

Second-Party Opinion

Vancity Sustainability Issuance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Vancity Sustainability Issuance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021 and the Social Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Clean Energy, Energy Efficiency, Clean Transportation, Indigenous Communities and Businesses, Women Owned and Controlled Business, Affordable Housing, and Access to Financial Services and Socioeconomic Advancement – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 7, 8, 10 and 11.



PROJECT EVALUATION AND SELECTION Vancity’s Sustainability Issuance Committee will be responsible for evaluating and selecting projects in line with the eligibility criteria under the Framework. The Committee is chaired by the Chief Financial Officer and comprises of representatives from the Risk, Treasury, Impact Strategy, Accountability Reporting, and Community Business and Real Estate departments. Sustainalytics considers the environmental and social risk management systems to be adequate and the project and the selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Vancity’s Sustainability Issuance Committee will be responsible for overseeing the management of proceeds. Vancity intends to allocate all proceeds within 36 months of issuance. Pending full allocation, unallocated proceeds may temporarily 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. This is in line with market practice.



REPORTING Vancity intends to publicly report on the allocation of proceeds on its website on an annual basis until full allocation. Vancity is also committed to reporting on relevant environmental and social impact metrics. Sustainalytics views Vancity’s allocation and impact reporting commitments as aligned with market practice.

Alignment of Deposits with Market Expectations

The Vancity Sustainability Issuance Framework includes deposits as an eligible financial product. Sustainalytics is of the opinion that the principles of impact and transparency that underlie the sustainable investment industry, as well as many of its norms and standards, are applicable to deposits, and that Vancity’s internal processes and the use of funds aligns with those principles.



Evaluation date	February 23, 2023
Issuer Location	Vancouver, Canada

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Introduction

Founded in 1946, Vancity (“Vancity” or the “Company”) is a “values-based financial co-operative” serving the needs of its more than 560,000 member-owners and their communities, with offices and 54 branches located in Metro Vancouver, the Fraser Valley, Victoria, Squamish and Alert Bay, within the territories of the Coast Salish and Kwakwaka’wakw people. The Company is Canada’s largest community credit union with CAD 33 billion (USD 24 billion) in assets plus assets under administration. Vancity offers a wide range of financial products and services for individuals, businesses and not-for-profit organizations, including deposits, loans and investments.¹

The Company has developed the Vancity Sustainability Issuance Framework (the “Framework”), under which it intends to issue sustainability financings which include bonds, loans, commercial paper and deposit products; and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to improve the financial, environmental and social well-being of its communities and individuals.

The Framework defines eligible green categories in the following four areas:

1. Green Buildings
2. Clean Energy
3. Energy Efficiency
4. Clean Transportation

The Framework defines eligible social categories in the following four areas:

1. Indigenous Communities and Businesses
2. Women Owned and Controlled Business
3. Affordable Housing
4. Access to Financial Services and Socio-economic Advancement

Vancity engaged Sustainalytics to review the Vancity Sustainability Issuance Framework, dated February 2023, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP),² Green Loan Principles 2021 (GLP) and the Social Loan Principles (SLP).³ The Framework will be published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA; and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.12, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

¹ Vancity, “Vancity at a glance”, at: <https://www.vancity.com/AboutVancity/VisionAndValues/Glance/>

² The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁴ The Vancity Sustainability Issuance Framework is available on Vancity’s website at: https://www.vancity.com/AboutVancity/InvestingInCommunities/ImpactLending/?xcid=about_megamenu_implendinv

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of this engagement, Sustainalytics held conversations with various members of Vancity's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Vancity representatives have confirmed (1) they understand it is the sole responsibility of Vancity to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Vancity.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date stated herein, Vancity is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Vancity has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Vancity Sustainability Issuance Framework

Sustainalytics is of the opinion that the Vancity Sustainability Issuance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 2: Sustainability Bond/Sustainability Bond Programme External Review Form. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Clean Energy, Energy Efficiency, Clean Transportation, Indigenous Communities and Businesses, Women Owned and Controlled Business, Affordable Housing, and Access to Financial Services and Socioeconomic Advancement – are aligned with those recognized by the GBP, SBP, GLP and SLP.
 - Vancity has established a 36-month look-back period for refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Vancity may provide general purpose loans to companies that derive 90% or more of their revenue from activities that are described below. Sustainalytics recognizes that the GBP and SBP prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending. While the Framework allows for general purpose lending to pure-plays, Sustainalytics notes the high threshold (90% or more of revenue) that Vancity has established in order to deem a company eligible for inclusion.⁶
 - Under the Green Buildings category, the Framework stipulates expenditures toward buildings⁷ that have obtained one of the following green building certifications: i) LEED or LEED for Homes

⁶ The 90% or more revenue threshold does not apply for micro, small and medium size enterprises that are eligible as per their ownership composition (i.e. majority women-owned businesses, black-owned and Indigenous communities and businesses).

