



2011 Annual Report
Materiality and
stakeholder engagement

Vancity
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Materiality and stakeholder engagement: **Songhees Wellness Centre**

In 1995 the Songhees First Nation collectively conceived of a space that would serve every generation of its community—a space that will become reality in 2013.

The Songhees Wellness Centre will be a community gathering place and amalgamate the First Nation government's administration, education and health services under one roof. The First Nation currently operates in mobile offices, without a main centre for its youth, elders or culture.

Vancity financed a construction loan for the Wellness Centre by treating the First Nation as a local government and securing the loan with projected future lease and tax revenues.

A LEED green building, the Wellness Centre will also provide a community centre, sports facility, convention centre and tourist destination for Victoria, BC.

Materiality and Stakeholder Engagement at Vancity

Vancity's materiality process

As a member of the Global Alliance for Banking on Values and as a financial cooperative, Vancity is committed to transparent and inclusive governance, and a broad and long-term approach to managing its business. We choose to prepare our reports in adherence with the [AA1000 principles](#) and the [GRI Sustainability Reporting Guidelines \(v.3.1\)](#), and we are a member of the [International Integrated Reporting Council's](#) Pilot Program. All these standards and initiatives include materiality as a key principle for determining report content.

We currently use the AA1000 definition of materiality: Information is material if its omission or misstatement could influence stakeholders' conclusions, decisions or actions. Material topics are both relevant and important to an organization's ability to create value in the long term, and reflect an organization's significant economic, environmental and social impacts.

Each year, management reviews the set of material topics and corresponding measures to include in Vancity's annual reports. Understanding what's material help us prioritize what we manage and report, and ensures what we measure is aligned with Vancity's business strategy (e.g. are of organizational interest), meets the expectations of key stakeholders, and/or meets the reporting standards we choose to follow. In general, the more material the topic, the more coverage it receives in our printed annual reports. Less material topics might be excluded or be covered only in the Complete Accountability Statements and Disclosure on Management Approach, both of which are available on our website. The Audit and Operational Risk Committee of the Board approves the report plan and outline (which includes material topics to be disclosed) and the corresponding set of performance measures; and is responsible for approving the annual report prior to its release.

To inform our annual review of material topics and measures, management maintains a running list of material issues and events. We initially created this list based on an in-depth materiality process conducted in 2009. Through this detailed process we solicited direct input from key stakeholders, formally ranked topics, and produced a comparative graph of material issues—see vancity.com/accountability09/materiality for more details.

Our list of material topics captures key risks, opportunities and events, and includes those that affect or could affect Vancity's direct short-term financial performance or our ability to deliver on strategy and key policies or create value in the long term. Sources include: our business strategy and plans; communications and results of engagement with employees, members, regulators, and other stakeholders; internal Board/management documents and reports; media mentions of Vancity; annual and sustainability reports of our peers, competitors or industry leaders; environmental scans and external trends reports; relevant reporting standards; etc. We also hold interviews with senior management and the Board, and solicit direct stakeholder feedback on our annual reports.

In 2011, we revised our list of material topics and measures to align with the Global Reporting Initiative's (GRI) updated sustainability reporting guidelines, version 3.1. While we consider all standard GRI measures and include most in our reports to maintain high levels of transparency, we omit those of little or no relevance. We acknowledge that the performance on some motivates and interests management and stakeholders more than on others. We also aligned

our measures to the organizational dashboard, which reflects our focus on member and community well-being. (These tend to be 'non-standardized' measures.)

External assurance

Vancity chooses to engage an external sustainability assurance provider to provide opinions and conclusions on Vancity's adherence to the AA1000 principles—which include the principle of materiality—and on the fair presentation of specified performance information. In 2011, as a result of input from members, we expanded the assurance scope to include assurance on the status of our targets and commitments for the period January 1, 2011 to December 31, 2011.

