

The Whole Story. Really.

VanCity's 2002-03 Accountability Report



VANCITY'S STATEMENT OF VALUES AND COMMITMENTS

VanCity's *Statement of Values and Commitments* was created in 2000 in consultation with our members, employees, and communities. It sets out VanCity's mission, purpose and core values, and six commitments to ensure we live our purpose and values in how we do business.

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 managers so VanCity remains strong and prospers.
- We will provide members with outstanding service and help them achieve their financial goals.
- We will provide meaningful opportunities for members 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 VanCity's Statement of Values and Commitments can be found at vancity.com/sovac

To request a printed copy, call 604-877-7000 or 1-888-VanCity.

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*Indicates which sections are most relevant to which stakeholders: M = members, E = employees, C = communities

MESSAGE FROM THE CHAIR OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Staying true to our values

In an increasingly competitive and fast-paced environment, staying true to our values is vital. VanCity's Statement of Values and Commitments, developed in 2000, acts as a compass to guide our business decisions and strategies so we stay on course, in spite of the complex and evolving environment.

The statement defines how we will live our values of integrity, innovation, and responsibility in how we do business. In fact, the effort that we expend on contributing to member and employee well-being and to the social and environmental sustainability of the communities we serve creates differentiation for VanCity. This in turn strengthens demand for our services and bolsters our long-term business sustainability.

We're pleased to release VanCity's 2002-03 Accountability Report – an externally verified report on how well we're living up to the commitments in this statement. In outlining our progress against the commitments, we prepared the report in accordance with the 2002 Global Reporting Initiative (GRI) Guidelines. Thus, it represents a balanced and reasonable presentation of our organization's economic, environmental, and social performance.

This year we added an extra layer of assurance to our report. Prior to its release, we invited 27 community leaders to comment on the credibility, completeness, and responsiveness of the report contents. A high level summary of their feedback is included on page 11.

Responsibility in the financial services sector

We believe that accountability and transparency are keys to building a strong financial services sector - one that is responsive to the needs of consumers, and socially and environmentally responsible in its business decisions.

Access to financial services plays a critical role in our personal lives, business operations, and community projects. This presents an excellent opportunity for

VanCity, to not only push the industry, but also to support companies, organizations, and individuals who are striving to improve the communities where we live.

In 2002, we created the Baseline Ethical Policy to guide our lending, investing, purchasing, and business partner choices. In 2003, we started to implement the policy, focusing on four high-impact areas; major suppliers, business members, treasury investments, and \$1 million VanCity Award finalists. Over the next two years we will complete the implementation across the VanCity Group of Companies and start to monitor compliance.

Successes and challenges along the way

As any thorough auditing process should, we turned up areas where we can celebrate success and areas where we have room for improvement. We've also identified and responded to external challenges.

We ended 2003 on a high note with our best-ever growth in membership and profitability. We gave back a milestone \$13.5 million to members and the community. In fact, our community donations were nearly 14 times¹ that of the average of the Canadian banks.

VanCity continues to enjoy a solid reputation with numerous achievements and acknowledgements from other organizations. VanCity was listed as one of the most respected companies in B.C.² Our 2000-01 Accountability Report was rated one of the two top in Canada,³ and we made *Maclean's* magazine's list of the Top 100 Employers in Canada. BC Hydro bestowed the Power Smart designation on VanCity in recognition of our energy efficiency, and we received the Innovation Award from Credit Union Central of B.C. for our lesbian and gay marketing campaign.

Member satisfaction is increasing, but there's still room for improvement when it comes to providing consistent, error-free service, and resolving complaints in a timely manner. Our employee engagement score has improved considerably since 2001, with satisfaction increasing across a number of areas including training and development, work/life balance, and benefits. However, work/life balance remains an area of concern and one that we will continue to monitor.

¹ As a percentage of average previous three-year, pre-tax earnings (see page 52)

² According to an Ipsos-Reid poll

³ Stratos 2003 Canadian Corporate Sustainability Reporting Benchmark Survey (stratos-sts.com)



Website

vancity.com/accountability03/A

View or download the Global Reporting Initiative (GRI) content index

In 2002 and 2003 we faced a number of external challenges, including a residential mortgage fraud, an overdraft charge lawsuit by a member, positive and negative reaction to our lesbian and gay marketing campaign, bomb threats, and an increase in branch robberies. We've responded to each of these issues in the report. We've also provided an update on 25 targets and action plans in place at the end of 2001, and we will continue to improve how we integrate targets and action plans into our planning process to meet our 2004-05 objectives.

The challenge ahead

We expect that in the future, consumers' expectations around a company's values and performance will increase, and banks will focus on community donations and partnerships to build trust and profile among their consumers. The financial marketplace is expected to remain competitive, particularly on price and customer relations. Through this, economic uncertainty prevails and forecasters' opinions are mixed about the economic future of our region.

Guided by our Statement of Values and Commitments, we have refreshed our five-year strategic plan to respond to these challenges. Over the next few years we will position ourselves competitively by focusing on strategies to improve our members' and employees' experience and to demonstrate community leadership. Our goal is to achieve 'triple bottom line' success with:

- Sufficient earnings and capital to sustain member and asset growth while consistently sharing profits with members, employees, and communities;
- Highly satisfied members and engaged employees;
- Business practices and financial innovations that generate positive social, economic, and environmental results in our communities.

Community leadership in action: A focus on outcomes

One of the cornerstones of our strategic plan is our community leadership strategy. We want to get better at using our resources and expertise, as a financial institution, to achieve measurable and positive outcomes. One example of this is our goal

to reduce our own ecological impact and help reduce the impact in our region through financing environmental solutions. We aim to be carbon neutral by 2010. See page 47 for details.

Determining the impact of our community leadership will require a new level of measuring and reporting. The GRI Guidelines are evolving, and our future performance measures on community leadership will consider input from other international experts in accountability reporting, as well as input from our members, employees, and community leaders.

A number of Board members and employees have been instrumental in bringing this report to fruition; we'd like to recognize Social Audit Committee Chair Elain Duvall (and 2004 Board Chair) for her leadership and guidance, as well as our hard-working team of social audit staff for their commitment and hard work.



Bruce Ralston
Chair, 2002-03
VanCity Board
of Directors



Dave Mowat
CEO,
VanCity



Website

vancity.com/accountability03/A

1. Board of Directors:
Key responsibilities, areas of expertise, and remuneration
2. Description of Board Committees

BOARD GOVERNANCE

VanCity Credit Union's Board of Directors is elected by and directly accountable to the members of the credit union. Directors are elected by members annually for a three-year term and can serve a maximum of four terms, or 12 years. The Board's role includes establishing corporate objectives, approving corporate strategies, appointing and evaluating the CEO, supervising the operations of the VanCity Group of Companies, and ensuring our operations are aligned to our values. As at the end of 2003, there were nine Directors, all of whom were independent (not employed by VanCity).

The CEO is charged by the Board with the day-to-day leadership and management of the VanCity Group of Companies. Approval of CEO compensation and benefits is the responsibility of the Board. In 2003, the ratio of CEO compensation to the average employee salary¹ was 9:1 for VanCity. For the five largest publicly-traded Canadian banks this ratio was 35:1.²

The Board may delegate powers, duties, and responsibilities for specific tasks to various committees:

Standing committees (number of directors):

- Administration (five)
- Audit (five)
- Community Partnership (five)
- Conduct Review (three)
- Financial Policy (five)
- CEO Compensation (three)
- Governance (three)
- Social Audit (four directors; four executive)

Special committees (number of directors):

- Election (three)
- Nominations (three)
- VanCity Award (two directors; two management; five community representatives)

Social Audit Committee:

One of the standing committees is the Social Audit Committee, which oversees the process to measure and report progress at living up to VanCity's Statement of Values and Commitments. Working closely with the internal social audit team, the Committee recommends to the Board for approval performance measures, targets and action plans to improve performance, the appointment of the external social auditor, the externally verified accountability report, as well as policies and practices relating to VanCity's social audit process.

Board members (voting):

- **Elain Duvall** (Chair)
- **Sandy Watson** (Vice-Chair)
- **Catherine McCreary**
- **Rhonda Zabinsky**

Executive members (non-voting):

- **Dave Mowat**, Chief Executive Officer
- **Donna Wilson**, Vice-President, Human Resources
- **George Scott**, Senior Vice-President, Marketing and Strategic Planning
- **Johan Lemmer**, Vice-President, Finance

VanCity's social audit team:

- **Priscilla Boucher**, Director, Community Leadership Strategy, Sustainability Group
- **Joanne Westwood**, Manager, Social Audit, Sustainability Group
- **Kate Dunford Holt**, Social Audit Specialist, Sustainability Group
- **Bruce Matheson**, Internal Auditor, Audit and Security
- **Tonya Frizzell**, Communications Specialist, Public Affairs and Corporate Communications

See also page 18 "Managing Risk" and page 30 "Voting for the Board of Directors"

¹ Includes annual base salary, profit-sharing and bonuses. Does not include stock options and other long-term compensation rewards. Average employee salary calculated by dividing total annual compensation (including CEO and executive) by total number of employees (head count).

² The five largest Canadian banks have an average asset size of \$301 billion (approximately 33 times greater than VanCity) and average total employees of 43,000 (21 times that of VanCity).

ACCOUNTABILITY FRAMEWORK AND SOCIAL AUDIT PROCESS

Overview of VanCity's accountability framework

Our accountability framework has five key components to guide decision making and help ensure continuous improvement of our social and environmental performance.

VanCity's Statement of Values and Commitments

Our Statement of Values and Commitments was created in 2000 with the input of members, employees, and community leaders. It commits our Board of Directors to oversee continuous and measurable progress at living up to the statement, and provides the framework for how we do business at VanCity, guiding our decisions and strategies. See page 2 for more details.

VanCity's Baseline Ethical Policy

In 2002, the Board approved VanCity's Baseline Ethical Policy to guide our decisions and ensure that our business relationships are consistent with our Statement of Values and Commitments. The policy applies to relationships with businesses, not-for-profit organizations, and co-operatives. Implementation is currently in process. See page 44 for more details.

Values integration

Integrating our values is about training, recognizing, and rewarding performance consistent with our values, and building expectations into performance management. Our Statement of Values and Commitments forms a key part of training for new employees, and copies are posted in branches, managers' offices, business units, and common spaces. We measure awareness and support for our values and commitments through annual employee surveys.

For many employees, performance and profit-sharing are based on both financial and non-financial goals. Examples of non-financial goals include member and employee satisfaction levels. In 2003, executives were covered by an annual incentive plan that measured and rewarded their performance in the key financial and non-financial areas of the VanCity business plan.

Social audit process

Our social audit process helps us to ensure we are making continuous and measurable progress at living up to our Statement of Values and Commitments. It involves our members, employees and communities in measuring our performance, and results in a public, externally verified report. See page 8 for more details.

Integrated annual business planning process

Targets and action plans to address key social audit findings (areas where our performance is lower than we would like, or is declining) are set through our annual business planning process. They are assigned to specific executives and included in annual business plans and executive performance plans. This level of integration helps ensure our social audit impacts decision-making at VanCity.

For more details on how we set targets and action plans, see the detailed description of VanCity's social audit process on the website.



Website

vancity.com/accountability03/A

1. Progress made on 2002-03 targets and action plans
2. List of future targets and action plans
3. Detailed description of VanCity's social audit process



Website

vancity.com/accountability03/A

1. Evolution of social auditing and reporting at VanCity
2. Detailed description of VanCity's social audit process, including link to the GRI content index

Overview of VanCity's Social Audit Process

We use the following standards to guide our process and report content:

AA1000 Framework and Assurance Standard, Institute of Social and Ethical AccountAbility

www.accountability.org.uk

AA1000 is an internationally accepted voluntary standard for the process of social accounting, auditing, and reporting. The assurance standard is a demanding process standard for assessing, attesting to, and strengthening the credibility and quality of an organization's sustainability reporting. It requires us to assess how well our Accountability Report meets the three key principles of materiality, completeness, and responsiveness.

Global Reporting Initiative (GRI) Sustainability Reporting Guidelines

www.globalreporting.org

These guidelines are an international voluntary standard for reporting on a company's economic, social, and environmental performance. They include a sector-specific supplement on social performance for the financial services sector (SPI-Finance). This report has been prepared in accordance with the GRI Guidelines.

Canadian Public Accountability Statements

fcac-acfc.gc.ca

Regulated Canadian financial institutions with equity in excess of \$1 billion are required to publish annual statements describing their contributions to the Canadian economy and society. This report voluntarily includes the Public Accountability Statement reporting requirements.

CERES Principles and Reporting Requirements

ceres.org

VanCity is an endorser of the CERES Principles relating to environmental awareness and accountability, and that commit us to an ongoing process of continuous improvement, dialogue, and comprehensive public reporting. This report satisfies the CERES reporting requirements.

VALUE OF REPORTING

As a member-owned financial institution it is important to understand the value that members place on reporting. In 2003, we asked members to tell us how important it is for them to receive information about how VanCity lives up to its Statement of Values and Commitments. We learned that 71% of members consider this to be important; and 43% say that it is extremely important.

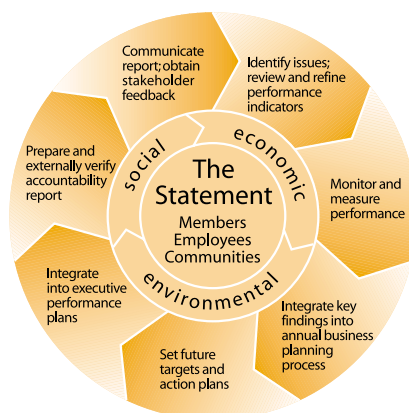
While we have yet to measure the impact our commitment to corporate accountability and transparency has on our financial performance, we know anecdotally that members and employees are attracted to VanCity, and remain at VanCity, because of our values and contributions to our employees, local communities, and the environment. We also know that communicating our performance in a credible and meaningful way is essential.

Engaging our members, employees, and community leaders in measuring our performance has immense value to VanCity. It helps us understand and keep on top of what matters most to those who influence our long-term success, and provides a more 'holistic' picture of our performance in order to improve. And over the long term, reporting our performance in a meaningful and credible way – warts and all – and demonstrating a commitment to continuously improve performance, builds loyalty and trust.

We also believe that conducting a social audit to rigorous international standards and publishing an externally verified report on performance has many business benefits, including enhanced reputation, a way to differentiate ourselves from other financial institutions, improved economic, social, and environmental performance, improved risk management, strengthened internal management systems, and reduced costs due to operational efficiencies.

The value in reporting is in being transparent and accountable to our members, employees, and our communities for the results of our business decisions and actions. Acting on the findings in our Accountability Report is testimony to the importance we place on living our values in how we do business.

SOCIAL AUDIT PROCESS OVERVIEW



REPORT OF THE INDEPENDENT SOCIAL AUDITOR

A. Introduction

1. The nature of the social audit

The accountability audit was performed by InterPraxis on the 2002-03 Accountability Report (Report) prepared by management of Vancouver City Savings Credit Union (VanCity). The objective of the audit is to express an opinion whether the Report, in all material respects, gives a reasonable, balanced and fair view of the credit union's performance measured against standards set out by AccountAbility (The AA1000 standards) and the criteria established in VanCity's Statement of Values and Commitments as set out in the Report.

