marginalized members have access to necessary financial services*

#### % members satisfied overall (“totally satisfied” only) with VanCity’s service

|  | 2001      | 1999      | 1997      |
|--|-----------|-----------|-----------|
|  Retail members   | 76% (28%) | 79% (33%) | 82% (43%) |
|  Business members | 75% (28%) | -         | -         |

**2005 Target:** Increase the percentage of retail members satisfied overall with VanCity’s service from 79% (1999) to 85%, and the percentage of members “totally satisfied” from 33% to 40%.  
*In progress:*  76% were satisfied overall with VanCity’s service; 28% were totally satisfied.

**2005 Target:** Increase the percentage of business members satisfied with VanCity’s service from 75% (2000) to 79%, and the percentage of members “totally satisfied” from 33% to 40%.  
*In progress:*  75% were satisfied overall with VanCity’s service; 28% were totally satisfied.

Increased competition in the financial services industry, technological advances, and better informed consumers mean it is increasingly important we offer our members outstanding service and innovative products and services.

### Overall member satisfaction

Since 1997 retail member satisfaction has declined from 82% to 76%. Members identifying themselves as female, youth (aged 19-24), senior (aged 65+), low income<sup>5</sup>, belonging to a visible minority group or with a disability showed similar or higher levels of satisfaction with VanCity’s service than retail members overall. Events in 2001 that could have affected member satisfaction were backlogs in mortgage approvals due to the favourable interest rate market and increased employee technology training requirements – during 2001, more than 400 branch sales employees participated in 3-day training courses which reduced branch staffing levels.

When prompted for key reasons for dissatisfaction, 49% of dissatisfied members referred to service-related issues (service, communication problems, advice, phone service).

Improvements made in 2001 include enhanced online access to new tools and information and the ability to view all accounts and consolidated statements online, including VISA<sup>®</sup> statements. We expanded the hours of our TeleService™ call centre and increased the capacity of our automated 24 Hour Service Line™. However, anecdotally we have heard that the majority of complaints received by email or through TeleService are still about call waiting times and our online services.

### Member Survey Results

*Survey results in this section are pulled from either our 2001 Member Statement of Values and Commitments (SOVAC) survey or our annual member satisfaction surveys. A five point response scale was used in both surveys – for example, strongly disagree, disagree, neutral, agree, strongly agree. The member SOVAC survey was conducted by telephone, and for some questions there were high numbers of members responding “don’t know” or declining to answer. In these cases, an adjusted percentage figure is provided excluding these responses. For more details on our consultations with members, see page 18.*

<sup>5</sup> Per Statistics Canada Low Income Cut-Offs

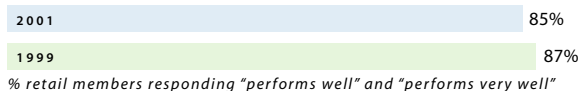
\* VanCity, Licensee of mark

™TeleService and 24-Hour Service Line are trademarks of VanCity

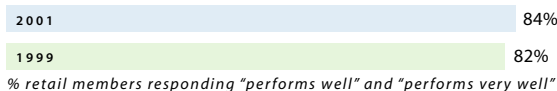
During 2000 and 2001, VanCity implemented an automated credit-scoring tool and centralized all administrative functions to achieve greater consistency in credit decisions and enable branch employees to spend more time with members. Loan applications that are automatically declined can be appealed by branch employees on behalf of members. The impact of automated credit scoring on loan approval rates has not been measured.

Members rate VanCity highly when it comes to being treated fairly and with respect and dignity.

**VanCity treats you with respect and dignity**



**VanCity treats you fairly**



**Business member satisfaction**

Business member satisfaction with VanCity's products and services has declined since 1999. Micro-enterprises and non-profit organizations showed slightly higher levels of overall satisfaction than business members, while small and medium-sized organizations were less satisfied. In our survey, business members expressing dissatisfaction with VanCity's service referenced concerns with products (22%), clerical errors (21%), and service-related issues (18%) as key reasons. In 2000, we changed the way we collected fees on business accounts from annually to monthly, resulting in a number of complaints that were resolved on a case-by-case basis.

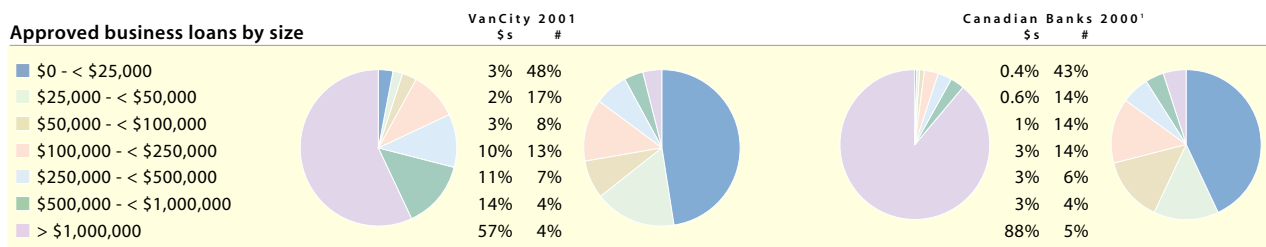
**Business members satisfied overall ("totally satisfied" only) with the products and services received at VanCity**

|   | 2001 |       | 1999 |       |
|---|------|-------|------|-------|
| All business members (including non-profit organizations) | 72%  | (24%) | 79%  | (33%) |
| Small & medium-sized enterprises (3-49 employees)         | 59%  | (18%) | 73%  | (-)   |
| Micro-enterprises (1-2 employees)                         | 77%  | (24%) | 81%  | (-)   |
| Non-profit organizations                                  | 78%  | (38%) | 89%  | (-)   |

In 2000, VanCity opened Business Solution Centres in three existing branches – Vancouver, Burnaby and Surrey – to provide advice and service in specific business areas. VanCity also introduced a loan program to approve loan applications under \$35,000 in 24 hours, and in 2001, funded over 900 small business loans and lines of credit totalling \$15 million. We are confident the benefits of these changes are now being felt through increased efficiencies and improved service consistency.

For details on specific loan programs for micro-entrepreneurs see pages 41 and 42.

**Approved business loans by size**



Totals may not be exact due to rounding  
 Source: Canadian Bankers' Association, seven bank aggregate statistics

**Serving non-profit organizations**

Non-profit organization (NPO) member satisfaction declined from 89% in 1999 to 78% in 2001. Loans outstanding to NPOs at the end of 2001 totalled \$27.7 million, up from \$25.8 in 1999 and \$25.9 million in 1997. These loans may be offered at discounted lending rates or special terms and conditions designed to meet NPOs' unique financing needs.

In addition, we offer a variety of specialized products and services, including a chequing/savings account for non-profit organizations with low transaction volumes, pooled investment accounts, and a financial services package for co-op residents who are members of the Housing Federation of B.C. VanCity also offers NPOs group rates on insurance products through our subsidiary, VanCity Insurance Services Ltd. VanCity does not currently track savings passed on to the community through these benefits.

In 2001, VanCity partnered with CareNET Technology Society, a non-profit organization which provides e-business services for social service agencies around the province. VanCity's role is to provide all CareNET members with access to financial products, services, and expertise designed for the non-profit, social service community. We also launched a computer loan program for CareNET agency employees. The usage of both these programs to date has been modest.

**2001 Target:** Achieve a minimum of 89% satisfaction among NPO members.

*Not achieved:* ○ 78%.

**2001 Target:** Increase the number of NPO members by 3% (from the year 2000) to 2,750.

*Achieved:* ● As at the end of 2001, there were 2,856 NPO members.

### New targets and action plans

- **2005 Target:** Increase non-profit organization member satisfaction to 89%.

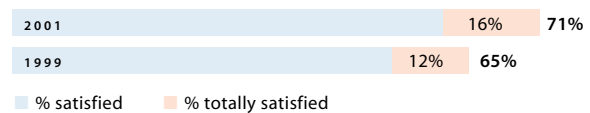
## Employee satisfaction with VanCity's service

It is important that our employees, as well as our members, are provided with outstanding service, and have confidence in the products and services we offer. The percentage of employees satisfied with VanCity's service has increased since 1999, although in focus groups we heard that some employees still feel they are "at the bottom of the pile" with respect to being provided with outstanding and consistent service. They also felt it was assumed (but not necessarily the case) that because they work for a financial institution they do not need financial advice. We have since released a new staff pricing package to ensure that all employees are treated consistently, including a commitment that all employees will be treated as VanCity's most valued members and offered the best pricing on products and services.

**2005 Target:** Increase the percentage of employees satisfied overall with VanCity's service from 65% (1999) to 85%, and the percentage "totally satisfied" from 12% to 40%.

*In progress:* ● 71% were satisfied overall with VanCity's service; 16% were totally satisfied.

### How satisfied are you with the quality of service you personally receive as a VanCity member?



In focus groups, employees expressed concerns about the privacy of their information because of their unique position as both staff and members. They also told us they felt uncomfortable about the several levels of scrutiny required when applying for a loan or mortgage. The implementation of automated credit scoring may have improved this situation.



### New targets and action plans

- **2002 Action Plan:** Review and clarify our policy around access to employee information and provide clear guidelines to all employees.

## Achieving financial goals

Survey results indicated that member expectations are not being met with respect to helping them achieve their financial goals. In focus groups, some members told us that some employees appear young and inexperienced, and could do more to tailor information and services to meet members' needs. Business initiatives currently in place to address this issue include: new technology to help employees ensure products and services offered are appropriate to member needs; and the centralization of administration functions to create more time for branch employees to concentrate on sales and service.

We also heard that some members do not associate VanCity with providing wealth management services such as investment advice and financial planning. Over 2000 and 2001, we focused on enhancing our wealth management services to better meet members' investment and insurance needs; Credential Online Brokerage was launched in the fall of 2000, and VanCity acquired 50% of Real Assets Investment Management Ltd. in 2001, a firm that focuses entirely on social investing (visit [realassets.ca](http://realassets.ca) for more information).

|   | Performs well/<br>very well | Don't know/<br>skipped | Adjusted <sup>1</sup> |
|---|-----------------------------|------------------------|-----------------------|
|  VanCity gives you trustworthy advice about your financial options | 55%                         | 22%                    | 70%                   |
|  VanCity offers products and services that meet your unique needs  | 61%                         | 13%                    | 70%                   |
| VanCity helps you achieve your financial goals  | 49%                         | 15%                    | 57%                   |

<sup>1</sup>excluding don't know/ skipped

## Providing good value: service charges

Each year, VanCity reviews its service charges and makes adjustments to reflect the cost of doing business. In the fall of 2001, we announced increases in some of our retail service charges resulting in some questions and concerns from our membership. In response, in a special November 2001 edition of *Working Dollars*, the Chair of VanCity's Board of Directors addressed a letter to all VanCity members committing to "ensure that our service charges will always be lower, on average, than the banks" and to conduct a full review (including member consultations) of service charges in 2002.

In the report *The Cost of Banking*<sup>6</sup>, the Office of Consumer Affairs (OCA) found that for a consumer with low transaction volumes<sup>7</sup> and less than \$1,000 minimum monthly balance, the monthly charge at VanCity would be \$9.30 compared to an average of \$7.14 at Canadian banks. The VanCity account profiled is our Pay-as-you-go chequing account as our no-fee Plan 24 account does not include chequing. A Plan 24 account holder could, however, order two cheques, resulting in a total monthly charge of \$2.50. The majority of our members' regular chequing accounts are Pay-as-you-go (around 75%) and highlights to us that many of our members might benefit financially if they were transferred to a more appropriate account.

The following table shows a comparison of service charges for some of our more specialized accounts, per the OCA's *Guide to Banking Services*<sup>6</sup>:

| Account type                                 | Institution                            | Monthly fee<br>(average) | Max # of<br>transactions     | Average cost per<br>transaction |
|--|--|--------------------------|------------------------------|---------------------------------|
| Low-fee, no minimum<br>monthly balance       | VanCity Plan 24 Account                | \$0.00                   | 10                           | \$0.00                          |
|  | Canadian banks                         | \$3.59                   | 12                           | \$0.30                          |
| Senior                                       | VanCity Gold Club Account (ages 55 +)  | \$0.00                   | Unlimited                    | -                               |
|  | Canadian banks (ages 59/60+)           | \$0.00                   | 15 to unlimited <sup>1</sup> | -                               |
| Student                                      | VanCity Student Advantage Account      | \$3.50                   | 40                           | \$0.09                          |
|  | Canadian banks                         | \$2.39                   | 12 to unlimited <sup>1</sup> | \$0.10 <sup>2</sup>             |
| Youth – children,<br>teenagers, young adults | VanCity Fat Cat Account / Teen Account | \$0.00                   | Unlimited / 40               | -                               |
|  | Canadian banks                         | \$0.00                   | 15 to unlimited <sup>1</sup> | -                               |

<sup>1</sup>Indicates the range in the maximum number of transactions allowed free of charge

<sup>2</sup>Assumes 80 transactions = unlimited;

In 2000, VanCity partnered with the Planned Lifetime Advocacy Network (PLAN) to offer specialized products and services for people with disabilities and their families. These include a unique account that provides members with disabilities free unlimited access to any ATM worldwide.

