

2015 Annual Report
Glossary



Vancity
Make Good Money.™

Helping vulnerable youth in Surrey build a better a life

A home is more than just a roof over your head. It's a place where you feel safe, where you find comfort and support. It lets you go out and achieve things because you know you have somewhere welcoming to come back to.

For most of us growing up and finding our place in life, a home is given to us by our parents. With the help of Vancity, the **Pacific Community Resources Society** provides homes for vulnerable young people in Surrey who are not so lucky.

AA1000: A series of principles-based standards to: a) identify, prioritize and respond to sustainability challenges, b) for assurance, and c) for stakeholder engagement.

AA1000 principles: Inclusivity, Materiality and Responsiveness. Inclusivity—taking into consideration information and insights gathered from engagement with members, communities and others we have an impact on or who have an impact on us, and including these groups in our response to sustainability. Materiality—determining the relevance and importance of an issue to our organization, to our members and their communities, and to society. Responsiveness—demonstrating responsiveness to issues through our decisions and actions, and through communications, including our annual reports and Three Year Plan.

Aboriginal: Used to describe the indigenous people of Canada in the Constitution Act of 1982, and since that time it has been commonly used when referring to matters that affect First Nation (Indian), Inuit and Métis peoples. These are three distinct peoples with unique histories, languages, cultural practices and spiritual beliefs.

Aboriginal communities: Includes Aboriginal owned business; Aboriginal entrepreneurs; individuals of Aboriginal ancestry who self-disclose; Aboriginal Not for Profits; and First Nation or Métis Government organizations. May also include financing offered to business ventures located on First Nation lands where a First Nation member or organization has a minority ownership interest.

Accountability data, information or statements: Financial, economic, environmental, social and governance data and information that we voluntarily disclose in our annual reports. This is in addition to financial data and information we provide to meet regulated financial reporting requirements. We do this to provide members with a more complete picture of our performance.

Accrued interest receivable: The interest from loans and financial assets that is owed to Vancity at the end of the year.

Affordable housing: Financing that results in developments (rental or owned) that create affordable housing that occupies no less than 10% of the residential square footage or supports updates to current non-market housing stock to make it more livable and has a reasonable plan to mitigate any permanent displacement. Affordable housing is considered to be 75% or less of the cost of market rate housing and/or that which is accessible by individuals with a combined gross household income of \$80,000 per year (or less). Affordable housing deals may also involve the renovation of an existing building into a new arrangement of housing, or leverage financing for upgrades to improve overall livability of the housing stock (i.e., loans to finance the upgrade, repair or special maintenance of strata title or rental housing units) as long as the housing stock remains affordable (as defined above).

Allocations (e.g. from Shared Success/to members and the community): Funds accrued in the financial statements for future distribution to members and communities; i.e. funds that are recognized in the financial statements before they are paid for or distributed.

Allowance for credit losses: An estimate of the portion of loans that are unlikely to be repaid. It consists of an individual allowance for each loan and a collective allowance for the loan portfolio as a whole.

Allowance for credit losses as a percentage of total loans: Calculated as allowance for credit losses divided by gross total loans. This is an asset quality ratio that measures the allowance available to absorb loan losses relative to total loans outstanding.

Arts & culture/heritage buildings: Transactions relating to initiatives and/or enterprises operating within the arts and cultural sector. This can include financing for heritage building preservation, if: (a) the preservation represented

a significant investment (over 20% of the value of the property prior to renovation); (b) it is for purchasing or operating a building that is officially designated as historic and protected by that designation.

Assets (financial, per the balance sheet):

Everything Vancity owns that is determined to have a future economic benefit.

Assets—intangible: Assets that lack physical substance. For Vancity these include computer software and ICBC (Insurance Corporation of BC) licences.

Assets—risk-weighted: Assets that have been adjusted based on regulated risk ratings for various asset categories. For example, assets such as insured mortgages would be considered low risk, while commercial loans would be weighted as higher risk.

Assets under management or administration: Off-balance sheet assets that represent the market value of member and client investments, such as mutual funds, stocks or bonds, that Vancity manages or administers on their behalf.

