
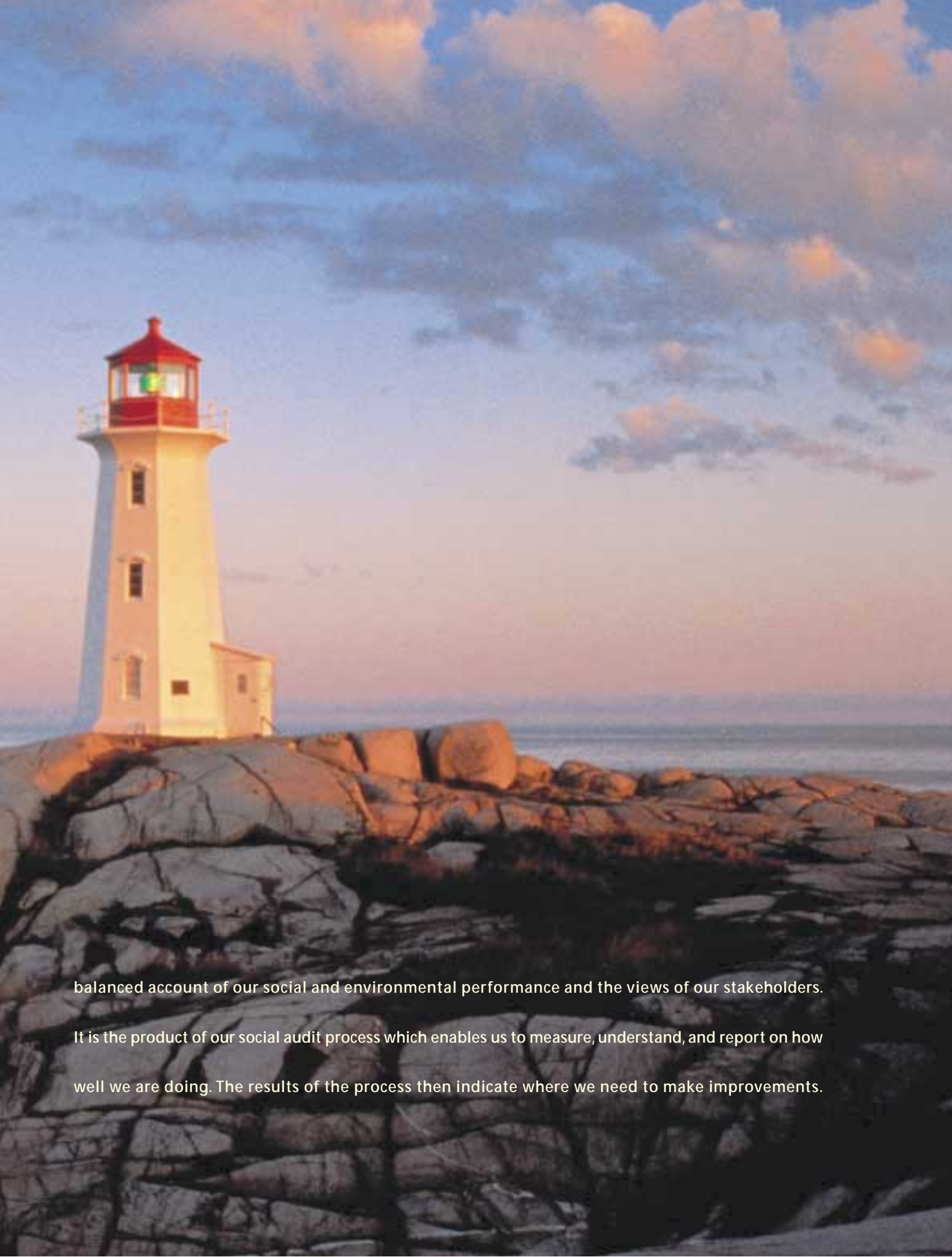


Guided by values



At VanCity, we measure our success by
our financial performance *and* our social
and environmental performance . . .

This 1998/99 Social Report is an account of our ongoing journey — a journey guided by our long-standing commitment to social and environmental responsibility, democratic decision-making, and outstanding member service. As with our 1997 Social Report, it presents a reliable, transparent and



balanced account of our social and environmental performance and the views of our stakeholders.

It is the product of our social audit process which enables us to measure, understand, and report on how

well we are doing. The results of the process then indicate where we need to make improvements.



Greg McDade, Chair
VanCity Board of Directors

VanCity is on an exciting journey. Amid rapid changes to the financial services industry, we continue to chart our course based on our long-standing commitment to social and environmental responsibility, democratic decision-making, and outstanding member service. Our purpose is to achieve results that allow our key stakeholders — our members, our staff, and communities — to thrive and prosper.

This 1998/99 Social Report is an account of VanCity's ongoing voyage — how far we've come and how much farther we have to go. As with our 1997 Social Report, it presents a reliable, transparent, and balanced account of our social and environmental performance and the views of our stakeholders.

It was externally verified by our external social auditor whose report can be found on page 10.

Constant Change . . .

Since 1997, the pace of change in the financial services industry has accelerated. While VanCity has worked hard to compete in this environment by finding innovative ways of doing business, we haven't lost sight of our values or our commitment to meeting the needs of our members.

. . . Constant Values

Our unchanging values have helped guide us through these changing times. We know that much of what we do with respect to social and environmental responsibility is well regarded by other organizations in Canada. We also know that our social audit¹ process is helping to ensure we are on the right course by allowing us to measure, understand, report on, and ultimately improve our social and environmental performance.

A Guiding Compass

One of the most significant outcomes of our 1997 social audit process was the decision to develop a corporate-wide ethical policy to keep us true to our values as we respond to changes and challenges in our industry. What is now our Statement of Values and Commitments was developed over several months in 2000 in consultation with members, staff, and local community groups (see page 7).

It was an exhilarating process that put into words the heart and spirit of VanCity: a desire to serve our members, staff, and community with integrity, innovation, and responsibility. In the future, our Statement of Values and Commitments will guide all of our business decisions and contribute to our continued success.

Progress . . .

Our 1997 Social Report identified areas for improvement and in response, we made 36 commitments to our various stakeholder groups. By the end of 1999, 11 of these ambitious commitments had been completed, 22 were in progress or on-going, and three had been deferred or cancelled.

Since 1997, significant progress has been made in areas such as access to basic financial products and services, communication with staff, and service to our business and non-profit members. We developed a strategy to improve access to our services for low-income and marginalized individuals, implemented a staff communication

¹Abbreviated term used to refer to the entire social and ethical accounting, auditing and reporting (SEAAR) process

strategy, and introduced a number of products to improve service to business and non-profit members. In addition, the past two years also saw the continued development and implementation of our Relationship Building strategy in an effort to improve services to and strengthen relationships with all VanCity members.

... And Challenges

While the above and a variety of other innovative initiatives have benefited our members, these changes and other market forces have increased the demands on our staff. The pressures caused by organizational changes, globalization, and technological advances are being felt throughout VanCity. They are not unlike the experiences of many working Canadians today and VanCity will continue to look for ways to support staff throughout these ongoing changes.

Another challenge we have recognized is that the core business activities of financial institutions can have wide-ranging positive or negative impacts on communities and the environment. At VanCity, we are working to increase the positive impacts of our core activities and decrease the negative impacts. By making responsible lending and investment decisions, we can help members achieve their financial goals, provide social and economic benefits to the community, and contribute to a healthy environment. We are also helping our members make the right investment decisions by providing them with socially responsible investment options.



Dave Mowat, CEO
VanCity Credit Union

The results of our 1998/99 social audit process indicate that we have some distance to go before all our progressive policies and procedures are fully embedded into our core business activities. However, we know we are heading in the right direction, and we hope our efforts will inform and provide encouragement to other financial institutions.

The Right Course

We take the results and the commitments outlined in this Social Report very seriously. While we recognize that there is more to be done, we are extremely proud of our past achievements.

We believe that our leadership in quality service and social responsibility will continue to set us apart from banks and other financial institutions, and that our core values will guide us as our business evolves in anticipation of change.

At VanCity, we will continue to measure our success by our financial performance and our social and environmental performance. And, we will publicly report on this performance in future externally verified reports such as this one. We suspect it won't be smooth sailing all the way, but we know that we have charted the right course.

October 12, 2000

A handwritten signature in black ink, appearing to read "Greg McDade". The signature is fluid and cursive.

Greg McDade, Chair
VanCity Board of Directors

A handwritten signature in black ink, appearing to read "Dave Mowat". The signature is fluid and cursive.

Dave Mowat, CEO
VanCity Credit Union

VanCity's Mission Statement

Vancouver City Savings Credit Union is a democratic, ethical and innovative provider of financial services to its members. Through strong financial performance, we serve as a catalyst for the self-reliance and economic well-being of our membership and community.

VanCity Profile

- Canada's largest credit union
- 39 branches in the Greater Vancouver/Fraser Valley area and Victoria
- \$6.4 billion in consolidated assets
- 260,000 members
- 1,770 employees

VanCity Board of Directors, 2000/01

Gregory McDade, *Chair* • Reva Dexter, *Vice-Chair* • Jack Allard • Doreen Braverman • Elain Duvall • Kay Leong • Catherine McCreary • Sylvia Pritchard • Bruce Ralston (Also on the Board in 1999/2000: Coro Strandberg • Essop Mia)

Guide to the Reader

Benchmarks are "data and information used as a point of reference against which performance is judged."

— *New Economics Foundation*

Indicators are quantitative and qualitative data and information used to track an organization's performance.

Social auditing (also referred to as social and ethical accounting, auditing and reporting) is "a generic term for the variety of approaches to the measurement, assessment, and communication of social and ethical performance."

— *Institute of Social and Ethical AccountAbility*

Stakeholders are all "those people or groups that are either affected by or who can affect the activities of the organization."

— *New Economics Foundation*

Unaudited - Some data within this report has not been audited/verified by the external auditor and are marked accordingly.

Contact Us



We want to hear what you think about this report. Send us your comments/questions to our Social Audit Manager at:

feedback@vancity.com

(604) 877-7000 toll-free 1-888-VANCITY

For more information about VanCity, visit our web site at www.vancity.com or call (604) 877-7000

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Visit our web site for other VanCity reports:

1997 Social Report
www.vancity.com/socialreport

1999 Annual and Financial Reports
www.vancity.com/difference/report

2000 Annual and Financial Reports
(to be released in Spring 2001):
www.vancity.com/difference/report

VanCity's 1998/99 internal social audit team:

Shannon Gordon, *Social Audit Manager*

Priscilla Boucher, *Manager, CSR Strategy*

Joanne Westwood, *Social Audit Coordinator*

What is it?

Who sets the standard?

Why do it?

VanCity's 1998/99 Social Report . . . What is it?

This Social Report is the final product of our 1998/99 social audit process. In it, our social and environmental performance is measured against the expectations of our stakeholders, VanCity's policies and commitments, and societal expectations. It is not a report card nor does it provide a passing or failing grade — rather, the report presents the relevant information in a balanced and reliable way, leaving it up to you, our stakeholders, to judge VanCity's performance for yourselves. The report was prepared internally by VanCity with input from stakeholders as to what we should include in the report. It was verified by an external social auditor ([see Auditor's Report](#)) to provide assurance that the report is balanced, reliable and a reasonable account of our 1998/99 social and environmental performance.

We use the abbreviated term "social auditing" to refer to the entire social and ethical accounting, auditing, and reporting process.

Social Auditing . . . Why do it?

- *Improved social and environmental performance* . . . The process of social auditing allows us to measure, understand, report on, and ultimately improve our social and environmental performance. Improving our performance in these areas and being transparent and accountable to our stakeholders is at the heart of why we engage in social auditing at VanCity. We do this with the knowledge that this in turn strengthens our overall performance (see "[Continuous Improvement](#)" below).
- *Strengthened relationships* . . . Consulting with stakeholders is central to social auditing and it allows us to gain a better understanding of their needs and expectations. This understanding leads to strengthened relationships as we are better able to respond to their concerns and meet their needs (see "[Stakeholder Involvement](#)" below).

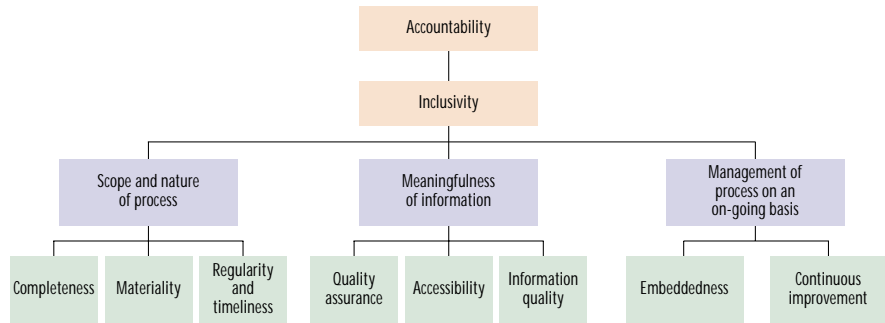
Who sets the standard?

Unlike financial accounting, auditing and reporting, social auditing is in its infancy and standards are currently being developed. The Institute of Social and Ethical AccountAbility (www.AccountAbility.org.uk) is helping to lead the way and has drafted a process standard for increasing the quality of social auditing. This standard, called AccountAbility 1000 (AA 1000), is ultimately aimed at improving the overall performance of adopting organizations. AA1000 sets out the principles that identify the characteristics of a quality social audit process ([page 6](#)).

VanCity's social audit process is based on AA1000 (November 1999 exposure draft) as was the external verification process (see [Auditor's Report](#)).

The AA1000 Principles

Source: AccountAbility 1000
(November 1999 exposure draft)



See [page 8](#) for a map of our stakeholders and a summary of our social and environmental performance.



You can now contact us anytime with your views about the issues and measures included in this Social Report.

feedback@vancity.com
(604) 877-7000
toll-free 1-888-VanCity

The commitments that will address the social audit findings contained in this report will be published in our 2000 Annual Report.

Stakeholder Involvement

Accountability to stakeholders underpins the AA1000 principles and as such, stakeholder involvement in the social audit process is essential. At VanCity, we have consulted with stakeholders through focus groups, interviews and surveys to involve them in:

- Identifying the issues that we measure and report on
- Providing their views on our social and environmental performance and our performance at meeting their needs and expectations
- Evaluating our 1997 report and the coverage of the issues and the measures used

Continuous Improvement of our Social Audit Process

In line with the principle of continuous improvement, we have made a number of improvements to our social audit process and report. We:

- significantly improved the information relating to staff diversity, the distribution of our loans to businesses, and the accessibility of our basic financial services to low-income and marginalized individuals
- embedded the development of our future commitments into our business planning process which occurs after this report is prepared.
- expanded the scope of stakeholder consultations to include suppliers, local social housing experts, and local corporate social responsibility and environment experts
- reported many of the indicators recommended by the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (June 2000) and the Canadian Government's Public Accountability Statements (see [Appendix I and II](#))

Continuous Improvement of our Social and Environmental Performance

The AA1000 principle of 'continuous improvement' refers to both the organization's social audit process as well as to its performance. In line with the principle of continuous improvement, in 1997, we made 36 commitments to improve our social and environmental performance that we were to meet by the end of 1999. Looking back, these commitments were very ambitious given the changes facing the organization and many were written in a way that made the degree of completion difficult to gauge. Although not all were met at the end of the year, progress was made on the majority. We have included progress reports on these commitments to the end of 1999 within each of the sections.

Who else is doing this?
While VanCity is one of few in Canada, there are others around the world that have produced externally verified reports.

- ▶ Metro Credit Union (Canada)
- ▶ The Body Shop International (UK)
- ▶ The Co-operative Bank (UK)
- ▶ British Petroleum (UK)
- ▶ British Telecom (UK)
- ▶ Shell International (UK)
- ▶ Novo Nordisk (Denmark)

Summary of Progress on Commitments from the 1997 Social Report (as at Dec. 31, 1999)



Commitments in 1997 Social Report (all targeted for completion in 1998/99):	36
Commitments completed in 1998/99:	11
Commitments in progress/on-going at the end of 1999:	22
Commitments deferred:	2
Commitments cancelled:	1
1998/99 targets in 1997 Social Report	2
1998/99 targets achieved	1
2001 targets in 1997 Social Report:	3



A Guiding Compass. Developing VanCity's Statement of Values and Commitments

At the end of 1999, we began creating our Statement of Values and Commitments which involved extensive consultations with employees, members, and community organizations in 2000. Our goal is to create a statement that will provide a clear message about who we are and how we do business. The statement will guide all business decisions and strategies at VanCity.

The statement will be comprised of three parts:

- Our purpose ... beyond making profit**
- Our values ... what we stand for**
- Our commitments ... how we will live our values in all of our business activities**

VanCity's Statement of Values and Commitments will be released in 2001. For a copy, please call (604) 877-7000 or visit www.vancity.com.



Stakeholder Profile

Key Performance Indicators

Members

- 261,400 members
- 91% of accounts belong to personal members (8% belong to business and 1% to non-profit members)
- 53%¹ of personal members are female
- 16% are under the age of 25 and 27% are over the age of 54
- 50% of members hold accounts at branches within the City of Vancouver, 42% in the Lower Mainland, 7% in the Fraser Valley, 1% in Victoria

- 79% of members are satisfied with VanCity's service (82% in 1997)
- 62% of members feel VanCity is helping them reach their financial goals
- 3.2% of eligible members voted in 1999 board election (2.3% in 1997)
- \$25.8 million outstanding in non-profit loans (\$25.9 million in 1997)
- \$4.0 million outstanding in micro-credit loans (\$1.2 million in 1997)
- 123 social housing units financed over 1998 and 1999.

Staff

- 1,602 employees (excludes Citizens Bank)
- 71% are full-time
- 81% are in non-management, non-supervisory positions
- 72% of staff (including management) are women
- 64% are under 40 years of age
- 16% are unionized

- 86% of staff are satisfied with VanCity as their employer at the present time

Community

- Community groups applying for the Community Partnership Program and EnviroFund grants. 331 groups applied in 1999; 147 (44%) received grants
- Local corporate social responsibility (CSR) and environment experts

- 4.8% of pre-tax earnings donated to the community (1997: 4.7%)
- Distribution of grants: social justice (35%), economic self-reliance (22%), ecological responsibility (41%), other (2%)

Environment

The environment is not a "stakeholder" but the broader context within which we carry out our business. It is affected by and in turn affects our core activities, operations, stakeholders, and our communities.

- 29 kWh/sq.ft. of electricity used (29 kWh/sq.ft. in 1997)
- 62 sheets of paper used per member (69 sheets per member in 1997)
- 359,500 kg of total waste generated (361,200 kg in 1997) (estimate; unaudited)
- 58% of waste recycled (unaudited) (43% in 1997)
- 85% of members who responded to a survey said VanCity acts in an environmentally responsible manner

Credit Unions

- 76 member credit unions of Credit Union Central of British Columbia (CUCBC)
- 743 credit unions affiliated with Canada's provincial Credit Union Centrals (including CUCBC)

- VanCity's share of B.C. credit union system assets: 24% (27% in 1997)
- VanCity's share of Canadian credit union system² assets (CUCBC affiliated): 10% (12% in 1997)
- VanCity's share of total B.C. credit union system³ membership: 18% (18% in 1997)
- VanCity's share of total Canadian credit union membership (CUCBC affiliated): 6% (6% in 1997)

¹Includes secondary members on joint accounts

²Includes CUCBC member credit unions

³Includes Credit Union Central affiliated credit unions

Stakeholder Profile

Key Performance Indicators



Suppliers	<ul style="list-style-type: none"> • 1,515 individuals and organizations (business, government, non-profit) supplied goods and services to VanCity in 1999 • 11 suppliers (0.5%) account for 39% of all VanCity purchases • 67% of suppliers billed less than \$5,000 in business with VanCity 	<ul style="list-style-type: none"> • 73% of total suppliers are local⁴ (77% in 1999) • 74% of total dollars spent went to local⁴ suppliers (68% in 1997)
Business Alliances	<ul style="list-style-type: none"> • Includes long-term business partnerships in which mutual benefits are derived • Excludes supplier relationships and partnerships with non-profit organizations 	Key indicators not yet identified
VanCity Subsidiaries and Affiliates:		
Citizens Bank	<ul style="list-style-type: none"> • 165 employees • Members 	Citizens Bank's Ethical Policy compliance audit will be published in November 2000 on their web site at www.citizensbank.ca/insidecitizens/ethical .
VanCity Enterprises Ltd.	<ul style="list-style-type: none"> • 5 employees (including the President/CEO) • Project partners and peers (non-profit resource groups and advocates, architects, developers, municipal and provincial governments, health boards, etc.) • Residents/users of completed projects - 546 units completed since 1992 • Communities in which developments occur • Regulators 	<ul style="list-style-type: none"> • 80 housing units in progress (284 in 1997) • 160 housing units completed (15 in 1997) • 30 non-market housing units completed (4 in 1997)
VanCity Community Foundation	<ul style="list-style-type: none"> • Community groups applying for support (20 in 1997/98, 18 in 1998/99) • 4 employees (including the Executive Director) • Donors • Regulators • Other foundations and collegial organizations 	<ul style="list-style-type: none"> • \$102,500 in grants from endowment fund (\$62,000 in 1996/97) • \$106,000 in loans approved (\$26,000 in 1996/97) • \$10,000 in disbursements from named funds (\$1,500 in 1996/97) • \$1.3 million in supported donations disbursed (\$70,000 in 1996/97) • \$1.5 million total financial assistance provided (\$159,500 in 1996/97) • 12 groups that received technical assistance only (14 in 1996/97)
VanCity Capital Corporation	<ul style="list-style-type: none"> • 5 employees (including the President/CEO) • Business and non-profit/co-operative clients 	<ul style="list-style-type: none"> • 7% of outstanding loans to non-profits/co-operatives • 93% of outstanding loans to small and medium sized businesses (SMEs)
VanCity Insurance Services Ltd.	<ul style="list-style-type: none"> • 66 employees • Clients 	Key indicators not yet identified
VanCity Investment Management Ltd.	<ul style="list-style-type: none"> • 4 employees (including the President) • 200 clients (approximately) 	• 17% of total assets under management screened using ethical criteria

⁴Includes Vancouver, Lower Mainland, Fraser Valley postal codes

Basis of report

Solstice Consulting has audited VanCity's 1998/99 Social Report in accordance with Auditing Guidelines of the Institute for Social and Ethical AccountAbility (AA1000 Exposure Draft, November 1999).

