Vancity Sustainability Issuance Framework.

February 23, 2023

Vancity

Introduction.

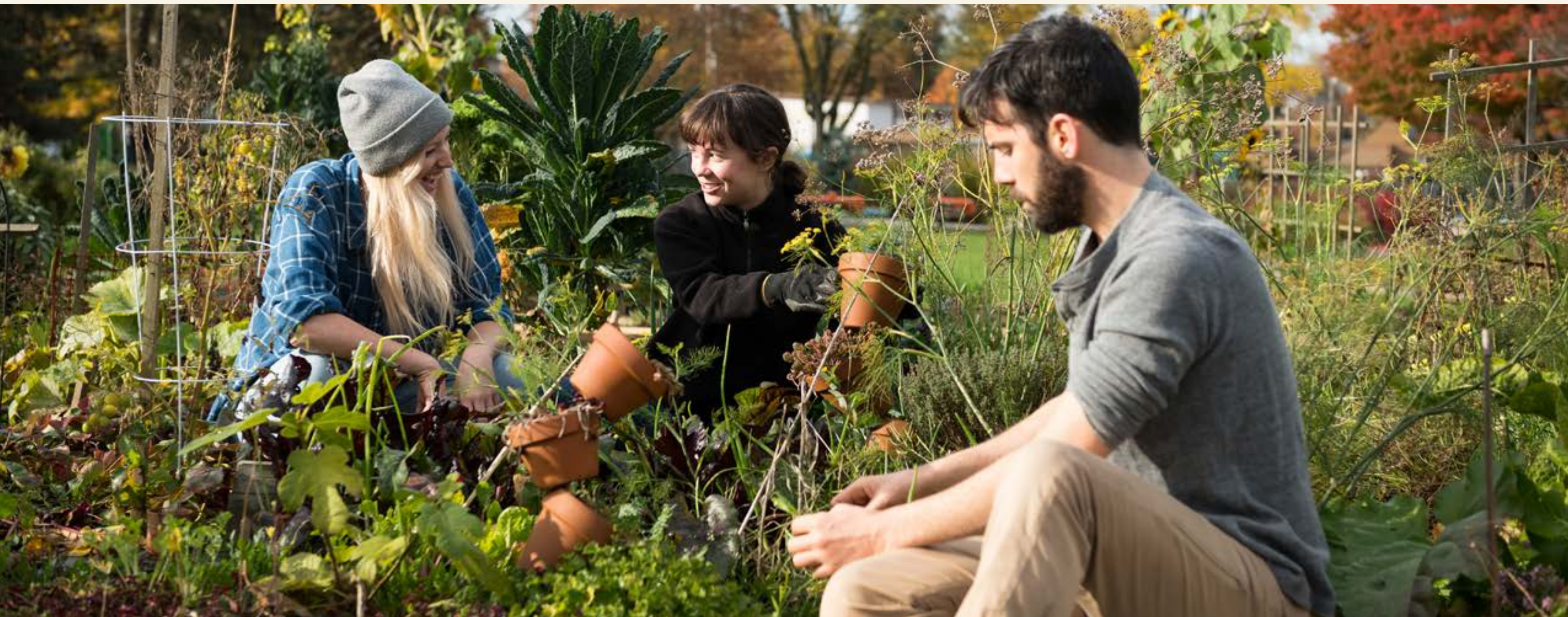
Founded in 1946, Vancity[1] ("we" or "our") is a values-based financial co-operative serving the needs of its more than 560,000 member-owners and their communities, with offices and more than 50 branches located in Metro Vancouver, the Fraser Valley, Victoria, Squamish and Alert Bay, within the territories of the Coast Salish and Kwakwaka'wakw people. With $34 billion in assets plus assets under administration, Vancity is Canada's largest community credit union. Vancity uses its assets to help improve the financial well-being of its members while at the same time helping to develop healthy communities that are socially, economically, and environmentally sustainable.