Assurance: The provision of confidence or certainty by an independent assurance provider to a party or group of persons in relation to certain subject matters.

Assurance provider—-independent: A practitioner who provides assurance. Types of assurance providers vary from professional audit and quality assurance firms, sustainability assurance consultancies, civil society assurers and opinion/non-governmental organization leaders or advisory panels. Vancity uses a professional audit firm.

BAR: Banking Applications Renewal program, see below.

Banking Applications Renewal program: A multi-year program to renew our core banking system (the technology we use to accept deposits, lend money and provide services that support our members' financial transactions)

and related business applications, including a new retail Loans Origination System (LOS).

Borrowings (treasury): Credit facilities offered by other financial institutions that provide ready-access to funding for operational needs.

Business loans: See 'Loans—business.'

Business model: Describes how an organization creates value over time (economic, social, cultural, or other forms of value).

Capital (financial, per the consolidated financial statements): Composed primarily of retained earnings, equity shares and contributed surplus. For regulatory purposes, capital also includes 50 per cent of our portion of retained earnings in the Credit Union Deposit Insurance Corporation, Central 1 and Stabilization Central Credit Union, and specified deductions.

Capital adequacy ratio: Regulatory capital divided by risk-weighted assets. It is one measure that reflects the strength of a financial institution and is looked upon as a cushion for unexpected losses. Capital levels for BC credit unions are regulated pursuant to guidelines issued by the Financial Institutions Commission of British Columbia, based on standards issued by the Bank of International Settlements. Minimum capital adequacy ratio is eight per cent, along with a requirement that at least 35 per cent of capital base should consist of retained earnings.

Carbon footprint: The greenhouse gas emissions associated with an organization's operations. See 'Greenhouse gas emissions' below for more details.

Carbon neutral: A term used to signify that an organization (or individual) has reduced the net carbon footprint of their operations (or activities) to zero, usually after purchasing carbon offsets in a quantity equal to their total emissions after reduction efforts.

Carbon offsets: A reduction in greenhouse gas emissions created by one party that can be

purchased and used to compensate for (offset) the greenhouse gas emissions of another party.

CEO: Chief Executive Officer. Our CEO reports to the Board of Directors.

Central 1: Central 1 Credit Union is the central financial facility, payments settlement centre and trade association for credit unions in BC and Ontario.

Clean technology/renewable energy: Products, projects or services that reduce the use of natural resources including water and energy, reduce or eliminate pollution and wastes, or that generate renewable energy. Renewable energy sources include solar, wind, ocean, geothermal, hydro energy, and biomass.

Commercial loans: See Loans—commercial.

Community donations: Grants made by Vancity to a registered charity, not-for-profit organization, or co-operative.

Community investment: We use this term broadly. It includes targeted investments in communities—including lending, granting, sponsorships, community partnerships and employee volunteering—in support of organizations that demonstrate positive social, environmental, or cultural impact, or in support of traditionally underserved individuals or communities.

Community impact loans: Approved and funded commercial, business and microloans that facilitate positive community impact—an improvement (or potential improvement) in the lives of people and/or the community and environment. These are loan transactions with impact businesses and impact sectors. Impact businesses include: not-for-profit organizations, social enterprises or ventures, 'green' businesses, co-operatives and other credit unions, unions, educational and care facilities, churches and other religious facilities, aboriginal owned/controlled, first nation government owned/controlled, women owned/controlled, new immigrant owned/controlled, and

microbusiness. This does not include investment real estate lending. These loans support aboriginal communities; affordable housing; community-minded organizations; co-operative and credit union syndicates; social-purpose real estate; local, natural and organic food ventures; environmental and energy efficiency; and microfinance and poverty reduction. Detailed criteria for what constitutes a community impact loan are established internally and reviewed annually. Reported value of loans is based on new dollars approved and funded, including those from loans being refinanced.

Community impact loans approved and funded as a percentage of total business and commercial loans:

Approved and funded dollars in community impact loans from our community business and community real estate portfolios plus microloans, divided by total dollars in approved and funded business and commercial loans.

