

Reporting Process and History

An Evolution of Reporting at Vancity

How it all started

Vancity first began reporting on its social and environmental performance in 1992 by including a special section on employee, community and ecological responsibility in our Annual Report. By 1995, this had been expanded to a comprehensive social report section, including quantitative measures in areas such as affordable housing, community economic development, employee 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 AccountAbility's *AA1000 Series*. We decided to move forward with an externally verified and publicly released report, and hired New Economics as our external social 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

Vancity's 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. Following the release of our first report, we decided to report on performance once every two years to save resources and focus efforts on improving the efficiency of our new and evolving reporting-related processes.

In Vancity's second report, the *1998-99 Accountability Report*, we piloted the *Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines*, reporting on those GRI indicators that are relevant to financial institutions. We voluntarily included the *Public Accountability Statement Regulations*—reporting requirements proposed by the Canadian federal government to describe financial institutions' 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.

Citizens Bank of Canada, a wholly owned subsidiary of Vancity, also began producing stand-alone sustainability reports once every two years, (and later, Ethical Policy compliance reports), beginning with its *1997 Corporate Responsibility Report*, which was developed using Canadian Business for Social Responsibility's *Guidelines for Corporate Social Performance*. In 2004, we decided to consolidate Vancity's and Citizens Bank's reports to provide a complete view of our performance.

An evolving process

In 2000, Vancity created a *Statement of Values and Commitments* (“the *Statement*”) 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, the *Statement* has provided the framework for Vancity's accountability reports.

As we develop our reports and reporting process, we remain committed to and guided by AccountAbility's AA1000 principles and standards and the *GRI Sustainability Reporting Guidelines*.

In 2009, as our reporting processes have become more efficient, we agreed to publicly report our sustainability performance annually, and to work towards integrating our financial and accountability reports. In 2010 we released a traditional Annual Report. Two and a half months later, we released our 2008-2009 Accountability Report, which includes Summarized Consolidated Financial Statements alongside the Consolidated Non-Financial Statements and Notes.

Reporting Standards

At present there aren't any global or Canadian standards for integrated reporting, so we look to current standards for mandatory financial reporting, and current standards and guidelines for voluntary sustainability (or "non-financial") reporting.

We use two key standards to guide sustainability reporting: The GRI's *Sustainability Reporting Guidelines (G3)*—which include the *Financial Services Sector Supplement*—and AccountAbility's *AA1000 Series*.

GRI's *2006 Sustainability Reporting Guidelines* aim to provide comparability and consistency for sustainability reporting worldwide. We currently report to an A+ level, GRI-checked. A+ requires reporting on all material indicators contained in the Guidelines, or providing a valid reason for their omission. The Guidelines include supplementary indicators specific to financial institutions. We complement the Guidelines with indicators that ensure we capture the most material issues for our stakeholders and Vancity.

AccountAbility's AA1000 Series principles-based standards aim to help organizations become more accountable, responsible, and sustainable. We use the *Principles* (2008), *Assurance* (2008), and *Stakeholder Engagement* (2005) standards to inform our internal processes, report content, stakeholder engagement, and external assurance. The key principles are inclusivity, materiality, and responsiveness:

Inclusivity (accepting accountability for those we impact and those who impact us, and including them in our response to sustainability): To be accountable, we need to first understand our key impacts and the needs and expectations of our stakeholders. To do this, we have processes to identify our impacts and engage with stakeholders, of which accountability reporting is one.

Materiality (determining the relevance and importance of an issue to our organization and our stakeholders): Understanding which issues are material (i.e., which issues influence the decisions, actions, and performance of an organization or its stakeholders) means we can focus our internal efforts, including our reporting processes, on what's most important.

Responsiveness (prioritizing the material issues that affect our sustainability performance and responding strategically): We demonstrate responsiveness through our decisions, actions, and performance, as well as through communication with stakeholders. In addition to ongoing and ad hoc communications and engagement, we formally respond to issues raised in this report, in particular

through setting formal targets or commitments. We also respond formally to key recommendations made by our stakeholder panel.

Financial data—specifically Vancity's Consolidated Financial Statements—are presented in accordance with *Canadian Generally Accepted Accounting Principles (GAAP)* and audited in accordance with generally accepted auditing standards.

Vancity's Reporting Process

Identify and prioritize material issues; review and refine indicators

Materiality is one of the three principles of Accountability's *AA1000 Principles Standard*, against which our reporting process is assured. The term materiality, in the sustainability context, describes a robust process to determine the relevance and importance of issues that matter to an organization and its key stakeholders. Vancity also follows the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines* in which materiality is one of the core principles for determining report content: "The information in a report should cover topics and indicators that reflect the organization's significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders." The results of a valid materiality determination process can be used to justify the exclusion of non-material GRI indicators.

Each cycle, we identify our material issues, prioritize them and, based on this, review and refine our performance indicators and report content. Some years this process is more extensive than others. As we move to an annual reporting cycle, we plan to conduct an in-depth materiality process review once every two or three years. In the other years we will conduct a much-simplified process review to confirm our issues and indicators, updating them if needed. For a detailed explanation of our 2009 stakeholder mapping and materiality process see vancity.com/accountability09/materiality.

