

A description of the Vancity Group's accountability reporting process

The evolution of accountability reporting at the Vancity Group

How it all started

The Vancity Group first began reporting on its social and environmental performance in 1992 when we included a special section on staff, community and ecological responsibility in our Annual Report. By 1995, this had expanded to a comprehensive social report section, including quantitative measures in areas such as affordable housing, community economic development, staff well-being and the environment.

In November 1995, Vancity's Board of Directors approved the adoption of a more rigorous social audit with stakeholder involvement as part of an overall Corporate Social Responsibility (CSR) strategy. The Board decided on a stakeholder-based model for social auditing as it felt this best reflected our democratic structure and credit union values.

We worked with New Economics Ltd (UK) to develop a social audit process aligned with emerging accountability standards, now known as AA1000. We decided to move forward with an externally verified and publicly released report, and hired New Economics as our external auditor. To build local capacity, we engaged Susan Todd from Solstice Consultingⁱ to be a member of the external audit team. Susan was trained in social auditing by New Economics in the UK and on the job at Vancity.

The early years

Our first report, the 1997 Social Report, was organized by stakeholder group, and indicators were developed based on (a) key issues/areas of importance identified by stakeholders, (b) our social and environmental policies and commitments, and (c) best practices. As an endorser of the Ceresⁱⁱ principles since 1993, we also ensured this report met Ceres reporting requirements.

In our second report – the 1998-99 Accountability Report – we piloted the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, reporting on those GRI indicators relevant to financial institutions. We also voluntarily included the Public Accountability Statement reporting requirements proposed by the Canadian federal government to describe contributions to the Canadian economy and society. These reporting requirements now apply to all federally regulated financial institutions with equity in excess of \$1 billion.

An evolving process

In 2000, we created a Statement of Values and Commitments in consultation with key stakeholders – members, staff and communities. The statement sets out our mission, core purpose and core values. It includes six commitments to support us to live our purpose and values in how we do business. The final commitment is to “be accountable for living up to our commitments” by making continuous and measurable progress, involving our members, staff and communities in measuring our performance, and reporting the findings in a public, externally verified report.

Since 2001, our Statement of Values and Commitments has provided the framework for our accountability reports. Our reports continued to include GRI indicators where applicable and material, and to meet the Public Accountability Statement and Ceres reporting requirements.

Our 2004-05 accountability reports was prepared “in accordance” with the GRI 2002 Sustainability Reporting Guidelines. And our 2006-07 report was prepared using the GRI G3 Guidelines, to level A+.

Citizens Bank of Canada

Like Vancity, Citizens Bank of Canada began to produce separate reports on its social and environmental performance in 1997. Its 1999 and 2001 reports were an account of the Bank’s compliance with its Ethical Policy. Its 2003 Accountability Report was broader in scope, and included information related to workplace, marketplace, community and environment. Since 1999, these reports have been externally verified by an independent third party.

Consolidated reporting across the Vancity Group

As the parent company, Vancity’s accountability reports have always included limited information on our subsidiaries or affiliates, including Citizens Bank. In 2004, we decided to consolidate Vancity’s and Citizens Bank’s separate accountability reports to provide a more holistic view of the Vancity Group’s performance. The 2004-05 and 2006-07 Accountability Reports include the results of a full audit of both Vancity Credit Union and Citizens Bank of Canada.

See pages 5 – 9 for a timeline of key milestones and decisions related to accountability reporting at both Vancity and Citizens Bank.

A detailed description of the Vancity Group's current accountability reporting process

Identify material issues; review and refine indicators

Each cycle, we review and refine our performance indicators and identify material issues.

First, we review our set of performance indicators. This is aligned to our values and commitments and the Global Reporting Initiative's G3 Sustainability Reporting Guidelines. It also takes into account best practices, other relevant reporting standards and feedback we've received from our members, management/employees and a stakeholder panel.

We also work with our external social auditor to identify material issues. This process includes conducting an extensive document review (Board Committee minutes, member complaints and correspondence, communications to staff, media articles and so on), interviewing management and employees, and obtaining feedback from other key stakeholders.

In 2006, we took the additional step of developing a list of indicators grouped by issue area and prioritized according to the following criteria:

- External materiality – importance to key stakeholders and inclusion in the reporting standards or other reports of financial institutions
- Internal materiality – inclusion in our internal policies or business plans and strategies; direct financial impact; use in internal day-to-day decision making and potential impact on operations.

