

CANADIAN  
credit union  
social  
responsibility

# A ROAD MAP FOR THE DEVELOPMENT OF A SUSTAINABILITY STRATEGY

# ACKNOWLEDGMENTS

The author acknowledges the support of participating credit unions in helping to inform this guide. Their observations were insightful and their commitments inspiring. Credit Union Central of Canada (Canadian Central) also deserves recognition for perceiving the significance of this trend to Canadian credit unions. Finally, the author would like to thank her colleagues at Vancity Credit Union and the credit unions she has worked with over the years on sustainability strategy, as this experience has helped create the pioneering Road Map to move the credit union system toward greater economic, social, and environmental sustainability.

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# EXECUTIVE SUMMARY AND COMMENTARY

By Brigitte Goulard  
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Tom's not a runner. Don't get me wrong, he looked like one. In his bright new athletic shoes, brand-name sunglasses, and race day shirt and bib, he fit in with the crowd. But somewhere between the nine kilometre mark and the start of a shooting pain originating from the third toe of his right foot and his almost complete loss of forward momentum, the conclusion was unavoidable. My friend had casually signed up for his first half marathon confident that he was more fit than most men his age. That was true. But as race day approached, he hadn't trained or changed much about his routine at all. The pain in his foot and his shortness of breath served as evidence of this.

His mistake was that while Tom looked and felt like a runner, he had never started thinking like one.

Tom's story isn't just for middle-aged golfers with an occasional weakness for steak sandwiches; there's also something in it for credit unions who are taking a critical eye to how they approach their community involvement and social responsibility.

From the beginning, long before anyone would stitch the phrase "corporate social responsibility" together to describe the deliberate inclusion of community concerns in business decision making, credit unions have been inspired to achieve what Alphonse Desjardins called "the expression in the field of economics of a high social ideal."

Over the last century, individual credit unions have developed an impressive array of programs and community investments, resulting in increased financial literacy among school kids, more banking services for inner-city residents, micro-finance for small entrepreneurs, low-cost financing for affordable housing, and more environmentally sustainable branches.

But while credit unions long ago embraced social responsibility as an essential part of what they do, fewer have made it a core part of their strategic vision and business plan. However, this is changing. In Canada and internationally, more and more credit unions are beginning to take steps towards more mission-driven social responsibility. They are communicating their intentions, making staff responsible for championing them, setting goals, and assessing and improving their performance. They are still doing the right thing, but they are being much more deliberate about it. Just like in Tom's case, the key is to take the steps necessary to transform a subconscious belief into intentional outcomes.

## WHAT'S THE BIG IDEA?

Increasingly, credit union social responsibility is less about changing what we do, and more about changing how we think. Once we decide to think strategically about financial literacy, for example, we can begin to measure the reach and effectiveness of our financial literacy programs and strive to improve outcomes for our members, employees and broader community stakeholders. But implicit in this is agreeing that social responsibility will be a core mission of the credit union; which also means setting goals, assigning resources and measuring performance, just as we do with revenues or return on investment.

That's the idea behind the approach that Coro Strandberg explains in this Road Map.

Drawing extensively on interviews with credit union system experts in Canada, the United States and Australia, Strandberg has collected a multitude of practical examples and concluded with ten case studies of leading credit unions who are successfully managing their social responsibility strategies.

## WHAT'S IN THIS FOR CREDIT UNIONS?

The corporate social responsibility (CSR) mega-trend continues to rapidly transform the way businesses operate, driven in large measure by the changing expectations of Canadians.

A recent survey found that the share of those who strongly agree that doing the basics - being profitable, paying taxes and providing jobs - is enough to be considered "socially responsible" has not grown in the past decade. Meanwhile the share that says corporations need to be more accountable, ethical and responsible has grown greatly in the past five years.<sup>1</sup> Another found that nearly 80 per cent of those under 35 years of age said they would likely switch to the competitor of a company they had a negative impression of – a far greater share than Canadians overall.<sup>2</sup>

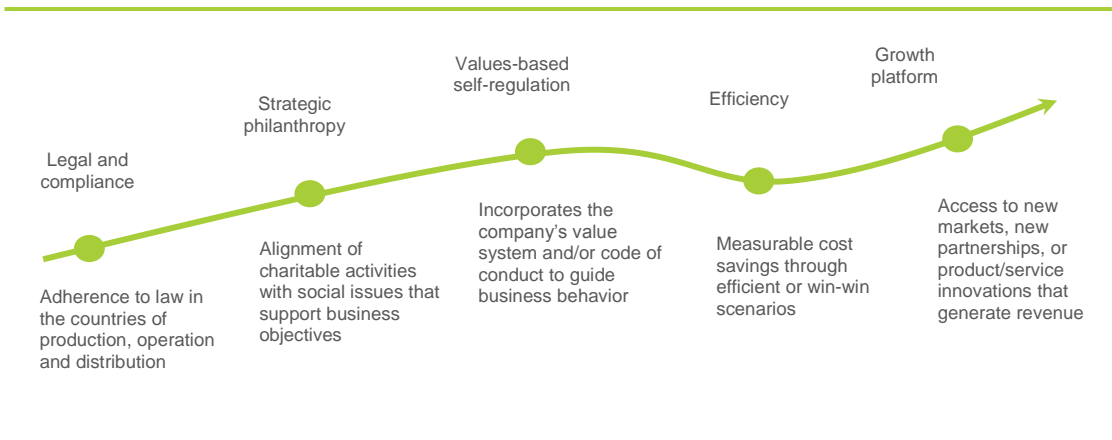
Credit unions are starting from an advantaged position. Returning profits to the communities we serve through social responsibility initiatives is considered a core-competency and point of differentiation for credit unions. Enhancing this advantage is crucial.

This means keeping pace with the changing expectations of Canadians, along with our traditional stakeholders: members, employees, and our communities. The credit unions who are doing this have responded by further engraining CSR principles and practices into their operations. The best practices of this approach are outlined in the Road Map.

Part of Strandberg’s methodology is a five-stage corporate social responsibility (CSR) continuum based on the approach and practices of credit unions, from “Pre-CSR” to the final stage of “Mission-driven CSR.” Credit union boards and managers can decide where they want to situate themselves on this continuum. The Road Map provides a 10-step approach credit unions can borrow from, either in whole or in part, that will take them from the early preparation stage to identifying opportunities that will improve CSR performance so that your every next step is towards the finish line.

Canadian Central is especially pleased to publish the *Credit Union Social Responsibility: A Road Map for the Development of a Sustainability Strategy* jointly with the Filene Research Institute. The Filene Research Institute (Filene) is an independent United States-based think-tank dedicated to innovative research and scientific analysis about emerging issues vital to the future of credit unions and consumer finance. Much of the research being produced by Filene has direct applicability for Canadian credit unions. Originally produced by Filene in 2009, the Road Map is a perfect example of how credit unions on both sides of the border are confronting similar challenges. We would like to thank Mark Meyer and the staff at Filene for their help through this cross-border collaboration, as well as to Coro Strandberg for conducting additional research for this version. For more information about Filene, visit [www.filene.org](http://www.filene.org).

**Figure 1: Corporate Social Responsibility Curve**



Source: IBM Institute for Business Value ([www-935.ibm.com/services/us/gbs/pdf/gbe03019-usen-02.pdf](http://www-935.ibm.com/services/us/gbs/pdf/gbe03019-usen-02.pdf))

## ABOUT THE AUTHOR



### CORO STRANDBERG

Coro Strandberg is the principal of Strandberg Consulting, which provides strategic, facilitation, and coaching services to businesses seeking to integrate social and environmental factors into their governance, strategy, and operations. She is a past director and chair of Vancity Credit Union in British Columbia where she was instrumental in helping to position the credit union as a leader in corporate social responsibility. Coro has provided training on corporate social responsibility to credit union managers and directors and has helped more than a dozen credit unions develop corporate social responsibility and sustainability strategies. She is a global thought leader in the areas of sustainable governance; sustainable purchasing; sustainable human resource management; and sustainable finance, insurance, and asset management. Prior to her consultancy, Coro was the director of social policy for the Government of British Columbia, and prior to that she was the social planner for the city of Surrey, one of the fastest-growing municipalities in Canada.

# ABOUT THIS GUIDE

**T**his is a guide for credit union executives, staff, and board members who are interested in the opportunity of generating business and community value through the development and implementation of a corporate social responsibility (CSR) or sustainability strategy. The guide provides a general overview of CSR and sustainability as they relate to the retail financial services sector, trends, and drivers, and a business case for integrating sustainability into your credit union's existing business plan. It introduces the idea of how credit unions can update their governance, operating, management, and reporting systems to further embed sustainability into their DNA and to empower employees, members, and communities to learn and innovate together along the CSR and sustainability path. The Road Map is intended to help credit unions develop and implement their sustainability strategy in a stepwise fashion.

The guide is informed throughout by the experience of ten leading credit unions from Canada, the United States, and Australia that have been trailblazers in the development of credit union social responsibility / sustainability initiatives and strategies. Case studies of these ten credit unions are presented throughout this guide, and advice and insights from their leaders are woven throughout the various chapters. Their thoughts on the business case, critical success factors, and the future of sustainable finance shed light on the opportunities and the challenges credit unions face as they embark on this journey. Key resources are provided for those credit unions that wish to explore this subject on a deeper level.

This guide has been adapted from its original version which was sponsored by the Filene Research Institute in 2009 for an American credit union audience. Canadian Central extends its appreciation to Filene for granting permission to "Canadianize" and jointly republish its original publication.

The guide focuses on retail banking. While many credit unions have insurance operations and offer wealth management services for their members, the bulk of this guide focuses on traditional credit union lending and deposit-taking services. Like banking, insurance and asset management are undergoing a transformation as these finance sectors tackle the opportunities and challenges of sustainability. A key resource in understanding the trends and drivers in these business lines is the United Nations Environment Program Finance Initiative web site ([www.unepfi.org](http://www.unepfi.org)). There you will find information on sustainable underwriting principles, sustainable claims management, and responsible investment guidelines.

## METHODOLOGY

This guide was developed based on the experience of the author in the development and implementation of over a dozen CSR and sustainability strategies for Canadian credit unions, as well as sustainability strategies for other sectors such as insurance, asset management, transportation, sporting events (the 2010 Winter Olympics), and forestry. Some of the trends, drivers, and best practice information were derived from a seminal study on sustainable finance conducted by the author in 2005 for the Canadian credit union system [sponsored by Assiniboine Credit Union, Coast Capital Savings and Credit Union, Concentra Financial Services Association, The Co-operators, Central 1 Credit Union (formerly Credit Union Central of British Columbia), Credit Union Central of Canada, The CUMIS Group, Northwest and Ethical (formerly Ethical Funds), First Calgary Financial (formerly First Calgary Savings), Meridian Credit Union, and Vancity Credit Union], which looked at global best practices and interviewed international thought leaders on sustainable finance (reference details are in the Resources section).

Finally, the case study credit unions were selected in consultation with Canadian Central and Filene through a process that identified leading credit unions in Canada, Australia, and the United States. The Canadian credit unions were selected based on the duration and comprehensiveness of their sustainability strategies. The American credit unions were solicited via an open survey process on the Filene web site for a one-month period. The Australian credit union was selected because it has been implementing a comprehensive strategy for a number of years and because including it introduced geographic diversity.

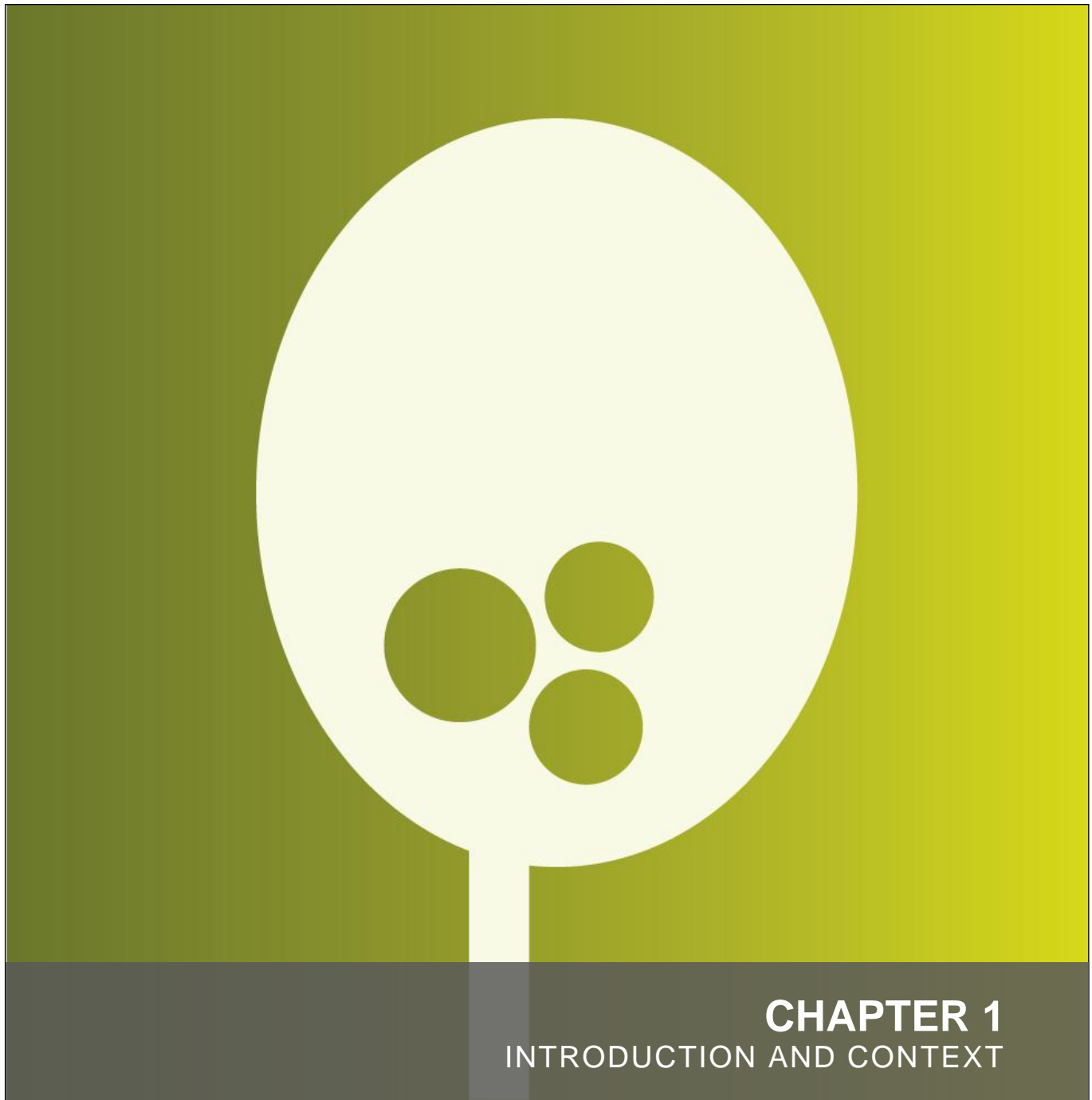
The report is divided into four chapters: Chapter 1 provides the background and context of sustainability; Chapter 2 provides an overview of the trends, drivers, and business case for sustainability; Chapter 3 provides a road map for credit unions that wish to develop a credit union social responsibility or sustainability strategy for their business; and Chapter 4 is a look into the future of sustainable finance and the implications for Canadian credit unions.

## TEN CASE STUDY CREDIT UNIONS

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- Alterna Savings Credit Union, Ontario
- Bergengren Credit Union, Nova Scotia
- Northern Savings Credit Union, British Columbia
- Bethpage Federal Credit Union, New York
- Whatcom Educational Credit Union, Washington
- Assiniboine Credit Union, Manitoba
- First Calgary Financial, Alberta
- Vancity Credit Union, British Columbia
- Missoula Federal Credit Union, Montana
- mecu Limited, Australia





## CHAPTER 1

### INTRODUCTION AND CONTEXT

Corporate social responsibility is a trend that is reshaping business. Grown from co-operative roots, credit unions have led in this area, but that lead is eroding. Credit unions can reimagine their relationships with their employees, communities, and members as well as the environment in which they operate in order to create both social and business value.

Credit unions were first founded in Canada over a century ago. Then and since, credit unions have been attracting members and growing their business through an unrelenting focus on the “credit union difference,” defined as democratically controlled, community focused financial co-operatives aimed at ensuring service for the underserved. This democratic member orientation has generated a strong social brand for credit unions that has served them well to date. However, there is a powerful force, or mega-trend reshaping the business landscape, known as sustainability, or corporate social responsibility. Businesses in all sectors are rethinking how they do business in the face of shifting consumer, investor, and regulatory expectations that businesses manage their social and environmental performance responsibly along with their financial or economic performance. Some businesses, including some financial institutions, are leading the charge, becoming leaders in their sectors and their markets as they innovate and invest in a renewed relationship with their customers, their employees, their communities, and the broader environment. This is a critical time for credit unions to reimagine their social contract with their employees, members, and communities.

“Leading businesses of the future will be those whose core business directly addresses global challenges.”<sup>3</sup>

—WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

As other businesses, including credit union competitors, re-engineer their business models to incorporate a social and environmental ethic, compelled by a range of financial and moral drivers, credit unions need to address their own response to this trend. Indeed, many are coming to discover the opportunity to use credit union social responsibility as a marketplace differentiator. Over the coming decade, the author predicts, “the credit union difference” will be harnessed in service of a strategic and results-oriented social and environmental mandate in ways that create member, community, and business value.

This guide aims to help credit unions understand this territory by providing a definition, the business case, and key trends, including competitor trends. It incorporates a road map for credit unions interested in managing this side of their business to cultivate new benefits in service to their members and communities. Credit unions that advance on this journey will realize a new social license to operate, a reinvigorated mission, and renewed relevance in the marketplace.

## DEFINING SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

There are innumerable terms synonymous with *sustainability* and *corporate social responsibility*. Many people, including the author, use these terms interchangeably. The credit union system has adopted the term *credit union social responsibility* to recognize the inherent and evolving community involvement that is unique to the sector.

Other common terms include *corporate citizenship*; *ESG* (environmental, social, and governance factors in business); *triple-bottom-line* (environment, social, and economic bottom-lines); *corporate responsibility*; *sustainable development*; and *people, planet, and profits*. Some co-operatives prefer the term *co-operative social responsibility*. This kind of diversity is common to any emergent trend and creates the opportunity for credit unions to adapt the terminology that best suits their culture.

However, regardless of the variety, there are a few core elements common to all of these terms that comprise a basic definition of sustainability, applied to the business context: The balanced integration of social, environmental, and economic factors in business decision making, including governance, strategy, and operations, along with consideration of stakeholder interests.

This report will primarily use the term *sustainability*, while the five key elements of the definition—balance; integration; social, environmental, and economic; business decision making; and stakeholders—will be further elaborated on, particularly in Chapter 3.

It bears noting that this orientation to sustainability is rooted in the international co-operative principles that govern all co-operatives, including credit unions. They include:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training, and information
- Cooperation among co-operatives
- Concern for community

These principles—guidelines by which co-operatives put their values into practice - have been updated by the International Co-operative Alliance over the years to maintain their relevance, the most recent revision of which was in 1995. That year, the seventh principle was added, which states in full: “Co-operatives work for the sustainable development of their communities through policies approved by their members.” This commitment provides the direct line of sight from credit union sustainability strategies to the co-operative sector’s defining principles, framing part of the credit union value proposition and helping to distinguish credit unions from their banking competitors.

Similarly, in the autumn of 2010, Credit Union Central of Canada (Canadian Central) adopted a Position Statement on Social Responsibility in which they committed to “take a leadership role in facilitating the exchange of ideas, plans and best practices to help credit unions set, meet and improve their co-operative social responsibility goals”. The Position Statement further stipulated that Canadian Central’s initiatives will be guided by the following four principles:

- Demonstrating co-operative and sustainable governance
- Promoting social inclusion and diversity
- Fostering economic development
- Encouraging environmental sustainability

This Position Statement – which demonstrates the credit union sector’s commitment to “building sustainable communities” – is a strong framework for Canadian credit union leadership on credit union social responsibility and sustainability as a key marketplace differentiator.