⁷ The Framework stipulates expenditures towards warehouses and logistics facilities. In which, Vancity has indicated that financing will be limited to the building envelope, excluding equipment, operations, and technology used in industrial production.

- Gold or above;⁸ ii) Passive House;⁹ iii) Net Zero Home;¹⁰ iv) Built Green Gold or above;¹¹ v) Living Building Challenge certifications,¹² including Core Green Building Certification, Zero Carbon Certification and Zero Energy Certification; vi) Toronto Green Standard Tier 2 or higher;¹³ vii) BC Energy Step Code Step 3 or higher;¹⁴ viii) BOMA Best Gold or higher;¹⁵ ix) Zero Carbon Building – Design Standard;¹⁶ and x) Energy Star for New Homes.¹⁷
- The Framework also allows for the inclusion of other equivalent schemes, pending their approval by an external reviewer. Sustainalytics notes that it is market practice to specify all eligible schemes and certifications and encourages Vancity to report on any specific schemes and certifications it intends to use.
 - Additionally, the Framework stipulates expenditures towards building retrofits and building envelope upgrades that achieve a 30% improvement in primary energy performance or GHG emission intensity over the initial performance before the retrofits. This is in line with market practice.
- Under the Clean Energy category, Vancity intends to finance the acquisition, development, manufacturing, construction, operation, transmission and distribution (T&D) and maintenance of renewable energy assets related to: i) offshore and onshore wind and solar facilities; ii) hydrogen production through electrolysis and powered by renewable energy; iii) geo-exchange energy facilities; iv) R&D to integrate renewable energy into the grid; and v) low-storage run-of-river hydropower facilities, including the refurbishment, operation and maintenance of existing hydroelectric facilities where there are no increases in the size of the dam or reservoir.
- The Framework stipulates that all new hydropower facilities will undergo an environmental and social impact assessment by a credible body and should not have a significant risk or expected negative impact identified.
 - Vancity has confirmed that T&D infrastructure may also include maintenance on existing grids where the majority (>90%) of electricity comes from renewable sources.
 - Vancity confirmed that R&D expenditures under the Framework will be limited to mid-to late-state stages and will not exceed 10% of total net proceeds. This is in line with market practice.
 - The Company also confirmed that eligible expenditures under the category will have a direct emission threshold of 100 gCO_{2e}/KWh or lower. Sustainalytics notes that for new hydropower facilities, Vancity has defined the estimated reservoir emission intensity threshold at below 100 gCO_{2e}/kWh. However, considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for a very extended period, favouring lower thresholds for new facilities. Sustainalytics encourages Vancity to favour projects with emission intensities below the 50 gCO_{2e}/KWh threshold.
- Under the Energy Efficiency category, the Framework defines eligible expenditures as those that increase energy efficiency and reduce energy consumption and GHG emission intensity under the following criteria: i) manufacturing and installation of energy efficient equipment and technologies, such as LED lighting, smart meters, peak demand management technology and non-fossil fuel-powered heating, ventilation and air conditioning (HVAC) systems; and ii) energy monitoring, management and storage projects, such as smart grid technology, and energy storage facilities, including batteries and green hydrogen fuel cells.
- The Framework allows for allocation to smart grid investments in transmission and distribution infrastructure where more than 90% of energy comes from renewable sources. While noting the variety of definitions and applications of smart grid

⁸ LEED: <https://www.usgbc.org/leed>

⁹ Passive House: https://passiv.de/en/03_certification/03_certification.htm

¹⁰ Canadian Home Builders' Association, "Net Zero Home", at: <https://www.chba.ca/CHBA/BuyingNew/Net-Zero-Homes.aspx>

¹¹ Built Green: <https://www.builtgreencanada.ca/checking-all-the-boxes>

¹² Living Building Challenge certifications: <https://living-future.org/lbc/>

¹³ Toronto Green Standard: <https://www.toronto.ca/city-government/planning-development/official-plan-guidelines/toronto-green-standard/>

¹⁴ BC Energy Step Code: <https://energystepcode.ca/how-it-works/>

¹⁵ BOMA Best: <https://bomacanada.ca/bomabest/>

¹⁶ Zero Carbon Building-Design Standard: <https://www.cagbc.org/our-work/certification/zero-carbon-building-standard/zcb-design-resources/>