Community minded organizations:

Organizations either have (a) mission statements that express how the organization will generate social and/or environmental value through their business activities, and/or (b) are legally organized in a manner that benefits the broader community. Includes social enterprises or ventures, churches/temples/religious organizations (where real estate is not involved), co-operatives and credit unions, educational/care facilities, not-for-profit organizations (NFP), unions, B corporations and community contribution companies (C3s).

Contact centre: Our contact centre serves members via phone and email.

Co-operative: An autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Co-operative principles: Guidelines for co-operatives to put their values into practice. There are seven:

1. Voluntary and open membership

2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation among co-operatives
7. Concern for community

Co-operatives and credit union syndicates:

Transactions involving loans to co-operative organizations as well as shared or syndicated loans involving other credit unions and financial co-operative organizations.

Core banking system: The technology we use to accept deposits, lend money and provide services that support our members' financial transactions.

Corporate engagement: This strategy employs shareholder power to influence corporate behaviour through direct corporate engagement (e.g., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is guided by environmental, social, and governance (ESG) guidelines.

Credit repair: The process of improving one's financial reputation among creditors while providing education on responsible credit use.

Credit risk: The risk of loss attributable to the possibility that borrowers will fail to honour their payment obligations, whether on or off balance sheet, after consideration has been given to the value of any security held in support of the payment obligations. Management of credit risk ensures the ability for the organization to remain strong as it moves through various business cycles.

Credit scoring: A process to determine the creditworthiness of a person based on an analysis of a person's credit files, primarily sourced from credit report information from credit bureaus. Lenders use credit scoring to determine who qualifies for a loan, at what interest rate, and at what credit limits.

Credit union: A credit union is a financial co-operative that is created and democratically controlled by its members. Profits are shared among all owners, and members elect the board of directors in a democratic, one-person-one-vote system, regardless of the amount of money they've invested in the credit union.

Deposits—member (per the balance sheet): The money members hold in their bank accounts at Vancity, represented as a liability on our balance sheet.

Deposits—agent: Deposits that are originated through a network of member deposit brokers who source the funds on behalf of Vancity.

Deposits—wholesale: Larger-scale deposits that are originated through wholesale relationships developed primarily with government, municipal and school board members.

Differentiated member experience: The distinctive experience we provide our members that sets us apart from other financial institutions.

Efficiency ratio: Also known as operating efficiency, this is calculated as total operating expenses including community distributions, divided by total operating income excluding loan impairment expense. It measures how much we must spend to make one dollar. A lower efficiency ratio is desired because this means it costs less to generate each dollar of income.

ELT: Executive leadership team, see below.

Eligible members: See 'Member—eligible.'

Emission factors: representative values relating the quantity of an emission with an activity associated with the release of that emission. In a hydroelectric-based power system such as British Columbia's, the GHG emissions from electricity can vary significantly from year to year.

Employee engagement: The energy or passion employees have for their employer.

Employee fraud—substantiated incidents: Includes proven mismanagement of personal accounts, member account compromise, misrepresentation of facts and theft of cash.

Employee well-being: Employee well-being is made up of two factors including engagement and well-being. Engagement measures include employees' relationships at work, company pride, opportunities for growth and learning and inclusion in the workplace. Well-being measures include quality of life, sense of purpose, overall health, connectedness, resilience and financial stability. We define overall well-being in a weighted model, with 35% related to engagement measures and 65% to well-being measures.

Energy efficient/green and/or location efficient buildings: Upgrades and new building financing of buildings that meet or exceed environmental impact and/or energy efficient building standards. Also financing upgrades that significantly improve energy-efficiency by at least an estimated 15% and/or introduce renewable energy sources. Financing buildings that achieve a WalkScore at or above 78.

Equity—members: See 'Members' equity.'

ESG: Environmental, Social, Governance.

Ethical Principles for Business Relationships: Guidelines that help us decide which organizations to do business with. It covers ethical business practices, environmental leadership, respect and fair treatment, and healthy and peaceful communities. We apply it to relationships with business and not-for-profit members, suppliers, Treasury relationships, strategic partners and grant recipients.

Executive leadership team: The Chief Executive Officer of Vancity and those who report directly to her—a team of seven at the end of 2015.

