

Disclosure on Management Approach

This Disclosure on Management Approach (DMA) describes how Vancity manages the material aspects of its performance, including overarching goals, policies, procedures, and monitoring systems. It also includes a list of our memberships and principles we subscribe to or endorse. We created this document to meet the Global Reporting Initiative's Sustainability Reporting Guidelines (G3), including the Financial Services Sector Supplement, and to avoid repeating information that changes infrequently in our externally assured accountability reports, year after year. We plan to update this document annually, and note any significant changes in our management systems in our accountability reports.

Information related to material Human Rights Aspects is addressed under Risk Aspects (investment and procurement practices) and Labour Practices and Decent Work Aspects (non-discrimination and freedom of association & collective bargaining).

Introduction: Vancity's framework for doing business

As a financial co-operative, Vancity is guided by the [Co-operative Principles](#) as well as our values of integrity, innovation and responsibility, as set out in our [Statement of Values and Commitments](#). We created the Statement in 2000 with the input from members, employees and community representatives. The Statement sets out our mission, purpose, values, and six commitments to guide our approach to doing business.

Our key strategies and policies are aligned to the Statement of Values and Commitments. As a financial institution we recognize that who we do business with has an impact on society and the environment—this includes the financing we provide to our business members and the companies we invest in, buy from and partner with. This is why we have an [Ethical Policy](#) to guide our decisions. Also, since 2004 our Community Leadership strategy has focused our resources and expertise (such as granting, technical assistance, products & services, and advocacy) in three key areas: facing poverty, climate change, and growing the social economy.

In 2008 we launched a new Vision, *Redefining Wealth*. We seek to define wealth in a way that goes beyond profit alone to include social justice, environmental sustainability and community well-being. It's a definition that goes beyond the trade-offs assumed in a triple-bottom-line approach to one that creates true blended value. Our Vision is supported by a Three Year Plan with the following strategic goals:

- Get our Financial House in Order
- Make the Branch Network Sing
- Build the Social Finance Offer

In particular, our Social Finance strategy, created in 2009, will help us achieve our Vision. This strategy directs us to seek transactions with businesses, not-for-profit organizations and social enterprises that deliver strong blended value (economic, environmental, and social), and to invest in emerging sectors to maximize community impact. Our definition of social finance is “an entrepreneurial and risk-based discipline of investment in enterprises—business, not-for-profit, and co-operative—that uses a stable of capital pools and Vancity’s convening power to generate economic, social, and environmental benefits and to create wealth and community well-being.” As social finance evolves, our Community Leadership strategy’s three key areas of focus will deepen and broaden the impact of our lending, investing and granting programs.

We communicate our values, Vision, key strategies and Ethical Policy to new employees during their orientation, and on an ongoing basis as opportunities arise. The organizational scorecard and employee performance plans are aligned to our Three Year Plan and include both financial and non-financial goals.

Our employee profit share program is based on organizational and divisional scorecards that align with our Vision and encourage employees to work as a team to support business goals. Compensation for senior management (managers at the executive and director level) consists of base salary and an annual incentive plan. The incentive plan is aligned to our organizational scorecard. This scorecard includes targets for financial performance and member loyalty/service. For the executive team, employee engagement is a third component of the scorecard and incentive plans range between 20 and 50 per cent of actual earnings. Board remuneration is determined by members at the Annual General Meeting (AGM). It is not directly linked to organizational performance, except for a \$2,500 bonus that is tied to our achieving an annual operating earnings target.

Board Directors annually certify that they will abide by the [Standards of Business Conduct and Ethical Behaviours for Directors](#) just as employees are required to annually certify that they will abide by the [Vancity Group Code of Conduct for Employees](#).

The final commitment in our Statement of Values and Commitments is: “We will be accountable for living up to our commitments.” The key way we do this is by measuring and publicly reporting on our economic/financial, social and environmental performance through externally verified, stakeholder-informed accountability reports. In these reports we set public targets and commitments to improve our performance and/or demonstrate leadership. These targets and commitments are aligned with organizational and departmental business plans, and each one is assigned to one or more members of the executive team. In this way, our reporting process informs decision-making and drives improvement across Vancity.

In 2009, we transitioned to an annual reporting cycle with plans to fully integrate financial and non-financial reporting within the next two years.

Economic Aspects

We contribute to the economy in direct and measurable ways, including the goods and services we purchase, salaries and benefits, corporate taxes, in-kind services, and sponsorships. As a financial co-operative, we take pride in sharing our profits with our owners (our members) and our communities. Each year, through our Shared Success Program, we share the equivalent of 30 per cent of our net profits with credit union members and the community. Profits are shared with members in the form of share dividends and patronage rebates, and with the community in the form of grants. Organizational responsibility for granting lies with our SVP Community Investment.

Our community granting programs support the strategic objectives of our Three Year Plan as well as our Community Leadership strategy. To support our objective to *Make the Branch Network Sing* we distribute responsive grants to support local projects initiated by community organizations within the three focus areas of our Community Leadership strategy. To support our objective to *Build our Social Finance Offer*, we allocate strategic grants and provide technical expertise to strengthen not-for-profit organizations and social enterprises, both individually and as a sector.

In addition to Shared Success, each year we donate one per cent of revenues (or \$70,000, whichever is greater) from the Jumpstart™ High Interest Savings Accounts to support the Future Foundations Program, which supports financial education, savings incentives and other resources to help move low-income individuals and families to self-sufficiency.