¹⁷ Eligible Energy Star Homes are those that achieve an 8% improvement from the Energy Star Certified Version 3.1 Revision 08, or a 9% improvement from Energy Star Certified Homes, Version 3.1 Revision 09. Energy Star, "Energy Star for New Homes", at: <https://www.energystar.gov/newhomes>

- technology, Sustainalytics positively views investments that are designed to improve grid efficiency.
- Vancity confirmed that expenditures under this category will not finance entire buildings and will be limited to building components contributing to increase energy efficiency such as lighting, air conditioning, cladding, and insulation material.
 - Under the Clean Transportation category, Vancity may finance investments and expenditures related to electric vehicles (EVs). The Company has confirmed that under this category it may provide retail loans to companies and individuals to purchase EVs and EV charging stations. This is in line with market practice.
 - Under the Indigenous Communities and Businesses category, the Framework stipulates financing for Indigenous individuals¹⁸ and governments,¹⁹ and micro, small and medium enterprises²⁰ that are majority owned (>51%) by Indigenous individuals and governments. Based on a well-defined target population and the presence of corporate lending policies that prohibit lending to environmentally or socially harmful activities, Sustainalytics considers this as aligned with market practice.
 - Under the Women Owned and Controlled Business category, Vancity may finance lending and investments in women-owned or -controlled micro, small and medium-size enterprises (MSMEs) as per the following criteria: i) at least 51% of share capital is owned and operated by women; or ii) where ownership or operations are not majority women, ≥50% is owned by women and has at least one woman as CEO, COO, CFO, president, vice president or any other equivalent leadership role.
 - Under the Affordable Housing category, Vancity intends to finance the construction, development, operation, acquisition, refurbishment and maintenance of affordable housing projects including shelters, supportive housing, transitional housing, subsidized rentals and affordable ownership homes that meet accredited or registered affordable housing definitions.²¹ Eligible projects should meet the following requirements:
 - Projects targeting low-income individuals and families as defined by the jurisdiction in which the units are built or by Statistics Canada.²² In the case of high-cost of living areas (HCOL) projects may target low- and moderate-income individuals and families. Vancity has communicated to Sustainalytics that it has identified Toronto and Vancouver as HCOL areas as per the percentage of households spending 30% or more of income on housing²³ and that it will follow British Columbia's definition of moderate-income populations.²⁴
 - Projects should ensure that rent remains below 80% of the median market rent of the jurisdiction in which the units are built, or are less than 30% of a household's income before tax.
 - Vancity may finance affordable homeownership projects including those using rent-to-own models, shared equity or shared appreciation mortgages, or discounted down payment loans. Such projects will ensure affordability by limiting monthly mortgage payments below 30% of median household income.

¹⁸ "Indigenous peoples is a collective name for the original peoples of North America and their descendants. Often, "Aboriginal peoples" is also used. The Canadian Constitution recognizes 3 groups of Aboriginal peoples: Indians (more commonly referred to as First Nations), Inuit and Métis". At: <https://www.rcaanc-cirnac.gc.ca/eng/1100100013785/1529102490303>

¹⁹ There are 25 self-government agreements across Canada involving 43 Indigenous communities. At: <https://www.rcaanc-cirnac.gc.ca/eng/1100100032275/1529354547314>

²⁰ Vancity will follow the definition of micro, small, and medium-sized enterprises 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, the loan falls within the relevant MSME loan size proxy. More at: https://www.ifc.org/wps/wcm/connect/b8f8dde7-893b-4809-873c0c825f0284ef/InterpretationNote_SME_2012.pdf?MOD=AJPERES&CVID=mUtZ1jJ#:~:text=IFC%20defines%20SMEs%20as%20registered,a%20minimum%20number%20of%20employees

²¹ Based on relevant definitions by Canada Housing & Mortgage Corporation ("CMHC") or British Columbia Affordable Rental Housing or Statistics Canada.