The concepts of corporate sustainability and co-operatives’ concern for community can be further refined from the perspective of the financial sector. The unique sustainability risks, impacts, and opportunities of the financial sector, as distinct from other industries such as mining, manufacturing, and retail, become important to understand. As financial institutions concerned with deposit-taking, lending, insurance provision and wealth management services, credit unions have particular roles to play when it comes to social and environmental considerations. This is often referred to as the field of *sustainable finance*. As with sustainability, sustainable finance does not have a universal definition. Indeed, global and regional banks are experimenting with the concept, competing on these grounds in many markets. Essentially, however, sustainable finance refers to the incorporation of environmental and social goals into banking, insurance, and asset management, including products and services and the overall management and operations of the financial institution.

So credit unions, when thinking about their role in sustainability, need to consider how best they can leverage their unique competencies as financial institutions to build their business and enhance community and environmental welfare. They also need to look hard at the ways in which lending, deposit-taking, and the other services they provide enhance or impede environmental and community progress.

## THE SUSTAINABILITY STRATEGY EQUATION

**Sustainability = Do good + Do no harm**

**Strategy = Business case + Goals +  
Plans + Monitoring + Reporting**

Now that we have defined sustainability and corporate social responsibility (CSR), considered the co-operative principle that is home to the sustainability concept, and realized that the financial sector has a particular role in the economy with respect to sustainability, we can consider the larger context. It is important to understand that the past 20 years or so of social experimentation with sustainability concepts applied to business have generated some norms concerning what it means to be a sustainability leader. Credit unions contemplating developing a sustainability or CSR strategy for their operations need to build their approach in recognition of the fact that much of this terrain has been mapped by other industries and other financial institutions in Canada and beyond. Globally, there is considerable cross-fertilization between different industries and geographies, and alert managers and boards need to be aware of these emergent standards.

The author has proposed a continuum of CSR leadership that is very similar to other continuums of sustainability leadership developed around the world. In this continuum, there are five levels of CSR competency, from pre-CSR to basic, proactive, integrated, and mission-driven CSR. In workshops with credit unions, the author typically finds that when studying the continuum, many (though not all) credit unions that thought they were leaders in CSR quickly realize that in fact they might be at the basic or proactive CSR stage.

But it is the author's contention that credit unions (and other co-operatives) are capable of claiming ownership of the highest form of sustainability leadership: mission-driven, in which the mission or purpose of the business is to improve conditions in society, the environment, or both. Credit unions were founded to fill credit gaps in the marketplace; as such they are fundamentally and philosophically mission-driven. However, the author finds it interesting that when credit union representatives review the continuum, some aspire to stage four, while others believe that with dedication, focus, and strategy, they can reach stage five. This diversity speaks to a key philosophical challenge for the credit union sector in terms of how it will evolve in the years ahead. Can credit unions be the "category killer" of mission-driven sustainability in the banking sector in Canada and around the world? If they can take their social purpose to the next level by proactively managing their social and environmental performance to achieve historic levels of sustainability impact, will this position them for a market niche they can uniquely own?

**Figure 2: CSR Continuum**

Stage	Approach
1. Pre-CSR	<ul style="list-style-type: none"> <li>• Does not view itself as responsible for its social or environmental performance</li> <li>• Sees no obligation beyond profits</li> <li>• Adheres to the lowest acceptable or legal standard</li> </ul>
2. Basic CSR	<ul style="list-style-type: none"> <li>• Subscribes to basic level of CSR performance as “good business”</li> <li>• Doesn’t believe business has a responsibility to improve social or environmental conditions</li> <li>• Manages its liabilities by obeying the law and labour, environmental, health, and safety regulations</li> <li>• Bases decisions on compliance considerations—i.e., compliance with norms and laws: What is legally required and charitable?</li> <li>• Takes an ad hoc approach to CSR, typically in response to crisis or vocal stakeholder concerns; focuses on external relations issues</li> </ul>
3. Proactive CSR	<ul style="list-style-type: none"> <li>• Perceives CSR as a strategic business opportunity; identifies areas where CSR can be good for business and invests in those as opportunities</li> <li>• Moves from defence to offense: realizes it can save costs with proactive eco-efficiency and community investment programs</li> <li>• Business model is not influenced by firm’s CSR objectives</li> <li>• Bases decisions on traditional benefit/cost analysis: What is financially justified?</li> </ul>
4. Integrated CSR	<ul style="list-style-type: none"> <li>• CSR objectives affect business model: CSR institutionalized by embedding CSR policies, procedures, and practices throughout operations to ensure integration of sustainability into decision making</li> <li>• Integrates CSR into key business strategies</li> <li>• Anticipates wider consequences of decisions and builds this awareness into decision-making processes</li> <li>• Uses CSR practices as a strategic differentiator</li> <li>• Bases decisions on emerging global norms of integrity, ethics, and justice: What is morally expected?</li> </ul>
5. Mission-driven CSR	<ul style="list-style-type: none"> <li>• Mission or purpose of business is to improve conditions in society or the environment</li> </ul>

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**Figure 2: CSR Continuum Continued**

Stage	Sample practices
1. Pre-CSR	<ul style="list-style-type: none"> <li>• Fights against regulations that promote sustainability</li> <li>• Defends against attacks to its reputation that in the short-term could affect sales, recruitment, productivity, and the brand</li> <li>• Avoids environmental and social measures not required by law</li> </ul>
2. Basic CSR	<ul style="list-style-type: none"> <li>• Has informal or limited corporate commitment to CSR</li> <li>• Has informal and ad hoc CSR programs</li> <li>• Has charity, staff, customer, and environmental programs that are basic, traditional, and minimal</li> <li>• Treats environmental and social initiatives as costs</li> <li>• Develops and implements policies and procedures in order to minimize any social or environmental damage that might result from their business activities</li> <li>• May inform selected stakeholders of activities, for example, customers or government</li> <li>• Focuses communication on marketing and public relations</li> <li>• Does no CSR reporting, beyond a basic promotional summary of community activities</li> </ul>
3. Proactive CSR	<ul style="list-style-type: none"> <li>• Incorporates CSR into vision, mission, and values, though doesn't integrate CSR system into its performance management program</li> <li>• Has one or two CSR business strategies to grow markets, generate revenue, and improve conditions—e.g., a renewable energy business line for an oil and gas company, affordable housing or microfinance programs for banks and credit unions</li> <li>• Manages sustainability function entirely in specialty department</li> <li>• Develops partnerships with stakeholders to identify innovative product and service solutions</li> <li>• Does more substantive CSR reporting, including a few CSR indicators</li> </ul>
4. Integrated CSR	<ul style="list-style-type: none"> <li>• Incorporates CSR into vision, mission, values</li> <li>• CSR overseen by board and CEO management/leadership</li> <li>• Integrates CSR into performance management systems</li> <li>• Makes CSR commitment, develops policy to formalize commitment: creates programs to implement policy, evaluates success and measures progress, involves stakeholders in program development and evaluation, reports on CSR progress</li> <li>• Establishes formal and consistent CSR programs, CSR is integrated into corporate objectives, key business strategies, and business plans</li> <li>• Identifies and manages its positive and negative socioeconomic and environmental impacts</li> <li>• Establishes and tracks performance against stretch indicators of success, benchmarks performance against other companies and industries</li> <li>• Engages stakeholders in two-way CSR dialogues, involves them in developing strategic business objectives as they relate to CSR goals</li> <li>• Promotes CSR within industry</li> <li>• Focuses marketing efforts on reputation management</li> </ul>
5. Mission-driven CSR	<ul style="list-style-type: none"> <li>• Uses all integrated CSR practices plus products, services, processes, and profits to advance sustainability and improve world conditions</li> <li>• Creates opportunities for customers and the public to advance sustainability</li> <li>• Develops partnerships with stakeholders to tackle social and environmental issues</li> <li>• Initiates public policy dialogue on key CSR issues</li> <li>• Focuses marketing efforts on social and environmental causes to create awareness, change public and corporate behaviour, and move public policy toward greater sustainability</li> </ul>

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## SUSTAINABILITY AND CSR LEADERSHIP

To position themselves as market leaders, of course, credit unions would have to model the characteristics of a sustainability or CSR leader, which include competencies in the following five areas:

- *House in order.* Leaders get their house in order. In other words, they ensure their governance, strategy, and operations take social and environmental factors into account. They are reducing their negative and enhancing their positive direct impacts on society and the environment.
- *Products and services.* Leaders incorporate sustainability considerations into their products and services. In other words, the negative social and environmental impacts of their products and services are reduced and/or they have features that help customers reduce their own impacts or contribute to better community and environmental conditions.
- *Investments and procurement.* Leaders integrate sustainability considerations into how they invest their assets and how they source goods and services in the marketplace. In other words, their investments and their purchases take social and environmental factors into account.
- *Stakeholder engagement.* Leaders engage their stakeholders, including employees, customers, communities, the public, and others, to help them reduce their negative and enhance their positive sustainability impacts. In other words, they use the influence they have with their key audiences to raise awareness, educate, and provide opportunities for action on important sustainability issues, typically tied to their business.
- *Advocacy.* Leaders use their influence as businesses to promote public policy and public interest issues to governments, regulators, their own industry or trade association, and the general public. In other words, leaders identify key sustainability issues that affect their sector, their customers, and their communities and engage in the public debate to tackle global challenges such as poverty and climate change.

## SUSTAINABILITY / CSR MANAGEMENT

Just as *sustainability leadership* has come to be defined over the years, so is the case with sustainability / CSR management. While diversity still reigns, sustainability or CSR management typically covers how an organization is governed from a sustainability point of view, how it embeds sustainability into its products and services, the way in which it integrates sustainability into its business strategy, how it manages its sustainability performance, and its operational decision making. Thus, an organization's governance, products, strategy, performance management, and operational decision making are in scope for a comprehensive sustainability program. Effectively, this signals the emergence of a framework to guide the management of a credit union's social and environmental performance—areas of a credit union's business where there are typically some strengths and some weaknesses.

Core subject areas within this sustainability management framework commonly include the following business issues:

- *Governance, ethics, and management systems.* The board's role in governing the credit union's sustainability performance, ethical conduct, and the systems in place to implement the credit union's sustainability commitments.
- *Environment.* An assessment of the credit union's impacts on the environment and efforts to reduce its environmental footprint and to improve local environmental conditions.
- *Community involvement.* The credit union's relations with its community, including the engagement of community members in setting the credit union's strategic sustainability direction. It also includes donations, sponsorships, partnerships, employee volunteering, and the use of the credit union's business assets to improve community and environmental well-being.
- *Human resource management.* This includes the credit union's relations with its employees and concerns matters such as diversity, workplace quality, work-life balance, professional development, health and safety, fair wages and benefits, and employee engagement and satisfaction. Often it incorporates commitments to be a "best place to work."
- *Human rights.* The basic rights to which all human beings are entitled: civil, political, economic, social, and cultural. In a Canadian sustainability context, this typically pertains to a concern with the prevention of human rights abuses within the supply chain, sometimes called "ethical sourcing." It could also be more broadly defined to include the degree to which a credit union is inclusive of minority groups in its operations and markets, sometimes referred to as "social inclusion" or "serving the underserved." Hiring, purchasing, and accessibility are key aspects of social inclusion.
- *Member (customer) relations.* This includes the credit union's relationships with its members and involves member satisfaction and engagement. As member-centric organizations, credit unions typically excel in this sustainability component. In the context of sustainability, this could encompass member rights and privacy, accessibility, fair marketing, member health and safety, complaint and dispute resolution, consultation, and sustainability education and awareness.

"For many companies CSR activities are a scattered group of unrelated activities—most companies would never run any other part of their business in such an unfocused manner."<sup>4</sup>

- *Products and services.* This includes the degree to which credit union products and services reduce negative and enhance positive social and environmental impacts. This can include microfinance, affordable housing finance, green products and services, green lending, socially responsible investment, and other social and environmental product features. It can also

include matters pertaining to sustainable consumption, which considers the role credit unions can play in reducing the environmental damage and resource depletion that arise as a result of our society's consumption.

- *Supplier and business partner relations.* This pertains, firstly, to fair and ethical treatment of suppliers and business partners, and secondly, to the incorporation of sustainability factors into supplier and business partner selection and engagement.
- *Communications.* There are a few elements central to sustainability communications: internal and external communication of the credit union's sustainability commitments and efforts; staff, member, and community engagement in achieving the credit union's sustainability objectives; the credit union's sustainability branding and marketing program; and credit union reporting on its sustainability performance.
- *Aboriginal relations (where relevant).* Credit unions sometimes operate in markets where there is a local indigenous community. In this case, Aboriginal relations can become important aspects of sustainability and include access to financial services, financial literacy, Aboriginal hiring, and sourcing from Aboriginal firms. (See text box for greater details.)

## ABORIGINAL BUSINESS OPPORTUNITIES

The growth in the Aboriginal population, particularly among youth and within urban centers in Central and Western Canada, combined with land claims settlements, are driving a demand for financial services from Aboriginal people:

- Between 1996 and 2006, the Aboriginal population in Canada increased by 45 per cent, six times faster than the increase for the non-Aboriginal population.<sup>1</sup>
- There are 594 land claims in progress in Canada and 795 settled land claims. Land claims can generate significant increases in community and individual wealth. In Saskatchewan, for example, from 1977 to 2010 land claims payments exceeded \$880 million overall, ranging from \$4,000 to over \$78 million paid out to individual Aboriginal governments.

Not only are there significant business opportunities to be cultivated with Aboriginal communities, but there are significant social justice issues as well: multi-generational poverty, inadequate housing and marginalization represent ongoing barriers to social and economic inclusion. The credit union co-operative philosophy of “member economic participation” and “democratic member control”, the credit union’s financial tool-box, and the desire for self-determination and economic self-reliance on the part of Aboriginal people make for a natural partnership between credit unions and Aboriginal communities both on- and off-reserve.

Opportunities include:

### *On-reserve Branches*

- Affinity Credit Union opened the first credit union branch on a First Nations reserve in Saskatchewan in 2009.

### *Housing Loans*

- On-reserve housing loans: Envision Financial, a division of First West Credit Union, Affinity Credit Union and Vancity participate in the First Nations Market Housing Fund, established by the federal government in 2007, which expands market-based housing on reserve by providing easier access to homeownership, rental and renovation loans in Aboriginal communities.
- Urban housing loans: Assiniboine Credit Union is a member of the selection committee for the Manitoba Tipi Mitawa Home Ownership Program, a pilot project of the Manitoba Real Estate Association and the Assembly of Manitoba Chiefs. Launched in 2008, the program will make affordable home ownership available to 40 modest-income families within the urban Aboriginal community. In Winnipeg, for example, 74 per cent of non-Aboriginal peoples own the home they live in. However, only 45 per cent of Aboriginal people living off reserve own their own home. In 2009 ACU provided access to mortgage financing for the first three Aboriginal families approved under this program.
- Vancity has supported urban Aboriginal housing agencies, providing over \$12 million in financing arrangements for new housing units, as well as commercial real estate financing for office buildings.

### *Basic Financial Services and Financial Literacy Programs*

- Through inner-city branches and community partnerships, Assiniboine provides access to financial services to unbanked and underserved families in neighbourhoods abandoned by banks and home to many Aboriginal residents. In 2011, the credit union plans to open a small branch in the north end of Winnipeg, where 30 per cent of the population is of Aboriginal heritage.
- Vancity partners with First Nations governments, Aboriginal organizations and communities, to provide the tools needed to build financial literacy and ensure that financial services are accessible to those who may not have traditionally maintained bank accounts.

<sup>[1]</sup> Statistics Canada, 2006 Census: Aboriginal Peoples in Canada in 2006: Inuit, Métis, and First Nations, 2006 Census, October, 2009.

## ABORIGINAL BUSINESS OPPORTUNITIES *(Continued)*

### *Business Lending*

- Assiniboine Credit Union provides access to financing for a large number of Aboriginal organizations in Winnipeg, including small businesses, cooperatives, non-profit housing groups, education and social service agencies.
- Vancity participates in Indian and Northern Affairs Canada's Loan Loss Reserve, a pilot program providing debt financing to Aboriginal businesses with assets on reserve. A loan loss reserve of \$2.5 million has been established by the Federal Government to secure up to \$10 million in financing. Vancity has also loaned over \$15 million in financing for two run-of-the-river micro-hydro projects, where the majority of assets are owned by local First Nation governments.
- Affinity is the Saskatchewan Credit Union that participates in the Loan Loss Reserve. A loan loss reserve of \$1.9 million has been established by the Federal Government that enables Aboriginal businesses on reserve.

### *Community economic development*

- Vancity has taken the approach of working in partnership with Aboriginal governments and urban Aboriginal not-for-profit organizations to support social enterprise initiatives, the development of social purpose real estate, the development of an authentic Aboriginal tourism sector, as well as offering an array of targeted micro-lending programs to emerging Aboriginal entrepreneurs and artisans.

### *Hiring*

- Assiniboine Credit Union tracks and reports on the success of its Aboriginal recruitment efforts "to reflect the communities we serve". (From 2007 to 2009 Winnipeg experienced 29% growth of persons of Aboriginal heritage, from 5.5% to 7.1%. According to Statistics Canada estimates, and as reported by Assiniboine in its sustainability report, 10% of Winnipeg's population is Aboriginal.) Credit union recruitment programs include career outreach and support for employment development partnerships which offer training and internships at the credit union and can result in permanent positions.
- Vancity has identified the retention and recruitment of Aboriginal employees as a key component of its diversity strategy, and is working with a number of Aboriginal human resource development agencies as partners in this process.

### *Purchasing*

- Assiniboine Credit Union proactively sources from community enterprises that create jobs for target groups, including Aboriginal people. For example, it bought goods and services from two Aboriginal co-ops in 2009, including Neechi Foods Co-op and Northern Star Worker Co-op.

### *Governance*

- Affinity Credit Union is governed by nine district councils, one of which is a First Nations district comprised of eight partner Aboriginal communities. These eight communities elect two representatives to sit on Affinity's board of directors, to ensure that First Nations people and communities are represented.