## New targets and action plans

- **2002 Action Plan:** Launch strategy to proactively contact members who could benefit financially by transferring to a more appropriate account.

## Relationship pricing

VanCity, consistent with standard industry practice, participates in relationship pricing as a way of retaining or expanding profitable member relationships. This means that members who do a lot of business at VanCity may be offered preferential pricing. VanCity has guidelines that set out certain restrictions and ensure VanCity's profitability is preserved.

<sup>6</sup> *The Cost of Banking Annual Report 2002* and the *Consumer's Guide to Basic Banking Services* are both available online at <http://strategis.ic.gc.ca/SSG/ca01762e.html>

<sup>7</sup> Minimal transaction customer allows 3 withdrawals and 4 bill payments (in branch), and 2 cheques

## VanCity VISA

### Canada 3000


In 2000 and 2001, VanCity's VISA reward program was affiliated with Canada 3000. When the airline ceased operations in the fall of 2001, this impacted many of our VISA cardholders. VanCity quickly committed to refund all Canada 3000 tickets purchased using VanCity VISA, and to refund all VISA travel points used for redemption on Canada 3000 flights immediately. Members did not have to wait for the date of travel to pass before receiving a refund. We also offered members double points on all purchases until a new loyalty program was launched.

### VISA rates

In the past few years, Canadians have witnessed a growing spread between the Bank of Canada's benchmark interest rate and credit card rates. For standard credit cards, the average spread between these two rates was at its highest ever in 2001 – 16.03% (compared to 10.19% in 1980). VanCity's VISA interest rate for purchases is similar to that of the Canadian banks' average rate – 18.5% compared to 18.38%. Our low-rate EnviroFund VISA is at 10.5%, slightly lower than the banks' average of 11.67% (see page 43 for more information on the EnviroFund). VISA rates are higher than traditional lending products to cover higher credit losses, including fraud, and significant operating costs.

### Providing accessible financial services

Consistent with other financial institutions, two pieces of identification are required to open an account, including one piece with a photograph. When opening an account, a credit bureau report is usually obtained by employees with written permission from the member. While our policy states that this may not be used as a basis for refusing membership, it may be used to limit services to prevent excess indebtedness. VanCity offers a reduced share price of \$5 for youth (under 25 years of age), members with disabilities, students with outstanding student loans, and newly arrived refugees.

|  | Performs well/<br>very well | Don't know/<br>skipped | Adjusted <sup>1</sup> |
|--|-----------------------------|------------------------|-----------------------|
|  VanCity provides you with access to necessary financial services | 75%                         | 8%                     | 81%                   |

<sup>1</sup>excluding don't know/ skipped

Members identifying themselves as female, senior (aged 65+), low income<sup>9</sup>, belonging to a visible minority group or with a disability rated VanCity's performance at providing accessible financial services the same or higher than retail members overall. Youth (19-24) rated VanCity's performance in this area lower with 69% responding that VanCity performs well or very well.

### VanCity's Accessibility Program

VanCity's Accessibility Program aims to provide low-income and marginalized members with improved access to financial services to support them in achieving their financial goals and moving towards economic self-reliance. Fourteen branches participated in the pilot program and over 600 accounts were opened under the program in 2001. Key components include:

- Expanded list of acceptable identification required to open an account
- Basic membership privileges (a transaction account, chequing privileges, and an ATM card)
- Discretionary access to small personal loans (\$500-\$2,000) and low-limit EnviroFund™ VISA card (\$100 to \$500)
- Option to pay through automated monthly deposits when a member self-identifies an inability to pay the \$50 membership share price
- The delivery of basic financial seminars and workshops (seven in 2001) to retail members, micro-finance clients, and others.

As part of the Accessibility Program, VanCity has partnered with the Immigrant Services Society of B.C. to offer a Resettlement Assistance Program (RAP) to government-sponsored refugees. Features include a reduced \$5 share requirement for the first two years and the acceptance of non-traditional forms of identification. Over 300 RAP accounts were opened in 2001.

<sup>8</sup> Credit Cards and You (December 2001) – Financial Consumer Agency of Canada

<sup>9</sup> Per Statistics Canada Low Income Cut-Offs

™EnviroFund is a registered trademark of VanCity.

A review of the Accessibility Program has highlighted several shortcomings, including a lack of both employee and member awareness of the program. Findings will be taken into account before the program is rolled out to the entire branch system.

For our business members, we offer special loan programs for those unable to access conventional financing. See pages 41 and 42 for more details.

**2001 Action Plan:** Complete roll-out of the Accessibility Program for retail members (including financial literacy).

*Not completed:* ▸ Piloted in 14 branches; Financial literacy program rolled-out.



### **New targets and action plans**

- **2002 Action Plan:** Re-assess Accessibility Pilot Program.

## **Protecting our members' right to privacy**

In our globalized and increasingly technological society, the privacy of personal information in the private sector has become an important issue in Canada. In a recent survey, 73% of British Columbians expressed at least a moderate concern about the issue of information<sup>10</sup>.

We take our members' right to privacy seriously and have several policies and procedures in place to protect our members' personal information. Employees receive basic training on the confidentiality of member information and are required to sign a "Declaration of Employee", which includes a confidentiality clause. VanCity's technology systems are designed and developed with information protection mechanisms, and we employ industry-standard security techniques to ensure that information transferred via our online banking services remains private and confidential.

In April 2000, the federal government passed the Personal Information Protection and Electronic Documents Act. The new federal law provides privacy protection for personal information that has been collected, used, or disclosed in the private sector. As of January 2001, this Act applied to the federally regulated private sector, including banks, and in some circumstances, to other private sector organizations that transfer information across provincial boundaries. It is unclear if the 2001 requirements apply to provincially regulated credit unions like VanCity. In 2004, all private sector organizations will be subject to the Act. VanCity is working to refine its privacy policies and procedures to meet the requirements of the new federal legislation by the end of 2002.

### **More on the web:**



[vancity.com/accountabilityreport/commit3](http://vancity.com/accountabilityreport/commit3)

- B.C.'s leaky condo crisis

<sup>10</sup> 2001 survey conducted by Ipsos-Reid, commissioned by the Special Committee in Information Privacy in the Private Sector.


## “WE WILL PROVIDE MEANINGFUL OPPORTUNITIES FOR YOU TO HAVE INPUT IN SETTING THE DIRECTION OF THE CREDIT UNION”

### THIS MEANS WE WILL:

- *Make it easy and straightforward to vote and provide you with information to make informed decisions*
- *Offer multiple channels for you to provide us with input and feedback*
- *Address your concerns in a timely manner*

As a co-operative, we are jointly owned by our members, and democratically controlled, making us fundamentally different from the banks. As owners of the credit union, members can run for the Board of Directors, vote in our annual Board elections, and share in the financial success of the credit union.

### Democratic governance: VanCity's election process

|  | Performs well/<br>very well | Don't know/<br>skipped | Adjusted <sup>1</sup> |
|--|-----------------------------|------------------------|-----------------------|
|  VanCity provides meaningful opportunities for you to have input in setting the direction of the credit union | 53%                         | 19%                    | 66%                   |
| VanCity makes it easy and straightforward for you to vote  | 82%                         | 9%                     | 90%                   |

<sup>1</sup>excluding don't know/skipped

Any VanCity member “in good-standing”, as defined by VanCity's credit union rules, may run for election to VanCity's Board of Directors. Directors are elected for a three-year term and can serve for a maximum of four terms, or 12 years. An Election Committee oversees the election, and ensures it is in accordance with VanCity's election guidelines. This committee includes a non-director member of VanCity.

| Member participation in Board elections (% of eligible members) | 2001        | 1999 | 1997 |
|---|-------------|------|------|
| VanCity   | 5.4%        | 3.2% | 2.3% |
| B.C. Credit Unions (average) <sup>1</sup>                       | 1.2% – 4.5% | 3.9% | 2.7% |

<sup>1</sup>Source: Credit Union Central of B.C.

In 2001, VanCity introduced its first mail-in ballot with the objective of increasing member participation. Our financial auditors counted the ballots and reviewed the procedures for both mail-in and branch voting. The percentage of eligible members voting increased from 3.2% in 1999 to 5.4% in 2001. When surveyed on key reasons they don't vote, members responded as follows:

- Doesn't affect me/don't care (28%)
- Too busy/not enough time (24%)
- Didn't have any/enough information about the candidates (18%)

### Member attendance at our Annual General Meeting (AGM)

The majority of members attending VanCity's 2001 AGM were over 55 years old, consistent with past AGMs. Sixty per cent of attendees completing a questionnaire stated they attended the AGM to learn more about VanCity's future direction, while 5% attended to participate in the meeting.

| Member attendance at AGM (% of eligible members) | 2001         | 1999       | 1997       |
|--|--------------|------------|------------|
| VanCity  | 411 (0.2%)   | 527 (0.2%) | 474 (0.2%) |
| B.C. Credit Unions (average) <sup>1</sup>        | n/a (0.1–1%) | 280 (0.4%) | 282 (0.3%) |

<sup>1</sup>Source: Credit Union Central of B.C.

## Providing input and feedback

In focus groups, we discovered that many members do not appear to understand their member status as owners of VanCity, nor are they always aware of how they can provide us with input and feedback. In addition to voting in elections and participating in our AGM, other opportunities for members to provide input are as follows:

- We regularly conduct telephone and mail member surveys to inform our business planning process, monitor areas of member concern, and measure the success of new programs and strategies.
- We hold various focus groups with members to obtain feedback on our performance, social audit process, publications, products, services, and new initiatives.
- Members can provide feedback directly to branch staff, or by calling TeleService. They can also send a letter or email VanCity (feedback@vancity.com) or our Board of Directors (board\_directors@vancity.com).
- Members have a say in which areas the EnviroFund will support.
- The final decision for the recipient of the \$1 million VanCity Award is based on member votes (see page 43). Details on voting are sent with member statements once a year.

For more detailed information on stakeholder consultations held during 2000 and 2001 relating to the social audit process, see page 18.

## Addressing member concerns

### VanCity is open and responsive to your member input and concerns<sup>1</sup>

|      | Agree overall | Don't know/<br>skipped | Adjusted <sup>2</sup> |
|------|---------------|------------------------|-----------------------|
| 2001 | 54%           | 22%                    | 69%                   |
| 1999 | 71%           | 8%                     | 77%                   |

<sup>1</sup>retail members only

|  | Performs well/<br>very well | Don't know/<br>skipped | Adjusted <sup>2</sup> |
|--|-----------------------------|------------------------|-----------------------|
| VanCity addresses member concerns in a timely manner | 67%                         | 13%                    | 76%                   |

|   | Satisfied/<br>totally satisfied | Don't know/<br>skipped | Adjusted <sup>2</sup> |
|---|---------------------------------|------------------------|-----------------------|
| If you expressed a complaint in the last year about any aspect of VanCity, how satisfied were you with the way in which your complaint was handled? | 35%                             | 3%                     | 36%                   |

<sup>2</sup>excluding don't know/skipped

Survey results showed a direct correlation between satisfaction with VanCity's service and satisfaction with the way complaints are handled. As only 35% of members who had complained in the past year were satisfied with the way the complaint was handled, there is a key opportunity to improve our performance in this area. In focus groups, members told us that key reasons for low ratings in this area were lack of apologies and follow-up.

In 2001, we piloted and launched a member complaint resolution program designed to improve the speed and manner of complaint resolution. The principle of the program is to empower employees to take full ownership of the complaint to achieve resolution. Other features include internal service and communication standards to improve how we answer our correspondence regardless of channel, and improved tracking of complaints and follow-up.

**2001 Action Plan:** Expand tracking of member feedback to include comments from electronic media.

**Not completed:** Tracking system established but not fully implemented.

## New targets and action plans

- **2002 Action Plan:** Implement MRM member complaint/feedback tracking system.
- **2002 Action Plan:** Use member survey results for our 2003 business planning process and set performance target in the area of member complaints.

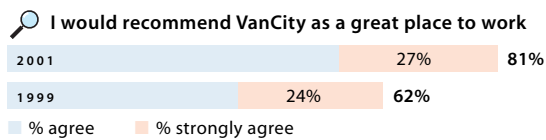
## “WE WILL ENSURE THAT VANCITY IS A GREAT PLACE TO WORK”

### THIS MEANS WE WILL:

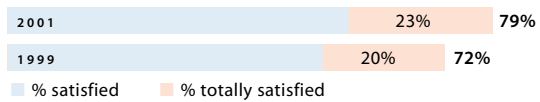
- Create a workplace that is healthy, diverse, stimulating, and rewarding
- Provide the leadership, tools, resources, and opportunities for employees to do their best work and achieve their full potential
- Respect and honour employees’ responsibilities to their families, friends, and communities

Our employees are the driving factor of VanCity’s success – if our employees are motivated, committed, and satisfied then they are more likely to perform well at VanCity and provide outstanding service, both to our members and our internal clients. To measure employee satisfaction and to enable us to identify, monitor, and act on areas of concern, we conduct regular surveys and focus groups.