Expenses—operating: See 'Operating expenses.'

Financial inclusion: Providing affordable access to basic financial services to disadvantaged, marginalized and low-income individuals.

First Nation(s): A term that came into common usage in the 1970s to replace the word "Indian." Although the term First Nations is widely used, no legal definition exists. Vancity uses First Nations to describe a person, and uses First Nation to replace the term "Indian Band" in the naming of governing councils and communities.

Fiscal framework: Guiding principles we use for financial management.

FTE: Full-time equivalents, see below.

Full-time equivalents: Total active full-time equivalents (FTE) based on the number of hours actually worked by all employees (permanent and non-permanent) in the fiscal year. It is calculated by dividing total hours worked by 1,820 working hours in a year. We use FTE to normalize some data.

GABV: Global Alliance for Banking on Values, see below.

GHG: Greenhouse gas emissions, see below.

Global Alliance for Banking on Values: A network of the world's leading sustainable financial institutions sharing the commitment to achieving triple-bottom-line impact through responsible banking practices. At the end of 2015 the alliance comprised 28 banks, banking co-operatives and credit unions with more than \$100 billion in assets.

Global Reporting Initiative: A not-for-profit organization that produces one of the world's most prevalent standards for sustainability reporting.

GRI: Global Reporting Initiative, see above.

Green businesses: Businesses that are producing products and services which reduce negative environmental impact or generate positive environmental benefits. It also includes

businesses that may not have an explicitly 'green' mandate but which are engaged in significant greening of their operations. It does not include businesses that recycle unless over 30% of the member's income can be documented as coming from recycling and there is no legal or license requirement that the business carry out said recycling.

Greenhouse gas emissions: At Vancity, these includes emissions from premises energy use, paper use, our vehicle fleet, employee business travel by vehicle or air, and employee commuting to and from work in a single-occupancy vehicle. Emissions are expressed in tonnes of carbon-dioxide (CO₂) equivalent.

Gross impaired loans: When a loan is not expected to be fully repaid, the loan is "impaired" and the balance of the loan that is recorded in the financial statements is reduced (or "written down") to the amount of the loan that is expected to be recovered by Vancity. Gross impaired loans is the total balance of all loans that we expect will not be fully repaid, before taking into account any impairment (or write down). This measure indicates the total outstanding balance of all loans that are impaired.

Gross impaired loans as a percentage of total loans: This is the total balance of all loans where it is not expected that the full balance of the loans will be recovered (also known as impaired loans) divided by the total balance of all loans outstanding. This is a loan quality indicator that represents the proportion of our entire loan portfolio that we have determined to be impaired.

Guiding principles: Developed by the Board, the following guiding principles guide Vancity's management team and focus Vancity's work so we have the greatest positive impact on members and their communities:

- Co-operative principles and practices are flourishing in the community.

- Environmental sustainability for our members' lives and communities is enhanced.
- Social justice and financial inclusion are enhanced in our members' lives and communities.

Healthy community: Our definition will continue to evolve but we have identified three key dimensions of a healthy community: co-operative principles and practices flourish; all people have basic human rights and equal access to the benefits of their society; and environmental sustainability is enhanced.

IFRS: International Financial Reporting Standards, see below.

IIRC: International Integrated Reporting Council, see below.

Impairment: When an asset on our balance sheet decreases in value and we no longer believe we can recover the full amount, the asset is considered to be "impaired" and its value on our balance sheet is reduced (or written down) to the amount that is expected to be recovered. For Vancity this is most relevant to loans that we no longer expect to be repaid in full, but is also applicable to other assets recorded in the financial statements.

International Financial Reporting Standards: Principles-based standards, interpretations and the framework adopted by the International Accounting Standards Board (IASB).

International Integrated Reporting Council: A global coalition of regulators, investors, companies, standard-setters, the accounting profession and NGOs. Together, this coalition shares the view that communication about businesses' value creation should be the next step in the evolution of corporate reporting.

International Integrated Reporting Framework: Developed under the auspices of the IIRC, the purpose of the Framework is to establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to

explain the fundamental concepts that underpin them.