As well as our corporate granting programs, the public Vancity Community Foundation makes grants to charitable organizations with a focus on affordable housing and homelessness, community asset building and non-profit social enterprise. See vancity.com/vcf for more information.

Market Presence

Our goal is to provide employees with a compensation and benefits package that aligns with our strategic direction and is competitive in the marketplace. Our compensation package consists of base pay, profit-sharing and benefits. Base pay is established based on current market data. We monitor changes within the marketplace on a regular basis, and conduct a full review of base-pay structures at least every two years. Permanent employees are eligible for one of two retirement plan options: a group registered savings plan, or a defined benefits plan. We sit on the Steering Committee for the Living Wage, and in 2010 we will complete a review to determine what's involved in becoming a Living Wage Employer. We hire locally when possible. Organizational responsibility for staff compensation and benefits lies with our Vice President of Human Resources.

For more information on our hiring practices, see Labour Practices and Decent Work Aspects.

We try to leverage our spending dollars in the community. Departments responsible for purchasing goods and services for our business are guided by our Procurement Policy, which is aligned to our Ethical Policy. Our goal in purchasing is to buy locally whenever possible. Organizational responsibility for Procurement lies with our VP Finance.

Indirect Economic Impacts

We also contribute to the economy in ways that are not so easy to quantify. As a financial institution, we have an opportunity to be the catalyst for significant economic activity. We facilitate access to financial services and resources so members—individuals and business—can achieve their goals. As we *Build our Social Finance Offer* (✓ See Introduction above), we will proactively lend to, invest in and provide technical support and expertise to community organizations with a social and/or environmental purpose, to build their organizational capacity and financial strength and help them achieve their mission.

In addition, through Vancity Enterprises we work in partnership with local groups and societies to improve the quality of life in communities by undertaking socially responsible real estate developments. We focus on the provision of affordable, accessible housing by balancing commercial, social/environmental and urban design factors in a manner that ensures long-term community sustainability.

The indirect economic impacts of our operations, products and services include jobs created or supported, greenhouse gas emissions saved, increased home ownership and greater participation in the economy as individuals attain economic self-reliance.

Our community investment activities are guided by our Community Leadership and Social Finance strategies, and we plan to develop metrics to better understand the indirect impacts of our activities, products and services.

Environmental Aspects

Overall

Our Statement of Values and Commitments compels us to lead by example and leverage our unique skills and expertise as a financial institution to create solutions to environmental issues; model and advocate environmentally responsible business practices; seek business partners who respect the environment; and invest our dollars responsibly in the communities in which we live and work. It is important we lead by example as we build our social finance offer—as we seek to do more business with organizations that deliver strong blended value, we need to be able to demonstrate how we ourselves are maximizing our positive, and minimizing our negative, social and environmental impacts.

We're a long-term signatory to the Ceres principles, a 10-point code of corporate environmental conduct; and our Community Leadership strategy focuses our tools, resources and expertise in three areas, one of which is acting on climate change.

Our Climate Change strategy commits us to action on four fronts: reducing the environmental impact of our operations; helping employees and members to act by providing education, products and services that reduce environmental impact; enabling the community to act by providing access to capital for projects that reduce environmental impacts; and encouraging governments to act by advocating for public policy changes that will reduce negative environmental impacts.

Our SVP Community Investment is tasked with overseeing implementation of our Climate Change strategy while our Director Facility Management is responsible for energy management.


Below are more details on how we manage material environmental performance aspects. We have not included information on biodiversity, effluents and transport as these aspects are not material to Vancity or our stakeholders.

Products and Services

As a service-based financial institution we do not manufacture any products and we are not a large direct emitter of greenhouse gases. Our Environmental Policy commits us to making our operations, products and services as environmentally responsible as possible and to pursuing and encouraging activities that enhance the ecological and social health of the community.

Our “green” products and services (products and services with environmental benefits) include:

- The Bright Ideas Home Financing Program, a loan program to help members reduce their environmental footprint by making their homes more energy efficient
- The Clean Air Auto Loan, which rewards members who buy fuel-efficient cars that emit less carbon through preferential loan rates
- Vancity's enviroFund *Visa* program, through which we donate five per cent of *Visa* profits to support local environmental projects
- Advice for greening your business—our Green Business Manager supports businesses and not-for-profit organizations to improve their energy-efficiency
- Environmentally responsible real-estate development through Vancity Enterprises.

 For more information about our green products and services, visit www.vancity.com/change_products

 For information on how we address environmental risk, see Risk Aspects, below.

Energy and Greenhouse Gas Emissions

In 2004 we set a goal to be carbon neutral by 2010 through a combination of greenhouse gas reduction initiatives and carbon offsets. We achieved that goal by 2008 and remain committed to carbon neutrality and to further reducing our carbon footprint. Following the World Resources Institute's GHG Protocol and the CSA/ISO14064 standard, we're focusing on further greenhouse gas emissions reductions in the areas of paper use and quality, employee

commuting, business travel and premises energy use. We monitor our paper usage, track and quantify emissions from employee commuting, air and vehicle business travel and our vehicle fleet, and measure energy usage across all our facilities to build and implement programs to manage our footprint. Our carbon footprint and carbon neutral assertion is audited annually by external sustainability assurance providers and our report is registered with the CSA's GHG CleanStart Registry.