These are core sustainability and CSR subject areas relevant to today's marketplace. However, as sustainability is a dynamic process, further areas are likely to emerge as important topics in the future

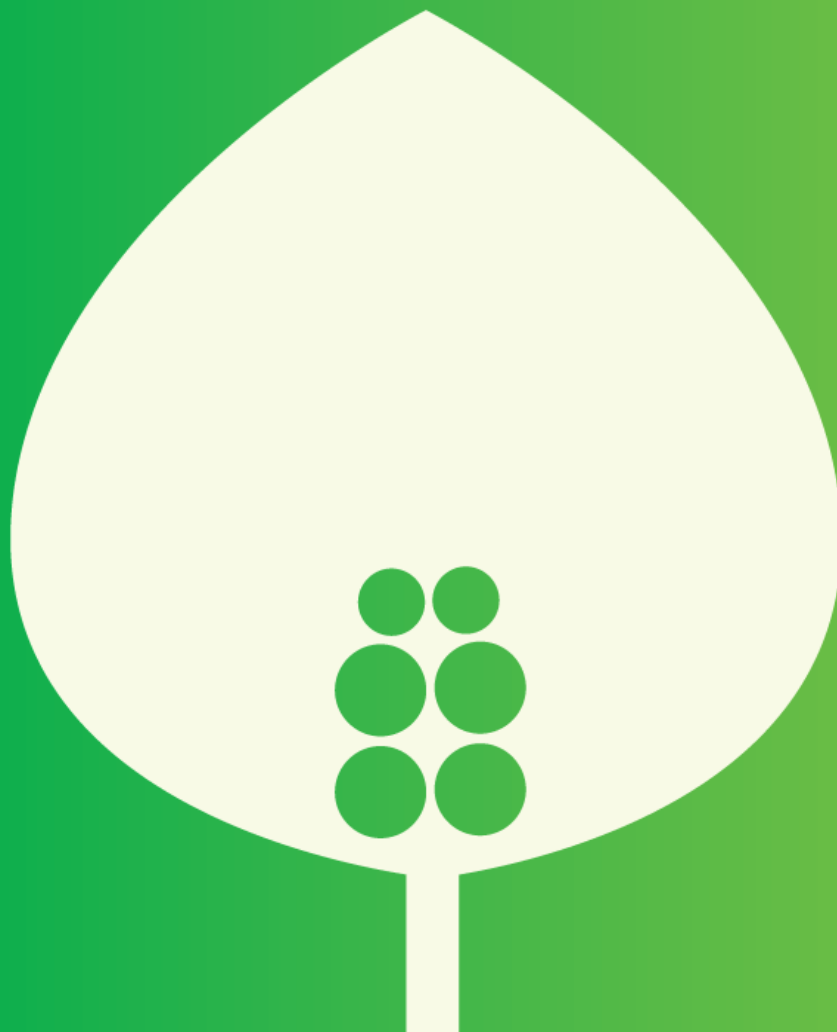
In Chapter 2, best practice examples of the financial sector will be summarized, demonstrating sustainability leadership and management attributes in action. Chapter 3, which provides a road map for credit union sustainability strategy, will unpack these five characteristics of leadership and ten components of management. Of course, some credit unions may not find it in their best business interest to be a leader of sustainability or CSR in their market or to have good practices in all areas of sustainability management. This is perfectly acceptable. The key reason for credit unions to become familiar with sustainability leadership qualities, a sustainability management framework, and the sustainable finance field is so they can make an informed business decision about how they wish to be positioned on this emergent business priority with their members, staff, and communities. Rest assured your competitors are doing the same thing. Sustainability has become an area of business to be managed and credit unions are beginning to set goals and monitor their performance in this area. As distinct entities, credit unions will tailor their sustainability priorities to suit local conditions. What this guide is intended to do is to define this new field of practice so that boards and managers can incorporate this way of thinking into business strategy, governance, and operations. If successful, this guide will elevate the social purpose of credit unions from philosophy to strategy. As any good business manager knows, what gets measured gets managed, and what gets managed gets results. It is hoped that the balance of this guide, including trends, drivers, the business case, and strategy development, will provide the context from which credit unions can manage their sustainability and CSR performance for improved results and greater benefit for their staff, members, and communities, regardless of where they wish to be on the leadership continuum and how many best practices they wish to adopt.

Next we explore the trends and drivers, including the business case, of sustainable finance.

## **INTERNATIONAL STANDARDS ON CORPORATE SOCIAL RESPONSIBILITY IN DEVELOPMENT**

The International Organization for Standardization (ISO) has developed a guidance document on CSR, referred to as ISO 26000. This will be a useful background document for credit unions seeking to understand basic CSR and sustainability. The standard incorporates Seven Principles of Social Responsibility, including:

- Accountability.
- Transparency.
- Ethical behaviour.
- Respect for stakeholder interests.
- Respect for the rule of law.
- Respect for international norms of behaviour.
- Respect for human rights.



## CHAPTER 2

### SUSTAINABLE FINANCE TRENDS AND DRIVERS

Sustainable finance—the integration of social and environmental goals into banking—is becoming mainstream. While credit unions often engage in sustainability efforts because it is the right thing to do, there are business benefits in investing in corporate social responsibility. There are economic and social gains to be had for those who strategically manage their social and environmental performance.

**T**hat sustainable finance is a growing business trend is evidenced by the fact that the global finance sector has established a networking consortium where more than 170 institutions, including banks, insurers, and fund managers, work with a UN program called the United Nations Environment Program (UNEP) to understand the impacts of environmental and social considerations on financial performance. A criterion of membership is that participants endorse the UNEP Statement by Financial Institutions on the Environment and Sustainable Development (see [www.unepfi.org](http://www.unepfi.org)). The statement commits signatories to regard sustainable development as a fundamental aspect of sound business management and to recognize that the financial services sector is an important contributor toward sustainable development. Principles such as environmental management, the development of products and services that promote environmental protection, setting and reviewing sustainability goals, raising awareness with relevant audiences, and sharing best practices set the stage for rapid learning and innovation for participants.

## A NORTH AMERICAN NETWORK

A few credit unions belong to UNEP, which includes all five major Canadian chartered banks amongst its members. Banks participate in regional task forces; the North American group:

*“is working to incorporate the principles of sustainable development as normal business practice throughout the North American financial sector, the specific goals of which are:*

- *To create a forum for North American Signatories to the UNEP Finance Initiative Statements to exchange ideas and best practice in the area of finance and sustainability.*
- *To explore and raise awareness on specific environmental and social issues, such as climate change, and its impact on the North American financial sector.*
- *To identify and disseminate risks and opportunities related to social and environmental issues for the financial services industry in North America.”<sup>5</sup>*

UNEP Finance Initiative’s publications reveal their priorities: climate change, water, property management, reporting, sustainability risk management, products and services, and human rights. In 2007 the Task Force commissioned a study on green financial products and services, which pointed to the emergence of “green” mortgages, home equity loans, commercial building loans, car loans, and credit cards. The study concluded that there are three overarching drivers and trends behind the emergence and growth of green product and service demand: environmental knowledge and media coverage, environmental awareness and public opinion, and environmental regulation and legislation.<sup>6</sup>

## KEY SUSTAINABILITY ISSUES IN FINANCIAL SERVICES

The 2005, Canadian Central trends study, conducted by the author and referred to earlier, revealed a number of key trends that are similarly transforming the financial services sector, including that sustainability is becoming a mainstream issue for financial institutions. More and more financial institutions are adopting a sustainability ethic and working to embed social and environmental considerations into their business models. A growing number of financial institutions are disclosing their social and environmental performance in triple bottom line accountability reports. Financial institutions are coming to see sustainability as a business strategy issue and a risk management issue. The key concerns of financial institutions were identified as climate change on the environmental side and poverty, both domestic and international, on the social side.

Financial institutions are deepening their understanding of how climate change and rising poverty can impact their businesses, and they are grappling with how they can positively influence these trend lines through their core business activities. Helping to grow the emerging carbon market, launching products to help their customers reduce their carbon footprints, supporting financial literacy and accessibility initiatives, and financing microcredit programs domestically and internationally are some of the key means financial institutions have been using to leverage their resources to tackle growing global challenges.

### GLOBAL BANKS AND CLIMATE CHANGE

- By 2007, banks had issued nearly 100 research reports on climate change and related investment and regulatory strategies.
- Many have set greenhouse gas reduction targets for their internal operations: They have calculated and disclosed their greenhouse gas emissions from operations, they have established greenhouse gas emissions reduction targets, and they are declaring targets to achieve carbon neutrality.
- Many are providing financial support for alternative energy projects.
- A number have made formal public policy statements on climate change.
- They are creating executive-level committees, working groups, or task forces focused on climate change; in some instances, new executive positions and departments are being defined around climate change specifically. They are starting to calculate the carbon risk of their loan portfolios, incorporating greenhouse gas emissions and climate-related risks into their analyses.
- A number of banks are offering climate-oriented investment and retail products, such as credit cards, auto financing, and home loans aimed at making a contribution to combating climate change.
- Some are offering preferential terms on loans for energy conservation projects, green buildings, or hybrid cars; others are partnering with reputable non-profit organizations in developing climate change strategies or broader sustainability initiatives.

Source: Douglas Cogan, "Corporate Governance and Climate Change: The Banking Sector" (Boston: Ceres, 2008), 2–4.

Driven in part by campaigning nongovernmental organizations (NGOs), banks that engage in project finance for the World Bank's International Finance Corporation (IFC) have adopted a set of sustainability principles, known as the Equator Principles, to address environmental and social risks in project financing. Today, banks that approve loans for IFC projects valued at more than \$10 million must adhere to these principles, which are designed to ensure bank-financed projects are developed "in a manner that is socially responsible and reflect sound environmental management practices. By doing so, negative impacts on project-affected ecosystems and communities should be avoided where possible, and if these impacts are unavoidable, they should be reduced, mitigated, and/or compensated for appropriately."<sup>7</sup> These commitments have begun to affect other business lines for signatory banks, such that increasingly banks are adopting sustainability guidelines and practices that influence their approach to financing most of their commercial sectors. To implement these guidelines many banks are training their staff in social and environmental risk management and due diligence.

Among a range of environmental concerns, carbon is taking center stage with many financial institutions. A number have efforts under way to understand how climate change will affect the risk landscape globally, with the result that financial institutions are developing expertise in evaluating how climate change factors can affect their financial performance. Some financial institutions are accounting for carbon costs in their lending decisions. When lending to the U.S. power generation sector, Barclays Bank, for example, incorporates an assumed cost of carbon in their financial modeling.<sup>8</sup> Water is coming on the heels of carbon as the next environmental issue, specifically water quality and quantity and its management. The tools and skill sets that financial institutions are developing around climate change are being readily adapted to other environmental and social risks as they emerge in the economy.

Co-operative institutions, it turns out, have led the way in applying social and environmental criteria to those they conduct business with, likely started by the Co-operative Bank in the UK with its 1992 Ethical Stance and Vancity Credit Union in Canada with its 2002 Baseline Ethical Policy. These are among the best practice trends that are in ascendancy in primarily European and North American markets. Other best practice trends chronicled in the Canadian Central trends study include the development of mission statements by financial institutions to frame their sustainability commitments, the adoption of sustainability governance frameworks for boards of directors seeking to understand their role, and an emergent mindset that sustainability provides business opportunities for entrepreneurial and focused financial institutions.

## **INTEGRATING A SUSTAINABILITY STRATEGY**

Sustainability-oriented financial institutions are assigning a senior manager to assume responsibility and authority for implementing their sustainability mandates, training staff in their new sustainability roles and including sustainability deliverables in executive and staff performance contracts. In their efforts to "do good and do no harm," financial institutions are setting targets to guide their operations; one common best practice target is carbon neutrality,

wherein the organization reduces its greenhouse gas emissions as much as possible and funds organizations to “offset” their remaining emissions through investing in incremental greenhouse-gas-reducing initiatives. Many leading financial institutions are engaging their customers, community, suppliers, and NGOs to develop social and environmental policies, partner on new solutions, and provide input into their sustainability strategy. A number participate in long-term partnerships on significant and pressing sustainability issues. And they use their product and service array to catalyze further sustainability, often by offering discounted pricing or offset programs as incentives. Finally, banks and other financial institutions are retooling their community programs to garner greater leverage and impact than they had in their earlier cheque book philanthropy days. Increasingly, best practice community involvement is focused on “strategic charity,” in which charitable investments are aligned with the core competencies of the financial institution and its business development goals.

“Sustainability is something we need to be doing to stay competitive.”

—CREDIT UNION INTERVIEWEE

While mainstream financial institutions are building out a sustainability value proposition, a niche sustainable finance sector continues to grow and thrive, especially in the current economy. In the fall of 2009, a new network of sustainable banks, Global Alliance for Banking on Values, was launched with 11 sustainable finance institutions that serve more than seven million customers in 20 countries, with a combined balance sheet of over \$14 billion USD. Members include BRAC Bank, the world's largest microfinance institution, based in Bangladesh; and Triodos Bank, Europe's leading sustainable bank. Their purpose is to build organizations that are better-suited to long-term sustainable thinking and new forms of ownership and economic cooperation.<sup>9</sup>

## COMPETITOR TRENDS

Canadian banks are also moving forward on the sustainable finance path. A review of their 2009 sustainability reports reveals a range of sustainability efforts in three areas: community and social, environmental and sustainability reporting.

(The following examples are largely derived from an analysis of the 2009 sustainability reports of Bank of Montreal (BMO), Canadian Imperial Bank of Commerce (CIBC), Royal Bank of Canada (RBC), Scotiabank, and TD Bank Financial Group. As such the following summary is not a comprehensive review.)

### 1. Community and Social

#### *Financial Literacy / Security*

- Children: Employees volunteer on programs that teach children about career and financial planning. (Scotiabank)
- General public: Financial education tools on website. (Scotiabank)
- Homebuyers: Offer a guide for first time homebuyers, including tips, worksheets and online planning tool. (BMO)

- People with disabilities: First major Canadian bank to offer the Registered Disability Savings Plan which encourages families and individuals to save for the long-term security of people with disabilities. (BMO)
- Small business: Partnered with the International Centre for Infectious Diseases to offer a series of seminars on H1N1 pandemic planning for small business and to produce a podcast on pandemic planning. (BMO)
- Vice-Chair of Canada's Task Force on Financial Literacy. (BMO)

#### *Multicultural Banking*

- Dedicated banking team helps new Canadians establish their lives in Canada by offering customized products and multilingual services. (Scotiabank)
- Program helps eligible new immigrants who may not meet traditional criteria obtain mortgage financing by demonstrating their ability to service the loan through other resources. (RBC)
- Partnerships with settlement agencies. (Scotiabank)
- On Canada Day launched the My Canada Story Contest as part of a "Newcomers to Canada Program". Customers were invited to share stories about their journey to Canada for a chance to win one of \$1,000 cash prizes. (BMO)
- Conducted research and sought feedback from within the organization and from individuals in China and India with the goal of finding ways to eliminate barriers and obstacles for newcomers as they move, get settled and put down roots in Canada. (RBC)
- Expanded "Welcome to Canada" website to provide additional resources and advice to newcomers on how to start a business. (RBC)
- Launched an online international remittance capability, enabling online banking clients to send up to \$1,000 overseas daily. (RBC)

#### *Micro-credit*

- Microfinance initiatives for owner-operators of micro-businesses and others. (Scotiabank)

#### *Aboriginal People*

- Operate four on-reserve branches and a network of 22 Aboriginal banking centers (Scotiabank); opened a branch in a First Nations reserve (CIBC); eight branches located on reserves and six branches in the North; introduced a remote banking program to serve the banking needs of Aboriginal people in remote areas. (RBC)
- On-reserve housing loan program available to Aboriginal communities. (BMO, RBC)
- Launched a mortgage program that provides First Nations members with greater flexibility and choice when financing purchase or construction of home; helps create marketable housing in reserve communities. (RBC)
- Offers an Aboriginal Personal Planning program designed to support financial self-sufficiency. (CIBC)
- Established agreements with five Aboriginal Capital Corporations to provide access to capital to Aboriginal businesses. (RBC)
- Sponsors the Aboriginal Financial Officers Association of Canada. (BMO)
- Signed a Memorandum of Understanding with the Assembly of First Nations to provide a two-year action plan that includes commitments to initiatives

that support community and social development and create economic opportunities for First Nations communities across Canada. (RBC)

- Funded the Conference Board of Canada's new Centre for the North, to help government, business, community and Aboriginal leaders develop a shared vision of and actions for sustainable prosperity in the North. (RBC)
- Appointed the former National Chief of the Assembly of First Nations as Special Advisor to provide advice on how to deepen relationships with Aboriginal governments, communities and businesses in Canada. (RBC)

#### *Accessibility*

- Branches
  - Over 90 per cent of branches provide level or ramped entries for people with disabilities (BMO); opened 12 new fully accessible branch locations and redeveloped 21 others to ensure accessibility (BMO); completing renovation projects and retrofits to improve accessibility (TD); applying barrier-free design standards wherever they operate; 90 per cent of bank and insurance branches in Canada and the US are wheelchair accessible; physical locations are audited periodically for accessibility to identify and remove barriers to people with disabilities. (RBC)
- Automated Teller Machines
  - First bank worldwide to provide audio-enabled ATMs; worked with the CSA to shape the industry standard. (RBC)
  - Installing audio-enabled "access for all" ATMs; installed at wheelchair accessible height with headphone jacks for audio access, grab bars for mobility assistance and brighter lighting. (CIBC)
- Statements
  - Clients can request statements in Braille and large print formats (CIBC, TD, RBC – also audio cassettes and e-text; over 800 clients in Canada receive Braille statements).
- Websites
  - Website has received CNIB Site Check certification (CIBC); new web accessibility tool improves online banking experience for customers with visual impairments or where English is not the first language (TD); a pioneer in applying the web content accessibility guidelines developed by the World Wide Web Consortium. (RBC)
  - A sign language interpreter can be made available to assist hearing-impaired clients who have complex banking needs. (CIBC)

#### *Community Involvement*

- Matches funds raised by employee teams up to \$5,000. (Scotiabank)
- Donates \$1,000 to community organizations where employees are active volunteers (Scotiabank); contributes up to \$1,000 to community organizations where employees and retirees volunteer (CIBC); offers a \$500 grant to a charity where employees volunteer more than 40 hours a year (TD); employees and pensioners who volunteer a minimum of 40 hours a year to a registered charity are eligible for a \$500 grant to the organization. (RBC)
- Internal volunteer website gives employees access to information and resources on the bank's volunteer programs and initiatives; Canadian

organizations and charities can submit volunteer opportunities to be posted on the site's volunteer bulletin board. (RBC)

#### *Community Strategy*

- Community initiatives are incorporated with a plan called RBC Community Blueprint; focused on “transformational philanthropy”, which provides support for difficult or emerging social and environmental issues, while focusing donations with the education, healthcare and arts communities to key issues and continuing to provide a broad base of support across all charitable sectors. (RBC)

#### *Structure*

- Corporate Citizenship department encompasses corporate responsibility, corporate environmental affairs and donations. (RBC)

## **2. Environment**

- Adopted environmental policy (Scotiabank, CIBC, RBC); have identified three priority environmental issues: climate change, biodiversity and water. (RBC)
- Internal Structure
  - Director of Environmental Affairs. (Scotiabank)
  - Environmental Sustainability Office reports to SVP Corporate Real Estate and Strategic Sourcing; Sustainability Council, composed of senior leaders across the company, ensures policies and programs are applied across the group. (BMO)
  - Chief Environment Officer. (TD)
  - Corporate Environmental Affairs group is responsible for implementing the environmental plan and for setting enterprise-wide policy for the identification, assessment, control, monitoring and reporting of environmental matters. Executive oversight is provided by the Group Executive and by the Corporate Governance and Public Policy Committee of the Board of Directors. (RBC)
- *Employee Engagement*
  - Code of Conduct requires employees take reasonable care to ensure that business activities are conducted in an environmentally prudent manner (CIBC); Code of Conduct addresses behaviour expected of employees regarding the environment (RBC); issued Employee Environmental Stewardship Guidelines to all employees. (RBC)
  - Environmental Ambassador program helps roll out environmental programs (BMO); branch level “Energy Awareness Champions” provide awareness, offer assistance and share success stories (CIBC); seven environmental committees, working groups and networks engage employees across the business and regions. (RBC)
  - Internal websites: ScotiaGreen staff website provides tips on reducing environmental footprints at work and at home (Scotiabank); launched an internal environmental website for employees on Earth Day. (BMO)
- *Environmental Strategies*
  - Clear Blue Skies Initiative is name given to their enterprise-wide environmental strategy; ECO Strategy includes energy reduction and efficiency, sustainable transport, sustainable materials, waste management and sustainable procurement. (BMO)