2. Respective responsibilities of VanCity and InterPraxis

The Accountability Report, which is the subject of the audit, is the responsibility of VanCity and the entire content is prepared by VanCity.¹ The Report of the External Social Auditor is the sole responsibility of InterPraxis. The objective of the Accountability Report is to permit VanCity to report on its social, ethical, and environmental performance. As noted above, the sole objective of the external audit is to perform sufficient work to express an opinion on the Report. In addition, the social auditor makes certain observations and recommendations arising from the audit in a separate letter delivered to the social audit committee and management. But this is not the primary objective of the audit.

3. Who is InterPraxis?

InterPraxis (www.interpraxis.com) is an established social and economic consulting firm specializing in ethics, corporate social responsibility, and social auditing. The lead auditor for this assignment was David Simpson (MA), an experienced social auditor and member of the Institute of Social and Ethical AccountAbility (ISEA). Other members of the audit team consisted of Dara Edmonds (LLB), David Selley (MA, FCA) and Esther Speck (MRM, MBA). All members of this team have subject-matter expertise and are independent, with no financial interest or consulting relationships with VanCity or any of its subsidiaries which would influence their ability to act impartially.

4. Applicable standards - Accountability Report

The Accountability Report is prepared using the AA1000 standards referred to above. These standards provide three principal tests for such reports:

- Materiality – is the information relevant to stakeholders' concerns and interests and will it help them make informed judgments about VanCity's performance?
- Completeness – does the information provide sufficient evidence that VanCity understands all of its significant social, economic, and environmental impacts?
- Responsiveness – does the report demonstrate the company's responses and commitment to improving its performance?

We have assessed the quality and scope of information in the report against these three criteria, the evidence that supports it, and the underlying management systems used to monitor performance. We have also sought to verify the accuracy and balance with which the views of stakeholders are recorded and reported.

5. Applicable standards - report of the social auditor

For VanCity's 2002-03 Accountability Report we have based our assessment on the AA1000 assurance standard. In addition, we have relied on guidance contained in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2002) and the Canadian Institute of Chartered Accountants (CICA) Assurance Standards (CICA Handbook, Section 5025, Standards for Assurance Engagements, (1997).

B. The scope of the social audit

1. Scope

The audit deals with the years ending December 31, 2002 and 2003. While our work covers all of VanCity and its subsidiaries, no direct work was performed by InterPraxis on Citizens Bank of Canada², and our work on VanCity Enterprises Ltd., VanCity Community Foundation, VanCity Capital Corporation, VanCity Insurance Services Ltd., VanCity Investment Management Ltd., Inventure Solutions Inc. and Real Assets Investment Management Inc.,

¹ References to VanCity's Accountability Report should be read to include website information referred to in the report.

² A separate social audit was performed on Citizens Bank by Solstice Consulting.

was carried out using a lower level of assurance procedures which included management interviews and agreeing information to records, but usually without further corroboration.

2. Limitations in scope

The following represent limitations in the scope of our work that are sufficiently significant to affect our overall opinion:

- The aforementioned lack of a full audit of subsidiaries;
- Stakeholder consultations and input were limited primarily to members and employees of VanCity. While these are arguably the key stakeholders, it is not a complete list in accordance with AA1000's principle of inclusivity;
- It has not been possible to audit the "spotlight" narratives contained in the Accountability Report, which are solely the representations of VanCity management.

There were no other limitations in the scope of our work, although in a very few cases where audit procedures were not possible the item has been labelled "unaudited".

3. Nature of the audit performed

InterPraxis obtained a general understanding of VanCity's business processes and its Statement of Values and Commitments principles, including key performance indicators and systems and processes in place to measure and report on performance. Based on this information, we considered its impact, and designed an evidence-gathering process for all significant assertions in the Report that included the following procedures:

- Reviewing the entire content for reasonableness and completeness;
- Obtaining an understanding of the processes used to develop data in the Report;
- Interviewing key VanCity managers and employees responsible for developing the data, and other selected employees, reviewing the resulting information and comparing it with other knowledge obtained during the audit;

- Observing stakeholder focus groups and reviewing the results of surveys conducted by other independent bodies;
- Where relevant, agreeing information to minutes of the Board of Directors and of other formal Committees;
- On a test basis, recalculating computations, agreeing quantitative data to analyses and reports supporting both internal and external data, to aggregated and disaggregated information in the accounting records and to VanCity's Annual Report;³
- On a test basis, agreeing information to supporting documents such as invoices, internal reports, and correspondence;
- Observing premises and activities in selected branches and the head office;
- In some cases reviewing the work performed by VanCity's internal auditors on information contained in the Report; and
- Considering the completeness and relevance of the information in the Report from the point of view of key stakeholders, with particular reference to VanCity's Statement of Values and Commitments.

Because an audit cannot economically cover 100% of all transactions and cannot be guaranteed to uncover information that should have been recorded but was not, it is not a guarantee against inaccuracy. Nor is it a guarantee against the existence of fraudulent or collusive attempts by management to conceal or misrepresent information. However, during the course of our audit we found no evidence whatsoever of any such attempts. An audit involves making judgments about what is material and where risks of error lie. When risk of error is assessed as low, and when processes are assessed as sound, less detailed audit work is performed. During the course of our audit, when we questioned the accuracy or clarity of proposed Report content, we either received satisfactory answers to our queries or management made appropriate changes.

³ The annual financial statements in the Annual Report were subject to audit by VanCity's external financial auditor and the balance of the information in the Annual Report, while not audited, was read by the auditor to identify any apparent inconsistencies with the audited financial statements.

4. Indicators based on GRI

We have reviewed VanCity's indicators against the Global Reporting Initiative (GRI) core performance indicators and are satisfied that its report is in accordance with the GRI, as outlined in GRI Sustainability Reporting Guidelines (2002). VanCity has reported against approximately 70% of the Global Reporting Initiative core performance indicators and approximately 93% of the financial services sector social performance indicators (please see the website for the GRI Content Index).

C. Our overall opinion

As a result of our audit, and except for the effect, if any, of issues not identified because of the limitations in the scope of our work identified in B2 above, it is our opinion that VanCity's 2002-03 Accountability Report presents a reasonable, balanced, and fair representation of its social, environmental and economic performance in conformance with the AA1000 Standard and the criteria established in VanCity's Statement of Values and Commitments.



June 16, 2004



COMMUNITY LEADER FEEDBACK ON VANCITY'S DRAFT 2002-03 ACCOUNTABILITY REPORT

Prior to the release of this report, 27 community leaders provided us with feedback on the draft sections of VanCity's 2002-03 Accountability Report relevant to their areas of expertise. The following is a very high-level overview of what we heard, and our response. Our intention is to provide readers with additional assurance as to this report's completeness, relevance, and responsiveness.

Community leader feedback:

Credibility

In general, community leaders found the report to be honest and credible, primarily because it is externally audited and includes both the good and the bad news. Suggestions to improve credibility included: providing more details on survey methodology; clarifying the external audit process; describing how targets and action plans are set; and defining the intended audience of the report.

Overall impressions

Community leaders liked the spotlights on performance, quotes, and the use of the website. They suggested the report could be improved by: including performance highlights; adding more quotes and stories; reducing the use of technical language and jargon; and ensuring a reader-friendly format.

Completeness and relevance

Community leaders were impressed by the breadth of issues covered. There were a few recommendations to provide more context and details in certain areas, and to include other measures such as: dollars spent on training; employee satisfaction with salaries; sick leave; water use; business travel; distances from branches and ATMs to transit; and indoor air quality.

Adequacy of organization response to key findings

Overall, community leaders found our responses to be adequate. However, they thought our responses could be improved for the following results: member participation in board elections; client satisfaction with VanCity Insurance Services' service; employee turnover (a target range would be useful); and employee recognition.



Website

vancity.com/accountability03/B

More detailed summary of feedback received.

Our response to community leader feedback:

We have incorporated the feedback received in this report wherever possible, given time and budget constraints. We clarified and reordered some sections, provided more details in highlighted areas, reduced the use of technical language as much as possible, and added a Glossary of Terms. In terms of suggested additional measurements, we will consider these for our next report and will involve our members, employees, and community leaders when deciding what to include. Where participants highlighted our response to key findings was inadequate, the executives responsible were informed and asked to consider revising the response (including the target or action plan). The responses in this report reflect these changes.

Participating community leaders:

Member section (D1, D2, D3):

- **Sheila Charneski**, President, Better Business Bureau of the Lower Mainland
- **Michael Goldberg**, Director of Research, SPARC B.C. (Social Planning and Research Council of B.C.)
- **Ian MacPherson**, Director, B.C. Institute for Cooperative Studies, University of Victoria
- **Annie McKittrick**, Executive Director, Social Surrey Futures Society
- **Susan Nugent**, VanCity retail member
- **Mark Virgin**, VanCity business member

Employee section (D4):

- **Judy Burgess**, VanCity employee
- **Stan Lanyon**, Former Chair, Labour Relations Board
- **Susan Ney**, Director, Human Resources and Payroll Services, District of West Vancouver
- **Judy Macdonald**, VanCity employee
- **Val Molloy**, Senior Manager, Health and Wellness, Workers' Compensation Board of B.C.
- **Patrice Pratt**, Retired Director, B.C. Government and Service Employees' Union

- **Mark Thompson**, Prof. Emeritus, Organizational Behaviour/Human Resources, Sauder School of Business, University of B.C.

- **Nicola Webb**, Chief Human Resources Officer, BC Hydro

Community section (D5):

- **Peter Chapman**, Executive Director, SHARE (Shareholder Association for Research and Education)
- **Gayle Farrell**, Principal, Siena Consulting
- **Leslie Kemp**, Community Development Program Coordinator, Langara College
- **Lynda King**, Division Manager, Corporate Strategies, Greater Vancouver Regional District
- **Nancy Knight**, Administrator, Demand Side Management, Policy and Planning Dept, Greater Vancouver Regional District
- **Mario Lee**, Social Planner, City of Vancouver
- **David Marshall**, Executive Director, Fraser Basin Council
- **Adine Mees**, President and CEO, Canadian Business for Social Responsibility
- **Richard Mulcaster**, President and CEO, Vancouver Foundation

Environment section (D5):

- **Andrew Doi**, Sustainable Business Advisor, Greater Vancouver Regional District
- **David Hocking**, Communications Director, David Suzuki Foundation
- **Thomas Mueller**, Head of B.C. Green Buildings Council
- **Eva Riccius**, Parks Watch Coordinator, Canadian Parks and Wilderness Society

REPORT FOCUS AND SCOPE

Report focus

This report provides an overview of our performance at living up to the commitments in VanCity's Statement of Values and Commitments during 2002 and 2003. For each commitment, we provide:

- A high level overview of performance, including the views of our members and employees
- Highlights of performance or key issues and targets and action plans to improve performance
- More detailed information on the website.

We currently produce a public Accountability Report every two years. Our most recent report is our 2000-01 Accountability Report. This time frame allows us to complete a thorough, externally verified social audit, and to assess the impact of our business initiatives and targets and action plans on our performance. Each year, we also include Key Performance Indicators in our Annual Report.

This report has been externally verified and includes a statement from our external auditor (see page 9). It also includes a summary of a consultation with community leaders to elicit feedback on this report prior to its publication (see page 11).

When deciding what to include in the report, we were guided by various standards as well as feedback from consultations with our members, employees, and community leaders. For details on the standards, see page 8.

Stakeholder scope & profile

Our Statement of Values and Commitments defines our key stakeholders as members, employees, and communities¹, and commits us to involving them in measuring our performance. In the future, we will consider expanding our consultations beyond these groups as necessary (e.g. if any key issues emerge relevant to a particular stakeholder group).

Below is a summary of stakeholder consultations during 2002-03, the results of which are included in this report.

Members of VanCity Credit Union

- 2003 Annual Personal and Business Member Satisfaction Surveys

- 2003 Social Audit Member Satisfaction Survey (groups over-sampled by diversity: visible minority, disabled, low income, youth, and senior)
- Six focus groups in 2003 comprising 41 randomly selected² long-term personal members, new personal members, and non-profit organization business members. Each group of personal members was recruited to include youth and senior members. Purpose: explore 2003 member survey results on the credit union's performance.
- Four focus groups in 2003 comprising 20 randomly selected personal members. Purpose: obtain feedback on our 2001-02 Accountability Report

Clients of VanCity Insurance Services Ltd.

- 2003 Social Audit Member Satisfaction Survey³
- 2003 Social Audit VanCity Insurance Services Client Satisfaction Survey

Members of Citizens Bank

- 2003 Annual Member Satisfaction Survey

VanCity employees:

- 2003 Annual Employee Engagement Surveys (VanCity, Inventure Solutions)
- 2003 Annual Employee Transportation Survey (VanCity Group of Companies)
- Six focus groups in 2003 comprising 41 randomly selected employees: three management groups (female, male, mixed gender), and three non-management groups (female, male, mixed gender). Purpose: explore survey results on VanCity's performance.
- Four focus groups in 2003 comprising 35 randomly selected employees. Purpose: obtain feedback on our 2001-02 Accountability Report.

Citizens Bank employees:

- 2003 Annual Employee Engagement Survey

Local community leaders:

- Community leader consultation in 2004 comprising four groups of experts (27 in total) representing members, employees, community sustainability and environmental sustainability. Purpose: obtain feedback on draft 2002-03 Accountability Report prior to its publication. (See page 11).
- Two focus groups in 2003 comprising 11 randomly selected representatives from various community groups. Purpose: obtain feedback on our published 2001-02 Accountability Report.

¹ For the purposes of consultations, "communities" are represented by local community leaders, defined as highly respected individuals knowledgeable about the needs and challenges facing various groups and interests in which VanCity operates. Examples of interest areas include the environment, children/youth, people with disabilities, poverty, social housing, environment, arts and culture, health, business and visible minority groups.

² Included members who expressed an interest in participating in focus groups when surveyed

³ Members who had used VanCity Insurance Services in the past year.

 Website
vancity.com/accountability03/C

1. Description of stakeholder consultations 2002-03
2. Member and employee profile data



Website

vancity.com/accountability03/C

1. The credit union system in B.C.
2. VanCity Group of Companies: more detail
3. Detailed organizational chart, including executive

Organizational Scope & Profile

This report covers the VanCity Group of Companies. For clarity, the following terms are used throughout the report:

VanCity Credit Union

VanCity Credit Union only ("the credit union"), including 41 branches throughout the Lower Mainland and Victoria.

VanCity

The credit union, all subsidiaries, and the Foundation, excluding Citizens Bank of Canada. Term also used when referring to the company in general terms.