We educate and engage our employees in reducing our emissions from operations by conducting regular employee communication and awareness campaigns and we have created an array of incentives and programs to encourage employees to commute via sustainable transportation modes.

Materials

As a service-based organization, our major material input and output is paper. Paper use and quality is managed as part of our Climate Change strategy and is discussed above. In addition, we have developed a list of environmental criteria for contractors to follow when renovating or building office locations. We also have criteria to cover other services, for example we request paint made with low or no volatile organic compounds, and green products for cleaning.

Waste

Our Environmental Policy states we want to reduce our consumption of natural resources and production of waste, and to reuse and recycle resources and materials. We have a comprehensive recycling policy and program covering paper products (including paper towels and disposable coffee cups), glass, cans, plastic, batteries, toner cartridges, fluorescent tubes, electronic equipment, furniture, and construction waste, and we have a composting program. Our Facility Management department conducts waste audits every two years to measure and track the volume and type of outputs from our operations and staff activities. The results of these audits allow us to implement additional programs and engage suppliers and staff in efforts to reduce waste.

Water

To conserve water at our owned facilities, we use water-efficient appliances, repair water leaks as soon as is reasonably possible, and use water-efficient taps, faucets, toilets and urinals. We have set requirements for low water use in any of our new buildings. Water use is tracked and reported annually at facilities where direct water metering is possible.

Labour Practices and Decent Work Aspects (including human rights in the workplace)

Employment

Our [Statement of Values and Commitments](#) states we want to ensure Vancity is a great place to work. Our goal is to have proud, motivated, knowledgeable employees who are inspired to make a difference through the work they do and their relationships with the members and

communities they serve. Our Human Resources department, led by our VP Human Resources, supports Vancity on all people-related issues. An annual employee engagement survey, along with monitoring of employee turnover and additional employee feedback, provides us with a picture of how we're doing as an employer. Employee engagement is one of three metrics on our organizational scorecard and is one of the key ways we measure success. Every year, we focus on addressing specific issues to increase engagement scores organizationally. Each branch and department is encouraged to establish action plans to deal with their specific issues, with managers leading this process. We believe a primary driver of employee engagement comes from the leadership capabilities of the organization. Effective leaders build engaging work environments by involving, empowering and recognizing employees for their contributions. Our Executive Leadership Team's compensation is tied to our achievement of annual employee engagement targets.

We are committed to providing a competitive compensation package that aligns with our strategic direction. We offer all permanent full- and part-time employees the same comprehensive flexible benefits package, and provide flexible work arrangements and wellness programs to help employees maintain a healthy balance between their work and personal commitments.

To ensure continued industry competitiveness, we may at times be required to make changes in the delivery of our services that result in changes to existing roles or the elimination of positions. In these instances every effort is made to retain the skills and knowledge of displaced people within Vancity through redeployment to alternative positions. Our Employment Transition Policy (non-union employees), or relevant Collective Agreement for employees belonging to a union, require us to provide as much notice as possible to employees who are directly impacted by proposed changes. During periods of transition, we are committed to open communications and we provide career transition support to assist and support impacted employees.

Diversity and Equal Opportunity

Vancity, in cooperation with our unions, is committed to creating and maintaining a positive and welcoming work environment that is free of harassment and discrimination, where the individual differences of all employees are valued and where all employees are treated with dignity and respect. Our goal is a workplace that's representative of the members and communities we serve. We hire locally as much as possible.

We are guided by a [Commitment to Diversity](#), along with our Respect in the Workplace and Employment Equity policies, or relevant Collective Agreement for employees belonging to a union. These policies are required reading for new employees.

Our Employee Code of Conduct, Employment Equity Policy and Respect in the Workplace Policy set out procedures for making and dealing with employee complaints and any requisite corrective actions. Respect in the Workplace e-learning is a required course for all employees

and helps employees understand the various aspects of harassment and discrimination or bullying.

Our collective agreements govern union employees and include formal procedures for resolving workplace issues. We track grievances and breaches of the Code of Conduct and report these quarterly to the Conduct Review Committee of the Board.

We developed a Workplace Accommodation Policy that sets out how we will change our standard practices and arrangements if they place an employee at a disadvantage in the workplace. In addition, we have a Diversity in Action team, comprising 14 employees, with the objective of identifying and removing barriers in our employment practices and policies and ensure that all employees have appropriate, accessible information regarding diversity and human rights.

Training and Education

Our goals are to ensure that opportunities for advancement are based on individual achievement, and to encourage growth through continuous learning and on-the-job development. Our performance management practices and processes help to provide focus on development planning and ongoing feedback to employees. We offer a variety of internal and external online and classroom-based training courses. Employees can access additional dollars for professional development on non-work time through our tuition reimbursement program. DiscoverU, an online learning management system, is also available to help employees identify learning needs and register for programs online.

Labour-Management Relations and Freedom of Association & Collective Bargaining

We have collective agreements with two unions: The BC Government and Services Employees Union (BCGEU) and the Pulp and Paper Workers of Canada (PPWC).

In 2009, Vancity and the BCGEU ratified a renewed three-year collective agreement that covers the period of January 1, 2009 to December 31, 2011. As part of the negotiations, the two parties signed a memorandum of agreement that formalizes our shared commitment to find community initiatives that reflect our common values and our commitment to social and economic justice. A joint Partnership Committee has been created to implement initiatives that both parties can work on together.