The basic steps in our process are:

Identify/reaffirm our stakeholders: Usually done through a stakeholder-mapping exercise, our key stakeholders (members, employees and communities) were initially identified through the development of our Statement of Values and Commitments in 2000. In 2009, we identified regulators as an additional key stakeholder.

Identify issues: We create or revise a list of issues, guided by AccountAbility's five-part materiality test (see www.accountability21.net). This process includes conducting an extensive document review (e.g., Board Committee minutes, member complaints and correspondence, communications to staff, media articles, survey and focus group results, the annual and sustainability reports of our peers, etc.) and interviewing senior management and employees.

Gauge level of stakeholder interest: We ask stakeholders or their proxies to rate the issues by importance. For an in-depth process, we engage with members, employees and a stakeholder panel comprising community leaders directly. We also convene an internal group to help rate each issue's importance to Vancity.

Analyze results: We combine and chart the results of key stakeholders (members, employees, community, regulators) with those of Vancity. We weight members' results higher than other stakeholders' because, as credit union members, they are both owners and customers, and they are also part of the community. Members are also the primary audience of our reports.

Decide on performance indicators and report content: We use the results to influence the report content, including performance indicators. We give our material issues more in-depth coverage and/or prominence in the report.

Verify results: Vancity's Executive Leadership Team, the Audit Committee of the Board, and a stakeholder panel comprising community experts review and comment on the process and results. Vancity's Board of Directors is responsible for final approval of our set of performance indicators, and the report.

Monitor and measure performance

We work with relevant areas of the business to establish appropriate accounting systems to collect the required data and information in an accurate and timely manner. We use 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 some 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 to compare our performance to that of other Canadian credit unions, financial institutions or companies as much as possible.

We collect and manage data using an on-line data management system (Credit360), which includes data quality controls. Assigned data providers enter the data into the system and submit explanations if the data vary significantly from the previous year. Assigned data approvers then check the data for completeness and accuracy. On occasion the data provider and approver are the same person. We offer training on Credit 360 on an as-needed basis (at least annually). The Accountability Team, which sits in the Finance Division, oversees Credit360 and double-checks data once they have been approved for completeness, following up where adequate supporting documentation has not been provided. Where data is of a confidential nature, supporting documentation remains with the data provider and more reliance is placed on the data provider to enter accurate and complete data.

Respond to key findings and set future targets and commitments

Once we've collected all the data and information for inclusion in the report, we identify any issues or performance gaps. We bring these key findings to the attention of executive/senior management for a response. 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 current priority, and why. Future targets and commitments are aligned with relevant business plans and organizational priorities to ensure they are adequately resourced. In this way, our reporting process influences decision-making across Vancity.

Targets and commitments set to improve performance are published in our report, along with the executive accountable for its achievement. Progress is tracked and reported internally each quarter to the Audit Committee of the Board, and reported publicly in our reports.

Prepare the report

Management writes the report. This process is led by the Accountability Team. As well as coordinating input from employees and management across Vancity, this team engages with stakeholders and provides support to the external sustainability assurance provider as they conduct their assurance

engagement. The Communications Team, which sits in the Member Engagement Division, oversees the report's design, editing and production.

As part of the report preparation process, we solicit feedback on a draft of the report from an external stakeholder panel facilitated by Ceres. This panel consists of about a dozen 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 sustainability assurance provider. We formally respond to the panel's key recommendation in the final version of the report. The Audit Committee is responsible for reviewing the report and recommending its approval to the Board.

Have the report externally verified

Vancity's Consolidated Financial Statements are externally audited in accordance with generally accepted auditing standards. Adherence to the AA1000 principles and specified performance information is externally assured to a reasonable level, guided by the *AA1000 Assurance Standard*.

For the first time, in 2009 Summarized Consolidated Financial Statements, derived from the Consolidated Financial Statements, were included in an Accountability Report alongside the Consolidated Non Financial Statements and Notes. Both the *Auditors Report* (financial) and Independent Assurance Statement were included in the report. In addition to an opinion, the independent assurance statement includes material observations and recommendations for improvement. Both the financial auditor and the sustainability assurance provider develop a Management Letter, addressed to management, which include observations and recommendations on less significant issues noted in the course of the audit/assurance engagement. We have a process to respond to the findings and any resulting action items are tracked quarterly and reported to the Audit Committee.

Distribute and communicate the report; obtain feedback

Communication of our report is led by our Communications Team. 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. In the past we have produced executive summaries for distribution in our branches and to staff, posted key message on our intranet and websites, mailed statement stuffers announcing the report to members, delivered internal and external presentations, produced press releases, held report-related quizzes, and mailed copies of the report to key organizations and individuals.

After the report has been released, we seek feedback from stakeholders to improve our next report and ensure we continue to report on the areas of greatest importance to them. Feedback mechanisms used to date include email, online reader surveys, and focus groups.

