

A person in a blue shirt and black shorts is riding a bicycle across a suspension bridge. The bridge is made of wooden planks and metal cables, and it spans over a dense forest of tall evergreen trees. In the background, there are mountains with patches of snow under a cloudy sky. The entire scene is framed by a red border.

# Sustainability Issuance Report.

2023 Annual Report

Vancity

# Introduction.

Vancity is a values-based financial co-operative serving the needs of more than 569,000 member-owners and their communities, with offices and more than 50 branches located in Metro Vancouver, the Fraser Valley, Victoria, Squamish, and Alert Bay, within the territories of the Coast Salish and Kwakwaka'wakw people. With \$35.5 billion in assets plus assets under administration, Vancity is Canada's largest credit union. We use our assets to help improve the financial wellbeing of our members while at the same time helping to develop healthy communities that are socially, economically, and environmentally sustainable.

## Sustainability strategy

As a co-operative, the concept of sustainability is deeply engrained in who we are. We believe that as we grow, our influence on financial inclusion, environmental sustainability and the economic resilience of our communities should grow too. This mindset is captured in our three-pillar approach to sustainability: People. Planet. Profit.

### People

Since Vancity was founded, we've been committed to ensuring that everyone in our communities has access to the financial services they need. This includes extending financial services to people who are underserved by other financial institutions or face barriers due to legacies of discrimination and racism.

### Planet

Our goal is to provide environmental sustainability leadership in the financial sector by reducing the emissions we finance through our lending and investments, providing education, products, and services, that help our members and employees lower emissions and increase resilience, and encouraging governments to implement public policy changes that reduce emissions and other negative environmental impacts.

### Profit

Vancity uses its assets to improve social inclusion, economic wellbeing, and environmental sustainability. And as part of our efforts to build healthy communities, we continue to support local businesses and invest back into the community through our grant programs.

### Governance

Behind the three pillars of People, Planet, and Profit is Vancity's corporate governance, which is driven by co-operative principles.

## Impact lending and investing focus areas

1. **Indigenous communities:** Vancity believes that Reconciliation begins with each of us, and despite Vancity's progress in many regards, there is still a long journey ahead to achieving economic inclusion and social justice for Indigenous peoples.
2. **Energy and the environment:** Financial institutions should play a critical role in enabling the transition to a clean, resilient, and affordable economy that helps tackle the climate crisis by financing clean energy, clean transportation, energy efficiency, and green building projects.
3. **Affordable housing and impact real estate:** Vancity aims to help develop affordable housing, including solutions targeted to underhoused groups and individuals.
4. **Financial inclusion:** At Vancity we are committed to removing financial barriers that stem from systemic exclusion and inequalities that affect women, Indigenous, Black, and people of colour, newcomers and refugees, 2SLGBTQIA+, and people living with visible and invisible disabilities.
5. **Social enterprise and social venture:** Vancity is interested in supporting values-aligned organizations with missions focused on social, environmental, economic, or cultural impacts.
6. **Co-operatives and labour unions:** At Vancity we welcome the opportunity to work with organizations that value co-operative principles and practices in an effort to strengthen community resilience and stand against all forms of social and economic exclusion.

## Vancity's Sustainable Bearer Deposit Notes program

In September 2023, Vancity launched the Sustainable Bearer Deposit Notes (BDN) program with an issuance in the form of depository notes in book entry form. The use of proceeds is to finance or re-finance investments that meet green and/or social criteria as defined by Vancity's [Sustainability Issuance Framework](#).

The issuance was the first of its kind by a Canadian community credit union using proceeds raised from BDNs to finance sustainability initiatives.
















The maximum principal amount of short-term BDNs authorized to be outstanding as of the date on which any notes are issued shall not exceed three per cent of Vancity's total assets of such date.

### About BDNs

Bearer deposit notes are used as a short-term funding instrument within the capital markets. Bearer Deposit Notes, also known as commercial paper, are used for short-term borrowing, often referred to as money market funding, and typically obtained for maturities of less than one year. Short-term borrowings are generally a cheaper source of funds for a financial institution since investors demand a higher yield or credit spread for their longer-term investments.