About the auditor

Solstice Consulting, based in Burnaby, B.C., specializes in sustainability and social accountability. Solstice has been the independent social auditor of VanCity and its related organizations since 1998. Susan Todd, Principal of Solstice Consulting, performed the 1998/99 audit and was a member of the New Economics team that audited the 1997 Social Report. Susan is a member of the Institute of Social and Ethical AccountAbility, the Ethics Practitioners Association of Canada and the Institute of Chartered Accountants of British Columbia.

Responsibilities of VanCity and the auditor

There is no legislative requirement for credit unions to publish a social report — VanCity's decision to do so is entirely voluntary. The 1998/99 Social Report was prepared by VanCity management and approved by the Board of Directors of VanCity. VanCity has undertaken to prepare its social accounts based on the AccountAbility 1000 Framework published in November 1999. Accordingly, VanCity is responsible for establishing a social accounting process that reflects the principles of AA1000 and a system for measuring and reporting its performance. The auditor's responsibility is to provide readers with assurance, based on sufficient and appropriate audit work, that VanCity's report is reliable, balanced and a reasonable representation of the organization's social and environmental performance during the audit period.

Scope and limitations of the audit

I have audited all sections of the report, except for those containing limited information (Business Alliances, VCIM, VCIS, VCC, and Citizens Bank), which I have reviewed only. My audit work was conducted on site and included planning the audit, reading policies, minutes and other documentation, interviewing management and staff, reviewing social accounting systems and processes, monitoring stakeholder consultations, analyzing, testing or otherwise substantiating internal data, evaluating the reliability of third party data, and assessing the quality of information reported.

It is important for readers to be aware that the audit process has some limitations:

- Social accounting is concerned with the quality of stakeholder relationships and the performance of organizations in the sphere of corporate social responsibility. Such a large potential scope requires judgement, on the part of management, in defining boundaries and best practice and, on the part of the auditor, in assessing these;
- I have not independently audited the financial accounts or the financial systems from which much of the information in this report is drawn. I have relied on the integrity of the main accounting systems and restricted my audit work on financial data to special-purpose databases, detail not recorded in the main accounting systems, and the context and interpretation of the financial data in the report;
- As they fall outside the 1998/99 scope, I did not audit the 2000 Business Initiatives;
- In a few cases it was not practical or possible for me to audit specific data. These have been labeled unaudited;
- Like any audit, this one involved tests of data and estimations. Therefore, the audit should not be relied upon to detect all errors, omissions or misinterpretations in reporting, nor can it guarantee the quality of social accounting systems and processes.

Comments on the 1998/99 Process and Social Report

There is no statutory obligation for VanCity to account for or report on its social and environmental performance. The credit union should be commended for its openness and willingness to experiment in this emerging field.

VanCity has chosen to follow the AccountAbility 1000 process standard for social accounting, auditing, and reporting. Like the AA1000 standard itself, VanCity's process is evolving. My comments focus on VanCity's progress towards the AA1000 principles; in particular, the principles of inclusivity, embeddedness and continuous improvement (see [Introduction](#) for the full set of principles).

Inclusivity: An organization practices inclusivity through the genuine engagement of stakeholders. In their Auditor's Report on the 1997 Social Report, New Economics drew attention to the desirability of expanding stakeholder coverage. VanCity added or deepened consultations with members, community, credit union peers, housing experts (VanCity Enterprises), and donors (VanCity Community Foundation). Stakeholders of other subsidiaries (VCIM, VCIS and VCC), business alliances and affinity groups have yet to be brought into the process. There is room for deepening the dialogue with suppliers. New Economics also noted that some aspects of VanCity's stakeholder relationships would benefit from deeper coverage. Deeper coverage has been achieved for staff diversity and member access to financial services. VanCity has not yet included the views of non-English speaking members.

Embeddedness: To achieve embeddedness, an organization will integrate the social accounting, auditing and reporting process into all its operations, systems and policy making. At a higher level, embeddedness can mean the existence of supporting processes and structures to ensure that social and environmental goals are met. In its core areas of lending, investing, and purchasing, where a financial institution arguably has its greatest impact, VanCity's progressive policies have not yet been fully implemented. However, VanCity has contributed through its reporting of the social and environmental implications of its core business to a better understanding of the role of financial institutions generally.

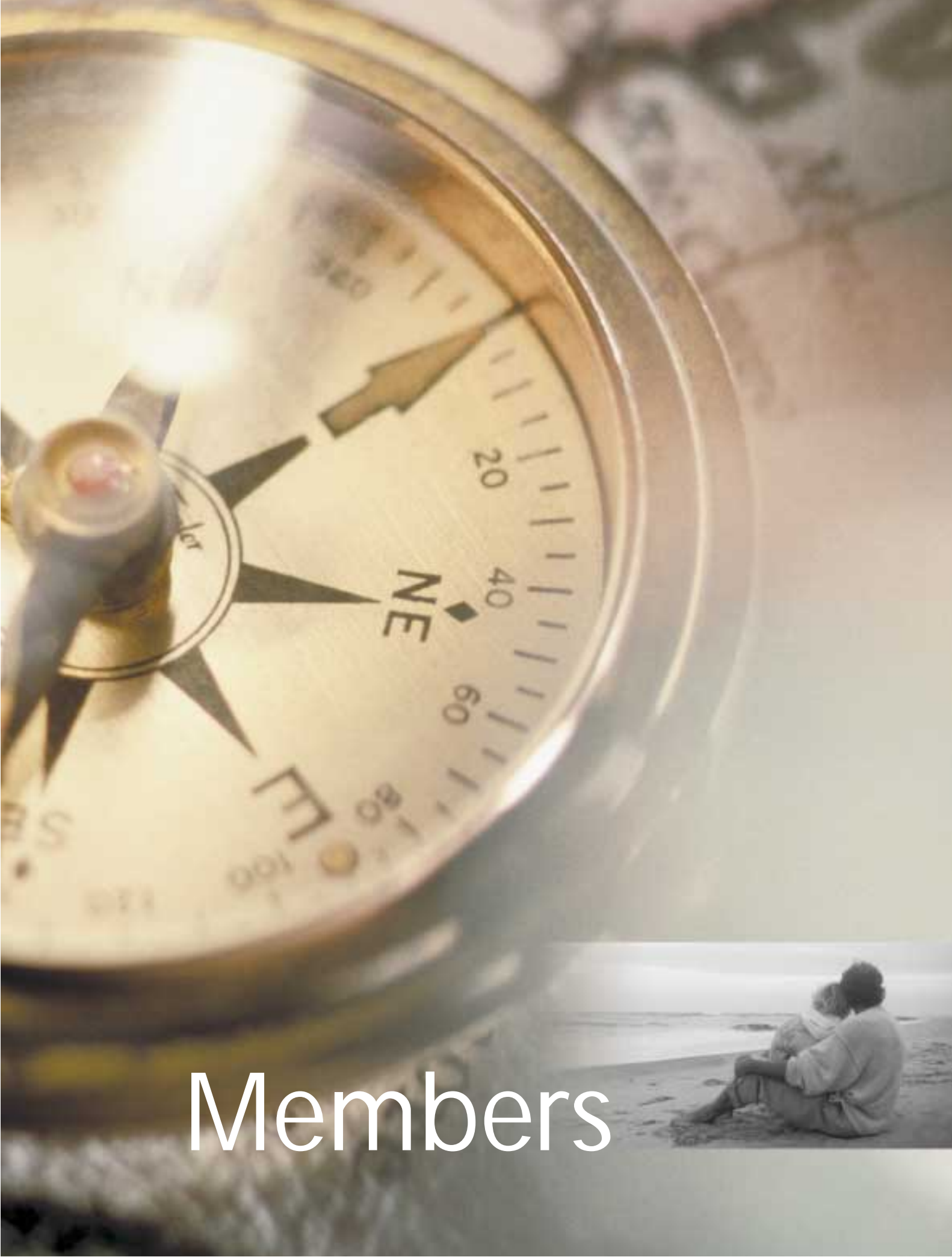
Continuous Improvement: An organization demonstrates that it is learning from the process, and improving performance in response to it, by making commitments, setting targets, and assessing progress towards them. Owing to the language used in the commitments and targets in VanCity's 1997 Report, it has been difficult to gauge VanCity's success in meeting them. While there appears to be progress on many fronts, fewer than half of the targets and commitments were met entirely by the target date. Targets and commitments could be more meaningful if they were clearly linked to the reported indicators and focused more on outcomes or results than on activities and effort.

Auditor's Statement

Taking these comments into account, and based on the audit work performed, I am satisfied that VanCity's 1998/99 Social Report is reliable, balanced and a reasonable representation of the organization's social and environmental performance during that period. Furthermore, the process that led to this report included appropriate stakeholder engagement and attention to the principles of the AA1000 framework.



For Solstice Consulting
October 12, 2000



Members

Members

Stakeholder Profile

- 261,400 members
- 91% of accounts belong to personal members (8% belong to business members and 1% to non-profits)
- 53%¹ of personal members are female
- 16% are under the age of 25 and 27% are over the age of 54
- 50% of members hold accounts at branches within the City of Vancouver, 42% in the Lower Mainland, 7% in the Fraser Valley, 1% in Victoria

¹ Includes secondary members on joint accounts

Stakeholder Involvement in 1998/99

- Member surveys
- Two focus groups regarding the 1997 Social Report

VanCity's Policies and Commitments to Members

- To be a democratic, ethical, and innovative provider of financial services
- To serve as a catalyst for the self-reliance and economic well-being of members and the community
- To provide superior service delivery
- To ensure financial soundness and stability
- To be responsible and fair to members
- To be guided by the principles of equity and democracy
- To be guided by the Co-operative Principles (see [Credit Unions](#) section)
- To maintain the security, confidentiality, and accuracy of the personal information we collect and use to provide our members with financial services

Key Areas for Members

- *Democracy: How open and accountable is VanCity to its members? As VanCity continues to grow, is it maintaining connections with its membership and its credit union roots?* ([page 13](#))
- *Member Service: How well is VanCity serving the needs of all its members and delivering financial services in an ethical manner?* ([page 15](#))

Key Performance Indicators



- 79% of members are satisfied with VanCity's service (82% in 1997)
- 62% of members feel VanCity is helping them reach their financial goals
- 3.2% of eligible members voted in 1999 board election (2.3% in 1997)
- \$25.8 million in loans outstanding to non-profits (\$25.9 million in 1997)
- \$4.0 million outstanding in micro-credit loans (\$1.2 million in 1997)
- 123 social housing units financed over 1998 and 1999

Future Commitments to Members

- We have embedded the development of our commitments to improve our performance into our Fall business planning process; they will be reported in our 2000 Annual Report released in Spring 2001.

feedback@vancity.com

877-7000 toll-free 1-888-VanCity



Democracy

It is our democratic structure that makes credit unions fundamentally different than the banks. We are member-owned not shareholder-owned; members can run for the Board of Directors, vote in the Board elections, and share in the financial success of the credit union.

Democratic Governance

Anyone who runs for a position on the Board must be a VanCity member. Directors are elected for a three-year term and can serve a maximum of four consecutive terms. At the end of 1999, 60% of VanCity's Directors were female, 20% belonged to a visible minority group, 90% lived in the Vancouver/Lower Mainland region, and 60% owned, or were employed by, a small business.

All members in good standing can run for election to VanCity's Board of Directors. An Election Committee oversees the election pursuant to VanCity's Election Guidelines which outlines the method and the manner in which all candidates are permitted to run for election. Candidates include individuals and groups running as slates with a common platform. Slates are not formally recognized in the election process and are subject to the same regulations as individual candidates. Within the specifications set out by the guidelines, all candidates may submit their profile which is then distributed to VanCity's membership through our *Notice of Election*.

In the 1999 elections, four out of the 14 candidates running for election were Action Slate members and four belonged to the Results Team. VanCity members elected the Action Slate candidates to fill all four available positions. At the end of 1998 and 1999, 90% of the Board members belonged to the Action Slate.

In 1998, VanCity's Directors established an Emeritus Board to act in an advisory capacity. The Emeritus Board consists of past VanCity Directors who have served 12 years on VanCity's Board. There were five members on VanCity's Emeritus Board at the end of 1999.

Member Participation

Members participate in the credit union by running for a position on the Board of Directors (see above), voting in the elections, attending the Annual General Meetings, and sharing in the profits of the credit union.

Members direct the activities of the credit union through an elected Board of Directors. All eligible² members have the right to nominate, vote for, and elect the directors.

In 1999, only 3.2% of VanCity's eligible members participated in the election process, a slight increase from 1997. Although 69% of members who responded to a 1999 survey said it was important that VanCity provide them with the opportunity to vote, 76% said they have not voted in any of VanCity's past elections. They reported the following as the main reasons they don't vote:

- they don't care or feel that it doesn't affect them (25%);
- lack of information about the candidates (24%);
- not enough time to inform themselves about the candidates (16%);
- they found the time, location or overall process to be inconvenient (15%).

Information about the candidates is sent to all members at least two weeks in advance of the elections.

²Non-eligible members comprise junior members (under 19), unincorporated organizations, joint members (unless full members), members with a minimum share balance of less than \$5.00 and members over 90 days delinquent.

Overview of Member Surveys
Consistent with 1997, 1999 member survey results exclude "don't know" and no answer responses. In cases where these represent 5% or more of the total responses, we have noted the percentage figure.

Percentage of Female Board Members

	VanCity	B.C. Credit Unions	Canadian Banks ¹
1999	60%	30% ²	16%
1997	64% ³	29% ⁴	14%

¹Source: Michael Jantzi Research Associates Inc. - 7 Canadian banks (1999), and 5 Canadian banks(1997)
²Source: Credit Union Central of B.C. (CUCBC) - 3 comparable B.C. credit unions
³Includes 2 female Board members temporarily appointed to Board following amalgamation with Teacher Savings
⁴Source: EthicScan Canada - 4 comparable B.C. credit unions

Member Participation in Board Elections

	% of Eligible Members Voting	
	VanCity	BC Credit Unions
1999	3.2%	3.9% ¹
1997	2.3%	2.7% ²

¹Source: 3 comparable B.C. Credit Unions
²Source: EthicScan Canada - 1 comparable B.C. Credit Union

Commitment from 1997 Social Report



Review current election process and member satisfaction with their opportunity to participate in VanCity Board elections (1999). Set future target for increasing member participation in elections (1999).

- *In progress. 98/99 Progress: Election process reviewed annually. Members surveyed regarding the reasons they do not participate in elections. Plan: Setting of future target will be considered and reported in 2000 Annual Report.*

Member Attendance at Annual General Meeting (Unaudited)

	VanCity	
	# Attending	% of Members
1999	527	0.2%
1997	474	0.2%
BC Credit Unions		
	Average # Attending	% of Members
1999	280 ¹	0.4% ²
1997	282 ³	0.3% ⁴

^{1,2}Source: CUCBC - 4 comparable B.C. credit unions
^{3,4}Source: EthicScan Canada - 3 comparable B.C. credit unions

Distribution of Earnings to Members
 (% of Consolidated Earnings From Operations)

	1999	1997
VanCity	\$6.3 million (16%)	\$8.6 million (28%)
BC Credit Unions (avg) ¹	\$0.8 million (14%)	\$1.5 million (21%)

¹Source: Annual Reports - 4 comparable B.C. credit unions

Commitment from 1997 Social Report



Expand tracking of member feedback to include comments from VanCity Direct™ and the web site (1999).

- *Deferred. Plan: Feedback from electronic media to be included in 2000/01.*

An incentive program was introduced in 1999 to encourage branch staff to increase member participation in the election process. Members can vote in the branches or request a ballot to mail in. An all-mail ballot has been considered in the past but not adopted. Legislation governing B.C. credit unions and co-operatives does not currently permit telephone or electronic voting.

Members can request to make a presentation to the Board and are encouraged to attend VanCity's Annual General Meetings (AGM). AGM attendance levels as a percentage of our membership is similar to that of comparable credit unions. The minutes from the AGM are available to VanCity members.

As owners of the credit union, members share in VanCity's financial success through the Shared Success Program and the payment of dividends on investment shares. In 1999, we distributed \$6.3 million of profits to our members in the form of dividends on membership and investment shares, bonus on deposit interest paid by VanCity, and a rebate on loan interest paid to VanCity. An additional \$1.7 million (consolidated) was distributed to local community organizations (see "Community"). The average amount shared with each member in 1999 was \$24.

Member Communication

Since 1990, our membership has grown by almost 50%. As we continue to grow, maintaining effective lines of communication and being responsive to members becomes increasingly important and is essential to our success. In our 1999 survey, 94% of members who responded said it is important that VanCity be open and responsive to their input and concerns; 77% said VanCity is performing well in this area.

We employ a number of communication mechanisms and regular surveys to ensure that we are in touch with our members and that they have access to voice their opinions and concerns. Members send us feedback by telephone, mail, e-mail, or in person. We reply to the comments or questions that require responses for all of these feedback mechanisms.

Members appear to be shifting channels of communication. The number of e-mail contacts we received from both members and non-members doubled between 1997 and 1999 while the number of in-branch comments cards declined by 47%. The most common concerns expressed through monitored mechanisms continue to be about the 24-Hour Service Line™ and, to a lesser extent, VanCity's electronic banking systems.

Member Privacy

Information privacy³ is becoming an increasingly important issue due to advancements in communication and information technologies and changes in marketing practices. Measures taken by VanCity to protect members' personal information and ensure their privacy include the development of a Privacy Code (visit www.vancity.com/legal/code.cfm). This code outlines our responsibilities when collecting personal information, and the rights of members providing personal information. VanCity also has a Privacy Policy for protecting the information members provide during a visit to our web site. In addition, we employ industry standard security techniques to ensure that any personal and financial information transferred when members use VanCity Direct™ and Direct NET, our on-line banking services, remains private and confidential.

TM VanCity Direct and 24-Hour Service Line are registered trademarks of VanCity Credit Union.

³Defined by Industry Canada as the right of individuals to determine when, how and to what extent they will share personal information about themselves with others (Source: The Protection of Personal Information: Building Canada's Information Economy and Society, 1999)

Member Service

As a member-owned financial institution, we are here to serve our members and to support the community. Profits are either returned to our members and the community, or reinvested into the credit union to improve member service.

This section profiles our core business activities and focuses on the ethical screens that we employ. It also covers what we are doing to support small business, non-profits and social housing, and to improve access to financial services for low-income and marginalized people and communities.

Overall Member Satisfaction

Our financial success largely depends upon the satisfaction of our members. In 1999, 79% of VanCity members reported a high level of overall satisfaction with VanCity's service. Although the percentage of members satisfied overall declined, just slightly from 82% of those who responded in 1997 to 79% in 1999, the percentage of members "totally" or "extremely" satisfied with our service declined from 43% in 1997 to 33% in 1999.⁴

VanCity members were also asked to rate VanCity's performance and that of the other financial institution they know best on delivering high quality service. 83% of those who responded rated our performance "well" or "very well" whereas only 46% gave this rating to the other financial institution they know best.

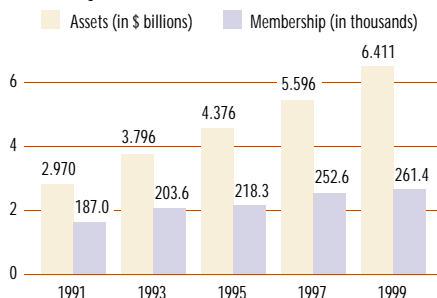
When it comes to treating people fairly, helping them reach their financial goals, and being socially and environmentally responsible, members rated VanCity's performance much more favourably than the other financial institution they know best.

VanCity's Core Business

At year-end 1999, VanCity's consolidated assets were \$6.4 billion, an increase of 15% from 1997. VanCity's overall financial performance (including audited financial statements) is reported in our 1999 Annual Report which can be found on our web site at www.vancity.com/difference.

As with most financial institutions, loans and deposits represent our core activities. As such, our single largest asset is member loans which are funded primarily by member deposits and shares. This section profiles our lending activities and what we are doing to ensure that our core activities, including our investing, are conducted in a way that is consistent with our commitment to being an ethical provider of financial services.

VanCity's Consolidated Growth 1990-1999



⁴1997 survey response scale included "totally satisfied"; 1999 included "extremely satisfied"

2000 Business Initiative

Develop a community economic development (CED) strategy to strengthen both the community and VanCity's long-term business.

Commitment from 1997 Social Report



Target: Increase the percentage of members "totally satisfied" with service from 43% (1997) to 50% by 2001.

- 1999 result: 33% of VanCity members were "extremely satisfied". Plan: Revised target to be set and reported in 2000 Annual Report.

Member Perceptions of VanCity and Their Other Financial Institution (1999)

% responding "performs well overall"	VanCity	Other Financial Institution*
Does your financial institution treat you fairly?	84%	48%
Does your financial institution help you to reach your financial goals?	62% ¹	34% ²
Does your financial institution act in a socially responsible manner?	84% ³	35% ⁴
Does your financial institution act in an environmentally responsible manner?	85% ⁵	33% ⁶

*VanCity members were asked to name the other financial institution that they know best, and to rate them as well. Results exclude ¹2%, ²7%, ³10%, ⁴10%, ⁵19%, ⁶25% of members who responded "don't know", "does not apply", or did not answer the question

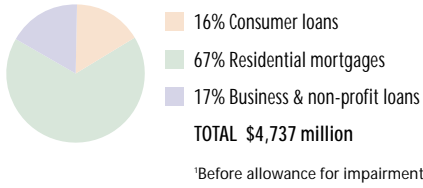
1999 Consolidated Assets (\$000s)

Cash and securities	\$604,078
Loans	\$5,639,893
Other assets	\$167,007
TOTAL	\$6,410,978

Funding of 1999 Consolidated Assets (\$000s)

Member shares and deposits	\$5,673,801
Debentures and loans payable	\$309,645
Other liabilities	\$172,771
Retained earnings	\$254,761
TOTAL	\$6,410,978

Total Loans Outstanding¹
(Unconsolidated, Dec. 31, 1999)



Ethical Screens are an agreed-upon set of social and/or environmental criteria used to evaluate a business, product, or investment opportunity.

Commitment from 1997 Social Report



Develop and implement a corporate-wide Ethical Policy to guide decisions and business strategies throughout the organization (1999).

- *In progress. Plan: Statement of Values and Commitments (page 7) to be developed and implemented in 2000/01 based on outcome of values clarification process.*

Commitment from 1997 Social Report



Complete and implement an Environmental Loans Policy with lending criteria that go beyond environmental risk management (1998).