VanCity Centre

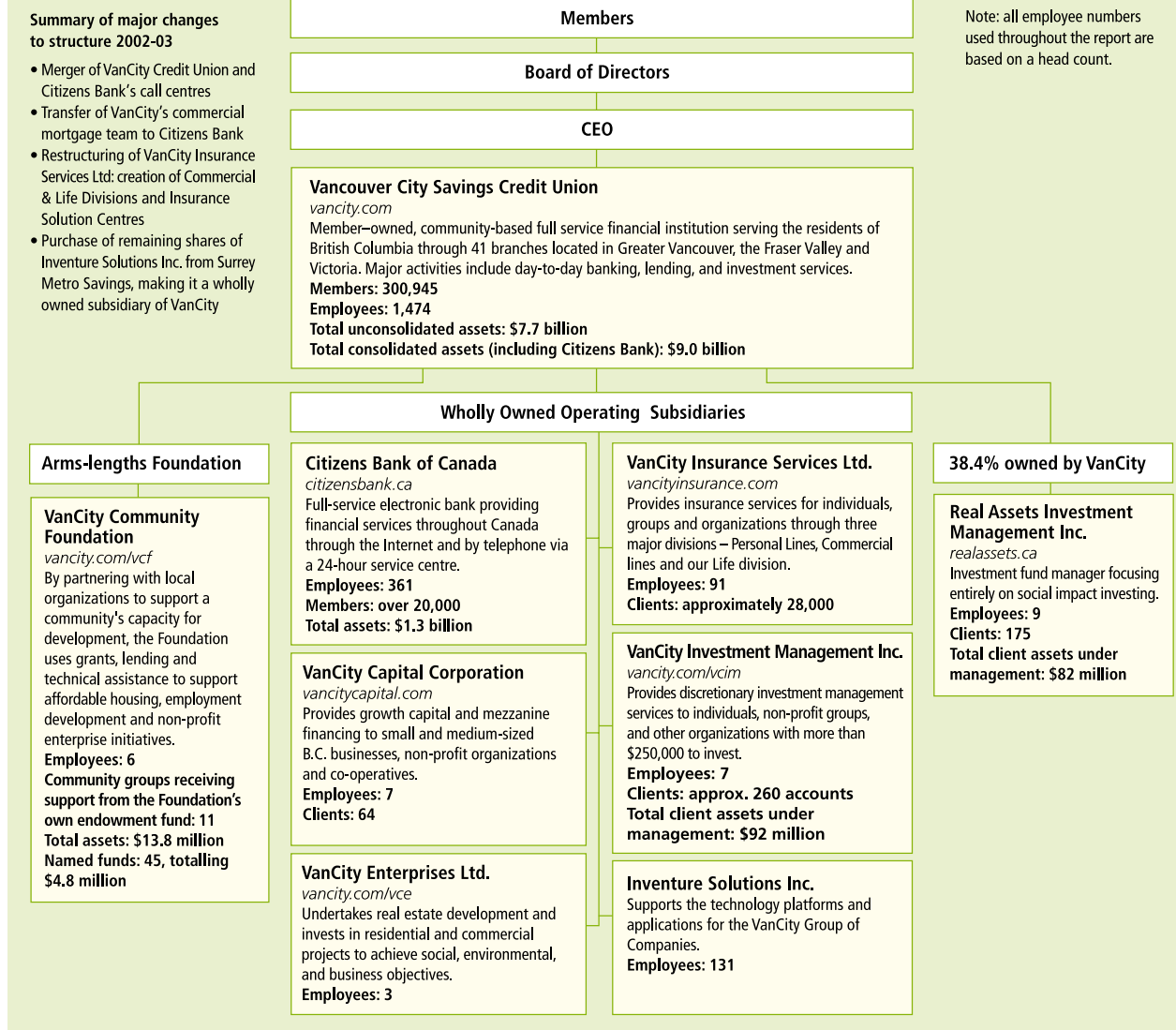
VanCity Group of Companies' main head office building located at 183 Terminal Avenue, Vancouver.

VanCity Group of Companies

The credit union, all subsidiaries, and the Foundation, including Citizens Bank of Canada.

Note: Citizens Bank produces a separate Accountability Report. For a copy visit www.citizensbank.ca or call 1-888-708-7800.

VanCity Group of Companies – Organization Chart (as at Dec 31, 2003)



EXPLANATION OF SYMBOLS USED

The performance measures found throughout this report and on the website are either key performance indicators (KPIs) or supporting indicators (SIs). KPIs are measures identified by VanCity as stand-alone measures that provide an overall rating of how well we are performing at living up to our values and commitments. All our KPIs are reported in this report. SIs provide more detail, and are reported either in this report or on the website.

- = Key Performance Indicator (KPI)
- ◎ = Supporting Indicator (SI)
- 📄 = Public Accountability Statement reporting requirement (see page 8)

Progress made against our performance measures is indicated by the following:

- ▲ = performance has improved since 2001
- ▼ = performance has worsened since 2001
- = performance is stable

To ensure continuous improvement of our social, environmental and economic performance, we have set future targets and action plans in response to key findings. Targets appear in the data charts and tables throughout the report, while action plans appear in the narrative under "Next Steps".

- ⊕ = future target
- 👉 = next steps

Further information relevant to our performance is available on the website.

- 🔗 = more on the website

We have tried to write this report using commonly used language. If you find a term you are unfamiliar with, please refer to the Glossary of Terms on the next page.

GLOSSARY OF TERMS

Accountability – A responsibility to account for and/or explain actions undertaken.

Assurance – An evaluation method that uses a specified set of principles and standards to assess the quality of an organization's reporting of its performance and its underlying systems, processes and competencies that underpin its performance.

Call centre – The combined call centre for VanCity Credit Union and Citizens Bank of Canada. This centre processes a large number of telephone calls.

Community financing – The provision of capital (debt, equity) to enterprises (for-profit, non-profit, co-operative) that create positive change by addressing basic community needs such as poverty reduction, environmental restoration, and key social services.

Consolidated – The data is for the entire VanCity Group of Companies, including Citizens Bank of Canada.

Employee engagement – The state of intellectual and emotional involvement employees have in an organization.

Equity – The capital invested by the owners of a company. In the case of credit unions, equity is typically made up of member shares and retained earnings.

Externally verified – The data and statements within the report have been verified by someone who is independent of VanCity and impartial with respect to our stakeholders.

Global Reporting Initiative (GRI) – A multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.

Indicators – Measures identified by VanCity and its stakeholders to provide an indication of how well we are performing at living up to our values and commitments.

Key finding – Area of low or declining performance to which VanCity has responded by outlining current business initiatives or setting targets and action plans that address the area of concern.

Key Performance Indicators (KPIs) – High-level, stand-alone measures identified by VanCity and its stakeholders to provide an overall indication of how well we are performing at living up to our values and commitments.

Mutual fund – A pool of money used to purchase common stocks, bonds, or other financial instruments, and that is managed and invested by professional managers.

Socially responsible investment (SRI) – The process of selecting or managing investments according to social or environmental criteria.

Stakeholders – Those individuals and groups that affect and/or are affected by the organization and its activities.

Subordinated debt – Debt that will be paid only after other, more senior, debts have been paid.

Sustainability – At VanCity, this means being guided by the Statement of Values and Commitments and our Baseline Ethical Policy to ensure we are a strong and enduring company by doing business in a way that contributes to the well-being of our members, employees, communities, and the environment.

Targets and action plans – Goals set in response to key findings of the social audit.

The statement – VanCity's Statement of Values and Commitments (see page 2 for a copy).

Triple bottom line – An expanded baseline for measuring performance, adding social and environmental dimensions to traditional economic/financial measures.

**We will be responsible
and effective financial
managers so VanCity
remains strong and
prosperes.**

Qa

Are we being responsible and effective as financial managers? p.18

Qb

Do we add value to the economy, our employees, our members and our local communities? p.19

Qa Are we being responsible and effective as financial managers?

OVERALL FINANCIAL PERFORMANCE OF THE VANCITY GROUP OF COMPANIES

The last two consecutive years saw record earnings for the consolidated VanCity Group of Companies. In 2003, our assets grew by 10% and our membership by 5%. We attribute our success to several factors, including a favourable interest rate environment, strong housing market, increased employee satisfaction, and high servicing levels to members which is reflected in our high member satisfaction survey results.

FINANCIAL PERFORMANCE, VANCITY GROUP OF COMPANIES *Consolidated, millions of dollars*

	Progress	2003	2002	2001	2000	1999
Net earnings*	▲	\$ 44.5	\$ 39.6	\$ 25.9	\$ 21.0	\$ 23.7
Return on equity**	▲	11.6%	11.7%	8.7%	7.7%	9.3%
Total assets	▲	\$ 9,005	\$ 8,203	\$ 7,512	\$ 6,890	\$ 6,411

* Net earnings calculated after distributions to the community and members

** Numerator=net earnings; denominator=year-end retained earnings, excluding member shares.



Website

vancity.com/accountability03/D1

1. Consolidated financial highlights ©
2. Members' equity ©

Operating efficiency

The ratio of expenses to revenue¹ in 2003 was 75.5%, down from 82.2% in 2001. In 2003 Canadian banks' efficiency ratios ranged from 61.8% to 84.9%. While we are trending towards a lower efficiency ratio, we are not aiming for one as low as the banks.

"We want sufficient earnings to keep us strong and fund our expected growth, but that also allow us to maintain our differentiating factor – taking care of our members, supporting our employees, and being a leader in the community."

Dave Mowat, CEO, VanCity's AGM, March 30, 2004

MANAGING RISK

An important piece of being a responsible and effective manager is managing risk effectively, and ensuring internal controls are adequate to safeguard the assets of the organization.

The Board of Directors is accountable to the credit union's members for sound financial decision making, and is responsible for approving VanCity's risk management strategy. Day-to-day management is delegated to the Chief Executive Officer, and specific sub-committees are mandated to report on and monitor key risks. Our Internal Audit department provides management with the ability to assess if internal controls and reporting procedures are adequate to safeguard the assets of the organization. In addition to internal controls, the VanCity Group of Companies' annual financial statements are subject to an independent financial audit, and we engage an independent social auditor to verify our Accountability Report.

VanCity is also subject to the controls and guidelines of our financial regulators, Stabilization Central Credit Union of British Columbia and Financial Institutions Commission.

¹ Efficiency ratio = total non-interest expenses (including community donations) divided by total revenue (after Loan Loss Provision)

Real estate investigation

As lending is one of our core business activities, it is very important that the quality of loans and the likelihood of repayment are high. Actual loan losses as a percentage of total loans outstanding was 0.17% in 2003, down from 0.25% in 2001, similar to the five largest B.C. credit unions' average loan losses of 0.16%.

During 2002, VanCity and other financial institutions experienced a residential mortgage fraud as a result of misconduct by a lawyer, among others. The total amount at risk for VanCity was estimated to be \$21 million. The Law Society has agreed to consider providing reimbursement for all valid claims related to the actions of the lawyer on a case-by-case basis. To date, no claims have been declined. However, as there are no guarantees of recovery, an allowance has been made to cover any future losses. This allowance was \$14.8 million at the end of 2003, and accounts for the increase in our loan loss allowance as a percentage of loans outstanding (0.4% in 2001 to 0.7% in 2002 and 2003). After the fraud, we changed our processes for handling documents to help detect and deter possible future frauds. The Law Society also implemented changes in conveyancing procedures.



Website

vancity.com/accountability03/D1

1. VanCity's risk management system: key risks ☺
2. Financial, social, and environmental accounting standards and auditor independence
3. Loan loss allowance and loan losses ☺
4. Description of relevant policies: ☺
 - Lending Policy
 - Investment Policies
 - Anti-Money Laundering and Terrorist Financing Policy
 - Fraud and Forgery Policies

Qb

Do we add value to the economy, our employees, our members and our local communities?

OPERATING EXPENDITURES AND DISTRIBUTIONS

As a company, we add value to the economy, our employees, members, and local communities through our operating expenditures and distributions. In 2003, 54% of our expenses (\$116 million) went towards supporting 2,089 employees² through salaries, benefits, and profit sharing. Our remaining expenses went towards suppliers, general operating expenses, and other taxes. Approximately 60% of goods and services purchased were local³.

After these expenditures, \$78.0 million remained – our earnings from operations. Of this, we reinvested \$44.5 million in the business to provide the capital base to support the ongoing growth of our business, and paid \$17.8 million to the government in income taxes. The remainder (\$15.7 million) was distributed to our members in the form of membership and patronage dividends, and to our local communities in grants and sponsorships.

See section D5 for details of our purchasing policy, granting programs, and other community investments.

OPERATING EXPENDITURES, VANCITY GROUP OF COMPANIES

Consolidated, millions of dollars

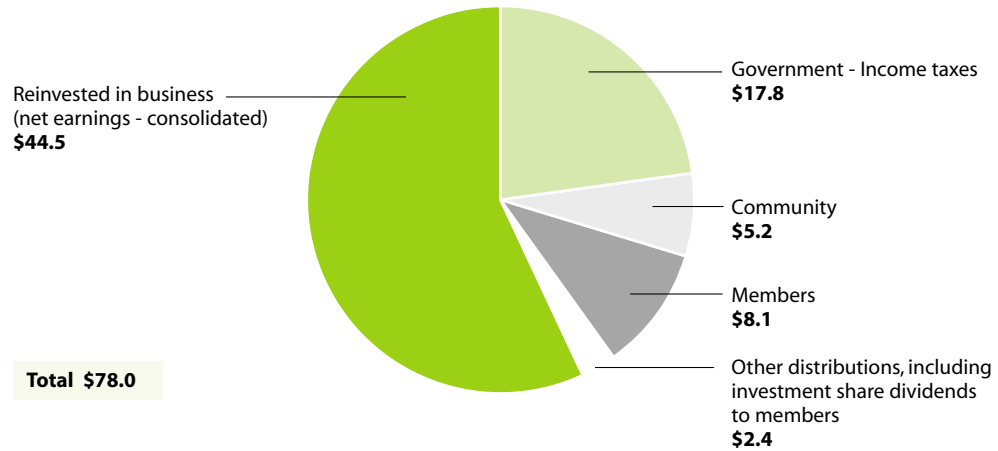
	2003
Total revenues: net interest and other income	\$ 294.0
Employees: salaries, benefits, profit sharing	\$ 115.8
Suppliers and general operating expenses	\$ 81.9
Other taxes*	\$ 18.3
Total operating expenses	\$ 216.0
Earnings from operations	\$ 78.0

* Other taxes include: Canadian Pension Plan contributions, Employment Insurance premiums, property taxes, B.C. Corporation Capital Tax, Goods and Services Tax and Provincial Sales Tax.

² Based on a head count of employees at the consolidated VanCity Group of Companies. Includes full-time, part-time and contract employees, and employees on leave (i.e. disability leave, maternity leave, and other leaves of absence)

³ Purchases from some suppliers have not been tracked as they are not paid through our centralized accounts payable system.

● DISTRIBUTIONS OF EARNINGS FROM OPERATIONS 2003 VANCITY GROUP OF COMPANIES
Consolidated, millions of dollars



Website

vancity.com/accountability03/D1

1. Taxes paid, by type ● 📄
2. Distribution to members and the community as a % of average pre-tax earnings ●

For a copy of VanCity's Annual Report and audited financial statements, call (604) 877-7000 or visit vancity.com/annualreport

**We will provide members
with outstanding service
and help them achieve
their financial goals.**

Qa Do we provide our members with outstanding service? p.22

Qb Do we provide outstanding service to all our members? p.24

Qc Do we help our members achieve their financial goals? p.26

Qd Do we protect our members' right to privacy? p.27

Qa

Do we provide our members with outstanding service?

Member survey results

Survey results in this section are primarily drawn from our Social Audit Member or Annual Member Satisfaction surveys. Both these surveys use a five-point response scale. We have reported the results for the percentage of members responding "totally satisfied/totally agree" (5) or "satisfied/agree" (4). For more details of our consultations with members, see page 13.

Next Steps

Identify the key components of consistently high service to members. Communicate these to employees to reinforce VanCity's commitment to deliver outstanding service to members.

Website

vancity.com/accountability03/D2

1. Key service characteristics
2. More survey results: treating members fairly and with respect and dignity

OVERALL SERVICE SATISFACTION

VanCity Credit Union

At VanCity Credit Union, our performance at meeting members' overall service needs has improved considerably since 2001. Compared to other financial institutions, our performance is better than the banks and similar to that of other credit unions.