### Employee satisfaction



### Overall, how satisfied are you with VanCity as your employer at the present time?

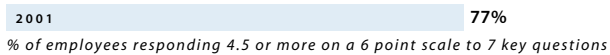


During 2000 and 2001, we worked with a human resources consultancy firm (Hewitt Associates) to measure “employee engagement” by creating an index comprised of seven key questions designed to measure commitment and loyalty rather than just satisfaction or opinion. 2001 survey results for the seven key questions are shown below.

### Employee Engagement

| % employees agree or strongly agree (% strongly agree)   | 2001<br>VanCity |
|--|-----------------|
| I think this company is an exceptional place to work   | 79% (25%)       |
| I would recommend VanCity as a great place to work   | 81% (27%)       |
| Given the opportunity, I would highly recommend VanCity’s products and services to potential members | 79% (24%)       |
| I would not hesitate to recommend VanCity to a friend seeking employment                             | 81% (31%)       |
| This company really inspires me to do my best work   | 66% (18%)       |
| It would take a lot to get me to leave this company  | 58% (20%)       |
| If you had your way, how likely are you to be working at VanCity one year from now?                  | 78% (42%)       |

### Employee Engagement Index



**2005 Target:** Increase Employee Engagement Index from 64% (2000) to 74%.  
**Achieved:** ● 77%

2001 survey results were positive and indicated that employee satisfaction levels have improved since 1999. In particular, there has been a notable increase in the percentage of employees who strongly agreed or agreed that they would recommend VanCity as a great place to work.

Employee turnover has returned to 1999 levels after peaking in 2000 (16%), and remains favourable compared to the turnover rates experienced by B.C. credit unions. In 2000, the economy was stronger which usually means that people are more inclined to take employment-related risks; conversely, with the economic downturn in 2001, voluntary turnover decreased. In exit interviews, the main reasons employees gave for voluntary turnover were returning to school, change of career, and moving. At the end of 2001, programs to retain employees included supporting internal promotion, improving recognition, enhancing the orientation program, and developing management skills.

### Employee Survey Results

Survey results in this section are drawn from our Employee Engagement Surveys conducted in 2001 and 1999. A six point response scale was used in both surveys, for example – strongly disagree, disagree, slightly disagree, slightly agree, agree, strongly agree. A “don’t know” option was provided where relevant. When reporting the results, we have shown the percentage of employees who “strongly agree” or “agree” only; the percentage of employees who “strongly agree” is reported in parenthesis. We believe that a “slightly agree” response does not indicate a sufficient level of satisfaction. 1999 results have been restated from our 1998-99 Social Report to reflect this reporting method.

However, some of the targets set in response to findings from the 1998-99 Social Report are based on the percentage of employees responding “strongly agree,” “agree” and “slightly agree” resulting in some misalignment between the reporting of results and targets. Where this broader definition of satisfaction has been used, we have indicated this. For more details on our consultations with employees, see page 18.

#### Employee turnover – VanCity

|      |       |
|------|-------|
| 2001 | 11.0% |
| 1999 | 11.0% |
| 1997 | 8.8%  |

#### Employee turnover – B.C. credit unions (range)

|      |          |
|------|----------|
| 2001 | 12 - 21% |
| 1999 | 12 - 33% |
| 1997 | 16%      |

Survey results for overall employee satisfaction with VanCity as an employer were analyzed by gender, age, visible minority groups, aboriginal, employees with disabilities, and level (management versus non-management). There were no significant differences in satisfaction levels between these groups.

**2001 Target:** Increase the percentage of overall employee satisfaction from 76% to a minimum of 90% (including employees responding “slightly agree”).  
Achieved: ● 90%

**2001 Target:** Increase the percentage of employees who say they receive the information they need to be effective in their job to a minimum of 80% (including employees responding “slightly agree”).  
Achieved: ● 88%

Based on 2000 results, VanCity was ranked 24th in “The 35 Best Companies to Work For in Canada”, a study conducted by *Report on Business Magazine, Globe & Mail* and Hewitt Associates. In 2001 we didn’t make the “50 Best Companies” list; while our score increased slightly, there was a large increase in companies participating in the study (161 compared to 86 in 2000). Furthermore, the average scores for leading companies increased, raising the bar.

## Labour relations

### Union representation

At the end of 2001, eight of VanCity’s 39 branches and two head office departments were unionized, representing approximately 17% of employees (16% in 1999). In 2001, a group of employees initiated an application for partial decertification of their worksite. Decertification occurs when a group of employees no longer wish to be represented by a union. In response, the B.C. Government and Service Employees’ Union (BCGEU) initiated an unfair labour practice application for alleged management conduct prior to the decertification application. This was addressed through the Labour Relations Board and the issue was resolved by relying solely on the vote of the employees. The majority of employees voted to continue to have BCGEU represent them. VanCity’s position towards unionization is one of neutrality – we respect the right of our employees to choose whether or not they wish for representation by a trade union.

### Workplace grievances and discipline

VanCity's Grievance Procedures Policy provides employees with a formal mechanism for resolving workplace issues, and a complaint process is built into our Equity and No Discrimination/No Harassment policies. However, in general, issues are handled within respective business units.

During 2001, no employee claims were made. We received four grievances from unionized employees of which three were withdrawn. One grievance regarding a job posting was still pending resolution at the end of 2001.

In 2001, inappropriate e-mail usage involving a number of employees was brought to VanCity's attention. An extensive investigation was conducted resulting in the departure of six employees and the suspension of nine employees. Following the incident, our relevant policies and lack of tolerance in this regard were reinforced with employees.

### Employment security

In the event of structural changes resulting in the elimination of, or substantial changes to, employees' job roles, we will make every effort to transition affected employees to alternative employment within VanCity's group of companies.

In 2001, Inventure Solutions Inc was formed as a joint venture between VanCity and Surrey Metro Savings to provide technology-based services. As a result of this structural change, our information technology departments were merged into one. Seventy-nine permanent employees were transferred to Inventure from VanCity and two from Citizens Bank. No jobs were lost as a result of the merger. A program was implemented to address employee concerns and to provide assistance throughout the transition.

Also in 2001, Inovera Solutions was founded by VanCity, Surrey Metro Savings, Coast Capital Savings, and Credit Union Central of B.C. (CUCBC) to deliver online solutions to credit unions. In 2002, Inovera was sold to CUCBC recognizing that CUCBC is better positioned to facilitate wide-scale adoption of the Inovera technology amongst credit unions. Of Inovera's 21 employees, 16 transferred to CUCBC, four received severance pay, and one was transferred to VanCity on contract.

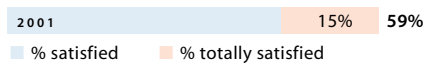
### Creating a fair and rewarding workplace

**VanCity creates a workplace that is healthy, stimulating & rewarding for me<sup>1</sup>**



<sup>1</sup> Results based on average of three questions.

**VanCity provides the leadership, tools, resources, and opportunities to do my best work and achieve my full potential<sup>1</sup>**



<sup>1</sup> Results based on average of three questions.

#### More on the web:

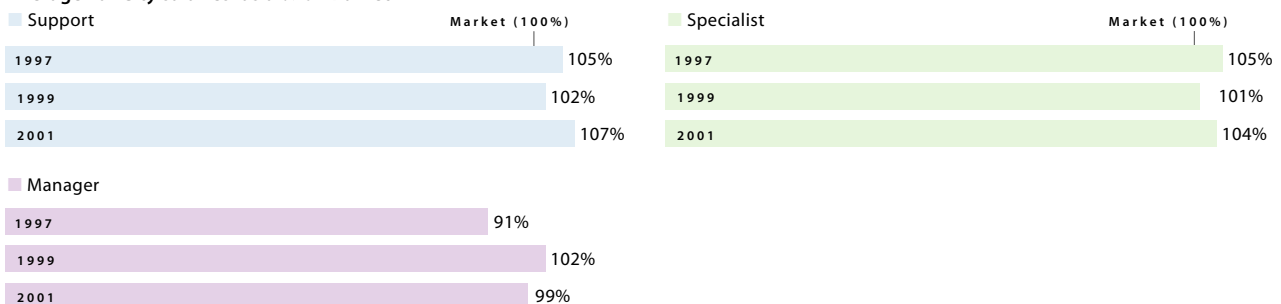
- [vancity.com/accountabilityreport/commit5](http://vancity.com/accountabilityreport/commit5)
- Details of employee survey questions

### Employee compensation

VanCity is committed to providing a total compensation package that is competitive and aligns with our strategic direction. We conduct an annual review of employee salaries to ensure the salaries we offer are competitive. However, in focus groups, some employees told us they perceive salaries at VanCity to be below market.

Forty-five per cent of employees strongly agreed and agreed that they are paid fairly compared to people in other organizations who hold similar jobs, up from 38% in 1999.

#### Average VanCity salaries<sup>1</sup> as a % of market<sup>2</sup>

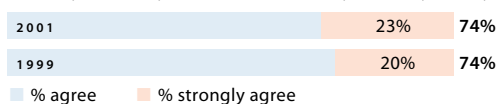


<sup>1</sup> Includes base salary plus bonus/variable pay or profit sharing

<sup>2</sup> Sources: CUCBC, KPMG and Watson Wyatt (Hay added in 2001)

VanCity's total compensation package consists of base pay (based on a 35-hour work week), benefits (including a group RRSP), and profit sharing. Our flexible benefits program allows employees the opportunity to purchase options such as additional health benefits, up to five additional vacation days, or an emergency travel card.

#### VanCity's employee benefits meet my (and my family's) needs



VanCity's employee profit-sharing plan was revised in 2001 to include a team component for front-line staff, and the pool from which profit sharing is paid was increased by 5% to a maximum of 15% of post profit-share earnings. Employees whose profit sharing is based on corporate results alone received a bonus of 7.8% of their salaries. Employees on the team profit sharing plan received 3.9% to 11.7% depending on their team results.

VanCity did not meet its earnings targets in 2000, and as a result no profit sharing was paid. However, in recognition of their substantial efforts, employees received a set bonus of \$555. Executive received no bonus payments.

VanCity's average entry-level support level salary including profit sharing and benefits is \$36,268. This is almost double Statistics Canada's Low Income Cut-Off for one person, and about the same as the Low Income Cut-Off regarded sufficient to support a household of four people.

| VanCity entry level support salary, 2001 <sup>1</sup> | Statistics Canada's Low Income Cut-Offs (LICOs) <sup>2</sup> | VanCity average support salary as a % of LICOs |
|---|--|--|
| \$36,268  | \$18,847 (One person)  | 192%   |
|   | \$23,558 (Two person household)                              | 154%   |
|   | \$29,298 (Three person household)                            | 124%   |
|   | \$35,466 (Four person household)                             | 102%   |
|   | \$39,644 (Five person household)                             | 91%  |

<sup>1</sup>Base salary + profit sharing + benefits

<sup>2</sup>For urban areas of 500,000 and more. 1999 LICOs multiplied by the "all items consumer price index" for 2000 and 2001.

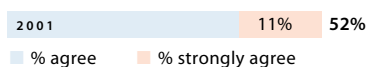
#### Performance reviews

VanCity's Human Resources Policy states all employees' performance and competency development should be measured and recognized through annual performance reviews. In 2001, 40% of employees strongly agreed or agreed there is a clear link between good job performance and pay increases or promotions at VanCity, up from 35% in 1999. Fifty-nine per cent agreed their performance on the job is evaluated fairly, compared to 62% in 1999.

At the end of 2001, focus groups were held to elicit feedback on the effectiveness of our performance review process. Findings concluded that not all managers were using the process, and that managers felt there was a lack of accountability with performance reviews. Employees felt the effectiveness of the process depended on the effectiveness of their manager, and expressed concerns about the emphasis placed on sales results. Enhancements made during 2000 and 2001 include improved timeliness, the introduction of a weighted performance rating to help managers objectively measure performance, and workshops to assist employees in setting SMART (specific, measurable, achievable, relevant and timely) objectives.

#### Employee recognition

##### I am truly appreciated for the contribution I make to VanCity



It is important to us that we recognize our employees for good work, outside of the formal performance review process. VanCity currently holds an annual recognition night for all its employees, with around 970 employees (58%) attending. However, in focus groups we heard that some employees feel VanCity needs to do more to acknowledge achievements on an ongoing basis. In 2001, a review of VanCity's current recognition practices was conducted for a new program to be launched in 2002.