- *In progress. Plan: Lending criteria to be developed. For progress on other aspects of the Policy see page 41.*

2000 Business Initiative: As part of VanCity's Conservation Financing Program, launch the Living By Water loans to support shoreline restoration and protection.

Recent Merger Activity

There was much discussion and debate about mergers within the financial services sector during 1998 and 1999, and credit unions were no exception. One of the options being explored with the aim of strengthening credit unions in the face of an increasingly competitive environment was the National Community Bank (NCB) initiative. VanCity led the NCB initiative (see "Credit Unions") but made the decision not to proceed as a result of in-depth analysis of the costs and benefits and member feedback. The merger between VanCity and Teacher Savings Credit Union (TSCU) in the Fall of 1997 added five branches to the VanCity system including one in the city of Victoria. Two years after the merger, these branches continued to retain their identity as the Teacher Savings Division of VanCity and all branches remained open. Member survey results relating to overall satisfaction were analyzed for these five branches and found to be generally the same as those for VanCity's overall membership.

A Profile of Our Loans

Loans to personal members (residential mortgages and consumer loans) represent 83% of our total loan portfolio which is reflective of the composition of our membership (91% of our accounts belong to personal members).

Our lending is arguably the activity which has the largest impact. Lending carried out responsibly can have positive social, environmental, and economic impacts. Loans help our members reach their financial goals and contribute to a healthy economy and community. One of the social issues that we have focused on has been improving access to credit for low-income and marginalized members, and micro-entrepreneurs (see "Access to Financial Products and Services"). At the end of 1999, loans to micro-entrepreneurs, non-profits and social housing projects represented almost 4% of our business and non-profit loan portfolio. The environmental aspects of our lending activities are discussed in the "Environment" section.

Ethical Screens on Core Business Activities

Consultations with local CSR and environment experts confirmed for us that a financial institution must go beyond green housekeeping initiatives to be considered socially and environmentally responsible. It must apply ethical screens to its core business activities of lending, investing, and purchasing. 84% of members who responded to our 1999 survey agreed that it is important that we have ethical screens on our business activities.⁵

A number of policies are intended to help us meet our commitment to being an ethical provider of financial services and cover our lending, investment, and purchasing (page 51) activities as well as the environment (page 39-44). These ethical policies have been implemented to varying degrees (see below).

Developing an Overarching Policy — VanCity's Statement of Values and Commitments

At the end of 1999, we were in the process of developing our Statement of Values and Commitments (page 7) with input from staff, members and community organizations. This initiative arose from a finding of our 1997 social audit that identified VanCity's need for a corporate-wide ethical policy. Once implemented, this statement will help guide all decisions throughout the organization and clarify how to apply our values to all business activities.

Member Loans — Screening Our Lending Activities

Our Environmental Risk in Lending Policy ensures that environmental risks associated with our business and commercial loans are identified and assessed prior to approval. A condition of our business loans is that the borrower and their tenants are not involved in activities that are sexually exploitive or inconsistent with generally accepted community standards of conduct.

Loan managers also informally screen loans based on their judgement and understanding of VanCity values.

⁵Results exclude 7% of members who responded "don't know"; "does not apply" or did not answer the question

• Screens on Member Shares and Deposits

VanCity does not refuse membership or member deposits on the basis of ethical considerations, with the exception of illegal financial activities. Membership is open to all eligible individuals, businesses, and unincorporated organizations within British Columbia.

• Cash and Securities — Screening Our Investments

The majority of the VanCity Credit Union's assets are invested in residential mortgages and consumer loans. VanCity also makes short and long-term investments to earn income on surplus funds and meet liquidity requirements.

Our Investment Policy requires that at a minimum, our investments comply with the principles (1997) used by the family of *Ethical Funds*[®]. Companies and financial institutions included on our lists of approved counterparties and corporate borrowers are to meet these ethical criteria. The responsibility to adhere to the screens rests with VanCity.

To meet regulated liquidity requirements, we must deposit a prescribed amount with Credit Union Central of B.C. (CUCBC). To meet this requirement, our deposits with CUCBC represented 77% and 75% of our cash and securities at the end of 1998 and 1999 respectively. CUCBC's Investment Policy (1999) also includes ethical standards consistent with, but not as exhaustive as those of Ethical Funds.⁶

At the end of 1998 and 1999, surplus funds were invested in other financial institutions and were in compliance with our lists of approved counterparties and corporate borrowers. However, due to lack of documentation, we were unable to determine whether the ethical criteria had been applied to the approved lists. We also noted a lack of guidelines for how to interpret the ethical criteria and apply them to these lists.

Citizens Bank of Canada (a VanCity subsidiary) applies their own ethical criteria to their investments, which at a minimum must meet the screens used by the credit union (see "[Citizens Bank of Canada](#)").

Investments made by our members are not subject to VanCity's Investment Policy. We consider it each member's right and responsibility to decide where to invest his or her own funds. A number of investment options are offered to our members, including socially responsible investment options ([page 21](#)).

In 1998/99, we developed social and environmental guidelines for purchasing which will be implemented in 2000/01 ([page 51](#)).

Access to Financial Products and Services

During VanCity's 1997 social audit, access to basic financial services was raised as a concern by members, particularly youth, low-income and micro-entrepreneur members. Furthermore, in 1999, the Task Force on the Future of the Canadian Financial Services Sector recommended that basic accounts at an affordable price should be legislated to ensure that low-income individuals have access despite the "increased trend in all financial institutions to focus more resources and attention on profitable customers".

Ethical Funds[®] Principles

Ethical Funds invests in companies and economies which must:

- *Encourage progressive industrial and employee relations, including adherence to employment equity, labour safety practices and child labour laws.*
- *Operate within countries and regions that support equal opportunity and adhere to non-discriminatory employment practices.*
- *Derive a major portion of their income from non-tobacco related products.*
- *Provide products or services for civilian, non-military purposes.*
- *Derive their income from non-nuclear forms of energy (this applies to utility companies).*
- *Comply with environmental regulations and be committed to implementing environmentally conscious practices.*

ETHICAL FUNDS INC. (1997)

Commitment from 1997 Social Report



Develop (1998) and implement (1999) an accessibility strategy to ensure that low-income and disadvantaged members have improved access to VanCity's products and services through the most appropriate delivery channels, including alternative delivery channels.

- *In progress. 98/99 Progress: Conducted research to identify barriers to access; developed strategy. Aspects of strategy piloted through Refugee Assistance Program. Plan: Implementation in 2000/01.*

⁶CUCBC investment practices employ a "best of sector" approach to the area of environmental management and performance and assesses a company's performance relating to labour relations, health, and safety.

[®] Ethical Funds is a trademark of Ethical Funds Inc.

At VanCity, we want to ensure that all people, including low-income and marginalized individuals as well as small businesses, have access to basic financial services. In 1999, we introduced a strategy to provide low-income and marginalized personal and business members with improved access, supporting them to achieve their financial goals and move towards economic self-reliance.

Responsible Use of Credit — What role can financial institutions play?

Providing credit to our members is one of our key functions as a financial institution. When managed properly, this credit helps members reach their financial goals. If handled poorly, this credit becomes a financial burden on the individual and can lead to bankruptcies.

At VanCity, we want to provide members with the credit to meet their needs, while doing what we can to help them avoid a situation where repayment of the debt is beyond their reach. To achieve this, articles covering topics ranging from cash-flow management and building a good credit rating to advice on loans and credit cards are published in our membership publications. Advice and further information is also available to all members from staff at our branches, including a form to calculate current lifestyle expenditures.

Improved Access for Individuals

In 1998, we conducted research to identify the barriers to access within the financial industry. Industry barriers included identification requirements, high service charges on demand accounts, and the use of credit ratings to screen new accounts. Specific to VanCity and other credit unions, the cost of membership shares were also identified as a potential barrier. This research formed the development of our Accessibility Strategy.

At the end of 1999, we required two pieces of identification, at least one of which had to include a photograph. These identification requirements are the same as those of comparable B.C. credit unions. Changes to these requirements were piloted at VanCity in 1999 through our Refugee Assistance Program.

Our no-fee Plan 24 savings account allows members to withdraw funds without incurring service charges. An Industry Canada study on financial service charges found that for a consumer with low transaction volumes and a minimum balance of less than \$1,000, the six major banks' least expensive account in 1999 had an average monthly service charge of \$9.75 compared to \$7.80 at VanCity⁷.

When opening new member accounts, staff may (with written permission) obtain an individual's credit bureau report to help prevent fraud and enable the staff to identify what products and services might be offered. Our policy on account opening states that these credit checks are not to be used as the basis for refusing membership. Compliance with this policy was not measured in this social reporting cycle.

At VanCity, youth (under 25 years), members with a disability, students with outstanding student loans, and newly arrived refugees served by the Immigrant Services Society (ISS) are eligible for a reduced membership share of \$5 compared to the regular share of \$50.

In 1999, through our Refugee Assistance Program (RAP), we piloted a package of products and services to improve accessibility, including:

- a reduced membership share requirement
- a no-fee chequing and savings account
- ATM access
- banking orientation sessions

The RAP program, developed in partnership with the Immigrant Services Society, is available to government-sponsored refugees served by the ISS.

When surveyed regarding overall satisfaction with VanCity's service, 1999 results showed that women, youth, seniors, and members with household incomes of less than \$45,000 showed similar satisfaction levels to our overall membership.

Member Satisfaction with VanCity's Service

	% satisfied overall (margin of error)
Members overall	79% (± 3%)
Female members	84% (± 4%)
Household income < \$45,000	83% (± 5%)
Youth	86% (± 10%)
Seniors	90% (± 8%)

⁷Source: Financial Service Charges, Annual Report 2000 (Industry Canada). Figures reflect the least expensive monthly service charge for accounts offered.

Access to Credit for Micro-Entrepreneurs

In 1998, micro-enterprises (0-4 employees) made up 84% of the small businesses in B.C.⁸ At VanCity, 81% of our micro-entrepreneur members surveyed in 1999 were satisfied with our products and services. As part of our Accessibility Strategy, our micro-lending programs aim to improve access to credit to this important segment of the B.C. economy.

Our Peer Lending and Self-Reliance Loan programs, introduced in 1996 and 1997 respectively, aim to meet the needs of micro-entrepreneurs in starting or growing their micro-businesses. They provide an alternative to conventional lending products for which these entrepreneurs may not qualify. These loans represent a small but important part of our total business lending portfolio.

The Peer Lending Program (formerly communi-K) provides credit to start or expand a micro-business to those who do not have an established credit history or the security to qualify for a traditional loan. Loans between \$1,000 and \$5,000 are approved based on the recommendation of each applicant's "peer group". Self-Reliance Loans are loans and lines of credit of up to \$25,000 (\$15,000 in 1997) with approval based primarily on character and credit history. Since 1997, the combined amount outstanding in our two micro-credit loan programs has more than tripled from \$1.18 million to \$3.96 million in 1999.

Serving Small and Medium-Sized Businesses

In 1998, small and medium-sized enterprises (including micro-enterprises) accounted for 62% of the private sector employment in B.C.⁹ By serving these businesses, we can contribute towards the health of the local economy. In 1999, we introduced new products to improve VanCity's service to this member group who hold 8% of our member accounts. To serve as a baseline, we surveyed our business members in 1999 and found that 73% of small and medium-sized business members who responded were satisfied overall with the products and services provided by VanCity.

Our loans to business members make up a growing part of our total loan portfolio. At the end of 1999, loans to business represented 17% of our outstanding loans compared to 14% at the end of 1997. An analysis of our approved business loan portfolio by size indicates that compared to the banks, the proportion of our portfolio in loans of less than \$25,000 represents seven times that of the banks (2.8% vs. 0.4%). VanCity's average approved business loan in 1999 was \$197,000 compared to \$752,000 for the banks.

Serving Non-Profit Members

At the end of 1999, approximately 3,600 of our accounts belonged to non-profit organizations. Through loans, specialized financial products and services, strategic partnerships, and corporate philanthropy (page 36-38) VanCity supports the work of non-profits in the community. 89% of our non-profit members who responded to a 1999 survey said they are satisfied overall with VanCity's service.

Peer Lending Pilot Leads to Changes in B.C. Benefits Assistance

Due to lessons learned through the pilot project with VanCity's Peer Lending program, the Ministry of Social Development and Economic Security made regulatory changes to the B.C. Benefits program. The changes were made to allow people on income assistance enrolled in a self-employment program to launch their business while still receiving B.C. Benefits assistance for a specified period.

Peer Lending Loans

	1999	1997
# of loans outstanding	179	69
\$s outstanding	\$0.17 million	\$0.10 million

Self-Reliance Loans and Lines of Credit

	1999	1997
# of loans outstanding	351	no data
\$s outstanding	\$3.79 million	\$1.08 million*

* Restated from 1997 Social Report

Approved Business Loans by Size

(Dec. 31, 1999)

Loan Size	VanCity		Canadian Banks ¹	
	\$s	#	\$s	#
\$0 - < \$5,000	0.1%	7.2%	no data	no data
\$5,000 - \$25,000	2.7%	42.1%	no data	no data
Subtotal \$0 - <\$25,000	2.8%	49.3%	0.4%	41.8%
\$25,000 - <\$50,000	1.7%	11.1%	0.7%	13.9%
\$50,000 - <\$100,000	3.1%	9.0%	1.3%	14.7%
\$100,000 - <\$250,000	11.3%	14.4%	3.0%	14.8%
\$250,000 - <\$500,000	13.2%	7.6%	2.9%	6.3%
\$500,000 - <\$1,000,000	16.2%	4.7%	3.3%	3.7%
> \$1,000,000	51.7%	3.9%	88.4%	4.8%
Total	100%	100%	100%	100%

¹Source: Canadian Bankers Association

Commitment from 1997 Social Report



Improve services and loans delivery to business members and set targets for business member satisfaction.

- *On-going. 98/99 Progress: Hired 13 business sales managers; developed business VISA expense card; simplified loan application and offered pre-approved lines of credit. Plan: Setting of target deferred; will be reported in 2000 Annual Report.*

^{8,9}Source: Small Business Profile 1999, BC Stats. (Small businesses are defined as enterprises with fewer than 50 employees; micro-businesses are defined as enterprises with fewer than 5 employees.)

Commitment from 1997 Social Report



Develop and implement a strategy for serving non-profit members and set targets for non-profit member satisfaction (1999).

- *In progress. 98/99 Progress: Strategy developed; implementation is ongoing. 2000/01 target: at a minimum, achieve 89% satisfaction level.*

Loans to non-profits are assessed on the basis of their economic viability and may be offered at special lending rates, terms, and conditions. Outstanding loans and lines of credit to non-profits represented \$25.8 million at the end of 1999, down slightly from \$25.9 million¹⁰ in 1997. Loans to non-profits include social housing loans and Community Investment Deposit (CID) loans.

Specialized products and services for non-profits include a specialized chequing/savings account for non-profit members with low transactions volumes, investment pools, and specialized service charge packages. For example, through a partnership with the United Community Services Co-op (UCSC), we introduced an investment pool in 1999 to allow UCSC members to pool their funds and enable individual organizations to receive interest rates based on the pooled amount. VanCity Insurance Services also developed specialized insurance services to meet the specific needs of non-profits/co-operatives (page 63).

Support for Social Housing

Social housing is a focus at VanCity as the majority of our lending is for residential mortgages and we recognize the need for affordable housing in the Vancouver/Lower Mainland region. We established a subsidiary in 1989 that is mandated to undertake socially responsible real estate development (see "[VanCity Enterprises Ltd.](#)"). We also support affordable housing through our lending activities and specialized products.

Social Housing Loans

	1999	1997 ¹
# of loans outstanding	17	13
\$s outstanding	\$9.37 million	\$7.39 million

¹Restated from 1997 Social Report.

Our social housing loans are for specific types of subsidized housing such as co-operative housing and housing for the disabled and disadvantaged. Housing projects are assessed on the basis of their economic viability and may be granted special rates, terms, and conditions. Since 1997, our outstanding loans for social housing projects have increased by \$2 million. Since 1994, we have financed 253 units of affordable housing including affordable units designed for seniors, people with disabilities, mental health patients, and street involved youth; 123 of these units were financed over 1998 and 1999. As a rough comparison, a total of 1,524 social housing units were developed throughout the Lower Mainland over the same two-year period¹¹.

Further support for social housing is provided through our Co-op Housing Investment Pool and our Non-Profit Housing Investment Pool. As with the non-profit pool, VanCity offers preferential interest rates on the pooled investment of housing co-operatives and non-profit housing societies.

In order to minimize our lending risk, our Lending Policy limits our non-profit and social housing loans each to 2% of total assets. At the end of 1999, loans to non-profit members and loans for social housing represented 0.5% and 0.2% of total assets respectively.

Commitment from 1997 Social Report



Introduce social and environmental features to complement the competitive features of existing products and services (1999).

- *On-going. 98/99 Progress: Introduced the Refugee Assistance Program. Began development of the International Community Investment Deposit, financial package for people with disabilities and their families, and the Living By Water loan program.*

VanCity's Values-Based Products

Over the years, we have developed a number of products that have included our social and environmental values. Ethical mutual funds, term deposits and custom screening services have been introduced to provide our members with socially responsible investment (SRI) options. Additionally, our 'values-based' VISA* cards support local environmental projects.

¹⁰Restated from 1997 Social Report

¹¹Source: BC Housing. Total number of social housing units developed (all programs including HOMES BC).

*VanCity, Licensee of mark.

Socially Responsible Investment Options

Local CSR and environment experts consulted in 1999 told us that financial institutions should provide socially and environmentally responsible investment options and have ethical screens on their own investments (see “Core Business”). It is important that we do both at VanCity.

Socially responsible investment options are offered to our members through term deposits and the family of Ethical Funds®. Other screened mutual funds as well as ethical screening services are offered at VanCity through **Credential Securities®** and VanCity Investment Management Ltd. (page 64).

• **Community Investment Deposit (CID)**

VanCity’s Community Investment Deposit is a term deposit product which provides members with the opportunity to invest in local environmental and affordable housing projects. CID investors accept a 1% lower rate of return with the understanding that the interest foregone will be passed on to the community in the form of a 1% reduction in interest on approved loans for eligible projects.

At the end of 1999, 94% of CID funds were invested in the community. However, member investments in the CID have declined steadily since 1997.

In 1999, a CID loan was approved but not yet disbursed to Glen Valley Organic Farm Co-operative. CID funds were also approved to support a three-year loan program in partnership with the Living By Water Project. The Living By Water Loan Program was developed to offer VanCity members low-fee site assessments and an interest rebate on personal loans for shoreline habitat improvements.

• **Shared Values Index-Linked Term Deposit**

Returns from this ethically screened index-linked term deposit are based on the performance of the Shared Value-Index which, in 1999, was comprised of the 42 companies from the S&P/TSE 60 that met specific social and ethical criteria administered by Michael Jantzi Research Associates Inc. At the end of 1999, there was \$10 million invested in this product. Due to a rapid increase in hedging costs, this product was offered for the last time in Spring 1999. Existing member investments will continue to reflect the performance of the index until they mature in 2003/04.

The amount invested by members in our ethical term deposit options (Community Investment Deposit and Shared Values Index-Linked Term Deposit) represented 0.34% of total term deposit investments at the end of 1999.

2000 Business Initiative: Develop a socially responsible investment (SRI) strategy to offer members a range of SRI products and services including community investment options.

Community Investment Deposits and Loans

	1999	1998	1997
CID fund amount	\$2.68 mil.	\$3.10 mil.	\$3.67 mil.
Outstanding loans	\$2.53 mil.	\$2.42 mil.	\$1.93 mil.
Outstanding loans as a % of CID fund total	94%	78%	53%

Community Investment Deposit Loans Disbursed

	Organization	Project Type
1999	Jack Bell Foundation	Environmental
1998	Co-operative Auto Network	Environmental
1998	Vancouver Mental Patients Association	Affordable Housing

Commitment from 1997 Social Report



Develop and implement a system to ensure that the 1% interest foregone by Community Investment Deposit investors accrues to a CID Fund until the funds are loaned out. Begin tracking and reporting on the percentage of CID deposits on loan.

- *In progress. 98/99 Progress: Approved three loans in in 1999 at an interest rate reduction of greater than 1% to partially distribute the interest foregone to the community. Percentage of CID deposits on loan reported below.*

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Ethical Funds Sales

	VanCity's Ethical Fund Sales	VanCity's Sales as a % of BC Credit Union Sales	VanCity's Sales as a % of all Canadian Sales
1999	\$50.3 million	42%	11%
1998	\$96.7 million	41%	12%
1997	\$107.3 million	39% ¹	14%

¹Restated from 1997 Social Report

Commitment from 1997 Social Report



Introduce a member input mechanism for deciding which environmental issues to support through the EnviroFund (1998).

- *Completed. 98/99 Progress: Annual election process developed and implemented for all VanCity VISA card-holders.*

Commitment from 1997 Social Report



Develop a policy for determining how future EnviroFund contributions will be calculated and revise EnviroFund promotional material to explain this policy (1999).

- *In progress. 98/99 Progress: Policy developed. Plan: EnviroFund brochures to be revised.*

VanCity VISA Contributions to the EnviroFund

	1999	1997
Contributions to EnviroFund from VanCity VISA profits	\$58,200	\$58,200
Dollars awarded to environmental projects ¹	\$80,000	\$77,000

¹Visit www.vancity.com/csr for the list of 1999 EnviroFund grant recipients

Ethical Mutual Funds

Through our Credential Securities representatives, we offer members screened mutual fund options including the family of Ethical Funds and the Working Opportunity Fund. Ethical Funds are also offered through our branches.

The Ethical Growth Fund, initially developed by VanCity, was sold to Credit Union Central of Canada in 1992. This fund later became the model for the other funds within the Family of Ethical Funds. VanCity is represented on the Board of Ethical Funds Inc. and also on the Board of its parent organization, the Credential Group.

VanCity's sales of Ethical Funds have declined by more than 50% since 1997. VanCity's share of all Ethical Fund sales has remained constant indicating that Ethical Fund sales declined overall during the last two years. The growth in discount and on-line brokerage likely contributed to this overall decline.

VanCity VISA

A portion of profits from VanCity's VISA cards is contributed to the VanCity EnviroFund™ which supports local environmental projects. In 1999, VanCity VISA contributed \$58,200 to the EnviroFund and \$80,000 was awarded to five community organizations. In 1998, cardholders began electing the environmental issues supported by the EnviroFund.