Timeline of Key Milestones and Decisions

- 1992**
 - Vancity begins to report on social and environmental performance with a special section in the Annual Report on contributions to employees, community and ecological responsibility
- 1995**
 - Vancity's Annual Report includes a comprehensive Social Report section, including quantitative measures in areas such as affordable housing, community economic development, employee well-being and the environment
 - Vancity's Board approves adoption of a rigorous social audit with stakeholder involvement as part of an overall Corporate Social Responsibility strategy. It is felt that a stakeholder-informed 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 the 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
 - Citizens Bank of Canada is established as a wholly-owned subsidiary of Vancity. Ann Svendsen of [CoreRelation Consulting](#) is engaged to conduct Citizens Bank's first base-level social review using Canadian Business for Social Responsibility's 1997 Guidelines for Corporate Social Performance
- 1998**
 - Vancity's first externally verified [1997 Social Report](#) is released
 - Citizens Bank of Canada's [Corporate Responsibility Report 1997](#) is released
 - Vancity organizes and hosts the third international (and first North American) conference on social auditing
 - Citizen Bank's Ethical Policy is developed to provide a framework for social and environmental responsibility in managing external relationships and internal operations
- 1999**
 - We decide on a two-year (biennial) reporting cycle and adopt the AA1000 framework for social auditing and reporting at both Vancity and Citizens Bank
 - Vancity is one of a handful of companies to pilot the [Global Reporting Initiative \(GRI\) Sustainability Reporting Guidelines](#) in its report
 - Solstice Consulting is appointed as external social auditor for Vancity and Citizens

Bank

- 2000**
 - Vancity's 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
 - Vancity's Board approves the [Statement of Values and Commitments](#)
 - 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
- 2001**
 - Performance measures and framework for the third report are aligned to Vancity's Statement of Values and Commitments
 - The name of Vancity's Social Report is changed to Vancity's Accountability Report to reflect our promise to be accountable for living up to our Statement of Values and Commitments
 - Solstice Consulting is reappointed as Vancity's external social 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**
 - Vancity's 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
 - Vancity's Board approves a Baseline Ethical Policy to guide all Vancity business relationships with organizations (not-for-profit, cooperative, for-profit)
 - Solstice Consulting is reappointed as Citizens Bank's external social auditor
- 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 Vancity's external social auditor following a formal selection process, and uses the AA1000 assurance standard. Solstice Consulting is reappointed as Citizens Bank's external auditor and also uses AA1000
 - 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
 - Citizens Bank of Canada's second externally verified [Ethical Policy Compliance](#)

[Report 2001](#) is released

- 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
 - Citizens Bank's externally verified [Accountability Report 2003](#) is released in electronic formats only (PDF and HTML). 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.
 - As a private company, Citizens 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
 - Vancity becomes a [GRI Organizational Stakeholder](#)
- 2005**
- InterPraxis is reappointed as Vancity's external social auditor by members at the Annual General Meeting (AGM)
 - Vancity's 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.
 - We decide to report on Citizens Bank's performance in one consolidated report (Vancity's 2004-2005 Accountability Report) instead of in a separate report
- 2006**
- Vancity's Baseline Ethical Policy and Citizens Bank's Ethical Policy are replaced with one Group-wide [Ethical Policy](#)
 - Vancity'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](#)). Vancity is the only North American financial institution to make it into the top 50

- 2007**
- Vancity's 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 Vancity as a best-practice reporter
 - Prepared by Stratos, an Industry Canada sponsored study on [Integrating Sustainability into Business Processes](#) includes a case study on Vancity
 - Vancity 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**
- Vancity'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 application level A+, and becomes the first North American financial institution to do so.
 - Vancity 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
- 2009**
- Vancity's 2006-07 Accountability Report is short-listed for Best Sustainability Report from the [Ceres-ACCA North American Awards for Sustainability Reporting](#)
 - Vancity's Audit Committee becomes responsible for non-financial as well as financial reporting process.
 - Ernst & Young is appointed as Vancity's sustainability assurance provider following a formal selection process, and uses the AA1000 assurance standard. KPMG remains appointed as Vancity's financial auditor.
 - Vancity partners with the Global Reporting Initiative (GRI) to host a workshop for local sustainability practitioners and reporters to inform the development of a GRI protocol on report content and materiality.
- 2010**
- Vancity's first externally verified integrated report is released in June 2010, three months earlier than the last Accountability Report. The [2008-2009 Accountability Report](#) includes Summarized Consolidated Financial Statements as well as Consolidated Non-Financial Statements and Notes. AccountAbility approves Ernst & Young's *Independent Assurance Statement*. The report is prepared to application level A+ of the [GRI G3 Sustainability Reporting Guidelines](#). A traditional Annual Report is also prepared and released in time for our Annual General Meeting in April.
 - Vancity plans to replace the Annual Report with an integrated report by 2012.

ⁱ Now Solstice Sustainability Works

ⁱⁱ Coalition for Environmentally Responsible Economies (ceres.org)