²² Statistics Canada, "low-income definitions", at <https://www150.statcan.gc.ca/n1/pub/75f0011x/2012001/notes/low-faible-eng.htm>

²³ Statistics Canada, "Percent of households spending 30% or more of income on shelter cost by tenure, 2016 and 2021", at: <https://www150.statcan.gc.ca/n1/daily-quotidien/220921/t004b-eng.htm>

²⁴ "For residential units with less than two bedrooms, a gross household income that does not exceed the median income for couples without children. For 2022, this figure in BC is CAD 77,430 (compared to CAD 75,730 last year). For residential units with two or more bedrooms, a gross household income that does not exceed the median income for families with children. For 2022, in BC this figure is CAD120,990 (compared to CAD 117,080 last year)." British Columbia Housing, "Low and Moderate Income Limits", at: <https://www.bchousing.org/glossary#L>

- The Framework stipulates that financing mixed-use developments will be on a pro-rata basis limited to the percentage of affordable units meeting the Framework's eligibility criteria.
 - Additionally, the Framework stipulates that shelters, supportive, transitional, and non-market housing²⁵ projects will be owned and operated by non-profits, housing co-operatives, community land trusts, Indigenous entities, or public housing programs.
 - Under the Access to Financial Services and Socio-economic Advancement category, Vancity intends to finance programmes that enable expanded access to financial services. This includes lending to underserved and unbanked individuals, SMEs and not-for profit organizations that serve or fall under the following target populations: i) located in socio-economically disadvantaged low-income communities as defined by Statistics Canada, ii) Black-owned businesses; or iii) refugees.
 - Vancity communicated that expenditures under this category will provide financial advantages to the target populations without a strong credit history, such as microloans and lending.
 - The Framework excludes the financing of businesses or projects associated with fossil fuels, tobacco, alcohol, weapons, gambling and adult entertainment. Sustainalytics considers that these exclusions strengthen the Framework.
- Project Evaluation and Selection:
 - Vancity's Sustainability Issuance Committee (the "Committee") will be responsible for reviewing, selecting and approving the pool of eligible expenditures in line with the Framework's eligibility criteria. The Committee is chaired by the Chief Financial Officer and comprises representatives from the Risk, Treasury, Impact Strategy, Accountability Reporting, and Community Business and Real Estate departments.
 - Vancity assesses the environmental and social risks related to its lending practices. This is applicable to all allocation decisions made under the Framework. For additional details, please see Section 2.
 - Based on the allocation of responsibilities and presence of risk management processes, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Vancity's Committee will be responsible for overseeing the management of proceeds and will track the eligible assets for investment using a sustainability issuance register.
 - Vancity intends to reach full allocation of proceeds within 36 months of issuance. Sustainalytics notes that the Issuer will manage the net proceeds from the issuances through a portfolio approach. Sustainalytics considers it to be a good practice to ensure continuous allocation so that, as the underlying eligible loans in the pool are amortized or removed for any reason, the pool will be replenished such that the value of outstanding eligible loans remain equal to or greater than the net proceeds.
 - Pending full allocation, unallocated proceeds may be temporarily 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.
 - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Vancity intends to publicly report on the allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the net proceeds raised from each sustainability issuance, the amount allocated (in aggregate or per eligible category), the balance of unallocated proceeds and the share of proceeds used for financing versus refinancing. The allocation report will be assured to a limited level by a third-party consultant.
 - Vancity is committed to annually reporting on relevant impact metrics, such as annual GHG emissions reduced or avoided (in tCO₂e), the total gross floor area of green real estate (in m²), the number of electric vehicles financed, the number of loans provided and the number of housing units developed, built or refurbished. Vancity has confirmed to Sustainalytics that the impact reporting will also be publicly available on its website.

²⁵ "Non-market housing" is housing that is neither bought nor sold, but can only be occupied and rent is paid to property owner which may be the government, a non-profit group, or a co-operative.

- Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment of Deposits with Market Expectations

Sustainalytics is of the opinion that the Vancity Sustainability Issuance Framework is credible and that the deposits²⁶ will fund overall impactful social and environmental projects. Sustainalytics further notes the alignment of the Framework with the concepts underpinning the sustainable finance market, namely those of impact and transparency.

- Impact
The Framework will advance the sustainability objectives of Vancity by investing in projects with positive environmental and social impact.
- Transparency
Transparency is recognized as a key principle with regards to sustainable finance, as it provides assurance that investments are delivering positive impact. Sustainalytics highlights the following elements of the Framework that facilitate transparency to clients:
 - Disclosures regarding management of proceeds
 - Vancity has confirmed to Sustainalytics that the deposit proceeds will be earmarked separately from bond proceeds.
 - Vancity intends to allocate the proceeds towards eligible projects within 36 months.
 - Pending allocation, or in case the eligible projects pool does not meet or exceed the net proceeds of all relevant deposits, the excess proceeds will 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. Sustainalytics considers this level of disclosure to investors as sufficient to ensure the credibility of the management of proceeds.
 - Reporting
 - Vancity will provide consolidated annual allocation and impact reports. These reports will include environmental and social impact metrics and will include information regarding the proceeds of all sustainable financing instruments, including deposits, to ensure accurate funding and asset pool matching of funds.
- Vancity has communicated its intent to ensure no double accounting across all allocation and impact reporting commitments made under the Framework.

