

2010 Annual Report
Disclosure on
management approach

Vancity

Disclosure on Management Approach

This Disclosure on Management Approach (DMA) describes how Vancity manages the material aspects of our 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 reports, year after year. We update this document annually, noting any significant changes to our management approach in our annual reports.

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Introduction: Vancity’s Framework for Doing Business

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

One way we ensure we live our values is by implementing our Ethical Policy. As a financial institution we recognize that those with whom we do business— especially the financing we provide to our business members and the companies we invest in, buy from and partner with— have an impact on society and the environment. Our Ethical Policy is a set of guidelines to help us decide which organizations to do business. It covers ethical business practices, environmental leadership, respect and fair treatment, healthy communities and peaceful communities.

In 2008 we launched our Vision of Redefining Wealth. We seek to redefine wealth in a way that goes beyond profit alone to include social justice, environmental sustainability and community well-being. Our definition of wealth goes beyond the trade-offs assumed in a triple-bottom-line approach to one that creates true blended value.

This Vision drives our business strategy. It is supported by a Three-year Plan with the following strategic goals:

- Get our financial house in order—ensure our efforts to create community benefit are financially sustainable, provide adequate reserves to withstand a turbulent economy, and reinvest to build infrastructure for the long term.
- Make the branch network sing—provide an excellent member experience based on sound business advice and relevant financial services, bringing together individual members' financial prosperity and member and community well-being.
- Build the community investment offer—provide access to credit, investment and financial advice for businesses, including not-for-profit organizations, co-operatives and social enterprises that deliver strong blended value (economic, environmental and social) and invest in emerging sectors to maximize positive community impact.

We do not have a separate sustainability strategy. Sustainability is embedded in the way we do business. In particular, our community investment offer is designed to guide us in achieving our Vision. Our definition of community investment 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.”

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. Vancity’s 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. Cash compensation for executive and director-level management consists of base salary and an annual incentive plan. The incentive plan is aligned both to our organizational scorecard and individual accountabilities. Target incentive awards range between 20 and 50 per cent of actual earnings. The scorecard includes measures related to financial performance, member loyalty and overall branch service. For the executive team only, employee engagement is a fourth component of the scorecard.

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](#). Board remuneration is determined by members at the Annual General Meeting (AGM) and is not directly linked to organizational performance.

The final commitment in Vancity’s 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 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.

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 earnings 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, mainly in the form of grants. Organizational responsibility for granting programs is divided between our SVP Community Investment and SVP Member Engagement.

Our community granting programs support the strategic objectives of our Three-year Plan. We also distribute responsive grants to support local community-based projects, in alignment with our local area marketing goals. We allocate strategic grants and provide technical expertise to strengthen not-for-profit organizations and social enterprises, both individually and as a sector.

🔗 See vancity.com/granting for more information on granting.

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.

Each year, we donate an annual amount to the Vancity Community Foundation. The Foundation is a public, separately incorporated registered charity with its own arms-length Board of Directors and is not included in Vancity's consolidated balance sheet. It makes grants to charitable organizations and directly delivers charitable programs. It focuses on affordable housing, homelessness, community asset building and not-for-profit social enterprise.

🔗 See vancity.com/vcf for more information.

Market Presence

We monitor changes within the marketplace on a regular basis, and conduct a full review of base-pay structures at least every two years. In 2010 we decided to become a Living Wage Employer. Living wage is a calculation that looks at a family of four in a particular region or city and determines what wage would provide that family with a basic level of economic security. It is an important factor in poverty reduction. Approximately 25 per cent of couples and more than 50 per cent of single parents with children in greater Vancouver live below the living wage level. Our plan is to be fully compliant in 2011 and develop a framework for how best to approach our contractors.

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

We try to leverage our spending dollars in the community. We also hire locally as much as possible, particularly at our branches. 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 CFO.

Indirect Economic Impacts

The indirect community 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.