Impact (positive): An improvement (or potential improvement) in the lives of people and/or the community and environment.

Impact loans: See ‘Community impact loans.’

Impact metrics: Measures that speak to the difference we make in the lives of people and/or the community and environment, within the areas defined by our guiding principles (co-operative principles and practices, environmental sustainability, and social justice).

Intangible assets: See ‘Assets—intangible.’

Integrated reports or reporting: According to the IIRC, an integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects—in the context of its external environment—lead to the creation of value over the short, medium and long term. Integrated reporting is a process that results in communication by an organization—most visibly a periodic integrated report—about value creation over time.

International Organization for Standardization: An international standard-setting body composed of representatives from various national standards organizations. The standards cover products, services and good practice.

ISO: International Organization for Standardization, see above.

Leadership in Energy and Environmental Design (LEED) Green Building Rating System®: A third-party certification program and internationally accepted benchmark for the design, construction and operation of high-performance green buildings.

LEED®—Leadership in Energy and Environmental Design®, see above.

Liquidity: How quickly and economically assets can be converted into cash.

Liquidity ratio: Total liquid assets divided by total deposits and debt liabilities. This represents assets that could be easily liquidated to pay short-term obligations. It is calculated using the definition in the BC Financial Institutions Act.

Living wage: A living wage reflects the hourly rate of pay that enables a family with two parents working full time, with two children, to meet basic living needs. In 2015, it was \$20.68/hour in Metro Vancouver, inclusive of benefits.

Living wage employer: Living wage employers commit to meeting the general conditions set by the Living Wage Employer Program.

- All employees (full time, part time, and casual employees) must be paid the current living wage rate. Overall compensation provided to employees paid by incentive-based pay must equal or exceed the Living Wage; and
- Living wage employers must commit to insert a ‘Living Wage clause’ in all future contracts for services.

Living wage information session: The audience must want to learn about Living Wage and how it could apply to their own business. The audience are businesses, employers, or employees with the potential to influence their employers to participate in information sessions. Information sessions may be initiated by Vancity or in response to an invitation. A session must be planned in advance (spontaneous conversations do not count). Information on both the Living Wage for Families Campaign and how it has been interpreted and applied at Vancity are discussed. Information shared on Vancity’s participation covers three aspects of implementation (direct employees, dealing with contractors, the role of advocacy). Links to Vancity’s website on Living Wage and links to the Living Wage for Families Campaign website are shared (either before, after, or during the session.) Answers to general questions about the Living Wage program, or

sessions that do not cover the three aspects of implementation do not count.

Loans—business: Loans and lines of credit to businesses (including not-for-profit organizations, social enterprises and co-operatives) and commercial loans less than \$6.5 million, generated by Vancity’s Community Investment division; and small-business loans generated by Vancity’s Community Member Services division (non real-estate secured loans less than \$150,000, and real-estate secured loans less than \$750,000).

Loans—commercial real estate: Loans for both construction and fixed-rate loans. Loans include office, industrial, retail and multi-family residential properties located in BC, Alberta and Ontario.

Loans—consumer: Loans and lines of credits to personal members that are not secured by real estate (e.g., car loans).

Loans—community impact: See Community impact loans.

Loan impairment expense: When an asset on our balance sheet decreases in value and we no longer believe we can recover the full amount, the asset is considered to be “impaired” and its value on our balance sheet is reduced (or written down) to the amount that is expected to be recovered. The loan impairment expense is the amount of reduction.

Loans—microloans: Small loans that help build or support credit for individuals with a damaged credit history, and/or lending that provides self-employment for individuals transitioning from employment insurance.

Loans origination system: The information technology system that supports loan application and processing.

Loans—residential mortgages: Loans to personal members secured by real estate.