The final set of performance indicators and issues is reviewed and approved by Vancity's Community Leadership Committee, which includes representatives from our subsidiaries, including Citizens Bank, and Vancity's Board.

Monitor and measure performance

Once we've reached agreement on a set of material performance indicators and issues, we work with the relevant business areas to establish appropriate accounting systems to collect the required data and information in an accurate and timely manner. We utilize existing accounting systems as much as possible; for example, we will add questions to existing surveys and fields to existing databases rather than develop new systems. We obtain a lot of data through stakeholder consultations such as surveys and focus groups, and we also collect data from databases, spreadsheets, and internal/external reports. In addition, we research and collect benchmark data so we are able to compare our performance to other Canadian credit unions, financial institutions or companies as much as possible. In 2008, we plan to implement Credit 360, an online data collection management system, to help streamline our process.

Currently, the accountability reporting team, which is part of our Strategy Division, is responsible for collecting and checking the necessary information before passing it onto our external auditors. Our internal audit team also support the external audit in key areas – for example, checking the accuracy of internal databases.

Integrate key findings into annual business planning process and set future targets and commitments

Once we've collected all the data and information for inclusion in the report, we identify the performance gaps. We bring these "key findings" to the attention of executive/senior management and ask them to respond. Management might identify current business initiatives that address the finding; establish a future target or commitment; or simply state that this issue is not a priority for us right now and why. All targets and action plans are integrated into relevant business plans. In this way, key findings influence decision making across the Vancity Group.

All targets and commitments set to improve performance are published in our accountability report. Progress is tracked and reported internally each quarter, and once every two years in our public accountability report.

Integrate targets and commitments into executive and staff performance plans

Each target or commitment has a named executive accountable for its achievement. Vancity's Chief Executive Officer is asked to ensure the targets and action plans are incorporated into executive performance plans to ensure they are adequately resourced and remain "top of mind". Executive are then responsible for cascading responsibilities down into their team's performance plans.

Prepare and externally verify accountability report

Management writes the accountability report. This process is led by our Strategy Division, which is responsible for coordinating input from employees and management across the Vancity Group, as well as supporting the external social auditor to verify the report. The report is externally verified by an independent third party (currently InterPraxis Consulting) to provide readers with assurance that the report is reasonable, balanced and reliable. Our external verification process is guided by the AA1000 Assurance Standard.

We obtain feedback on the report in draft stages from a stakeholder panel. In 2008, this panel consisted of twelve individuals selected for their knowledge of credit unions/co-operatives, financial services, and specific aspects of our performance. We ask the panel to focus their feedback the report's completeness, materiality and responsiveness. The panel is not expected to comment on the accuracy of the content – this is the role of the external auditor.

Once senior management, our Community Leadership Committee and Vancity's Board have signed off on the report, our internal communications team takes over and oversees the report's design, editing and production. Our external social auditor officially signs off on the very last draft, just before the report goes to print. The auditor's assurance statement is included in the report. As well, the auditors produce a Management Letter addressed to management, which includes observations and recommendations on less significant issues noted in the course

of the audit. A process is in place to respond to the findings, and track progress on any action items.

Distribute and communicate report; obtain feedback

Communication of our accountability report is led by our communications team. The full report is available on our website in PDF format, and an executive summary is available in print as well as online. The report includes links to additional information available online. We use a variety of tactics and channels to communicate our report, tailored to employees, members, and the broader community.

The executive summary is available to members online and in our branches. In addition we include articles in our member newsletters and on our website. To communicate the report to our employees, each employee receives a copy of the summary brochure via their manager. We also post key messages on our intranets and give face-to-face presentations. For other audiences, tactics include producing a press release and coordinating a mail-out of the report to key organizations and individuals.

Once the report has been out for a while, we proactively seek feedback through online tools and organized meetings. This feedback is used to improve our next report.