We believe our performance has improved due to higher employee engagement, new technologies introduced in 2001, and improvements made to centralized administrative functions. We have also implemented systems and programs to track and decrease errors and improved our Internet banking services. We will continue to aim for consistent and error-free service through our branches and call centre, as well as other service delivery channels such as Account Managers, the Internet and ATMs (automated teller machines).

PERSONAL MEMBER SATISFACTION WITH VANCITY'S SERVICE

	Satisfied or totally satisfied	Totally satisfied	2008 Target: Totally satisfied
Progress	▲	▲	
Benchmark: B.C. credit unions*	82%	42%	
2003	84%	36%	⊕ 41%
2001	76%	28%	
1999	79%	33%	

Source: Annual Member Satisfaction Surveys

*Average of 2003 results from surveys for 7 large B.C. credit unions.

BUSINESS MEMBER SATISFACTION WITH VANCITY'S SERVICE

	Satisfied or totally satisfied	Totally satisfied	2008 Target: Totally satisfied
Progress	▲	▲	
2003	79%	35%	⊕ 37%
2001	75%	28%	

Source: Annual Member Satisfaction Surveys

No comparable benchmarks available

BENCHMARK TO BANKS AND CREDIT UNIONS: OVERALL QUALITY OF SERVICE (2002)

	Excellent or very good	Excellent
VanCity Credit Union	75%	39%
Canadian banks	53%	23%
Canadian credit unions	79%	36%

Source: 2002 Customer Service Index Survey

When it comes to our two largest subsidiaries, Citizens Bank of Canada and VanCity Insurance Services Ltd., we are not performing as well as we would like in terms of overall member/client satisfaction.

Citizens Bank of Canada

Member satisfaction with products and services is a top priority for Citizens Bank, and it has taken pride in the high level of member satisfaction over the last few years. However, in 2003, personal member satisfaction levels decreased from 90% in 2001 to 79%.

For more information on Citizens Bank and VanCity Insurance Services, see page 14.

Between 2001 and 2003, the Bank underwent major restructuring. With the merger of two of VanCity's call centres into one Citizens Bank service centre, the quality of member service was negatively impacted for a period of time. The bank believes the drop in member satisfaction may be attributable in part to this restructure.

MEMBER SATISFACTION WITH CITIZENS BANK'S SERVICE

	Satisfied or totally satisfied	Totally Satisfied	2008 Target: Totally satisfied
Progress	▼	▼	
2003	79%	28%	⊕ 45%
2001	90%	53%	
1999	88%	53%	

Source: Annual Member Satisfaction Surveys

VanCity Insurance Services Ltd. (VISL)

Client satisfaction with VanCity Insurance's service is down from 85% in 2001 to 64% in 2003. The main reasons for complaints from clients were high premiums and poor service.

VISL attributes this decline in satisfaction to poor market conditions and the withdrawal of its in-house SafeRate Program's underwriters. This led to the program's discontinuation and resulted in reduced service and higher rates. Other reasons may include high employee turnover, restructuring and the introduction of new technology. Client satisfaction with the claims-handling process is more positive, at 76%.

In 2003, VISL formed Commercial and Life divisions and created Insurance Solution Centres. A call centre was established and the website was re-launched. In addition, a new broker management system was implemented in December which will allow VISL to better understand its clients. VISL believes the structural changes and the new broker management system will lead to improved service.



vancity.com/accountability03/D2

1. Client satisfaction with insurance claims handling and reasons for dissatisfaction (VISL) ⊕
2. Insurance policies with social and environmental features ⊕

OVERALL CLIENT SATISFACTION WITH VANCITY INSURANCE SERVICES SERVICE

	Satisfied or totally satisfied	Totally Satisfied
Progress	▼	▼
2003	64%	38%
2001	85%	54%

Source: 2001 Social Audit Member Surveys (members who have contacted VISL in the past year) and 2003 Social Audit VISL Client Satisfaction Survey.



Conduct expanded survey to obtain a comprehensive baseline which will allow us to set future targets for client satisfaction ratings.

Acting in our members' best interests

● % PERSONAL MEMBERS AGREE THEY CAN TRUST VANCITY STAFF TO ALWAYS HAVE THEIR BEST INTERESTS IN MIND

	Performs well or very well	Performs very well	Don't know or skipped
2003	62%	31%	16%

Source: Annual Member Satisfaction Survey; question not asked in 2001.

Establishing trust is an important part of our relationship with members. This is the first time we have measured and reported trust and so we can't assess our performance over time.

VanCity demonstrates how it acts in the members' best interests in a number of ways. One example is to contact members to advise them on alternative account options with lower fees. During 2002-03, we contacted approximately 6,500 members.

Qb

Do we provide outstanding service to all our members?

PERSONAL MEMBER SATISFACTION

At VanCity we are committed to providing high levels of service to every member. Measuring overall satisfaction by diversity helps to ensure we are meeting the needs of all our members. Low-income and senior members are generally more satisfied than our members overall. Members self-identifying as having a disability are also more satisfied than members overall. However, their satisfaction levels have declined from 90% to 83% since 2001. VanCity has a formal agreement with PLAN (Planned Lifetime Advocacy Network) to develop products and services to better meet the needs of our members with disabilities.

● DIFFERENCE FROM OVERALL PERSONAL MEMBER SATISFACTION RESULTS BY MEMBER DIVERSITY

	2003
Male	-1%
Female	+1%
Visible minority	+3%
With a disability	+4%
Low-income*	+10%
Age: youth (19 - 24)	+3%
Age: 25 - 64	-1%
Age: senior (65 +)	+6%

Source: Social Audit Member Survey

Note: diversity statistics are based on member self-identification

* Defined using Statistics Canada's Low Income Cut-Offs

Accessible products and services

We want to ensure our products and services are made accessible to everyone. We offer a reduced membership share price of \$5¹ to members with a disability, students with outstanding student loans, and newly arrived refugees served by the Immigrant Services Society. We also offer specialised products and services for low-income members including small personal loans, low-limit and secured VISA cards, and basic financial workshops.

¹ Regular membership share price is \$50



Website

vancity.com/accountability03/D2

Personal member satisfaction by diversity (detailed survey results) ●

In our last report, we noted we had expanded our list of acceptable identification for account opening. However, due to the introduction of federal legislation to prevent money laundering², we had to reduce our list of acceptable identification.

During 2002-03 we conducted a review of our accessible products and services. We will implement improvements in 2004.

Next Steps

Implement improvements to our accessible products and services.

Openings and closings of branches

During 2002-03, two branches were opened, one in Vancouver’s West End and one on the North Shore. One branch was re-located, and none were closed. All our branches are wheelchair accessible.

Affordable service charges

In 2003 we compared service charges for key types of accounts at VanCity against the banks. On average, our service charges were lower.

In 2004, we intend to offer information on the rates and fees of our competitors on our website.

Website

vancity.com/accountability03/D2

Branches and ATMs opened, closed or relocated over 2002-03

Overdraft charge claim

When there are not enough funds in an account to cover a member’s cheque, VanCity makes a decision to either honour the cheque or return it. More often than not, the credit union decides to honour members’ cheques. When the cheque is honoured, VanCity incurs handling costs, which we view as a service charge. This fee is less than the \$20 in additional charges a member might face from VanCity and the merchant when a cheque is returned. In early 2003, a statement of claim was filed by a member alleging that VanCity’s overdraft charge violates a section of the Criminal Code which sets a limit to rates of interest and treats all charges as included within the calculation of interest. VanCity has filed a statement of defence. A hearing will need to be held to decide whether the claim should proceed as a class action lawsuit. VanCity takes this issue very seriously and is anxious to see it resolved in a way that puts the best interests of members first.

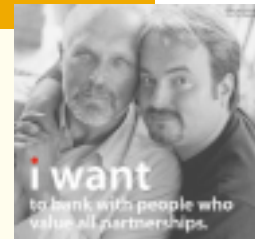
Website

vancity.com/accountability03/D2

Service charges compared to the banks

Spotlight Serving the Lesbian and Gay Community

Through grants and sponsorships, VanCity has supported organizations that reach out to gay and lesbian communities for many years. Examples of this support are: Out on Screen – gay and lesbian film festival; Gay Pride and the Gay Pride Family Picnic; Youthquest – an initiative to help young gay men struggling with their sexual identity; North American conference on bisexuality, gender and diversity in Vancouver; Unison – gay and lesbian choir.



In 2002, VanCity went a step further and embarked on an advertising campaign in mainstream media to build affinity with the lesbian and gay community, making us the first financial institution in Canada to “come out” in support of this community.

In September 2003, the Catholic Church’s Archdiocese of Vancouver made a decision to sever ties with VanCity and our longstanding Youth Credit Union Program operating within Catholic schools because of our highly visible support for the lesbian and gay community. We restated our commitment to a non-discriminatory and inclusive society, and focused on the future of our Youth Credit Unions. (For more information on this program, see page 55).

We received over 600 comments in response to this issue. The majority of them were positive, with over one-third of the positive comments coming from non-members.

Website

vancity.com/accountability03/D2

More on serving the lesbian and gay community (including quotes)

² The Proceeds of Crime (Money Laundering) and Terrorist Financing Act

BUSINESS MEMBER SATISFACTION

Overall, we are pleased with our performance; business member satisfaction with our service has improved considerably since 2001. Survey results show that micro-enterprises and non-profit organization members are more likely to be satisfied with our service than business members overall.

DIFFERENCE FROM OVERALL BUSINESS MEMBER SATISFACTION RESULTS BY BUSINESS TYPE

	2003
Micro-enterprise (1-2 employees)	+3%
Small to medium enterprise (3-30 employees)	-3%
Non-profit organizations	+6%

Source: Social Audit Member Survey




We know that as businesses grow in size, they tend to have more complex needs and higher service expectations. To reach our target (37% of business members are totally satisfied – see page 22) we plan to improve services by training employees to better serve businesses, and streamlining the application process for loans.

68% of loans approved at VanCity are under \$50,000 compared to 60% at banks (See page 50 for details of access to credit for micro-enterprises).

Non-profit organization members

Satisfaction among our non-profit members is high. We have more than 3,100³ non-profit members, an increase of 4.8% from 2002. We offer non-profit members specialized products and services to meet their unique needs, including discounted lending rates. Currently, 42% of non-profit members are totally satisfied with VanCity's service (82% are satisfied overall). We expect to maintain this positive performance in the future.

NON-PROFIT ORGANIZATION MEMBER SATISFACTION WITH VANCITY'S SERVICE

	Satisfied or totally satisfied	Totally satisfied	2008 Target: Totally satisfied
Progress			
2003	82%	42%	 42%
2001	78%	38%	

Source: Annual Member Satisfaction Surveys

Qc

Do we help our members achieve their financial goals?

HELPING MEMBERS ACHIEVE THEIR FINANCIAL GOALS

While we are performing relatively well at offering financial services that meet our members' needs, just 49% of members agree we perform well at helping them achieve their financial goals. In focus groups, members told us they didn't know what "financial goals" meant, or they didn't have financial goals. This helps to explain the high number of "don't know" responses to the survey question. Many members stated they weren't aware of the options available to them at VanCity, or chose not to seek financial advice from us.

³ Number of non-profit members is approximate as it is sometimes difficult to determine which accounts are related, i.e. associated with the same organization.

🕒 % PERSONAL AND BUSINESS MEMBERS AGREE VANCITY PERFORMS WELL AT PROVIDING THEM WITH THE FINANCIAL SERVICES THEY NEED

	Performs well or very well	Performs very well	Don't know or skipped
Progress	▲	▲	
2003	72%	47%	6%
2001	61%	33%	13%

Source: Social Audit Member Surveys

🕒 % PERSONAL AND BUSINESS MEMBERS AGREE VANCITY PERFORMS WELL AT HELPING THEM ACHIEVE THEIR FINANCIAL GOALS

	Performs well or very well	Performs very well	Don't know or skipped
Progress	■	■	
2003	49%	23%	19%
2001	49%	24%	15%
1999 ¹	55%	27%	12%

Source: Social Audit Member Surveys

¹ Personal members only (business members not surveyed in 1999)

➔ Next Steps

1. Recruit investment specialists to provide members with in-branch investment and financial planning advice.
2. Complete research to better understand results in the area of "helping members achieve their financial goals." Develop action plans to improve results.

VanCity offers a full spectrum of free and fee-based financial advice and services, including financial planning, insurance, and investment advisory services. Over the next few years we will focus on increasing member awareness of VanCity as a financial advisor by increasing the visibility and accessibility of these services to our members.

Qd Do we protect our members' right to privacy?

MEMBER PRIVACY

In today's information age, public concern about the security of their personal information - particularly their personal financial information - has grown. Almost 70% of our members believe we are performing very well at protecting their right to privacy, while a further 22% are unable to comment.

Part of treating members well and providing good service is protecting members' personal information and keeping them informed of our privacy policies and procedures. In 2002, VanCity developed a Privacy Code which covers the collection, use, and disclosure of members' personal information, and outlines the requirement to obtain consent from members prior to collecting the information for our stated purposes. In 2003, all members were mailed a brochure titled "Protecting your Privacy," which included our Privacy Statement. We also ran training sessions in 2003 to build employees' understanding of how the privacy legislation will affect them in their day-to-day work.

🕒 % PERSONAL AND BUSINESS MEMBERS AGREE VANCITY PERFORMS WELL AT PROTECTING THEIR RIGHT TO PRIVACY

	Performs well or very well	Performs very well	Don't know or skipped
Progress	▼	■	
2003	69%	52%	22%
2001	72%	52%	21%

Source: Social Audit Member Surveys; question not asked in 1999.

Next Steps

Develop action plans to respond to internal privacy audit findings and recommendations, including a process for ongoing employee privacy training.

For a copy of our Privacy Code, call (604) 877-7000 or visit vancity.com/privacy

As VanCity is subject to both federal and provincial privacy legislation⁴, we conducted a voluntary internal privacy audit in early 2004 to assess compliance. The audit concluded the overall design of the systems and processes in place in 2003 was satisfactory, and that initial staff training was a success with over 1,300 employees receiving training. However, a key finding was that a significant number of new employees who started after the initial training in 2003 had not received any formal privacy training.

⁴Personal Information and Electronic Documents Act (Federal) & Personal Information Protection Act

**We will provide
meaningful opportunities
for members to have input
in setting the direction
of the credit union.**

Qa Do we provide our members with meaningful opportunities to have input in setting the direction of the credit union? p.30

Qb Do we respond to member complaints in a timely manner? p.31

Qa

Do we provide our members with meaningful opportunities to have input in setting the direction of the credit union?

MEANINGFUL OPPORTUNITIES FOR INPUT

Through surveys we know that members feel we are not performing well at providing them with meaningful opportunities to have input in setting the direction of the credit union. We explored this in focus groups and heard that many members don't know what the meaningful opportunities are. We also discovered there is a low level of awareness and understanding among our members of their rights and responsibilities as members and owners of the credit union.

As a co-operative, VanCity is jointly owned and democratically controlled by its members. All members in good standing have the right to run for the Board of Directors, vote in our annual Board elections, and share in the financial success of the credit union.

Next Steps

Complete research to better understand results in the area of "providing members with meaningful opportunities in setting the direction of the credit union." Develop action plans to improve results.