Section 2: Sustainability Strategy of Vancity

Contribution to Vancity's sustainability strategy

Sustainalytics is of the opinion that Vancity demonstrates a commitment to sustainability with a focus on three key environmental and social pillars: i) people; ii) planet; and iii) profit.²⁷

In a bid to support local communities, every year the Company gives back the equivalent of 30% of its net income through its Shared Success programme to its member-owners and to local communities.²⁸ Since 1994, Vancity has given more than USD 422.3 million to its members and communities.²⁹ For example the Vancity Affordable Housing Accelerator Fund is instrumental in the Company's strategy with regard to housing affordability, as it provides loans for supporting the predevelopment phase of affordable housing development projects. Since 2011, the fund has supported the development of 4,450 affordable rental homes across 59 housing projects through loans to non-profit housing organizations.³⁰ Vancity also participates in various national and international initiatives related to environmental and social sustainability, including the UN Environment Programme Finance Initiative's Principles for Responsible Banking, the Global Alliance for Banking on Values, the Black Entrepreneurship Program, the Sustainable Finance Action Council and Finance for Biodiversity, which is reflective of the Company's commitment to supporting projects that provide financial

²⁶ Sustainalytics notes the Framework allows for deposits for both retail and commercial customers of Vancity. It further notes that the Framework does not define the term of the deposits (fixed-term or perpetual saving accounts)..

²⁷ Vancity, "Accountability Statements", (2021), at:

<https://www.vancity.com/AboutVancity/GovernanceAndLeadership/OurReports/2021VancityAccountabilityStatements.pdf>

²⁸ Vancity, "Vancity Shared Success", at: <https://www.vancity.com/AboutVancity/Membership/MemberBenefits/SharedSuccess/>

²⁹ Ibid.

³⁰ Vancity, "Annual Report", (2021), at: <https://www.vancity.com/AboutVancity/GovernanceAndLeadership/OurReports/2021VancityAnnualReport.pdf>

access to underserved individuals and enable the transition to a low-carbon, climate-resilient economy required to limit global warming.³¹

Vancity has been carbon neutral in its operations since 2008.³² Further, to reduce emissions from its lending portfolio, in 2019, the Company committed to tracking and disclosing financed emissions using the Partnership for Carbon Accounting Financials' Global GHG Accounting and Reporting Standard. Vancity is also committed to achieving net zero GHG emissions across all its mortgages and loans by 2040.³³ Additionally, Vancity has established interim targets to achieve a 17% reduction in absolute financed emissions for residential buildings and 27% for commercial real estate service buildings by 2025 from a 2019 baseline.³⁴ In 2021, Vancity became the first Canadian financial institution to sign on to the Net-Zero Banking Alliance.³⁵ In the same year, Vancity Investment Management joined the Net Zero Asset Managers Initiative and it has established interim targets as part of their 2050 net-zero target across its investment portfolio.³⁶ Furthermore, Vancity has plans to work on aligning its operational emissions with science-based targets and setting interim trajectory goals, as well as determining its net zero goal for operational emissions.³⁷

Sustainalytics is of the opinion that the Vancity Sustainability Issuance Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues related to land use and biodiversity risks associated with infrastructure development, waste and effluents generated during building construction, predatory lending, occupational health and safety, and community relations.

Sustainalytics is of the opinion that Vancity is able to manage or mitigate potential risks through the implementation of the following:

- The Company manages its social and environmental risks through its established lending and investment policies and its environmental risk assessment policy.^{38,39} Vancity has confirmed to Sustainalytics that the above mentioned risks are covered as part of its lending due diligence process. The loan underwriting processes include an assessment of potential financial, legal, and reputational risks associated with environmental and social issues. Further, through its Ethical Principles for Business Relationships,⁴⁰ the Company commits to implementing and following sustainability-related practices, including environmental and social protections, in its business engagements to minimize potential risks.
- Business loans and commercial mortgages are assessed at the time of the loan application and are subject to environmental due diligence. Additionally, site visits to identify environmental and social issues are a mandatory prefunding condition. Furthermore, the Company reserves the right to decline financing for business and commercial activities that may have significant adverse environmental or social consequences.
- Vancity has established a Statement of Values and Commitments⁴¹ encompassing responsible lending practices and its commitment to give trustworthy advice and offer products and services to customers to meet their unique financial needs. Additionally, Vancity offers financial literacy programmes to make financial education more accessible to the community and members in

³¹ Vancity, "Accountability Statements", (2021), at:

<https://www.vancity.com/AboutVancity/GovernanceAndLeadership/OurReports/2021VancityAccountabilityStatements.pdf>

³² Ibid.