- RBC Environmental Blueprint is a five year plan that contains 44 environmental medium and long-term commitments; the bank tracks and presents annual progress against the commitments in their Blueprint Report Card. (RBC)
- *Green Buildings*
  - Participating in Canada Green Building Council projects, including a pilot program for Leadership in Energy and Environmental Design (LEED). Pursuing LEED certification for new branches in Ontario; one building included low-emission paint, Climate Neutral Cool Carpet and regionally manufactured and Forest Stewardship Council certified furniture, millwork and wood products, Energy Star-rated equipment and appliances, natural light, and motion sensitive lighting. (CIBC)
  - Plans to open up to ten “green” locations in 2010, has developed a prototype store that is built to LEED standards, and all stores after 2011 will be built to the standard. The 3,800 square foot prototype reduces energy consumption 50 per cent compared to previous designs, and will generate up to 20 per cent of its own electricity on-site via solar panels on the roof, as well as solar drive-thru canopies. The buildings will feature insulated glass with a low-E coating to help balance interior temperature, as well as sensors to control lighting. The locations also will incorporate drought-tolerant landscaping and water-efficient plumbing fixtures. (TD)
  - Greening branches, many certified under “Green Globe”, a green building certification system of the Building Owners and Managers Association
  - Achieved ISO 14001 EMS certification at leased office tower in downtown Toronto, the first in Canada. (BMO)
- *Reducing Energy Use and GHG Emissions*
  - Conducted energy audits; measuring and reducing GHG emissions, including buildings and air travel. (Scotiabank)
  - Completed energy audits for 5 per cent of retail branch facilities; turned off exterior signage and kept internal lighting to a minimum for 60 minutes as part of Earth Hour. (BMO)
  - Launched an energy conservation program across the branch network. (CIBC)
  - Conducted ten energy audits to inform their Energy Plan to be implemented in 2010. (RBC)
  - Retrofitted lighting, upgraded data centres, improved heating/cooling systems, and introduced a fleet policy to improve fuel efficiency. Pilot projects are underway including flexible workspace scenarios and rooftop renewable energy generation on local branches. (TD)
- *Renewable Energy*
  - The largest purchaser of renewable energy in the Canadian financial sector. (TD)
  - Purchase green power. (CIBC)
  - Many branches are powered by renewable energy. (BMO)
  - 96 branches purchase EcoLogo certified green power. (RBC)
- *Carbon Neutral Goals*
  - Adopted a goal to be carbon neutral by 2010 with respect to global energy consumption and transportation emissions. (BMO)
  - Exceeded its goal to become carbon neutral in domestic operations in 2010; achieved neutrality in its worldwide operations. (TD)

- *Paper*
  - Adopted environmental paper policy and reduction targets. (Scotiabank)
  - 20 per cent below the industry benchmark of 10,000 sheets of paper per person per year; set a target to reduce paper usage per employee by 5 per cent in 2009 and 2010 (achieved 3.8 per cent in 2009). (TD)
  - Purchasing FSC-certified paper (73 per cent in 2009); lower weight of marketing paper stock. (CIBC)
  - Purchasing FSC-certified sustainable sourced office paper (84 per cent in 2009). (RBC)
- *Green Information Technology*
  - Established a Green IT Committee to implement initiatives that reduce environmental impacts of IT, such as a server virtualization program that resulted in the removal and purchase avoidance of over 3,400 physical servers; a printer toner cartridge remanufacturing program that diverted over 70,000 toner cartridges from landfill in Canada and the U.S.; and a copper cable recycling program that diverted 1,450 kg of copper from landfills. (RBC)
- *Sustainable Purchasing*
  - Requests for proposals ask proponents to describe their CSR and environmental policies and practices, relevant environmental or CSR accreditations, programs to deliver energy-efficient products and services, recycling and disposal methods and employment practices that support diversity and human rights. (Scotiabank)
  - Suppliers undergo an evaluation and must complete a Sustainable Procurement Questionnaire. (BMO)
  - Environmentally Responsible Procurement Standard includes an environmental evaluation form with reporting criteria related to the suppliers' environmental management systems and product-specific questions. Criteria include energy efficiency, efficient use of natural resources, recycling options, product take-back options and conditions to promote ecologically sustainable forest practices. (CIBC)
  - Ongoing implementation of an environmental procurement program; green office product offerings increased to over 1,000 available products. (TD)
  - Ask suppliers to provide information on environmental policies and practices, which are considered in the selection process. (RBC)
  - Founding member of the Canadian Aboriginal and Minority Supplier Council to promote sourcing from Aboriginal and minority groups. (RBC)
- *Lending and Insurance*
  - Incorporate climate change risk assessments into lending procedures. (Scotiabank)
  - Reviewed borrowers' exposure to climate change risk. The review indicates that overall exposure to sectors at high risk for greenhouse gas emissions regulations (oil and gas, power generation, mining and smelting, automotive and chemical) represents 5 per cent of total lending portfolio. (TD)
  - Analyzed exposure of borrowers and sectors in loan and investment portfolio to climate change risks and regulations. (RBC)
  - Loans and trading lines in excess of \$1 billion to clean energy companies in Canada, US, and British Isles; portfolio includes hydroelectric, wind, biomass, solar and advanced energy metering. (RBC)
  - Provide incentives for clients to purchase energy-efficient products for their homes, buy a hybrid vehicle and switch to green power (e.g. a 1 per cent discount or a \$100 rebate on an energy audit for a fixed rate installment loan)

- over \$5,000); clients are also offered a \$300 rebate in a home energy audit with the RBC Energy Saver Mortgage. (RBC)
  - Offers 1 per cent discount and up to a 1 per cent cash rebate for clients making Energy Star-qualified purchases through the TD Green Mortgage and Home Equity Lines of Credit. (TD)
  - Customers with a hybrid vehicle can save up to 10 per cent off their insurance premium through the “Green Wheel Auto Insurance Discount”. (TD)
- *Investments*
  - TD Asset Management USA launched the TD Global Sustainability Fund. (TD)
  - Offers SRI mutual funds and segregated accounts through RBC Global Asset Management: three RBC Jantzi Funds which use Environment, Social and Governance (ESG) investment screens provided by Jantzi-Sustainalytics, and four Phillips, Hager and North Community Values Funds. (RBC)
  - Founding investors in Greening Canada Fund, providing direct access to carbon offsets. (BMO, TD)
- *Client Environmental Awareness*
  - Provides online and hard-copy tips and resources to businesses and home owners on energy efficiency at the office and at home. (RBC)
- *Community Environmental Grants*
  - Provided \$500,000 to a large-scale environmental community centre featuring innovations in green building design, a native plant nursery and garden centre, youth employment training for green jobs, children’s school programs and summer camps and hands-on exhibits. (BMO)
  - Contributors to Habitat for Humanity Canada’s Sustainable Building Program, helping to build energy-efficient housing. (TD)
  - TD Friends of the Environment contributes funding to grassroots environmental projects. (TD)
  - Lead sponsor of “I am Green Power”, a campaign by Environmental Defence to provide conservation ideas and practical information on renewable energy technologies, including an interactive website, [www.iamgreenpower.ca](http://www.iamgreenpower.ca) where visitors can sign a pledge to “be” green power. (Scotiabank)
- *Environmental Thought Leadership*
  - Sponsored a report on the economic impact of climate change policy in Canada, “Climate Leadership, Economic Prosperity”, produced by Pembina Institute and David Suzuki Foundation. (TD)
  - Group Head of Corporate Operations co-chaired the Greening Greater Toronto Task Force in 2009. (TD)
  - Drafted a white paper on green building financing and published “The Top Four Trends on Green Buildings” for clients. (RBC)
- *Signature Project*
  - Blue Water Project is a 10-year, \$50 million commitment to supporting organizations that protect watersheds and ensure access to clean drinking water in Canada and abroad; in June 2010, 77,000 employees in 54 countries celebrated Blue Water Day, to profile work being done by grant recipients worldwide and raise awareness about the value and vulnerability of water; provided funding for a global business plan competition to find solutions to global water problems through entrepreneurship; provided grants to three universities for water research programs. (RBC)

### 3. Sustainability Reporting

- Follows Global Reporting Initiative (GRI) reporting guidelines(all five Banks).
- Third-party verification of report. (Scotiabank; TD)

While these efforts may not immediately threaten credit union turf, over time as these banks continue to engage their assets and resources on sustainability issues and risks, they might well challenge credit union leadership in “social responsibility”. Indeed, a number of credit unions in Canada and around the world have built strong sustainability programs, providing role models of sustainable finance in their local markets and well beyond. They are in the vanguard of credit union leadership in sustainability and can provide considerable insight into how to get started on strategic sustainability.

The credit unions profiled in this paper have identified a number of compelling drivers which influenced their sustainability investments, some of which are derived from their philosophical roots and others which reflect more commercial interests.

“Corporate responsibility is part of everything we do – from how we serve our customers to how we manage our operations and our support of community issues and causes.”

- ED CLARK, PRESIDENT AND CEO, TD BANK FINANCIAL GROUP, 2009 CORPORATE RESPONSIBILITY SUMMARY REPORT, “BUILDING ON OUR COMMITMENTS”

### CREDIT UNION SUSTAINABILITY DRIVERS

The credit union representatives interviewed for this report identified various and divergent reasons for their focus on sustainability and CSR. They include:

- *External stakeholders.* Members and community representatives often approached the credit union to become engaged in strategic sustainability initiatives, encouraging the credit union to be more proactive on environmental and social justice causes. Sometimes the members ran for the board of directors to drive change through governance. In one instance stakeholders, surveyed on their opinion of the credit union’s role in sustainability, responded that they expected the credit union to manage its sustainability performance.
- *Internal champions.* In other instances the drive came from within, whereby staff members with strong social and environmental interests introduced opportunities to the credit union.
- *Social license to operate.* Some credit unions believe that in order to earn the broad acceptance of its community, it must “give back” and act in ways that the community regards as socially responsible. They perceive that this reciprocity—the community accepts its right to exist and the credit union contributes value back to the community—is a key motivation for sustainability.

- *Altruism.* Some credit unions point to the ideal of helping those less fortunate as a reason to engage in sustainability and corporate social responsibility.
- *Return to roots and founding mission.* Credit unions were initially founded to serve the underserved—those without basic access to savings accounts and loans. A desire to “return to our roots” influences some credit unions, which aspire to renew their investments in underserved markets, including the environment. Similarly, some credit unions perceive their sustainability efforts as being aligned with the original mission of the credit union, which guides their ongoing efforts.
- *Need for focus and differentiation.* Some identify the driver of a sustainability strategy as the need to focus the credit union’s social and environmental

“We will not be sustainable unless our communities are sustainable.”

—CREDIT UNION INTERVIEWEE

efforts on investments with the greatest return and the greatest alignment with its business and community objectives. Many credit unions lacked clarity on their priorities and how they wished to differentiate themselves in the market; a sustainability strategy helped them to focus and differentiate from other financial institutions. In one instance the credit union

believed a strong sustainability program could help maintain their leadership position in the community.

- *Linked community success.* Some credit unions perceive a link between their financial success and the economic health of the region in which they operate and see a need to invest in regional sustainability for mutual benefit.
- *The business case.* A number of credit unions identify the business case as a driver of their sustainability efforts. While limited to date, it is expected that increasingly over time credit unions will start to track and report on the financial value-add of their investments in their environmental and social sustainability initiatives.

## CREDIT UNION BUSINESS CASE FOR SUSTAINABILITY

Leaders considering sustainability initiatives must think through the financial return-on-investment (ROI). After all, improving communities is good, but credit unions are businesses, not charities. Credit union boards and management often confront questions about the economic returns of diverting money and resources to sustainability initiatives when there are so many competing priorities.

### CREDIT UNIONS ON THE BUSINESS CASE FOR SUSTAINABILITY

- Growth in market share (new members, market differentiation, greater share of members’ wallets, increased member loyalty).
- Employee attraction and retention (enhanced employee productivity/engagement, talent recruitment, reduced turnover, renewed incentive for longer-term employees).
- Cost savings (from eco-efficiency initiatives).
- Strengthened brand and brand recognition (builds brand awareness and brand value).
- Stronger connection to the community; seen as responding to global conditions; builds community trust.
- Innovation and opportunity creation (supports idea generation and attracts opportunities from community and business partners).

“We see there is a very close correlation between financial sustainability and sustainable development and so we take financial performance extremely seriously,” says Rowan Dowland, general manager of development at mecu Limited in Australia. “Indeed, our financial performance usually quietsens the critics of sustainable development who regard it as a cost to the business. We are confident that commitment amongst staff leads to engagement, which in turn increases productivity. This ensures cost-efficiency, which leads to price competitiveness and increased member benefit.” As credit unions come to better understand the business case benefits of their sustainability strategies, they are sharing this information with others. Mecu, for example, defines its business case this way:

- Integrating sustainable development into policy reduces risk, improves staff morale, and provides a strong and confident long-term constructive relationship with members and stakeholders.
- Taking into account economic, social, and environmental aspects of business operations improves efficiency and effectiveness, improving the bottom line and creating long-term value.
- Responsible business conduct is a good means of building and maintaining brand reputation.
- Internal transparency improves external dialogue and internal communication. It increases stakeholder confidence, helps overcome regulatory and cultural barriers, and contributes to workplace diversity.
- Growing demand for more responsible corporate behaviour creates new business opportunities.<sup>10</sup>

Vancity defines its sustainability business case as:

- Operating efficiency.
- Brand.
- Share of market.
- Recruitment and engagement.
- Innovation through partnerships and collaboration.
- Blended value.<sup>11</sup>

Globally, considerable effort is under way to determine sustainability's ROI. A recent A.T. Kearney analysis, for example, found that sustainability-oriented companies achieved above-average performance in the financial markets during the recent recession. “In 16 of the 18 industries examined, companies recognized as sustainability-focused outperformed their industry peers over both a three-month and six-month period, and were well protected from value erosion. Over three months, the performance differential across the 99 companies in this

analysis worked out to 10 per cent; over six months, the differential was 15 per cent. This performance differential translates to an average \$650 million in market capitalization per company.”<sup>12</sup>

“It will attract new people to credit unions - it will bring in new markets.”

— CREDIT UNION INTERVIEWEE

“I learned if you focus your competitive advantage on values,  
you create value.”

“I learned people join credit unions with an expectation that credit  
unions are responsible businesses; members have an expectation that  
this is the way we run our business.”

“I learned this is good business.”

—CREDIT UNION INTERVIEWEES

Featured in the study, a global consumer packaged goods company believes:

*“its long-term success depends on creating value for shareholders and for society. The company views sustainability as not just a philanthropic endeavour but as a fundamental part of its business strategy, driving sustainability practices from the top down. . . . Despite increasing production volume by 76 per cent since 1998, the company has reduced its greenhouse gas emissions by 16 per cent, energy use by 3 per cent, and water use by 28 per cent over this period. Improved energy efficiency saved the company approximately \$30 million in 2007, while optimized packaging volume saved more than \$500 million over the past 16 years.”<sup>13</sup>*

The theme of saving money is consistent across the sustainability business case literature. Environmental footprint reduction efforts can reduce operating costs by way of savings in fuel, energy, water, materials, and waste management. A results-oriented focus on a firm’s social and environmental performance can generate improvements in its operational efficiency and productivity. Essentially, sustainability management results in improved overall management and more informed decision making. Often, sustainability management considerations foster enhancements in organizational management, leading many to believe that a prime benefit of a sustainability overlay is quality management. (Indeed, it is expected that in the future, the term sustainability will become absorbed in quality management ideals.)

Business growth is another common benefit. Many studies point to opportunities to access new markets and gain market share, with consumers increasingly interested in and monitoring the social and environmental performance of firms, products, and brands.

## THE ROI OF SUSTAINABILITY: THE CO-OPERATIVE BANK

The Co-operative Bank in England was one of the first financial institutions to focus on sustainability, and it is still among the most prominent. Indeed, its market differentiator is summed up by its tag line: “Good with money.” To the Co-operative Bank, investment in and focus on sustainability has not just been a cost but a boon to business. In a 2005 study, 26 per cent of its customers cited the bank’s ethical stance as a reason they opened an account—the most frequently cited reason.

In addition, the Co-operative Bank’s “ethical” customers are more profitable. They are both more likely to have multiple products with the bank and more likely to recommend the bank to others. And 34 per cent of the bank’s 2005 profits were attributable to customers who cited ethics as important. Half of those profits (17 per cent of the total) were attributable to customers who called ethics the most important factor. These numbers suggest that the Co-operative Bank, which grew assets 29 per cent per cent from £11.9 billion at the end of 2005 to £15.4 billion in June 2009 (before its merger with Britannia Building Society), is growing by actively promoting itself to those who take an interest in social and environmental issues and express that interest in their choice of financial institutions.

National Canadian statistics point to growing consumer interest in sustainability concerns. As described in Canadian Central's *Developing The Business Case for Credit Union Social Responsibility* guide, a national survey of 1,013 adult Canadians conducted in 2007 by the Environics Research Group revealed that "fully two-thirds of consumers are likely to switch their spending to companies that have demonstrated a commitment to green policies. [...] 67 per cent said they are likely to switch to *banks* (emphasis added), stores and other retail or service outlets that have demonstrated their commitment to the environment. In addition, 75 per cent of Canadians surveyed said they are likely to change their own shopping habits to purchase more environmentally friendly goods and services, even if it means paying a premium price.<sup>14</sup> The study concluded that we are witnessing a fundamental shift in consumer behaviour that reflects the increased mainstreaming of environmental consciousness.

In terms of sustainability-oriented products and services, according to UNEP Finance Initiative's 2007 study of this topic, the case for green financial products can include:

- Improved market share.
- Increased profits.
- Customer acquisition and loyalty.
- Higher employee satisfaction and retention.
- Reputational benefits (improved brand image).
- Positive media attention.
- Environmental awareness and benefits.
- Improved license to operate.
- Strengthened relationships and partnerships with external stakeholders.<sup>15</sup>

## WHAT IS THE BUSINESS CASE FOR SUSTAINABLE DEVELOPMENT?

Pursuing sustainable development makes firms more competitive, more resilient, and more nimble in a fast-changing world and more likely to win and retain customers. It can also help them find and keep some of the best brains on the market. In addition, it can make them more attractive to investors and insurers, while reducing their exposure to regulatory and other liabilities.

(Source: World Business Council for Sustainable Development  
[www.wbcsd.org/templates/TemplateWBCSD1/-layout.asp?type=p&MenuId=Mjk0](http://www.wbcsd.org/templates/TemplateWBCSD1/-layout.asp?type=p&MenuId=Mjk0))

Assiniboine Credit Union's research reveals similar interests in environmental and social responsibility in its market. In Canadian Central's, *Developing The Business Case for Credit Union Social Responsibility* guide summarizes the credit union's research into Manitobans' interest in CSR: 96 per cent of Manitobans felt that a commitment to conduct business ethically is important for their financial institution; contribution to community was deemed important by a similar 86 per cent; 87 per cent felt a commitment to fair hiring / employment practices was important; and 88 per cent believed that a

"Consumers today are looking for a relationship, not just a transaction. CSR and sustainability can be an effective way to build relationships."

—CREDIT UNION INTERVIEWEE

commitment to sound environmental practices was important.

Talent recruitment and retention is another consistent business case concern. Typically, studies of business and other graduating students reveal a priority interest to work for socially responsible firms. For example, in 2007 the Aspen Institute surveyed students from 15 business schools on their attitudes toward the relationship between business and society.

They found that “MBA students are expressing more interest in finding work that offers the potential of making a contribution to society. Twenty-six per cent of respondents say this is an important factor in their job selection compared with 15 per cent per cent in 2002.”<sup>16</sup> MBA students were asked what they believe are the primary responsibilities of a company. One-third believed these to include “create value for the local community in which it operates.”<sup>17</sup>

“Our employees tell us it provides them challenges and inspiration and ties in with their personal values.”

—CREDIT UNION INTERVIEWEE

Many studies and much anecdotal experience are revealing a link among sustainability-oriented workplace

cultures, employee satisfaction, and employee productivity. For example, a GlobeScan 2006 study found that 83 per cent of employees in G7 countries say a company’s positive CSR reputation increases their loyalty and motivation.<sup>18</sup> Firms with strong sustainability brands find they are better able to attract the best and the brightest and experience reduced employee turnover. Indeed, employee recruitment and retention benefits are typically a chief rationale for small-business investments in sustainability.

Reputation and brand management are other common business benefits. Credit unions, banks, and other firms have realized competitive advantages from their sustainability efforts. Those that position themselves as part of the solution often generate favourable publicity, goodwill, and greater public trust.

Some are predicting that the innovation benefits from a sustainability lens applied to business will drive financial performance in the future. By integrating sustainability into its operations and strategy, a firm can improve its relationships

with its stakeholders and position itself to attract new business opportunities from a “preferred partner” status. Stakeholder contact and consideration of sustainability issues and concerns can enhance a firm’s capacity for innovation, through its exposure to new perspectives.

“We interviewed stakeholders including our members, employees and community groups. They told us our sustainability efforts helped attract and keep members and attract and retain staff – from their personal experience.”

—CREDIT UNION INTERVIEWEE

Firms at several points in the supply chain are increasingly subjected to purchasing requirements related to managing their social and environmental performance. Walmart, for example, has launched a Sustainability Supplier Assessment among its 100,000 suppliers in which suppliers are asked to indicate their approach to managing carbon, materials, and community relations, among other factors. Credit unions and other financial institutions are likely to become increasingly subject to similar requirements over time.