● % PERSONAL AND BUSINESS MEMBERS AGREE VANCITY PERFORMS WELL AT PROVIDING MEANINGFUL OPPORTUNITIES FOR THEM TO HAVE INPUT IN SETTING THE DIRECTION OF THE CREDIT UNION

	Performs well or very well	Performs very well	Don't know or skipped
Progress	▼	■	
2003	49%	24%	26%
2001	53%	25%	19%

Source: Social Audit Member Surveys; question not asked in 1999.

Voting for the Board of Directors

● MEMBER PARTICIPATION AT BOARD ELECTIONS: # AND % OF ELIGIBLE MEMBERS

	Progress	2003	2001	1999
VanCity Credit Union	■	5.6%	5.4%	3.2%
		12,152	12,322	7,580
B.C. credit unions (average or range)*		3.3%	1.2%-4.5%	3.9%

*Source: Credit Union Central of B.C. – five of the seven largest credit unions in B.C., not including VanCity

The percentage of eligible members who vote has increased slightly since 2001, while the actual number of voters has decreased. This is because the total number of members eligible to vote for the Board of Directors has decreased, with more than 27,000 dormant¹ account holders being deleted from the list of eligible voters.

We are performing better in this area than other comparable credit unions. In focus groups, members told us it was important to them that they have the right to vote for the Board of Directors, even if they did not exercise that right. When asked why they don't vote, members told us they are too busy, they don't feel they have enough information about the candidates, or they don't care or feel it affects them. Non-profit organization members with more than one person with signing authority told us the voting process was not easy or straightforward for them.

¹Accounts on which there has been no member-initiated activity for the previous 15 months.

Members can vote at their local branch or by mail-in ballot. Currently, we send mail ballots to all members who voted in the previous two years, new members, members who turned 19, and anyone requesting a mail ballot. All members are sent a notice regarding the upcoming election containing information on the nominated candidates. Candidate information is also available at branches, on the website, and through VanCity-sponsored in-branch "Meet the Candidate" sessions.

Suggestions for making the voting process easier included on-line voting and providing election materials in other languages through targeted mailings. Currently, neither on-line (electronic) nor telephone voting are listed as options under legislation governing credit unions². VanCity sent a request to the CUCBC Legislative Committee, which was forwarded to the provincial government, for changes to the legislation to allow for electronic voting. To date, no decision has been made.

Spotlight VanCity's Annual General Meeting (AGM)

Attendance at our AGM is low compared to other credit unions. As we grow in size, there is a risk that our members feel a decreasing sense of ownership.

VanCity's AGM is an opportunity for members to hear reports from both the CEO and Chair of the Board of Directors, receive the audited financial statements, and ask questions and learn about the future direction of VanCity. In addition, members may propose and vote on ordinary and special resolutions in accordance with the AGM rules.

ELECTION
AGM 2004

MEMBER ATTENDANCE AT THE ANNUAL GENERAL MEETING (#, % OF ELIGIBLE MEMBERS)

	Progress	2003	2001	1999
VanCity Credit Union		439 (0.1%)	411 (0.2%)	527 (0.2%)
B.C. credit unions (average or range)*		n/a (0.2%)	n/a (0.1-1%)	280 (0.4%)

*Source: Credit Union Central of B.C. – five of the seven largest credit unions in B.C., not including VanCity

Voting for The VanCity Award

In 2001, VanCity introduced The VanCity Award, an annual \$1 million grant. Each year, VanCity members can vote for their choice from a short-list of finalists. Members can vote four ways: on-line, by mail, by phoning the call centre, or in-branch. In 2003, more than 7,500 members voted.

Website

vancity.com/accountability03/D3

1. More survey results: making it easy and straightforward for members to vote
2. VanCity's election process
3. Ordinary and special resolutions
4. Ways members can provide input & feedback

Qb Do we respond to member complaints in a timely manner?

COMPLAINT HANDLING

Addressing concerns in a timely manner and handling complaints satisfactorily continues to be an area of challenge for us. When asked about their dissatisfaction with complaint handling, members told us they experienced a lack of follow up, the situation was unresolved, or their complaint was not handled in a timely manner.

² Credit Union Incorporation Act

We will provide meaningful opportunities for members to have input in setting the direction of the credit union

In 2003, VanCity introduced service recovery and complaint handling standards and processes to improve the speed at which complaints are resolved, and improve members' experience. In 2004, we will finalize the implementation of our Service Recovery Program. While we have set a target around personal member satisfaction with complaint handling, we have decided not to set a target for business members at this stage. Instead, we plan to conduct research to better understand the reason for business member complaints to identify service improvements that will improve satisfaction.

● % PERSONAL AND BUSINESS MEMBERS AGREE VANCITY PERFORMS WELL AT ADDRESSING THEIR CONCERNS IN A TIMELY MANNER

	Performs well or very well	Performs very well	Don't know or skipped
Progress	▼	▼	
2003	61%	32%	16%
2001	67%	36%	13%

Source: Social Audit Member Surveys; question not asked in 1999.

● % PERSONAL MEMBERS SATISFIED WITH THE WAY THEIR COMPLAINT WAS HANDLED

	Satisfied or totally satisfied	Totally satisfied	2008 Target: Satisfied or totally satisfied
Progress	■	▲	
2003	48%	27%	⊕ 75%
2001	47%	24%	

Source: Annual Member Satisfaction Surveys; question not asked in 1999.

● % BUSINESS MEMBERS SATISFIED WITH THE WAY THEIR COMPLAINT WAS HANDLED

	Satisfied or totally satisfied	Totally satisfied
Progress	▲	▲
2003	53%	28%
2001	46%	21%

Source: Annual Member Satisfaction Surveys; question not asked in 1999.



Website

vancity.com/accountability03/D3

1. More survey results: being open and responsive to member concerns ●
2. Key areas of member input and complaints ●



Next Steps

Complete research on business member experience to understand common types of errors and reasons for complaints.

Spotlight Handling Member Complaints

VanCity's Service Recovery Program encourages employees to own the complaint and empowers them to take action and make decisions. Complaints and their resolution are tracked electronically. Each quarter, the Sales and Outstanding Service Committee reviews the feedback and looks for examples of how legendary service recovery was used in different situations. Selected stories are posted on VanCity's Intranet.

Here is a winning submission from Branch 14, the Marpole Community Branch:

"An executor of a family estate called the branch regarding the death of a family member and requesting access to a safety deposit box. The executor explained that he lived on Vancouver Island, and set up an appointment to have the box drilled. On the day of the appointment, the executor turned up promptly, only to wait 40 minutes for the drilling company to arrive. When the account was double checked, it was discovered the safety deposit box was located at another branch. The executor was not impressed. The Financial Services Manager quickly realized that the branch was entirely at fault, refunding \$100 to the executor to cover ferry and wasted time, and \$140 for the drilling. The drilling company agreed to meet the member at the right branch straight away."

We will ensure that
VanCity is a great
place to work.

Qa Is VanCity a great place to work? p.34

Qb Is VanCity a great place to
work for everyone? p.36

Qc Do we provide employees with a healthy and safe
working environment? p.37

Qd Do we treat all employees equitably and
recognize/reward them fairly? p.39

Qe Do we support our employees to achieve
their full potential? p.41

Qa Is VanCity a great place to work?

Employee Survey Results

All survey results in this section are drawn from our Employee Engagement Survey. A six-point response scale was used. We have reported the results for the percentage of employees responding "strongly agree" (6) or "agree" (5). We have not included the percentage of employees who responded "slightly agree" as we believe this response does not indicate a sufficient level of satisfaction. For more details of our consultations with employees, see page 13.

Where possible, we have benchmarked our performance against the high standard of the 50 Best Employers in Canada, as defined by Hewitt Associates.



vancity.com/accountability03/D4

1. Employee Engagement Index: breakdown of questions
2. More survey results: employee engagement

For more information on Citizens Bank and Inventure Solutions, see page 14 or visit the website.

OVERALL EMPLOYEE SATISFACTION

Overall, VanCity is performing well at being a great place to work. Our employee engagement score¹ has increased considerably since 2001, and is approaching the average engagement score of 80% for companies on the 50 Best Employers in Canada list². In 2003, employee satisfaction increased across a number of areas, including training and development, internal communication, work/life balance and remuneration and benefits.

STANDARD EMPLOYEE ENGAGEMENT INDEX

	VanCity*	2008 Target	Citizens Bank*	2008 Target	Hewitt 50 Best Employers 2003
Progress	▲		▲		
2003	75%	⊕ 80%	55%	⊕ 75%	80%
2001	68%**		43% [†] (2002 value)		n/a

* Source: Employee Engagement Surveys. (VanCity data excludes Citizens Bank of Canada and Inventure Solutions.)

** Restated from 2000-01 Accountability Report due to change in questions that form the Index

[†] 2002 data unaudited; 2001 data not available.

Citizens Bank of Canada

In 2003, Citizens Bank's employee engagement score was 55%. Citizens Bank believes the relatively low satisfaction level may be due to employees enduring significant change in their work and workplace between 2001 and 2003. There are also acute workload issues in some areas of the bank.

Raising the level of employee engagement continues to be one of the bank's priorities over the next five years. The bank has identified five corporate-wide priorities to improve employee engagement: corporate identity and direction; workload and change; operational health; team building among departments; and internal communications.

Inventure Solutions Inc.

Our information technology group, Inventure Solutions Inc., conducted its own Employee Engagement Survey in 2003³. Results showed that 73% of employees were satisfied or very satisfied with their employment at Inventure. Due to the many differences between the VanCity and Inventure employee surveys, comparisons of the two cannot be made.

¹ The employee engagement score (or index) comprises six key questions designed to measure the state of intellectual and emotional involvement employees have in an organization.

² The 50 Best Employers in Canada list is produced by Hewitt Associates, a human resources outsourcing and consulting firm.

³ Inventure is solely focused on the delivery of technology products and services and has chosen to address employee engagement differently to that of its parent company. It plans to look closely at integrating its survey process with VanCity's in the future.

Spotlight

VanCity Named in *Maclean's* Top 100 Employers List

VanCity was named in *Maclean's* magazine's third annual "Top 100 Employers" list for organizations in Canada (2004). We were one of 10 Lower Mainland area companies and one of two full-service financial institutions on the list. The list, which includes not-for-profit groups, government agencies, and private-sector companies, is created by Mediacorp Canada Inc., a publisher that specializes in employment-related issues. The list doesn't rank organizations, but compares growth organizations within an industry. Each organization selected is a leader in its respective industry. VanCity was specifically noted for our flexible benefits plan, transit subsidies and "trend-setting" employee leave plan. In addition, VanCity was distinguished as one of the "Ten Best Employers for Women" which honours excellent places for women to work and advance through management ranks.



"During the past six years as a VanCity staff member, I have been continually impressed with the dedication and loyalty of both staff and management in working together to create a positive, dynamic business environment. I believe the results speak for themselves. Now, we have one more reason to celebrate – our employer being recognized not only as one of the top 100 companies to work for in Canada but as one of only two full-service financial institutions in Canada to make the list! Kudos to us!"

– Debra Rodgers, VanCity employee

Employee turnover

Employee turnover rates have remained relatively stable. They are slightly higher within the branch system (9.5%) as compared to head office departments (7.9%), but overall are lower when compared to other B.C. credit unions.

Without some turnover, an organization can stagnate. If there is too much turnover, the organization can suffer from knowledge gaps and a lack of continuity at the member-facing level. Balancing these two goals requires monitoring turnover trends and understanding the stories behind the rate.



vancity.com/accountability03/D4

See macleans.ca/webspecials/ for the full article.

EMPLOYEE TURNOVER

	VanCity Credit Union	B.C. Credit Unions
2003	8.8%	9%-15%
2001	11.0%	12-21%
1999	11.0%	12-33%



Develop a target or range for acceptable turnover with emphasis on managing avoidable turnover.

Values-based culture

Most VanCity employees are aware of our Statement of Values and Commitments (90%), and three-quarters of employees believe that it provides them with meaningful direction in their work. This is a significant increase from 2001 (57%). To us, this is a clear indicator that our values and commitments are becoming well integrated into our organization.

In addition, the majority of VanCity employees say they have a good understanding of our business goals and objectives (88%).

● % EMPLOYEES AGREE VANCITY'S STATEMENT OF VALUES AND COMMITMENTS PROVIDES MEANINGFUL DIRECTION IN THEIR WORK

	Strongly Agree	Agree or strongly agree
Progress	▲	▲
2003	23%	75%
2001	13%	57%

Source: Employee Engagement Surveys

Next Steps

1. Determine the most effective methodology to track and measure diversity in the workplace. Include diversity self-identification option on the employee application form to enable us to track the recruitment/progression of various groups throughout the organization.
2. Work with organizations and agencies representing aboriginal groups and people with a disability to enhance the diversity representation within the VanCity workforce.
3. Seek further information from employees who are willing to self-identify as part of the 2004 Employee Engagement survey roll out. Incorporate "communicating with and managing people with a disability" as part of the human rights segment of the Management Essentials Training Program.

Qb Is VanCity a great place to work for everyone?

WORKPLACE DIVERSITY

Our policies state we want a workplace that is representative, in all occupations and levels, of our communities, and a work environment where everyone is treated with respect and dignity, regardless of differences.

Currently, the only way we track diversity by ethnicity and disability is through employees self-identifying themselves in surveys. Only eight employees (1%) identified themselves as aboriginal, compared to 2% in the region, and 2% of employees identified themselves as having a disability, compared to 6% regionally.

The percentage of women in management (65%) and senior management (41%) compares very favourably to Canadian banks and other large B.C. credit unions. Two-thirds of our Board of Directors are women, compared to one-third at other B.C. credit unions and approximately 14% at the Financial Post 500 Listed Companies.

● FEMALE EMPLOYEES BY LEVEL

	VanCity Group of Companies			Canadian banks*	B.C. credit unions**	FP500
	2003	2001	1999	2002	2003	2002-03
Non-management	69%	72%	73%	54%	81%	-
Management/supervisory	65%	68%	68%	51.5%	57%	-
Senior management/ executive	41%	47%	30%	27.5%	30%	23.3% ^{††}
Board of Directors	67%	67%	60%	-	32%	13.6% [†]

* Source: Canadian Bankers Association, 2002

** Source: Credit Union Central of B.C. – Five of the seven largest credit unions in B.C., not including VanCity

† Source: 2003 Catalyst Census of Women Board Directors - Financial Post 500 Listed Companies

†† Source 2002 Catalyst Census of Women Corporate Officers and Top Earners of Canada

Satisfaction by diversity


We want to ensure we are being fair to all our employees. Staff over the age of 50 – often those who have been working here a long time – showed a much higher level of engagement than VanCity employees overall. Employees who identified themselves as having a disability showed a lower level of engagement. However, due to the small number of responses, this finding is not statistically conclusive.

⊕ STANDARD EMPLOYEE ENGAGEMENT INDEX BY DIVERSITY
Difference from overall Employee Engagement Index results by diversity

Employees overall	75% Difference
Male	0%
Female	0%
With a disability*	- 7%
Visible Minority	0%
Age: <25	+2%
Age: 25-29	- 4%
Age: 30-39	- 4%
Age: 40-49	+1%
Age: 50+	+10%

Source: 2003 Employee Engagement Survey
 * 19 employees self-identified as having a disability.

 Website
vancity.com/accountability03/D4

1. Diversity of employees compared to the regional population ⊕
2. Employees belonging to visible minority groups by level ⊕
3. Employees by position status ⊕ 
4. Description of relevant policies: ⊕
 - Employee Equity Policy
 - No Discrimination/No Harassment Policy

Qc Do we provide employees with a healthy and safe working environment?