Since 1997, we have clarified our policy for calculating the annual contribution to the EnviroFund. Contributions are based on the net annual profits from all three of our VISA cards (Gold, Travel and EnviroFund), with a minimum contribution of \$58,200. This was communicated to cardholders through their monthly VISA statements. We are phasing out the promotional brochures that say "Everytime you use your VanCity EnviroFund VISA, a contribution goes into our EnviroFund to support . . . projects that address local environmental concerns."

While VanCity VISA contributions have been lower than the dollars awarded over the past few years, sufficient funds had accumulated in the EnviroFund or were contributed by VanCity to maintain grants levels close to or at \$80,000.

B.C.'s Leaky Condo Crisis — Supporting VanCity Members

In the mid to late 1990s, water leakage problems affected many British Columbian condominium owners. Credit Union Central of B.C. and VanCity, along with the Canadian Bankers Association, played lead roles in establishing the Homeowner Protection Office (HPO) which opened in 1998. This government office administers a no-interest repair loan program for leaky condo owners who are unable to finance or pay for repairs related to premature building envelope failures. These loans are approved by the HPO and then funded by the financial institution that made the individual's first mortgage.

At the end of 1999, 153 VanCity members had loans approved through the HPO office representing \$2.8 million. A government and industry-wide solution has not been found for those who do not qualify for HPO loans.

™ EnviroFund is a registered trademark of VanCity Credit Union.

Staff



Stakeholder Profile

- 1,602 staff (excluding Citizens Bank)
- 71% are full-time
- 81% are in non-management, non-supervisory positions
- 72% of staff (including management) are women
- 64% are under 40 years of age
- 16% are unionized

Staff Profile as at December 31, 1999

VanCity Credit Union	1,518
VanCity Enterprises Ltd.	5
VanCity Insurance Services Ltd.	66
VanCity Investment Management Ltd.	4
VanCity Capital Corporation	5
VanCity Community Foundation	4
Total VanCity Staff	1,602
Citizens Bank/Citizens Trust*	165

*Citizens Bank conducted a separate audit. See page 53 for more information.

Type of Position Held by Staff

	VanCity 1997	VanCity 1999	Canadian Banks* 1999
Full-time	69%	71%	72.0%
Part-time	21%	18%	16.5%
Temporary	10%	11%	11.5%

*Source: Canadian Bankers' Association
Note: Temporary staff data not available from B.C. credit unions surveyed by CUCBC

Stakeholder Involvement in 1998/99

Staff views were drawn from:

- Two focus groups regarding the 1997 Social Report
- Surveys (1999 Employee Engagement Survey, 1996 Employee Opinion Survey)
- Four focus groups with approximately 45 staff and management regarding the results of the 1999 Employee Engagement Survey

VanCity's Policies and Commitments to Staff

- To treat all employees with respect and dignity, and provide a workplace free of discrimination and harassment from employees, members, suppliers, and others doing business with VanCity
- To ensure fair and competitive salaries, and recognize performance on a fair and equitable basis
- To be guided by the principle of democracy in operating policies and decision-making

- To provide clear definition of corporate goals and direction, and empower staff to achieve them
- To ensure that staff have the skills and knowledge to consistently provide the highest quality of service to members
- To encourage employees to develop transferable skills for employability and marketability inside and outside the organization
- To provide employment security in the event of technological change in the workforce

Key Areas for Staff

The following were identified in the previous social audit. Research conducted in 1999 suggests that these remain key to VanCity employees.

- Employee Well-being: *Does VanCity provide a workplace that is safe and healthy and support staff in choosing healthy work practices and lifestyles?* [\(page 25\)](#)
- Fairness: *Does VanCity treat all employees fairly and pay salaries that are fair and competitive?* [\(page 27\)](#)
- Communication and Participation: *Does VanCity encourage open communication and provide effective ways for staff to participate in decision-making?* [\(page 30\)](#)
- Training & Career Development: *Does VanCity support staff to gain the skills and knowledge they need to do their jobs well and develop their own careers?* [\(page 31\)](#)

Key Performance Indicator



Staff Survey Results

	1999	1996
	% agree overall (% agree strongly)	
% of staff satisfied with VanCity as their employer at the present time	86% (20%)	- (22%)

Future Commitments to Staff

- We have embedded the development of our commitments to improve our performance into our Fall business planning process; they will be reported in our 2000 Annual Report released in Spring 2001.

feedback@vancity.com

877-7000 toll-free 1-888-VanCity



Employee Well-Being

Overall Staff Satisfaction

In order to retain highly satisfied members, we need highly satisfied and committed employees. 86% of staff who responded agreed that they are satisfied with VanCity as their employer. Through a combination of corporate initiatives, our goal is to have 90% of staff satisfied with VanCity as their employer by 2001.

It is important that all staff without exception are treated equitably. Staff who identified themselves according to gender, age, and ethnicity were as satisfied with VanCity as the total population.

It is also important that the service staff receive as VanCity members is of the highest quality so they can pass the same level of service along to other members and strongly recommend VanCity to others. This is an area for improvement as only 65% of staff who responded said they are "satisfied" or "extremely satisfied" with the service they receive as VanCity members (12% were extremely satisfied).

Staff consultations indicate that the majority of staff are very proud to work for VanCity because of our support for local communities and the environment. 89% of staff who responded said that what we do for the environment and the community makes them feel good about working here.

Well-Being Programs

VanCity supports staff to adopt a proactive holistic approach to well-being by offering a number of programs that encourage and support staff in choosing healthy, balanced lifestyles. VanCity's Work/Life Program provides information and comprehensive services to assist staff in achieving a balance between their work and personal lives. Living Well is an incentive program developed by VanCity which encourages staff to adopt healthy lifestyles.

Our Employee Assistance Program (EAP) is a confidential counselling service provided to all full and part-time employees and their families for work-related or personal concerns. Employees may use the program free of charge up to a maximum of eight visits per calendar year. (Four additional visits per year can be used by family members or the employee). In 1998, a second EAP office was opened in the Fraser Valley to make the service more accessible for staff in that region.

The number of staff who used the EAP in 1999 increased by 62% from 1997. Contributing factors include increased visibility of the program, increased workplace demands and organizational changes, (page 26), increased levels of violence experienced by employees involved in robbery events (page 27), and increased parenting concerns. Increased usage may also mean that the program is well trusted and regarded by staff.

Overview of Surveys Used

Two surveys were used throughout this section. The 1999 Employee Engagement Survey¹ and 1996 Employee Opinion Survey were both conducted by an external consultant. A comparison of the overall survey results was not possible due to different response scales² used.

However, a comparison of the percentage of staff who "agreed strongly" in 1996 and 1999 is included in this section. While the surveys are not directly comparable, they provide an approximation of how VanCity's performance has changed since 1996. Consistent with 1996 survey results, 1999 results exclude "don't know" and no answer responses. In cases where these represent 5% or more of the total responses, we have noted the percentage figure.

¹Results include the % of staff who "slightly agreed".

²The 1996 survey used a 5 point response scale, whereas the 1999 survey included a 6 point scale.

Recognition Received in 1999:

- Ranked 13th of "The Best Companies to Work for in Canada" by the Globe and Mail's Report on Business Magazine
- Rated one of the "10 Best Companies to Work For in B.C." by B.C. Business Magazine

Staff Survey Results

	1999	1996
	% agree overall (% agree strongly)	
Overall, I am satisfied with VanCity as my employer at the present time.	86% (20%)	- (22%)
I would recommend VanCity as a great place to work.	81% (24%)	- no data
What VanCity does for the environment and the community makes me feel good about working here.	89% (29%)	- (33%)

Commitment from 1997 Social Report



Target: Increase the percentage of overall staff satisfaction from 76% to a minimum of 85% by 1999 (90% by 2001).

- 1999 result: 86% of staff agreed that they are satisfied with VanCity as their employer at the present time.

2000 Business Initiative:

Review and improve product offerings for staff, including service and privacy guidelines.

Staff Usage of the Employee Assistance Program

	1999	1997
No. of staff attending counselling sessions - all categories	461	284
(as a % of eligible staff population)	(32%)	(20%)

Workplace Demands

While VanCity's well-being programs can assist our staff in coping with workplace demands, these programs may not be enough given the rapid pace of change. As the Canadian financial services sector changes and competition increases, VanCity must provide the products and level of service the market demands. While our members benefit from these new products and services, our staff must adapt and acquire the knowledge and skills necessary to deliver them.

Staff Survey Results

	1999	1996
	% agree overall (% agree strongly)	
The amount of work I am expected to do, and the pace at which I am expected to work are reasonable. ¹	69% (11%)	- (11-13%)
I am able to maintain an appropriate and healthy balance between my work and personal commitments.	72% (11%)	no data

¹In 1996, this question was asked as two separate questions.

VanCity/Teacher Savings Credit Union Merger

When VanCity and Teacher Savings Credit Union (TSCU) amalgamated late in 1997, we assessed the merger on the basis of cultural fit, shared values, improved service to members, and equitable staff compensation systems. This merger resulted in approximately 60 TSCU staff joining VanCity. All of them were offered continued employment with VanCity or a reasonable severance package — fewer than 10 chose to leave. A senior manager from TSCU provided continuity for and managed the five TSCU branches through the merger period and beyond.

Staff consulted in 1999 identified factors such as the rapid pace of change and changing priorities at VanCity as contributors to high stress, which is consistent with what we heard in 1997. We recognized that the pace of change was continuing to affect staff and during 1998/99, we increased our focus on change management as a way to help employees adapt to any new or changed processes, roles or tasks. This approach includes an organization-wide network of staff trained as Change Specialists to assist their peers in adapting to changes, tools to support executive and management enhance their change management practices, and a mechanism to ensure that information is shared in an effective and timely manner.

Additional workplace demands identified by focus group participants in 1999 included increased educational requirements, an inadequate number of support staff, increased sales and service focus without an equal reduction in administrative duties, and the feeling that they are expected to become experts in too many areas. The rise in the percentage of work-related EAP counselling sessions between 1997 (25%) and 1999 (37%) provides further evidence that workplace demands had an effect on staff in 1998/99. Particularly evident were increases in the number of sessions relating to work/family balance, career counselling, job status, and test anxiety.

These findings, combined with survey results relating to the amount and pace of work, and the balance between work and personal commitments, indicate that VanCity staff experienced heavy workloads and stress in 1998/99 despite the programs in place to help them cope.

However, VanCity staff are not alone when it comes to experiencing stress at work. A survey conducted by the Angus Reid Group (Feb/Mar 2000) found that 47% of employed Canadians with a health benefit plan face “a great deal of stress at work”. The main contributing factors were found to be workloads, meeting personal financial responsibilities, and balancing work with home or personal life.

While keeping our commitment to serve our members and respond to business needs, we realize that flexible work schedules can help reduce workplace stress. Not only do VanCity employees have access to a formalized job sharing policy, they can establish flexible work arrangements for themselves subject to the needs of their business unit. Such arrangements include flexible work hours, telecommuting, compressed four-day work weeks, and reduced hours of employment. The majority of *The Best Companies to Work for in Canada* (1999 Hewitt/Globe and Mail study) also provide these work arrangements on a case-by-case basis.

Workplace Health and Safety

90% of staff who responded agreed that VanCity's physical working conditions are safe, comfortable, and help them do their job. Furthermore, Workers' Compensation Board (WCB) data indicates that VanCity's workplace safety experience compares favourably to the financial and lending industry as a whole.

In 1999, 13 robberies occurred at VanCity branches, up from eight in 1997. The level of violence during these robberies also increased, resulting in a significant rise in the number of EAP robbery-related counselling sessions delivered. Over the same period, the number of financial institution robberies in Vancouver more than doubled from 105 to 250³. Of the staff surveyed in 1999, 9% of staff who responded said they have been a victim of threatening behaviour or physical violence in the workplace.

The last workplace violence risk assessment study was conducted at all VanCity locations in 1996, and since then a number of measures have been taken to improve the health and safety of VanCity sites. In 1998, WCB introduced new Occupational Health and Safety Regulations which include requirements for conducting workplace violence risk assessments at all existing locations and thereafter at any new locations and those where significant changes have occurred to the nature of the workplace, the type of work, or staffing levels. An assessment based on these requirements has not yet been conducted.

Fairness

Fair and Respectful Treatment

We strongly believe that all staff have the right to be treated with respect and dignity, to be free from any personal harassment, and to never feel that opportunities for employment, training, or promotion are being limited by non-job related factors. These principles are set out in our No Discrimination/No Harassment Policy as well as in our Employment Equity Policy.

In 1999, 77% of staff who responded agreed that VanCity's work environment ensures that all employees are treated fairly and with respect, and 86% of staff who responded agreed that their supervisor consistently treats them with fairness and respect. Survey results for questions relating to fair and respectful treatment were analyzed by age, gender, and visible minority groups and were not notably different from the overall results.

Fair Compensation

Our Salary Administration Policy outlines our commitment to offering fair and competitive salaries and to recognizing performance on a fair and equitable basis. Comparisons show that VanCity's salaries at three representative levels are comparable to market⁴. However, the perception among some staff is that they are not paid fairly at VanCity compared to people elsewhere.

³Source: Vancouver Police Department.

⁴VanCity salaries were compared to market for representative positions at three different levels of VanCity staff: support/entry level (e.g. Payment Systems Admin., Financial Services Representative, department assistants, Accounting Officer and RRSP/RRIF Administrator); entry-level specialist (e.g. Financial Services Officer, Senior Financial Services Representative, head office specialists); and manager (e.g. Head Office/Branch Manager). Sources for market data include independent surveys from Credit Union Central of B.C., KPMG and Watson Wyatt. Comparisons were based on total cash salary (base salary plus bonus/variable pay or profit sharing), which for VanCity staff includes 1999 base salary plus 6.7% profit sharing.

VanCity's Workplace Safety Experience

	1999	1998	1997
Incidents reported to Workers' Compensation Board (WCB)	20	12	15
Days lost in year ¹	322 ²	70	162 ³

¹Source: WCB - days paid in year for all years of injury
²One injury in 1997 and one in 1999 resulted in more than 100 days lost

Number of days lost in year¹ as a % of total working days²

	1999	1998	1997
VanCity	0.070%	0.016%	0.041%
Financial/lending institutions	0.070%	0.063%	0.047%

¹Source: WCB.
²Number of full-time equivalent employees (source: WCB) multiplied by number of working days in year

Commitment from 1997 Social Report



Complete and implement compensation redesign (including flexible benefits) (1998)

- **Completed. 98/99 Progress: 100% of all salaried positions were reviewed and adjusted to market; introduced flexible benefits program in 1998.**

Average VanCity Salaries¹ as a % of Market²

Level	1999	1997
Support	102%	105%
Specialist	101%	105%
Manager	102%	91%

¹Includes base salary plus bonus/variable pay or profit sharing
²Sources: CUCBC, KPMG and Watson Wyatt

Staff Survey Results

	1999	1996
	% agree overall (% agree strongly)	
I feel I am paid fairly compared with people in other organizations who hold similar jobs.	58% ¹ (7%)	- (8%)

¹Results exclude 9% of staff who responded "don't know" or did not answer the question

VanCity Female Salary¹ as a % of Male Salary¹

Level	1999	1997
Support	104%	101%
Specialist	103%	105%
Manager	100%	100%

¹Salary includes base salary plus bonus/variable pay or profit sharing

Ratio of CEO Salary¹ to Entry Level Staff Market Salary¹ (1999)

VanCity	Credit Unions ²	Canadian Banks ³
11:1	8:1	31:1

¹Base salary only (excludes bonus/variable pay or profit sharing)

²Source: CUCBC-3 comparable B.C. credit unions

³Source: banks' management proxy/information circular

Staff Survey Results

	1999	1996
	% agree overall (% agree strongly)	
My performance on the job is evaluated fairly.	81% ¹ (18%)	- (11%)
There is a clear link between job performance and pay increases/promotions at VanCity.	57% ² (8%)	- (4.5%)
I have had a formal performance review in the past year.	77% ³ (27%)	no data

Results exclude ¹10%, ²9%, ³7% of staff who responded "don't know" or did not answer the question

Diversity of VanCity Staff Compared to the Regional Population

		VanCity 1999	Region 1996 ¹
Gender	Male, aged 15 - 64	28%	50%
	Female, aged 15 - 64	72%	50%
Age	15 - 29	27%	31%
	30 - 39	38%	26%
	40 - 49	24%	23%
	50 - 64	11%	20%
Ethnicity ²	Visible minority	33%	28%
	Aboriginal	1%	2%
Disability ³	Persons with disabilities aged 16 - 64	2%	1991 ⁴ 6%

¹Source: 1996 Census, South West Development Region

²Source of VanCity data: 1999 Employee Engagement Survey

⁴Source: 1991 Health and Activity Limitation Survey (Vancouver)

Focus group participants, including management, felt that there is also disparity in pay for the same positions within VanCity. They perceive this to be the result of management favouritism and the perceived inconsistent application of policies at VanCity branches. VanCity's policies and procedures relating to compensation and benefits were revised in 1999 to make them easier to understand for more consistent application by managers.

In 1999, as in 1997, VanCity female and male staff in similar positions received almost the same salaries. On average, women in support and specialist roles received slightly higher salaries than their male counterparts, whereas female and male managers are at the same salary level.

The ratio of VanCity's CEO salary to entry level staff salary is considerably lower than that of Canadian banks and slightly higher than that of comparable B.C. credit unions. VanCity does not have a policy of capping the CEO's salary. This ensures that we have the flexibility to offer the compensation that will attract and retain the most qualified individual.

In 1999, 91% of staff who responded to the 1999 survey agreed that VanCity employee benefits meet their needs. In 1998, we introduced a flexible benefits program allowing each employee to choose benefits best suited to their needs. This program includes an extended health plan and is available to all permanent employees including part-time staff who work half-time hours. VanCity employees also receive a share of VanCity's profits each year which, in 1999, amounted to 6.7%⁵ of their base pay.

VanCity policy states that all employees must receive performance reviews annually and that performance and competency development is measured and recognized through the compensation program. Survey results relating to the link between job performance and pay increases and promotions were lower than desired, although the increase in the percentage of "agree strongly" responses indicates that some improvement has been made since 1996. When staff (including management) were asked to explain these results, they identified management subjectivity as the main cause. VanCity's performance review policies and procedures were clarified in 1999. This may help managers apply them more consistently.

Workplace Diversity

In addition to a work environment which is respectful of all people (see "Fair and Respectful Treatment"), our Employment Equity Policy also outlines our commitment to workplace diversity. It sets out our commitment to "the attainment and development of a work force which is representative, in all occupations and categories, of its member base and the communities which it serves" and to a "work environment which is respectful of all persons."

⁵Excludes executive profit sharing

When compared to the demographics of the regional population, it was found that female representation at VanCity is well above that of the regional population. This is typical of the Canadian finance and insurance industry, in which women account for 66% of the labour force (1996 Census). The percentage of VanCity staff belonging to visible minority groups closely reflects the composition of the regional population. The percentage of VanCity staff identifying themselves as having a disability is similar to Canadian banks, but is lower than the percentage of people with work disabilities⁶ in the Canadian population.

Female representation at VanCity's executive level is well above that of Canadian banks and comparable B.C. credit unions. The number of women in management positions at VanCity is similar to B.C. credit unions and compares very favourably to other Canadian companies.

Workplace Grievances

VanCity provides employees with a formal mechanism for resolving workplace issues through our Grievance Procedures Policy. This mechanism is rarely used as issues are usually handled within the business unit. The use of this informal process of problem resolution and the number of issues raised and their resolution is not monitored. Our Equity Policy and No Discrimination/No Harassment Policy also include specific procedures for resolving complaints.

When surveyed in 1999, 81% of VanCity employees who responded agreed (including 22% who agreed strongly) that they feel comfortable advising management of any discrimination, harassment, or wrongdoing they observe.

During 1999, three employee claims were made for inadequate settlements upon termination, all of which were settled through mutual agreement.

VanCity also received 92 grievances from unionized employees in 1999. Of these, 82 arose from the administration of placing newly certified employees under the collective agreement. At the end of 1999, 66 were being resolved through mediation and 16 were withdrawn by the union or were settled prior to arbitration. Of the remaining 10 grievances, five were disciplinary, two concerned selection for promotion and three were isolated contract application issues.

Unionization at VanCity

When VanCity merged with Teacher Savings Credit Union (TSCU) in October 1997, 36% of TSCU's staff were unionized and covered by a collective agreement with the B.C. Government and Service Employees' Union (BCGEU). At the end of 1997, the unionized employees within the TSCU division of VanCity accounted for 100% of VanCity's union employees. This brought the percentage of unionized employees at VanCity (excluding Citizens Bank) to 1.3%. During 1998/99, six branches and two head office departments became certified. By the end of 1999, BCGEU represented approximately 250 people (16% of staff) in VanCity. In 1999, VanCity and BCGEU successfully negotiated revisions to the collective agreement, extending the term for 30 months.

One of our guiding principles in managing a partially unionized workforce has been equitable treatment of all our employees. VanCity has focused on ensuring comparable employment conditions between employee groups, including wage equity for employees doing the same work.

Diversity of Canadian Bank Employees Compared to the Canadian Population

	Banks 1998 ¹	Population 1996 ²
Visible Minority	14%	11%
Aboriginal	1%	3%
People with work disabilities	2%	7% ³

¹Source: Canadian Bankers Association, 1998

²Source: 1996 Census

³Source: 1991 Health and Activity Limitation Survey

Percentage of Female Staff

	VanCity		B.C. Credit Unions ¹	Canadian Companies ²	Canadian Banks ³
	1997	1999	1999	1999	1998
Sr. Management/ Executive	28%	30%	19%	14%	12%
Management/ Supervisory	62%	68%	61%	32%	no data
Non-Management	74%	73%	85%	no data	no data

¹Source: CUCBC - 3 comparable B.C. credit unions

²The Catalyst Census of Women Corporate Officers of Canada, 1999

³Source: Michael Jantzi Research Associates Inc. - 7 Canadian Banks

Commitment from 1997 Social Report



Ensure that policies dealing with discrimination, harassment, and wrong-doing in the workplace are adequate and well-communicated to staff (1999).

- *Ongoing. 98/99 Progress: Managers communicated relevant policies to staff in November 1999. Policies are available to staff online.*

⁶People aged 15 - 64 who are limited in the kind of work they can do due to a long term physical condition or health problem. (Definition used by the federal government).

2000 Business Initiative: *Conduct a review including an evaluation by staff, of existing communication channels and feedback mechanisms to determine their effectiveness. Develop action plans for improving these mechanisms and channels.*

Commitment from 1997 Social Report



Develop (1998) and implement (1999) communication strategy for staff, including a system to improve employee access to the information they need to make work-related decisions.