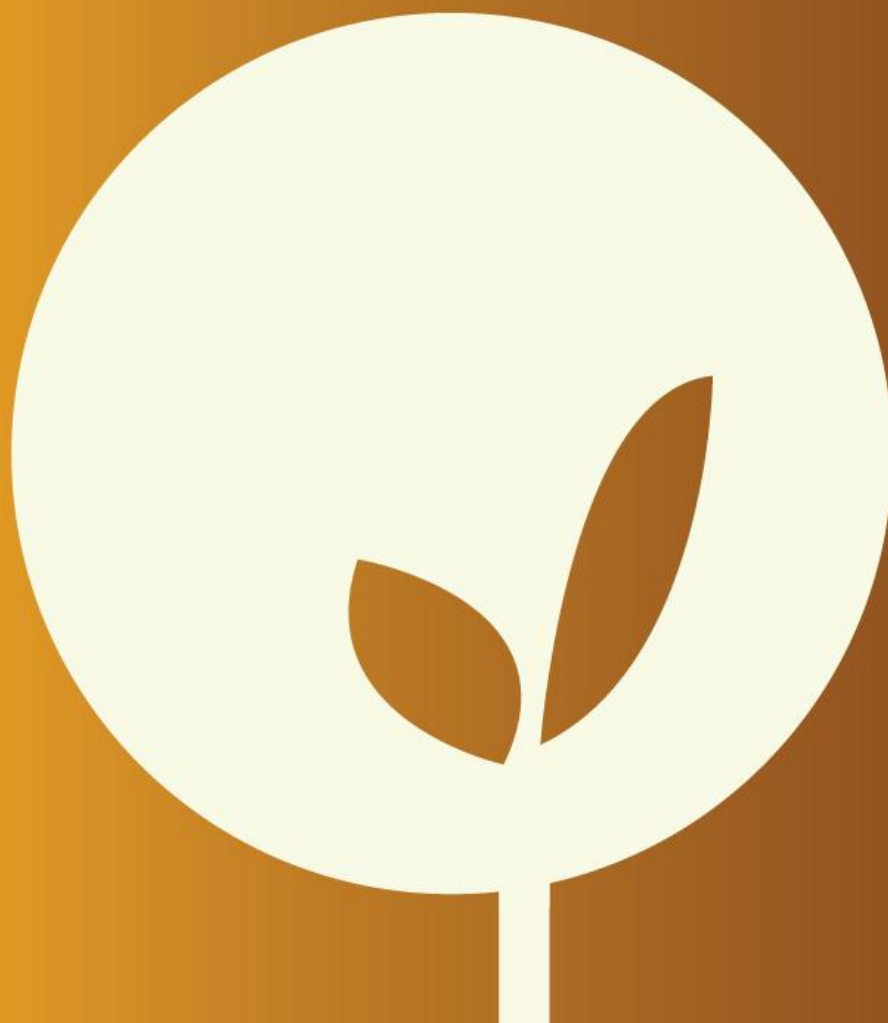
Finally, a business consideration not to be overlooked is the opportunity of “first mover” advantage. What business wants to be seen as following the pack, especially on key consumer concerns such as environmental and social quality of life, as the world increasingly confronts diminishing resources and a growing domestic and international gap between the rich and poor? And worse—what business wants to be left behind as other sectors and firms experiment with finding the economic, environmental, and social blended value proposition for its business and key stakeholders? Those firms that embrace the innovation opportunity and imperative found in a sustainability strategy are bound to reap these and other benefits in the years ahead.

“Those who don’t adopt sustainability will be left behind.”

—CREDIT UNION INTERVIEWEE

Credit unions that carefully invest in initiatives that generate business value by enhancing their current market position, aligning with their strategic business priorities, and helping them to reduce costs and increase their revenues will become and remain leaders in their marketplace. The development and implementation of a sustainability or CSR strategy can be the route to unearthing the sweet spot of member, community, and business interest, which can provide lasting differentiation.

The next chapter lays out the road map for credit unions interested in improving their social and environmental performance and leveraging the business, member, and community benefits that await.



## **CHAPTER 3**

### **SUSTAINABILITY STRATEGY**

Credit unions that wish to strategically manage their social and environmental performance should develop a specific sustainability strategy for improved results and greater benefit to their members, employees, and communities. All of the steps are important, but credit unions must adapt the processes to their own unique circumstances.

**M**ost of the pioneering credit unions profiled in this study did not have a guide book or formula to direct their sustainability strategy efforts. They followed credit union principles and good business sense in conceiving their sustainability plans. Nonetheless, experience from these leaders and other business sectors reveals there are ten basic steps to building and executing a sustainability or CSR strategy, as laid out in Figure 3.

This chapter will review each of these steps in order to demystify the basic process for sustainability strategy development. Most readers will recognize these steps, as they generally reflect a very typical research and development (R&D) and business planning cycle. However, a few key concepts unique to sustainability thinking will be explained along the way.

One caveat to understand at the outset is that these ten steps provide a general orientation as to how a sustainability strategy can be developed and implemented. In practice, things can unfold differently depending on the particular circumstances of the credit union—including availability of resources—and efforts previously expended in sustainability strategy development. Credit union managers should adapt these steps to their own needs and interests, treating the steps as a menu of factors to take into account on their sustainability journey.

“We learned there was value in being strategic about sustainability. We moved from random acts of greenness (the environment) and kindness (community involvement) to sustainability strategy.”

—CREDIT UNION INTERVIEWEE

### Figure 3: Sustainability Strategy Road Map

A process for the design, implementation, and renewal of sustainability/corporate social responsibility strategy needs to be tailored to the organization and its context.



## STEP 1: PREPARE

Before jumping into goal and target setting, it is important to pave the way for strategy development. Success is predicated on the degree to which there is a common definition for sustainability or CSR. While *sustainability* is often interpreted to imply green or environmental concerns, it fundamentally incorporates social along with environmental considerations, as a few of the definitions profiled in this report reveal. Conversely, many associate CSR with social concerns, such as community donations and community relations. However, it too, takes environmental and other social factors into account. Take some time to define what *sustainability* means to your credit union, but don't spend too long on this task and don't get caught up in the jargon. Adopt a simple working definition, gain agreement, and move on.

Another important framing task is to secure consensus on the business case or rationale for sustainability at your credit union. The previous chapter reviewed some common business case considerations that could be your starting point for this exercise. Some organizations have found that clarity on the business case can be an important determinant of success.

Credit unions and other businesses often form a steering committee of staff, with responsibility for developing the sustainability or CSR strategy. Innovators sometimes like to add board members to the committee, or even members or community representatives. Whatever your approach, the steering committee should at least be broadly representative of the various functions within the credit union, including marketing, human resources, finance, branch operations, product development, etc. Membership might also include specific individuals who are key to the success of the effort, and representation from senior management.

## SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY DEFINITIONS

- ISO 26000 defines social responsibility as “the responsibility of an organization for the impacts of its decisions and activities (NB: including products, services and processes) on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society, takes into account the expectations of stakeholders, is in compliance with applicable law and consistent with international norms of behaviour, and is integrated throughout the organization and practices in its relationships (NB: referring to an organization’s activities within its sphere of influence).”<sup>19</sup>
- “Sustainable development at mecu means adopting systematic and balanced business strategies that satisfy the economic, social, and environmental performance expectations of stakeholders today while protecting, sustaining, and enhancing the financial, human, and natural resources that will be needed to develop mecu in the future.” —mecu Limited
- “CSR is defined as an organization’s commitment to operate in an economically, socially, and environmentally sustainable manner, while recognizing the interests of its stakeholders, including members, employees, business partners, local communities, the environment, and society at large.” — Alterna Savings and Credit Union
- “We define sustainable development as forms of progress that meet the needs of the present without compromising the ability of future generations to meet their needs.”<sup>20</sup> —World Business Council for Sustainable Development

“The heart of our core business is strengthening and growing our Northwest BC communities and members, and our organization.”

—NORTHERN SAVINGS CREDIT UNION CORE BUSINESS STATEMENT

An initial task of the steering committee could be to conduct an assessment, or baseline, of the credit union's current sustainability initiatives. This exercise often reveals a number of activities that are currently under way but also a number of obvious gaps that can be identified for the strategy development phase. For the baseline you will want to pull together the following:

- Sustainability mission, vision, values, commitments.
- Charitable donations/sponsorship policy.
- Employee volunteering or other community involvement policies and initiatives/projects/partnerships.
- Healthy workplace policies or initiatives.
- Employee code of conduct.
- Sustainable purchasing policy.
- Environmental policy/initiatives.
- Sustainability-oriented products and services.
- Sustainability communications efforts.
- Programs to engage members or the general public on sustainability issues.

Refer to the sustainability management framework on page 8 for further ideas on what to include in your baseline. Once this information is pulled together, the steering committee can begin to see where strengths and weaknesses lie. This scan of current practices also provides the opportunity for the credit union to celebrate its efforts and recognize those who have made important contributions to date. Some organizations prefer to conduct their baseline assessment after they have made their initial commitments. Your choice of timing will depend on your organization's unique needs and circumstances.

## STEP 2: COMMIT

It is critical for the board and senior management to signal their commitment to sustainability at the outset. Board and management commitment are fundamental requirements for any sustainability initiative to succeed and endure. This commitment needs to be approved by the board of directors and communicated internally and publicly, setting the tone at the top.

“True leadership and commitment from the top are critical success factors.”

—CREDIT UNION INTERVIEWEE

Sometimes this commitment statement takes the form of a sustainability policy, a tool and reference point to help the organization set priorities and make day-to-day decisions. A policy can make the credit union's sustainability commitments explicit and provide an umbrella or framework to house its sustainability efforts.

Typical sustainability policies incorporate social, economic, and environmental aspects; take a holistic approach; speak to a vision for a more sustainable future; have a long-term perspective; position the organization as a catalyst for change; point to what the organization is striving to achieve; and reference stakeholders and the concept of interdependence. The policy needs to be lasting so the organization can have the confidence to build strategies and targets to deliver on its aspirations.

Policies and commitments typically address:

- Our definition or vision of sustainability. . .
- We believe . . .
- Our role . . .
- Our stakeholders/partners . . .
- Our unique contribution to sustainability challenges . . .
- We want to make a difference by . . .
- We are committed to . . .
- We want to be known for . . .
- Why we do it . . .

## VANCITY'S SUSTAINABILITY COMMITMENTS

In 2000, Vancity developed a Statement of Values and Commitments to guide their business decisions and strategies. They adopted six commitments reflecting their financial, member service, democratic, workplace, community, and accountability priorities, including, for example:

*"We will lead by example and use our resources and expertise to effect positive change in our communities. This means we will:*

- *Leverage our unique skills and expertise as a financial institution to create solutions to social, environmental, and economic issues.*
- *Model and advocate socially and environmentally responsible business practices.*
- *Seek business partners that practice progressive employee relations, contribute to the well-being of their communities, and respect the environment.*
- *Invest our dollars responsibly in the communities in which we live and work."*<sup>21</sup>

**"Our purpose as a socially responsible and profitable financial co-operative is to provide accessible financial services for the well-being of our members, employees, and community; offer fair and meaningful employment in a safe and respectful workplace; and build partnerships that foster self-reliant, sustainable communities."**

**—MISSION OF ASSINIBOINE CREDIT UNION**

An exercise that organizations often undertake at this time is to revisit their corporate mission, vision, and values to ensure that sustainability (or CSR) is referenced or taken into account in these foundational statements. If updating these documents represents a significant undertaking, this task can be deferred to the priority-setting phase (Step 4), when the organization sets priorities and goals for its sustainability strategy.

Note that the development of a long-term sustainability vision (as distinct from a corporate vision) is recommended in Step 4. This is because it follows on the heels of the research phase, which can often inform the credit union about a larger, more substantive or significant sustainability vision that it can undertake. Of course, if setting the sustainability vision at this stage suits your organization, this can be useful to frame the research and priorities that follow next.

### STEP 3: RESEARCH

The research and development (R&D), phase is a key step in the development of your strategy. This is where the credit union expands its horizons to consider the broader sustainability field within and outside the financial services sector. Here the credit union will typically investigate best practices and trends in sustainable finance and corporate sustainability more generally. (See the Resources section for references to help with this phase.)

This guide profiles a number of best practices in the financial sector, which is a good starting point for your research. The Canadian Central study on trends and best practices in the financial sector is another key resource (see the Resources section). The UNEP Finance Initiative and the World Business Council for Sustainable Development are valuable global resources. Typically, sustainability market leaders issue sustainability reports that profile their efforts to advance sustainability; these reports provide insight into many of their sustainability successes and failures, which can be useful guidance to early stage and advanced sustainability organizations. Consider, for example, reviewing the sustainability reports and Public Accountability Statements of the major Canadian banks for initiatives and ideas that might be replicable – and which might also one day compete for the hearts and minds – and wallets! – of your members.

### FINDING THE RIGHT SUSTAINABILITY TARGETS

When developing its CSR priorities, Assiniboine Credit Union considered a number of “discovery papers,” including one on key CSR trends and best practices and implications for a financial institution in which CSR thought leaders were consulted for their views and opinions. A second paper presented the views of community and business leaders, who were asked to prepare short briefings on the key concerns in the community and the leadership role the credit union could play in their resolution. As a result, poverty, climate change, and skills shortages were identified as key issues. A third paper summarized the views of co-operative and credit union leaders, who were asked what leadership role Assiniboine could play in promoting and demonstrating the co-operative difference.

Mecu has combined the job of risk management and coordination of its sustainability strategy into a position called “Risk Management Coordinator—Sustainability,” which helps to ensure that sustainability risks are identified and included in its sustainability management framework.

Some organizations conduct their baseline assessment at this stage, rather than earlier in the preparation stage. There is no one right way. Do whatever works for you.

You will also want to look at your own market. Who are the known local sustainability leaders in business? How have they earned their reputation? What works for them? What are your competitors doing on your home turf?

## INCLUDING STAKEHOLDERS IN THE SUSTAINABILITY PLAN

Mecu has defined its stakeholders as members, employees, key representatives of its strategic communities, suppliers and contractors, regulators and political leaders, and credit union industry representatives. It aims to align its values with those of its stakeholders and ensure that their expectations of the credit union form a key part of its organizational strategy, culture, operations, and products. Mecu has a Stakeholder Engagement Policy, which provides a framework for the management of its stakeholder engagement process. Specifically, the policy aims to:

- Provide a basis for the identification and selection of the credit union’s major stakeholders.
- Allocate roles and responsibilities for the prudent management and control of stakeholder issues.
- Provide regular reporting to the board, relevant committees, senior management, and stakeholders.
- Articulate forms of stakeholder engagement and principles that will be adhered to.
- Specify how information from stakeholder engagement will be used and the type of information that is expected to be generated.
- Reporting on stakeholder engagement actions to the board’s Sustainable Development Committee occurs quarterly.

Here, too, many credit unions reach out to their stakeholders to identify their key sustainability priorities and to canvass opportunities for strategic community partnerships. Typical credit union stakeholders include members, employees, and the general community, though a comprehensive stakeholder mapping exercise might also list suppliers, governments, regulators, media, business partners, the credit union and co-operative systems, and others. Some approaches include focus groups; surveys; task forces; interviews with thought leaders, experts, advocates, and opinion leaders; and commissioning of issue papers. It is best to be informed of best practice in sustainable finance and corporate sustainability generally prior to engaging stakeholders, as this will help to frame the discussions regarding opportunities.

**“We need to strategically manage the social, environmental, and ethical risks and opportunities for our business.”**

*—CREDIT UNION INTERVIEWEE*

As part of the research phase, you will want to understand your key impacts, risks, and opportunity areas. Your stakeholder consultation can inform your thinking here, as can keeping abreast of the sustainability literature, which tracks sustainability risks, opportunities, issues, challenges, and trends on a sector-specific and general basis.

## **SUSTAINABILITY PLANNING ADVICE**

- “Start your strategy by conducting a baseline; research to understand all the factors, including social, cultural, and environmental, within and outside the organization.”
- “Consult with thought leaders, advocates, and stakeholders. Survey community leaders, do focus groups, and conduct community consultations. Put together a task force and undertake best practice research and peer research.”
- “Leverage your core skills—how can you leverage the skills and resources you have to make a difference? A financial institution’s unique role includes access to credit, lending criteria, serving the underserved, offering socially responsible investments, and microfinance.”
- “Focus on a few key impact areas where you can make a difference. Don’t try to do everything. Break it down into manageable components. Take a strategic approach, because otherwise you can get drawn into high-profile issues or one person’s passion.”
- “Create a committee that is directed by the people who have to implement the program; give them a say in how it happens.”
- “Bring in outside expertise to provide an impartial third-party perspective.”

*Source: Credit union interviews*

Benchmark your efforts: Where is the organization strong and where is it weak relative to your peers, competitors, and best practice research? What environmental or social threats exist that can affect your credit union's business success? What are the key positive or negative impacts of your credit union on

**"We had a gap in our performance: we were strong in helping each other and the community, but helping the earth piece was missing."**

**—CREDIT UNION INTERVIEWEE**

the environment and society? What credit union assets are underleveraged in solving sustainability challenges in your marketplace? What pre-existing policies and commitments have you made internally or externally? How well does your current business plan respond to these emerging challenges and opportunities? What aspects of your current business plan can be enhanced through strategic sustainability investments? If you haven't performed the baseline assessment referenced in

Step 1, now is the time to conduct one, or to revisit the outcomes of the initial exercise. What is your current performance in these areas?

### **SAMPLE ACTIVITY: DEVELOPING YOUR CREDIT UNION'S SUSTAINABILITY VISION**

Name of activity:	Developing a Sustainability Vision
Objective:	Work together to create a common vision for a sustainable organization
Time:	One hour
What you need:	Flip chart paper and markers

#### **Task One: Individual Visioning (10 minutes)**

Ask participants to close their eyes and imagine the sustainability role their credit union will be playing in the future. Advise participants not to get stuck in concerns over how to make this work. This is about expanding possibilities.

#### **Task Two: Group Brainstorming (25 minutes)**

Now ask participants to share their ideas. This is a brainstorming stage, so have note-takers capture all of the responses on flip chart paper. Be as specific as possible. Themes will emerge as similar ideas are voiced by several participants. Cluster these themes to prepare yourselves for the next task.

#### **Task Three: Deciding on a Common Vision (25 minutes)**

Using all the ideas generated by your participants, work together to create a vision that will inspire and excite. Create a storyboard, image, or short paragraph that captures your common vision. Guard against word smithing at this stage—leave final wording to your communications specialists, who can focus on editing the vision into its simplest expression.

*Adapted from the David Suzuki Foundation, "David Suzuki at Work," p. 17. The workbook with full instructions and brainstorming questions can be downloaded at [www.davidsuzuki.org/NatureChallenge/at\\_Work/sign\\_up.aspx](http://www.davidsuzuki.org/NatureChallenge/at_Work/sign_up.aspx).*

Some roll these efforts up into a (1) benchmarking study and (2) gap and opportunity analysis. Once you understand your present situation, you are in a position to identify initiatives to help you close the gaps and leverage the sustainability opportunities that will benefit your members, employees, community, and, of course, your business. This assessment will help you to make informed decisions on your priorities going forward and determine where to invest within the framework of your sustainability strategy.

#### STEP 4: PRIORITIZE

After you benchmark your current practices and assess your key gap and opportunity areas, you are well placed to engage your credit union in the development of a longer-term sustainability vision of where you want to be in, say, ten years or more. Here is the opportunity to envision the sustainability future for your credit union and its role in advancing sustainability internally and among its stakeholders. You will be informed by your key gaps and opportunities, risks, and impacts, and with this knowledge you can chart the course for conceiving and then moving toward your vision—via your sustainability strategy.

See the sample activity on page 41 for one approach to the development of a long-term sustainability vision.