We believe that open and intentional communications with our union colleagues can promote discussion, transparency and proactive problem-solving around both issues and opportunities that impact community, members, employees and our workplace.

We respect the right of our employees to choose freely whether or not they wish to be represented by a trade union.

Occupational Health and Safety

We are committed to providing a healthy and safe workplace. Although the risk of work-related injuries at Vancity is relatively low, we review our health and safety program annually and collaborate with departments to ensure we're in compliance with relevant workplace standards, and provincial and federal legislation. Our Corporate Health and Safety Program includes designation of Worker Safety Representatives and Joint Occupational Health and Safety (JOSH) committees. Information on these programs is available to all employees through our intranet. Our rules and safe work procedures manual sets out emergency procedures and general safety rules. It contains policies and procedures for workplace violence, including prevention and dealing with irate members or customers. Training for new hires includes a module on Handling a Robbery. Our Employee Assistance Program is available to all employees and their immediate families. It's a voluntary, confidential, short-term counselling, advisory and information service available 24 hours a day, seven days a week, and includes a robbery recovery support program. Our Business Continuity program includes plans for responding to a pandemic situation.

Practical information on health and safety requirements is provided to all new employees as part of their orientation. In particular, managers are provided with a list of health and safety accountabilities, which includes appointing safety representatives or committees in their work area and orientation to safe work practices. We annually track and report robbery-related incidents, monitor the number of paid care days used per permanent employee, and maintain records of employee training on health and safety.

Society Aspects

Community

As a financial co-operative that operates solely in Canada, some of the GRI's required DMA on Society Aspects are not applicable or material to our operations. We do, however, adhere to all applicable laws and regulations and have set high ethical standards. Of most relevance to us is providing access to financial services for disadvantaged people, and our approach to entering or exiting a community.

Our Statement of Values and Commitments commits us to "provide members with outstanding service and help them achieve their financial goals," which includes ensuring all members have access to financial services. We provide access to basic banking services at a cost that low-income people, youth, immigrants, refugees and other vulnerable populations can afford, with programs that support sound financial decision-making.

Through annual surveys, we ask for member opinions on a range of issues, including satisfaction with products and services. Results are reported by diversity (gender, age, with a disability, ethnic minority, Aboriginal, recent immigrant, low-income, etc.) and help ensure we are meeting the needs of all our members.

One of the focus areas of our Community Leadership strategy is facing poverty, and our Facing Poverty strategy takes a three-pronged approach to improving access to financial services:

- Financial literacy (See Product Responsibility Aspects)
- Specialized financial products and services designed to help micro-entrepreneurs and marginalized individuals—including people with low incomes, immigrants and refugees—access basic banking services and credit, build savings and own a home.
- Advocacy

We place an emphasis on supporting access to affordable housing and home ownership, and act as an advocate for economic self-reliance, both directly and indirectly, by supporting community organizations and leaders. We have an Aboriginal strategy to assist Aboriginal organizations and First Nations in their efforts to improve the standard of living of their members and move forward in their goal of financial independence. And through Pigeon Park Savings, operated by Portland Hotel Society Community Services in partnership with Vancity, we provide basic banking services to residents of Vancouver's Downtown Eastside—Canada's poorest neighbourhood.

For more on these products and services, see vancity.com/financialliteracyandbasicbanking

Our branches are wheelchair-accessible, and our Automated Teller Machines (ATMs) have Braille keypads. Our websites are designed to be accessible by those who use screen-reading devices such as JAWS (Job Access With Speech). We train senior call centre agents to provide TTY (text telephone) banking services to members with hearing disabilities.

When merging or relocating branches, we keep members informed through a variety of mechanisms including statement inserts, letters and signs. We involve the community when designing new branches to ensure our branches reflect the community in which they are located.

Corruption/Employee Fraud

All Directors and employees are required annually to review and sign off on a Code of Conduct, which necessitate adherence to a high standard of business ethics (see Introduction. Note that there is one Code of Conduct for Directors and another for employees). We have a process to monitor that this gets done. The codes also set out the reporting responsibilities of employees, should they observe anything that appears to violate the terms of the policy. Employees can report any breaches to their managers or through our externally-managed, anonymous and confidential reporting system (introduced in 2010).

Additional policies and procedures governing cash handling, member transaction processing, and other internal processes, include controls such as dual custody, passwords and transaction limits. These are designed to mitigate the risks of employee dishonesty. Employee dishonesty is covered in the security training given to new employees whose jobs require it, and representatives from our Corporate Security department periodically meet with groups of branch managers to raise awareness of employee dishonesty and provide guidance in managing

incidents. Our Employee Dishonesty Policy requires that all incidents of employee dishonesty are reported for investigation, and if substantiated, the employee could be dismissed. We report incidents of employee dishonesty and/or breach of conduct to the Audit and Conduct Review Committees, who monitor for any significant breakdown in controls and/or business ethic issues.

📖 For information on how we manage external fraud, see Risk.

Public Policy

Vancity is a non-partisan organization and abstains from intervention in partisan political activities and processes. Therefore, we do not permit use of corporate funds to provide political contributions. A Political Activities Policy is under development.

Lobbying on regulatory matters is generally done through Central1 (the central financial facility and trade association for the BC and Ontario credit union systems). We also work with the Canadian and BC Co-operative Associations and allied co-ops such as The Co-operators.