# Sustainability Issuance Framework summary.

Vancity prepared a [Sustainability Issuance Framework](#) in line with the Green Bond Principles (2021), Social Bond Principles (2021) and Sustainability Bond Guidelines (2021) developed by the International Capital Market Association (ICMA) as well as the Green Loan Principles (2021) and Social Loan Principles (2021) developed by the Loan Syndications and Trading Associations (LSTA), Loan Markets Association (LMA) and Asia Pacific Loan Market Association (APLMA). The framework is subject to ongoing review with the next revision in 2025.

<b>Use of Proceeds</b>			
Vancity intends to allocate an amount equal to the net proceeds of each green, social, or sustainable instrument to finance and/or re-finance, in part or in full, expenditures or investments. These are collectively the Eligible Assets that meet the eligibility criteria specified within each of the green and social categories defined. The Eligible Criteria is based on priorities set forth in the United Nations Sustainable Development Goals (UN SDGs) and reflect Vancity's internal impact lending guidelines. Where the Eligible Asset is for general corporate purposes, the company must derive 90 per cent or more of its revenues from activities that meet the eligibility criteria. Equity take outs on existing collateral are not eligible unless the purpose of the funds is known and fits within the Framework criteria.			
<b>Green Categories</b>	<b>SDG Alignment</b>	<b>Social Categories</b>	<b>SDG Alignment</b>
<b>Green Buildings<sup>1</sup></b> Buildings that meet or exceed recognized energy efficiency buildings standards, improved primary energy performance, or greenhouse gas (GHG) emission intensity reduction ≥30% compared to pre-renovation.		<b>Indigenous Communities &amp; Businesses</b> Indigenous Peoples or government and/or majority owned enterprises by said government or Indigenous individuals.	 
<b>Clean Energy</b> Development, manufacturing, construction, acquisition, operation, transmission, distribution, and maintenance of renewable energy assets.		<b>Women Owned/Controlled Business</b> Businesses that are at least majority (51%) owned and operated by women; or where ownership or operations are not majority women then, ≥50% owned by women; and has ≥1 woman as CEO/COO/CFO/President/Vice President or any other executive leadership.	  
<b>Energy Efficiency</b> Activities that increase energy efficiency and/or reduce energy consumption or GHG emission intensity.		<b>Affordable Housing</b> Housing including shelters, transitional housing, supportive housing, subsidized rentals/home ownership and other below market rental housing or affordable home ownership that meets accredited or registered affordable housing definitions and contributes to access for low- and moderate-income individuals or families.	 
<b>Clean Transportation</b> Electric vehicles (EV) or EV charging stations.	 	<b>Access to Financial Services or Socioeconomic Advancement<sup>2</sup></b> Expanding access to financial services to unbanked and underserved individuals, small businesses, and not for profits that serve or are in target populations.	  

## Framework Clarifications

The following section provides further detail and clarifications regarding asset eligibility under the green building, and socioeconomic advancement framework categories. Note that these clarifications have not been reviewed by Sustainability or another second party opinion provider.

**1 Green Buildings** - Transactions where certification is expected, but not yet received may qualify as eligible. This may be evidenced through a letter from an engineer/engineering firm or other acceptable third party confirming that a specific green building standard is expected to be met.

**2 Socioeconomic Advancement** - In addition to loans made through access to capital programs (e.g., microcredit), this category includes loans made directly to underserved individuals (low income, Black-owned, and refugees), or to SMEs and non-profits that serve those same target populations. An example might be a loan to a non-profit serving low-income people at risk of homelessness in Vancouver's downtown east side.

## Proceeds management and reporting

### 1. Process for Project Evaluation and Selection

The Sustainability Issuance Committee meets at least twice annually for appropriate governance of this framework. The Committee is responsible for amendments to the Framework, selection and monitoring of the pool of Eligible Assets, and reporting.

**Exclusionary criteria:** Issuances made under this Framework will not knowingly be allocated to any business or project in support of the following excluded activities: fossil fuels, tobacco, alcohol, weapons, gambling, and adult entertainment.

### 2. Management of Proceeds

Vancity intends to allocate the net proceeds according to the Eligible Criteria to financings made in the 36 months preceding or following each Sustainability Issuance. Proceeds must be fully allocated prior to the maturity date of an issuance. We maintain a sustainable issuance register to ensure that eligible assets are greater than or equal to the aggregate amount of the outstanding issuances.