Local integrated economy: Includes investing in an independent locally owned for-profit business that are actively working to enhance our local economy while ideally contributing to healthier communities that aim to be environmentally and socially sustainable— i.e., tangible evidence* of a commitment to:

- buying locally produced food, products and services; investing locally; and/or by supporting local arts and independent local media;
- producing all or elements of their products locally including basic needs like food, water and energy
- Supporting social sustainability by providing meaningful living wage jobs, creating opportunities for broad-based business ownership, or engaging in fair trade, and/or promoting diversity in the community and workplace.
- operating the businesses in ways that lessen negative environmental impact or improve their environmental performance.
- collaborating with other local businesses to achieve some of the above results and help build more resilient community.

*Evidence includes a public commitment, mission statement, and/or accountability reporting that reflect philosophies such as Living Wages, Living Returns, Shared Value, and Triple/Integrated Bottom Line.

Local, organic food: Businesses and not-for-profit organizations with explicit missions to grow and promote a viable and sustainable local (within our operating region) and/or organic food system or where a significant portion (greater than 25%) of their business revenues support local and/or organic food.

Low-margin environment: Margin is the difference between what we earn on loans and what we pay on deposits. A low margin environment refers to both (a) declining income as new loans and securities are put on the balance sheet at lower rates of return, and (b) lower interest payments on deposits and other interest-bearing liabilities.

Managed purchases: Goods and services procured by Vancity, for which decision-making and oversight are performed internally. These don't include spending related directly to payments made to the government—municipal, provincial or federal—or costs associated with the lease of premises where Vancity has a place of business.

Margin (financial): The income we earn from loans (interest income) less the interest we pay on deposits (interest expense). This shows up as 'Net interest income' on the consolidated statement of operations.

Margin compression: Margin is the difference between what we earn on loans and what we pay on deposits. Margin compression is when the difference between the two becomes less as a result of lower rates of return on new loans and securities which have not been matched by an equivalent decrease in interest payments on deposits.

Market risk: We define this as the risk of loss from exposure to adverse changes in the value of financial instruments and other investments (including any investment in subsidiaries) or assets owned by Vancity, whether on or off balance sheet, as a result of changes in market factors such as interest rates, foreign exchange rates, equity or commodity prices and credit spreads.

Material data, information or issues: We consider something to be material if it relates to our significant economic, environmental and social impacts or if it would substantively influence the assessments and decisions of our members or other key stakeholders.

Member: Anyone who banks and holds a core banking account or joint account with Vancouver City Savings Credit Union or Squamish Savings.

Member—business: An organizational member, including not-for-profit organizations, social enterprises and co-operatives.

Member—eligible (to vote in the Board of Director elections): A member who is more than 19 years old, not delinquent in any obligations to Vancity, and has at least \$5 in a membership shares account for each member named on the account.

Member likelihood to recommend score: The percentage of members responding a nine or 10 out of 10 to the question, "If a colleague, friend, or business acquaintance asked you to recommend a financial institution, how likely would you be to recommend Vancity (where 10 means extremely likely)?"

Member – new: An individual who opens a core banking account during the year; or, an individual who joins a joint banking account during the year.

Member—personal or retail: Individual members (i.e. not organizational members).

Members' equity: Capital and reserves attributable to members. It includes contributed surplus, retained earnings and accumulated other comprehensive income.

Member well-being: Our definition will continue to evolve, but we see well-being as an individual's overall quality of life. This incorporates many factors such as financial literacy and security, employment, affordable housing, the built environment, physical and mental health, education, recreation and leisure time, and social belonging.

Microloans: See loans—microloans.

Microfinance (microbusiness) and poverty reduction: Small loans that provide access to credit that a member may otherwise be unable to gain, or that support credit build or repair for individuals with a damaged or non-existent credit history, and/or lending that provides self-employment for individuals transitioning away from employment insurance.

Mission-based for profit: A for-profit organization whose mission (purpose) focuses on social, environmental or cultural impact.

Mutual fund: A pool of money used to purchase common stocks, bonds or other financial instruments, which is managed by professional portfolio managers.

Net income attributable to members: Revenue less operating expenses. Income is reported after deducting normal operating expenses, but before taking gains or losses from the sale of securities, other losses and charge-offs, and additions to the reserve account for possible losses.

Net income before distribution and tax: Revenue less operating expenses plus non-operating income.

Net interest income: The income we earn from loans (interest income) less the interest we pay on deposits (interest expense). Also called 'Financial margin.'