Compliance/Anti-Competitive Behaviour

Our SVP Governance, Risk and Compliance, supported by our Corporate Compliance Office and Internal Audit department, is accountable for ensuring the organization is aware of and has procedures in place to ensure compliance with applicable laws, regulations, legislation and codes of conduct. As part of the normal course of business, Vancity occasionally faces legal proceedings. Updates on significant litigation and potential litigation are reported to the Board Audit Committee quarterly. Provisions are recorded in the financial statements where appropriate.

📖 For more on compliance with applicable laws, regulations, legislation and codes of conduct, see Risk Aspects.

Product Responsibility Aspects

This section focuses on member satisfaction, the fair sale of products and services, financial literacy, and compliance with applicable regulations, particularly privacy.

Product and Service Labelling/Fair Design and Sale of Products and Services

We commit through our Statement of Values and Commitments to “provide members with outstanding service and help them achieve their financial goals,” which includes acting in their best interests.

We aim to provide a range of financial services at a fair and reasonable price to all members. We monitor and make adjustments to interest rates to ensure our competitiveness. In accordance with relevant legislation, we fully disclose interest rates and fees associated with our products and services. All fees associated with our *Visa* cards are disclosed in our *Visa* disclosure statement.

We post our approach to member fees and rates on our website (☞ see vancity.com/feesandrates), as well as links to some major financial institutions and the Financial Consumer Agency of Canada (FCAC); the FCAC protects and educates consumers in the area of financial services. It also oversees federally regulated financial institutions to ensure they comply with federal consumer protection measures. Their website has a Cost of Banking Guide that includes information about ATM Fees and Banking Package Fees (including fees charged by credit unions), as well as an Account Package calculator to help consumers choose the best account option.

In addition, under our Facing Poverty strategy, we offer a number of programs to increase financial literacy for individuals, micro-entrepreneurs and community organizations including Canada's first online financial literacy program (☞ see vancity.com/financialliteracyandbasicbanking).

Mechanism to collect and respond to client feedback

As well as providing members with outstanding service, our Statement of Values and Commitments commits us to “provide meaningful opportunities for members to have input in setting the direction of the credit union.” We take member input and complaints seriously and view them as our best way to identify and rectify problems. This means that we need mechanisms in place to listen and respond to our members.

We survey our personal and business credit union members (including not-for-profit members) through an annual telephone survey to measure their satisfaction and loyalty, which encompasses all their various experiences (or “touch points”) with our products and services. We monitor member loyalty scores and include the results and our responses in our accountability reports. Through a Member Experience Tracking System we learn about the experiences of members who borrowed, invested or opened new accounts in the week

previous to being interviewed. This information is used to understand and improve our performance.

In addition to surveys, members can provide feedback through our branches, call centre and website and by mail, and email. They can also attend and participate in our Annual General Meeting and run for or vote for our Board of Directors (subject to eligibility). In addition, we use online member panels and hold focus groups with members (and sometimes non-members) on various topics to inform our strategies, products and services.

When it comes to member complaints, our goal is that they are dealt with in a timely manner by the branch or member-facing employee receiving the complaint. We don't formally track or report on all complaints on an ongoing basis; rather, themes are discussed at regional branch manager meetings. We do formally track complaints that are received by the Board of Directors, the Office of the CEO, and/or the SVP Member Services. These complaints are reported to the Board by category on a quarterly basis. We have systems that allow us to track, monitor, and report member responses to significant issues as they arise; for example branch closures or a significant change to a product or service. ¹⁰ Our Compliments and Complaints Procedure can be found at vancity.com/complimentsandcomplaints

Member engagement and satisfaction is overseen by our SVP Member Services and our SVP Member Engagement.

Marketing and Communications

Our SVP Member Engagement ensures our all our advertising, sponsorships, and other marketing-related communications adhere to the Canadian Code of Advertising Standards. For TV commercials, our advertising agencies are responsible for acquiring clearance from The Telecaster Committee of Canada. As required, we obtain approval from the Canadian Broadcasting Corporation.

Member Privacy

We consider our members' privacy to be an ethical obligation as well as a legal requirement. We conduct business according to our Member Privacy Statement and Member Privacy Code. This code is in accordance with the federal *Personal Information Protection and Electronic Documents Act* (PIPEDA) and British Columbia's *Personal Information Protection Act* (PIPA). ¹⁰ see: vancity.com/Privacy

All employees are required to complete a privacy e-learning course. We have a system to track and report which employees have taken the training and who has passed or failed the course. Certain employees, particularly those who deal with member information on a regular basis, must pass the course (along with other required courses) to be eligible for profit-share.

Privacy issues are handled by our Corporate Privacy Office, which is overseen by our SVP Governance, Risk and Compliance. Members have the option of escalating privacy concerns to the Office of the Information and Privacy Commissioner of British Columbia.

Compliance

☞ For details on compliance with applicable laws, regulations, legislation and codes of conducts, see Risk Aspects.

Risk Aspects (including human rights in investment and procurement practices, and product portfolio aspects per the Financial Services Sector Supplement)

Our Approach to Managing Risk

We define risk as an event or activity that could prevent an organization from achieving its goals—at Vancity these include social, environmental and financial goals. To provide for sound management and stewardship, we:

- Maintain efficient and effective operations
- Safeguard our assets, members' deposits and members' personal information
- Maintain the integrity of financial, social and environmental information
- Comply with the laws, regulations and Board-approved policies

We back solid enterprise risk management practices with our Ethical Policy, Environmental Risk Policy, and an employee Code of Conduct (☞ See Introduction, above). We are committed to ensuring major decisions include a balance of financial, legal, risk, and value-based (member, employee) considerations.