EMPLOYEE HEALTH AND SAFETY

The majority of employees (71%) agree that the work culture at VanCity contributes to good employee health, up significantly from 55% in 2001. The percentage of employees who agree VanCity is a physically safe and secure place to work has increased at Head Office, but decreased at branch locations since 2001. Robberies may be a contributing factor to the decreased sense of safety among branch employees. In 2003, VanCity experienced 28 branch robberies (compared to 27 in 2002 and six in 2001). The increase is consistent with an overall rise in the number of robberies among financial institutions in the Vancouver region. In addition, in 2003, VanCity also experienced some bomb threats. Despite a committed investigation by the Vancouver Police, the calls stopped before the investigation could yield a suspect.



Website

vancity.com/accountability03/D4

1. WCB Statistics: working days lost compared to other financial institutions
2. More survey results: employee health
3. Joint Occupational Health and Safety Committees
4. VanCity's Business Continuity Program
5. Details of suspected SARS case and bomb threat incidences
6. VanCity's Occupational Health and Safety Program

% EMPLOYEES AGREE VANCITY IS A PHYSICALLY SAFE AND SECURE PLACE TO WORK

	Branch Employees		Head Office Employees	
	Strongly agree	Agree or strongly agree	Strongly agree	Agree or strongly agree
Progress				
2003	28%	83%	34%	89%
2001	29%	89%	30%	80%

Source: Employee Engagement Surveys

In 2003, 30 incidents in total were reported to the Workers' Compensation Board of BC (WCB). Of those claims approved, 14 were for injuries including falls/slips/trips, strains/sprains and cuts, and six for robbery-related stress.

According to the WCB, the average days lost per claim for post-traumatic stress due to acts of violence in financial or lending institutions (1999-2003) was 66 days. At VanCity, the average days lost due to robberies/acts of violence over the same period was 8.5 days per claim (total of 15 claims).

There are a number of initiatives to ensure the safety of employees. We have security guards at head office, and high-risk branches can opt for security guard presence. Our Audit and Security team makes presentations to staff, and we provide training regarding branch robbery procedures as well as a post robbery counseling service. The counseling service includes debriefing by a professional trauma services team, a visit by an executive team member and a de-stressing massage for each staff member, if requested or required.

Work and life balance

Our performance has greatly improved in this area since 1999, with the percentage of employees agreeing they are able to maintain an appropriate and healthy balance between their work and personal commitments, increasing from 46% to 64%. However, it remains an area of concern for us and we will continue to monitor it. Sixty-one percent of employees agree that their work-related stress is manageable for them.

In focus groups, employees identified the availability of employee wellness programs and flexible work arrangements as key to helping lead healthy lifestyles. Flexible work arrangements include compressed or reduced work weeks, flex-time and job sharing. However, employees identified challenges such as high workloads due to the volumes of mortgage applications and renewals, and process changes, which initially created inefficiencies. In the future, managers will be working closely with employees to prioritize workloads.

% EMPLOYEES AGREE THEY ARE ABLE TO MAINTAIN AN APPROPRIATE AND HEALTHY BALANCE BETWEEN THEIR WORK AND PERSONAL COMMITMENTS

	Strongly agree	Agree or strongly agree
Progress		
2003	14%	64%
2001	15%	61%
1999	11%	46%

Source: Employee Engagement Surveys

Qd

Do we treat all employees equitably and recognize/reward them fairly?

EMPLOYEE RECOGNITION, COMPENSATION, AND BENEFITS

Employee recognition

Half of our employees (53%) feel they are truly appreciated for the contribution they make to VanCity. Although our performance has remained stable, this is significantly lower than the Hewitt 50 Best Employers benchmark (67%).

In 2003, significant changes were made to our employee recognition programs, including the revamping of our Recognition Night and the introduction of Mount Kudos, an online recognition tool where employees can recognize their peers, employees, or managers for a job well done. VanCity will continue to monitor employee feedback on these programs and make improvements based on feedback.

Though we have several recognition programs in place, we also understand that the most meaningful recognition happens at the local level – that is, between employees and their colleagues and managers. In focus groups, some employees told us they feel recognition is practiced inconsistently at VanCity, and what their manager expects of them is unclear. They also suggested that there is a need to balance monetary and non-monetary forms of recognition.

⊙ % EMPLOYEES AGREE THEY ARE TRULY APPRECIATED FOR THE CONTRIBUTION THEY MAKE TO VANCITY

	Strongly agree	Agree or strongly agree	2005 Target: Agree or strongly agree	Hewitt 50 Best Employers 2003 (agree or strongly agree)
Progress	■	■		
2003	13%	53%	⊕ 57%	67%
2001	11%	52%		70%

Source: Employee Engagement Surveys

As we are unsure of what employees think of when they evaluate VanCity against this question (recognition or rewards and compensation) we have set a fairly conservative target until we are able to understand this area better.

Employee compensation

Each year, we conduct a review of employee salaries to ensure that they remain competitive. Since 1999, average VanCity salaries as a percentage of market salaries have remained stable for staff in management roles, and increased for those in support and specialist roles. One reason for this increase was the record profit-sharing payout for some groups within the branch system, based on record volumes and profitability in 2002. We also monitor male/female salary ratios at VanCity to ensure equality. Salaries between men and women are comparable.

⊙ AVERAGE VANCITY SALARIES* AS A % OF MARKET**

Level†	2003	2001	1999	Progress
Support	113%	107%	102%	▲
Specialist	106%	104%	101%	▲
Management	102%	99%	102%	▲

* Includes base salary plus bonus/variable pay or profit-sharing

** Sources: Credit Union Central of B.C., Watson Wyatt, and Hay, comparison to other credit unions and banks

† VanCity salaries were compared to market for representative positions at three different levels: support, specialist, and management level. See the website for more details.



vancity.com/accountability03/D4

1. More survey results: rewarding workplace ⊙
2. Recognition programs and initiatives



As part of a new, personalized management development model, use one-on-one sessions with our managers to address a variety of people management topics, including recognition, to increase awareness of the impacts managers' day-to-day actions make to the employee experience.



vancity.com/accountability03/D4

1. VanCity average female salary as a percentage of average male salaries, by level ⊙
2. VanCity salaries compared to Canadian Low Income Cut-Offs ⊙

VanCity's average entry-level support salary (for a Financial Service Representative position) excluding benefits and profit sharing is significantly higher (136%) than Statistics Canada's Low Income Cut Offs for one person (LICOs), and less (87%) than what is considered sufficient to support a household of three.

Employee benefits

Most employees agree VanCity's employee benefits meet their and their family's needs. VanCity's 2003 results are considerably higher than the 50 Best Employers benchmark.

⊙ % EMPLOYEES AGREE VANCITY'S EMPLOYEE BENEFITS MEET THEIR (AND THEIR FAMILY'S) NEEDS

	Strongly agree	Agree or strongly agree	Hewitt 50 Best Employers 2003: Agree or strongly agree
Progress	▲	▲	
2003	30%	84%	77%
2001	23%	74%	78%
1999	20%	74%	n/a

Source: Employee Engagement Surveys



vancity.com/accountability03/D4

1. List of employee benefits
2. More survey results: employee satisfaction with VanCity's service as members

LABOUR RELATIONS

A number of our employees have chosen union representation, and we respect their choice. At the end of 2003, five of VanCity's 41 branches, and one head office department were represented by the B.C. Government and Service Employees' Union (BCGEU), representing 9% of employees (17% in 2001). The decrease in union representation at VanCity is due to the merger of VanCity Credit Union's and Citizens Bank's call centres to form one call centre, now a division of Citizens Bank. This merger resulted in the transfer of a significant number of employees from VanCity's bargaining unit to Citizens Bank's bargaining unit⁴. In addition, there were three employee-initiated partial decertifications⁵ at VanCity branches.

VanCity's grievance procedure for unionized employees has a formal mechanism for resolving workplace issues. There were two grievances filed during 2002-03. The first was withdrawn by the union. The second was initiated and resolved at the branch level. For non-unionized employees, a complaint resolution process is built into our Employee Equity and No Discrimination/No Harassment policies. In general, issues are handled within respective business units. Over 2002-03 there were two allegations of discrimination made to the Human Rights Board. As of December 31, 2003, both were still pending.



vancity.com/accountability03/D4

Decertifications during 2002-03

Employee privacy

Privacy is a critical issue affecting all employees. In March 2003, VanCity developed and launched an employee privacy code. The code outlines our principles and procedures regarding the confidentiality and security of employee personal information.

Employee voice

While more employees are feeling free to voice their opinion openly, this remains an area of challenge for VanCity and one we will continue to monitor. In focus groups, employees told us the reasons they rated our performance low was that they perceive a lack of action after putting ideas forward; they are unsure as to how their input is being used; and some fear possible negative impacts on their reputation or promotion prospects.

⁴ Citizens Bank of Canada is a wholly owned subsidiary of VanCity Credit Union. Employees of the call centre are represented by BCGEU.

⁵ Decertification occurs when a group of employees no longer wish to be represented by a union.

To encourage employees to voice their opinion, for the first time in 2003, Employee Engagement Survey results were calculated for and communicated to each branch and business unit. Managers were guided to discuss the results with their staff and identify areas for improvement.

⊙ % EMPLOYEES AGREE THEY FEEL FREE TO VOICE THEIR OPINIONS OPENLY AT VANCITY

	Strongly agree	Agree or strongly agree	2005 Target: Agree or strongly agree
Progress	▲	▲	
2003	16%	57%	⊕ 61%
2001	13%	50%	

Source: Employee Engagement Surveys

 Website
vancity.com/accountability03/D4
 Communication channels for employees

Qe Do we support our employees to achieve their full potential?


TRAINING AND CAREER DEVELOPMENT

Our performance is improving in this area; almost three-quarters of employees feel that VanCity provides them with the training they need to do their job well. In focus groups, employees noted that clear career paths and manager involvement in career development and planning was lacking. Additionally, a few employees felt training and development resources were less than ideal within VanCity. Some employees are seeking additional education, while others would prefer additional experience. When asked about tools and resources, employees noted challenges with computers, a shortage of time, and unclear processes.

⊙ % EMPLOYEES AGREE VANCITY PROVIDES THEM WITH THE TRAINING THEY NEED TO PERFORM THEIR JOB WELL

	Strongly agree	Agree or strongly agree
Progress	▲	▲
2003	22%	74%
2001	18%	63%

Source: Employee Engagement Surveys

 Next Steps
 Launch DiscoverU, VanCity's corporate university, to help employees map and plan their careers

⊙ % EMPLOYEES AGREE VANCITY PROVIDES THEM WITH THE OPPORTUNITIES TO DO THEIR BEST WORK AND ACHIEVE THEIR FULL POTENTIAL

	Strongly agree	Agree or strongly agree	2005 Target: Agree or strongly agree
Progress	▲	▲	
2003	15%	63%	⊕ 66%
2001	12%	56%	

Source: Employee Engagement Surveys

 Website
vancity.com/accountability03/D4

1. More survey results: training and career development ⊙
2. Internal training courses
3. Tuition reimbursement program
4. More about DiscoverU

Spotlight

VanCity's Living Leadership Program (L2)

Living Leadership (L2) is an innovative program that aims to develop and empower leaders from all areas of VanCity, and inspire a shared understanding of leadership within our organization. It's been customized to align with our culture and values.

The first cohort of Living Leadership began in May 2002. L2 is targeted at managers, and explores topics ranging from ethical decision-making and strategic thinking to empowering others, coaching, communication, and performance enhancement. A variety of methods are used to enhance managers' skills in these areas, including case studies, group projects, workplace assignments, skill development workshops, and dynamic presentations. Participants are involved in over 40 hours of training.



Living Leadership graduating class, 2003

"The single most important learning I took away from Living Leadership was the importance of clear and concise communication, and risk-taking."

– Elisabeth Geller, Community Programs Manager & Living Leadership graduate

**We will lead by example
and use our resources
and expertise to effect
positive change in our
communities.**

Qa Does VanCity model social and environmental responsibility in the way it does business? p.44

Qb Do we use our resources and expertise to effect positive change in our communities? p.50

Qa

Does VanCity model social and environmental responsibility in the way it does business?



Website

vancity.com/accountability03/D5

1. Description of relevant policies: ⊙
 - *Baseline Ethical Policy*
 - *Declaration of Employee and Standards of Business Conduct*
 - *Lending and Investment Policies* (see section D1)
 - *Procurement Policy*
2. Suppliers/purchases by geographic area and purchase volume ⊙
3. Memberships in business associations that promote social and environmental responsibility

VANCITY'S BASELINE ETHICAL POLICY

As a financial institution, we have a significant impact on the environment and our local communities through our day-to-day business decisions.

VanCity is committed to modeling the highest standard of business ethics. Our Statement of Values and Commitments guides our business decisions and strategies, and all directors, officers, and employees are required to act in accordance with VanCity's Standards of Business Conduct. To ensure our business relationships are consistent with the statement, we developed VanCity's Baseline Ethical Policy in 2002. The Baseline Ethical Policy will be put into practice by the entire VanCity Group of Companies, and will apply to all relationships with organizations and business members, be they for-profit, not-for-profit, or co-operatives. It will apply to decisions relating to investing in or doing business with organizations and businesses.

Our Baseline Ethical Policy states we are proud to work with organizations and businesses that demonstrate a commitment to healthy lifestyles, environmental leadership, respect and fair treatment, ethical business practices, and peaceful communities. The policy clarifies those situations where our values and commitments demand that we proceed with caution, if at all. We pay particular attention to environmental performance, workplace conditions, and human rights.

In addition we approach the following six business areas with special care: tobacco; gaming; weapons; alcohol; uranium/nuclear power; and adult entertainment. VanCity may decline to do business with organizations whose revenues from these areas exceed a certain percentage of their annual sales.

In 2003, we implemented the policy in four areas: services to business members, major suppliers, treasury investments, and \$1 million VanCity Award finalists.

Services to business members

In 2003, the implementation of VanCity's Baseline Ethical Policy was supported with the necessary tools, procedures, and training required by employees. The policy was launched at the end of 2003, and applies to new business accounts, loans, and additional services requested. It was not possible to apply the policy to small loan renewal as a significant number of these loans are renewed automatically.

Major suppliers

During 2003, our Procurement Policy was updated to incorporate the Baseline Ethical Policy. An independent third party conducted research on all of our 41 strategic suppliers¹ to assess their performance in areas outlined by the Baseline Ethical Policy. Based on this research, VanCity identified six suppliers that required follow up, and developed action plans for these suppliers. One action plan requests more information from two suppliers to complete the assessment of their performance. The other action plan is to communicate the specific areas of concern to four suppliers deemed to be in potential conflict with the policy, evaluate the companies' responses, and decide if a review of the current arrangements is necessary.

At VanCity, we have approximately 1,300 suppliers delivering goods and services with an annual value of more than \$65 million². Our purchases are fairly concentrated, with over 80% of annual spending absorbed by 7% of our suppliers.

Our Procurement Policy states we will consider the local benefits of our purchasing decisions, and will explore opportunities to support community economic development in the selection of suppliers. In 2003, 60% of our centralized purchases was spent locally.³

¹ Strategic suppliers are those deemed to be high value, critical to the delivery of VanCity's services, and/or offering a unique good or service.

² Total excludes purchases from some strategic and other suppliers not paid through our centralized accounts payable system.

³ Vancouver, Lower Mainland, Fraser Valley, and Victoria



Next Steps

Implement action plans for strategic suppliers where follow up required.