In our 2011 Annual Report, Ernst & Young's Independent Assurance Statement concludes that "the information contained in the [2011 Annual] Report focuses on the material sustainability issues most significant to Vancity and its stakeholders in accordance with the AA1000APS Materiality principle".

Future plans

Determining material topics is a complex and often subjective process, and topics and stakeholder interests will evolve over time. We are continuously working to improve our materiality process, in particular to ensure our materiality process is embedded in our strategic planning and risk management processes, and includes a formalized approach to collecting and summarizing input from key stakeholders, and prioritizing issues.

As strategy, planning and reporting become intentionally more integrated, Vancity's strategic objectives, priorities and measures will formally consider Vancity's material issues and impacts. We expect this will lead to even greater alignment between internally and externally reported measures. As well, we expect our measures to evolve to reflect Vancity's increased focus on member and community well-being.

Stakeholder engagement

Core to our business strategy is inclusiveness—continuous dialogue and collaboration with our stakeholders. As owners and customers, members are our most important stakeholder group. Other key stakeholders include employees (who are also members and owners), the communities in which we operate and our regulators. Additional stakeholders include suppliers and business partners, competitors and peers, and public interest groups.

We conducted our most recent formal stakeholder mapping exercise in 2009. In 2011, we undertook a comprehensive inventory of how we currently engage with stakeholders, and discussed the results with our executive leadership team. We removed "Board of Directors" and "Media" from our list of stakeholder groups as we felt the Board is part of "Vancity" and "media" functions more as a conduit to other stakeholder groups rather than acting as a separate stakeholder.

Summary of engagement and material topics by stakeholder group

The table below lists the key ways we engage with stakeholders, material topics by stakeholder group, and references to our response in the 2011 Annual Report and appendices. In general, stakeholder agree our reports cover our most material issues.

Ways we engage with key stakeholders	Material topics	Our response—see the following pages in Vancity's 2011 Annual Report or the online appendices
Members		
<p>Research: We conduct annual personal and business member loyalty studies and weekly Member Experience Tracking Surveys on recent transactions. We use an online member panel (“my2cents”) and focus groups to obtain member feedback on a variety of topics.</p> <p>One on one: Through our branches, by phone, in writing, and online our employees are available to listen and respond to members.</p> <p>Cooperative governance: Members can speak with Directors, run in and vote in Board Director elections, and attend and make resolutions at the Annual General Meeting.</p>	Financial performance	<p>In 2011, we added a separate section on our overall financial performance as well as data for some key financial ratios. 75-77, 79-80, 98-106 Complete Consolidated Financial Statements</p>
	Managing key financial risks	<p>22-24, 71-72 Note 23 to the Complete Consolidated Financial Statements Disclosure on Management Approach pp. 12-16</p>
	Privacy of member information	<p>88 Disclosure on Management Approach pp. 11-12</p>
	Financial crime and fraud	<p>95 Disclosure on Management Approach, pp. 9-10 and 15-16</p>
	Community investment (lending and granting)	<p>19, 25, 39, 42-44, 46, 67-68, 89, 95 Disclosure on Management Approach p. 3</p>
	Member service experience, including technology renewal	<p>In 2011, we disclosed more on our plans to renew our core banking system and related applications. 34-38, 59-60, 88 Disclosure on Management Approach pp. 10-11</p>
	Products and services, including those with social and environmental benefits	<p>37, 42-49, 52-54, 89-90 Complete Accountability Statements p. 11-14</p>
	Financial literacy	<p>52-54 Complete Accountability Statements p. 12</p>
	Approach to managing assets (socially responsible investing and responsible lending practices)	<p>19, 46-47, 50-51 Disclosure on Management Approach pp. 10, 12-15</p>
	Employee practices, and becoming a Living Wage Employer	<p>55-58, 60, 91-93 Disclosure on Management Approach pp. 6-8</p>
	Vancity's environmental footprint (including initiatives to encourage sustainable commuting among employees and reductions in paper and energy use)	<p>In 2011, we set a more aggressive greenhouse gas emissions reduction target. 61-66, 93-94 Complete Accountability Statements, pp. 20-24 and 32-49</p>