Your board-approved sustainability vision determines the overarching direction in which you want to go. Now comes the task of determining how to get there. A key input at this stage, in addition to your vision, is your gap and opportunity analysis. You may wish to deepen your insights into the possibilities for your strategic direction through consideration of:

- Your sphere of influence.
- Your leadership orientation.
- Blended value opportunities.
- Your current business plan and core competencies.

Some time spent in consideration of these factors will help you identify which of the many possibilities are worth the investment.

#### PRIORITIZE INITIATIVES

- “Focus is the key. Don’t try to do everything. Once you have your focus, measure it and see how well you are doing.”
- “Hire a CSR specialist to help you prioritize and focus. This can bring a fresh perspective and help to overcome organizational politics.”

*Source: Credit union interviews*

As with any organization, credit unions operate in a “value chain” of relationships. Upstream are suppliers, regulators, governments, and the credit union system. Downstream are the receiving environment, members, the business community, social and environmental organizations, the public at large, and future generations that will be impacted by the credit union’s business practices. Of course, internal relationships consist of your board and employees. Organizations have the ability to affect the behaviour of parties with whom it comes into contact. Such parties are considered to fall “within an organization’s sphere of influence.”<sup>22</sup> (See <http://corostrandberg.com/wp-content/uploads/files/Sustainability-Spheres-of-Influence2.pdf> for a map to help you determine your spheres of influence.)

In the context of an organization’s social responsibility, the emerging standard is that an organization’s “ability to influence others will be accompanied by a responsibility to exercise that influence” and the responsibility for exercising influence will increase with the organization’s ability to influence.<sup>23</sup> In this instance, a credit union would have the responsibility to be alert to the impacts created by the decisions and activities of those entities in its sphere of influence. This concept creates opportunities and risks for the credit union. On the risk management side, it brings to mind questions such as the nature of its lending practices and whether they might generate any negative environmental or social impacts; on the opportunity management side, it brings up opportunities to engage suppliers, employees, members, and others in the community on sustainability projects and initiatives. Some organizations take the concept of sphere of influence even further, stating a desire to be a catalyst for a sustainable society. Other organizations seek to make their products and services serve as tools for social change, environmental enhancement, and economic resilience. As you consider your credit union’s sphere of influence, some opportunities and risks are likely to present themselves as most significant to your organization’s long-term sustainability vision, core competencies, and current business strategy.

## CREDIT UNIONS AND ADVOCACY

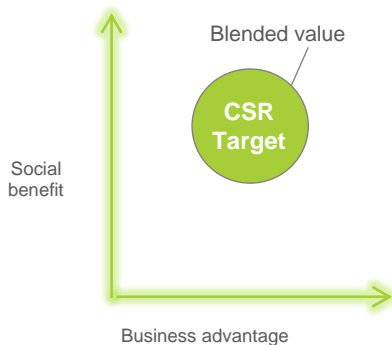
Best practice in sustainability includes playing an advocacy role to advance public awareness and public policy on key sustainability issues. Vancity has a notable track record in advocacy engagement, which includes:

- Poverty alleviation: Funding organizations to research and campaign on income subsidies.
- Social economy: Participating in federal government task forces and roundtables on the social economy and funding organizations to advance public policy on the social economy.
- Climate change: Participating in a multi-sectoral advocacy group supporting climate action in the province.

These questions prompt consideration of the credit union's leadership orientation. Leadership was defined earlier as comprising integrated and mission-driven practices, possibly including getting one's house in order; incorporating sustainability into products, services, investments, and purchasing; engaging stakeholders in sustainability efforts; and participating in public policy advocacy on sustainability matters. At this point you may wish to review the draft of your long-term sustainability vision, the CSR continuum (Figure 2 on page 6), and the five leadership attributes to see which of these practices resonate for your credit union.

Finally, the determination of your blended value opportunities can help to laser focus your credit union's efforts. As Figure 4 shows, the key test of your sustainability priorities should be whether they generate social/environmental value *and* business benefits for the credit union. This is where the definitional principle of balanced and integrated social, environmental, and economic considerations in business operations, strategy, governance, and management comes into play.

**Figure 4: Combining Social Benefits with Business Advantages**



Reference in "Building Strategic Advantage Through Social Impact Management," Presentation, Social Impact Management Institute, May 15, 2007

One way to do this is to leverage your sustainability strategy off your current business plan. For example, what are your top business objectives? Launch a new brand, build member loyalty, enhance staff engagement, update the product array, increase market penetration, and build a new branch? Your sustainability strategy can contribute to the achievement of these business objectives, helping you to generate business value while fostering social and environmental improvement.

Your strategy should also be built around your core competencies – what your credit union knows, does, or is expert in. As a credit union, for example, you have business skills, finance skills, community development skills, and democratic skills, all of which can be applied to your sustainability strategy. You are not a health care organization, a sporting goods company, or a social service, so making health care, recreational projects, or

social services your focus would move you out of your core competencies. Further, financial institutions are best able to make a difference in areas where they have competencies that can be part of the solution.

Whatcom Educational Credit Union sought to build its market presence among immigrant and other unbanked communities in the region as a key business strategy.

They hired a marketing representative with a social responsibility mandate to build community partnerships with community organizations, generating both business and social benefits for the credit union and its members. Further, the credit union is leveraging its core competencies in training frontline non-profit staff to provide financial education to low-income members who are the targets of predatory lenders.

Poverty, financial literacy and access, social inclusion and diversity, unemployment, affordable housing, social enterprise, small business and co-operative financing, green property development, green business loans, and green auto financing are likely areas of credit union activity. Sticking to what you know when developing your sustainability strategy will help provide the discipline and focus you need to sort through competing priorities. Credit unions should seek causes and social and environmental strategies for which they own part of the solution.

Stakeholder engagement may also be helpful at this stage. Credit unions can share their analysis with key stakeholders and seek input on key priorities for implementation.

## CREDIT UNIONS AND FINANCIAL LITERACY: A KEY SOCIAL ISSUE

Over one-third of Canadians are either struggling, or unable, to keep up with their finances; one-quarter have challenges keeping track of their finances, planning ahead, and staying informed about financial matters – lacking the basics of financial capability needed to keep afloat financially. According to research by the Vanier Institute of the Family, “Canadians at greatest risk of [...] experiencing debt vulnerability are on a fixed income; at the bottom of the income earnings ladder; insecurely attached to the labour market; and unattached and between the ages of 18 – 64”.

The federal government perceived this to be such a substantial social issue, it commissioned a national Task Force on Financial Literacy in 2009. For its purposes, the Task Force defined financial literacy as “having the knowledge, skills and confidence to make responsible financial decisions. Knowledge means understanding personal and broader financial matters; skills are the ability to apply that knowledge in everyday life; confidence means feeling self-assured enough to make important decisions, often a key factor in galvanizing people into action; and responsible financial decisions mean that people will be able to use the knowledge, skills, and confidence they have gained to make choices that are appropriate in their own circumstances”.

Canadian credit unions have been responding to this issue in great numbers. In 2010, Canadian Central conducted a scan of financial literacy programs offered by credit unions, summarizing efforts of about 50 credit unions and centrals to enhance the financial capacity of their members and communities. Most programs are targeted at youth and high school students. Other target groups include at-risk youth, families, low income people, new Canadians, women’s shelters, general public and Aboriginal people. Some credit unions provide financial capability support to small businesses, micro-enterprises, co-ops and non-profits.

There are many ways credit unions provide financial literacy education, including websites; workshops, training, and seminars; one on one support; tips and legal information; course curriculum; teaching aids and guides; games; booklets and student guides; newsletters; inner city branches; in-school credit unions; and matched savings programs. Credit unions are partnering with schools, community and social services, junior achievements, and provincial governments, among others, to deliver the financial literacy programs.

Programs focus on the basics of money and account management, loans, deposits and card products; financial planning; debt management; basic budgeting; home buying and home ownership; small business management and business loans; earning an income; retirement; student loans; saving money; and protecting assets.

*For details see: “Canadian Credit Union Scan of Financial Literacy Initiatives (2010)” in the Resource section.*

“You need to understand what areas of focus are important to you and the credit union, and what aligns to core strategy and the mission, vision, and values of the credit union. Once you have that down, the rest of the decisions become easier.”

—CREDIT UNION INTERVIEWEE

It is important to limit the number of sustainability priorities. Often credit unions identify the following priorities in this round:

- Model best practice in sustainable governance and management.
- Reduce our environmental footprint.
- Develop a sustainable purchasing policy.
- Advocate for credit union system sustainability leadership.
- Offer sustainability products.
- Launch a sustainability brand and communications program.
- Launch a strategic community investment program.
- Become an employer of choice.

“Define your purpose and stick to it or it will become overwhelming.”

“Need to understand who your key stakeholders are.”

“Go beyond a CSR checklist.”

“Set clear targets and build on them.”

—CREDIT UNION INTERVIEWEES

With your priorities in hand, the next step is to refine your goals and targets to flesh out your priorities and create the sustainability strategy to guide your efforts over the next three to five years, depending on your business planning horizon.

## STEP 5: TARGET

The sustainability vision is the long-term road map for your organization. Your priorities, expressed as your sustainability goals, will point the way toward the achievement of your vision for the next few years, until you renew and update your strategy, typically after the third year (though the process of renewal will optimally commence during year three). The exercise at this point is to turn your priorities into medium-term goals. Your goals should link to both your sustainability (or CSR) vision and your sustainability (or CSR) policy. They should inspire action and communicate where the credit union seeks to focus its efforts over the business period.

Initially your goals might be fairly general; after a few years of practice you will be in a better position to set more focused goals for improvement. Your goal might be to reduce your environmental footprint, or it might be to reduce your carbon footprint, something more specific. Once you set the goal, you will need to identify your tactics—how you plan to achieve your goals—and the specific one-

year deliverables (short-term action plan) that will be integrated into your credit union's annual business plan.

Currently, Alterna Savings and Credit Union is base-lining its environmental impacts in order to identify goals, targets, and key performance indicators to reduce its environmental footprint. It is partnering with a local university to develop some community economic development (CED) measures to guide its CED strategy.

This requires another priority-setting process, in which the credit union turns its attention to one-year priorities. Choose initiatives that have impact and financial payback, are stepping stones to other initiatives, have brand value, add value to - and help you achieve - your current business plan, and possibly create opportunities for stakeholder partnerships. The goal-setting exercise addresses two questions: Given our priority, where will the credit union be in three to five years? and, how will we know we got there? This second question refers to the credit union's target or measure of its success. If your goal is to reduce your carbon footprint, you may wish to set the target of becoming carbon neutral, referring to neutral (zero) total carbon release, often brought about by balancing the amount of carbon released with an equivalent amount sequestered.

The third question thus becomes, how do we measure carbon neutrality? In answering this question, the credit union will move into a discussion of its key performance indicators—that is, the identification of measurement indicators that the credit union will baseline and monitor in order to determine its performance relative to its strategic goal of, in this case, reducing its carbon footprint and becoming carbon neutral. In this instance, the credit union would likely identify greenhouse gas emissions as its

“Take baby steps in the beginning - build upon it every year as you can.”

—CREDIT UNION INTERVIEWEE

key performance indicator.

As with any business plan initiative, the credit union will follow the process of identifying lead business groups and staff with responsibility for implementing components of its sustainability plan. It is important at this juncture to ensure the one-year plan includes some quick wins and some big wins. Quick wins mobilize enthusiasm and draw attention to the effort; big wins achieve cost savings, demonstrating the sustainability business case and possibly freeing up resources for further sustainability investments. Look for at least one group-wide project that everyone can get behind. Some organizations, once they have identified their strategic priorities and goals, circulate the sustainability goals to departments with a request that they self-identify sustainability initiatives for inclusion in their next-year business plan, thereby fostering engagement, buy-in, and bottom-up participation.

**Figure 5: Assiniboine's CSR Strategic Plan: 2009–2013**

CSR strategic direction	CSR strategies	CSR goal and key performance indicators	Credit union vision
Demonstrating leadership in community renewal, environmental sustainability, and the co-operative principles	Expand services to the underserved	Making a difference in our community <ul style="list-style-type: none"> <li>• Growth in community leadership portfolio</li> <li>• Reduction in CO2 equivalent emissions</li> <li>• Increase in member CSR engagement</li> <li>• Increase in employee CSR engagement</li> </ul>	Financial co-operative of choice
	Facilitate the success of community leaders		
	Model and facilitate climate change solutions		
	Engage members and employees in making a difference		
	Integrate CSR and the co-operative principles throughout ACU		

Those credit unions that include the development of a strategic community investment program among their priorities are typically focused on aligning their community programs and charitable donations with their core competencies and their business strategies. As such, their interests are generally in the areas of community economic development and specialized loan products for economically marginalized groups such as youth, immigrants, minorities, farmers, women, people with disabilities, and eco-businesses; affordable housing and homeownership initiatives; and financial literacy and responsible lending programs. Typically, at this stage of the process, the credit union undertakes a review of its community donations to ensure they are leveraged for the greatest value, often refocusing their grants to initiatives aligned with their sustainability strategy. Many find it beneficial to develop strategic partnerships in order to make their investments go further, secure expertise, enhance the profile of the initiative, build community and member loyalty, and increase the overall impact of the project.

In consideration of their sphere of influence, credit unions seeking to contribute to community development through their core business processes may decide to proactively train and hire people with employment challenges to work in the credit union, source goods and services from businesses that create employment for marginalized communities (social enterprises), or provide products and services that improve community and global conditions.

“Leveraging partnerships is key because there are so many organizations that would love the added resources and expertise of a credit union. Our main area of expertise is finance, not green building or poverty reduction. Basically, you don’t have to go it alone.”

—CREDIT UNION INTERVIEWEE

As with other areas of the sustainability strategy, a community development, involvement, or investment program should set board-approved goals, targets, and means of measuring success or impact. And it should leverage, and support, your business plan.

## VANCITY'S SOCIAL PRODUCTS

Vancity Credit Union offers Shared Growth term deposits to its members so they can invest in local projects that improve social and environmental well-being; their Shared World term deposit channels financing to microcredit programs in the third world. A *Vancity Springboard Home Ownership*® mortgage helps low-income renters purchase homes. A portion of revenue from Vancity's high-interest savings accounts is donated to a community service that helps people on low incomes move toward self-sufficiency. Microloan products are available to under-banked target groups. Vancity also offers socially responsible investment (SRI) products, which allow members to invest in mutual funds or develop investment portfolios that are consistent with their ethical values. SRI funds take social, environmental, and governance factors into account in the investment process.

A more recent area of interest that regularly makes its way into a credit union's sustainability strategy is the environment. Often communicated as "reduce our environmental footprint," typical goals include: reduce our greenhouse gas emissions; reduce our energy use; reduce office waste; reduce and conserve water; reduce paper use (e.g., switch to electronic statements) and switch to environmentally friendly paper (e.g. Forest Stewardship Council (FSC) certified or 30 per cent per cent or 100 per cent per cent recycled content); develop or retrofit green branches and facilities; implement sustainable purchasing policy; engage employees and members on reducing their environmental impacts; develop products and services that create environmental benefits for our members; source renewable energy; find alternatives to toxins; green our meetings, including our annual meetings; develop green giveaways; encourage alternative transportation for staff and members; reduce business travel; implement sustainable food measures, including organic, local and fair trade food, and switch to reusable or biodegradable dinnerware, and promote a healthy workplace. Fortunately, many of these initiatives are cost-saving. Organizations sometimes create a special fund from these avoided costs to finance investments in more costly initiatives, such as installing showers and bike racks, offering transit passes to staff, or undertaking an energy-efficiency building retrofit.

Mecu's Environment Policy sets out its approach to managing its impacts in relation to paper, waste, energy, travel, water, and land. They have an Energy Reduction Action Plan, a Green Travel Action Plan, a Water Reduction Action Plan, and a Waste Reduction Action Plan. It is developing an Environmental Management System (EMS) Guide to assist in meeting its environmental objectives. It intends to align its EMS with the ISO standard for environmental management systems, ISO 14001, which is likely to be a worldwide credit union first. <sup>24</sup>

The list of environmental to-dos can be overwhelming. A basic program would be to reduce energy use and greenhouse gas emissions, waste, and paper consumption and incorporate green building features in branch design, whether renovation or new-build. In developing environmental priorities and targets, organizations often start by base-lining their environmental groups that offer environmental audit services. With an eco-audit in hand, credit unions are in a better position to identify their opportunity areas and to measure and monitor their on-going environmental performance. (For guidance on environmental management, see the Resources section.)

At this stage of the strategy process, the board of directors will have been engaged at the commitment phase, the prioritization phase, and the target phase. The timing and degree of board engagement will naturally vary by credit union. However, it is often once the sustainability commitment, vision, and plans have been adopted by the credit union board that directors perceive a need to broaden their governance mandate to accommodate their new priorities. Thus, it is useful to consider the ways and means by which credit union boards can incorporate their new sustainability oversight role into their governance responsibilities.

## GREEN FINANCIAL PRODUCTS

The following are some of the green financial products offered by financial institutions around the world, including the case study credit unions:

- Green mortgages, which provide customers with lower interest rates if they purchase a new energy-efficient home or invest in retrofits, energy-efficient appliances, or green power.
- Green home and home improvement loans, which offer reduced rates for homes achieving a certain energy efficiency rating, for installation of environmentally friendly features or appliances in the home, for eco-audits, or for energy-saving renovations—e.g., mecu's goGreen Home Loan and Home Improvement Loan and Vancity's *Bright Ideas*® home renovation loan. Northern Savings and Credit Unions' *Smart Home Energy Loan*® offers rebates on home energy audit. The *GreenSaver*® Improvement Loan offered by Alterra Savings and Credit Union provides low-cost financing for energy retrofits to members' homes and businesses. Bergengren Credit Union offers Eco Loans, a preferential rate to retail and business members on eco-efficient products ranging from *ENERGY STAR*® windows and appliances, to fuel efficient cars and alternative energy sources such as windmills and solar panels.
- Carbon off-set products, which offset the emissions associated with the financial product; e.g., for every year that a customer holds a mortgage, the Co-operative Bank in the UK pays to offset a fifth of a typical UK home's greenhouse gas emissions on the customer's behalf. Mecu credit union offers its members biodiversity offsets (conservation land banking) on all new home construction loans.
- Green car loans, such as those offered by mecu and Vancity, with below-market interest rates for fuel-efficient cars. Bergengren Credit Union's green car loan is incorporated into a broader retail product that includes renovation loans.
- Green credit cards that are linked to environmental activities—e.g., the Barclaycard Breathe credit card funds projects that tackle climate change; the Vancity enviro® VISA\* card allocates a percentage of profits to environmental initiatives voted on by cardholders; and a Co-operative Bank credit card supports ethical consumerism, with purchases from specified ethical partners attracting preferential interest rates.
- Green car insurance, whose premiums provide incentives to reduce distance traveled (such as mecu's *goGreen*® Motor Insurance), or where discounts are offered for hybrid or fuel-efficient cars.
- Green home insurance, such as Vancity's *Pure Home Insurance*® product<sup>25</sup>, which provides supplemental coverage for environmentally friendly alternatives for replacing damaged property, flooring, adhesives, appliances, and fixtures, and for green upgrades to windows, appliances, and insulation.
- Eco-advice service to business clients, offering resources and one-on-one advice on ways to reduce energy consumption and initiate green business programs internally, how to cut carbon emissions, where to purchase green products and services, and how to access additional technical or financial resources.
- Financing for eco-businesses, such as Vancity's Capital Partners, which provides subordinated debt financing for environmental and social enterprises.
- Low interest business loans to finance eco-renovations, fuel efficient cars, renewable energy generation, and eco-products and appliances.
- Rebates for energy audits and gift certificates for purchase of energy efficient products or appliances.
- Term deposits for members to invest in projects that improve environmental conditions.
- Socially responsible investments (SRI) for members interested in wealth management products. SRI products provide a means for members to invest in mutual funds that take social, environmental, and governance considerations into account in the investment process.

## CSR INVESTMENT AND INSURANCE PRODUCTS AVAILABLE TO CANADIAN CREDIT UNIONS' MEMBERS

### Socially Responsible Investment Funds

Credit unions through their Centrals own 50 per cent per cent of NEI Investments, home to Canada's leading socially responsible mutual fund family, **Ethical Funds**. The **Ethical Funds** investment strategy not only assesses companies on a range of corporate responsibility measures before investing, it also encourages companies to improve sustainability business practices through corporate engagement.