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 Community Investment 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, 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.

Environmental Aspects

We know protecting the environment is important to our members and communities. It's also an integral part of our values and Vision. 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 community investment 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. Our Climate Change strategy commits us to action on four fronts: reducing the environmental footprint of our operations; helping members and employees act by providing education and products and services that benefit the environment; enabling the community to act by funding projects that reduce negative environmental impacts; and encouraging governments to act by advocating for public policy changes.

Our SVP Community Investment is tasked with overseeing implementation of our Climate Change strategy while our Director Facility Management is responsible for energy management. (In 2011, accountability for the Climate Change strategy will transfer to our SVP Information Technology and Facility 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 businesses: A Green Business Manager supports businesses and not-for-profit organizations to improve their energy-efficiency
- Environmentally responsible real-estate development

🔗 For more information about our green products and services, visit vancity.com/changeproductsandservices

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

Energy and Greenhouse Gas Emissions

We've been carbon neutral since 2008. This means we measure and reduce our greenhouse gas emissions as much as possible, then offset our actual emissions through the purchase of registered carbon offsets. We focus our emission reduction efforts in four areas: employee commuting, premises energy use, paper use and business-related travel, including a small fleet of vans and cars. 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. 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. (The most recent report to be posted is our GHG Emission Inventory and Carbon Neutral Report 2009. There is a delay as we can't source, purchase and verify our offsets until after the emissions inventory has been calculated for the year).

We require that our offsets reduce energy consumption and/or create some kind of renewable energy; are additional (i.e., they must result from emission-reduction activities carried out because of the incentives associated with the existence of the carbon market and result from normal business operations); are verified by a third party; are located in Canada; and generate credits that are serialized, registered and retired on a CSA (Canadian Standards Association) approved public registry. We also prefer offset projects to have additional community benefits and the potential to educate the public about climate change.

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, discussed above. We have recycling programs and a commitment to using environmentally friendly office materials, including office

paper that is made from 100 per cent post-consumer waste. Our printers are set to print double-sided. We have guidelines for green construction site management when building or renovating. We recycle, re-use or donate furniture and computer or technical equipment that has reached the end of its life at Vancity. 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 and diverse employees who are inspired to make a difference for their communities through the work they do. Our Human Resources department, led by our VP Human Resources, supports Vancity on all people-related issues.

An engaged and diverse workforce leads to improved productivity, innovation, member service and profitability. 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 metrics on our organizational scorecard and is one of the key ways we measure success. Every year, we focus on addressing specific issues organization-wide to increase engagement scores organizationally. Each branch and department is also 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.

Our goal is for employees to have fair compensation, rewards and recognition, and for them to be rewarded based on individual, team and organizational performance. Total rewards includes

fixed and variable pay, benefits, perks and wellness, community, education and recognition. Our Total Rewards philosophy is informed by our Vision and co-operative principles. Permanent employees are eligible for one of two retirement plan options: a group registered savings plan, or a defined benefits plan. 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. Organizational responsibility for staff compensation and benefits lies with our Vice President of Human Resources.

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

We are 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. We are committed to employing a workforce that reflects the communities we serve and builds on unique talents that come from a variety of people and perspectives.

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.

Our Workplace Accommodation Policy 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 employee Diversity in Action team, 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 Career Development

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 was 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. Where there are intentions to introduce automation, equipment or changes in administrative procedures which might result in the reduction of personnel, Vancity provides BCGEU with as much notice as possible and at least 90 days notice to PPWC of intent. For unionized locations the BC Labour Relations Code specifies that if an employer introduces or intends to introduce a measure, policy, practice or change that affects the terms, conditions or security of employment of a significant number of employees to whom a collective agreement applies, then the employer must give at least 60 days notice from the effective date to the trade union.

Vancity does not endorse or discourage unionization but recognizes that it's each employee's individual choice.