Vancity's impact lending and investing priorities and initiatives focus on the below listed 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. Reconciliation has been deeply embedded in our core values and will always be a focus for us.
2. **Energy and the environment:** We believe that financial institutions, including us, 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.

---

[1] Includes its active subsidiaries - Vancity Community Investment Bank (and its subsidiaries); Vancity investment Management Ltd.; SCU Insurance Services Ltd.; Vancity Capital Corporation; Vancity Life Insurance Services Ltd.



3. **Affordable housing and impact real estate:** Vancity aims to help develop community-owned real estate assets that create positive impacts by increasing the affordable housing stock, including solutions targeted to underhoused groups and individuals, and by helping our members and neighbours sustain and support the places they call home.

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. We believe in helping individuals with ambition, character and determination that may be under-represented in the business community.

5. **Social enterprise and social venture:** Vancity is interested in supporting values-aligned organizations with missions focused on social, environmental, economic, or cultural impacts.

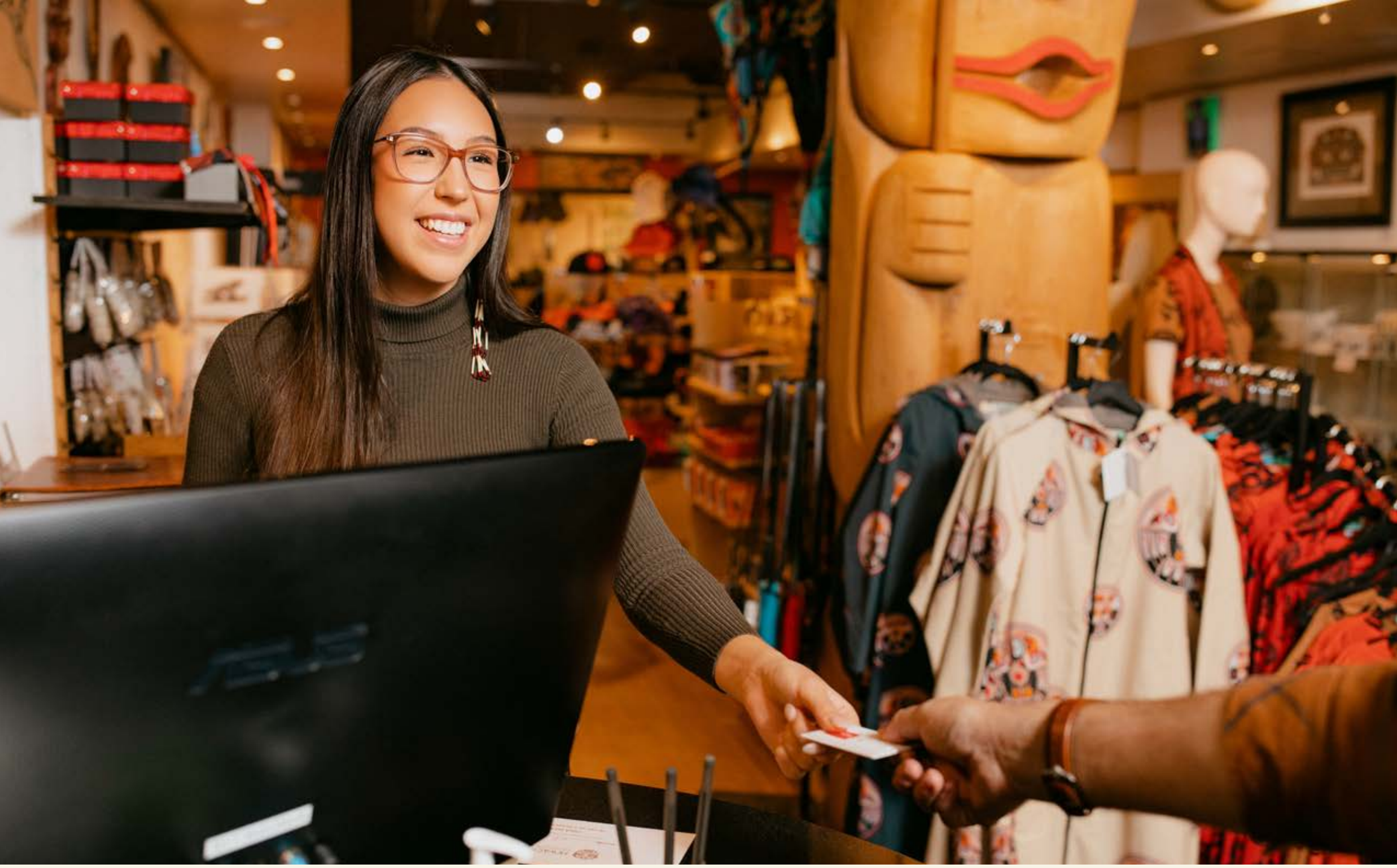
6. **Co-operatives and labour unions:** At Vancity we welcome the opportunity to work with organizations that value co-operative principles and practices in an effort to strengthen community resilience and stand against all forms of social and economic exclusion. Further, we understand the power of collaboration and prioritize investing in public and private sector labour unions to support them in championing the causes of working people in our communities.