Net interest income as a percentage of operating revenue: Net interest income divided by total operating income, excluding loan impairment expense. Operating revenue includes non-interest income such as fees, commissions, real estate development income and net gains on financial assets. This ratio represents the relative proportion of net interest income in relation to operating revenue.

Net interest margin: Net interest income divided by average interest-earning assets. It represents the average yield on the credit union's interest-earning assets.

Newcomers owned/controlled: Lending to a business/NFP/social enterprise where the majority share holder(s) or the principle organizational leader (CEO, Executive Director) is a newcomer (people who have been in Canada for ten years or less). This does not include investment real estate lending (SL2).

Operating expenses: The costs to run our business, including employee salaries, branch operating costs and technology maintenance.

Organizational scorecard: The key annual Vancity-wide targets used internally to track quarterly progress.

Persons with disabilities: A person who considers themselves to be, or believe that an employer might consider themselves to be, a person with a disability (e.g. long-term or recurring physical, mental, or learning impairment).

Privacy complaint or breach: A breach of Vancity's Privacy Code regarding the privacy, confidentiality and security of member personal information. Examples of breaches could include: improperly accessing member personal information without consent, losses of customer data and mail, email or telephone calls that are directed to the wrong location.

Real economy: The part of the economy that generates goods and services, rather than the financial economy, which is concerned exclusively with activities in financial markets.

Redefining wealth: Vancity's vision. It means putting the needs of the members we serve first to enhance their well-being and create positive community impact.

Retail member, service or banking: Retail refers to personal or individual banking (rather than commercial or business banking).

Return on average assets: Net earnings from operations divided by average assets. It measures how efficient we are at using our assets to generate earnings.

Return on average members' equity: Net earnings from operations divided by average members' equity, excluding member shares. It measures how much profit we generate with every unit of members' equity. (Members' equity is capital and reserves attributable to members.)

It includes contributed surplus, retained earnings and accumulated other comprehensive income.)

Revenue: Income earned by Vancity, primarily through interest income from loans and investments, and fee and commission income.

Risk appetite: The level of risk we are prepared to accept, in the pursuit of our vision.

Risk-weighted assets: See 'Assets—risk-weighted.'

ROME: Return on average members' equity, see above.

Scientific Research and Experimental Development Tax Incentive Program (SR&ED): SR&ED encourages Canadian businesses of all sizes, and in all sectors to conduct research and development in Canada. It is the largest single source of federal government support for industrial R&D. The SR&ED Program gives claimants cash refunds and/or tax credits for their expenditures on eligible R&D work done in Canada.

Securitization: The process of pooling certain types of assets (such as mortgages) and repackaging them to form liquid interest-bearing securities. The interest and principal payments from the assets are passed through to the purchasers of the securities, as is the credit risk associated with the assets.

Senior management: Director-level management and above, including the Executive Leadership Team.

Shared Success: As a financial co-operative, each year we give back the equivalent of 30 per cent of our net earnings from operations to members and communities. We call this dividend Shared Success.

Social enterprises or ventures: Organizations that are mission-based – i.e., their mission (i.e., the purpose of the business) is first and foremost in their operations – and there is strong community benefit in their structure. They may

be structured as not for profits, co-operatives, mission-based for profits, Aboriginal owned businesses or First Nation ventures. Their mission could be focused on social, environmental, economic or cultural impact. The enterprises could be delivering products or services that meet this mission; providing jobs for individuals facing barriers as their main mission; or generating revenues in order to support the financial sustainability of the not for profit or co-operative.

Social justice: A society that gives individuals and groups fair treatment and a just share of the benefits of society. This concept demands people have equal rights and opportunities.

Social Purpose Real Estate (SPRE): Transactions that relate to the financing of facilities or lands being developed by individual mission-driven community organizations (not-for-profits, co-operatives, etc.) or collaborations of community organizations who come together to buy or redevelop land/buildings.