Timeline of key milestones and decisions

Vancity/Vancity Group

- 1992**
 - Vancity starts to report on social and environmental performance with a special section in the Annual Report on contributions to staff, community and ecological responsibility
- 1995**
 - The Annual Report includes a comprehensive Social Report section, including quantitative measures in areas such as affordable housing, community economic development, staff well-being and the environment
 - The Board approves adoption of a rigorous social audit with stakeholder involvement as part of an overall CSR strategy. It is felt that a stakeholder model best reflects Vancity's democratic structure and credit union values
- 1996**
 - Vancity publicly commits to conduct a social audit in 1997 and to publish the results in an externally verified social report
 - Simon Zadek of the [New Economics Foundation \(UK\)](#) is engaged as external advisor to assist with development of a social audit process aligned with emerging accountability standards – now called [AA1000](#)
- 1997**
 - The New Economics Foundation (UK) is hired as Vancity's external social auditor
 - To build local capacity, Vancity hires Susan Todd (of [Solstice Consulting](#)) to be the local member of the external audit team. Susan is trained by the New Economics Foundation (UK) and on the job at Vancity
- 1998**
 - Vancity's first externally verified [1997 Social Report](#) is released
 - Vancity organizes and hosts the third international (and first North American) conference on social auditing
- 1999**
 - The decision is made to move to a two year reporting cycle and to adopt the AA1000 framework for social auditing and reporting
 - Vancity is one of a handful of companies to pilot the [Global Reporting Initiative \(GRI\) Sustainability Reporting Guidelines](#) in their report
 - Solstice Consulting is appointed as external auditor for the second report
- 2000**
 - The externally verified [1998-99 Social Report](#) is released
 - The report includes GRI indicators relevant to Vancity as a financial institution and voluntarily includes Canadian Public Accountability Statement indicators required of federally regulated financial institutions with equity in excess of \$1billion
 - The Board approves Vancity's [Statement of Values and Commitments](#)
- 2001**
 - Performance measures and framework for the third report are aligned to Vancity's

Statement of Values and Commitments

- The name of the Social Report is changed to Accountability Report to reflect Vancity's commitment to be accountable for living up to the commitments in the Statement of Values and Commitments
- Solstice Consulting is reappointed as external auditor
- A 2001 benchmark survey by Stratos, [Stepping Forward](#), ranks Vancity's 1998-1999 Social Report 6th out of 35 leading and emerging Canadian reporters

2002

- The externally verified [2000-01 Accountability Report](#) is released
- The report includes GRI indicators relevant to Vancity as a financial institution and voluntarily includes Canadian Public Accountability Statement indicators
- The Board approves Vancity's Baseline Ethical Policy to guide all business relationships with organizations (nonprofit, cooperative, for profit)

2003

- The Social Audit Committee becomes an official standing committee of the Board with Board and Executive (non voting) members and formal Terms of Reference
- [InterPraxis](#) is appointed as external auditor following a formal selection process, and uses the AA1000 assurance standard
- A 2003 benchmark survey by Stratos, [Building Confidence](#), ranks Vancity's 2000-01 Accountability Report 2nd out of 35 leading and emerging Canadian reporters and 5th when compared to the best in the world
- An unofficial assessment by SustainAbility of the 2000-01 Accountability Report ranks it 14th out of 50 leading global reporters in 2002
- Vancity agrees to become a series sponsor of [The Accountability Project](#), a series of workshops on implementing sustainability systems and programs; reporting on sustainability performance; engaging with stakeholders; and, assuring information and underlying systems for stakeholders

2004

- Vancity's externally verified [2002-03 Accountability Report](#) is released
- The report is "in accordance" with the GRI 2002 Sustainability Reporting Guidelines and includes a section on the application of the Baseline Ethical Policy to business members, suppliers, and partners
- The Vancity Group becomes a [GRI Organizational Stakeholder](#)

2005

- InterPraxis is reappointed as external auditor by Vancity members at the Annual General Meeting (AGM)
- The 2002-03 Accountability Report receives a Commendation for Sustainability Reporting from the Ceres-ACCA North American Awards for Sustainability Reporting
- A 2005 benchmark survey by Stratos, [Gaining Momentum](#), ranks Vancity's 2002-03 Accountability Report 1st out of 35 Canadian reports
- Vancity commissions Solstice Consulting to prepare a research report on [Integrated Reporting](#) (combined annual and sustainability reports). The report is made available

to the public.