- *Completed. 98/99 Progress: Created a department responsible for corporate communications and introduced a number of communication mechanisms.*

Staff Privacy

In 1999, we released our electronic communication policies. The purpose of the policies is twofold; to protect VanCity, our staff, and members from misuse of e-communication tools, and to help maintain a high level of service quality to members. Key messages delivered to staff through the policies are:

- *incidental personal use of e-communication tools is permitted while misuse is not*
- *it is a privilege, not a right, to use the tools for personal purposes*
- *all files (including e-mail) on the system are the property of VanCity and therefore privacy is not guaranteed*
- *VanCity does not actively monitor e-communications but may need to do so for a variety of reasons*
- *VanCity encourages appropriate exploration of the Internet but when it is for personal purposes, asks that it be done on personal time.*

These policies aim to respect the rights of individuals while ensuring high standards of business conduct and communication.

Communication and Participation

VanCity has various mechanisms to facilitate two-way communication between management and non-management employees and to ensure that relevant information is delivered to staff in a timely manner. A list of these mechanisms is available to staff on VanCity's Human Resources bulletin board. The usage and effectiveness of these mechanisms have not been measured.

When surveyed in 1999, only 62% of staff who responded agreed (including 5% who agreed strongly) that most employees feel free to voice their opinions openly at VanCity. Some focus group participants reported not feeling comfortable speaking out because they perceived that it would reflect negatively on them, while others felt that it would not be worthwhile since their opinions would not be meaningfully considered.

While the above result indicates that open communication is a concern, staff responded more favourably when asked if they are provided with effective ways to participate in the decision-making at VanCity. 82% of staff who responded agreed (including 17% who agreed strongly) that they are meaningfully involved in decisions that affect them and their work.

Ethical Business Practices — Living VanCity's Values

As the Canadian financial services sector becomes increasingly competitive, making a profit becomes more and more difficult and as a result, the desire to build profits at any cost can become tempting. At VanCity, we strongly believe that making a profit and living our values go hand in hand. Our Standards of Business Conduct, which each employee must sign when they are hired (directors and executive are to confirm their adherence to this annually), makes it clear that the highest standard of business ethics is expected at VanCity. 87% of staff who responded agreed that VanCity is always ethical when seeking profits⁷, compared to 65% of employees at Canadian companies.⁸

⁷Results exclude 6% of staff who responded "don't know" or did not answer the question

⁸Source: 1997 Angus Reid Group "Workplace 2000 - Working Towards the Millennium" survey

Training and Career Development

At VanCity, we recognize the importance of supporting staff in upgrading skills and knowledge to improve their job performance and advance their careers. We do this by providing them with training programs, tuition reimbursement options, and learning centers for self-directed learning.

Satisfaction with Training and Career Development

Staff responses to questions regarding the quality of training and career development at VanCity were very positive — 89% of staff who responded agreed that VanCity supports them to develop the knowledge and skills to advance their career. Over the past four years, we developed a strategy to improve the accessibility and effectiveness of training by establishing learning centres at all locations and by introducing on-site coaching.

Although the majority of staff surveyed gave high ratings to the quality of training received, the increased training and educational requirements introduced in 1998 contributed to increased stress levels among staff (page 26). These educational requirements were also the primary cause of an increased number of staff counselling sessions since 1997 relating to study skills, test anxiety, course-work time pressure, and career counselling.

The target set in 1997 that 85% of staff understand corporate social responsibility (CSR) and how it relates to their role was almost achieved in 1999. However, we know that employees have different opinions of what CSR means at VanCity. The development of our Statement of Values and Commitments (page 7) will help staff better understand our values and what CSR means.

Information Sharing

Communication of work-related issues was identified in 1997 as a key challenge at VanCity. Initiatives introduced to respond to this finding included the creation of a department responsible for corporate communications, an internal business information newsletter, and a system for sending timely bulletins and voice messages.

Although we set a target in our 1997 Social Report to improve the percentage of staff who feel they receive straightforward messages about what's important, this question was not asked in our 1999 survey. Instead, staff were asked whether they feel that the information they receive from VanCity's senior management team is clear, concise, and relevant to their work. 78% of staff who responded agreed with this statement in 1999 (including 9% who agreed strongly).

Staff Survey Results

	1999	1996
	% agree overall (% agree strongly)	
VanCity provides me with the training I need to perform my job role well.	83% (12%)	No data
VanCity supports me to develop knowledge and skills to advance my career.	89% (21%)	- (13%)
I understand how corporate social responsibility at VanCity relates to my job role.	83% ¹ (12%)	No data

¹Results exclude 5% of staff who responded "don't know" or did not answer the question

Commitment from 1997 Social Report



Target: Increase the percentage of staff who understand corporate social responsibility (CSR) and how it relates to their role to a minimum of 85% by 1998 (90% in 2001).

- 1999 result: 83% of staff said they understand CSR and how it relates to their role.

Commitment from 1997 Social Report



Target: Increase the percentage of staff who say they receive the information they need to be effective in their job role to a minimum of 80% (2001).

- 1999 result: 84% of staff said they receive the information they need to be effective in their job role.

Commitment from 1997 Social Report



Target: Increase the percentage of staff who say they receive straightforward messages about what's important to a minimum of 75% (2001).

- N/A. Question not asked in 1999 staff survey; replaced with improved questions.

**Commitment from 1997
Social Report**



Develop and implement an employee transition policy to cover technological and organizational changes (1998).

- *Completed. 98/99 Progress: Policy developed and implemented; posted on-line September 1999.*

Employment Security

In 1999, prior to our withdrawal from the National Community Bank (NCB) initiative, 72% of staff who responded (including 12% who agreed strongly) felt confident about the long-term security of their employment at VanCity. This result may indicate that many staff had confidence in VanCity's commitment that no jobs would be lost as a result of the NCB initiative ([page 47](#)).

We recognize that at times industry competition will require that we make changes in the way we deliver our products and services. However, we are committed to assisting staff through these changes. Our Employee Transition Policy states that "in the event that these changes result in the elimination of, or create substantive change to an employee's job, VanCity will make every effort to transition employees to alternative employment within VanCity." This Policy was used to transition staff who were affected by the centralization of our loans administration and the sale of our mutual funds department to Ethical Funds Inc.

Community



Community

Stakeholder Profile

Community groups applying for the Community Partnership Program and EnviroFund grants in 1999

- 331 groups applied for grants through the Community Partnership and EnviroFund programs
- 147 (44%) received grants

Local corporate social responsibility (CSR) and environment experts

Stakeholder Involvement in 1998/99

- Survey of 1999 applicants to VanCity's Community Partnership Grant Program (50% of those surveyed had received funding; 50% had been declined)
- Two focus groups with local CSR and environment experts

VanCity's Policies and Commitments to the Community

- To invest in the health and vitality of the communities we serve through grass roots community activity, staff involvement, and corporate financial support
- To fund programs and projects that contribute to social justice, economic self-reliance, and ecological responsibility
- To avoid projects or events associated with companies or organizations that promote the use of weapons, violence, sexual or racial discrimination, or exploitation of people or the natural environment
- To annually donate a minimum of 4% of after-tax profits (averaged over the previous three years) to VanCity's community grant programs
- To meet or exceed the Canadian Centre for Philanthropy Imagine Campaign annual donations target of 1% of average domestic pre-tax profits

Key Performance Indicators



Advocacy: See list of VanCity's involvement in advocating for CSR and positive public policy changes.

Serving the Community in 1999:

- 4.8% of pre-tax earnings donated to the community (1997: 4.7%)
- Distribution of grants: social justice (35%), economic self-reliance (22%), ecological responsibility (41%), other (2%)

Key Areas for the Community

Community groups and local CSR and environment experts consulted in 1999 identified the following key issues as important for VanCity to measure and report on:

- *Advocacy: Is VanCity advocating corporate social responsibility among organizations, as well as advocating for positive changes to public policies for the benefit of the community?* ([page 35](#))
- *Serving the community: What is the nature of VanCity's granting program and how does it serve the community?* ([page 36](#))
- *Socially and environmentally responsible financial products and services* ([page 15-22](#))

Future Commitments to the Community

- We have embedded the development of our commitments to improve our performance into our Fall business planning process; they will be reported in our 2000 Annual Report released Spring 2001.

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VanCity is committed to being a leader in corporate social responsibility (CSR). Our goal is to model and advocate ways of doing business based on our commitment to social and environmental responsibility. We consider CSR to be more than granting money to community groups or volunteering our time to organizations, although these are both important forms of community support. We believe CSR is about doing business the "right" way which means incorporating social and environmental responsibilities into all we do, from the types of products and services we offer ([page 15-22](#)) and the way we operate our business ([page 39-44](#)), to the kinds of organizations we do business with ([page 50-52](#)), and the way we treat our staff ([page 23-32](#)).

Recognition Received in 1998/99

Year	Award Received	Sponsoring Organization
1999	Ranked 13th of "The Best Companies to Work for in Canada"	Globe and Mail's Report on Business Magazine
1999	Rated one of the "10 Best Companies to Work For in B.C."	BC Business Magazine
1999	B.C. & Canada TOBY Award (The Office Building of the Year)	Building Owners & Management Association
1998	Power Smart Excellence Award (for business energy efficiency)	BC Hydro
1998	BC and Canada EARTH (Energy/Air Quality/Recycling/Tenant awareness/Health & Safety) Award	Building Owners & Management Association

Advocacy

CSR Advocacy

Throughout the years VanCity has become known as a national leader in CSR. As a leader, we have a role to play in encouraging other organizations to practice responsible ways of doing business. In 1998/99, VanCity was invited to share its expertise at a number of conferences and workshops nationally and internationally. VanCity also promotes CSR through its active participation in and sponsorship of events such as:

- Ethics in Action awards to promote CSR held annually in Vancouver and Toronto (sponsor and steering committee member)
- Canadian Business for Social Responsibility events (sustaining member)
- 1998 International Conference on Social Auditing held in Vancouver (co-host and sponsor)

Public Advocacy

The CSR and environment experts consulted felt that a socially and environmentally responsible financial institution should play an active role in advocating for positive changes to public policies.

In 1999, VanCity's Board of Directors presented a position paper on the Multi-Lateral Agreement on Investment to the Special Committee on the MAI. In it, they voiced their opposition to the MAI based on the belief that its underlying principles are at odds with the social and environmental values upon which VanCity is based and upon which society's future economic and social well-being depends. In summary, their belief is that future international negotiations on investment should focus on provisions designed to promote greater economic stability and to enhance human rights, labour standards, environmental sustainability and other important aspects of social policy goals throughout the world.

At the local level, VanCity contributed to positive changes to a provincial fiscal policy in 1999. The Ministry of Social Development and Economic Security made regulatory changes to the B.C. Benefits program due to lessons learned through the pilot project with VanCity's Peer Lending program in 1998/99. The changes will enable British Columbians to take part in a self-employment program to launch their own business while continuing to receive financial benefits for a transition period.

Staff and VanCity Contributions to the Community through Staff Involvement Programs

	1999	1998	1997
Staff Fund Raiser	\$92,000	\$76,500	\$140,000
Giving Well	\$8,000	\$15,500	\$17,000
EPIC	\$4,000	\$4,500	\$5,500
TOTAL	\$104,000	\$96,500	\$162,500

Commitment from 1997 Social Report



Target: Increase staff understanding of CSR and how it relates to their role to a minimum of 85% by 1998 (90% by 2001).

- 1999 result: 83% of staff said they understand CSR and how it relates to their role (page 31)

Commitment from 1997 Social Report



Develop staff community involvement guidelines to clarify what VanCity expects, and is prepared to support, with regards to staff volunteer activities in the community (1999).

- In progress. 98/99 Progress: Staff survey of existing staff involvement programs conducted. Plan: Expected completion of guidelines: Spring 2000.

2000 Business Initiative: Develop and launch capacity building grants to support the ongoing work of community groups.

Serving the Community

Non-Philanthropic Forms of Community Support

VanCity aims to strengthen the community and its long-term business success through innovative products, programs, and partnerships. VanCity offers a number of products and services to support non-profits, small businesses, and social housing projects (page 19/20). We have also established mutually beneficial partnerships with organizations such as Planned Lifetime Advocacy Network (PLAN), Immigrant Services Society of B.C. and the United Community Services Co-operative to develop special products, services and/or rates for groups with unique financial needs.

Staff Community Involvement

VanCity encourages staff to participate in the community and offers support and three programs for staff to do so. The Annual Staff Fundraiser is a program where employees choose a theme and/or local community group to support financially by carrying out fund-raising activities during a five week period. These activities generally take place during the regular work day. The Employee Participation in the Community (EPIC) program allows staff to request funding for up to \$250 for two community groups per year for which they have volunteered at least six months. Giving Well enables staff to donate to charitable organizations through payroll deductions which are then directed to the VanCity Community Foundation for disbursement to the community. Dollars contributed to the community were higher than usual in 1997 as staff completed a three-year fund-raising campaign for VanCity Place for Youth.

In our staff survey, 89% of staff reported feeling good about working at VanCity because of what it does for the environment and the community. However, many feel they no longer have the time to participate in community activities due to increased workloads and personal commitments. In response to staff feedback, VanCity began developing staff community involvement guidelines in 1999 to clarify what VanCity expects and is prepared to support, with regards to staff volunteer activities in the community.

Community Funding

Despite the recognition that being socially and environmentally responsible goes beyond corporate philanthropy, participants of the CSR and environment expert focus groups felt that community funding remains an important contribution — and we agree. They said VanCity does a good job of supporting grassroots projects that others won't, and that it raises awareness of the work done by the groups funded. The need for core funding and continued support of long-term projects was again identified in this audit cycle, as it was in the 1997 social audit. VanCity currently funds specific projects that meet the grant program criteria.

VanCity and its subsidiaries provide financial support to the community through a number of initiatives each year. Although total dollar donations have decreased since 1997, donations have remained relatively consistent when calculated as a percentage of pre-tax profits.

VanCity consistently exceeds the Canadian Centre for Philanthropy's Imagine Campaign annual donations target of 1% of average domestic pre-tax profits. In 1999, VanCity donated 4.8% of pre-tax profits to community organizations which is well above the Imagine benchmark and the donations made by the Canadian banks.

VanCity has a number of grant programs within its Community Partnership Program to support the activities of local community organizations. Of VanCity's total 1999 donations to the community, \$876,000 was donated through the Community Partnership Program. This program includes specific funding programs such as Special Partnership grants, Community Partnership grants, scholarships, and branch and regional partnership grants.

In 1999, VanCity surveyed an even number of approved and declined applicants to the Community Partnership Program. Of those surveyed, 74% were "satisfied" or "totally satisfied" with the grant program (48% were "extremely satisfied"). It is important to VanCity that all the applicants are treated fairly in the grant selection process. 74% of applicants felt that VanCity performs "well" or "very well" at treating their organization fairly (57% said "very well"). Not surprisingly, those that received funding responded more favourably overall than those whose applications were declined.

The VanCity EnviroFund is not included in the Community Partnership Program as the fund is supported with profits from VanCity VISA. Annual contributions to the EnviroFund are based on the net annual profits from all three of our VISA cards (Gold, Travel and EnviroFund), with a minimum contribution of \$58,200. In 1999, VanCity EnviroFund awarded \$80,000 to five community organizations (Call (604) 877-7612 or visit www.vancity.com/csr for the list of head office grant recipients).

VanCity's Community Partnership Program and EnviroFund grants aim to support the principles of social justice, economic self-reliance, and ecological responsibility. (For information on criteria and eligibility please visit www.vancity.com/csr)

At VanCity it is important that we support the communities in which we do business and from where we draw our membership. The higher distribution of funding within Vancouver (57%) is due in part to our larger membership and the relatively high number of community organizations within the city. VanCity will not fund projects or events associated with companies or organizations that promote the use of weapons, violence, sexual or racial discrimination, or exploitation of people or the natural environment.

Allocation of 1999 Grants by Geographic Distribution¹

Community (No. of Branches)	% of Members		% of \$s Funded	
	1999	1999	1999	1997
Vancouver (17)	50%	57%	58%	
Rest of Lower Mainland (16)	42%	23%	24%	
Fraser Valley (5)	7%	8%	6%	
Victoria/Vancouver Island (1)	1%	8%	n/a ²	
Other	n/a	4%	12%	
Total	100% (261,398)	100% (\$735,000)	100% (\$811,000)	

¹ Includes Community Partnership grants, Special Partnership grants, EPIC and branch funding
² Victoria/Vancouver Island branch added to VanCity system late in 1997 through merger with Teacher Savings

Imagine Caring Companies

Imagine defines a Caring Company as one which has a policy of donating a minimum of 1% of average domestic pre-tax profits (averaged over the previous three years) to charitable and non-profit organizations.

VanCity Donations to the Community

	1999	1998	1997
VanCity Community Partnership Program	\$876,000	\$870,000	\$811,000
Citizens Bank and Trust donations ¹	\$6,000	\$16,000	\$39,000
Credit card revenues allocated to:			
Citizens Bank Shared Interest Fund ² & VanCity EnviroFund	\$133,000	\$119,000	\$89,000
Donations to VanCity Community Foundation	\$655,000	\$600,000	\$775,000
Total	\$1,670,000	\$1,605,000	\$1,714,000
Donations as a % of pre-tax profits³			
VanCity ⁴	4.8%	4.6%	4.7%
B.C. credit unions ⁵	4.0%	3.7%	2.3%
Canadian banks ⁶	1.0%	1.0%	0.8%

^{1,2} Not in the scope of 1998/99 Social Report

³ As per Canadian Centre for Philanthropy's Imagine formula

⁴ Based on consolidated earnings from operations, before distribution to members, donations to the Foundation and income taxes

⁵ Source: 1999 Angus Reid/CUCBC Community Involvement Survey.

Excludes provision of financial services to non-profit organizations, including the waiving of service charges on interest bearing accounts

⁶ Source: Michael Jantzi Research Associates Inc. & annual reports - 5 Canadian banks

Allocation of 1999 Head Office Grants by Principle¹

Principle	% of \$s Allocated	
	1999	1997
Social justice	35%	50%
Economic self-reliance	22%	22%
Ecological responsibility	41%	27%
Other ²	2%	1%
TOTAL:	100% (\$695,500)	100% (\$679,750)

¹ Includes EnviroFund, Special Partnership grants and Community Partnership grants

² Unclassified

Community Grant Applications and Approval Rates

Year	No. of Grant Applicants	% of Applicants Receiving Grants
1999	331	44%
1998	430	40%
1997	524	35%

Commitment from 1997 Social Report



Publish annual list of organizations funded and dollars received, and distribution of funding dollars by geographic location of VanCity branch memberships (1998).

- *Completed. 98/99 Progress: VanCity now annually publishes a list of Head Office grant recipients. For a copy of the list, call (604) 877-7612 or visit www.vancity.com/csr/grants*

Commitment from 1997 Social Report



Work with VanCity Community Foundation to: (a) develop a system for smoothly referring community groups to the appropriate organization, including development of a "fact sheet" that clearly sets out the community programs of each; and (b) communicate the roles and responsibilities of each organization (1999).

- *Completed. 98/99 Progress: Fact sheet completed and distributed upon request; informal referral system established between VanCity and Foundation staff.*

Commitment from 1997 Social Report



Track number and reasons for grant application declines and share specifics with applicants (1999).

- *Completed. 98/99 Progress: System to track the reasons for application declines was developed; reasons are included within the letters of notification distributed.*

Since 1997, the number of applicants to the grant programs has been declining, and as a result, approval rates have been increasing. Grant staff believe that the decline in applicants may be due to improved community group understanding of the guiding principles and therefore improved assessment of whether their project meets VanCity's criteria. (For approval rates for each individual grant program, please visit www.vancity.com/csr/grants).

Although no formal policy is in place, VanCity also shares its resources and expertise with community groups. Examples of these are head office meeting space and resources; employment training for students and graduates; donations of used computers, furniture, and office supplies; and materials for community conferences and events. The need for this type of assistance was identified through consultations with community groups in 1997 and again this year by CSR and environment experts. In addition to the above types of assistance, 37% of community groups responding to our 1999 grant survey identified the need for VanCity staff to share their expertise in areas such as marketing, financial planning, and business plan preparation.

VanCity Place for Youth — A Safe Place for Street-involved Youth

After three years of VanCity staff fund-raising and donations from VanCity and the VanCity Community Foundation, VanCity Place for Youth opened its doors in the Fall of 1998. VanCity Place provides 50 units of affordable rental units and youth services to street-involved youth in Vancouver's Downtown East Side. In 1999, VanCity Place won the Lieutenant Governor of British Columbia Award in architecture. Given the location and target group, this is a high-risk undertaking. Since its opening, a number of challenges have emerged regarding maintenance of the building, health and safety of tenants, and relationships between VanCity Place and the surrounding neighbourhood. In response, VanCity has taken several steps to resolve operational and governance issues, including hiring a full-time Program and Development Manager for VanCity Place, expanding the Board of VanCity Place for Youth Society, and working with community partners to explore financial and housing models. VanCity executive members represent VanCity on the VanCity Place for Youth Society Board.

Commitment from 1997 Social Report



Develop a process to allow VanCity to reply to all requests for funding within a maximum of six weeks (1999).

- *Completed. 98/99 Progress: Process developed and implemented.*



Environment

Environment

Stakeholder Views Regarding the Environment

In 1999, we consulted with local CSR and environment experts and asked them what it should mean for a financial institution to be socially and environmentally responsible. These individuals told us that financial institutions should educate, encourage and enable people to make socially and environmentally responsible financial decisions. They expected that these organizations would incorporate social and environmental features into their lending policies and practices as well as choose and offer investment options reflective of social and environmental goals. Environmentally responsible operations was seen as the minimum requirement.

VanCity's Policies and Commitments Regarding the Environment

As a signatory to the Coalition for Environmentally Responsible Economics (CERES) Principles, VanCity commits:

- To make continuous and measurable progress in reducing VanCity's impact on the environment
- To complete a bi-annual social report that satisfies our CERES environmental reporting requirements

VanCity's Environment Policy Commits:

- To make operations, products and services as environmentally responsible as possible
- To support members, employees and the community in their efforts to be environmentally responsible.
- To comply with all relevant environmental legislation

Key Indicators of the Environmental Impacts of VanCity's Operations



	1999	1997
Electricity used (kWh/sq.ft.)	29	29
Paper used (sheets/member)	62	69
Estimated total waste generated (kg)	359,500 ¹	361,200 ¹
% of waste recycled	58% ²	43% ²
% of members who said VanCity acts in an environmentally responsible manner	85% ³	no data

^{1,2} Unaudited data

³ Results exclude 19% of members who responded "don't know"; "does not apply" or did not answer the question.