#### New targets and action plans

- **2002 Action Plan:** Roll-out enhanced employee recognition program.
- **2002 Action Plan:** Feed survey results into 2003 business planning process and set performance target in the area of employee recognition.

## Training and career development

Our Training and Organizational Development Policy states our commitment to developing employees to their full potential and encourages employees to pursue educational goals that contribute to performance development in their current or desired position. In addition to in-house training in key areas and self-directed learning centres, our training department coordinates the out-sourcing of training on a case-by-case basis. Our Course Reimbursement Policy enables employees to claim the costs of relevant education pursued on their own time. In 2001, 63% of employees strongly agreed or agreed that VanCity provides them with the training they need to perform their job well, up slightly from 60% in 1999.

Survey results in the area of providing employees with the tools and resources to achieve their full potential were relatively low. In focus groups, some employees referred to inadequate computers and training programs, and limited time and budgets as reasons for poor ratings. Employees also told us the reasons they rated us poorly on providing them with opportunities to achieve their full potential were a perceived lack of career development and advancement opportunities.

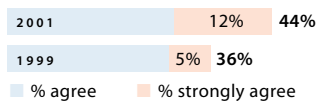
Career planning at VanCity is a shared responsibility between VanCity and employees; employees are expected to take the initiative and work in conjunction with their supervisor to create a plan. We have a general policy of promotion from within VanCity, and our performance review process includes the identification of career development needs.

### **New targets and action plans**

- **2002 Action Plan:** Feed survey results into 2003 business planning process and set performance target in the area of career development/advancement opportunities.

## Two-way communication

### Most staff feel free to voice their opinions openly at VanCity



Forty-four per cent of employees strongly agreed or agreed that most staff feel free to voice their opinions openly at VanCity compared to 36% in 1999. While results have improved since 1999, it is still a key area of concern for us and one that we are monitoring. Through employee focus groups held in 1999, we heard that reasons for low responses were the perception that it might reflect negatively on them or that it would not be worthwhile since their opinion would not be taken seriously.

VanCity has various mechanisms to facilitate two-way communication between management and non-management employees including performance reviews, change specialists, an Employee Advisory Committee, and executive visits. Based on feedback from employees, the format of executive visits was reviewed in 2001 and changes implemented to better facilitate two-way communication and ensure executive follow-up on key issues raised by employees.

**2005 Target:** Increase the percentage of employees who agree that most employees feel free to voice their opinions openly (including employees who slightly agree) from 62% (1999) to 75%

**Revise Target:** Reword question to ask employees about their experience rather than perception. (Note – 2001 result for above question was 73%)

### **New targets and action plans**

- **2002 Action Plan:** Survey staff to determine percentage of employees who agree that they feel free to voice their opinions openly at VanCity.

## Employee diversity and equity

Our Employment Equity Policy states our commitment to providing all employees with full and fair opportunities to develop their potential in a workplace free from discrimination and harassment and to attaining a work force representative, in all occupations and categories, of our member base and the communities which we serve.

### % of employees belonging to visible minority groups

|                        |     |
|------------------------|-----|
| All employees          | 31% |
| Non-management         | 35% |
| Management/supervisory | 21% |
| Senior management      | 22% |

Source: 2001 Employee Engagement Survey

### Diversity of VanCity employees compared to the regional population

|                         |                                    | VanCity 2001    | Region 1996 <sup>1</sup> |
|-------------------------|------------------------------------|-----------------|--------------------------|
| Gender                  | Male aged 15-64                    | 29%             | 50%                      |
|                         | Female aged 15-64                  | 71%             | 50%                      |
| Age                     | 15-29                              | 24%             | 31%                      |
|                         | 30-39                              | 37%             | 26%                      |
|                         | 40-49                              | 26%             | 23%                      |
|                         | 50-64                              | 13%             | 20%                      |
| Ethnicity <sup>2</sup>  | Visible minority                   | 31%             | 28%                      |
|                         | Aboriginal                         | 0% <sup>3</sup> | 2%                       |
|                         |                                    |                 | 1991 <sup>4</sup>        |
| Disability <sup>2</sup> | Persons with disability aged 16-64 | 2%              | 6%                       |

<sup>1</sup>Source: 1996 Census, South West Development Region

<sup>2</sup>Source: 2001 VanCity Employee Engagement Survey

<sup>3</sup>one person self identified as Aboriginal

<sup>4</sup>Source: 1991 Health & Activity Limitation Survey (Vancouver)

Female representation at VanCity (71%) is well above that of the regional population, but is consistent with the Canadian finance and insurance sector, in which women account for 66% of the labour force.

In the 2001 Catalyst Census of Women Board Directors in Canada 2001, VanCity came out top in terms of the percentage of female board members – 67% compared to the average of 9.8% for *Financial Post* 500 listed companies.

### Percentage of female employees by level

|                             | VanCity 2001 | VanCity 1999 | VanCity 1997 | Canadian Banks <sup>1</sup> 2001 | BC Credit Unions <sup>2</sup> 2001 | FP 500 <sup>3</sup> 2001 |
|-----------------------------|--------------|--------------|--------------|----------------------------------|------------------------------------|--------------------------|
| Non-management              | 72%          | 73%          | 74%          | -                                | 73-92%                             | -                        |
| Management/supervisory      | 68%          | 68%          | 62%          | -                                | 52-69%                             | -                        |
| Senior management/executive | 47%          | 30%          | 28%          | 19%                              | 24%                                | -                        |
| Board of Directors          | 67%          | 60%          | 64%          | 18%                              | 35%                                | 9.8%                     |

<sup>1</sup>Four Canadian banks

<sup>2</sup>Three BC credit unions

<sup>3</sup>Source: 2001 Catalyst Census of Women Board Directors

## Creating a safe and healthy workplace

**2001 Action Plan:** Conduct a workplace violence risk assessment according to the new WCB requirements.  
Completed. ●

% employees agree or strongly agree (% employees strongly agree)

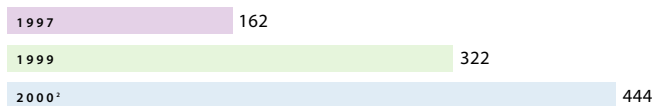
|   | Head Office | Branch    |
|---|-------------|-----------|
| VanCity is a physically safe and secure place to work | 80% (30%)   | 89% (29%) |

The risk of violence in the workplace is an unfortunate reality. In particular, as a financial institution, we are a potential target for robberies. In 2001, the number of financial institution robberies reported to the Vancouver Police Department declined from 250 in 1999 to 73. Over the same period, the number of robbery incidents at VanCity also decreased, from 13 to six. Eight incidents of robbery-related stress were reported to the Workers' Compensation Board (WCB) in 2001, compared to four in 1999. Our Employee and Family Assistance Program provides support through counselling to all employees impacted by robbery or other trauma.

In 2001, we conducted a workplace risk assessment survey (unaudited). About 30% of employees responding to the survey (223 out of 715) stated they had experienced at least one "aggressive/violent incident" at work in the past two years.

(An “aggressive/violent” incident is defined as a situation in which employees experience actual or threatened physical harm by employees or non-employees while at work.) This percentage appears to have increased since 1999; reasons for this are unknown. Of these incidences, 98% were verbal, with 12 employees reporting physical assault. Some employees commented that the location of certain branches and our head office caused them concern. The survey results also highlighted the need for greater employee awareness of our policies and procedures relating to safety at work. Based on this feedback, articles on health and safety were published in the monthly staff newsletter. We also have a Joint Occupational Health and Safety Committee comprised of management and non-management employees whose function is to assist in creating a safe workplace and to make recommendations for health and safety improvements.

#### Working days lost in a year<sup>1</sup> as a result of workplace injuries



<sup>1</sup> Source: WCB – days paid in year for all years of injury

<sup>2</sup> Latest data available

| Number of days lost in a year <sup>1</sup> as a % of total working days <sup>2</sup> (2000 data latest available) | 2000  | 1999  | 1997               |
|---|-------|-------|--------------------|
| VanCity   | 0.116 | 0.070 | 0.041              |
| Financial/Lending Institutions  | 0.070 | 0.070 | 0.048 <sup>3</sup> |

<sup>1</sup> Source: WCB


<sup>2</sup> Number of full-time equivalent employees (source WCB) multiplied by number of working days in a year (260)

<sup>3</sup> Adjusted from 1999 report by WCB according to estimated person year

## Workplace demands

### 2001 Work/Life Balance Index

% employees agree or strongly agree, (% strongly agree)

|   | 2001      | 1999      |
|---|-----------|-----------|
| I am able to maintain an appropriate and healthy balance between my work and personal commitments   | 61% (15%) | 46% (11%) |
| The amount of work I do, and the pace at which I am expected to work are reasonable   | 50% (9%)  | 47% (11%) |
| The work culture at VanCity contributes towards good employee health  | 55% (11%) | 48% (12%) |
|  <b>Work/Life Balance Index (average of three questions)</b> | 55% (12%) | 47% (11%) |


According to a survey conducted in 2001 by Ipsos-Reid, 62% of Canadians reported that they are experiencing “a great deal of stress” at work, up from 47% in 2000. At VanCity, survey results indicate that our employees are feeling their work/life balance is becoming more manageable – 61% of employees strongly agreed or agreed that they are able to maintain an appropriate and healthy balance between their work and family commitments, compared to 46% in 1999. The number of employees attending counselling sessions for work pressure through our Employee and Family Assistance Program has decreased slightly, from 22 in 1999 to 18.

In focus groups we heard that employees are still feeling pressure from high workloads. In particular, the high volume of mortgage renewals towards the end of 2001 and the introduction of new technology in the branches resulted in long hours and increased pressure for many employees.

In 2000, VanCity formalized its policies on flexible work arrangements (FWA). FWA are offered to employees on a case-by-case basis and employees have told us they feel this helps them to balance their work with their personal commitments. These arrangements are usually in the form of compressed work weeks and flexible working hours. At least 12% of employees are currently using flexible work arrangements.

VanCity also has a variety of well-being programs and services designed to help employees face the demands of juggling work, family, and life-related issues.

#### More on the web:

 [vancity.com/accountabilityreport/commit5](http://vancity.com/accountabilityreport/commit5)

- VanCity's well-being programs

## “WE WILL LEAD BY EXAMPLE AND USE OUR RESOURCES AND EXPERTISE TO EFFECT POSITIVE CHANGE IN OUR COMMUNITIES”

### THIS MEANS WE WILL:

- *Leverage our unique skills and expertise as a financial institution to create solutions to social, environmental, and economic issues*
- *Model and advocate socially and environmentally responsible business practices*
- *Seek business partners that practice progressive employee relations, contribute to the well-being of their communities, and respect the environment*
- *Invest our dollars responsibly in the communities in which we live and work*


As a financial institution, VanCity impacts the environment and communities both through our day-to-day business operations and core business activities. Through our policies and procedures we have the opportunity to minimize our ecological impact, and contribute positively to our communities by incorporating environmental and social considerations into our business decisions, products and services, and community initiatives.

### Leading by example: our core business activities

In 2000, VanCity created a Statement of Values and Commitments to guide business decisions and strategies, and in 2001 we developed an Ethical Policy to help us implement the Statement, particularly regarding our commitment to “lead by example and use our resources and expertise to effect positive change in our communities”.

The Ethical Policy is intended to clarify the types of business VanCity prefers to engage in. It will apply to all our business relationships by the end of 2003, and our key policies governing our core business activities will be harmonized with the policy as required.

**2001 Action Plan:** As part of the implementation of the Statement of Values and Commitments, develop ethical guidelines for screening business alliances.

**Not completed:**  Ethical Policy developed but not yet implemented.


### **New targets and action plans**

- **2002 Action Plan:** Develop implementation procedures for the Ethical Policy; train employees to apply the policy.
- **2003 Action Plan:** Apply the Ethical Policy to new and renewing business relationships.

### Lending

Our lending portfolio surpassed \$6.7 billion by the end of 2001, reflecting nearly 90% of our assets, and is arguably the activity with the largest social and environmental impact. Our Environmental Risk in Lending Policy ensures that environmental risks associated with our business and commercial loans, such as contaminated sites or non-compliance with environmental regulations, are identified and assessed prior to approval. In 2001, we developed an Environmental Loans Policy with environmental criteria that go beyond existing practices. The policy commits to encourage members to adopt positive environmental practices by developing specialized environmental loan programs such as our Conservation Financing Program (see page 42 for more details). This policy has yet to be implemented, and the completion of an environmental caution list (a list of projects to avoid because of unacceptable environmental impacts, regardless of legal compliance) is still pending.

**2001 Action Plan:** Complete and implement an Environmental Loans Policy with lending criteria that go beyond environmental risk management.

**Not completed:**  Environmental Loans Policy developed but not yet implemented.

### **New targets and action plans**

- **2002 Action Plan:** Develop implementation procedures for the Environmental Loans Policy; train employees to apply the policy.
- **2003 Action Plan:** Apply the Environmental Loans Policy to business lending activities.