³³ Vancity, "2025 climate targets", at: <https://rethink.vancity.com/climate-action/net-zero#2025-climate-targets>

³⁴ Ibid.

³⁵ UNEP Finance Initiative, "Members", at: <https://www.unepfi.org/net-zero-banking/members/>

³⁶ Vancity, "VCIM is committed to net-zero, and calling for more.", at: <https://rethink.vancity.com/actions/vcim-is-committed-to-net-zero-and-calling-for-more>

³⁷ Vancity, "Accountability Statements", (2021), at:

<https://www.vancity.com/AboutVancity/GovernanceAndLeadership/OurReports/2021VancityAccountabilityStatements.pdf>

³⁸ Vancity has shared its lending and investment policies with Sustainalytics confidentially.

³⁹ Vancity has shared its environmental risk assessment policy with Sustainalytics confidentially.

⁴⁰ Vancity has shared its Ethical Principles for Business Relationships document with Sustainalytics confidentially.

⁴¹ Vancity, "Vancity's Statement of Values and Commitments", at: <https://www.vancity.com/SharedContent/documents/sovac.pdf>

collaboration with the Canadian Credit Union Association.⁴² Vancity's Lending Policy⁴³ and its "Market Conduct Code"⁴⁴ also ensure that individual borrowers are not subject to unfair loan terms.

- Vancity has operations in Canada, which is recognized as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance systems, legislation and institutional capacity to mitigate common environmental and social risks associated with projects financed under the Framework.⁴⁵

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Vancity has in place adequate measures and is well positioned to manage or mitigate environmental and social risks commonly associated with projects in the eligible categories.

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

The role of green buildings in reducing GHG emissions in Canada

The buildings sector is a key contributor to GHG emissions in Canada. Although the energy intensity of buildings in Canada has fallen in recent years, absolute energy demand has increased by 8% for residential buildings and 35% for commercial buildings between 1990 and 2015.⁴⁶ The Canadian building sector contributes 13-18% to the country's GHG emissions, making it the third largest emitting sector.⁴⁷ Space heating, which is primarily powered by fossil fuels, consumes the largest share of a building's energy (64%), followed by water heating (17%), appliances (14%), lighting (4%) and space cooling (2%).^{48,49}

As a signatory to the Paris Agreement, Canada has committed to net zero GHG emissions by 2050.⁵⁰ In 2016, Canada committed to reducing its emissions by 30% below 2005 levels under the Pan-Canadian Framework on Clean Growth and Climate Change.^{51,52} The country updated its Nationally Determined Contributions in 2021 to reduce its GHG emissions by 40-45% below 2005 levels to achieve net zero emissions by 2050.^{53,54} In line with this target, the Government of Canada has committed to investing CAD 150 million (USD 110 million) in the Canada Green Buildings Strategy.⁵⁵ Furthermore, the government has set goals to reach a 37% emission reduction in the buildings sector by 2030 below 2005 levels and net zero emissions by 2050.⁵⁶ These commitments include strengthening codes to ensure that new buildings are more energy efficient,

⁴² Vancity, "Accountability Statements", (2021), at:

<https://www.vancity.com/AboutVancity/GovernanceAndLeadership/OurReports/2021VancityAccountabilityStatements.pdf>

⁴³ Vancity has shared its Lending Policy with Sustainalytics confidentially.

⁴⁴ Vancity, "Our Market Conduct Code", at: <https://www.vancity.com/Legal/MarketCodeofConduct/>

⁴⁵ Equator Principles, "Designated & Non-Designated Countries", at: <https://equator-principles.com/designated-countries/>

⁴⁶ Government of Canada, "Reducing Greenhouse Gas Emission from Canada's Built Environment", (2018), at:

https://sencanada.ca/content/sen/committee/421/ENEV/reports/ENEV_Buildings_FINAL_e.pdf

⁴⁷ Government of Canada, "Green Buildings", at: <https://www.nrcan.gc.ca/energy-efficiency/green-buildings/24572>

⁴⁸ Government of Canada, "Annex: Home and Buildings", (2021), at: <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/healthy-environment-healthy-economy/annex-homes-buildings.html>

⁴⁹ Government of Canada, "Heating equipment for residential use", (2022), at: <https://www.nrcan.gc.ca/energy-efficiency/energy-efficiency-products/product-information/heating-equipment-residential-use/13740>