Enterprise Risk Management

We manage risk across the entire enterprise. Our approach is to enable all parts of our business to understand, examine, and assess the impact and likelihood of risks. We use scenario-based planning tools to anticipate and mitigate future risks, particularly in managing credit, market and liquidity risk.

Vancity has adopted the *Standards of Sound Business and Financial Practices* for BC credit unions. These were created in 2004 by Stabilization Central and the six largest credit unions in BC, including Vancity. The standards include 14 governance and 13 management standards. In 2004, we implemented our initial formal enterprise risk management (ERM) framework and we continue to develop its effectiveness.

We take intelligent risks and then manage those risks to protect, improve and optimize organization value. Our risk appetite is balanced—it reflects internal and external stakeholder views, it is within the risk capacity allowable by regulation and it is aligned with our Vision. Risk appetite sets the tone for the type and amount of risk we are prepared to accept and successfully manage in pursuit of our Vision and strategic objectives. It is a critical consideration when evaluating strategic decisions, especially those concerning mergers and acquisitions,

involvement in community building initiatives, product portfolios, or entering into or divesting from products or lines of business. Risk appetite is aligned with our philosophy and functional requirements for maintaining financial and operational health, and for protecting our reputation, assets and member interests against undue or sudden and unexpected risk exposures.

Our risk appetite defines our risk capacity. Policies supporting key risk categories (credit, liquidity, market, operational, regulatory/compliance, strategic) define the risk tolerance levels and risk monitoring standards for these risks. Our risk monitoring and oversight practices include regular reporting to the appropriate management committees and the Board. We employ scenario-based planning tools to anticipate and mitigate future risks, particularly in managing credit, market and liquidity risk. In the other categories we are working on enhancing our capacity for identifying and managing emerging risks by integrating this into our strategic planning disciplines.

The Board and the Audit Committee of the Board are responsible for overseeing the formation and nurturing by management of an effective risk management culture throughout our organization. They confirm our enterprise risk appetite and tolerance for risks through the regular review and approval of appropriate enterprise level risk management policies.

Supporting the Board and the Audit Committee is an Enterprise Risk Management (ERM) Committee (comprising largely senior executive management), accountable for developing the ERM framework, establishing associated policies, guidelines, enterprise risk appetite, and reviewing and endorsing risk appetite statements for key risk categories. The ERM Committee is chaired by the SVP Governance, Risk and Compliance. This Committee liaises closely with senior management on advancing the development of the ERM framework and on overall strategic risk management.

We have an inventory of enterprise-level risks that is regularly reviewed by management. To this end, our Internal Audit is integral to ensuring ERM effectiveness. Internal Audit's annual audit plan considers the risk conditions associated with credit, market, liquidity, operational, regulatory/compliance and strategic risks. Through annual audits, Internal Audit independently evaluates risks and controls within the business units and reports to management and the Audit Committee on the adequacy and effectiveness of risk management and systems of internal control, together with ideas, counsel and recommendations to improve these systems. Most high-risk areas are audited at least once every three years, and severe risk areas are audited more frequently.

Managing Financial Risks

We have extensive and well-entrenched management controls in the areas of credit, market, and liquidity risk as part of our overall risk management framework. We discuss these in detail in the notes to our financial statements in our annual report.

Our Board of Directors has overall responsibility for the establishment and oversight of our risk management framework, which includes financial risk management. Various Board committees oversee and manage our exposure to primary areas of risk arising from financial instruments: credit, market and liquidity. This oversight includes the development, approval, and monitoring of our risk management policies and strategies in their specific areas. Management's responsibility is to identify and analyze the risks faced by Vancity and monitor risks and adherence to limits. We review risk management policies and systems annually to reflect changes in market conditions, products and services offered, and changes to portfolio performance and trends. The Audit Committee's principal role is to apply due diligence in ensuring that an effective risk management and control framework has been implemented by management. It is responsible for the oversight of the design and implementation of internal controls to support the risk management framework, the integrity of financial reporting, and compliance with regulatory matters. Internal audit and compliance functions assist the Audit Committee by monitoring adherence to the risk management processes, policies and procedures in place within Vancity.

Our annual financial statements are subject to an independent financial audit and to the controls and guidelines of our financial regulators. Vancity is regulated by the Financial Institutions Commission (FICOM) and its operations are subject to the Financial Institutions Act of British Columbia. Citizens Bank is regulated by the Office of the Superintendent of Financial Institutions (OSFI), is overseen by the Financial Consumer Agency of Canada, and is a member of the Canadian Deposit Insurance Corporation.

External Fraud

We work to protect our members against fraud. Our Anti-Money Laundering and Terrorist Financing Policy, along with fraud and forgery policies, help us mitigate risk in transactions and specific areas of the business due to money laundering, identity theft, debit card skimming and other types of fraud. We adhere to the voluntary Canadian Code of Practice for Consumer Debt Services, and we will reimburse members who incur losses due to unauthorized online banking or debit card transaction activity as long as they fulfill their responsibilities under the [Direct Access Services and Cardholder Agreement](#). For more information on privacy and security see vancity.com/PrivacySecurity.