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. Among our initiatives designed to increase access to financing and financial services are tailored supports for Black, Indigenous and women entrepreneurs, providing on-site banking services at the Immigrant Service Society of BC's Welcome Centre in Vancouver and the remote community of Cormorant Island, and extending basic banking services to people excluded from conventional banking through our Pigeon Park Savings branch.



For many years, Vancity has worked with organizations that help people along the housing continuum: from emergency shelters through to transitional and subsidized housing, co-operatives, below-market rentals and property ownership. In addition to construction financing through more traditional tools, the Vancity Affordable Housing Accelerator Fund plays a key role in this strategy, providing low-cost and flexible loans to support capital needs of affordable housing development projects at the pre-construction stage, when few supports are typically available.

We are proudly led by a female CEO and over 66% of our Board and 53%of our senior management self-identified as women and/or transgender or non-binary. We are part of the federal 50-30 challenge, whose goal is to attain gender parity (50% women) and at least 30% representation of under-represented groups to accelerate diversity and improve equity at our Board and Senior Management levels.

At Vancity we have deeply embedded Reconciliation as one of our core values, resulting in an unwavering emphasis on creating opportunities for Indigenous people and recommitment to understanding the truth of our shared history through the development of an Indigenous Banking Strategy and programs designed to serve Indigenous people and their communities. For example, Vancity has partnered with several First Nations to develop mortgage tools, tailored to each Nation's unique land-ownership arrangements, that extend on-reserve home ownership, and the equity-building that comes with it, to members of those Nations.

Planet.

We believe that financial institutions should play a critical role in enabling the transition to a clean and fair economy by collaborating with key stakeholders to ensure that each of us is playing a role in tackling the climate crisis and building a net-zero transition everyone can be part of.

Our goal is to continue to provide clear environmental sustainability leadership in the financial sector. We're committed to action on four fronts:

- Reducing the emissions we finance through our lending and investments, as well as emissions associated with our operations, in line with our ambitious climate targets (see below)
- Helping members and employees act by providing education, products, services, financing, and funding that lower emissions and increase resilience and affordability
- Helping to build capacity and promote an enabling environment for environmentally progressive economic and community development
- Encouraging governments to implement public policy changes that reduce emissions and other negative environmental impacts

We've been carbon neutral in our operations since 2008. We also recognize that as a provider of capital, our most significant impacts, including climate-related impacts, are because of the loans and investments we choose to make. This is why in 2019 we publicly committed to tracking and disclosing financed emissions, and why in 2020 we announced our five Climate Commitments – including financing a just transition and making Vancity net-zero across all our mortgages and loans by 2040.