Treasury investments

As a credit union, the majority of VanCity's assets are invested in mortgages and loans. We also make short and long-term investments to earn income on surplus funds and to meet liquidity requirements⁴.

Our Investment Policy requires that our approved list of potential investments in companies and financial institutions meet the Baseline Ethical Policy. In 2003, 100% of the companies and financial institutions on our approved list of counterparties⁵ met the Baseline Ethical Policy.

\$1 million VanCity Award

Every year, VanCity members vote to determine which of the short-listed organizations will receive our \$1 million award. In 2003, the four short-listed VanCity Award candidates were screened and found to meet the Baseline Ethical Policy.

Next Steps

Complete implementation of Baseline Ethical Policy across the VanCity Group of Companies. Implement procedures for annual policy review and monitoring compliance. Report progress in next Accountability Report.

SOCIALLY RESPONSIBLE INVESTING OPTIONS

It is our members' choice how they invest their money, but we can influence their choice by promoting socially responsible options. The credit union offers screened funds and securities⁶ and Community Investment Deposits⁷. In addition, two of our subsidiaries, Real Assets Investment Management Inc. and VanCity Investment Management Ltd., offer socially responsible investment management services. (See page 46 for more details.)

Total member and client investments in socially responsible options through VanCity have remained relatively stable since 2001. Total dollars invested in mutual funds, including screened funds, has dropped significantly due to market conditions. Client investments at Real Assets have increased. This increase was primarily due to the merger of Real Assets and United Capital's pooled funds, and the launch of two new mutual funds. The percentage of socially responsible member and client investments dropped from 6.6% in 2001 to 4.9% in 2003 due to an increase in total funds under administration across VanCity.

MEMBER AND CLIENT INVESTMENTS IN SOCIALLY RESPONSIBLE INVESTMENT (SRI) OPTIONS *Millions of dollars*

	Progress	2003	2001
Community Investment Deposits (CIDs)	▼	\$ 1.82	\$ 2.10
International Community Investment Deposits (ICIDs)	▼	\$ 1.95	\$ 1.99*
Shared Value Term Deposits**	n/a	\$ 1.85	\$ 9.88
Socially responsible mutual funds	▼	\$ 225.79	\$ 271.62
VanCity Investment Management: screened client investments	▼	\$ 18.38	\$ 25.20 [†]
Real Assets Investment Management: client investments	▲	\$ 81.98	\$ 12.69
Total member and client investments in SRI options	■	\$ 331.77	\$ 323.48

* Restated from 2000-01 Accountability Report to include VanCity ICID placements held in trust by Citizens Bank of Canada

** Product no longer available; last offered in spring 1999.

[†] Restated from 2000-01 Accountability Report due to revised system for tracking screened assets under management

 Website
vancity.com/accountability03/D5

Description of socially responsible investing options

⁴ Liquidity refers to the availability of cash, or the capacity to obtain it on demand.

⁵ Any company with which VanCity would transact financial instruments

⁶ Screening is the inclusion or exclusion of corporate securities in investment portfolios based on social or environmental criteria.

⁷ Deposits that benefit local and international communities. See website for more information.

Next Steps

Redesign and launch new community investment product(s)

In our last Accountability Report, we set an action plan to establish a fund management system to track Community Investment Deposits and loans. This action plan was deferred pending the redesign of our community investment products. (See "Next Steps.")

Real Assets Investment Management Inc.

Real Assets (38.4% owned by VanCity Credit Union) is an investment fund management firm focusing entirely on social impact investing. It evaluates corporate performance against broad international standards in areas such as human rights, employee health and safety, environmental protection, social justice, and the promotion of sustainable communities. It also excludes companies that derive significant revenues from tobacco, military products, or nuclear power.

Real Assets frequently files shareholder resolutions⁸ asking companies to become more accountable for their social and environmental performance. During 2002-03, it led or co-led 17 shareholder resolutions in the areas of human rights, corporate governance, climate change, corporate glass ceiling for women, and HIV/AIDS. Seven of the resolutions were withdrawn due to company commitments to engage in dialogue with Real Assets or deal with the issues raised.

Spotlight

Real Assets Investment Management Inc.



Campaign on responsible finance

Real Assets is currently involved in a campaign to hold global financial institutions more accountable for their social and environmental impact. In 2002 it co-filed shareholder resolutions with five major Canadian banks, calling on them to report how social and environmental issues impact their business and what they are doing to manage these risks.

By the end of 2003, two of the banks had adopted, or agreed to adopt, the Equator Principles⁹ and one bank had formed an Executive Steering Committee to investigate how to integrate CSR into the organization. Real Assets was engaged in dialogue with the fourth bank. The fifth bank had yet to respond and Real Assets expects to re-file the resolution.

Deb Abbey, CIM, FCSI, CEO and President, Real Assets

Website

vancity.com/accountability03/D5

1. Real Assets Investment Management Inc: proxy voting, communications to investors, minimum investment ☉
2. VanCity Investment Management Ltd: proxy voting, communications to investors, minimum investment ☉

For more information on VanCity Investment Management or Real Assets Investment Management, see page 14 or the website.

VanCity Investment Management Ltd.

VanCity Investment Management provides discretionary investment management services. It incorporates social and environmental criteria in its investment decisions based on the belief that companies following responsible business practices are more likely to achieve superior investment returns, with less risk, for shareholders over the long term. In addition, all clients have the option to have their portfolio screened to their own ethical preferences.

⁸ A recommendation or requirement, proposed by shareholders, that the company and/or its board of directors take action. The resolution is presented for a vote by other shareholders at the company's annual meeting.

⁹ The Equator Principles are a framework for banks to manage environmental and social issues in project financing. Visit www.equator-principles.com for more details.

ENVIRONMENTAL OPERATIONS

The environmental impacts of our operations are not as significant as those of our core business activities. However, it is still important that we measure, understand, and work to reduce our negative impact. As a commercial operation with head office buildings and 41 branches throughout the Lower Mainland, Fraser Valley and Victoria, we impact the environment through resource consumption, the transportation choices of our employees, waste production and disposal, and building design and management.

Energy consumption and employee commuting choices

Our total energy consumption has decreased since 2001, and the percentage of employees using alternative modes of transportation for their commute has risen by more than 7%. Together, this has reduced CO₂-equivalent emissions.

Emissions from employees commuting in single occupancy vehicles (SOVs) account for more than double the emissions from our operational energy use. While it is our employees' decision how they commute, we encourage environmentally responsible choices through programs and incentives. An enhanced staff transportation program and 2005 target were approved in 2003 to encourage employees to use alternative modes of transportation and to raise awareness of the link between transportation choices, emissions, and climate change.



Website

vancity.com/accountability03/D5

1. Electricity and fuel consumption
2. Employee transportation by mode
3. CO₂ emissions per employee from staff commuting in single occupancy vehicles

ENERGY CONSUMPTION (OPERATIONS) PER EMPLOYEE

Progress	2003	2001	2008 Target
▲	6,710 KWh/employee	7,570 KWh/employee	⊕ Decrease energy use per employee by 10% from 2003

KWh=Kilo-watt hours

Data for VanCity Centre and branches. Data for other locations not available.

TOTAL CO₂ EQUIVALENT EMISSIONS FROM ENERGY CONSUMPTION AND EMPLOYEE COMMUTING

	Progress	2003	2001
CO ₂ equivalent emissions from energy consumption*	▲	738 tonnes/year (0.42/employee)	741 tonnes/year (0.45/employee)
CO ₂ equivalent emissions from staff SOV commuting**	▲	1,680 tonnes/year (0.97/employee)	1,720 tonnes/year (1.03/employee)
Total CO ₂ equivalent emissions from energy consumption and staff SOV commuting	▲	2,418 tonnes/year (1.39/employee)	2,461 tonnes/year (1.48/employee)

* Data for VanCity Centre and branches. Emissions based on energy related emission factors per Canada's Voluntary Challenge and Registry Program and BC Hydro's GHG Report 2003.

** Data for VanCity. Emissions calculated by TransLink based on the number of employees commuting in single occupancy vehicles (SOVs) as determined by VanCity's Employee Transportation Surveys.

EMPLOYEES USING ALTERNATIVE MODES OF TRANSPORTATION TO COMMUTE

	VanCity Group of Companies	2005 Target
Progress	▲	
2003	55%	⊕ 60%
2001	48%	

Source: Employee Transportation Surveys



Next Steps

VanCity Credit Union to be carbon neutral by 2010¹⁰.

¹⁰ To be "carbon neutral", VanCity will reduce its overall CO₂ emissions from its operations and employee transportation choices as much as possible. What we can't reduce, we will "neutralize" or "offset" by investing in community projects that cut down on emissions so that our net impact is zero.

In November 2003, VanCity was honoured with being certified as a Power Smart partner by BC Hydro, putting us in an elite group of B.C. companies. The distinction was granted to only four other organizations, all of which rank in the highest category of energy efficiency leadership and have a history of continuous improvement in reducing energy consumption.

Paper Use

Paper use has increased since 2001. A major reason for the increase has been the introduction of "print on demand forms" available on VanCity's Intranet. Previously, all forms were ordered and distributed from an external supplier and were not included when tracking paper consumption.

In 2003, VanCity began tracking paper used to print VanCity VISA^{*} statements. During the year, approximately 1.2 million sheets of paper were used for VISA statements.

All VanCity letterhead contains 100% post-consumer waste, and our standard choice for copy paper is 30% post-consumer waste. However, in 2003, VanCity business units ordered approximately 8,000 packages of paper with no recycled or post-consumer waste content. This accounted for approximately a quarter of all copy paper ordered by VanCity in 2003.

Since we became aware of this, VanCity has sent a notice to branches and business units describing the issue and reminding those responsible for ordering paper of VanCity's Paper Purchasing Policy. As an additional precaution, VanCity's paper supplier has blocked access to the majority of paper products ordered with no/low environmental benefits on their web-based ordering system.

○ PAPER USE

	Total # of sheets purchased	Sheets used/ member	Sheets used/ employee	Kgs used/ member	Kgs used/ employee
Progress	▼	▼	▼	▼	▼
2003	16.5m	55	9,230	0.28	46
2001 [†]	14.5 m	53	8,700	0.27	45
1999	16.1 m	62	10,000	–	–

Data includes copier, printer and letterhead paper used by VanCity and the call centre; currently unable to track paper used for marketing materials (newsletters, brochures, etc.)

[†] Figure restated from the 2000-01 Accountability Report.

Water use

We do not currently monitor our water use. As a financial institution that only consumes water in the operation of its buildings and surrounding landscape, we have focused our efforts on other areas to date. While our water use has a relatively low environmental impact, we will consider this measurement for our next report, taking into account feedback from our members, employees, and community leaders.

Waste management

Accurately tracking waste generated and recycled at VanCity is a challenge; many of our branches and some business units are located in buildings with multiple tenants where waste and recycling is done in bulk. Furthermore, suppliers are not always able to provide accurate weight numbers. The following data is for VanCity Centre only (683 employees). While we have estimated total waste generated for the credit union using best available data (see the website), we will focus on the data relating to VanCity Centre when assessing our performance and setting targets.

^{*} VISA Int./ VanCity, Licensed User

Total waste generated at VanCity Centre and waste generated per employee has increased since 2001. We are also recycling less.

In late 2003, we hired a consultant to conduct a solid waste and recycling systems review and to produce a waste reduction work plan for VanCity's facilities. A visual audit of branches identified that 50 to 60% of the waste that was going to the landfill, by volume, contained recyclable paper products. Also, 50% of non-recyclable paper consisted of disposable coffee cups. The audit also identified that branch and head office locations lacked recycling/waste reduction information, and that there was a lack of consistency in the way employees were disposing of confidential materials. We have developed action plans to address these findings.

⊙ WASTE GENERATED AND RECYCLED AT VANCITY CENTRE (UNAUDITED)

VanCity Centre	Total waste generated	Waste generated per employee	2005 Target	% Waste recycled
Progress	▼	▼		▼
2003	100,900 kgs	148 kgs	⊕ Increase percentage of waste recycled (VanCity Centre) to 60%	56%
2001	90,900 kgs	143 kgs		62%

Data calculated based on estimates from waste handlers
Recycled materials include fibre, metal, glass and plastics



Website

vancity.com/accountability03/D5

1. Estimated total waste generated and recycled at VanCity Credit Union (unaudited) ⊙
2. Compliance with environmental regulations ⊙
3. Description of relevant policies: ⊙
 - CERES Principles
 - Energy Policy
 - Environmental Policy
 - Landscaping Policy
 - Employee Amenity Space Policy

Spotlight Environmentally responsible buildings

VanCity opened its 40th branch - Lynn Creek Community Branch - in June 2003. The branch houses a unique wilderness interior, a 23-foot totem pole carved by North Shore First Nations artist David Neel, and LEED environmental design features.

LEED (Leadership in Energy and Environmental Design) is a voluntary, consensus-based program designed by the U.S. Green Buildings Council (USGBC) for developing high-performance, sustainable buildings. VanCity has applied to the USGBC for the LEED designation.

Features include fixtures designed to reduce water consumption by 30% and achieve energy savings of 40%. 100% of the power is sourced from BC Hydro-qualified green power sources. Local materials were used in construction, including forest certified wood from the Eco-Lumber Co-operative.



The grand opening of the Lynn Creek Community Branch.

Qb

Do we use our resources and expertise to effect positive change in our communities?

COMMUNITY FINANCING

Access to capital

VanCity recognises it is important to provide financing to those who may be unable to qualify for conventional financing. These investments can help reduce poverty, restore the environment, and build sustainable communities.

Overall, our performance in community financing has remained stable. Total micro-financing has declined since 1999, with a marked decrease in loans outstanding in our Peer Lending and ABLED (Advice and Business Loans for Entrepreneurs with Disabilities) programs between 1999 and 2003.

While five social housing loans were funded in 2003, the total amount outstanding has declined due to several loans being paid out. Two Community Investment Deposit loans were funded in 2003, to support environmental and community asset-building initiatives.

HIGH-IMPACT COMMUNITY FINANCING

	Progress	2003	2001	1999
Peer lending	▼	\$ 0.04m	\$ 0.10m	\$ 0.17m
Self Reliance loans	▼	\$ 3.38m	\$ 3.72m	\$ 3.79m
ABLED	▼	\$ 0.08m	\$ 0.15m	-
Total micro-financing	▼	\$ 3.50m	\$ 3.97m	\$ 3.96m
Social housing loans (includes some CID loans)	▼	\$ 5.62m	\$ 6.45m	\$ 9.37m
Other Community Investment Deposit (CID) loans	▲	\$ 1.65m	\$ 0.59m	\$ 0.64m
International Community Investment (ICID) placements	▲	\$ 2.17m	\$ 1.18m	-
Conservation financing	n/a	\$ 0.01m	-	-
Total community financing	■	\$ 12.95	\$ 12.19m	\$ 13.97m
Total community financing as a % of unconsolidated loans outstanding	■	0.20%	0.19%	0.26%



Website

vancity.com/accountability03/D5

Description of high impact community investment financing programs



Next Steps

Incorporate environmental cautions into Baseline Ethical Policy implementation procedures.

Proactive environmental lending practices

Through our lending policy, we're committed to finding ways to meet the credit needs of individuals and groups carrying out activities with positive environmental outcomes, providing they are within prudent credit guidelines. We're also committed to developing special loans programs to achieve environmentally beneficial outcomes.