For details on our high impact community investment loans, see pages 41 and 42.


### **Investing**

Since 1997, VanCity's Investment Policy has required that our investments meet, at a minimum, Ethical Funds Inc. (EFI) criteria. In 2001, we developed procedures for screening our list of approved investments and wrote these into our Investment Policy, but we had not implemented these by the end of 2001.

At the end of 2001, our investments totalled \$618 million, or about 8% of total assets. The majority (77%) was with Credit Union Central of B.C. (CUCBC). As this is required for liquidity, this investment was not ethically screened. Remaining investments comprised deposits with financial institutions, an international Calvert community investment note, and mortgage-backed securities (MBS). We did not screen the Calvert Group (a socially responsible mutual fund management company) as we felt it reasonable to assume such an organization would have met our screening requirements. Also, as there is no direct relationship between the issuer and investor we do not screen MBS pools. Investment brokers will, however, fall under the scope of our Ethical Policy as vendors.

An EFI analysis performed in 2002 showed that as at December 2001, remaining investments (deposits with other financial institutions) met EFI criteria.

**2001 Action Plan:** Review/update the ethical screens of VanCity's Investment Policy. Develop clear guidelines to ensure that the updated screens can be easily interpreted and applied to the lists of approved counterparties and corporate borrowers. Track compliance with the updated policy.

**Not completed:**  Procedural guidelines for the screening of VanCity's investments were written into VanCity's Investment Policy.

### **New targets and action plans**

- **2002 Action Plan:** Establish a formal arrangement with Ethical Funds Inc. to screen VanCity's approved list of investments; implement the procedural guidelines in the Investment Policy.

### **Purchasing**

In 2001, social and environmental guidelines were added to VanCity's Procurement Policy, including a commitment to "actively seek suppliers that practice progressive employee relations, contribute to the well-being of their communities, and respect the environment". Purchasing at VanCity is decentralized and the extent to which these guidelines are currently used varies. Social and environmental criteria were used in two major bid processes in 2001, and other suppliers may have been asked to provide social and environmental information. Beginning with our strategic suppliers<sup>11</sup>, the Ethical Policy, when implemented, will apply to all our supplier relationships.

#### **Ethical Funds Principles**

*Current practice in socially responsible investing (SRI) is not necessarily to only exclude companies that don't reach a certain standard, but also to use corporate dialogue as a means of effecting change. Ethical Funds Inc. (EFI) has a number of ethical principles and criteria (or "screens") to guide its approach to SRI. EFI's exclusionary screens cover the areas of tobacco, nuclear industry, and military products while their qualitative screens cover environmental practices, industrial relations, and human rights. The screens are used by EFI to construct its investment portfolios, and to identify areas of social and environmental non-performance among Ethical Funds holdings for the purposes of its Corporate Dialogue Program.*

*For more details on EFI, its criteria or its Corporate Dialogue Program, visit [ethicalfunds.com](http://ethicalfunds.com)*

<sup>11</sup> A supplier that meets one or more of the following criteria: their product/service is integral to the delivery of services to VanCity members; the annual contract is expected to exceed \$500,000; their product is unique or they are the sole source of the product/service.

**# of suppliers**

|      |       |
|------|-------|
| 2001 | 1,494 |
| 1999 | 1,515 |
| 1997 | 1,948 |

**% local suppliers<sup>1</sup>**

|      |     |
|------|-----|
| 2001 | 76% |
| 1999 | 73% |
| 1997 | 77% |

<sup>1</sup> determined by postal code shown on invoice

Purchasing local products and services is important to us and is reflected in our Statement of Values and Commitments. Our Procurement Policy states we will consider factors such as whether the business is head-quartered in B.C. and whether the goods/services are produced in B.C. The majority of our purchases are local (76%), and the total number of our suppliers has remained relatively stable since 1999 after a significant drop from 1997. We aim to be fair and ethical in our dealings with suppliers while also making our purchasing decisions efficient and cost effective.

**More on the web:**

[vancity.com/accountabilityreport/commit6](http://vancity.com/accountabilityreport/commit6)

- VanCity suppliers by purchase volume and location

**2001 Action Plan:** Align our Procurement Policy with the Statement of Values and Commitments and define what "local" means for VanCity.  
*Completed:* ●

**2002 Target:** 100% of our strategic suppliers meet the social and environmental criteria in our Procurement Policy.  
*Target revised:* see below for new target.

**New targets and action plans**

- **2002 Action Plan:** Screen all strategic suppliers using VanCity's Ethical Policy.
- **2003 Target:** 100% of strategic suppliers to meet the standards in VanCity's Ethical Policy.

**Member deposits**

VanCity does not refuse membership or deposits on ethical grounds, with the exception of illegal financial activities. However, VanCity's Ethical Policy, when implemented, will apply to business deposits.

**Measuring our environmental impact**

As an endorser of the CERES<sup>12</sup> principles, VanCity commits to make continuous and measurable progress in reducing our impact on the environment, and to report this progress publicly in a report that satisfies CERES reporting requirements. For more information on CERES, visit [ceres.org](http://ceres.org).

At VanCity, we aim to measure, understand and minimize our ecological impact through policies such as our Energy Policy, which states our commitment to conserve energy and fossil fuels through sound conservation and energy management practices, the application of new energy-efficient technologies where appropriate, and employee education and training.

| <b>Electricity consumption</b>      | 2001  | 1999  | 1997  |
|-------------------------------------|-------|-------|-------|
| Total kWh - extrapolated            | 9.3m  | 9.5m  | 8.6m  |
| kWh/sq.ft                           | 28    | 29    | 29    |
| kWh/member                          | 34    | 36    | 36    |
| kWh/employee                        | 5,640 | 5,972 | 5,791 |
| <b>Fuel consumption<sup>1</sup></b> |       |       |       |
| Total kWh - extrapolated            | 3.2m  | -     | -     |
| kWh/sq.ft                           | 9.5   | -     | -     |
| kWh/member                          | 12    | -     | -     |
| kWh/employee                        | 1,926 | -     | -     |

**Energy use**

VanCity's energy use has decreased slightly since 1999, while the number of our employees and members has increased. In 1997, we joined Canada's Voluntary Challenge and Registry program (VCR), which is a Canadian government initiative to encourage organizations to reduce greenhouse gas emissions. Our VCR report (unaudited) can be downloaded at [vcr-mvr.ca](http://vcr-mvr.ca). We are also a

<sup>12</sup> Coalition for Environmentally Responsible Economies

member of the Natural Resources Canada's Energy Innovators Initiative, designed to encourage commercial businesses and public institutions to make investments in energy efficiency. (Visit <http://oee.nrcan.gc.ca/eii> for more details.)

#### Total CO<sub>2</sub> equivalent emissions from energy (electricity and fuel) consumption (kgs)<sup>1</sup>

|              |         |   |   |
|--------------|---------|---|---|
| Kgs          | 741,450 | - | - |
| Kgs/member   | 2.7     | - | - |
| Kgs/employee | 449     | - | - |
| Kgs/sq.ft    | 2.3     | - | - |

<sup>1</sup>Data not tracked in 1999 and 1997

#### Paper use

Our paper use has decreased since 1999. Increasing use of email and VanCity's intranet might be contributing factors. Containers for paper reuse and recycling are conveniently located throughout our locations and envelopes are reused for internal mail. All centrally purchased copier and printer paper is 30% post-consumer waste, and our letterhead is 100% post-consumer waste. The majority of paper we use is bleached using either elemental chlorine or chlorine-based compounds. We have been unsuccessful in tracking the quantity of paper used in the production of printed materials such as brochures and publications.

| Paper use                                     | 2001         | 1999         | 1997         |
|---|--------------|--------------|--------------|
| Total number of sheets purchased <sup>1</sup> | 13.9 million | 16.1 million | 16.6 million |
| Sheets used/employee                          | 8,300        | 10,000       | 10,600       |
| Sheets used/member                            | 50           | 62           | 69           |
| Kgs used/member                               | 0.26         | -            | -            |
| Kgs used/employee                             | 43           | -            | -            |

<sup>1</sup>Copier, printer and letterhead paper

**2001 Action Plan:** Develop a plan and set targets for decreasing paper consumption and increasing the environmental quality of paper used.

**Action plan deferred:** ○ We will focus our efforts on improved tracking of paper usage and establishing a benchmark before setting paper reduction targets.

#### Waste management

Total waste generated has increased since 1999. We do not understand the reasons for this, and will explore this further.

Waste recycled includes paper, cardboard, plastics, metal, and glass. We also recycle toner cartridges and ribbons, batteries, and fluorescent tubes. Used equipment (computers, photocopiers etc.) and furniture are donated to community groups and schools. If equipment is in too poor condition, it is returned to the respective vendor for recycling.

| UNAUDITED                                | 2001    | 1999 <sup>1</sup> | 1997 <sup>1</sup> |
|--|---------|-------------------|-------------------|
| Total waste generated (kgs) <sup>1</sup> | 447,500 | 359,500           | 361,200           |
| Total waste generated/member (kgs)       | 1.6     | 1.4               | 1.5               |
| Total waste generated/employee (kgs)     | 270     | 224               | 231               |
| % of waste recycled                      | 52%     | 58%               | 43%               |

<sup>1</sup>based on estimates from waste handlers

#### New targets and action plans

- **2003 Action Plan:** Assess and implement ways to more reliably measure and track total waste generated and recycled.

#### Employee transportation choices

Our transportation choices have a significant effect on the environment, and while we know it is our employees' decision how they travel to and from work, we encourage environmentally responsible choices through programs and incentives. These include priority parking for car-poolers, B.C. transit passes at a reduced monthly rate, and situating our sites at locations easily accessible by transit, where possible. All branches have bike racks, and VanCity's head office has a secure bike room, lockers, and shower facilities.

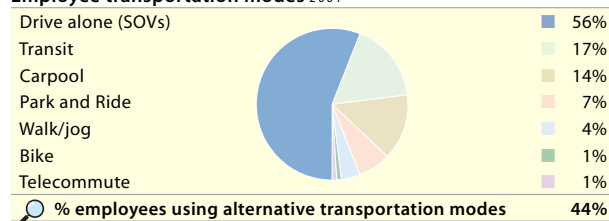
Every year, VanCity participates in the B.E.S.T. Commuter Challenge in support of Clean Air Day. On this day in 2001, over 90% of our employees used alternative transportation to get to work, earning us first place in the "over 500 employees" category.

Results from our 2001 transportation survey revealed that around 44% of trips to and from work by VanCity employees are by alternative modes of transportation – that is, other than by single occupancy vehicles (SOVs). Based on the survey data, TransLink<sup>13</sup> estimated that annual CO<sub>2</sub> equivalent emissions from our employees who drive SOVs to and from work amount to 1,700 tonnes a year, equating to an average of just over one tonne of CO<sub>2</sub> equivalent per employee per year. This is more than double the emissions of our energy use (see page 38).

**2001 Action Plan:** Establish a benchmark and set a target to increase the percentage of employees who use alternative modes of transportation to get to and from work.

**Not completed:**  A transportation survey was conducted to establish a benchmark but no target was set.

**Employee transportation modes 2001**



### New targets and action plans

- **2002 Action Plan:** Set a target to increase the percentage of trips to and from work by employees using alternative modes of transportation.

## Socially responsible investment options

Socially responsible investing (SRI) is when one's personal values and societal concerns are integrated into investment decisions. VanCity offers several socially responsible investing options including community investment term deposits and socially responsible mutual funds.

|  | 2001             |
|--|------------------|
| Member investments in SRI options  |                  |
| Community Investment term deposits   | \$2.10m          |
| International Community Investment term deposits   | \$1.71m          |
| Shared Value term deposits <sup>1</sup>  | \$9.88m          |
| Socially responsible mutual funds <sup>2</sup>   | \$271.62m        |
| VanCity Investment Management screened client investments  | \$34.38m         |
| Real Assets client investments   | \$12.69m         |
| <b>Total member and client investments in SRI options</b>  | <b>\$332.38m</b> |
| <b>Total member and client investments in SRI options as a % of total funds under administration</b> | <b>6.6%</b>      |

<sup>1</sup> Product last offered in spring 1999. <sup>2</sup> Ethical Funds, WOF, MERITAS, Acuity, and Mackenzie

## Local and international community investment deposits

Community Investment Deposit (CID) holders accept at least a 1% lower interest rate on the understanding that the interest foregone will be passed onto the community in the form of reduced interest rates on approved CID investments. By the end of 2001, approximately \$255,000 in interest had been foregone by CID deposit holders since 1994, of which \$125,000 had been disbursed. VanCity is committed to transferring the difference (\$130,000) to the community through higher interest rate reductions and other enhancements.

In 2000, VanCity introduced International Community Investment Deposits (ICID). ICID term deposits are pooled and invested into innovative community loan funds which benefit low-income and marginalized communities around the world. ICID term deposit holders also earn a slightly lower rate of interest. For details on CID and ICID investments, see page 42.