⁵⁰ Government of Canada, "Progress Towards Canada's Greenhouse Gas Emissions Reduction Target", (2021), at:

<https://www.canada.ca/content/dam/eccc/documents/pdf/cesindicators/progress-towards-canada-greenhouse-gas-reduction-target/2021/progress-ghg-emissions-reduction-target.pdf>

⁵¹ Government of Canada, "Pan-Canadian Framework on Clean Growth and Climate Change", (2017), at:

https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework/introduction.html#1_4

⁵² Government of Canada, "2030 Emissions Reduction Plan", (2022), at: <https://www.canada.ca/content/dam/eccc/documents/pdf/climate-change/erp/Canada-2030-Emissions-Reduction-Plan-eng.pdf>

⁵³ UNFCCC, "Canada's 2021 Nationally Determined Contribution Under the Paris Agreement", (2021), at:

https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Canada%20First/Canada%27s%20Enhanced%20NDC%20Submission1_FINAL%20EN.pdf

⁵⁴ Government of Canada, "Net-Zero Emissions by 2050", (2022), at: <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/net-zero-emissions-2050.html>

⁵⁵ Government of Canada, "2030 Emissions Reduction Plan- Sector-by-sector overview", (2022), at:

<https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/emissions-reduction-2030/sector-overview.html#sector2>

⁵⁶ Government of Canada, "The Canada Green Buildings Strategy", (2022), at: <https://www.rncanengagenrcan.ca/en/collections/canada-green-buildings-strategy>

incentivizing the retrofit of existing buildings, encouraging fuel switching, improving the efficiency of appliances and equipment, and supporting mandatory energy labelling and disclosure.⁵⁷

Based on the above, Sustainalytics is of the opinion that eligible projects under the Framework have the potential to contribute to the emissions reductions in Canada's building sector and thereby to its path towards achieving its national GHG reduction targets.

The need for affordable housing in Canada

In 2021, one in 10 Canadian households lived in core housing need – defined as living in “an unsuitable, inadequate or unaffordable dwelling and cannot afford alternative housing in their community”.⁵⁸ Over the past decade, unaffordable housing – measured by the number of households that spend 30% or more of their income on shelter costs – has been particularly acute for those living in large urban centres and those who rent.⁵⁹ In 2021, British Columbia (25.5%) and Ontario (24.2%) had the highest rates of unaffordable housing due to their renter-heavy urban centres in the Vancouver (29.8%) and Toronto (30.5%) metropolitan areas.⁶⁰ Although Canada's national rate of unaffordable housing fell from 24.1% in 2016 to 20.9% in 2021, a significant portion of this improvement was due to COVID-19 government benefits.⁶¹ Housing affordability is expected to suffer as these benefits have been phased out in 2022 and the cost of housing increased due to high inflation and growing interest rates.⁶² Meanwhile, if current rates of new construction continue, Canada's housing stock is expected to be 3.5 million houses short of the more than 22 million units required to achieve affordability by 2030.⁶³

From 2011 to 2017, the Government of Canada spent more than CAD 1.4 billion (USD 1 billion) through the Investment in Affordable Housing plan which provided federal funding to build new homes, execute renovations and support families in need.⁶⁴ In 2017, the government announced the new National Housing Strategy (NHS), through which it has pledged an additional CAD 72 billion (USD 53.9 billion) towards housing over the next decade.⁶⁵ With a combination of grants, loans, and funding initiatives, the NHS is meant to cut chronic homelessness in half and encourage a new approach to housing that is mixed-income, mixed-use, accessible and sustainable.⁶⁶ By 2020, when the first triennial NHS report was published, the Government of Canada had committed CAD 22.12 billion (USD 16 billion) to the construction of new homes, building repairs and the continuing availability of community housing.⁶⁷ According to the 2022 federal budget, substantial investments into affordable housing will continue. In the budget, the Government of Canada intends to focus on doubling housing construction, offering more robust protections for buyers and renters, curbing blind bidding and foreign investment in housing, and increasing financial support for the most vulnerable populations.⁶⁸

Considering the above, Sustainalytics is of the opinion that the affordable housing use of proceeds category is expected to create a positive social impact by increasing the availability and accessibility of affordable housing in Canada.

⁵⁷ Ibid.

⁵⁸ Statistics Canada, “Core housing need in Canada”, (2022), at: <https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2022056-eng.htm>

⁵⁹ Statistics Canada, “To buy or to rent: The housing market continues to be reshaped by several factors as Canadians search for an affordable place to call home”, (2022), at: <https://www150.statcan.gc.ca/n1/daily-quotidien/220921/dq220921b-eng.htm?indid=32991-2&indgeo=0>

⁶⁰ Ibid.