Key Environmental Areas

The following issues were identified by VanCity in 1997 as being the key sources of our environmental impact. CSR and environment experts generally agreed with this assessment.

- Environmentally Responsible Core Business Activities: *Does VanCity incorporate environmental considerations into its own lending and investment decisions and deliver products and services to support environmental sustainability in the region?* ([page 15-22, 41-42](#))
- Environmentally Responsible Operations: *Does VanCity manage its operations in an environmentally responsible manner?* ([page 42](#))
- Support for Environmental Organizations: *Does VanCity support community initiatives that are positively addressing environmental concerns and contributing to environmental sustainability?* ([page 33-38](#))
- Environmentally Responsible Purchasing: *Does VanCity take environmental considerations into account when selecting suppliers and purchasing goods and services?* ([page 50-51](#))

Future Commitments Regarding the Environment

- We have embedded the development of our commitments to improve our performance into our Fall business planning process; they will be reported in our 2000 Annual Report released Spring 2001.

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Environmental Impacts of VanCity's Core Business Activities

At VanCity, we recognize that our environmental impact extends far beyond our own operations and that accounting for our electricity and paper use and waste generated and recycled, is only a small part of the story. Like all financial institutions, we affect the environment most significantly through our core business activities. The lending and investment decisions made by financial institutions are where we have the most significant environmental impact — whether we take the opportunity to have a positive impact is up to us. While we realize that our main environmental impacts occur by way of these core activities, we have not yet measured their impacts due to the complexities associated with their measurement.

In a 1999 survey of members, 85% of those who responded said VanCity performs well at acting in an environmentally responsible manner and only 2% said we perform poorly¹. In comparison, only 33% of members who responded said that their other main financial institution performs well at acting in an environmentally responsible manner; 32% said their other institution performs poorly².

Below is a brief overview of our lending and investment activities and what we are doing at VanCity to minimize the negative environmental impacts and increase the positive. In the "Members" section we discuss the status of our ethical screens on these key activities (page 16) and the products and services we offer that support environmental sustainability (page 21). Our newly developed purchasing screens are covered in the "Suppliers" section.

Lending

Lending is a core activity of financial institutions which, if done responsibly, can help individuals achieve their financial goals, and support activities with positive social, environmental, and economic benefits.

As with most financial institutions, VanCity has had management practices in place to minimize lending risks associated with contaminated sites and non-compliance with environmental laws and regulations since the early 1990s. In 1996, our Board established a task force to develop environmental lending criteria beyond existing practices. VanCity's Environmental Loans Policy, covering commercial and business loans, was presented to the Board for review in early 1997. In addition to environmental risk management, the policy commits VanCity to (a) identify and avoid activities that, while technically in compliance with environmental laws and regulations, have significant adverse environmental impacts, and (b) encourage businesses that are attempting to address environmental problems in a positive manner.

Since then, the following steps have been taken to implement this policy. Risk management practices were formalized into VanCity's Environmental Risk in Lending Policy. In 1998, research was conducted into criteria for identifying and avoiding projects with unacceptable environmental impacts regardless of legal compliance. These criteria, necessary for the full implementation of this new policy, have not yet been finalized. In 1999, we worked with two other organizations to develop the framework for a Conservation Financing Program to support individuals and businesses wishing to adopt practices that enhance conservation and environmental sustainability.

As well, VanCity's Community Investment Deposits provide reduced interest loans to community projects that contribute to a healthy environment (page 21).

Commitment from 1997 Social Report



Complete and implement an Environmental Loans Policy with lending criteria that go beyond environmental risk management (1998).

- *In progress. 98/99 Progress: Policy developed; implementation in progress.*

2000 Business Initiative: *As part of VanCity's Conservation Financing Program, launch the Living By Water loans to support shoreline restoration and protection.*

Results exclude ¹19%, ²25% of members who responded "don't know"; "does not apply" or did not answer the question.

Investing

Similar to lending, investment decisions made by financial institutions can also have a significant positive — or negative — impact on communities and the environment. Our Investment Policy (1999) uses the ethical screens of Ethical Funds Inc. which include environmental criteria [\(page 17\)](#).

Additionally, financial institutions also need to consider the potential environmental impacts of their customers' investment decisions and help mitigate these by offering an array of responsible investment options. At VanCity, we offer socially responsible investment (SRI) options to our members [\(page 21\)](#) to enable them to make responsible investment decisions. For example, our Community Investment Deposit (CID) allows members to accept a 1% lower rate of return with the understanding that the interest foregone will be passed on to the community in the form of a 1% reduction in interest on approved loans for eligible projects [\(page 21\)](#).

Commitment from 1997 Social Report



Finalize and implement environmental guidelines as part of VanCity's Purchasing Policy (1999).

- In progress. 98/99 Progress: Guidelines approved. Plan: Implementation in 2000/2001 [\(page 51\)](#)

CERES Principles

- Protection of the Biosphere
- Sustainable Use of Natural Resources
- Reduction and Disposal of Wastes
- Energy Conservation
- Risk Reduction
- Safe Products and Services
- Environmental Restoration
- Informing the Public
- Management Commitment
- Audits and Reports

For the full text of these principles, visit www.ceres.org.

Commitment from 1997 Social Report



Complete and implement a formal Energy Policy, including a staff training component and set targets for future energy use (1999).

- In progress. 98/99 Progress: Policy developed and implemented. Plan: Staff training component to be implemented in 2000; future targets to be set in 2001.

Other Activities that Contribute to our Environmental Impact

Financial institutions can also contribute positively to environmental sustainability through their purchasing and donation decisions. In 1999, VanCity developed Social and Environmental Guidelines for Procurement and worked to bring fair trade, organic coffee to VanCity [\(page 51\)](#), and continued to fund local environmental projects through the Community Partnership Program and the EnviroFund [\(page 37\)](#).

Environmental Impacts of our Operations

While the environmental impacts of our operations are likely not as significant as those of our core business activities, it is still relevant and important that we measure, understand and work to reduce these.

Electricity Use

Conserving energy is in line with our values and is something we committed to when we became a signatory to the CERES Principles. The introduction of a formal Energy Policy in 1998 helps us live up to this commitment and the commitment made in our 1997 Social Report as it outlines the responsibilities all employees share for energy conservation and management practices. It includes a staff education and training component (to be implemented in 2000) and requires that all department and branch managers ensure their staff are aware of the procedures and practices outlined.

VanCity's Electricity Use¹

Year	Total Electricity Use (kWh) (Extrapolated) ²	Total Electrical BEPI ³ (kWh/sq.ft.) (Extrapolated) ²	Total Electricity Use/Member (kWh/member)	Total Electricity Use/Employee (kWh/employee)
1999	9.5 million	29	36	5,972
1997	8.6 million	29	36	5,791

¹ Excludes fuel which accounts for approximately 25% of VanCity's total energy use.

² Data from monitored branches (26 in 1997, 32 in 1999) extrapolated across all branches and Head Office.

³ Building Energy Performance Indicator

In the past three years, our electricity use per square foot has remained constant at 29 kWh/sq. ft. As VanCity grows, so too will our total electricity use and resulting environmental impact. With the addition of six new branches since 1997, our total electricity use has increased by almost 850,000 kWh. Our total electricity use in 1999 was close to 9.5 million kWh, which is about the amount of energy it would take to provide electricity to 950 households in the Lower Mainland for one year³. A comprehensive Energy Management Plan is being prepared for VanCity and will include an assessment of the environmental impact of our energy use. As part of the commitment from our 1997 Social Report, targets for future energy use will be developed in 2001.

Paper Use

At VanCity, we have worked to put more of our information on-line through our web site and the internal system used by staff. Containers that make paper reuse and recycling convenient for staff are located throughout our locations. Since 1997, the total number of sheets of paper used has decreased by 3%. The quantity of paper used for the production of printed materials (e.g. brochures, member and staff publications, business cards, and some pre-printed forms) is not measured.

Measuring the amount of paper we use is only part of the overall impact our use of paper has on the environment. The type of paper we use also affects the extent of our environmental impact. The majority (78%) of the paper used by VanCity contains 30% post consumer waste representing a change from 1997 when the majority (98%) used had only 20% post consumer waste.

We were not able to obtain reliable data for the bleaching processes used to produce the paper we purchase as paper is often produced with pulp from varying sources employing various processes. The information that was available suggests that the majority of the paper we use is bleached using either elemental chlorine or chlorine-based compounds. More environmentally responsible bleaching processes are available including those using hydrogen peroxide or oxygen-based compounds.

Recognition Received

Year	Award Received	Sponsoring Organization
1999	B.C. & Canada TOBY Award (The Office Building of the Year)	Building Owners & Management Association (BOMA)
1998	Power Smart Excellence Award (for business energy efficiency)	BC Hydro
1998	BC and Canada EARTH (Energy/Air Quality/Recycling/Tenant awareness/Health & Safety) Award	BOMA

Quantity of Paper Used¹

Year	# of Sheets Used	Sheets per Member
1999	16.1 million	62
1997	16.6 million	69

¹Includes white and coloured copy paper, All-in-One statements, letterhead and computer paper
²Includes 6 additional branches

Commitment from 1997 Social Report



Develop a plan, and set targets, for decreasing paper consumption and increasing the environmental quality of paper used (1999).

- *In progress. 98/99 Progress: Increased post consumer recycled content of copy paper by 10% and switched from 70lb to 60lb paper for All-in-One™ statements.*

Quality of Paper Used¹

Year	Quality of Recycled Content (total recycled/post consumer waste)			
	0/0	30/30	50/20	100/100
1999	1%	78%	19%	2%
1997	1%	0%	98%	1%

¹Includes white and coloured copy paper, All-in-One statements, letterhead and computer paper

³Source: BC Hydro. (As a rough estimate, the average household in the Lower Mainland consumes 10,000 kWh of electricity/year.)

™All-in-One is a registered trademark of VanCity Credit Union.

Waste Management at VanCity (Unaudited)

Year	Total Waste Generated (kg) (Extrapolated) ¹	Waste Recycled (kg) ²
1999	359,500	58%
1997	361,200	43%

¹Data extrapolated from monitored branches. 1999 data includes 6 additional branches.
²Data from monitored sites (10 in 1997, 12 in 1999) and Head Office.

Commitment from 1997 Social Report



Conduct a waste audit to identify potential improvements (1998) and implement steps and set targets to reduce waste (1999).

- *Deferred due to resource constraints. Plan: To be considered in 2001 planning process.*

Commitment from 1997 Social Report



Work with group of financial institutions from across North America to design a new CERES environmental reporting format specific to the financial industry (1999).

- *Completed. Plan: VanCity will no longer produce an environmental report according to the CERES format due to an agreement with CERES that our reporting requirement is met through the production of our Social Report.*

Waste Management

Since 1997, the amount of waste generated has remained constant. However, we have continued to make small increases in the percentage of waste recycled. Part of this increase may be due to the placement of paper shredding boxes in the copy rooms in 1998. Another contributing factor may be an increase in staff awareness and care regarding waste disposal.

Staff Transportation

At VanCity, we know that the choices staff make about how they get to and from work contribute to the overall ecological footprint of our business. Although it is up to staff to choose the type of transportation that is best for them, we can encourage environmentally responsible choices by supporting such decisions. We offer a number programs and incentives to staff such as priority parking for car-poolers at reduced rates, B.C. Transit passes at a reduced monthly rate, telecommuting options where possible and requested, and in some cases, by situating our sites at locations easily accessible by transit.



Credit Unions



Credit Unions

Stakeholder Profile

- 76 member credit unions of Credit Union Central of British Columbia (CUCBC)
- 743 credit unions affiliated with provincial Credit Union Centrals, which in turn are members of Credit Union Central of Canada (CUCC) (includes 76 BC credit unions)
- 100% of B.C. credit unions are located in VanCity's geographic common bond which was expanded in 1999 to include the whole province
- Average asset size: B.C. credit unions (\$292 million); Credit Union Central affiliated credit unions (\$70 million)
- B.C. credit unions comprise 43% of assets and 34% of members of the 743 Credit Union Central-affiliated credit unions in Canada.

Stakeholder Involvement in 1998/99

- 22 telephone interviews with CEOs/General Managers of randomly selected Canadian credit unions (55% with B.C. credit unions)

VanCity's Policies and Commitments to Credit Unions

- To be guided by the Co-operative Principles of the International Co-operative Alliance (page 48)
- To promote awareness of credit union values through our example
- To assess potential mergers on the basis of cultural fit, shared values, improved service to members, equitable staff compensation system, and impact on financial health

Key Performance Indicators



	B.C. System ¹		Cdn System ²	
	1999	1997	1999	1997
VanCity's share of total assets	24%	27%	10%	12%
VanCity's share of total membership	18%	18%	6%	6%

¹Includes CUCBC member credit unions

²Includes Credit Unions affiliated with Canada's provincial Credit Union Centrals

Key Areas for Credit Unions

These areas were identified by B.C. credit unions in the 1997 social audit and were reinforced by B.C. and Canadian representatives interviewed in 1999.

- Size and Influence: *Is VanCity using its size and influence for the benefit of all credit unions in B.C. and Canada?* (page 47)
- Credit Union Values: *Is VanCity committed to the values of the credit union and co-operative movements?* (page 48)

Future Commitments to Credit Unions

- We have embedded the development of our commitments to improve our performance into our Fall business planning process; they will be reported in our 2000 Annual Report released Spring 2001.

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Developments in computer technology have changed our world. The financial services sector has been dramatically affected by these changes; e-commerce, the Internet and advances in telecommunications have drastically changed how financial institutions operate — and how they compete. Technology has opened Canada's door to large international financial institutions and, while offering Canadians more choices, has created an intensely competitive environment. The implications of this environment are magnified for Canada's relatively small credit unions.

Size and Influence

More than half of the credit union representatives interviewed indicated that VanCity is performing "well" or "very well" at working constructively with the system to enhance its viability. Those responding favourably recognized that VanCity continues to support the credit union system regardless of our size and financial success. They also felt that despite our withdrawal from the National Community Bank (NCB) Initiative, VanCity's past efforts and recently renewed (albeit altered) involvement in the search for constructive solutions is evidence of VanCity's continued commitment to the system's viability. Those responding unfavourably felt that the NCB initiative led by VanCity would have directly competed with others in the system and therefore not have supported the viability of the system as a whole.

VanCity firmly believes that credit unions need to work together in order to ensure their long-term viability in today's highly competitive marketplace. In 1998/99, VanCity studied various options for the future evolution of our business. One option was the NCB initiative, which proposed bringing together credit unions from across the country and creating a new type of member-owned, federally regulated, co-operative financial institution. VanCity played a lead role in this initiative with nine other credit union partners.

Through the planning and exploration of this initiative, we consulted with members, staff, other credit unions, and federal regulators through surveys, focus groups, forums, and informal dialogue. Our members told us they wanted VanCity to retain local autonomy, keep the VanCity name, and stay true to the organization's grassroots values. Based on this feedback and further analysis of the costs and risks associated with the proposal, VanCity withdrew from the NCB initiative.

Credit union representatives had mixed feelings about our withdrawal from the NCB initiative. Some felt that this was an indication of VanCity's declining commitment to the credit union system while others recognized and approved of VanCity's responsiveness to member concerns and its commitment to democratic processes. Most felt that VanCity was open and transparent about its position throughout the discussions.

We then turned our attention and commitment to a Provincial Federation within B.C. and worked to include our provincial NCB partners. The Federation model is based on the principle that certain operating functions of many credit unions can be combined into a separate entity and operated more efficiently for its owners. Unlike the NCB model, each credit union within the Provincial Federation model would maintain its autonomy and identity.

At this time, it remains to be seen if the Federation concept will attract sufficient interest from other credit unions to warrant the further development of this model. In the interim, a number of credit unions are looking at the potential to work together on specific functions such as commercial lending, information technology, and marketing. VanCity is involved in some of these discussions and supports this approach as a necessary step towards addressing the economies of scale issues that all credit unions face.

Commitment from 1997 Social Report



Develop a strategy to work constructively with the credit union system to enhance its future viability (1998-99).

- *On-going. 98/99 Progress: VanCity worked in a constructive and co-operative manner with other credit unions as national and provincial options were explored. To ensure that we lived up to this commitment, we asked other credit unions how they felt we performed (see "Credit Unions: Co-operation Among Co-operatives").*

VanCity's Assets as a % of B.C. and Canadian Credit Union Systems

	1999	1997
CUCBC	24%	27%
CUCC	10%	12%

VanCity's Membership as a % of B.C. and Canadian Credit Union Systems

	1999	1997
CUCBC	18%	18%
CUCC	6%	6%

1999 VanCity Representation on Co-operative System Strategic Decision-Making Bodies

	# Members	# VanCity Representatives
CUCBC Board	15	1
Stabilization Central	7	0
CUCC Board	11	0

Since 1997, VanCity's assets and membership have remained fairly constant relative to the B.C. and Canadian credit union systems. At the end of 1999, VanCity had consolidated assets of \$6.4 billion and just over 260,000 members. Our goal is to work with other credit unions and use our size and influence to support the growth of the credit union system within the Canadian financial services market.

Credit union representatives interviewed were almost evenly divided on whether VanCity uses its size and influence for the benefit of B.C. and Canadian credit union systems. On the positive side, most felt that VanCity's size benefits the system largely by enabling us to develop new products, services and technology, which are often made available to other credit unions. They also mentioned VanCity's ability to gain the attention of provincial and federal regulators in order to promote the system. Of those who responded unfavourably, some felt that we use our size primarily for our own benefit; others recognized the natural tendency and need for credit unions to consider their own membership first and the system second, stating that they would likely act the same way.

Credit union representatives said they wanted VanCity to take on an increased leadership role in the system. While they advocated that we use our size to influence and lead, they reminded VanCity to be open to other opinions and to maintain our credit union and co-operative values.

CUCBC's voting process gives each member credit union one vote unless a roll call or ballot vote is requested by a credit union delegate or ordered by the chairperson of the meeting (all CUCBC director elections are by secret ballot). Roll call and ballot votes are proportional in that each member credit union is entitled to cast one vote on the affairs of Central for every 100 members of that credit union. This proportional voting structure entitles VanCity to 18% of the total votes cast at CUCBC when a roll call or ballot vote is called. VanCity's influence within CUCBC's voting structure was mentioned by only two credit union interview participants; one felt that we are using this influence positively within the credit union system while the other felt that we want to control the system.

Effective April 1999, a Special Resolution was passed by VanCity's membership to expand VanCity's common bond to include all of British Columbia. This change means we can more effectively serve all residents within the province.

Co-operative Principles

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*
- *International Co-operative Alliance (1995)*

Credit Union Values

Being guided by the Co-operative Principles of the International Co-operative Alliance is a commitment at VanCity. In 1999, we began a corporate-wide process of developing VanCity's Statement of Values and Commitments (referred to as VanCity's Ethical Policy in the 1997 report) which will guide our decision-making and behaviour in all our business relationships, including those with other credit unions ([page 7](#)).

We asked other credit unions how they felt we are doing at living up to each of the seven Co-operative Principles relative to other credit unions. For most of the principles, they felt that VanCity is performing "about the same" or "better" than others. They rated VanCity most favourably regarding the principles of 'Concern for Community' and 'Education, Training and Information'. They applauded our committed community focus and noted that our education and training efforts extend beyond our employees to members and the public.

Commitment from 1997 Social Report



Incorporate Co-operative Principles into VanCity's Ethical Policy development (1999).

- *In progress. 98/99 Progress: Included in the scope of our Statement of Values and Commitments ([page 7](#)) under development at the end of 1999.*

The majority of credit union representatives responded positively regarding VanCity's performance with respect to the 'Co-operation Among Co-operatives' principle in relation to other credit unions. Many recognized VanCity's contribution to the system, as well as our active involvement in the system's co-operative ventures.

The majority of those interviewed rated VanCity "about the same" or "better" than other credit unions on 'Democratic Member Control'. Of those that rated us less favourably, some mentioned the perception of external political influences as the reason for this rating. As a democratic organization, all eligible VanCity members have the right to vote for the Board of Directors. In 1999, 3.2% of eligible members voted in comparison to 3.9% at other B.C. credit unions of comparable size ([page 13](#)).

Nearly all credit unions interviewed found us to be very willing to share our resources and innovations; some considered VanCity to be proactive in this area. While some mentioned that they are occasionally charged for the innovations being shared, they generally understood VanCity's need to do so. Many acknowledged that without VanCity's innovations and leadership, many products, services, and expertise would not be available to them. Innovations and resources that have been shared range from VanCity's All-In-One Statement and PC banking package, to staff training expertise and marketing materials.

The majority of those interviewed felt that VanCity deals with them fairly and respectfully. They also stated that VanCity communicates openly with them, is approachable, and they acknowledged our focus on members' interests when making decisions. A few participants mentioned that we could be a better team player and consider the interests of other credit unions before setting our own direction.

Almost all of those who responded said that VanCity is performing "well" or "very well" at acting in a socially and environmentally responsible manner, and at supporting the economic development of the community. They recognized that at VanCity, corporate social responsibility (CSR) goes beyond donations to the community, and that it is part of the way we do business. They saw VanCity as a national leader in CSR and a model for other credit unions to follow ([page 33-38](#)).

Co-operative Ventures: 1999 VanCity Representation on Affiliate Boards of Directors

Organization	# Board Members	# VanCity Representatives
Credential Group	10	1
Credential Asset Management Inc.	8	1
Ethical Funds Inc.	8	1
Credential Securities Inc.	5	1
Co-operative Trust Company of Canada	11	0
The Co-operators	20	0

Suppliers

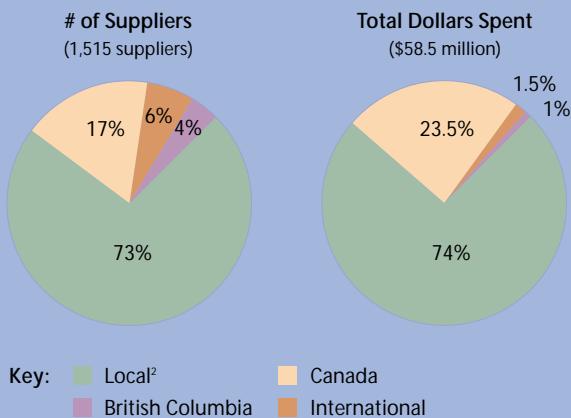
Stakeholder Profile

- 1,515 individuals and organizations (business, government, non-profit) supplied goods and services to VanCity in 1999
- 11 suppliers (0.5%) account for 39% of all VanCity purchases
- 67% of suppliers billed less than \$5,000 in business with VanCity
- 73% of suppliers are local (Vancouver, Lower Mainland, Fraser Valley postal codes)
- 74% of total dollars spent went to local suppliers (by postal code)
- Only 6% of suppliers are located outside of Canada (by postal code)

1999 VanCity Suppliers by Purchase Volume

Annual Purchase Volume	# of Suppliers	Total Dollars Spent
\$1 million+	0.5%	40%
\$500,000 - \$1 million	0.5%	9%
\$100,000 - \$499,999	6%	33.5%
\$25,000 - \$99,999	8%	10%
\$5,000 - \$24,999	19%	6%
\$1,000 - \$4,999	22%	1%
under \$1,000	44%	0.5%
TOTAL (1999)	100% (1,515 suppliers)	100% (\$58.5 mil.)