In 2003, we were the first financial institution in Canada to introduce a low-interest Clean Air Auto Loan. The goal of these loans is to encourage our members to drive energy efficient vehicles through discounted financing for hybrid cars and dedicated natural gas vehicles.

In our last Accountability Report we set two action plans relating to environmental lending: the completion of a formal environmental caution list (a list of circumstances where we would exercise special care) and the implementation of our Environmental Loans Policy. With the development and implementation of the Baseline Ethical Policy, we revised our Lending Policy to incorporate the intent of the Environmental Loans Policy. Environmental cautions will become a part of Baseline Ethical Policy implementation procedures in 2004.

Lending to non-profit organizations

At the end of 2003, VanCity Credit Union loans to non-profit organizations (NPOs) totalled \$43.2 million, up from \$27.7 million in 2001. These loans may be offered at discounted rates or with special terms and conditions designed to meet NPOs' unique financing needs.

VanCity Capital Corporation (VCC)

VanCity Capital Corporation provides growth financing to small and medium-sized B.C. businesses, including social enterprises: non-profits, co-operatives, and businesses with significant social or environmental objectives. The lending risk is generally significantly higher than business loans provided by the credit union.

During 2002 and 2003, VCC supported aboriginal social housing, green energy, non-profit enterprise, alternative transportation, eco-forestry, and aboriginal business ventures.

● VANCITY CAPITAL CORPORATION LOANS

	Progress	2003		2001		1999	
		#	\$s Outstanding	#	\$s Outstanding	#	\$s Outstanding
Loans to social enterprises	▲	18	15%	10	10%	8	18%
Loans to SMEs*	▲	56	85%	35	90%	14	82%
Total	▲	74	\$11.9 million	45	\$8.1 million	22	\$4.3 million

*Small and medium-sized enterprises

 Website
vancity.com/accountability03/D5
 VanCity Capital Corporation: # of jobs supported

Spotlight

VanCity Capital Corporation: Vancouver Native Housing Society (VNHS) and Lu'ma Native Housing Society

Lu'ma and VNHS are the two largest social housing providers for the urban aboriginal population in Vancouver. They have been successfully managing housing and providing essential support since the early 1980s. However, both Lu'ma and VNHS were operating out of leased premises and didn't have a large enough down payment to qualify for conventional financing to purchase a building. As a result, the societies were unable to build equity, remaining vulnerable to shifts in funding priorities and dependent on program dollars.

Based on strong, stable income performance, a track record of efficient and effective management, and significant monthly rental payments, VCC was able to provide enough subordinated debt to allow for first mortgage financing from VanCity Credit Union. As a result, both Lu'ma and VNHS have purchased buildings through related societies, undertaken necessary renovations, and moved into their own custom-made facilities where each month's payment moves them closer to sustainability and independence.



Website

vancity.com/accountability03/D5

VanCity Enterprises: list of Projects 2002-03

VanCity Enterprises Ltd. (VCE)

VanCity Enterprises undertakes and supports socially responsible real estate developments. In 2003, VCE completed three projects with 80 units, of which 50 were non-market.¹¹

It is no longer feasible for VCE to develop non-market housing without government support. Moving forward, its focus will shift to market housing with a social purpose, integrating sustainability principles in the design where feasible.

UNITS COMPLETED BY TARGET GROUP

	2003
Shelter for women and children (non-market)	28
HIV/AIDS patients (non-market)	22
Commercial space plus family-oriented residential units (market)	30
Total Units	80

UNITS COMPLETED

2003	2001	1999
80*	81*	160**

* VCE was the developer

** VCE provided second mortgage financing to the developer

COMMUNITY CONTRIBUTIONS

Community donations

In 2003, the VanCity Group of Companies' annual community donations¹² represented almost 14% of our average pre-tax earnings. This percentage was nearly 14 times more than the average of the Canadian banks, and almost two times more than B.C. credit unions. This far exceeds the Canadian Centre for Philanthropy's Imagine Campaign¹³ annual donations target of 1%.

COMMUNITY DONATIONS AS A % OF AVERAGE PREVIOUS THREE-YEAR PRE-TAX EARNINGS

	2003	2001	1999
VanCity Group of Companies	\$5.2m*	\$3.0m	\$1.7m
(British Columbia)	13.5%	9.8%**	6.3%*
B.C. credit unions average [†]	7.5%	5.9%	4.0%
(British Columbia)			
Banks average ^{††}	1.0%	0.7%	0.7%
(Canada)			

* Consistent with other items reported on the Consolidated Statement of Earnings and Retained Earnings, community donations are recorded on an accrual basis.

** Recalculated to ensure comparability with the Canadian Centre for Philanthropy's Imagine Campaign annual donations target.

[†] Source: Credit Union Central of B.C. - four of the seven largest credit unions in B.C., not including VanCity.

^{††} Source: Canadian Bankers Association, 8 largest Canadian banks by asset size (as at October 31, 2003)

¹¹ Non-market housing provides housing mainly for those who cannot afford to pay market rents. Rents are determined not by the market but by the resident's ability to pay.

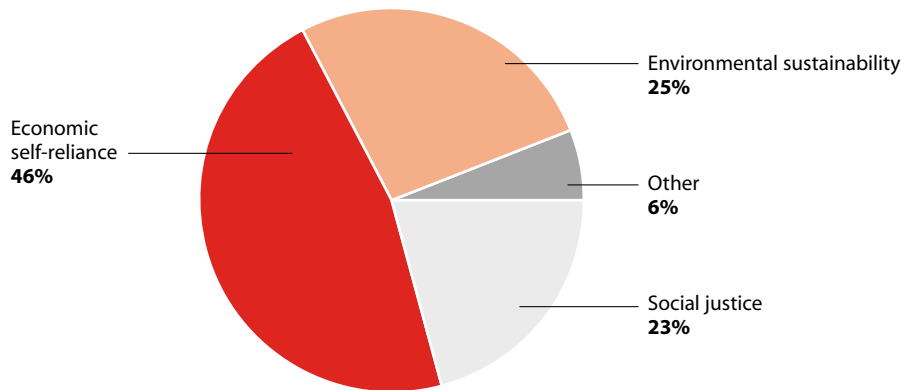
¹² Community donations include cash donations to charitable and non-profit organizations, and co-operatives.

¹³ Visit imagine.ca for more details.

Of our total community donations (\$5.2 million), approximately \$3.0 million was allocated to our Head Office grant programs and \$1 million to the VanCity Award. \$600,000 was donated to the VanCity Community Foundation, \$200,000 to the EnviroFund™, \$162,000 to Citizens Bank’s grant programs, and \$200,000 to other community initiatives.

The majority of our grants benefited Vancouver, and the Lower Mainland. Almost half were in the area of economic self-reliance.

⊙ ALLOCATION OF MAJOR HEAD OFFICE GRANTS* (\$s FUNDED) BY CATEGORY



* Includes Community Project Grants, Special Partnership Grants, and Capacity Building Grants.

⊙ ALLOCATION OF GRANTS* (\$s FUNDED) BY GEOGRAPHIC IMPACT AREA

	Geographic distribution of members	
	%	
Vancouver	50%	47.3%
Lower Mainland	23%	42.5%
Fraser Valley	5%	8.6%
Victoria/Vancouver Island	12%	1.4%
Rest of British Columbia	10%	-

* Includes Community Project Grants, Special Partnership Grants, Capacity Building Grants, and grants made through VanCity’s branch funding program

 Website
vancity.com/accountability03/D5

1. List of 2003 grants funded ⊙
2. Community donations by type ⊙
3. Description of granting programs

™ EnviroFund is a registered trademark of VanCity.

Spotlight

2003 VanCity Award

In 2003, our members voted for the WISH (Women's Information Safe House) Drop-In Centre to receive the \$1 million VanCity Award. The drop-in centre provides a safe and supportive atmosphere for up to 200 female sex trade workers each night in Vancouver's Downtown Eastside. The money will be used to open a 24/7 wellness centre that will offer a permanent women's health clinic and refuge from today's escalating violence.



"The murder and disappearance of so many sex workers in Washington State, Vancouver and Edmonton is a painful indicator of just how vulnerable these women are. This is not about supporting or promoting prostitution; this is about giving support and showing basic human decency to women - our daughters, sisters and friends - who need help."

– Mary Wreglesworth, Chair of WISH's Board

(left to right) 2002-03 VanCity Board Chair Bruce Ralston, WISH Chair Mary Wreglesworth, VanCity CEO Dave Mowat, former WISH Executive Director Karen Duddy.



Website

vancity.com/accountability03/D5

1. Update on VanCity Award recipients
2. More description of major sponsorships
3. Employee community involvement 
4. Citizens Bank: community donations 

Sponsorships

In addition to our granting programs, we also support the community through sponsorships and by encouraging employees to fundraise and volunteer. Three major sponsorships in 2003 included the TransLink Student U-Pass, 2010 Vancouver Olympic Bid, and Vancouver International Film Festival:

TransLink Student U-Pass:

We partnered with TransLink¹⁴, the University of British Columbia (UBC) and Simon Fraser University (SFU) to sponsor a program that allows UBC and SFU students unlimited transit access throughout the school year at a reduced cost. TransLink estimates that following the launch of the program, the number of transit trips to UBC increased by 54%, and to SFU by 39%, resulting in an estimated 10-14% reduction in greenhouse gas emissions from transportation choices.

2010 Vancouver Olympic Bid:

As well as a cash commitment of \$150,000, a VanCity staff member was seconded to the bid office part-time for six months to assist with key sustainability initiatives.

Vancouver International Film Festival:






We sponsored the creation of a 183 seat theatre in the Vancouver International Film Centre, scheduled to open in Fall 2004.



Website

vancity.com/accountability03/D5

VanCity Community Foundation:

1. Administration expenses as a % of net assets 
2. Assets and liabilities 
3. Donations to the Foundation; VanCity Credit Union donations as % of total 
4. Financial assistance disbursed to the community, by type 
5. Definition of technical assistance
6. Ethical screens on investments 

VanCity Community Foundation

The Foundation disburses financial assistance to the community through grants, loans, and technical assistance, partnering with local organizations to support affordable housing, community capacity building and mobilization, community economic development organizations, employment development, strengthening civil society and the non-profit sector, new communities, and social enterprises.

In addition to providing direct support to community, the Foundation supports extensive grants which are disbursed or administered on behalf of others. Approximately 90% of supported disbursements originate from VanCity Credit Union. Since 2001, there has been a significant increase in the value of technical assistance. During 2002-03, the Foundation provided technical assistance to more than 40 different community groups.

¹⁴ TransLink is the transportation authority mandated to plan, finance and operate Greater Vancouver's transportation system.

⊕ TOTAL FINANCIAL ASSISTANCE DISBURSED TO THE COMMUNITY (YEAR ENDING 31 MAY)

	Direct*	Technical assistance**	Supported†
Progress	■	▲	▲
2003	\$0.32m	\$0.07m	\$2.2m
2001	\$0.35m	\$0.02m	\$0.4m
1999	\$0.22m	\$0.01m	\$1.3m

* Disbursements made directly by VanCity Community Foundation

** Dollar value of the technical assistance provided

† Disbursements administered by the Foundation on behalf of VanCity Credit Union and other partner organizations

Community partnerships

We aim to strengthen the community and our long-term business success through partnerships and by sharing our resources and expertise.

VanCity Youth Credit Union Program

One example of a long-standing partnership is our Youth Credit Union Program operating in local schools. At the end of 2003 we had 11 school partnerships in place. Students learn the basics of banking and credit union operations, improve their math and leadership skills, and benefit from increased confidence and social skills, all while contributing to their own savings account. Each youth credit union is managed and operated within the school, under the guidance and support of teachers and VanCity staff.



Website

vancity.com/accountability03/D5

Community recognition

Over 2002-03, we were the proud recipients of the following significant awards:

- 2000-01 Accountability Report ranked second out of the top 35 Canadian Sustainability Reports - Stratos
- 2003 Canadian Corporate Sustainability Reporting Benchmark Survey (stratos-sts.com)
- Top 100 Employers in Canada - Mediacorp/Maclean's Magazine
- Power Smart Certification - BC Hydro
- Innovator of the Year Award - Credit Union Central of British Columbia
- Commuter Challenge Winner - Better Environmentally Sound Transportation
- Sixth on BC's 10 Most Respected Businesses List - BC Business Magazine
- Mayor's Environmental Achievement Award - Vancouver City Council
- Sixth best Canadian Internet Banking - Gomez Advisor Inc.

1. Examples of community partnerships in place over 2002-03 ⊕
2. Contributing to the co-operative system
3. Full listing of awards over 2002-03 ⊕

MEMBER AND EMPLOYEE OPINIONS ON OUR CONTRIBUTIONS TO THE COMMUNITY AND ENVIRONMENT

A high percentage of our employees (84%) and members (70%) agree that what VanCity does for the environment and community makes them feel good about being a member or working here.

A communications survey told us that members feel it's important to receive information on our contributions to the environment and community, and in particular, on how we live up to our Statement of Values and Commitments. Currently, their expectations are not being met in this area, though an enhanced communications strategy for 2004 should help in this area. We currently communicate to members on our contributions to the community and environment through our Accountability Report, Annual Report, *Working Dollars* newsletter, and website.

● % MEMBERS AGREE WHAT VANCITY DOES FOR THE COMMUNITY AND ENVIRONMENT MAKES THEM FEEL GOOD ABOUT BEING A MEMBER

	Agree or strongly agree	Strongly agree	Don't know or skipped
Progress	▲	▲	
2003	70%	43%	12%
2001	60%	33%	20%

Source: Social Audit Member Surveys

● EMPLOYEES AGREE WHAT VANCITY DOES FOR THE COMMUNITY AND ENVIRONMENT MAKES THEM FEEL GOOD ABOUT WORKING AT VANCITY

	Agree or strongly agree	Strongly agree	Don't know or skipped
Progress	▲	▲	
2003	84%	39%	1%
2001	82%	36%	–

Source: Employee Engagement Survey

HEAD OFFICE

183 Terminal Ave.
Vancouver, B.C. V6A 4G2
604-877-7000 or
1-888-VanCity
vancity.com

BOARD OF DIRECTORS

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Cheeying Ho
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Bruce Ralston
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Kari Grist
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Paula Martin
Vice-President, Public Affairs & Corporate Communications

Alexandra Paproski
Director, Corporate Affairs/Corporate Secretary

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WATERFRONT STOREFRONT

LOCATION
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Essop Mia
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Senior Vice-President, Operations

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Senior Vice-President and Chief Credit Officer

Cyndi Poynter
Vice-President, Human Relations

Keith Tongue
Vice-President, Residential Mortgages & Strategic Alliances

Terry Wong
Vice-President, Treasury Management

Rita Westfal-MacDonald
Director, Corporate Affairs/Corporate Secretary

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Rowena Liang
CIO and Vice-President, Information Technology, VanCity Credit Union

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Chief Executive Officer

Tony Fernandes
Vice-President, IT Infrastructure & Operations

Andy Jones-Cox
Vice-President, Product Development

Garry Smith
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George Noroian
Joel Solomon
Brian Worth

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Chief Executive Officer

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BOARD OF DIRECTORS

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Lisa Barrett
Neil Brown
Ivan Gasoi
Monica Hay
Mohamed Ladak
Paula Martin
Brian Nasu
Bruce Ralston

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David Driscoll
Executive Director

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Josie Romeo, Manager

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Manager

Langley

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Pretti Grewalson, Manager

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