Vancity does not lend to or invest in oil or gas or to many of the carbon-intensive industries that are the focus of efforts by others in setting interim climate targets. Since 2021, we have measured and disclosed the emissions in our loan and investment portfolio using the Partnership for Carbon Accounting Financials' ("PCAF") methodology. Our 2025 absolute-reduction targets, which follow the Net-Zero Banking Alliance's Guidelines for Climate Target Setting, cover two main sources of financed emissions in our lending portfolio: residential buildings and commercial service buildings. We also set an engagement target to support the small- and medium-sized businesses we lend to in reducing their emissions.

In addition, in October 2021 Vancity Investment Management (VCIM) signed onto the Net Zero Asset Managers Initiative (NZAM), which commits its members to support the goal of net-zero emission by 2050 or sooner. In November 2022 VCIM set its interim and portfolio-level targets, in line with this commitment.

Profit.

Vancity uses its assets to improve social inclusion, economic wellbeing, and environmental sustainability. We define these assets as Triple Bottom Line Assets and Assets Under Administration ("TBLAA"). These assets grew to $11.0 billion in 2021 and now represent nearly one-third of all our assets and assets under administration.

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: the Community Partnership Program and Community Branch Partnerships. As part of our Shared Success Program, each year we make sure that 30% of our net income goes to our members and communities.

Governance.

Behind these pillars is Vancity's Corporate Governance which is driven by co-operative principles. As a co-operative with over 560,000 members, we believe in the principle of one member, one vote.

Board members are responsible for ensuring good governance at Vancity and act as stewards of our organization, provide critical oversight and help ensure that members' money is invested in ways that improve our communities. One of the seven co-operative principles is "democratic member control", allowing members have a say in the future direction of our credit union is by electing Directors annually.

Impact lending working group.

At Vancity we are concerned with finding ways to create more positive impact while growing the proportion and value of impact assets (TBLAA). Our goal is to invest in areas that generate tangible social, environmental, and economic benefits. Vancity's cross functional Impact Lending Working Group finds ways to create more impact by developing a better understanding of market opportunities and community trends. The group also recommends updates to impact lending guidelines, reviews impact lending opportunities and transactions that are unclear according to current guidelines and advises other areas of the organization on TBLAA categories.

Global partnerships.

To reinforce our long-standing commitment to social and environmental leadership in the finance sector, and to support collective action, Vancity takes part in numerous international alliances and global initiatives. These include the UN Environment Programme Finance Initiative's ("UNEP FI") Principles for Responsible Banking Board and Leadership Council, UN Principles for Responsible Banking ("PRB"), the PRB's Commitment to Financial Health and Inclusion, the Net Zero Asset Managers initiative, the Finance for Biodiversity Pledge, and the Global Alliance for Banking on Values. We are a founding signatory of the industry-led and UN-convened Net-Zero Banking Alliance to accelerate the transition to a net-zero economy.

Sustainability Issuance Framework.

In support of its commitments, Vancity has prepared this Sustainability Issuance Framework ("the 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 based on the four core components of the aforementioned principles as it relates to:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

The Framework has been developed to guide future issuances of green, social, and sustainable financing instruments by Vancity, including bonds, loans, commercial paper and deposit products (collectively referred to as "Sustainability Issuances").

Use of proceeds.

Vancity intends to allocate an amount equal to the net proceeds of each green, social, or sustainable instruments to finance and/or re-finance, in part or in full, expenditures or investments – (collectively, the "Eligible Asset(s)"), that meet the eligibility criteria ("Eligible Criteria") specified within each of the green and social categories defined herein. For clarity, a Sustainability Issuance can have proceeds which are allocated across both green and social categories. The Eligible Criteria is based on priorities set forth in the United Nations Sustainable Development Goals ("UN SDGs")[2] and reflect Vancity's Impact Transactions.