1999 VanCity Suppliers by Location¹



¹By postal code on invoice
²Vancouver, Lower Mainland, Fraser Valley

Stakeholder Involvement in 1998/99

- Two focus groups with 12 randomly selected existing or past supplier representatives

VanCity's Policies and Commitments Regarding Suppliers

- To include social and environmental considerations in the selection of suppliers and the purchase of goods and services
- To be fair and ethical
- To consider location and local ownership as factors in supplier selection
- In progress: Social and environmental guidelines for supplier selection and purchases

Key Areas for Suppliers

The following were identified by suppliers as important aspects of their relationship with VanCity. Although 'fairness' was not raised explicitly, we consider it to be important in all our relationships.

- Shared Values: *Is VanCity clear about its values and how these apply to suppliers?*
- Support for the Local Economy: *Does VanCity support the local economy through its purchasing decisions?*
- Fairness: *Does VanCity deal fairly with existing and potential suppliers?*
- Relationships with VanCity Staff: *Do the staff responsible for the supplier relationships frequently change? Do they have the necessary decision-making authority and do they share accountability for the product or service delivered?*

Key Performance Indicators



- Support for the Local Economy: Chosen by VanCity as indicators of how well our purchasing decisions are supporting the local economy.

	1999	1997
% of total suppliers that are local ¹	73%	77%
% of total dollars spent that went to local ¹ suppliers	74%	68%

¹Vancouver, Lower Mainland, Fraser Valley postal codes

Future Commitments Regarding Suppliers

- We have embedded the development of our commitments to improve our performance into our Fall business planning process; they will be reported in our 2000 Annual Report released Spring 2001.

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Shared Values

There was a sense among supplier focus group participants that we already apply our social and environmental values in the supplier selection process and that this is fair and expected given our open commitment to social and environmental responsibility. These values held by VanCity were seen to be mutually beneficial: they make us a better client, and we benefit by gaining the respect of suppliers.

Although this feedback is positive, we know that the "values" being referred to by suppliers have not been clearly communicated. As a result, there is likely no common understanding of the criteria used to select suppliers and goods and services. Through 1998/99, we developed Social and Environmental Guidelines for Procurement to meet our commitment made in the 1997 Social Report. These guidelines will be implemented and communicated in 2000/01.

Support for the Local Economy

Purchasing from local suppliers is important to us and fits with our commitment to support the local economy. Between 1997 and 1999, the percentage of local suppliers¹ decreased from 77% to 73%. However, the percentage of total dollars spent that went to local suppliers increased from 68% in 1997 to 74% in 1999. Supplier postal codes were used to identify local suppliers. Although this measure of "local" has limitations, it is the best currently available to us. An improved definition of "local" will be developed as we implement our Social and Environmental Guidelines for Procurement.

Fairness

Being fair and ethical in our dealings with suppliers is important at VanCity. We aim to be fair in our selection and negotiation processes and ongoing relationship with them, and in return, expect that they will extend us the same treatment when they price their products and services and deliver on their commitments. When asked about their relationship with VanCity, suppliers in the focus groups did not question VanCity's fairness in dealing with them. They appreciated our willingness to look beyond price and take experience, knowledge, quality of the product/service, and length of the relationship into account.

While committed to fairness, we also aim to make our purchasing decisions efficient and cost effective. In 1999, a number of opportunities were identified with this aim in mind. These efforts to improve efficiencies and our overall cost effectiveness likely contributed to VanCity doing business with fewer suppliers in 1999 than in 1997. It makes sense to us that we provide the highest quality service to our members and the community, while spending less overall and maintaining relationships with a manageable number of suppliers.

Through 2000, we will develop a purchasing approach that will allow us to make more effective and consistent purchasing decisions. Mutually fair relationships with our suppliers will remain important, as will our need to comply with our Social and Environmental Guidelines for Procurement (see above) and to maintain financial soundness.

Relationships with VanCity Staff

Suppliers in the focus groups expressed the importance of continuity in their relationship with their VanCity contact person and the need to inform new, incoming staff about the supplier relationship to maintain this continuity. They considered it important that their VanCity contact have the authority to make decisions and that the contact clearly communicate expectations. Some wanted us to inform them when we are faced with financial constraints so they can work with us to find a solution.

Commitment from 1997 Social Report



Complete social and environmental guidelines for supplier selection and purchases and incorporate into VanCity's corporate Purchasing Policy for implementation (1999).

- *In progress. 98/99 Progress: Guidelines developed and approved; piloted with select group of suppliers. Plan: Implementation in 2000-01.*

What's Brewing at VanCity?

As a result of a member resolution at our 1999 AGM and our commitment to adopt socially and environmentally responsible purchasing practices, we incorporated a preference for organic and fair trade coffee into our 1999 beverage services tender. We worked with the selected supplier to find a reliable source and by the end of 1999 had established the partnership that would allow us to begin brewing organic fair trade coffee, certified by Fair TradeMark Canada, at all VanCity locations in Spring 2000.

¹Those with Vancouver, Lower Mainland, Fraser Valley postal codes

Business Alliances

Commitment from 1997 Social Report



Develop and implement ethical guidelines for screening business alliances (1999).

- In progress. Plan: Statement of Values and Commitments (page 7) will provide framework for screening guidelines. Development of guidelines will occur in 2001 with implementation in 2002.

Stakeholder Profile

- Includes long-term business partnerships in which mutual benefits are derived
- Excludes supplier relationships
- Excludes partnerships with non-profit organizations

Stakeholder Involvement in 1998/99

In our 1997 Social Report, we committed to broadening the scope of our stakeholder consultations in this 1998/99 social audit cycle to include the views of our suppliers and business alliances. Due to resource constraints, we were unable to consult with our business alliance partners this audit cycle.

VanCity's Policies and Commitments Regarding Business Alliances

- In progress: Framework to ensure new business alliances are consistent with VanCity's mission and corporate objectives, and in alignment with VanCity's social and environmental responsibilities.

At VanCity, we have established a number of business alliances in order to provide better products and services to our members and staff. It is important to us that the alliances we develop are with businesses that share our values.

In 1997 we committed to developing and implementing ethical guidelines for screening our business alliances by the end of 1999. However, as we began the development of our Statement of Values and Commitments in 1999, it became clear that this overarching policy, aimed at guiding decision-making throughout the organization, should also guide the ethical screening of our business alliances. Our Statement of Values and Commitments will provide the framework for screening our business alliances.

Despite not yet having formal ethical screening guidelines in place, VanCity employees responsible for the business relationship informally consider the appropriateness of the alliance in terms of its 'fit' with VanCity's commitment to corporate social and environmental responsibility.

Business Alliances as at Dec. 31, 1999

VanCity Partners	Description of Alliance
Telus (formerly BC Tel), BC Ferry Corporation, Sierra Wireless	Pilot "wireless" Automated Teller Machines (ATMs) on Super Ferries
Rapport Interactive: VanCity, Telus	Joint venture company to market remote banking and other electronic commerce services
CHUBB Security	Offer discounted CHUBB Security Package to VanCity members
Western Economic Diversification (Federal Government)	Loan loss agreement for VanCity's Self-Reliance Loans
VISA Canada	Offer credit cards to VanCity members. Pilot VISA Cash (stored-value) chip card
ADP Canada	Offer payroll services to VanCity members
Canada 3000 ¹ Airlines	Offer travel points to Travel and Gold VISA cardholders
Canada 3000 Tickets/Holiday Travel Consultants Ltd.	Provides travel loyalty points redemption services on Canada 3000
VISA, VISA Desjardins	Joint venture partner to offer credit card services to Credit Unions in Canada
Desjardins-Laurentian Life Assurance	Partnering to assist in credit union sales referrals for credit card services to Credit Unions in Canada
Save-On Foods and Drugs	Provide health and wellness-related services and products to VanCity employees and their families
Soft Tracks	Pilot wireless point of sale terminals and wireless transaction gateway

¹VanCity, Authorized User.

Subsidiary Profile

Citizens Bank is a branchless bank that operates across Canada (excluding Quebec). All banking transactions are done through the Internet, ATMs and their 24-hour telephone service centre. Citizens Bank was formed in 1997 and is wholly owned by VanCity. The bank owns Citizens Trust Company which provides trust services and operates four branches located in British Columbia and Alberta.

Citizens Bank aims to make social and environmental responsibility the cornerstone of its operations. To guide responsible decision-making throughout all areas of its business, Citizens Bank developed its Ethical Policy in 1998 with the input of staff, members, and non-profit organizations. Staged implementation of this policy began in 1999 and will continue through 2000.

At the end of 1999, Citizens Bank had:

- 165 employees
- \$1.1 billion in assets

Citizens Bank's Ethical Policy addresses:

- Human rights
- The environment
- Tobacco
- Employee relations
- Treatment of animals
- Business conduct
- Military weapons
- Sustainable energy

Citizens Bank's goal is to see the Ethical Policy applied throughout its operations. To determine whether they have been successful in complying with this policy, Citizens conducted an external audit. The results of Citizens Bank's Ethical Policy compliance audit will be published in November 2000 on their web site at www.citizensbank.ca/insidecitizens/ethical.

Citizens Bank Member and Staff Satisfaction (1999 results)

- 88% of members are satisfied overall with the level of service provided by Citizens Bank (53% are "extremely satisfied")
- 83% of staff like working for Citizens Bank and 71% would recommend Citizens Bank to a friend as a good place to work

Position Statement

Citizens Bank of Canada is the bank for people who want to support ethically sensitive and community-responsible business practices.

Commitment from VanCity's 1997 Social Report



Produce an independent, externally verified social report (1999).

- *In progress. Progress: Ethical Policy compliance audit underway. Plan: Externally verified report to be published in November 2000.*

For Citizens Bank's Ethical Policy visit www.citizensbank.ca/insidecitizens/ethical

For more information on Citizens Bank of Canada call 1-888-708-7800 or visit www.citizensbank.ca

Profile of VanCity Enterprises' Stakeholders

- Five staff, including the President/CEO
- Project partners and peers (non-profit resource groups and advocates, architects, developers, municipal and provincial governments, health boards, etc.)
- Residents/users of completed projects - 546 units completed since 1992
- Communities in which developments occur
- Regulators

Stakeholder Involvement in 1989/99

- Interviews with 12 individuals representing groups from the local social housing sector (four from each of the following: housing industry, government organizations, and social housing advocacy organizations)
- Enterprises staff were included in VanCity's staff survey ([page 23-32](#))

Enterprises' Policies and Commitments to Stakeholders

- To operate in a manner consistent with the social and environmental commitments of its parent, which include VanCity's Environment Policy, Purchasing Policy, and commitments to staff and the community.
- To undertake residential and commercial real estate development to achieve both social and business objectives
- To undertake quality developments which are affordable and accessible, with a particular focus on the provision of housing
- To balance commercial, social, and urban design objectives in an optimum manner
- To give attention to the present and future needs of Greater Vancouver communities
- To provide a reasonable rate of return to its parent corporation, VanCity Credit Union.

Key Areas for Enterprises' Stakeholders

- Social and Economic Goals: *How does VanCity Enterprises meet its commitment to achieve both social and business objectives when developing projects?* ([page 55](#))
- Affordability: *Does VanCity Enterprises ensure the affordability and quality of its projects initially and over the long-term?* ([page 56](#))
- Clear and Inclusive Process: *Who are the primary partners in VanCity Enterprises projects, and what role does Enterprises play? Does VanCity Enterprises work collaboratively with project partners, and does it involve the community and end users in project decisions?* ([page 57](#))

Enterprises considers it important to report on:

- Environmentally Responsible Development: *To what extent does VanCity Enterprises consider the environmental impacts of projects?* ([page 57](#))

Key Performance Indicators



	1999	1998	1997
# of units in progress	80	240	284
# of units completed	160	79	15
# of units completed that are non-market (as % of total units completed)	30 (19%)	60 (76%)	4 (27%)

VanCity Enterprises' Future Commitments

- We have embedded the development of our commitments to improve our performance into our Fall business planning process; they will be reported in our 2000 Annual Report released Spring 2001.

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VanCity Enterprises Ltd. (Enterprises) was established by VanCity Credit Union in 1989. It is a wholly owned subsidiary that undertakes real estate developments and investments in residential and commercial projects to achieve its social and business objectives. As a “for-profit” developer, VanCity Enterprises’ key activities include:

- purchasing land, rezoning, and constructing housing projects;
- identifying opportunities for new housing projects; and
- financing other housing projects.

During the past 10 years, Enterprises has successfully completed projects which have broadened the scope of social housing initiatives beyond traditional approaches. This achievement was supported by interviewed housing industry representatives who generally felt that Enterprises has earned a reputation for being an innovative and leading edge developer.

To carry out its mandate, VanCity provided Enterprises with a capital base of \$10 million in 1989. Enterprises’ Board of Directors includes representation from VanCity and the community.

Social and Economic Goals

Enterprises aims to achieve both social and business objectives through the creation of market and non-market real estate developments. This dual mandate differentiates Enterprises from other developers and also presents them with some interesting challenges and opportunities for innovation. For Enterprises, social and economic goals go hand in hand: market projects fulfill the economic goal of providing a return to VanCity and support the social mandate by generating the risk capital necessary for developing non-market/social housing projects. Financial contributions from the provincial government and municipalities are also necessary for non-market projects to proceed. Enterprises’ role is to get the project to the stage where other partners are willing to contribute the remaining capital.

Enterprises measures the social return of a project by the number of housing units developed for a particular target group. In 1999, Enterprises completed 160 housing units of

Mission: *VanCity Enterprises Ltd. aims to improve the quality of life in the Lower Mainland by undertaking socially responsible real estate development.*

For more information on VanCity Enterprises call 877-7610 or visit www.vancity.com/group/enterprises.cfm

VanCity Enterprises Board Members

(Dec. 31, 1999)

VanCity Board & Staff	Enterprises Staff	Community ¹
Elain Duvall (<i>Chair</i>)	Dale McClanaghan	Shirley Chan
Bruce Ralston	(<i>President & CEO</i>)	David Jiles
Sylvia Pritchard		Jacques Khouri
Jack Allard		Bob Williams
Barry Fenton		Ron Yuen
		Francesca Zumpano

¹ Includes former VanCity board members

Commitment from 1997 Social Report



Report on project innovations, as well as target groups and number of units created (1999).

- *On-going. 98/99 Progress: List of new projects including target groups and number of units created reported bi-annually (see below); innovations reported where applicable.*

VanCity Enterprises Projects 1998/99

Date Completed ¹	Project Name (Location)	Type of Units (Target Group)	# of Units		
			Market	Non Market	Other ²
Fall 1998	Dr. Peter AIDS Foundation (St. Paul's Hospital, Vancouver)	Rooms for renovated hospice care (AIDS patients)		10	
Fall 1998	VanCity Place for Youth (West Pender, Vancouver)	Single occupancy units plus services (street youth)		50	
March 1998	Simon Lofts (Oak & 22nd Ave, Vancouver)	Loft-style condominiums (first-time home buyers)	19		
Feb 1999	The Edge (Alexander Street, Vancouver)	Loft-style condominiums (first-time home buyers)	120	30	10
In Progress ³	Edmonds Project (Kingsway, Vancouver)	Townhouse units (families, mental health patients)		45	
In Progress ³	Peretz Centre (Ash Street, Vancouver)	Community centre plus residential units (empty nesters / seniors)	35		
TOTAL # of Units			174	135	10

¹For this report, 'completed' means that the units are ready to be inhabited.

²Industrial units as part of artist live/work development

³For this report, 'in progress' means that construction has begun or a significant portion of the funding has been committed and a development permit has been issued. Units in progress are counted each year until completion.

Commitment from 1997 Social Report



Communicate VanCity Enterprises strategic direction to stakeholders (1999).

- *On-going. 98/99 Progress: Communication strategy developed. Communication methods include: web site, direct communication to VanCity members and staff, public presentations, and community alliances.*

which 30 (19%) were social housing. As a rough comparison, a total of 464 social housing units were completed by all developers throughout the Lower Mainland in 1999¹.

The number of units completed in 1999 is considerably higher than in 1997 when 15 units were completed (four were social housing units). Due to the cyclical nature of the real estate industry and the multi-year timeframes, there can be years where a number of projects are under development (feasibility studies through to construction) but few are actually completed.

Enterprises seeks a reasonable rate of return on its investments in projects, accepting a lower rate of return on non-market projects than market ones.

When the interview participants were asked how well Enterprises balances its dual mandate, all those who felt they had the knowledge to comment did so favourably. Some recognized the complexities involved in balancing the two goals and mentioned that Enterprises is performing well simply by taking on such a challenge.

Enterprises aims to create innovative models for developing market and non-market affordable housing and other socially responsible real estate projects. Since inception, Enterprises has developed 11 such projects, and another two were in progress at the end of 1999.

When asked about Enterprises' influence on the housing sector and the impact it has had on the Lower Mainland, housing experts interviewed generally felt that Enterprises is leading by example and helping make social benefits of affordable housing developments more credible in the business community. They also felt that Enterprises is playing a role in creating alternatives to traditional approaches to social housing. VanCity Place for Youth was frequently mentioned by those interviewed as being an example of an innovative social housing project.

Creative partnerships and/or financing arrangements are what make a number of Enterprises' projects 'innovative'. For example, Enterprises made VanCity Place for Youth and the Dr. Peter AIDS Centre possible by bringing together funding from a number of different sources from the private and public sectors.

Housing representatives interviewed did not have much knowledge about Enterprises' strategic direction. However, many felt that Enterprises' mandate to develop socially responsible projects is apparent through the types of projects developed so far.

Commitment from 1997 Social Report



Track measures of affordability for market and non-market housing projects (1999).

- *Completed. 98/99 Progress: Measure developed (see below).*

Affordability

In response to a commitment from the 1997 Social Report, Enterprises developed a measure of affordability for its housing projects. The affordability delivered is measured as the number of units completed along a spectrum of need. The spectrum of need for the residents of Enterprises' buildings range from high need, low income individuals (e.g. those in multi-level care facilities or assisted living settings) through to below-market rental housing and into the market ownership segment.

During 1998 and 1999, Enterprises completed 139 (61%) units at the 'above average market ownership' end of the spectrum and 90 (39%) non-market units to meet the needs of low income individuals. There were no 'market rental' units completed in the past two years. This reflects the Lower Mainland real estate market over the same two-year period in which new market rental units represented only 8% of the total number of new units (rental, strata and non-market) developed.

Affordability of Projects Completed¹ in 1998-99

# of Units					
Non-Market		Market Rental		Market Ownership	
Special Needs Housing	Subsidized Housing	Below Average	Above Average	Below Average	Above Average
10	80	0	0	0	139

¹Dr. Peter AIDS Foundation, VanCity Place for Youth, Simon Lofts, The Edge

¹Source: BC Housing. Total number of social housing units developed (all programs including HOMES BC).

Almost all the housing representative interviewed agreed that Enterprises' developments balance affordability and quality and that they deliver projects with the intent of remaining affordable over the long term. Furthermore, almost every respondent felt that Enterprises is effective at developing projects which reflect quality urban design and healthy urban communities.

To ensure that the affordability of Enterprises' non-market projects are maintained over the long-term, covenants are registered on the land title or with the terms of the funding documentation that restrict rental at market rates or preclude sale for purposes other than subsidized rental housing.

Clear and Inclusive Process

Stakeholders spoke highly of Enterprises and its work in the community. Those consulted in 1997 wanted more clarity regarding Enterprises' role and the role of its partners and peers in the development process. Enterprises' primary roles include:

- developing real estate projects for sale to individual owners, non-profits, or public agencies (sometimes done in partnership with others)
- providing fee-for-service development services to affordable housing projects

Community consultations are generally required under municipal land use regulations. In addition, Enterprises or its client voluntarily conducts consultations appropriate and necessary for each development. Groups consulted include targeted end-users of the projects, community organizations representing target groups, neighbourhood residents, and municipalities. Non-profit involvement in the majority of Enterprises' projects is in the form of project "sponsor" and long-term housing operator. The majority of housing representatives interviewed responded favourably regarding Enterprises' performance at involving its projects partners, but were divided regarding Enterprises' performance at involving community representatives and/or end users in project decisions.

Environmentally Responsible Development

As a developer, Enterprises is subject to various municipal and provincial regulations that govern development activities such as waste management and energy utilization. Enterprises does not have an environmental policy that goes beyond compliance with applicable legislation. Enterprises' internal operations are subject to VanCity's environmental policies and practices.

Where considered feasible, Enterprises will purchase contaminated sites and remediate them to current environmental standards. Feasibility is determined based on a site assessment to determine the extent of contamination and required remediation.

Through 1998/99, Enterprises conducted further remediation of the Edmonds site, a "brown-field" site (contaminated industrial land) purchased in 1997 at a reduced price. By the end of 1999, remediation had been completed and the results submitted to the B.C. Ministry of Environment for inspection and certification that the site is now suitable for housing.

Of those interviewed, half felt they had the knowledge to respond regarding Enterprises' environmental performance. The majority rated Enterprises' performance in this area positively.

Commitment from 1997 Social Report



Develop and implement formal guidelines for community consultations (1999).