The Director, Corporate Compliance & Chief Anti-Money Laundering Compliance Officer for Vancity is responsible for the development and application of compliance policies and procedures to detect and deter money laundering and terrorist financing activities, for reviewing these policies on a regular basis to test their effectiveness, and for the implementation of ongoing training for employees. Our policies and procedures comply with all requirements under the following legislation: the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act of Canada (PCMLTFA)*, the *Anti-Terrorist Act*, the *United Nations Suppression of Terrorism Regulations* and the *Canadian Criminal Code*.

Corporate Security provides ongoing employee training on external fraud and money laundering. This is in addition to security and anti-fraud training provided to employees through

the new hire program. Relevant employees must complete an anti-money laundering online course annually. A system is in place to track that employees who need to have undertaken the training. These employees must pass the course to be eligible for profit sharing. All incidents of money laundering or fraud are reviewed by our Corporate Security department, and we take action to recover funds from the member or third party where appropriate. Some matters are referred to the police, and large dollar losses are referred to an outside company for recovery.

Directors and employees are required to review and agree to uphold our codes of conduct, which necessitate adherence to a high standard of business ethics (see Introduction above).

Managing Social and Environmental Risks

Vancity informally and formally manages social and environmental risks, including those risks associated with the impact of climate change.

Informally, we seek to attract, work with, and invest in values-aligned clients, organizations and projects. That's why we let our community know what we're about. We strive to be a social and environmental leader and communicate our performance through our accountability reports. We communicate our values through marketing materials and the work we do in the community. In addition, we encourage suppliers and major partners to adopt practices and policies that demonstrate social and environmental value. Our formal means for managing social and environmental risk are through our Business Lending Policy and procedures, (which include Environmental Risk and Lending Policies) and our Ethical Policy.

Ethical Policy

Our Ethical Policy is a set of guidelines to help us decide which organizations we want to do business with, and in some cases, don't want to do business with. Key areas covered include ethical business practices, environmental leadership, respect and fair treatment, healthy communities and peaceful communities. It applies to our relationships with external organizations, including business and not-for-profit members, suppliers, treasury relationships, strategic business/community partners and grant applicants. It does not apply to individual (personal) members.

When evaluating a potential or existing business relationship, we use a holistic screening process, which means we look at the big picture. It's not a simple pass-or-fail approach. While there are certain criteria that are non-negotiable (for example, we don't work with companies whose main business is weapons or tobacco) our goal is to ensure Vancity is doing business with organizations that overall have a positive impact on the community, not just to avoid certain industries. Our procedures for screening against the Ethical Policy are risk-based: the more significant the relationship in terms of dollars or profile, the deeper the level of analysis performed.

Screening procedures have been integrated into existing policies and procedures where possible, such as lending, account opening, and purchasing policies and procedures. Ethical Policy screening for business account relationships is well-integrated into relevant policies and

procedures: all business accounts are subject to some level of Ethical Policy screening at the time of account opening, which includes the assessment of environmental and social risk. Screening is also triggered by an escalation in services provided. For strategic business relationships, such as major suppliers and partners, we use our highest type of due diligence—a formal screen conducted by a third party with 45 indicators across a broad range of environmental, social and governance criteria.

We review the Ethical Policy annually to ensure it remains relevant to our business decision-making and operations, and reflects the ever-changing external environment and member opinions. Vancity Internal Audit carries out ongoing procedures to ensure controls are effective for complying with the Ethical Policy. In addition, our external sustainability assurance provider may periodically check compliance.

Ethical Policy training is available online to all staff and is designed to equip relevant staff with the knowledge, tools and skills to apply the Policy. Oversight of the Ethical Policy lies with the SVP Governance, Risk and Compliance.

Procurement

In obtaining the goods and services necessary for our business we are guided by our Procurement Policy, which is aligned with our Ethical Policy. When possible, we aim to support socially and environmentally responsible business. Our purchasing Requests for Proposals (RFPs) include evaluation criteria and weighting on factors such as cost, service, knowledge and experience, as well as on environmental and social values. Relationship owners are responsible for ensuring that all strategic suppliers (total annual spending of more than \$250,000) undergo a third-party screen against our Ethical Policy. Organizational responsibility for Procurement lies with our VP Finance.

Lending

Our overall goal is to make lending activities as environmentally and socially responsible as possible to minimize harm associated with lending activities and maximize related benefits. Responsibility for lending to businesses lies with the SVP, Community Investment. Our Lending Policy requires that lending activities be conducted according to the requirements and limits of the Policy and in conjunction with Ethical Policy, Environmental Risk Policy and operating procedures.

The Environmental Risk Policy requires employees to exercise due diligence in applying the Ethical Policy for identifying environmentally risky situations in order that environmental risk and liability are minimized. Our Lending Policy describes procedures for considering social and environmental issues. All loan underwriting must include an assessment of the potential financial, legal and reputational risks associated with these issues. The Policy also gives consideration to the effect of natural disasters – such as storms and floods – which could come about as a result of climate change. Procedures also exist with respect to business interruption caused by natural disasters. An emerging risk is the impact of climate change on rising sea levels, particularly in the low-lying coastal areas of BC. We monitor and seek to better

understand this issue and its long-term implications. In accordance with the Ethical Policy and/or the Environmental Policy, we reserve the right to decline financing for activities that, while technically in compliance with laws and regulations, have significant adverse environmental or social consequences.