Socially responsible investments: As defined by the Social Investment Organization (SIO), SRI is the inclusion of environmental, social and governance (ESG) considerations into the management and selection of investments. We include all relevant funds listed by the SIO, including the IA Clarington Inhance SRI Fund family. In addition we include the IA Clarington bond fund, Vancity segregated fund, and all assets managed by Vancity Investment Management (VCIM) unless a client specifically requests that environmental, social or governance (ESG) screens not be applied.

Sponsorship: Donation of cash and/or in-kind resources that support an organization's event or idea in return for public recognition of Vancity and our members' support for the project.

SRI: Socially responsible investments, see above.

Stakeholder: Individuals or groups that affect and/or are affected by the organization or its activities.

Stakeholder engagement: The process by which an organization understands and involves its stakeholders and their concerns in its activities and decision-making.

Strategic supplier: See ‘Supplier—strategic.’

Substantiated incidents of employee fraud: See Employee fraud—substantiated incidents.

Supplier—strategic: Suppliers with total annual spending of more than \$250,000 or who pose a high financial or reputational risk.

Supplier—locally based: We determine locally based suppliers by using the “remit to” postal code shown on supplier invoice and the following criteria: the supplier has a local representative, a local store and/or local warehouse within the communities our branches operate in.

Sustainability: For Vancity, sustainability means ensuring we’re a strong enduring organization by doing business in a way that contributes to the well-being of our members, communities and the environment.

Sustainable—Capable of being maintained at a steady level without exhausting resources or causing damage.

Sustainable transportation mode: Any transportation mode (e.g., public transit, carpooling, biking or walking) except for driving alone (i.e., single occupancy vehicle).

SVP: Senior Vice President. At Vancity, SVPs report directly to the Chief Executive Officer (CEO).

Targets and commitments—key or supporting: A set of annual targets and commitments included in our Annual Report. These measure progress against our strategic objectives and help move us closer to our vision.

Treasury function: Treasury’s main purpose is to manage the interest rate, foreign exchange and liquidity risks of Vancity and its subsidiaries,

including Citizens Bank. It develops strategies to protect member capital from market volatility, to maintain liquidity reserves and to raise wholesale funds, enabling lending to members.

Treasury investments: Funds invested in Central 1 or wholesale markets with the objective of balancing liquidity needs with stable returns to maintain financial and social well-being for the credit union and its members.

Treasury investments in impact: The book value of all liquidity investments in the form of CMHC (Canadian Canada Mortgage and Housing Corporation) mortgage-backed securities (MBS) pools connected to social housing, plus equity investments that meet the definition of a community impact transaction (see ‘Community impact loans’). These include transactions with social purpose real estate, social enterprises, and microbusiness.

Treasury relationships: Treasury relationships with wholesale depositors, bank counterparties and market participants that provide diversified access to funding to support member lending and growth.

Trusted advisor score: The extent that surveyed members consider branch staff to be a Trusted Advisor when recommending solutions to achieve member goals.

Values-based banking: Values-based banking puts the needs of people and communities first. It places the tools of banking in service of economic, social and environmental development in a manner that is fair, transparent and accountable.

Vancity: Vancouver City Savings Credit Union and its active subsidiaries and partnerships, as listed in the annual report and consolidated financial statements.

Vancity Centre: Vancity’s head office building located at 183 Terminal Avenue, Vancouver BC. Approximately 600 employees work there.

Vision (Vancity’s): See ‘Redefining wealth.’

WalkScore: A highly developed Geographical Information System based tool, which promotes concepts of the social quality of neighborhoods, density and diversity in urban design and consequently affordability for residents.

Waste recycled or diverted from the landfill:

Waste that is composted and/or recycled. Waste recycled includes glass, plastics, metal, paper, cardboard, fibrous materials, compost, all-fibre materials and any non-recyclables from general operations. These materials are retrieved by Urban Impact Recycling and are eventually sent to recycling mills to create new products. Due to issues with data accuracy, not all the items we recycle are included. For example, waste from construction and renovations is excluded.

Well-being: See ‘Member well-being’ and ‘Healthy community.’

Women entrepreneurs: Lending to a business/NFP/social enterprise where the majority share holder(s) are women or the principle organizational leader (CEO, Executive Director) is a women. This does not include investment real estate lending (SL2).