### 3. Allocation and Impact Reporting

Vancity reports on the use of proceeds allocation annually on its website until the proceeds of any outstanding sustainable financing instrument are fully allocated. Vancity also reports on relevant environmental and social impacts of financed and/or refinanced assets where feasible and subject to confidentiality considerations. Quantitative indicators are included.

# Allocation.

## 2023 Issuances

### Issuance summary

Face value	Discounts	Commissions	Net proceeds
Face value of outstanding Sustainable BDNs at December 31, 2023	Total discounts on all Sustainable BDNs issued in 2023	Total commissions on all Sustainable BDNs issued in 2023	Face value less discounts and commissions
\$200,000,000	\$3,249,850	\$30,600	\$196,719,550

### Detailed issuance listing, 2023

Cusip Number	Start Date	Maturity Date	Original Face Value	Remaining Face Value	Discount	Commission	Net Proceeds
92157SLR53	28-Sep-23	24-Nov-23	\$35,000,000	\$0	\$283,150	\$2,450	\$34,714,400
92157SLV65	28-Sep-23	28-Nov-23	\$35,000,000	\$0	\$302,750	\$2,800	\$34,694,450
9215ZSN365	28-Sep-23	03-Jan-24	\$25,000,000	\$25,000,000	\$345,250	\$3,250	\$24,651,500
9215Z5N438	28-Sep-23	04-Jan-24	\$15,000,000	\$15,000,000	\$209,250	\$1,950	\$14,788,800
921575SLW49	29-Sep-23	29-Nov-23	\$30,000,000	\$0	\$259,500	\$2,400	\$29,738,100
921575SM451	29-Sep-23	04-Dec-23	\$10,000,000	\$0	\$93,500	\$900	\$9,905,600
9215ZSPQ20	24-Nov-23	23-Feb-24	\$35,000,000	\$35,000,000	\$452,900	\$4,550	\$34,542,550
9215ZSP58	28-Nov-23	05-Feb-24	\$35,000,000	\$35,000,000	\$342,650	\$3,150	\$34,654,200
9215ZSPD1	29-Nov-23	12-Feb-24	\$30,000,000	\$30,000,000	\$318,900	\$3,000	\$29,678,100
9215ZSP66	04-Dec-23	06-Feb-24	\$10,000,000	\$10,000,000	\$90,500	\$900	\$9,908,600
9215ZSP82	06-Dec-23	08-Feb-24	\$25,000,000	\$25,000,000	\$226,250	\$2,250	\$24,771,500
9215ZSQ73	06-Dec-23	07-Mar-24	\$25,000,000	\$25,000,000	\$325,250	\$3,000	\$24,671,750
				\$200,000,000	\$3,249,850	\$30,600	\$196,719,550

These are the issuances as at December 31, 2023, however since the reporting date, many of these BDNs will have rolled again.

## Allocation reporting

		2023
Net proceeds raised through issuance <sup>1</sup>	\$	196,719,550 ◆
Amount allocated in aggregate <sup>2</sup>	\$	197,739,273 ◆
Balance of unallocated proceeds <sup>3</sup>	\$	0 ◆
Share of proceeds used for financing versus refinancing <sup>4</sup>	%	15 ◆

◆ = 2023 data has been assured by KPMG LLP

1 The net proceeds are the face value amount minus discounts, fees, and commissions.

2 We allocate an amount equal to the net proceeds of each issuance to finance and/or refinance assets that meet the Framework green and social criteria. Given that eligible loan balances will rarely add up precisely to net proceeds raised, our approach is to allocate an amount equal to or greater than net proceeds raised.

3 Proceeds must be allocated in full prior to maturity. As BDNs are short-term instruments, proceeds will typically be allocated in full at the time of issuance.

4 The share of proceeds used for financing versus refinancing is calculated as an average of the total amount of BDNs used for financing divided by the total amount of BDNs issued. As BDN notes are “rolled” during the reporting period, issuances may shift the proportion of the issuance from refinancing to financing or vice versa.