**2001 Target:** Increase amount of member term deposits in community investments from \$2.7 million (1999) to \$4 million.  
**Achieved:**  \$4.09 million, (including \$0.28 million held in trust at Citizens Bank).

**2001 Action Plan:** Establish a fund management system to track community investment deposits and loans.  
**Not completed:**

<sup>13</sup> Transportation authority mandated to plan, finance and operate Greater Vancouver's transportation system

## New targets and action plans

- **2002 Action Plan:** Establish a fund management system to track community investment deposits and loans.
- **2002 Action Plan:** Develop plan to disburse difference between interest foregone and interest discounts received by the community.


## Socially responsible mutual funds

Screened mutual funds are available to our members through our branches and/or our Credential Securities representatives. Funds offered include:

- **Ethical Funds** – a mutual fund family offering a wide selection of socially and environmentally screened mutual funds. For more details visit [ethicalfunds.com](http://ethicalfunds.com).
- **Working Opportunity Fund** – the fund offers investors the opportunity to invest in ethical and innovative entrepreneurial companies. For more details visit [wofund.com](http://wofund.com).

Credential Securities offers our members an ethical screening service. We are currently unable to track total investments in this option. Socially responsible mutual funds and ethical screening services are also available through two of our subsidiaries. Visit [vancity.com/VCIM](http://vancity.com/VCIM) and [realassets.ca](http://realassets.ca) for more details.


## More on the web:

 [vancity.com/sri](http://vancity.com/sri)

- Further details on VanCity's socially responsible investing options.

## High impact community investment loans

Our high impact community investments aim to strengthen our communities by providing access to financial services and housing solutions. When defining our community investments, we have followed the Social Investment Organization's (SIO) definition of community investment categories<sup>14</sup>.

| VanCity's Community Investments <sup>1</sup>   | 2001            | 1999            | 1997           |
|--|-----------------|-----------------|----------------|
| Peer Lending   | \$0.10m         | \$0.17m         | \$0.10m        |
| Self Reliance Loans  | \$3.72m         | \$3.79m         | \$1.08m        |
| Advice and Business Loans for Entrepreneurs with Disabilities (ABLED)  | \$0.15m         | -               | -              |
| <b>Total micro-financing</b>   | <b>\$3.97m</b>  | <b>\$3.96m</b>  | <b>\$1.18m</b> |
| Social housing loans (includes some CID loans <sup>2</sup> )   | \$6.45m         | \$9.37m         | \$7.39m        |
| Other Community Investment Deposit (CID) Loans   | \$0.59m         | \$0.64m         | \$0.51m        |
| International Community Investment Deposit (ICID) Placements   | \$1.18m         | -               | -              |
| <b>Total community investments</b>   | <b>\$12.19m</b> | <b>\$13.97m</b> | <b>\$9.08m</b> |
|  <b>Community investments as a % of assets (unconsolidated)</b> | <b>0.19%</b>    | <b>0.26%</b>    | <b>0.19%</b>   |

<sup>1</sup> Excludes VanCity loans to non-profit organizations and VanCity Capital Corporation loans.

<sup>2</sup> Includes 2 CID loans in 2001 totalling \$0.96 million, 4 in 1999 totalling \$1.9 million, and 3 in 1997 totalling \$1.43 million.

<sup>3</sup> Supported by Western Economic Diversification<sup>15</sup> through loan loss reserves.

**2001 Action Plan:** Establish a benchmark and 2005 target for VanCity's community investments.

**Action Plan Deferred:** ○ As this is a relatively new area of reporting with no established Canadian benchmark for financial institutions, a target will not be set until more information is available.

## Micro-financing

We offer several programs to provide micro-entrepreneurs (businesses with 1 or 2 employees) with access to start-up or growth financing. Seventy-seven per cent of micro-entrepreneurs rated VanCity's performance positively on providing access to financial products and services.

Our Self Reliance Loan Program was established in 1997 and provides loans or lines of credit of up to \$50,000 (\$25,000 in 1999), based on character and credit history. Since 1999, total funds outstanding have dropped. In 2000, responsibility for credit decisions was moved out of the branches to a centralized administration function resulting in declining approval rates of our Self Reliance

<sup>14</sup> A copy of the Canadian Social Investment Review 2000 by the Social Investment Organization is available at [socialinvestment.ca](http://socialinvestment.ca)

<sup>15</sup> Western Economic Diversification Canada's mandate is to promote the development and diversification of the economy of Western Canada and to advance the interests of the west in national economic policy. For more details, visit [wd.gc.ca](http://wd.gc.ca).

Loans. By the end of 2001, a strategy was in place to address this issue, which included ensuring each branch has two experts in our business lending products and services, including our micro-financing programs.

Our Peer Lending Program, established in 1996, provides credit to entrepreneurs who lack an established credit history or adequate security for conventional financing. Loans between \$1,000 and \$5,000 are approved based on the recommendation of each applicant's "peer group". In our 1998-99 Social Report, we reported that the Ministry of Human Resources<sup>16</sup> piloted changes to the B.C. Benefits Program to allow people on income assistance enrolled in a self-employment program to launch their business while still receiving benefits assistance for a specified period. This is no longer in effect, and has resulted in a declining number of applicants. Furthermore, we have received feedback from members that establishing a peer group can be challenging. We are continuing to explore innovative ways to facilitate the formation of peer groups.

New micro-financing programs launched over 2000 and 2001 include:

- Francophone Self Reliance Loans are loans of up to \$35,000 for members of the Francophone community in B.C. for business start-ups or expansions. As at the end of 2001, no loans had been financed.
- Advice and Business Loans for Entrepreneurs with Disabilities (ABLED) is a joint initiative between VanCity and Western Economic Diversification to provide entrepreneurs with disabilities loans of up to \$75,000. At the end of 2001, 13 loans were outstanding totalling \$147,000.

### Social housing loans

Funds outstanding in social housing loans at VanCity have declined since 1999, with no new social housing loans being approved during 2000 and 2001. This can be partially attributed to changes in the provincial government's social housing program. Additionally, many social housing loans are insured by the Canada Mortgage and Housing Corporation (CMHC) and may be directly funded through CMHC. This has impacted loan renewals as we are unable to compete effectively on price for CMHC insured loans.

### Local and international community investments

Community Investment Deposit (CID) loans of up to \$500,000 are invested to support affordable housing and environmental initiatives at discounted interest rates. Discounts are funded by CID deposit holders who accept at least a 1% reduction in the interest rate (see page 40). Over 2000 and 2001, a CID loan to the Glen Valley Organic Farm Co-operative and the first Living by Water loan were disbursed. The Living by Water Loan Program was developed in 1999 to offer VanCity members low-fee site assessments and a loan interest rebate for shoreline habitat improvements. At the end of 2001, there were five CID loans outstanding totalling \$1.55 million, down from \$2.53 million in 1999. This decline is primarily due to the payout of two large loans in 2001.

Funds in International Community Investment Deposits (ICID) are pooled and invested into innovative community loan funds that benefit low-income and marginalized communities around the world (see page 40). Funds are administered on VanCity's behalf by the Calvert Social Investment Foundation. Of \$1.99 million in ICID deposits, \$1.98 million had been placed with the Calvert Foundation by the end of 2001 of which \$1.18 million had been allocated to community groups. Remaining funds were pending investment.

For more details on CID and ICID investments, call 604 877-7000 or 1-888-VanCity for a copy of our 2001 Community Investment Program Year-in-Review.

### Conservation financing program

In 2001, VanCity partnered with EcoTrust Canada and Western Economic Diversification Canada (WD) to provide loans to a maximum of \$500,000 for businesses delivering products or services or implementing improvements that enhance conservation and environmental sustainability. WD supports the program through loan loss reserves. While VanCity has received inquiries, applicants haven't yet met the program requirements. However, one inquiry has led to a loan financed through VanCity Capital Corporation Ltd.

**2001 Action Plan:** Develop a loan program that supports energy efficiency.


*Not completed:* ○ Program proposal completed but not approved for a Clean Air Loan Program.

<sup>16</sup> Formerly the Ministry of Social Development and Economic Security

## **New targets and action plans**

- **2002 Action Plan:** Re-assess options for loan programs is to support energy efficiency.


### More on the web:

 [vancity.com/communityinvestments](http://vancity.com/communityinvestments)

- Further details on VanCity's community investment loan programs.

## **Serving the communities in which we live and work**


Corporate donations to community groups are an important part of corporate social responsibility (CSR) at VanCity. Total dollars passed onto the community in the form of grants has increased substantially since 1999, primarily due to the launch of the \$1 million VanCity Award. In 2001, VanCity's annual charitable donations were 7.8% of average pre-tax earnings, well exceeding the Canadian Centre for Philanthropy's Imagine Campaign annual donations target of 1% (visit [imagine.ca](http://imagine.ca) for more details).

| Distributions to community   | 2001               | 1999               | 1997               |
|--|--------------------|--------------------|--------------------|
| VanCity Community Partnership Program  | \$866,000          | \$876,000          | \$811,000          |
| VanCity Award  | \$1,000,000        | -                  | -                  |
| VanCity Community Solutions Fund   | \$300,000          | -                  | -                  |
| Citizens Bank and Trust Donations  | \$11,500           | \$6,000            | \$39,000           |
| <b>Credit card earnings allocated to:</b>  |                    |                    |                    |
| Citizens Bank Shared Interest Fund & VanCity EnviroFund  | \$230,500          | \$133,000          | \$89,000           |
| Donations to VanCity Community Foundation  | \$635,000          | \$655,000          | \$775,000          |
| <b>TOTAL<sup>1</sup></b>   | <b>\$3,043,000</b> | <b>\$1,670,000</b> | <b>\$1,714,000</b> |
|  <b>Distribution to community as a % of average consolidated pre-tax earnings</b> | <b>7.8%</b>        | <b>4.8%</b>        | <b>4.7%</b>        |

<sup>1</sup> Includes \$1.3m accrued in 2001 to be disbursed in 2002, including \$300,000 in a community solutions fund to be disbursed through a combination of grants and/or high risk capital to non-profit organizations or co-operatives.

VanCity has a number of grant programs within its Community Partnership Program to support local community organizations, including grants for projects that address social justice, economic self-reliance and ecological responsibility. In response to stakeholder feedback from focus groups, in 2000 we developed and launched capacity-building grants to support the ongoing work of community groups not tied to specific projects.

### More on the web:

 [vancity.com/accountabilityreport/commit6](http://vancity.com/accountabilityreport/commit6)

- VanCity grants by geographic distribution and guiding principle.
- A complete list of Head Office grants distributed in 2001.

## **The VanCity Award**

In 2001, B.E.S.T. (Better Environmentally Sound Transportation) was the recipient of our first \$1 million VanCity Award. The funds will be used for a 25 km greenway for walking, cycling and rollerblading, linking False Creek to Burnaby, Coquitlam and New Westminster. We received 194 letters of intent for the VanCity Award, and after a rigorous selection process, 13 organizations were invited to submit proposals of which four were short-listed. The final decision was based on the votes of our members.

### More on the web:


 [vancity.com/vancityaward](http://vancity.com/vancityaward)

- Further details on the VanCity Award.

## **The VanCity EnviroFund**

The VanCity EnviroFund program supports local initiatives that address specific community environmental issues, funded by profits from all our VISA cards. Contributions to the fund are based on 5% of net profits or \$58,200, whichever is greater. In 2001, our EnviroFund Program awarded grants to five organizations totalling \$80,000.

### More on the web:

 [vancity.com/envirofund](http://vancity.com/envirofund)

- Further details on the VanCity EnviroFund.

**2000 Action Plan:** Develop a policy for determining how future EnviroFund contributions will be calculated; revise promotional material to explain this policy.  
**Completed:** ●

In general, our stakeholders were very positive about our community activities. In interviews, some community leaders told us they feel VanCity needed a mechanism to be accountable to individuals or groups who may not be members but who are still part of the community. Focus groups with members indicated that many of our members were not aware of all our community activities. Some expressed a desire to know more, while others told us they are happy to assume we are doing good things and don't necessarily need to know all the details.

### Employee community involvement programs

VanCity encourages employees to participate in the community by fundraising and volunteering. During 2000 and 2001, First Call – Spotlight on Children and Youth was the organization chosen by employees for the Annual Staff Fundraiser and \$160,000 was raised. First Call is a coalition of 50 B.C. health and child welfare organizations whose mission is to help reduce poverty and promote and improve the health of children and their families. Staff Community Building Grants are available to community organizations for which an employee has volunteered for at least six months. Grants of up to \$250 are made at the request of an employee. The "I Gave at the Office" program enables employees to donate to charitable organizations through payroll deductions. In 2001, employees donated \$21,500.