Occupational Health and Safety

We are committed to providing a healthy and safe workplace. As a financial institution, the risk of robberies is an unfortunate reality of doing business. We have extensive robbery training and security procedures, as well as a robbery support program for affected employees.

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 and post-transactional 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.

We take a three-pronged approach to improving access to financial services through:

- 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.

Internal 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). 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 incidents of serious business misconduct to their managers or through a secure, third-party, anonymous reporting system.

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 Operational Risk and Conduct Review Committees, who monitor for any significant breakdown in controls and/or business ethical issues.

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

Public Policy

Vancity is a non-partisan organization and does not affiliate with or support any particular political party. Therefore, we do not permit use of corporate funds to provide political contributions. Our Political Activities Policy describes Vancity's approach to political contributions and states the limitations we've placed on using political contributions to engage in partisan political activities at all levels of the organization (see www.vancity.com/politicalactivities)

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 advocate and influence policy on an ad hoc basis. This could be by letter, through participation on committees, or through memberships in organizations and industry associations. In particular, we sit on committees at Central1. 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's Audit and Operational Risk 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, 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. Member engagement and satisfaction is overseen by our SVP Member Services and our SVP Member Engagement.

Each year we survey our personal and business credit union members (including not-for-profit members) 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. In addition, 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.

As a credit union and a co-operative, the Board of Directors is accountable to our membership. Unlike customers of other financial institutions, our members have the option of communicating their concerns to their board. Only a very small minority of concerns are escalated to the Board, CEO, or SVP levels. The vast majority of concerns are handled directly by front-line staff. Members may also choose to communicate their concerns via an external party, such as FICOM, Central1, or the Better Business Bureau.

When it comes to member concerns, 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. ☞ Our Compliments and Complaints Procedure can be found at vancity.com/complimentsandcomplaints

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 are committed to ensuring the accuracy, confidentiality and integrity of members' personal information. We do not sell member information to third parties and we obtain our members' consent to collect, use and disclose personal information. We conduct business according to our Member Privacy Statement and Member Privacy Code, which sets clear guidelines for employees. 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). ☞ see: vancity.com/Privacy

All employees are required to complete a privacy e-learning course every two years. 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

Our risk philosophy guides planning and performance management processes, investment and resource allocation decisions and is embedded within Vancity's decision-making framework. Our long-term objective to cultivate community and member wealth, deliver the promised member experience and sustain/preserve our financial health is supported by a consistent approach toward the risks we assume. We are committed to ensuring major decisions include a balance of financial, legal, risk and value-based considerations.

Responsibility for monitoring the overall risk framework and adherence to risk policy lies with the Board of Directors as a whole. Individual risk areas may be delegated to Board committees for oversight. We have identified nine key risk categories. We assigned accountability for managing each risk to the relevant member of the executive leadership team. The nine categories, in order of least controllable to most, are:

- Systemic
- Legal and regulatory
- Strategic and business
- Reputation
- Talent (formerly operational risk)
- Technology (formerly operational risk)
- Market and interest rate
- Credit
- Liquidity and funding

Our approach is to enable all parts of our business to understand, examine and assess the impact and likelihood of risks. 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 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.

The Board's Audit and Operational Risk 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 reporting, and compliance with regulatory matters. Internal audit and compliance functions assist the Audit and Operational Risk Committee by monitoring adherence to the risk management processes, policies and procedures in place within Vancity.

Our Internal Audit function provides an independent assessment of the controls in place to: safeguard Vancity's assets and members' deposits; comply with laws and regulations; have reliable financial and management information; and have efficient and effective operations. Internal Audit's annual audit plan considers risk conditions. 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.

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.

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. 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 annual 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. The Ethical Policy applies to relationships with external organizations, including business and not-for-profit members, suppliers, treasury relationships, strategic business/community partners and grant recipients. It does not apply to individual 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. To date we have focused on using the Policy as a tool to screen out business relationships to minimize our negative social and environmental impact and reduce reputational and credit risk. Procedures for screening against the 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 and 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 Community Investment.