Where the Eligible Asset is for general corporate purposes, the company must derive 90% or more of its revenues from activities that meet the eligibility criteria[3].

---

[2] United Nations, "Sustainable Development Goals", at: https://www.un.org/sustainabledevelopment/sustainable-development-goals/

[3] The 90% revenue threshold does not apply for Eligible Criteria which are based on ownership composition (i.e. majority women-owned businesses, Black-owned and Indigenous communities & businesses)

Green categories	Eligible criteria	SDG alignment
Green buildings	Financings, investments and/or expenditures in buildings[4] which have received at least one of the following classifications (or equivalent): • LEED or LEED for Homes (Gold or Platinum) • BOMA BEST (Gold or Platinum) • Toronto Green Standard (Tier 2 or higher) • Zero Carbon Building-Design Standard (Canada Green Building Council) • PassiveHouse • ENERGY STAR®[5] for new homes • BuiltGreen (Gold and above) • Core Green Building Certification (Living Building Challenge) • BC Energy Step Code Three or higher • Net Zero (CHBA) • Living Building Challenge • Zero Carbon Certification (ILFI) • Zero Energy Certification (ILFI) Refurbished buildings, building retrofits and building envelope upgrades with improved primary energy performance or greenhouse gas ("GHG") emission intensity reduction of at least 30% in comparison to before the renovation.	11 SUSTAINABLE CITIES AND COMMUNITIES

[4] Industrial buildings will include warehouses and logistics infrastructure
[5] 8% improvement from Energy Star Certified Homes, Version 3.1 Revision 08 or;
9% improvement from Energy Star Certified Homes, Version 3.1 Revision 09

Clean energy	Financings, investments and/or expenditures related to the acquisition, development, manufacturing, construction, operation, transmission, distribution, and maintenance of renewable energy assets (i.e., equipment, infrastructure, and facilities) such as: • Offshore & onshore wind and solar facilities • Hydrogen generation facilities using renewable energy (green hydrogen) • Geo-exchange energy facilities • Run-of-river hydropower facilities with low storage, including the refurbishment, operation or maintenance of existing hydroelectric facilities provided the size of the dam or reservoir is not increased[6] • Mid to late-stage research & development[7] directed towards integrating renewable energy to the grid Emissions threshold for the aforementioned energy solutions must have direct emissions of <100 grams of CO2e/kWh.	7 AFFORDABLE AND CLEAN ENERGY
Energy efficiency	Financings, mid to late-stage research & development[7], investments and/or expenditures related to activities that increase energy efficiency and/or reduce energy consumption or greenhouse gas ("GHG") emission intensity, including: • Activities that support energy monitoring, management and storage infrastructure, equipment, and systems (e.g., energy storage facilities including batteries and green hydrogen fuel cells, and smart grid technology) • Smart grid investments for more efficient transmission and distribution of electricity • Manufacture and installation of energy efficient equipment and technologies (e.g., LED lighting, non-fossil fuel powered heating, ventilation, air conditioning/cooling HVAC systems, smart meters, and peak demand management technology, etc.)	7 AFFORDABLE AND CLEAN ENERGY

[6] All new hydro facilities/projects should have an environmental and social impact assessment done by a third party
[7] Mid to late state research and development financings, investments and/or expenditures will be limited to no more than 10% of each sustainable financing issuance

Clean transportation	Financings, investments and/or expenditures into electric vehicles or charging stations for electric vehicles.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES

Social categories	Eligible criteria	SDG alignment
Indigenous communities & businesses	Financings towards Indigenous Peoples or government as defined by the Crown-Indigenous Relations & Northern Affairs Canada and/or Micro, Small and Medium size enterprises ("MSMEs")[8] majority owned by said government or Indigenous individuals.	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES
Women owned/ controlled business	Financings in MSMEs that are i. at least majority (51%) owned and operated by women; or ii. 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	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

[8] Micro, Small, and Medium-sized enterprise is as defined by the International Finance Corporation which is determined based on assessment of an enterprise's employee count, total assets, and annual sales; or in cases where this data is not available, where the loan falls within the relevant MSME loan size proxy.