Credit unions benefit in two ways through their partnership with **Ethical Funds**. First, they are able to offer their members excellent socially responsible investment products. In addition, credit unions also earn additional revenue through NEI Investments' Partnership Distribution based on each credit union's NEI Investments assets under management.

The other half of NEI Investments is owned by the Desjardins Group.

To find out more about CSR investment products that are available for your members through NEI Investments L.P., contact 1.888.809.3333 or visit [www.NEIinvestments.com](http://www.NEIinvestments.com).

### Sustainable Insurance Products

Some credit union members also have access to sustainable insurance products through The Co-operators, including a hybrid vehicle discount, Enviroguard Coverage™ for homes and an Envirowise Discount™ insurance savings for certified green homes. Contact Bob Hague, President, Credit Union Distribution, The CUMIS Group Limited at 1.800.263.9120 x.5043 for more information.

## STEP 6: GOVERN

As credit union boards become increasingly committed to, and immersed in, the development of the sustainability strategy, it typically fosters questions regarding the board's role. With the formalization of the strategy, including goals, tactics, and targets, directors come to see a new role for themselves in governing this aspect of the credit union's performance. Indeed, this trend of sustainability governance is emerging as an important development in the sustainability field. Some boards are adopting a sustainability mandate because they believe it is part of setting the tone at the top and a starting point for fostering sustainability values throughout the organization; others are bringing it into the boardroom because they see it as part of their fiduciary responsibility. Still others see it as an important aspect of business strategy. Regardless of whether the sustainability strategy is business-led or values-led, more and more boards are grappling with the question of their role and mandate in this area.

A global study the author conducted for the Conference Board of Canada of trends and best practice in CSR governance points to an important role for the board in providing oversight of the organization's sustainability performance.<sup>26</sup> Some boards establish sustainability committees; others see sustainability as an overall role of the board; others integrate a sustainability role within pre-existing committees. There is no one right way; however, in the early phases of developing and implementing a sustainability strategy, boards often find it useful to assign this role to a committee to allow for greater in-depth discussion and monitoring. Board members interested in integrating sustainability or CSR into their governance mandate may be interested in the "CSR Governance Guidelines" found in the Resources section.

Once the sustainability goals, tactics, and targets have been established, including key performance indicators to measure your ongoing sustainability performance, you are ready to begin the process of implementing your sustainability strategy. It is important at this point to ensure that the strategy is integrated into your annual and longer-term business plans to help with ongoing monitoring and review and to communicate its priority to the organization. As this guide demonstrates, sustainability needs to be treated and managed as a core business strategy, as with product development, sales, marketing, IT, and talent management.

## EXAMPLES OF SUSTAINABILITY GOVERNANCE

Alterna Savings and Credit Union's board of directors adopted a CSR policy that it reviews and updates annually. The Board of Directors' Member Relations Committee has overall governance for the credit union's CSR strategy and policy. It also oversees the credit union's accountability report and reviews and monitors stakeholder relations.

Mecu's Board of Directors has a Sustainable Development Committee that meets quarterly and provides advice and recommendations to the board on matters relating to its responsibility for ensuring that mecu's values and stakeholders' expectations are reflected in its policies and practices.

Assiniboine Credit Union's Board of Directors has a Community and Member Relations Committee, which has oversight of relations with the community and members, including the community investment policy, stakeholder communications policy, and member engagement policy.

Northern Savings Credit Unions' Board of Directors has a Donations and Community Reinvestment Committee, which has overall responsibility for the development and implementation of the sustainability strategy, including policy making, evaluating the effectiveness of the initiative, developing standards of corporate responsibility for the credit union, and providing oversight of the donations program.

## STEP 7: IMPLEMENT

The implementation process will be largely familiar to credit unions, as it follows a similar path to any implementation plan. However, there are some unique elements that bear reviewing, critical as they are for successful achievement of your goals and targets.

Assiniboine Credit Union built a common understanding and definition of CSR among employees and the board. A CSR engagement index was developed to measure member and employee views on Assiniboine's CSR performance, and a CSR awareness campaign was rolled out.

### MECU'S SUSTAINABILITY STRUCTURE

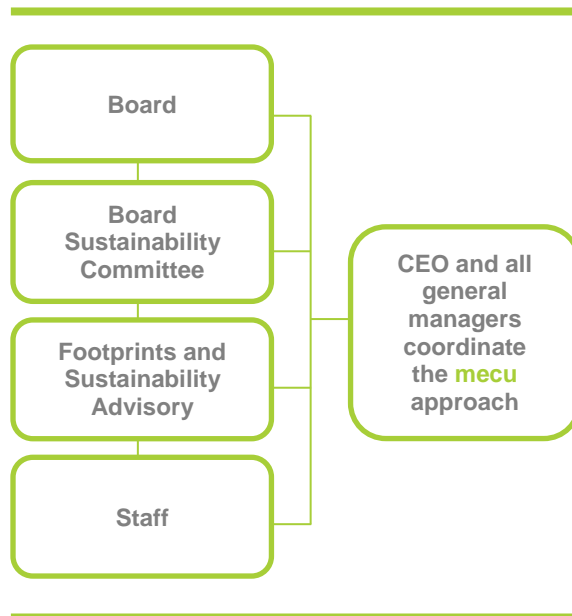
The mecu Board of Directors has a Sustainable Development Committee, which provides overall direction to management.

Within the organization, a staff member from each division is nominated to be on the Staff Sustainability Reference Group, called Footprints. The group is chaired by staff members and is responsible for helping to champion and implement appropriate sustainability projects and initiatives across the organization.

Footprints is supported by a Sustainability Advisory Network, which is made up of representatives from each service center. They ensure that the appropriate initiatives are implemented in the service center and provide an important channel of information and ideas about how they can become more sustainable.

This structure provides mecu with a comprehensive network that ensures sustainability is implemented across all aspects of the business.

*Figure 6: mecu's CSR Organization*



“You need to make sure the sustainability commitment and strategy are broadly and widely communicated internally so it is understood by all employees through to the front line. Popularize the language and make it humorous and personal.”

—CREDIT UNION INTERVIEWEE

First is the communication phase. Once you have adopted your sustainability strategy, it is important to communicate it to your internal and external stakeholders, to demonstrate your accountability and transparency, to foster engagement and dialogue, to show how the organization is meeting its commitments, to engage and motivate employees and others, and to strengthen stakeholder trust.

Communication channels can include meetings, public events and forums, press releases, newsletters, posters, intranets, voicemail, videos, web sites, podcasts, editorials, supplier communications, product-related communications, and advertising.

“mecu aims to become the pre-eminent socially responsible banking brand in Australia.”

— MECU CORPORATE PHILOSOPHY STATEMENT

At this stage, many organizations develop a sustainability brand or logo they use to communicate the sustainability theme. Sometimes the development of a sustainability brand, marketing, and communications strategy itself

becomes a deliverable in the organization’s business plan, whether it is a stand-alone brand or incorporated into the credit union’s overall brand as a key message.

Of course, responsibilities and resources will be assigned to ensure effective implementation. The steering committee established in the early phase is often renewed at this point, re-mandated from strategy development to strategy

delivery. Many credit unions appoint a senior executive to act as the sponsor of the credit union’s sustainability strategy. Successful implementation is usually dependent on whether a point person has been recruited to advance strategy implementation.

Bethpage Credit Union’s community initiative brand: “The Heart of Bethpage.”

## WHO'S IN CHARGE OF SUSTAINABILITY?

- **ALTERNA:** Senior Vice President of Marketing, Communications, and Corporate Social Responsibility
- **ASSINIBOINE:** Vice President, Corporate Social Responsibility
- **VANCITY:** Senior Vice President, Social Finance and Director of Community Leadership
- **FIRST CALGARY FINANCIAL:** Manager, Corporate Citizenship
- **MECU:** All senior executives have sustainability incorporated into their job descriptions, performance contracts, and remunerations. Currently the general manager of operations is responsible for coordinating and providing support for mecu's approach to sustainability across the organization; this role is rotated among all general managers (executive).

An important step at this point is to revisit your performance and compensation systems. Credit unions will want to ensure they are sending the right signal to management and staff that they seek social and environmental results as well as economic and financial results. Your sustainability objectives need to be built into the recognition and performance appraisal system, including your orientation and training programs. (For guidance on this step see "CSR and Human Resource Management: An Issue Brief and Roadmap" in the Resources section.)

Assiniboine Credit Union uses a balanced scorecard approach to compensation, with CSR being one of five components. Weighting in 2009 included financial (45 per cent per cent), business excellence (15 per cent per cent), member (15 per cent per cent), employee (15 per cent per cent), and CSR (10 per cent per cent). The scorecard accounts for 50 per cent per cent weighting on individual performance plans for executive management.

The targets and key performance indicators established in Step 5 provide a useful framework for the development of a measurement system and performance reporting to management, the board, and your stakeholders. For each goal and key performance area you will need to determine your approach to measuring your progress. Organizations that fail to establish their measurement system in advance find themselves in the awkward position of not being able to communicate their results to key audiences. An early investment of time to determine in advance the key impacts and results to be achieved, as well as the measurement protocols and data-gathering systems, will be time well spent.

Northern Savings Credit Union has a comprehensive training program, including support for board and staff to attend regional and national CSR conferences, regular onsite board and staff training and workshops, and funding for staff skills development for key CSR deliverables.

The renewed steering committee often takes responsibility for putting these systems into place. Indeed, most organizations find it useful to have an ongoing implementation structure that can be responsible for fostering coordination, information sharing, and integrated decision making.

Assiniboine Credit Union has an internal CSR Council to share information, coordinate, and provide advice on the CSR strategy. Northern Savings Credit Union has a Sustainability Leadership Council to provide support for, and advice on, strategy implementation and to support sustainability champions across the organization. Missoula Federal Credit Union has an employee Green Team, with a mandate to promote, educate, and engage staff and communities in environmentally friendly strategies and to form or assess strategic proposals relating to environmentally friendly practices.

It is common practice for organizations to establish “green teams” to engage employees in the environmental program. The green team can conduct outreach, providing education about the issues and solutions.

“It’s a huge change management exercise. We are introducing new language, policies, and procedures in the organization and taking people out of their comfort zones. We are asking them to think of their connection to the world around them, locally and globally. We are asking them to think beyond traditional philanthropy.”

Other organizations recruit sustainability champions from within their operations and branch networks to help with employee, community, and member engagement on their sustainability priorities.

At First Calgary Financial, 18 employees from across the organization responded to a call for volunteers to participate on the Environmental Advocacy Team, a cross-functional and representative committee. It met five times a year over 2008 and 2009 to develop and implement initiatives to raise employee awareness and engage staff on environmental projects such as:

Waste-free Lunch Week, the Commuter Challenge, Ride Your Bike to Work Day, The Green Pages (a section in the member newsletter), the Annual Fish Creek Park Clean-up and Idle-free Zones at various branch locations.

(Credit unions—and other organizations—that have come this far in implementing their sustainability strategy typically have identified a number of fundamental issues in their business models that oblige them to consider adopting core principles to guide decision making in the organization. Sometimes

“You can change a culture in two years.”

—CREDIT UNION INTERVIEWEES

this is addressed in the original sustainability or CSR policy; other times this necessitates the development of a unique policy or commitment statement regarding, in the case of credit unions, their approach to lending and investment.)

## SUSTAINABILITY: TALKING THE TALK

Terms of reference for an interdepartmental strategy and implementation committee include:

- Strategy development: Develop sustainability strategy.
- Performance monitoring: Monitor sustainability performance against the sustainability goals and targets.
- Trends and risk monitoring: Monitor sustainability trends and identify key sustainability issues, developments, risks, and opportunities that will affect the financial sector generally and the credit union specifically and should be considered in your strategic planning.
- Sustainability reporting: Provide input into, review, and recommend approval of the annual sustainability report.
- Role modeling: Set an example and act as advocates for the sustainability policy and strategy.

In insurance, the issues are sustainable claims management and sustainable underwriting; in asset management, the issue relates to sustainable investing, etc.

Leadership credit unions, thus, often develop overarching lending, investment, and sourcing guidelines aligned with their co-operative, environmental, and ethical values as a means of integrating their sustainability ethic throughout the organization and fostering alignment throughout their operations. Inspired by the Co-operative Bank, which developed its Ethical Stance in 1992, many adopt board-approved frameworks to embed their sustainability principles in their core business operations.

The implementation phase naturally continues throughout the time frame of the sustainability strategy, typically from one to three years. Meanwhile, another three steps unfold along the sustainability path, which are as important as the first seven in ensuring successful implementation and sustainability progress.

### STEP 8: MONITOR

As with any business plan, it is important to regularly monitor your progress. Are you achieving your goals? Are you securing the results you anticipated?

Monitoring is a job for management and the board to ensure performance is regularly tracked and reported. The measurement system you set up in the implementation phase (Step 7) should help you in this regard. However, there is little mystery surrounding this phase; boards and management are very familiar with the tools of performance monitoring.

## CREDIT UNION ETHICAL INVESTMENT AND LENDING POLICIES

Vancity Credit Union has an Ethical Policy that details how it seeks to work with organizations that demonstrate a commitment to ethical business practices, environmental leadership, respect and fair treatment, and healthy and peaceful communities. They apply this policy to their loans, purchases, and business partners.

Mecu has an Ethical Lending and Investment Policy that outlines the credit union's key lending and investment issues relating to ethics and corporate responsibility and details how mecu will ensure ethical standards are maintained.

Alterna Savings and Credit Union applies an ethical screen to its investments, partnerships, and suppliers, modeled after the Canadian credit union system's socially responsible investment company's investment screening program (called Ethical Funds).

A few sustainability touch-points include the desirability of measuring attitudes toward sustainability, the degree to which sustainability is integrated throughout the organization, and the degree to which principles and policies are adhered to in practice. Some yes-or-no questions that show up in employee engagement surveys, for example, include:

- I am aware of and understand the sustainability strategy/policy and its core components.
- I believe my organization is making progress toward the implementation of the strategy/policy.
- The strategy/policy makes me feel good to be working for the organization.
- I believe the organization acts in alignment with the sustainability policy.
- I feel comfortable raising sustainability issues in the workplace.
- I believe my organization is a champion of sustainability to the community.

## HOW TO MONITOR PROGRESS

Vancity tracks the percentage of employees and members who agree that the credit union uses its resources and expertise to benefit the community and the environment.

Mecu tracks the top ten attributes members associate with mecu, including whether it practices socially responsible banking and is community-focused. Employee questionnaire items include: “My immediate supervisor is enthusiastic about mecu’s commitment to sustainable development;” “mecu balances environmental and economic considerations effectively;” “I understand why mecu is embracing sustainable development;” “I support mecu’s commitment to sustainable development;” “I think mecu is taking active steps to become more sustainable;” and “I have a good understanding of sustainable development.”

Assiniboine Credit Union tracks the percentage of members who say it is important for the credit union to demonstrate a commitment to CSR, including sound environmental practices, serving the underserved, fair hiring and employment practices, and offering socially responsible investment choices.

Alterna Savings and Credit Union has asked members about their overall satisfaction with its efforts to conduct its business in a socially and environmentally responsible way and whether they agree with the following statement: “I trust Alterna to make socially and environmentally responsible business decisions.”

The organization can conduct similar reviews with its other stakeholders—members and community representatives, for example. Their views can be helpful in identifying new opportunities and changing expectations. The results of these reviews can be used to inform continual improvement in the sustainability strategy and integration. Targets and objectives can be modified to reflect changing conditions or higher aspirations for greater achievement. The degree to which the credit union has established robust measurement systems to assess its sustainability performance, impacts, and opportunities will put it in a good position to begin reporting to its stakeholders on its sustainability approach.

## GREEN BUDGETING AT MISSOULA FEDERAL CREDIT UNION

A staff group at Missoula Federal Credit Union called “the Green Team” has a mandate to factor in environmental benefits when preparing their budget proposals: “Include all costs, initial and continuing, as well as describe the benefits to the environment. When possible, proposals should offer a comparison to traditional methods for costs and environmental impacts.” This approach to cost–benefit analysis allows the credit union to consider long-term economic paybacks on some of their upfront environmental investments.

## STEP 9: REPORT

Sustainability reporting is an important aspect of sustainability management and accountability. Much as credit unions are accountable for their financial performance through their audited financial statements, sustainability reporting can be a means of providing accountability on their social and environmental performance and impacts. Vancity and Alterna Savings and Credit Union are global pioneers in sustainability reporting, helping to test the models of transparent disclosure to stakeholder groups. Ten years ago, when they started reporting in this fashion, there were no guidelines to inform their approach; today, credit unions can avoid reinventing the wheel by following the emergent international standard for sustainability reporting, known as the Global Reporting Initiative Guidelines, or GRI. Credit unions can use this standard as a tool to inform their approach to sustainability reporting. The litmus test of effective reporting is whether the organization reports its achievements and its shortfalls—known as “warts and all reporting.” Organizations that follow this key principle of disclosure will earn respect and build trust and loyalty among its stakeholders. The report should be a fair and complete picture of the organization’s social and environmental performance—it is not a marketing tool to communicate the organization’s community contributions.

The typical report starts with a statement from the CEO and chair of the board, followed by a description of the report’s scope and the methods by which sustainability issues were prioritized for inclusion. How the organization governs and manages its sustainability commitments and policies is a common feature, as is an “at a glance” summary of the organization’s key sustainability indicators and its progress in achieving the targets and goals it set for itself. Then, organizations typically structure their reports to communicate their sustainability performance in the areas of the environment, the community, employees, customers, and other important topics selected by the organization.

Alterna Savings and Credit Union produces a biannual CSR Accountability Report, the purpose of which is “to report on Alterna’s social, environmental, and financial performance to the members, clients, and communities served by Alterna Savings.” The credit union has a social audit task force, chaired by a board member, whose job it is to provide input into the scope of the report and recommend it to the board of directors.

In scoping their sustainability reports, often organizations consult stakeholders on key topics they would like to see covered. Some organizations put together “stakeholder maps” of their key stakeholders in order to take their perspectives into account in the development of the report. This step can help inform the credit union’s thinking regarding the report’s target audience, which typically includes employees, members, and the community but can also include regulators and the credit union system at large, among other stakeholders.

In the interest of ensuring their reports are aligned with stakeholder priorities, organizations often share draft copies of the report with stakeholders in advance to identify areas where disclosure could be improved. A few credit unions even have their reports verified as authentic by a third party.

The key to sustainability reporting is to think of it as a communication vehicle through which the credit union is disclosing progress on its sustainability strategy and its key social and environmental impacts, regardless of whether or not those impacts are being actively managed by the organization. In other words, the report answers the question, “How are we managing sustainability?”

The GRI reporting process may seem daunting to some credit unions. It is intended to serve as a guideline and not a prescription for reporting, however. Credit unions will likely find the metrics and measurement protocols helpful because they won’t have to reinvent the wheel and because their reports and progress can be readily compared to other organizations within and across industries. Consider starting with a few key subjects and expanding your report over time as you gain experience.

Organizations typically find that the process of sustainability reporting can be instrumental to enhancing their overall sustainability management and to identifying areas for improvement. As a risk management tool, it can also help to flag areas of underperformance and weakness that were previously unacknowledged. (A URL for Vancity’s approach to accountability reporting can be found in the Resources section.) Some organizations are beginning to combine their sustainability reports with their annual reports, to more effectively communicate an integrated approach to sustainability management. This is likely to become more common in the future.

## **STEP 10: IMPROVE**

Having toiled through the process of putting together a sustainability report, organizations become ever more familiar with areas of strength and weakness. They are able to benchmark their performance to their peers and competitors, and this can become a tool to identify opportunities for improvement. Over time, the credit union will be able to monitor performance trends and ratios—much as it does on the financial side—and this can help to flag opportunity and risk areas in the credit union’s sustainability performance. Lessons learned can be institutionalized into the way the credit union conducts its business and incorporated into future phases of the credit union’s sustainability strategy. Quantification of the cost savings achieved can be used to fund future strategic investments. And, of course, this is the time to also celebrate the credit union’s progress along the sustainability or CSR path. As phase one of their sustainability strategy concluded, Northern Savings Credit Union held onsite staff workshops and debrief sessions to determine lessons learned for phase two.