**2000 Action Plan:** Develop employee community involvement guidelines to clarify what VanCity expects, and is prepared to support, with regards to employee volunteer activities.  
**Completed:** ● Community Participation Policy developed and implemented.

### CSR advocacy and skills exchange

In addition to supporting our local communities through philanthropy and specialized products and services, we contribute by sharing resources and expertise with community groups. We also share our experience in CSR and social auditing by participating in workshops, seminars and conferences. For example, during 2000 and 2001, we:

- Hosted a tour of 40 delegates from the Conference Board of Canada's Corporate Social Responsibility conference for an afternoon of learning about our CSR programs and initiatives.
- Sat on the host committee of CIVICUS and chaired a sub-committee on learning exchanges. CIVICUS is an international alliance dedicated to strengthening citizen action and civil society.
- Helped St. Helen's elementary school operate a junior credit union.
- Delivered financial literacy workshops tailored to the specific needs of community groups.

VanCity also has a history of building partnerships with local organizations. Details of these are contained throughout this report.

### Community recognition

Significant awards received by VanCity over 2000 and 2001 include:

- 12th Annual Community Economic Development Award (CEDA), Credit Union Central of Canada
- Business and Industry Award, International Association of Official Human Rights
- Caring Companies Award (large companies category), Volunteer Vancouver
- Leadership Award, Gold Status on Greenhouse Gas Emission Reductions, Voluntary Challenge and Registry
- B.C.'s 10 Most Respected Businesses, Ipsos-Reid, BC Business Magazine.

### More on the web:



[vancity.com/accountabilityreport/commit6](http://vancity.com/accountabilityreport/commit6)

- Update on VanCity Place for Youth Society

## SUBSIDIARIES, AFFILIATES AND JOINT VENTURES

### Citizens Bank of Canada

*Position Statement:* Citizens Bank of Canada is the bank for people who want to support ethically sensitive and community-responsible business practices.

#### Subsidiary Profile

Founded in 1997, Citizens Bank is a full-service electronic bank providing financial services through the Internet and by telephone via our 24-hour call centre. Wholly owned by VanCity Credit Union, Citizens bank is the only bank in Canada operating with an eight-point Ethical Policy on key social and environmental issues. This Ethical Policy was developed through consultation with Citizens Bank members, employees, and non-profit organizations.

At the end of 2001, Citizens Bank had 244 employees and \$1.2 billion in total assets.



Citizen's Bank financial performance is not reported separately, but is included in VanCity's consolidated financial statements. Call 604-877-7000 or 1-888-VanCity for a copy of the Annual Report or visit [www.vancity.com/annualreport](http://www.vancity.com/annualreport).

#### Significant Changes in Structure

Citizens Bank is the parent company of Citizens Trust. On May 11, 2001, Citizens Bank permanently closed the Kerrisdale and New Westminster branches of Citizens Trust to concentrate on providing financial services through the Bank and remaining two Trust locations in downtown Vancouver (Waterfront) and Calgary. Existing trust clients in Vancouver were encouraged to transfer their account to the Waterfront branch or were referred to the nearest VanCity branch, and the majority of clients were accommodated this way.

Six employees were affected by the closure of the two branches. Of these, three were transferred to the Waterfront branch and three successfully applied for jobs at VanCity.

#### Member and Employee Satisfaction

|  | 2001 | 1999 |
|--|------|------|
|  % of Clients satisfied overall with Citizen's Bank service             | 90%  | 88%  |
|  % employees who would recommend Citizen's Bank as a good place to work | 70%  | 71%  |

#### Effecting Positive Change in our Communities

Citizens Bank reports on compliance with its Ethical Policy bi-annually. The report is externally audited and the next release is planned for the fall of 2002.

For more information on Citizens Bank call 1-888-708-7800 or visit [www.citizensbank.ca](http://www.citizensbank.ca).

### VanCity Enterprises

*Mission Statement:* VanCity Enterprises Ltd. aims to improve the quality of life in the Lower Mainland by undertaking socially responsible real estate development.

#### Subsidiary Profile

VanCity Enterprises Ltd. (Enterprises) was established by VanCity Credit Union in 1989 to undertake real estate developments and investments in residential and commercial projects to achieve both social and business objectives. Key activities include purchasing land, rezoning, constructing housing projects, financing projects in their initial stages before arranging more traditional financing, and identifying opportunities for new housing projects.

At the end of 2001, Enterprises had four employees including the President/CEO. Other key stakeholders include:

- Project partners and peers (non-profit resource groups and advocates, architects, developers, municipal and provincial governments, health boards etc.)
- Residents and users of completed projects
- Communities in which developments occur

2000 and 2001 proved to be a challenging time for Enterprises. Enterprises took a significant write-down on one market housing project. In addition, changes in the provincial government resulted in funding for four of Enterprises' social housing projects being temporarily frozen. Two of these projects were subsequently cancelled and two are now proceeding. The combination of these factors led to a high deficit for 2001.


Enterprises relies on government funding to make social housing accessible, and it is committed to playing a leadership role and working with the government to find alternative ways to fund social housing.

Enterprises' financial performance is not reported separately, but is included in VanCity's consolidated financial statements. Call 604-877-7000 or 1-888-VanCity for a copy of the Annual Report or visit [www.vancity.com/annualreport](http://www.vancity.com/annualreport).

### Effecting Positive Change in our Communities

VanCity Enterprises aims to achieve both social and business objectives through the creation of market and non-market real estate development, which differentiates it from other developers. Market projects support business objectives by providing returns that can then be used to generate the risk capital necessary to develop social housing (non-market) projects. In 2001, Enterprises completed 81 housing units, of which 45 were non-market.

#### Non-market units completed (# and % total units)

|   | 2001     | 1999     | 1997    |
|---|----------|----------|---------|
|  | 45 (56%) | 30 (19%) | 4 (27%) |

| Date Completed | Project Name & location                              | Type of Units (Target Group)   | Market # of units | Non- Market # of units |
|----------------|--|--|-------------------|------------------------|
| April 2001     | Peretz Centre (Ash Street, Vancouver)                | Community centre with residential unit (empty nesters, seniors)                          | 36                | -                      |
| November 2001  | Edmonds Project (Kingsway, Vancouver)                | Townhouse units (families, mental health patients)                                       | -                 | 45                     |
| In progress    | Wellness Centre (Dunbar and 41st)                    | Commercial and family oriented residential units (wellness practitioners, empty nesters) | 31                | -                      |
| In progress    | Dr. Peter Aids Centre (1120 Comox Street, Vancouver) | New building and renovation of existing heritage building (HIV/AIDS patients)            | -                 | 24                     |
| In progress    | Powell Place II (East 16th Avenue)                   | Shelter for distressed women and children  | -                 | 28                     |
| In progress    | Strawberry Hill (120th Street, Surrey)               | Affordable family housing  | -                 | 64                     |
|                |  | Total # of units:  | 67                | 241                    |

### VanCity Community Foundation

*Mission: VanCity Community Foundation is a catalyst for community transformation based on social and economic justice in a sustainable environment.*

*Vision: The Foundation believes in communities where all members are valued and share a commitment to social and economic justice in a sustainable environment, and which embody principles of democracy, inclusiveness and participation.*

#### Affiliate Profile

As the VanCity Community Foundation continues to grow and change, our vision and mission will guide our work to create a vibrant and lasting legacy in the community. The Foundation's statement of values and commitments is the framework for how it works in and with the community, and incorporates its belief in building a civil society that is prosperous and equitable.

The VanCity Community Foundation is a registered non-profit, charitable organization and was established in 1989 with a \$1.2 million donation from VanCity Credit Union. It is an arm's length affiliate of VanCity with a focus on creating self-reliance through affordable housing, employment development through job creation and non-profit enterprise. Key activities include funding; facilitating and promoting charitable activities and programs; investing, administering and distributing funds or property for the

purposes of the Foundation; and charitable activities as authorized under the Income Tax Act. As of May 31, 2001, the Foundation's financial year end, there were five employees including the Executive Director and total assets of \$10.5 million.

The Foundation's stakeholders include community groups applying for support, donors, regulators and other foundations and collegial organizations. Thirty community groups applied for support in 2001. While the Foundation receives more general inquiries, it only encourages grant applications from groups whose projects or programs fall within its mandate.

### Significant Changes in Processes

In 2000, the Foundation began to disburse grants on behalf of VanCity Credit Union's Community Partnership program, reflecting its strength in distributing grants and issuing tax receipts.

There has also been a significant increase in the number of Named Funds created by individuals or groups wishing to support specific causes within its mandate, from 16 in 1999, to 32 in 2001.

### Being Responsible and Effective Financial Managers

#### Assets and liabilities as at May 31, 2001

| \$000s                        | 2001            |
|-------------------------------|-----------------|
| Currents Assets               | \$4,937         |
| Donated Land                  | \$185           |
| Long Term Investments         | \$4,881         |
| Community Development Lending | \$479           |
| Capital Assets                | \$6             |
| <b>Total Assets</b>           | <b>\$10,488</b> |
| Current Liabilities           | \$82            |
| Deferred Contributions        | \$113           |
| Net Assets                    | \$10,293        |
| <b>Total Liabilities</b>      | <b>\$10,488</b> |

Total donations received by the Foundation were significantly higher in 2001 than in the past. The main reason for this increase was a donation of \$2 million from the Insurance Corporation of British Columbia (ICBC) to establish the ICBC Endowment Fund for People with Disabilities. The Foundation also received a \$250,000 contribution from the Estate of Frances Longo to the Leo and Frances Longo Fund for Charity to Animals, and a \$150,000 from the Planned Lifetime Advocacy Network (PLAN) Circle of Friends Legacy Fund to support the work of the association in building personal support networks for individuals with disabilities.

#### Total donations to Foundation and VanCity Credit Union donations as % of total

|  | 2001          | 1999          | 1997          |
|--|---------------|---------------|---------------|
| Total donations  | \$3.7 million | \$1.1 million | \$0.9 million |
| VanCity corporate donations                                    | \$600,000     | \$630,000     | \$600,000     |
| VanCity corporate donations as a percentage of total donations | 16%           | 58%           | 66%           |

Administration related expenses are non-program related expenses such as salaries, investment management fees and legal fees. Administration expenses as a percentage of net assets have declined since 1999 as net assets have grown.

|  | 2001 | 1999 | 1997 |
|--|------|------|------|
| Administration expenses as a % of net assets | 2.5% | 4.1% | 3.6% |

### Leading by Example

The Foundation's Investment Policy states that "the Foundation must apply an ethical screen to all equity investments." The Foundation interprets this to mean that eligible investments must be held by at least one of Ethical Funds Inc., the Jantzi Social Index or the Domini Social Index. We require that our investment managers report on their compliance with this policy to our Investment Committee. As of May 31, 2001 our investments totalled \$9 million and were in compliance with the Investment Policy. See Leading by Example: Our Core Business Activities, Commitment Six for further details on Ethical Funds Inc.

## Effecting Positive Change in our Communities

### Total financial assistance disbursed to the community

| Year ending 31 May 2001           | 2001                   | 1999                     | 1997             |
|-----------------------------------|------------------------|--------------------------|------------------|
| Grants from endowment fund        | \$143,300              | \$102,500                | \$62,000         |
| Loans disbursed                   | \$160,000              | \$106,000                | \$26,000         |
| Disbursements from Named Funds    | \$43,500               | \$10,000                 | \$1,500          |
| Supported donations disbursed     | \$410,500 <sup>1</sup> | \$1,312,000 <sup>2</sup> | \$70,000         |
| <b>Total financial assistance</b> | <b>\$757,300</b>       | <b>\$1,530,500</b>       | <b>\$159,500</b> |

<sup>1</sup> Includes \$300,420 disbursed for VanCity's Community Partnership Program

<sup>2</sup> Includes \$1.1 million disbursement to VanCity Place for Youth from VanCity's staff fundraising program

**Grants from Endowment Fund** - The core endowment fund of the Foundation comes from VanCity Credit Union's annual donation, other donors' bequests, and gifts. In 2001, 16 organizations received grants totalling \$143,300.

**Loans Disbursed** - The Foundation offers low or no interest loans to registered charities through our Community Economic Development Lending Program. In 2001, two loans were made totalling \$160,000. As a result of the Foundation's work in this area, Revenue Canada's regulations were changed in 2000 to recognize community development lending as a charitable activity, paving the way for other Canadian foundations to adopt this innovative strategy.

**Disbursements from Named Funds** - The Foundation's endowment includes a number of donor designated Named Funds created by individuals or groups wishing to support specific causes within its mandate. In 2001, nine new named funds were created and 26 disbursements were made totalling \$43,500.

For a complete list of grants, loans disbursed, and Named Funds disbursements, call (604) 877-7647 for a copy of the VanCity Community Foundation's Annual Report or visit [www.vancity.com/vcf](http://www.vancity.com/vcf).