Social and environmental risks of larger business banking loans (non-credit-scored loans) and commercial mortgages are assessed at the time of the loan application, guided by our Ethical and Lending policies, and subject to environmental due diligence. An Environmental Cautions list assists employees in determining which organizations and projects may have significant adverse environmental consequences and so require further investigation prior to engaging or renewing a relationship. When managing risk on lending to any type of business on this list, we take additional precautions, such as more frequent and in-depth monitoring. For commercial mortgages, and a majority of our business loans, site visits are a mandatory pre-funding condition. These visits can identify environmental and social issues.

As well as minimizing the negative impacts of our lending practices, our Ethical and Environmental Risk policies commit us to play a leadership role in supporting members and the community to adopt positive environmental practices, including those that mitigate climate change and its impact. Within prudent credit guidelines or special loan programs, we will find ways to meet their credit needs. We also support municipal, provincial, and federal efforts to protect the environment and support social improvements through lending practices and special loans programs.

Through Vancity Capital Partners, we provide growth capital to small-to medium-sized organizations based in BC. Environmental and social risks are assessed on a transaction-by-transaction basis by the investment manager, with support if necessary from subject matter experts.

Our personal, commercial and business lending areas are subject to an internal audit annually. To the extent that regulatory and strategic risks (such as non-compliance with laws and regulations, reputation, or failure to achieve business objectives) are addressed by environmental and social policies, the controls that ensure compliance are reviewed and tested by Internal Audit, as required. Staying abreast of changes in the external environment and developing the capabilities necessary to address these changes is integral to maintaining our professional standards.

Investment management services

Vancity Investment Management (VCIM) provides discretionary investment management services. It incorporates environmental, social and governance (ESG) principles into its standards equity selection analysis and is a signatory to the United Nations Principles for Responsible Investment. In addition, clients have the option to have their portfolio screened to their own ethical preferences. VCIM's proxy voting guidelines incorporate social and environmental considerations. VCIM does not currently engage with its investees on ESG issues.

VCIM's Mutual Fund Sub-Advisory Services (MFSA) also provides portfolio management services to IA Clarington for their socially responsible mutual (Inhance) funds. For these funds, financial analysis takes place in parallel with ESG analysis. For ESG analysis, individual companies are rated according to seven performance criteria: employee relations, diversity, environmental commitments, community relations, corporate governance & citizenship, human rights, and sustainable products. IA Clarington invests in companies that lean towards the positive end of the spectrum in terms of financial performance and environmental, social and governance qualities.

MFSA also uses shareholder engagement to encourage companies to reduce their environmental impacts and manage social and environmental risks. Through shareholder engagement strategies, it works to motivate leading companies to address key emerging risks.

🔗 For more information, see vcim.ca/Philosophy/SRI and feelgoodinvesting.com

Key externally developed voluntary charters, principles or initiatives to which we subscribe or that we endorse

[AA1000 series](#): principle-based standards that provide the basics for improving the sustainability performance of organizations.

[Accord Between the Government of Canada and the Voluntary Sector](#)

[Carbon Disclosure Project](#)

[Ceres principles](#)

[Code of Good Practice on Funding](#)

[Code of Good Practice on Policy Dialogue](#)

[Co-operative principles](#), International Co-operative Alliance

[Copenhagen Communiqué on Climate Change](#), The Prince of Wales's Corporate Leaders' Group on Climate Change

[GHG CleanStart Registry](#), Canadian Standards Association

[Global Reporting Initiative Sustainability Reporting Guidelines](#)

[The Imagine Canada Ethical Code](#)*

[United Nations Principles for Responsible Investment](#)

Standards of Sound Business and Financial Practices for Canadian credit unions

[United Nations Environment Program Finance Initiative](#)

Key memberships in industry and business associations

Note: Our positions on key issues are not necessarily the same as the associations'.

[American Marketing Association](#)

[BC Asset Building Collaborative](#)

[BC Co-operative Association](#)

[BC Non-profit Housing Association](#)

[BC Poverty Reduction Coalition](#)

[BC Technology Industry Association](#)

[BuySmart Network](#)

[Canadian Association of Gift Planners](#)*

[Canadian Bankers Association](#)

[Canadian Centre for Policy Alternatives](#)

[Canadian Community Economic Development Network](#)*

[Canadian Community Investment Network Co-operative](#)

[Canadian Co-operative Association](#)

[Canadian Council of Better Business Bureaus](#)

[Canadian Public Relations Society](#)

[Co-op Housing Federation of BC](#)

[Credit Union Central of BC](#)

[Credit Union Central of Canada](#)

[Global Reporting Initiative](#) (organizational stakeholder)

[Imagine Canada](#)*

[Independent Power Producers of BC](#)

[Institute of Internal Auditors](#)

[International Association of Business Communicators](#)

[Marketing Association of BC](#)

[Marketing Leadership Council](#)

[Marketing Research and Intelligence Association](#)

[Mortgage Investment Association of BC](#)

[National Association of Industrial and Office Properties](#)

[Real Estate Institute of BC](#)

[Risk Management Association](#)

[Social Investment Organization](#) (Canadian Association for Socially Responsible Investment)

[Urban Development Institute](#)

[United Community Services Co-op](#)

[Vantage Point](#) (Volunteer Vancouver)*

[Vancouver, Burnaby, and Surrey](#) Boards of Trade

[World Council of Credit Unions](#)

*The Vancity Community Foundation only