Ways we engage with key stakeholders	Material topics	Our response—see the following pages in Vancity's 2011 Annual Report or the online appendices
Employees		
<p>Research: We conduct an annual employee engagement survey and hold follow-up discussions to better understand results and prioritize actions to improve performance.</p> <p>Other internal engagement: We use a variety of ways to engage with employees such as our intranet, manager/divisional/ team meetings, online surveys, focus groups, branch visits by the executive leadership team, and information cascaded down from senior managers and questions fed back up to senior management. Managers participate in Quarterly Performance Updates, lead by the CEO and executive leadership team.</p> <p>One-on-one: Managers are encouraged to meet regularly with their direct reports, and also their direct reports' direct reports. As part of performance management program, employees and managers meet every quarter to review goals.</p>	Financial performance	See above.
	Employee engagement and satisfaction	56, 91 Disclosure on Management Approach p. 6
	Employee compensation and benefits	58, 60, 92-93 Disclosure on Management Approach p. 6
	Member service experience, including technology renewal	See above (members)
	Community investment and impact loans	19, 25, 39, 42-44, 46, 67-68 Disclosure on Management Approach p. 3
	Employee health, safety and well-being	92 Disclosure on Management Approach p. 7
	Employment creation (or reduction) and layoff practices	55, 91 Disclosure on Management Approach p. 7
Community		
<p>Research: We survey and hold focus groups with community groups on an ad-hoc basis.</p> <p>Partnerships: We have longstanding partnerships with many community groups.</p> <p>One-on-one: We meet regularly with community groups. As well we provide grants and sponsorships to not-for-profits and community groups. We regularly participate in community events. Many Vancity employees sit on the Boards of community groups, or are involved in working groups.</p>	Member service experience	See above (members)
	Community investment and impact loans, or business opportunities that have social and environmental, as well as financial, benefits	See above (employees)
	Products and services with social and environmental benefits	See above (members)
	Managing social and environmental impacts of business lending and business relationships	See community investment and impact loans above (employees) Also: 60, 93, 97 Disclosure on Management Approach pp. 13-15
	Sustainable real-estate development	49

Ways we engage with key stakeholders	Material topics	Our response—see the following pages in Vancity's 2011 Annual Report or the online appendices
Regulators		
One-on-one: We meet and correspond regularly with our regulators. We formally report to them on our performance and respond to their questions.	Financial performance	See above (members)
	Risk management	19, 22-24, 71-72, 97 Note 23 to the Complete Consolidated Financial Statements Disclosure on Management Approach pp. 12-16
	Business strategy	22-25, 39
	Governance and compliance	19, 71-73, 96-97
	Financial crime and fraud	See above (members)
	Privacy of member information	See above (members)
	Member service experience, including technology renewal	See above (members)
	Access to products and services	37 Disclosure on Management Approach p. 9
	Impacts on community	37, 39, 41-51, 60-61, 67-70, 79, 89-90, 93, 95 Disclosure on Management Approach pp. 3-4 & 9
	Supply chain management	19, 60, 97 Disclosure on Management Approach pp. 3-4 & 13 Complete Accountability Statements p. 29
Ways we engage with other stakeholder groups		
Competitors and peers: We work with peers on issues of common interest through industry and other working groups and committees, including Central 1.		
Suppliers and business partners: We engage with suppliers through the “Request for proposal” process, which includes social and environmental criteria. We occasionally need to engage with suppliers on the Ethical Policy. Our supplier relationship managers have meetings as needed to discuss contractual obligations and delivery.		
Public interest groups: We fund and/or work together on public advocacy initiatives. We monitor and respond to specific issues as they are raised.		

Available at vancity.com/2011annualreport (PDFs):

[Complete Consolidated Financial Statements](#)

[Complete Accountability Statements](#)

[Disclosure on Management Approach](#)