⁶¹ Statistics Canada, “To buy or to rent: The housing market continues to be reshaped by several factors as Canadians search for an affordable place to call home”, (2022), at: <https://www150.statcan.gc.ca/n1/daily-quotidien/220921/dq220921b-eng.htm?indid=32991-2&indgeo=0>

⁶² Ibid.

⁶³ Canadian Mortgage and Housing Corporation, “Canada's Housing Supply Shortage: Restoring affordability by 2030”, (2022), at: <https://www.cmhc-schl.gc.ca/en/blog/2022/canadas-housing-supply-shortage-restoring-affordability-2030>

⁶⁴ Canadian Mortgage and Housing Corporation, “Investment in affordable housing (IAH)”, (2022), at: <https://www.cmhc-schl.gc.ca/en/professionals/industry-innovation-and-leadership/industry-expertise/affordable-housing/provincial-territorial-agreements/investment-in-affordable-housing>

⁶⁵ Canada Mortgage and Housing Corporation, “National Housing Strategy: What is the Strategy?”, (2018), at: <https://www.cmhc-schl.gc.ca/en/nhs/guidepage-strategy>

⁶⁶ Ibid.

⁶⁷ Government of Canada, “Progress on the National Housing Strategy”, (2022), at: <https://www.placetocallhome.ca/progress-on-the-national-housing-strategy>

⁶⁸ Government of Canada, “Making Housing More Affordable”, (2022), at: <https://www.canada.ca/en/department-finance/news/2022/04/making-housing-more-affordable.html>

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Vancity Sustainability Issuance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable cities and communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.
Clean Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Energy Efficiency	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Indigenous Communities & Businesses	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-,small- and medium-sized enterprises, including through access to financial services.
	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Women Owned/Controlled Business	10. Reduced inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
Affordable Housing	11. Sustainable cities and communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
Access to Financial Services or Socioeconomic Advancement	1. No poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

Conclusion

Vancity has developed the Vancity Sustainability Issuance Framework under which it intends to issue sustainability financings which include bonds, loans, commercial paper and deposit products; and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to improve the financial, environmental and social well-being of its communities and individuals.

The Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for Vancity to report on the allocation and impact of their use. Sustainalytics believes that the Framework is aligned with the Company's sustainability strategy and that the eligible categories are expected to contribute to the advancement of the UN SDGs 1, 7, 8, 10 and 11. Additionally, Sustainalytics is of the opinion that Vancity has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is of the opinion that Vancity is well positioned to issue sustainability bonds and that the Vancity Sustainability Issuance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021 and the Social Loan Principles 2021.

Appendices

Appendix 1: Examples of Impact Reporting Metrics

Eligible Categories	Examples of Impact Reporting Metrics
Green Buildings	Number of buildings with specified certification level Total gross floor area of green real estate (ft ²)
Renewable Energy	Annual GHG emissions reduced/avoided in tonnes of CO ₂ 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 CO ₂ 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 Majority Women Owned Businesses	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 number of beneficiaries of non-profit organizations

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Vancity
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Vancity Sustainability Issuance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 23, 2023

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Green Buildings, Clean Energy, Energy Efficiency, Clean Transportation, Indigenous Communities and Businesses, Women Owned and Controlled Business, Affordable Housing, and Access to Financial Services and Socioeconomic Advancement – are aligned with

those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 7, 8, 10 and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): |
| | 1. Women Owned and Controlled Business |
| | 2. Indigenous Communities and Businesses |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Vancity's Sustainability Issuance Committee will be responsible for evaluating and selecting projects in line with the eligibility criteria under the Framework. The Committee is chaired by the Chief Financial Officer and comprises of representatives from the Risk, Treasury, Impact Strategy, Accountability Reporting, and Community Business and Real Estate departments. Sustainalytics considers the environmental and social risk management systems to be adequate and the project and the selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Vancity's Sustainability Issuance Committee will be responsible for overseeing the management of proceeds. Vancity intends to allocate all proceeds within 36 months of issuance. Pending full allocation, unallocated proceeds may temporarily 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. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Vancity intends to publicly report on the allocation of proceeds on its website on an annual basis until full allocation. Vancity is also committed to reporting on relevant environmental and social impact metrics. Sustainalytics views Vancity's allocation and impact reporting commitments as aligned with market practice.

Use of proceeds reporting:

- | | |
|---|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input checked="" type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|---|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input checked="" type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Please refer to Appendix 1. |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Standalone report to be published on Vancity's website. |

- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

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