- 2006**
- Vancity’s Baseline Ethical Policy and Citizens Bank’s Ethical Policy are replaced with one [Ethical Policy](#) applicable to the entire Vancity Group
 - The Vancity Group’s externally verified [2004-05 Accountability Report](#) is released. It includes the results of a full audit of Vancity and Citizens Bank and is “in accordance” with the GRI 2002 Sustainability Reporting Guidelines.
 - Vancity’s Community Leadership Committee is formed. This Board Committee has broader responsibilities than the Social Audit Committee, including overseeing the accountability reporting process and Ethical Policy.
 - An official assessment by [SustainAbility](#) of the 2002-03 Accountability Report ranks it 39th out of 50 leading global reporters (SustainAbility, UNEP FI, and Standard & Poor’s 2006 Survey of Corporate Sustainability Reporting – [Tomorrow’s Value](#)). The Vancity Group is the only North American financial institution to make it into the top 50
- 2007**
- The Vancity Group 2004-05 Accountability Report receives an award for Best Sustainability Report from the [Ceres-ACCA North American Awards for Sustainability Reporting](#)
 - Stratos’ fourth review of corporate sustainability reporting in Canada, [Best Practices in Canadian Corporate Sustainability Reporting](#), includes the Vancity Group as a best-practice reporter
 - Prepared by Stratos, an Industry Canada sponsored study on [Integrating Sustainability into Business Processes](#) includes a case study on the Vancity Group
 - The Vancity Group is part of the UNEP-FI/GRI Working Group mandated to update and develop the [Financial Services Sector Supplement](#) – social and environmental indicators for financial service providers
- 2008**
- The Vancity Group’s externally verified [2006-07 Accountability Report](#) (its sixth report) is released. It includes the results of a full audit of Vancity and Citizens Bank and is prepared in accordance with the [GRI G3 Sustainability Reporting Guidelines](#), to level A+, and becomes the first North American financial institution to do so.
 - The Vancity Group sets an action plan to evaluate its accountability reporting process, including opportunities to further align our strategic and business planning processes and develop one integrated annual financial and accountability audit and report

Citizens Bank of Canada

- 1997**
- Citizens Bank of Canada is established
 - Ann Svendsen of [CoreRelation Consulting](#) is engaged to conduct the Bank's first base-level social review using Canadian Business for Social Responsibility's 1997 Guidelines for Corporate Social Performance
- 1998**
- Citizens Bank of Canada's [Corporate Responsibility Report 1997](#) is released
 - The Bank's Ethical Policy is developed to provide a framework for social and environmental responsibility in managing external relationships and internal operations
- 1999**
- The Bank's Ethical Policy becomes effective and a phased-in implementation is begun
 - Decisions are made to report on every second year's performance, adopt the Ethical Policy as the basis of the report, and to draw on the AA1000 framework for social auditing and reporting
 - Solstice Consulting (lead: Susan Todd) is appointed as the Bank's external social auditor
- 2000**
- Citizens Bank of Canada's first externally verified [Ethical Policy Compliance Report 1999](#) is released; it includes future commitments for action to be reported on in the 2001 report
 - The Bank's Ethical Policy is revised slightly
- 2002**
- Solstice Consulting is reappointed as the Bank's external social auditor
- 2003**
- Citizens Bank of Canada's second externally verified [Ethical Policy Compliance Report 2001](#) is released
 - The name of the report is changed to Accountability Report and it is expanded to include social, environmental and economic performance to reflect the Bank's comprehensive vision of corporate social responsibility beyond the Ethical Policy
 - Solstice Consulting is reappointed as external auditor and uses the AA1000 assurance standard
- 2004**
- Citizens Bank of Canada's first externally verified [Accountability Report 2003](#) is released in electronic formats only (PDF and HTML)
 - As a private company, the Bank produces no annual report; this is the first time financial results are made public in a report
 - The report includes Global Reporting Initiative (GRI) sustainability reporting indicators where relevant and voluntarily includes Canadian Public Accountability Statement indicators required of federally regulated financial institutions with equity in excess of \$1 billion

- 2005**
- The Bank's Ethical Policy is revised to better align with Vancity's Baseline Ethical Policy
 - The decision is made to report on Citizens Bank's performance in Vancity's 2004-2005 Accountability Report instead of in a separate report
- 2006
and
beyond**
- See Vancity Group (above)

ⁱ Now Solstice Sustainability Works

ⁱⁱ Coalition for Environmentally Responsible Economies (ceres.org)