Affordable housing[9]	Financings that support the construction, development, operation, acquisition, refurbishment of housing including shelters, transitional housing, supportive housing, subsidized rentals/home ownership and other below market rental housing or affordable home ownership[10]; that meets accredited or registered affordable housing definitions[11] and contributes to access for low- and moderate-income individuals or families. For clarity: i. Private real estate financings will target low[12] income individuals or families, unless in high cost living areas where the target population will be low and moderate[13] income individuals or families ii. Non-market housing including non-profit, housing co-operatives, community land trusts, Indigenous entity and/or public housing project financings will target low- and moderate-income individuals or families	10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES
Access to financial services **OR** **socioeconomic advancement**	Financings towards expanding access to financial services to unbanked and underserved individuals, SMEs and not for profits that serve or are in either of the below target populations: • located in socioeconomically disadvantaged areas - i.e., low[12] income; and/or • Black-owned[14] businesses • Refugees	1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

[9] As it pertains to any affordable housing lending in this section, loans supporting development of mixed-use housing will be included in the use of proceeds report on a pro-rata basis according to the percentage of affordable housing units in the project.

[10] Affordable homeownership projects include those using rent-to-own models, shared equity or shared appreciation mortgages, or discounted down payment loans.

[11] Based on relevant definitions by Canada Housing & Mortgage Corporation ("CMHC") or BC Housing or Statistics Canada; estimated in median pre-tax income or median market rent. For clarity median market rent shall mean less than 80% of the median market rent rate of a jurisdiction.

[12] Based on relevant definitions within the jurisdiction in which it is built, such as through Statistics Canada low-income measure, which is defined as 50% of median adjusted household income, where adjusted indicates that household size and associated needs are taken into account.

[13] Based on relevant definitions within the jurisdiction in which it is built, such as through BC Housing, which is defined as "Low and Moderate Income Limits"

[14] For greater certainty, in Canada, this can include Statistics Canada's definition of Black person(s).

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.

Process for project evaluation and selection.

Vancity has established a Sustainability Issuance Committee chaired by the Chief Financial Officer and composed of representatives from Risk, Treasury, Impact Strategy, Accountability Reporting, and Community Business and Real Estate. The representatives of the Sustainability Issuance Committee will meet at least annually or as frequently as needed for appropriate governance of this framework. The Committee will be responsible for:

- Review and approval of amendments to the Framework and the submission of any changes for a Second Party Opinion;
- Review, selection, and approval of the pool of Eligible Assets;
- Monitoring of Eligible Assets over the life of the transaction, to ensure that the eligibility of investments has not changed;
- Review and approval annually of post-issuance allocation and impact reports, oversight of external verification, and implementation of any changes as a result of the external audit;
- Monitoring of ongoing Sustainable Finance market practices and ensuring alignment of the Framework to the relevant Green, Social, and Sustainability Bond and Loan Principles;
- Ensuring all Eligible Assets are screened in accordance with Vancity's Community Impact Transactions Guidelines.

Vancity assesses the environmental and social risks related to its lending practices through a robust governance process which is applicable to allocations under this Framework. Vancity's Ethical Principles for Business Relationships ("EPBR") policy and procedures outline the leadership role in supporting its members and the community to adopt positive environmental practices. This is bolstered by its Lending Policy which sets out the process to identify and manage potential material environmental and social risks associated with its activities.

Furthermore, as part of its environmental risk assessment for certain sectors, Vancity engages an internally approved and externally accredited third-party environmental firm at the borrower's expense to ensure a holistic environmental risk review.

Management of proceeds.