## Niagara Region Wind Farm

We refinanced part of the Six Nations of the Grand River Development Corporation’s (SNGRDC) 50 per cent ownership of the Niagara Region Wind Farm to become a source of sustainable income benefiting the Haudenosaunee peoples of the Six Nations. With 77 turbines, the Niagara Region Wind Farm is Ontario’s second largest. The farm sends nearly 1,400 megawatts of clean electricity to Ontario’s power grid and generates profits benefiting the Six Nations communities.

This refinancing upholds Vancity’s commitment to Reconciliation and to advancing Canada’s net-zero transition while supporting the SNGRDC’s work as a clean energy leader. Savings from the lower interest rate go towards the Economic Development Trust and directly benefit the community. For more information, see [Niagara Region Wind Farm](#).

# Impact.

The metrics below apply to the portfolio balances connected solely to the Sustainable BDN issuance, not the full scope of Vancity's impact lending activities or the entire Vancity portfolio.

## Green categories

<b>Green buildings</b>		<b>2023</b>
Portfolio balance of green building loans	\$	129,800,229
Sq ft of green buildings financed	Sq. ft.	345,026
Number of loans in green buildings	#	72
<b>Clean energy</b>		
Portfolio balance in clean energy loans	\$	20,676,413
Annual amount of clean electricity generated	MWh	18,591
Annual emissions avoided	CO <sub>2</sub> e	2,507
Number of loans in clean energy	#	2
<b>Energy efficiency</b>		
Portfolio balance in clean energy loans	\$	13,437,232
Number of loans in clean energy	#	1
<b>Clean transportation</b>		
Portfolio balance in transportation loans	\$	221,818
Number of loans in clean transportation	#	3

**Social categories**

<b>Socioeconomic advancement</b>		<b>2023</b>
Portfolio balance of socioeconomic advancement	\$	17,286,252
Number of loans in socioeconomic advancement	#	2
<b>Women-owned business</b>		
Portfolio balance in women entrepreneur loans	\$	9,989,405
Number of women entrepreneur loans	#	66
<b>Indigenous communities and businesses</b>		
Portfolio balance in Indigenous community and business loans	\$	6,327,925
Number of Indigenous community and business loans	#	12

**The Good Chocolatier**



In 2017, Mara Mennicken took over The Good Chocolatier. Intent on testing whether a start-up business could sustain itself as a social enterprise, Mara adopted an asset-based community development approach to operate her new business. She developed a relationship with the PALS Adult Services Society (PASS), a community of adults with autism who were looking for work opportunities. Since then, Mara's expanded e-commerce and wholesale business, scaled production and diversified her offerings.

She also launched chocolate-making classes, teaching participants about the health benefits of cacao and how to make chocolate bars using ethically sourced, organic materials free of GMOs, refined sugars, soy, and gluten. For more information, see [The Good Chocolatier](#).

**Salmon n' Bannock**



After founding Salmon n' Bannock in 2010, Remi Caudron and Inez Cook secured a \$21,000 dollar microloan from Vancity. Vancity also supported Inez and the team at the Indigenous-owned Vancouver business with a Canada Small Business Financing Loan to support their second location at Vancouver International Airport's (YVR) international departure bay. Like many Vancity members early in the pandemic, they were financially challenged by the uncertain circumstances. On top of embarking on a

national fundraiser, with Vancity's help Salmon n' Bannock was also able to receive an interest-free loan through the Canada Emergency Business Account. For more information, see [Salmon n' Bannock](#).



# Assurance.

## KPMG independent practitioner's limited assurance report

### To the members of Vancouver City Savings Credit Union:

We have undertaken a limited assurance engagement on certain performance metrics of Vancouver City Savings Credit Union ("Vancity") included in the Sustainability Issuance Report (the "Report"), for the year ended December 31, 2023.

The scope of our limited assurance engagement, as agreed with management, comprises the following performance metrics (collectively, the "subject matter information") and criteria:

Subject matter information	Amount and unit	Criteria
Net proceeds raised through issuance	\$196,719,550	Internally developed
Amount allocated in aggregate	\$197,739,273	
Balance of unallocated proceeds	\$0	
Share of proceeds used for financing versus refinancing	15%	

The subject matter information is denoted by the symbol ♦ in the Report.