**Supported Donations** - The Foundation also acts as an agent for donors wishing to contribute to other charities and issue tax receipts and forwards funds to charities. It does not charge any administrative fees for these services, so 100% of the donations received are passed on to the community. In 2000, the Foundation began to disburse funds granted through VanCity's Community Partnership Program. In addition to these, disbursements were made to seven community organizations over the 2001 fiscal year.

In addition to regular grants and loans, the Foundation also provides technical assistance to local community organizations in the form of workshops, consultations and training.

### Enterprising Non-Profits Program

The Foundation has partnered with VanCity Capital Corporation, Vancouver Foundation and United Way to participate in Enterprising Non-Profits, a funding program that provides matching grants to local non-profit organizations that are interested in starting or expanding a related business venture. In 2001, nine community groups received support. For more details, visit [www.vancity.com/vcf](http://www.vancity.com/vcf).

## VanCity Capital Corporation

*VanCity Capital Corporation's Mandate: VanCity Capital Corporation is a democratic, ethical and innovative provider of mezzanine debt financing to organizations in BC. Through strong financial performance, it serves as a catalyst for the growth and prosperity of high potential businesses, non-profit organizations, and the community as a whole.*

### Subsidiary Profile

VanCity Capital Corporation (VCC) is a wholly owned subsidiary of VanCity Credit Union and was formed at the beginning of 1999 in response to growing demand for growth for small to medium sized enterprises (SMEs) and social enterprises (non-profits, co-operatives, and companies with significant social or environmental objectives).

VCC provides growth capital in the form of mezzanine debt. In simple terms, this is loan financing that relies on a company's proven cashflow rather than collateral assets. Mezzanine debt allows an organization the flexibility to finance a variety of growth-related expenses such as on-going research and development, marketing costs, e-commerce projects, software purchases, new product development, inventory, and management buy-outs. Mezzanine debt also allows any customer to maintain a day-to-day banking relationship with the financial institution of the borrower's choice, as we generally rank any security position behind existing operating and term lenders.

In 2000, VCC partnered with Western Economic Diversification Canada (WD) to establish a \$20 million Growth Capital Loan Program to create jobs and provide support for business expansion. WD supports the program through a \$3 million loan loss reserve.

At the end of 2001, VCC had six employees (including the president/CEO), 37 clients and \$10.1 million in total assets.

VCC's financial performance is not reported separately, but is included in VanCity's consolidated financial statements. Call 604-877-7000 or 1-888-VanCity for a copy of the Annual Report or visit [www.vancity.com/annualreport](http://www.vancity.com/annualreport).

### Effecting Positive Change in our Communities

Within its social enterprise portfolio, VCC offers flexible financing to non-profit and cooperative ventures at preferred rates, reflecting the social and/or environmental value achieved through these investments. Examples of companies financed include the Cooperative Auto Network (a car-sharing co-op in the Lower Mainland), Tradeworks Training Society (a skills building organization located in Vancouver's downtown eastside) and Protege Arts International (an initiative of the Canadian Institute of the Arts for Young Audiences). VCC has also worked to support a broad range of emerging Social Enterprises through direct advice and participation in partnership initiatives such as Enterprising Non-Profits (with VanCity Community Foundation, Vancouver Foundation and United Way - see VanCity Community Foundation above) and Conservation Financing (with VanCity Credit union, EcoTrust Canada and Western Economic Diversification Canada - see High Impact Community Investments Loans, Commitment Six).

### Loans outstanding

| Year ending 31 May 2001    | 2001      |                             | 1999      |                             |
|----------------------------|-----------|-----------------------------|-----------|-----------------------------|
|                            | #         | \$s outstanding             | #         | \$s outstanding             |
| Loans to social enterprise | 10        | 10%                         | 8         | 18%                         |
| Loans to SME               | 35        | 90%                         | 14        | 82%                         |
| <b>Total</b>               | <b>45</b> | <b>100% (\$8.5 million)</b> | <b>22</b> | <b>100% (\$4.3 million)</b> |

As part of a research project at the University of Western Ontario, VCC is tracking the number of jobs created as a direct or indirect result of our loans. Over 2001, we estimated that over 280 jobs were created locally (unaudited).

For more information on VanCity Capital Corporation call 604-871-5355 or visit [www.vancitycapital.com](http://www.vancitycapital.com).

## VanCity Insurance Services Ltd.

*Vision Statement: VanCity Insurance Services exceeds the boundaries of the ordinary, creating exceptional benefits for its clients.*


### Subsidiary Profile

VanCity Insurance Services Ltd. (VISL) was developed by VanCity Credit Union in 1976, sold in 1988 and re-acquired in 1994. VISL is a full service insurance brokerage with 16 locations throughout the Lower Mainland. It provides a full range of products and services including home, condo, tenant, business, travel, auto, pet and life insurance. At the end of 2001, VISL had 72 employees and \$5.6m in annual revenues.

VISL's financial performance is not reported separately, but is included in VanCity's consolidated financial statements. Call 604-877-7000 or 1-888-VanCity for a copy of the Annual Report or visit [www.vancity.com/annualreport](http://www.vancity.com/annualreport).

### Providing Outstanding Service

As a VanCity company, VISL is expected to incorporate the principles of corporate and social responsibility into product development, customer service, and its relationships with its employees.

|   | <b>2001</b> |
|---|-------------|
|  Overall satisfaction with VISL's service <sup>1</sup> | 74%         |

<sup>1</sup> VanCity Credit Union members who have used VISL in past year

As a direct result of the September 11th terrorist attacks, it was necessary for many insurance companies, including VISL, to increase their insurance premiums. Insurance companies spread the total risk of their portfolios throughout the world (called reinsurance) to reduce the impact of any one insurance company in the event of a major claim. This creates stability, but also means that a disaster anywhere in the world can affect insurance premiums locally. In advance of any increases, VISL sent a letter to all clients explaining the reasons. Some complaints were received from clients and these were resolved on a case-by-case basis.

### Effecting Positive Change in our Communities

Over 2000-01, two insurance products were launched in partnership with the United Community Services Co-operative and the Planned Lifetime Advocacy Network (PLAN). These new products provide insurance services to meet the unique needs of non-profits and people with disabilities. The SafeRate Community Insurance package was designed to consolidate all non-profit organizations coverage requirements into one cost-effective policy.

The PLAN endorsement was added to all our homeowner and tenant products in 2001. Features include personal insurance to cover a relative with a disability, coverage for legal liability for his/her personal acts, a \$10,000 limit for adaptive and other medical positioning aids and a 10% discount for PLAN members.

For more information on VanCity Insurance Services call 604-877-7400 or visit [www.vancityinsurance.com](http://www.vancityinsurance.com).

<sup>™</sup> Saferate is a registered trademark of VanCity Insurance Services Ltd.

## VanCity Investment Management Ltd.

*Vision Statement: VanCity Investment Management Ltd.'s vision includes a commitment to "managing customized segregated investment portfolios in keeping with individual investment parameters including risk tolerances, liquidity, income requirements and ethical considerations."*

### Subsidiary Profile

VanCity Investment Management Ltd. (VCIM) is a wholly owned subsidiary of VanCity Credit Union and was acquired in 1995. It provides segregated, discretionary investment management services and is licensed by the B.C. Securities Commission as Portfolio Managers. As at the end of 2001, VCIM had five employees (including the President) and approximately 190 clients with 265 accounts.

VCIM's financial performance is not reported separately, but is included in VanCity's consolidated financial statements. Call 604-877-7000 or 1-888-VanCity for a copy of the Annual Report or visit [www.vancity.com/annualreport](http://www.vancity.com/annualreport).

### Effecting Positive Change in our Communities

Both individuals and corporate clients, including foundations, societies, and unions can access our specialized investment management services with a minimum investment of \$250,000. The majority of our competitors typically offer comparable services for minimum investments of \$500,000 or more.

|   | 2001         | 1999         |
|---|--------------|--------------|
| Total assets under management   | \$96 million | \$68 million |
| Percentage of total assets under management screened using ethical criteria | 36%          | 17%          |

VCIM's investment philosophy typically excludes nuclear energy, tobacco, and alcohol companies. Through a customized Investment Policy Statement, each client establishes their own guidelines giving consideration to risk tolerance, income requirements, and tax implications. Clients have the option of having their portfolio screened according to their own ethical preferences. At the end of 2001, 36% of total assets under management were screened using clients' customized ethical criteria.

VCIM subscribes to Proxy Voter Services (PVS), an independent division of Institutional Shareholder Services. Clients have the option of assigning VCIM to vote proxies on their behalf, and almost all of our clients choose to do so. VCIM votes proxies in accordance with ethical guidelines developed by PVS. These address a range of issues including the election of directors and executive compensation, policies affecting local economic development and wage levels, workplace health and safety, and corporate responsibility to employees and communities.

For more information on VanCity Investment Management call 604-871-5355 or visit [www.vancity.com/VCIM](http://www.vancity.com/VCIM).

*The following are subsidiaries/joint ventures established or acquired by VanCity during 2001. We have not conducted an audit of these organizations.*

### Real Assets Investment Ltd.

Real Assets focuses solely on socially responsible investment management services to corporate and individual investors. The firm operates as a VanCity partner, offering its services to VanCity members and to investors across Canada, and complements the services offered by VanCity Investment Management Ltd. VanCity acquired 50% of Real Assets in 2001. For more details, visit [www.realassets.ca](http://www.realassets.ca).

### Inventure Solutions Inc.

Formed in 2001, Inventure Solutions is 70% owned by VanCity and is a non-revenue generating partnership between VanCity and Surrey Metro Savings to consolidate our Information Technology departments.

### Inovera Solutions

Inovera Solutions is two-sevenths owned by VanCity, and was created in 2001 as a joint venture between VanCity, Surrey Metro Savings, and Credit Union Central of B.C. (CUCBC) to deliver online solutions to credit unions. In 2001, the partners made the decision to sell Inovera to Credit Union Central of BC (CUCBC), recognizing that CUCBC is better positioned to facilitate wide-scale adoption of the Inovera technology amongst credit union.

### Coalition for Environmentally Responsible Economies (CERES)

Our 2000-01 Accountability Report satisfies CERES' reporting requirements. For more information on CERES, visit [ceres.org](http://ceres.org).

### The Global Reporting Initiative

In June 2000, the Global Reporting Initiative (GRI) launched its sustainability reporting guidelines for voluntary use by organizations reporting on their economic, environmental, and social performance. The guidelines contain advice on reporting principles and content, including over 90 performance indicators. The guidelines have recently been revised by the GRI to reflect stakeholder feedback and provide sector-specific guidance. Many companies have already used the GRI Guidelines as a basis for reporting.

VanCity believes it is important to use our Statement of Values and Commitments as the basis for our reporting. However, within that framework we have used the GRI Guidelines as a general guide, and have used GRI indicators where we believe relevant. Indicators recommended by GRI included in this report are listed on our website at [vancity.com/accountabilityreport](http://vancity.com/accountabilityreport). For more information on GRI, visit [globalreporting.org](http://globalreporting.org).

### Public accountability statements

As of March 21, 2001 all federally regulated financial institutions with equity in excess of \$1 billion are required to publish annual statements describing their contributions to the Canadian economy and society. Although we are not a federally regulated institution, we feel it is important companies report the social, environmental, and economic impacts of their activities. The information contained in this externally verified report is disclosed voluntarily and far exceeds the requirements of the public accountability statements. Below is a list of the reporting requirements of the public accountability statements and the page number where the information is located in this report. For more information on public annual accountability statements, visit [fcac-acfc.gc.ca](http://fcac-acfc.gc.ca)

|   |              |
|---|--------------|
| The number of full-time and part-time employees   | Page 11      |
| The location of any branch openings and closures  | Page 19      |
| Taxes paid to federal and provincial governments  | Page 19      |
| Small business financing activities, including a breakdown of loans by size   | Page 22      |
| Initiatives to improve access to financial services for low-income individuals, senior citizens, and disabled persons | Page 25      |
| Community development/philanthropic activities  | Page 36      |
| Investments/partnerships in micro-credit programs   | Pages 41, 42 |
| Charitable donations  | Page 43      |
| Employee volunteer activities   | Page 44      |

### Board/Executive Social Audit

#### Subcommittee:

Elain Duvall  
Catherine McCreary  
Rhonda Zabinsky  
Dave Mowat  
Johan Lemmer  
George Scott

### Social Audit Team:

Joanne Westwood, *Social Audit Manager, CSR Group*  
Jane Schieman/Kate Dunford, *Social Audit Specialists, CSR Group*  
Tim Reeve, *Values Alignment Manager, CSR Group*  
Priscilla Boucher, *Manager, Corporate Social Responsibility Strategy, CSR Group*  
Bruce Matheson, *Internal Auditor, Internal Audit and Security*  
Tonya Frizzell, *Communications Specialist, Public Affairs & Corporate Communications*

### External Social Auditors:

Susan Todd, *Principal, Solstice Consulting*  
Kathy Wardle, *Associate, Solstice Consulting*