A Sustainability Issuance Register will be maintained to enable the Sustainability Issuance Committee to track Eligible Assets for financings, investments and/or expenditures. The Eligible Assets will be reviewed at least annually by the Sustainability Issuance Committee and will contain relevant information including the Eligibility Categories and allocation amounts. The Sustainability Issuance Committee will monitor the Eligible Assets to ensure assets continue to meet the Eligible Criteria and are greater than or equal to the aggregate amount of the outstanding Sustainability Issuances.

The net proceeds of each Sustainability Issuance will be credited to the general account and an amount equal to the aggregate net proceeds will be earmarked for allocation to the portfolio of Eligible Assets within the Sustainability Issuance Register as long as they are outstanding.

Vancity intends to use the net proceeds according to the Eligible Criteria in the 36 months preceding or following each Sustainability Issuance. Pending full allocation, any unallocated proceeds may temporarily be held in cash, cash equivalents, other highly liquid assets including government bonds, money market securities or other uses in accordance with Vancity's existing treasury and liquidity management procedures. The payment of principal and interest on a Sustainability Issuance will be made from Vancity's general account and will not be linked to the performance of an Eligible Asset nor will the Eligible Assets be ring-fenced as collateral to the specified Sustainability Issuance.

Reporting.

Allocation reporting

Vancity will report on the use of proceeds allocation annually on its website until the proceeds of any outstanding sustainable financing instrument are fully allocated. In the case of any material changes, Vancity will publish an updated report where feasible. The Allocation report will be assured to a limited level by a third-party consultant as discussed under the External Review section of this Framework.

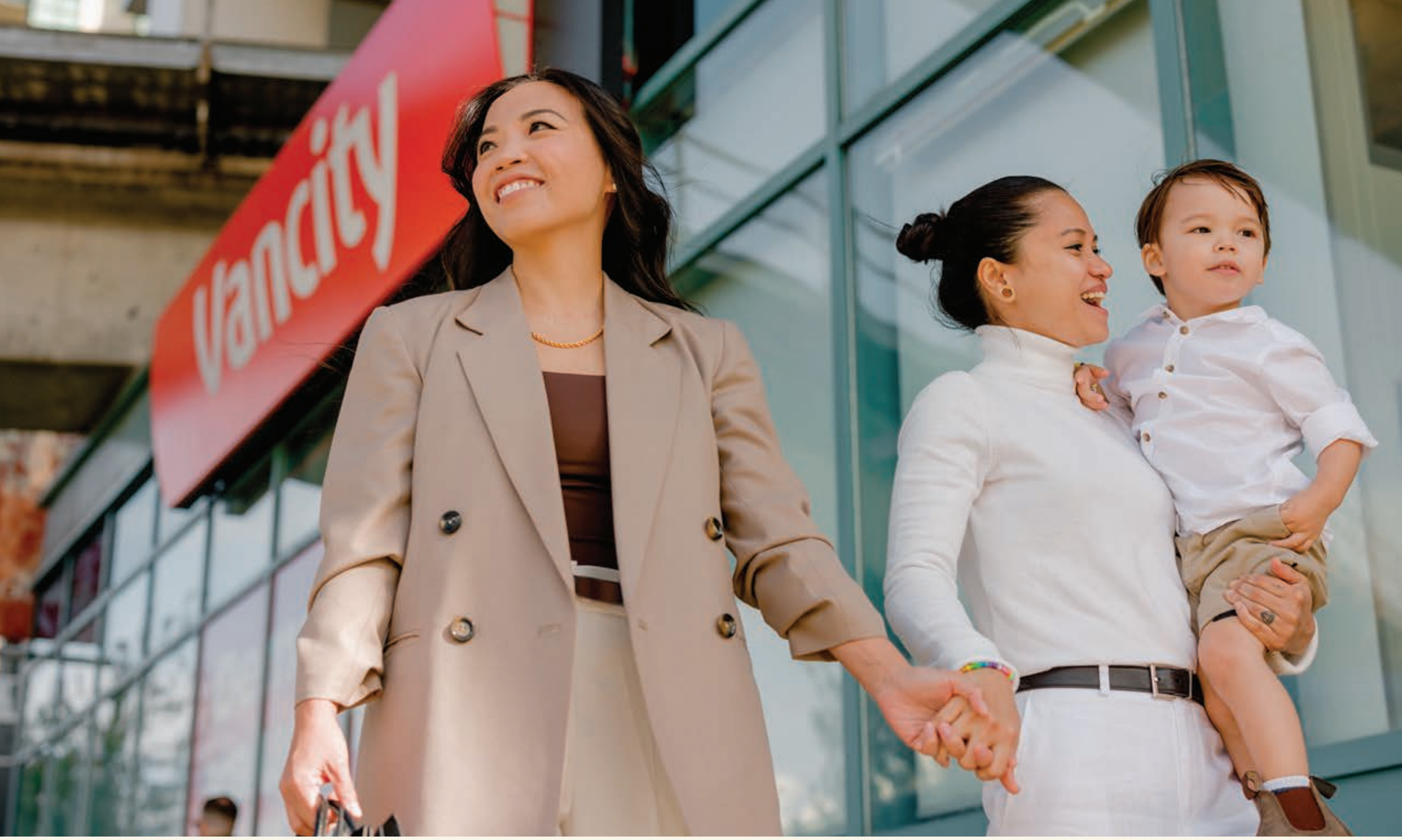
Vancity's Sustainability Issuance allocation report will include the following information:

- Net proceeds raised from each Sustainability Issuance;
- Amount allocated, in aggregate or per Eligible Category;
- Balance of unallocated proceeds;
- Amount used for financing vs re-financing.

Impact reporting

Vancity will report annually on relevant environmental and social impacts of financed and/or refinanced assets where feasible and subject to confidentiality considerations. Quantitative indicators can include but are not limited to the measures described below:

Categories	Potential quantitative performance measures
Green buildings	• Number of buildings with specified certification level • Total gross floor area of green real estate (ft^2)
Clean energy	• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Energy efficiency	• Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
Clean transportation	• Number of electric vehicles financed • Estimated reduction in fuel consumption through electric vehicles • Number of electric vehicle charging stations as a % of total parking
Indigenous communities & businesses **Women owned/ controlled business**	• Number of businesses supported • Number of communities supported • Number of loans provided • Value of loans provided • Number of jobs supported through businesses supported • Number of residents benefitting from basic infrastructure • Indigenous unemployment rate
Affordable housing	• Number of projects supported • Number of housing units developed, built, or refurbished • Number of people with supported with new/improved access to affordable housing/infrastructure • Percentage of rental costs below the national/regional rent index • Percentage of rent/revenue below market
Access to financial services **OR** **socioeconomic advancement**	• Number of loans extended to SMEs in socioeconomically disadvantaged areas • Number of low-income people provided with access to affordable microcredit/microfinance/insurance products • Number of loans granted to non-profit organizations and/or estimated # of beneficiaries of non-profit organizations



Amendments to this framework

The Sustainability Issuance Committee will review the Framework on a regular basis, including its alignment to updated versions of the Green & Social Bond and Loan Principles as and when they are released, to ensure adherence to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of Vancity and Sustainalytics or another external reviewer.

External review.

Second party opinion

Vancity has obtained a Second Party Opinion from Sustainalytics on this Framework which confirms alignment with the ICMA Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021 as well as the LSTA Green Loan Principles 2021 and Social Loan Principles 2021. The opinion provides a third-party assessment of the Framework and ensure alignment and transparency. The Second Party Opinion is available on Sustainalytics' website and on Vancity's website.

Post-issuance external verification

An external verification of the allocation of Sustainability Issuance proceeds will be carried out by Vancity's external auditor or another external reviewer on an annual basis until the full allocation of proceeds. Vancity will seek a limited assurance over the allocation of proceeds.