Procurement

Vancity's procurement policy favours relationships with suppliers who demonstrate leadership in social, environmental and sustainable community business practices. We include social and environmental criteria in our request for proposal process to ensure suppliers meet our Ethical Policy. 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. Criteria includes sourcing products and services locally.

In addition, our Ethical Policy requires us to conduct a formal screen on strategic suppliers before entering into a relationship with them and once every two years thereafter. Strategic suppliers are those with a total annual spend of more than \$250,000 or who pose a high financial or reputational risk. Organizational responsibility for Procurement lies with our CFO.

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.

We also 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.

Sustainable Wealth Management and Socially Responsible Investing

Through Vancity Investment Management (VCIM) we provide discretionary investment management services to individuals, unions, non-profit groups, foundations, trusts and other organizations. We are a signatory to the UN Principles for Responsible Investment and we incorporate environmental, social and governance criteria in our standard equity selection analysis. We reflect additional ethical client concerns in portfolios as requested.

In addition, through a strategic partnership with IA Clarington Investments, VCIM's Mutual Fund Sub-Advisory group (sub-advisory group) provides sub-advisory services to IA Clarington on the Inhance SRI Fund family. These sub-advisory services include environmental, social and governance investment analysis. 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. IA Clarington Inhance SRI (Socially Responsible Investing) Funds are offered to members through our branch network, as well as nationally through IA Clarington's distribution network.

On behalf of VCIM and the IA Clarington Inhance SRI Fund family, the sub-advisory group leads corporate engagement and shareholder advocacy activities to push for change in the companies in which members and clients invest. In addition, both VCIM and the sub-advisory group use shareholder proxy voting to influence the management of the companies invested in. We collaborate with Shareholder Association for Research and Education (SHARE), which provides proxy research and informed vote recommendations on environmental, social and governance issues. This allows us to employ an effective, consistent and comprehensive proxy voting process on behalf of members and clients. We vote 100 per cent of the proxies for companies that are owned within VCIM client portfolios and IA Clarington Inhance SRI Funds.

For more information, see vcim.ca/philosophy/sri and feelgoodinvesting.com

Key Externally Developed Voluntary Charters, Principles or Initiatives to which we Subscribe or Endorse

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

[Aboriginal Banking Service Task Force](#)

[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

[Financial Literacy Task Force](#)

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

[Global Reporting Initiative Sustainability Reporting Guidelines](#)

[London Benchmarking Group](#)

[Social Finance Task Force](#)

[United Nations Principles for Responsible Investment](#)

Standards of Sound Business and Financial Practices for Canadian credit unions

Key Memberships in Industry and Advocacy Associations

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

[Aboriginal Tourism Association of BC](#)

[BC Asset Building Collaborative](#)

[BC Co-operative Association](#)

[BC Living Wage Campaign](#)

[BC Non-profit Housing Association](#)

[BC Poverty Reduction Coalition](#)

[BC Technology Industry Association](#)

[Better Business Bureau of Mainland BC](#)

[Board of Change](#)

[Building Owners and Managers Association of BC](#)

[Business Council of BC](#)

[Canadian Bankers Association](#)

[Canadian Centre for Policy Alternatives](#)

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

[Canadian Co-operative Association](#)

[Canadian Council of Better Business Bureaus](#)

[Central1 Credit Union](#)

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

[Credit Union Central of Canada](#)

[Global Alliance for Banking on Values](#)

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

[Industry Council for Aboriginal Business](#)

[LOCO BC](#)

[Investment Counsel Association of Canada](#)

[Mortgage Investment Association of BC](#)

[Public Policy Forum](#)

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

[Urban Development Institute](#)

[United Community Services Co-op](#)

[World Council of Credit Unions](#)

Vancity is also a member of several local boards of trade, chambers of commerce and business improvement associations.