- *Not proceeding. Determined that a project-specific approach provides Enterprises with the flexibility to respond appropriately to the specific consultation needs of the variety of unique developments. Plan: While guidelines will not be developed, specific consultations will be reported in the future.*

VanCity Community Foundation

Profile of VanCity Community Foundation's Stakeholders

- Community groups applying for support (20 in 1997/98, 18 in 1998/99)
- Four staff including Executive Director
- Donors
- Regulators
- Other foundations and collegial organizations

Stakeholder Involvement in 1998/99

- One focus group with four of the Foundation's named fund donors/creators
- Foundation staff were included in VanCity's staff survey ([page 23-32](#))

VanCity Community Foundation's Policies and Commitments to Stakeholders

- To invest funds soundly to achieve long-term financial stability for the Foundation and to sustain its capacity to fulfill its stated purpose, including delivery of its Community Program
- To screen all commercial paper, chartered bank, and equity investments in accordance with the ethical principles of Ethical Funds Inc. (see "[Members](#)" for principles)
- To reject investments "which are not in harmony with the Foundation's purposes"
- To consider investments that further the Foundation's purposes but "do not directly result in a market rate of return," provided the Foundation's operations are not jeopardized
- To invest in community development lending that has as its primary purpose "the furtherance of a social or charitable goal," and to measure the success of these loans "in terms of both social and financial benefits"
- To operate a Community Program which has community economic development as its underlying principle, and provides support for affordable housing, employment development, and non-profit enterprise

- To operate in accordance with the "Code of Ethical Principles and Standards of Professional Practice" of the National Society of Fund Raising Executives, and the "Standards of Professional and Ethical Practice" set out by the Canadian Association of Gift Planners

Key Areas for the Foundation's Stakeholders

- Serving the Community: *Is VanCity Community Foundation serving the needs of the community in accordance with its Statement of Purpose and published program criteria?* ([page 59](#))
- Managing Funds and Donor Wishes: *Is VanCity Community Foundation managing donated funds prudently and ethically, and in accordance with donor wishes?* ([page 60](#))
- Managing Programs and Operations: *Is VanCity Community Foundation carrying out its programs and operations efficiently?* ([page 61](#))

Key Performance Indicators



Year Ending May 31	1999	1997
Grants from endowment fund	\$102,500	\$62,000
Loans approved	\$106,000	\$26,000
Disbursements from named funds	\$10,000	\$1,500
Supported donations disbursed	\$1,312,000	\$70,000
Total financial assistance	\$1,530,500	\$159,500
# of groups that received technical assistance only	12	14

VanCity Community Foundation's Future Commitments

- We have embedded the development of our commitments to improve our performance into our Fall business planning process; they will be reported in our 2000 Annual Report released Spring 2001.

feedback@vancity.com

877-7000 toll-free 1-888-VanCity



VanCity Community Foundation (the Foundation) is an arm's length affiliate of VanCity Credit Union and was established by VanCity in 1989 with a \$1.2 million donation. At the end of May 1999 (the Foundation's fiscal year end), the Foundation had assets of \$6.39 million.

The purpose of the Foundation is to fund, facilitate, promote, and carry out charitable activities and programs which are beneficial to the community; and to receive, hold, invest, administer, and distribute funds and property for the purposes of the Foundation and other "qualified donees"; and for other "charitable" purposes and activities authorized under the Income Tax Act. Through these charitable activities and the commitment it shares with VanCity regarding community economic development, the Foundation expands VanCity's capacity to contribute to the economic well-being of local communities.

At the end of May 1999, the Foundation was the only community foundation in Canada to use credit as a means of contributing to the community.

Serving the Community

Through grants, loans, lines of credit, and technical assistance, the Foundation's Community Programs support community groups in the areas of affordable housing, employment development, and non-profit enterprise. To qualify for such assistance, groups must have registered charitable status or be recognized as a "qualified donee" under the Income Tax Act. During 1997/98 and 1998/99, the Foundation granted \$213,000 to 21 community groups (26 grants). Charities can access funds from the Foundation to build their capacity to develop and support their community. Four new loans totalling \$221,000 were approved during the two-year period. At the end of May 1999, Community Development Loans outstanding totalled \$749,000.

The Foundation may provide technical assistance in connection with grants and loans provided. In addition, the Foundation provided technical assistance to 22 other community groups during fiscal years 1998 and 1999. A range of technical assistance is offered by the Foundation to community partners as a means of strengthening their organizational capacity. Assistance is most often provided in the areas of governance, organizational development, strategic planning, resource development, business planning, marketing, and policy development. Foundation staff deliver this support through consultations and more formal training events, workshops and programs.

Grants and Loans Disbursed to Community Groups

	1998/9		1997/8		1996/7	
	Grants	Loans	Grants	Loans	Grants	Loans
Total number	12	3	14	1	10	4
Total value	\$102,500	\$106,000	\$110,500	\$115,000	\$62,000	\$26,000

Leading the Way . . .

The Foundation was the only foundation in Canada at the end of May 1999 that offered low-interest and no-interest loans to registered charities through its Community Development Lending program. Through consultations with the Foundation, the Canada Customs and Revenue Agency now recognizes community development lending as a charitable activity, allowing other foundations to follow the Foundation's lead.

Mission

Using community economic development strategies, the VanCity Community Foundation acts as a catalyst for positive change in communities. By partnering with local organizations to support a community's capacity for development, the Foundation uses grants, lending and technical assistance to support affordable housing, employment development, and non-profit enterprise initiatives.

VanCity Community Foundation Board Members (May 31, 1999)

VanCity Board	VanCity Staff	Community
Reva Dexter	Carlos Calao	Tim Louis (Chair)
Essop Mia	Ross Lambert	Cindy Chan Piper
	George Scott	Peter Cook
		Susan Day
		Murray Dobbin
		Laura Zumpano

2000 Business Initiative: Work with VanCity to develop and deliver a community economic development (CED) strategy.

The data in this section covers the Foundation's fiscal years ending May 31, 1998 and 1999. The audited financial statements of the VanCity Community Foundation are available by contacting the provincial Ministry of Finance and Corporate Relations (British Columbia) in Victoria, B.C. For more information on the VanCity Community Foundation, please call 877-7647 or visit www.vancity.com/group/vcf.

Donations to the Foundation

	1998/99	1996/97
Total donations	\$1.1 million	\$0.9 million
VanCity corporate donations to the foundation as a % of total donations	58%	66%

2000 Business Initiative: Partner with local community organizations and the Federal Government to design a poverty alleviation strategy supporting low-income people to build assets/savings for the future.

Commitment from 1997 Social Report

Publish a list of community projects supported each year (1999).

- *On-going. Call (604) 877-7647 or visit www.vancity.com/group/vcf/vcf-AR.pdf for the list of groups supported in 1998/99.*

Commitment from 1997 Social Report

Develop and track measures of the social benefits of grants, loans, and technical assistance (1999).

- *In progress. 98/99 Progress: Information collected on the affordable housing, employment development, and non-profit enterprise development benefits of projects funded through grants and loans. Due to the diverse nature and outcomes of the projects, these benefits have not been measured across all of the Foundation's projects.*

For more information on grant, loans and technical assistance provided by the Foundation, call (604) 877-7647 or visit www.vancity.com/group/vcf/funding.cfm

Commitment from 1997 Social Report

Work with VanCity to: (a) develop a system for smoothly referring community groups to the appropriate organization, including development of a "fact sheet" that clearly outlines the community programs of each; and (b) communicate the roles and responsibilities of each organization (1999).

- *Completed. 98/99 Progress: a) Fact sheet available upon request; informal referral system established between VanCity and Foundation staff; b) roles and responsibilities communicated through VanCity branch visits and the Foundation's publications and web site.*

Between 1997 and 1999, the Foundation delivered the "Enterprising Non-Profits" pilot project in partnership with the Vancouver Foundation, the United Way of the Lower Mainland, VanCity Credit Union, and the McConnell Foundation. The aim of the project was to support non-profit organizations to develop business enterprises as extensions of their current activities so they could become more financially self-sustaining. At the end of the pilot, six of the ten participating non-profits had begun operating business ventures. The Foundation, with the Vancouver Foundation and the United Way, will continue providing financial support to the project over the next few years.

Managing Funds

Investing funds is key to building the long-term financial stability of foundations and enables them to carry out their stated purpose. At the end of their 1998/99 fiscal year, the Foundation had an investment portfolio of approximately \$5.6 million. The Foundation's investments aim to achieve a rate of return consistent with prudent risk-taking and the preservation of capital, as well as to:

- produce income to support the Foundation's programs and operating expenses;
- achieve growth adequate to offset inflation; and
- achieve modest growth in the capital base wherever possible.

In addition, the Foundation's Investment Policy states that "the Foundation must apply an ethical screen to all equity investments." Since 1997, the Foundation has required that their investment managers report on their compliance with this Policy to the Foundation's Investment Committee which is responsible for oversight. While the investment managers reported that the Foundation's investments were in compliance in 1998/99, we were unable to confirm this due to the lack of clear guidelines for implementing the screens.

Of the investments overseen by the Executive Director, a portion is invested in Community Development Loans which provide both a financial and social return (see "[Serving the Community](#)"). The risk associated with these loans may be higher than that of financial institutions due to the nature of community development lending. As a result, the Foundation invests 5% to 15% of total assets in these loans while its endowment is below \$7 million. At the end of May 1999, Community Development Loans represented 12% of the Foundation's assets. In 1998/99, \$51,400 in interest income was generated from Community Development Loans.

Managing Donor Wishes

The Foundation manages "named funds" and "managed funds" designated for particular purposes. The management services associated with these funds were offered by the Foundation, who chose to waive any trust or management fees.

"Named funds" are capital funds created by donors for a specific purpose. The interest earned on the accumulated contributions is disbursed according to the deed of trust established by the fund creator. During the last two fiscal years, nine new named funds were created, bringing the total number of named funds managed by the Foundation to 16 (For a complete list of funds call 877-7647 or visit www.vancity.com/group/vcf/funds.cfm). At the end of May 1999, the average capital fund balance in named funds was \$22,000. Over the same two year period, 13 disbursements were made from the funds at an average value of \$1,000.

A focus group with randomly selected named fund donors/creators was held in 1999 to identify the areas of importance to them in their relationship with the Foundation. The participants were positive about the Foundation and the services provided and suggested a number of ways the Foundation could improve or expand current services. They stated that they would forego these if the Foundation was forced to charge administration fees. (They appreciate that there are currently no fees charged). Participants wanted more information regarding the services available to them and felt that the Foundation could further support their named funds by promoting them among VanCity members and the community. They also could use some help from the Foundation to better understand the tax implications and legal aspects associated with their funds. They said they trust the Foundation to make investment decisions for them and to do so with ethical considerations.

“Supported donations” are funds that are donated by the Board, staff, and members of VanCity and designated to particular charitable projects in the community. These funds flow through the Foundation; the Foundation's role in this supported philanthropy is to receive the funds, receipt them for income tax purposes, and disburse them according to donor wishes. The Foundation does not retain any portion of these funds to cover administration expenses. The Foundation may also add to donations, as it did with \$300,000 of its own funds for VanCity Place for Youth. In 1998/99, the Foundation disbursed a total of \$1.3 million in supported donations. Of this, \$1.1 million went to VanCity Place for Youth, representing three years of fund raising by VanCity staff. The remainder was disbursed to 34 community organizations.

Managing Programs and Operations

Efficient programs and operations allow the Foundation to direct more of its revenue to the community. Revenue is generated from interest earned on investments and community lending as well as from donations directed to the Foundation.

Program expenses include the Foundation's Community Programs of which approved grants and program-related salaries are part. Administration expenses include non-program related activities such as salaries, fund development, investment management fees, and legal fees. Administration expenses as a percentage of net assets have remained relatively constant since 1994/95. Due to the uniqueness of the Foundation's Community Programs, no other foundations were used for comparison.

New Named Funds

1998/99	Purpose
Robert Chambers Memorial Fund	Provides income for the North Shore Disability Resource Centre Association
BC Borstal Association Fund	Provides a capital pool to the Association to assist in their activities to provide halfway housing in the community
Innovation Fund	Encourages community economic development
Somerville Fund	Grants for music and theatre, health and welfare, assistance to people with disabilities and protection of the environment
Williams Family Fund	Enables community economic development in the Lower Mainland and Fraser Valley
1997/98	
Elizabeth Fry Society Endowment	Provides income support for employment and pre-employment training for women leaving prison
Margaret Mitchell Fund for Women	Supports social and economic justice initiatives for women from Vancouver East
green grass productions	Supports various charitable and youth activities in the community
Driscoll Family Endowment Fund	Supports the community economic development work of VanCity Community Foundation

Commitment from 1997 Social Report



Develop and implement a strategy for clearly communicating information about community programs and set targets for community group satisfaction with communication (1999).

- *Completed. 98/99 Progress: Strategy developed. Communication tools include: annual report, funding guidelines, web site, newsletter, lending criteria publication. Plans: Quantitative satisfaction targets will not be set. Due to the small number of Community Program applicants, satisfaction will be determined qualitatively.*

2000 Business Initiative: Create and promote named funds to further establish a permanent pool of community capital.

Revenues and Expenses

	Total Revenues	Program Expenses	Administration Expenses (as % of net assets)
1998/99	\$1,697,000	\$1,564,000	\$255,000 (4.1%)
1996/97	\$438,000	\$202,000	\$176,000 (3.6%)
1994/95	\$387,000	\$196,000	\$161,000 (4.1%)

VanCity Capital Corporation's Mandate

VanCity Capital Corporation is a democratic, ethical, and innovative provider of unsecured debt financing to organizations in B.C. Through strong financial performance, it serves as a catalyst for the growth and prosperity of high potential businesses, non-profit organizations, co-operatives, and the community as a whole.

Board of Directors (Dec. 31, 1999)

VanCity Credit Union Board & Executive	VanCity Capital Corporation Executive	Community
Essop Mia	Dave Mowat	Bob Williams (<i>Chair</i>)
Coro Strandberg	(<i>President & CEO</i>)	David Jiles
Elain Duvall		Jonathan Rhone
George Scott		David Valpy
		John Delf
		Michelle Gahagan
		James Hughes

Loans Outstanding¹ (Dec. 31, 1999)

Outstanding Loans	# of loans	\$s outstanding
Loans to non-profits and co-operatives	6	7%
Loans to SMEs	16	93%
TOTAL	22	100% (\$4.3 million)

¹ Before allowance for doubtful loans

Loans Approved in 1999 by Size

Loan Size	# of loans	\$s approved
< \$100,000	4	4%
\$100,000 - \$249,999	5	17%
\$250,000 - \$499,999	8	57%
\$500,000 - \$1,000,000	2	22%
TOTAL	19	100% (\$4.4 million)

2000 Business Initiative: *Track the number of jobs created as a direct or indirect result of VCC loans by participating in research being conducted by the W. Maurice Young Entrepreneurship and Venture Capital Research Center (EVCRC) at UBC.*

For more information on VanCity Capital Corporation call (604) 877-6565 or visit www.vancitycapital.com

Subsidiary Profile

VanCity Capital Corporation Ltd. (VCC) was formed at the end of 1998 to meet the growing demand for working capital for non-profits, co-operatives, and small to medium-sized businesses (SMEs). As a wholly owned subsidiary, VCC reports to its own Board of Directors and maintains separate operations from VanCity Credit Union.

At the end of 1999, VCC had:

- five employees (including the President/CEO)
- \$4.2 million in assets

VCC provides unsecured cashflow-based financing (subordinated debt) ranging from \$50,000 to \$1,000,000. Subordinated debt is a term loan which ranks behind existing loans in terms of the lender's security interest in the assets of the organization. This allows the organization to access additional capital to support growth initiatives while maintaining the day-to-day banking relationship of their choice. Loans offered by VCC are used to fund expenditures such as on-going research and development, inventory, market development, management buy-outs, acquisitions, and general expansion costs.

VCC facilitates entrepreneurship and community development which in turn lead to job creation. In 1999, the organizations that received loans from VCC employed approximately 700 people. At the beginning of 1999, the University of British Columbia (UBC) began a five-year research project designed to determine why certain companies grow while others stagnate. This project will also study the impact of growth capital on organizations.

Stakeholder Involvement in 1998/99

- VCC employees were included in VanCity's 1999 staff survey ([page 23-32](#)).

Subsidiary Profile

VanCity Insurance Services Ltd. (VCIS) provides a variety of insurance products to VanCity members and the public. It offers business, non-profit, and personal lines of insurance, including coverage for property, liability, contents, auto, and life.

VCIS was developed by the credit union in 1976, sold in 1988 and later reacquired in 1994, rejoining VanCity as a wholly owned subsidiary with its own Board of Directors.

At the end of 1999, VCIS had:

- 66 employees
- \$4.2 million in annual revenues

As a VanCity company, VCIS is held up to the same high standard of customer service and social and environmental responsibility. When the SafeRate™ line of insurance products were developed in 1999, VCIS incorporated ethical and values-based considerations where possible, including:

- The creation of a commercial insurance package for non-profit organizations;
- Coverage of medical upgrades to a dwelling in the case of injury to the insured;
- Continuous insurance policies which won't be cancelled due to claims history.

In 1999, two partnerships were under development with the United Community Services Co-operative (UCSC) and the Planned Lifetime Advocacy Network (PLAN) to provide specialized insurance services to non-profits/co-operatives and people with disabilities respectively. The PLAN partnership will also entitle PLAN members to a 10% discount.

Stakeholder Involvement in 1998/99

- VCIS employees were included in VanCity's 1999 staff survey ([page 23-32](#)).

™ SafeRate is a registered trademark of VanCity Insurance Service Ltd.

Vision Statement

VanCity Insurance Services exceeds the boundaries of the ordinary, creating exceptional benefits for its members.

Board of Directors (Dec. 31, 1999)

VanCity Credit Union Executive	VanCity Insurance Services Executive
Tazeem Nathoo	Jim Caudle
Kathy Stevenson	(President and CEO)
John Iseli	

2000 Business Initiative: Launch SafeRate™ insurance products for non-profits/co-operatives and people with disabilities and their families.

For more information on VanCity Insurance Services call (604) 877-7400 or visit www.saferate.com

Vision Statement

VanCity Investment Management's vision includes a commitment to "managing customized investment portfolios in keeping with individual investment parameters including tolerances, risk, liquidity, income requirements, and ethical considerations."

Board of Directors (Dec. 31, 1999)

VanCity Credit Union Executive	VanCity Investment Management Executive
Bob Quart (<i>CEO</i>)	Jeffrey Moore (<i>President</i>)
Larry Wald (<i>Vice-President, Sales</i>)	

2000 Business Initiative: *Develop a Proxy Agreement to vote proxies in a manner consistent with VCIM's position on socially responsible investing.*

For more information on VanCity Investment Management call (604) 871-5355 or visit www.vancity.com/group/vim.cfm

Subsidiary Profile

VanCity Investment Management Ltd. (VCIM) is a wholly owned subsidiary of VanCity Credit Union which provides discretionary investment management services to VanCity members and others. Originally named Oliver & Moore Associates Ltd., the firm was acquired in 1995 and is licensed by the B.C. Securities Commission as Portfolio Managers.

At the end of 1999, VCIM had:

- four employees (including the President)
- 200 clients (approximately)
- \$68 million in assets under management

Both individuals and corporate clients can access VCIM's specialized investment management services with a minimum investment of \$100,000 (raised to \$250,000 in 2000). This is substantially lower than the majority of VCIM's competitors which offer comparable services typically for minimum investment amounts of \$500,000 or more.

Through a customized Investment Policy Statement, each client establishes their own guidelines giving consideration to risk tolerance, income requirements, and tax ramifications. Clients are advised that they have the option of screening their investments according to their own ethical preferences. At the end of 1999, 17% of total assets under management were screened using ethical criteria.

Stakeholder Involvement in 1998/99

- VCIM employees were included in VanCity's 1999 staff survey ([page 23-32](#)).

APPENDIX I

Global Reporting Initiative (GRI) Indicator Index

The GRI has set out to develop global sustainability reporting guidelines for voluntary use by organizations reporting on the economic, environmental, and social aspects of their activities, products and services (visit www.globalreporting.org for more information). Indicators recommended by the GRI's Sustainability Reporting Guidelines (June 2000) included in this Social Report are listed below along with the page number where they can be found.

GRI Indicator	Page #	GRI Indicator	Page #	GRI Indicator	Page #	GRI Indicator	Page #
2.1	<u>4</u>	5.1	<u>4, 7, 12, 24, 34, 40</u>	6.6	<u>43</u>	6.67	<u>27</u>
2.2	<u>15</u>		<u>46, 50, 53, 54, 58</u>	6.7	<u>43</u>	6.71	<u>28</u>
2.3	<u>48, 53</u>	5.3	<u>42</u>	6.16	<u>44</u>	6.72	<u>29</u>
2.4	<u>13</u>	5.7	<u>5</u>	6.17	<u>44</u>	6.80	<u>29</u>
2.6	<u>4</u>	5.9	<u>51</u>	6.24	<u>44</u>	6.82	<u>29</u>
2.7	<u>4</u>	5.12	<u>6, 12, 24, 34, 40</u>	6.29	<u>16, 41</u>	6.85	<u>17</u>
2.10	<u>8, 9</u>		<u>46, 50, 54, 58</u>	6.41	<u>14</u>	6.95	<u>17-22</u>
2.12	<u>5</u>	5.14	<u>6</u>	6.53	<u>36-38</u>	6.96	<u>15</u>
2.13	<u>4</u>	6.1	<u>42</u>	6.64	<u>25</u>		
2.15	<u>4</u>	6.3	<u>42, 43</u>	6.66	<u>27</u>		

APPENDIX II

Public Accountability Statements: Reporting Requirements for Canada's Federal Financial Institutions

In June 2000, the Canadian government introduced a bill to implement the measures contained in its policy paper released in June 1999, entitled "Reforming Canada's Financial Services Sector: A Framework for the Future". Included in the policy paper is the requirement that federal financial institutions with equity in excess of \$1 billion publish annual statements describing their contributions to the Canadian economy and society.

Although not a federal financial institution, we feel that it is important to report on the social and environmental aspects of our business activities and have been doing so through externally verified reports since 1998 when we published our 1997 Social Report. Below is the list of reporting requirements of the Public Accountability Statements and the page numbers where this information is located within this report.

Reporting Requirement:	Page #
• The national dollar amount of charitable donations and examples of philanthropic activities	<u>36-38</u>
• Employee volunteer activities	<u>36</u>
• Examples of funding provided to local government and voluntary agencies for community works	<u>37</u>
• Investments or partnerships in micro-credit programs	<u>19</u>
• Small-business financing initiatives such as venture capital programs, and dollar amount of small business lending — broken down by loan size and reported by region	<u>19</u>
• Initiatives to improve access to banking services for low-income individuals, seniors and people with disabilities	<u>17/18</u>
• The location of openings and closings of branches	(no closings to report)
• The number of individuals employed	<u>24</u>
• Taxes paid to federal, provincial, and municipal governments	(not included)





VanCity

It's *right* here.