Other than as described in the preceding paragraph, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

There are no mandatory requirements for the preparation or presentation of the subject matter information. As such, Vancity applies its own internally developed Sustainability Issuance Framework, which is further described on page 4 of the Report (the "applicable criteria").

### Management's Responsibility

Management is responsible for the preparation and presentation of the subject matter information in accordance with the applicable criteria.

Management is also responsible for such internal control as management determines necessary to enable the preparation and presentation of the subject matter information that is free from material misstatement, whether due to fraud or error. This responsibility includes determining Vancity's objectives in respect of sustainability performance and reporting, identifying stakeholders and material issues, and selecting or developing appropriate criteria.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the subject matter information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with Canadian Standards on Assurance Engagements (CSAE) 3000, *Attestation Engagements Other than Audits or Reviews of Historical Financial Information*. This standard requires that we plan and perform our engagement to obtain limited assurance about whether the subject matter information is free from material misstatement.

A limited assurance engagement involves assessing the suitability of the criteria used by Vancity in preparing the subject matter information in the circumstances of the engagement, assessing the risks of material misstatement, whether due to fraud or error, and responding to the assessed risks as necessary in the circumstances.

We exercised professional judgment and maintained professional skepticism throughout the engagement. Our procedures were designed and performed to obtain evidence that is sufficient and appropriate to provide a basis for our conclusion. In carrying out our engagement, we:

- Evaluated the suitability of Vancity's use of the criteria, as the basis for preparing the subject matter information in the circumstances;
- Through inquiries, obtained an understanding of Vancity's control environment, processes and systems relevant to the preparation of the subject matter information, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;
- Inspected a limited number of items to or from supporting records, as appropriate;
- Inquired with management regarding key assumptions and, where appropriate, reperformed calculations on a sample basis; and,
- Considered the presentation and disclosure of the subject matter information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is

substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

## **Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Significant Inherent Limitations**

Historical non-financial information, such as that contained in the Report, is subject to more inherent limitations than historical financial information, given the qualitative characteristics of the underlying subject matter and methods used for determining this information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable evaluation techniques, which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as described in the applicable criteria, may change over time. It is important to read Vancity's applicable criteria presented on page 4 of the Report.

## **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and evidence obtained, no matters have come to our attention to cause us to believe that Vancity's subject matter information for the year ended December 31, 2023, is not prepared, in all material respects, in accordance with the applicable criteria.

Our conclusion on the subject matter information does not extend to any other information, reports or documents that accompany, are presented with, or contain the subject matter information and our assurance report.

## **Restriction on Use**

Our report is intended solely for use by Vancity for the purpose(s) set out in our engagement agreement. Our report may not be suitable for any other purpose(s) and is not intended for use or reliance by any third parties. While KPMG LLP acknowledges that disclosure of our report may be made, in full, by Vancity in the Sustainability Issuance Report, KPMG LLP does not assume or accept any responsibility or liability to any third party in connection with the disclosure of our report.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the "K" and ends under the "P", extending across the width of the signature.

Chartered Professional Accountants  
Vancouver, Canada  
May 2, 2024

# Disclaimer.

This Sustainability Issuance Report (the "Report") is not, and under no circumstances is to be construed as, an offering of the short-term bearer deposit notes described herein generally or for sale or delivery in the United States of America or the territories or possessions thereof. The short-term bearer deposit notes offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and accordingly may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act.

This Report does not constitute an offer or a solicitation of an offer to the public for the purchase or sale of any securities. This Report does not constitute an offering of the short-term bearer deposit notes described herein generally or in any jurisdiction where such offering would be prohibited. This Report does not in any way obligate Vancouver City Savings Credit Union to accept an offer to purchase the short-term bearer deposit notes described herein.

The information contained herein is provided as of the date of this Report and is not guaranteed as to its accuracy, reliability, completeness, or timeliness. Forward-looking information has been included in this Report. By its nature, this information involves a variety of assumptions, known and unknown risks and uncertainties and other factors which may cause actual results to differ materially from those expressed or implied in such information. Vancouver City Savings Credit Union disclaims any intent or obligation to update the information, whether express or implied, except as required by applicable law. No person has been authorized to give any information or to make any representation not contained in this Report and, if given or made, such information or representation must not be relied upon as having been authorized.