Credit unions will recognize this as a cyclical process. A continuous improvement orientation will ensure the credit union keeps embedding the learning and adapting its targets and goals to address new realities. Sustainability is often described as a journey, not a destination. Once the credit union has gone through these ten steps, it will likely go through a process of recommitment, vision renewal, R&D, priority-setting, implementing, and reporting, but presumably from a deepened and more aware starting point.

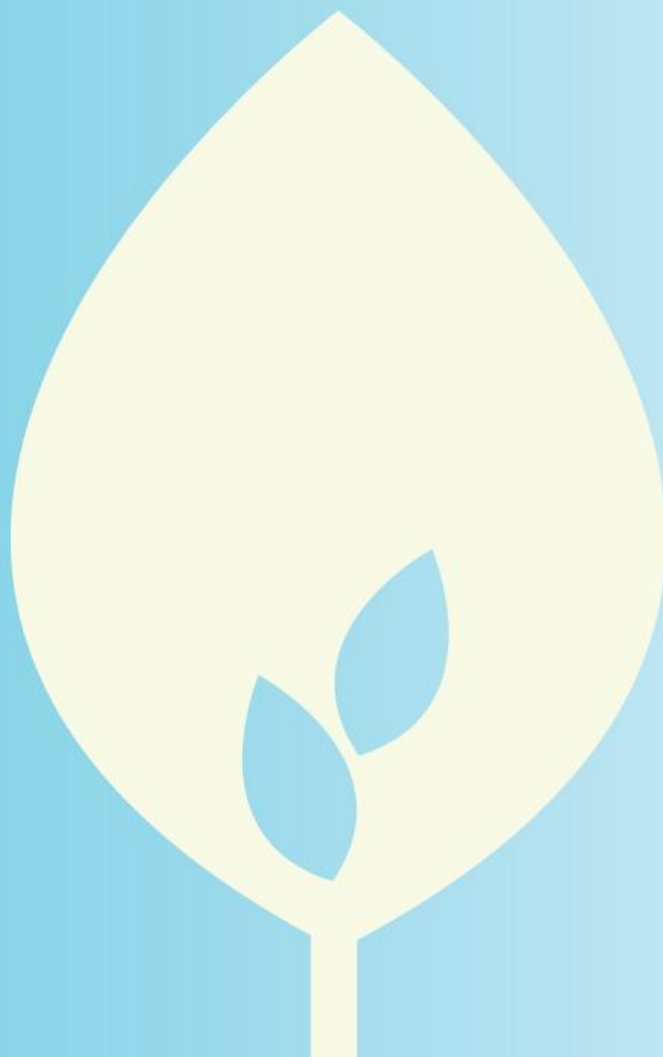
## CRITICAL SUCCESS FACTORS FOR A SUSTAINABILITY STRATEGY

The research associated with putting this guide together revealed the following critical success factors in developing and implementing sustainability strategies on the part of the case study credit unions:

- *Vision.* A vision for where you are going; alignment with and link to the mission, vision, and values of the credit union.
- *Business case.* An understanding of the business case and benefits of sustainability and the link between sustainability and the credit union's success.
- *Commitment.* Board and management commitment, understanding, and buy-in.
- *Dedicated staff.* Staff who have been assigned responsibility for development and implementation.
- *Staff engagement.* Opportunities for staff across the organization to become engaged in the effort; staff training.
- *Implementation plan.* A plan that sets out goals, tactics, and targets to implement the sustainability vision.
- *Incentive systems.* Performance systems that reward and recognize sustainability efforts.
- *Communication.* Ongoing communication of sustainability progress and efforts.
- *Performance reporting.* Regular transparent disclosure of the credit union's sustainability performance.

Alterna Savings Credit Union is establishing a consumer advisory panel of members and non-members who will be consulted on business and CSR issues on a monthly basis as a means to get ongoing input into the credit union's business and CSR direction.

As your credit union arrives at the "improve" step of the sustainability strategy Road Map, you will likely identify similar underlying conditions as being critical to your successful journey. The Road Map's ten steps are designed to help you anticipate these requirements and ensure your approach is built upon the lessons of credit union pioneers around the world.



## **CHAPTER 4**

### THE FUTURE OF SUSTAINABLE FINANCE

With declining natural resources, urban sprawl, and a widening gap between the rich and poor, the financial services sector faces significant shifts in the demand for and delivery of its products and services. Look for considerable innovation and experimentation - sometimes with credit unions in the lead - as financial institutions reevaluate their role as economic engines.

**T**he case study credit unions were asked to comment on the future of sustainable finance and the implications for credit unions. Some had a big-picture view, believing that the critical sustainability issues for financial institutions—and, by implication, credit unions—are global in nature. Financial institutions are perceived as being on the front line of sustainability—a future state in which people's social and economic needs are met and this human social and economic activity is in harmony with natural ecosystems. Their primary economic role is to facilitate commerce and thereby foster increased consumption and growth, aspects that are fundamentally in conflict with

“Sustainability will be a filtering mechanism for financial and other decisions made by credit unions and other financial institutions.”

—CREDIT UNION INTERVIEWEE

sustainability in that they generate pressures that the environment cannot sustain over time and can foster the growing divide between the rich and poor. Thus, some interviewees identified issues around finance's role in fostering sustainable consumption, sustainable real estate development, and sustainable lending. Questions of whom we lend to, what type of house or car we finance, and the nature of the goods and services we provide credit for will become more central in the future.

“Our core business of financing houses and even cars has a negative effect on the environment. Everything we do and the areas we finance have the opportunity to make a positive or negative difference in the community.”

—CREDIT UNION INTERVIEWEE

Today, there is experimentation with these ideas on the margins—the carbon and biodiversity offsets provided by credit unions profiled in this study, for example. These are effectively measures that aim to restore the environmental systems that are being degraded through household and business economic activity. The emergence of credit union ethical lending and investment policies and the banking sectors' Equator Principles are indicators of what the future might hold in this regard. The Co-operative Bank's credit card, which creates incentives for “ethical purchases,” is another leading initiative. Green and social product innovations are

early ventures into this terrain as well. And socially responsible investment products that have been around for a long time are part of this future business model, in which member investments are channelled into corporations and industries that are reducing their negative social and environmental impacts.

Many financial institutions are becoming engaged in carbon markets, providing investment, insurance, and derivative products as carbon trading expands globally. Other financial firms are launching *clean-tech* venture capital funds for investors to finance emergent environmental technologies. On the social side, global financial institutions are increasingly playing a role in expanding microcredit finance and creating opportunities for their investment clients to earn both social and economic returns.

“To me, we should be looking at the role of credit in promoting consumption and facilitating consumption.”

“The issue of sustainable consumption is important, as we are losing biodiversity, habitat, and precious ecosystems.”

“Sustainability will become business as usual; the way the credit union operates.”

“Sustainability will define the way in which credit unions do business.”

—CREDIT UNION INTERVIEWEE

Forward-thinking financial institutions are expected to be leveraging their core competencies to contribute to resolving the environmental and social challenges of our time, the priorities being climate and poverty. Innovating organizations are mapping out this terrain, including Ecosystem Marketplace, which has calculated the potential size of ecosystem markets, including the future financial value of biodiversity offsets, water quality trading, carbon trading, etc. (see “Payments for Ecosystem Services: Market Profiles,” a 2008 report by

Forest Trends and Ecosystem Marketplace). The Microcredit Summit ([www.microcreditsummit.org](http://www.microcreditsummit.org)) is a global effort to scale up microfinance to ensure that 175 million of the world’s poorest families receive credit for self-employment and other financial and business services by the end of 2015 and that 100 million families earn more than a dollar a day as a benefit of microfinance.

At the credit union level, some interviewees predict that the focus will be not on whether to engage in sustainability, but on how to do it smarter and more strategically, and on how to integrate it into business strategies and operational decision making. The thinking here is that sustainability will become mainstream—it will be part of risk management and part of the credit union’s responsibility as a community-based organization. Sustainability will not require special attention and special management systems—it will become part and parcel of how business is done on a day-to-day basis.

## CONCLUSION

Sustainability is a key business trend impacting sectors and firms around the world. Social and environmental risks, challenges, and opportunities are impacting the business model, and many organizations are rethinking their approach to how they manage their social and environmental performance to create business value. Credit unions are no exception. Member-centric, community-based, and democratically organized, credit unions are attuned to the principles that are being defined to propel industry along a more sustainable path. However, more and more credit unions are finding that their principles and values are not enough. They need to proactively manage this side of their business in order to generate greater returns and to better position themselves in the marketplace as the leaders they are.

“It will become normal business.”

—CREDIT UNION INTERVIEWEE

This guide has sought to unpack the basics of developing and implementing a sustainability (or CSR) strategy for credit unions so that those who see the business case of managing their social and environmental performance have a framework they can follow. As with any road map or guidance tool, it is important to adapt it to your own purposes. Many credit unions will find that they already have many good practices in place that they can leverage. This will be a sign that they are on the right path. The credit unions profiled in this guide by and large operated in a vacuum, experimenting, innovating, and often leading in their local markets. There is enough common practice in the credit union movement that it is now possible to disseminate the core approach to developing a sustainability strategy, as demonstrated in this guide. It is hoped that there will be something new here for every reader, whether they are just beginning the sustainability journey or are more advanced practitioners.

It is important to bear in mind that this is not a new direction for credit unions, but a deepening of their natural talents and contributions to community. As other industries catch up to the bar credit unions have set since their founding, it is now time for the sector to capitalize on their co-operative strengths to create the new value proposition for sustainable finance at home and around the world.

## CASE STUDIES

Globally, credit unions have been among the leaders in framing corporate social responsibility and sustainability. The following profiles of ten credit unions—six from Canada, three from the United States, and one from Australia—provide rich material for credit unions on a similar path to managing their social and environmental performance for greater results and enhanced employee, member, and community impact.



## ALTERNA SAVINGS AND CREDIT UNION

**LOCATION:** Ottawa, Ontario (head office)

**ASSETS:** \$1.9 billion CAD

**FOUNDED:** 1908 originally (Alterna was formed in 2005 by way of merger)

### History and Status of Alterna Savings and Credit Union Sustainability Initiatives

Alterna Savings and Credit Union (Alterna Savings) has had a long and sustained commitment to social responsibility, particularly evident in the roots of its founding credit unions. About a decade ago one of the antecedent credit unions sought to focus its social and community programs to generate greater impacts. It started a process to formalize and communicate its efforts. This evolved into what it initially called the four-pillar approach, which became five pillars five years later when the environmental pillar was added. Today the five pillars are community economic development, financial literacy, environmental sustainability, accountability, and philanthropy. All of Alterna Savings' sustainability efforts are advanced under this framework, which was guided by a priority to leverage its investments in areas aligned with Alterna Savings' core competencies as a credit union. It sees its role in CSR as a means to create shared value for the credit union and broader society. Thus, it focuses the bulk of its community engagement on community economic development and financial literacy, which generate increased business and member loyalty for the credit union and social and economic benefits in the region. The philanthropy pillar allows the credit union to maintain its involvement in traditional and undifferentiated philanthropy, though it understands that its ability to generate impacts in these areas is limited compared to that of its banking competitors with their considerably greater charitable donation budgets.

In 2007, on the heels of a merger between Alterna Savings' predecessor credit unions, the board of directors and management developed a five-year sustainability strategy in which they set goals and targets for the five pillars. The strategy session focused on how the credit union could leverage its unique capabilities against the issues where it could have the greatest impact. It is three years into its five-year strategy.

Currently, the credit union is base-lining its environmental impacts in order to identify goals, targets, and key performance indicators to reduce its environmental footprint. It is partnering with a local university to develop some community economic development measures to guide its strategy.

From time to time Alterna Savings establishes task forces to delve deeper into the CSR priorities of the credit union, such as accessibility, youth engagement, and diversity. The task force process usually takes about six months to consider the issue and make recommendations to the board's Member Relations Committee. The credit union is currently establishing a consumer advisory panel of members and non-members who will be consulted on business and CSR issues on a monthly basis as a means to get input into the credit union's business and CSR direction.

The credit union tracks its member and community investments; in 2007 it reported that “eighty-five cents of every dollar invested in the credit union is returned to our members in the form of loans and mortgages. And a significant percentage of our annual profits (two per cent) are reinvested in local community activities.”

The following are some of Alterna Savings’ key CSR initiatives and programs.

## Social

- The Community Micro Loan Program provides credit to micro-entrepreneurs to start and build their businesses, while the Immigrant Employment Loan Program provides credit to newcomers for Canadian training and accreditation in their occupation.
- For its financial literacy program, the credit union hosts financial education and networking events aimed at helping aspiring entrepreneurs manage their small businesses successfully. It also partners with government and community organizations to provide financial literacy workshops and materials to help new Canadians plan for their life in Canada.
- The Spare Change Program allows members to donate the “spare change” in their accounts (the amount under \$1) to one of three pools of funds for community projects in the areas of children’s issues, the environment, and homelessness. More than 4,500 members participate annually. The program generated over \$13,000 for distribution in 2008.

## General CSR

- Scholarships and awards:
  - Offers two university scholarships in Social Responsibility Leadership and Social Economy while supporting student-led social economy and CSR projects at the two universities.
  - Co-sponsors two provincial awards to honour Ontario credit union members for promoting social responsibility and/or sustainability in credit unions. Along with the recognition provided by the award, \$2,500 is donated on behalf of the recipient to the charity, organization, or project of their choice.
  - To encourage employee involvement in CSR, the credit union has an award for employee leadership, called “CSR Idol.” Staff members nominate those they think have contributed to the credit union’s CSR efforts, and the nominees are voted on by members at the annual meeting and online. The top CSR Idol is given the opportunity to travel to a developing country to work on credit union development. Runners-up are provided the opportunity of working on a local *Habitat for Humanity*® affordable housing project.
- Offers its members socially responsible investment (SRI) products and is a member of the Canadian Socially Responsible Investment Organization to promote SRI in Canada.

## Environment

- Investor in WindShare, a wind co-op that develops locally owned wind power projects.
- Held a carbon neutral Annual General Meeting, purchasing trees to offset the CO<sub>2</sub> emissions from staff, board, and member travel to the event. The speaker was from Al Gore's Climate Team, and climate-friendly giveaways were handed out.
- Offers members the *GreenSaver*® Improvement Loan which provides low-cost financing for energy retrofits to members' homes and businesses in partnership with a community organization.
- Targets recycling, waste generation, and electricity consumption at branches and corporate offices.

## Sustainability Management and Governance System

Alterna Savings' Board of Directors adopted a CSR policy in 2008, which it reviews annually and updates as required. It lays out the credit union's CSR philosophy and commitment, which is defined as "an organization's commitment to operate in an economically, socially, and environmentally sustainable manner, while recognizing the interests of its stakeholders, including members, employees, business partners, local communities, the environment, and society at large."

The Board of Directors' Member Relations Committee has overall governance responsibility for the credit union's CSR strategy and policy. It also oversees the credit union's accountability report and reviews and monitors stakeholder relations. The nominating committee considers CSR competencies when undertaking director recruitment. The overall board of directors sets the CEO's CSR goals and ensures there is a program in place for board member education on CSR. The credit union also has a Donations Committee comprised of two board members, two non-management staff, and two members at large recruited via branches and newsletters and selected by the board's Member Relations Committee. The Donations Committee makes decisions regarding the philanthropy pillar of the strategy.

According to the board director's list of responsibilities, the director is expected to model and promote credit union and socially responsible values in all board discussions and actions, foster linkages with the credit union sector and the broader co-operative movement, and foster linkages with local community organizations on issues of common concern as stipulated in the governance policy.

At the management level, CSR is the overall responsibility of the SVP of marketing, communications, and CSR. That executive is supported by a full-time CSR manager and two microcredit lenders.

Internally, there is an Environmental Sustainability Committee comprised of employees and chaired by the SVP of marketing, communications, and CSR. The committee's job is to review the credit union's environmental footprint,

develop a long-term action plan, and take advantage of some quick wins within the organization.

Alterna Savings has been producing a biannual CSR Accountability report since 1993, the most recent of which is from 2006–2007. The purpose of the report is to “report on Alterna’s social, environmental, and financial performance to the members, clients, and communities served by Alterna Savings.” The credit union has a Social Audit task force—chaired by a board member, with another board member, senior manager, and members at large based on their CSR qualifications—whose job it is to provide input on the scope of the report and recommend it to the board of directors.

The credit union’s CSR strategy is housed within the marketing strategy and reported on regularly to the board of directors. The credit union is developing measurement systems for managing, monitoring, and reporting on its CSR progress. One of its top CSR performance indicators is member satisfaction with its CSR efforts. As part of its ongoing review of its CSR performance, the credit union tracks member satisfaction with Alterna Savings’ efforts to conduct its business in a socially and environmentally responsible way. In 2006, 83 per cent of members said they were relatively satisfied. In 2007, 77 per cent of members agreed that they trust Alterna Savings to make socially and environmentally responsible business decisions.

Alterna Savings applies an ethical screen to its investments, partnerships, and suppliers. It modeled its screen on the credit union system’s socially responsible investment company’s investment screening program (**Ethical Funds®**).



## ASSINIBOINE CREDIT UNION (ACU)

**LOCATION:** Winnipeg, Manitoba

**ASSETS:** \$2.5 billion CAD

**FOUNDED:** 1943

### History and Status of Assiniboine Credit Union's Sustainability Initiatives

Assiniboine Credit Union (ACU) attributes the emergence of its CSR strategy to a period in the early 1990s when members elected progressive board directors to champion the "greening of Assiniboine Credit Union." One of the most important changes in the early years was the introduction of a strategic planning process that became a blueprint not just for operations but for social change. In 1996, a manager of community economic development (CED) was hired to develop partnerships with community organizations in order to advance economic opportunity in the service area. A decade later, ACU realized it needed to move beyond its CED efforts and make a broader commitment to CSR as the foundation for doing business. During a rebranding exercise, ACU committed itself to becoming a CSR leader. With a desire to move CSR forward in a broader way, in 2006 the credit union hired an executive-level CSR leader with expertise in credit union CSR strategy. That same year, members approved a merger with two other credit unions, which saw ACU double in size on January 1, 2007.

To put the CSR strategy together, the CSR vice president conducted an internal analysis of gaps, strengths, and weaknesses and identified key opportunities. As the credit union was now the product of a three-party merger, one of the first tasks was to build a common understanding and definition of CSR among employees and the board. A CSR engagement index was developed to measure member and employee views on ACU's CSR performance, and a CSR awareness campaign was rolled out. Further development of the CSR strategy was integrated in the merged credit union's strategic planning process, which included a number of learning sessions for the purpose of exploring future strategic possibilities. Three CSR-related discovery papers were prepared to identify established, emerging, and disappearing trends. Based on these findings, the board and management explored the strategic implications for ACU. One of the papers was on key CSR trends and best practices and implications for a financial institution in which CSR thought leaders were consulted for their views and opinions. Another paper presented the views of community and business leaders who were asked to prepare short briefings on the key concerns in the community and the leadership role ACU could play in their resolution. Poverty, climate change, and skills shortages were identified as key issues. A third paper summarized the views of co-operative and credit union leaders who were asked their views on the leadership role ACU could play in promoting and demonstrating the co-operative difference.

At a board and management strategic planning retreat in early 2008, the long-term CSR vision and strategic direction for the credit union was developed; the five-year CSR strategic plan was approved later that year, which focuses on "making a difference in the community" by demonstrating leadership in community renewal, environmental sustainability, and the co-operative principles.

(The credit union also set the goal of being an employer of choice, including building and enhancing appreciation for diversity and inclusion and closing the gap in hiring Aboriginal people and persons with disabilities.) Over the next five years ACU aims to be “positive agents of change because social responsibility and the cooperative difference are integrated into everything we do.”

With the five-year CSR strategic plan (see Figure 7 at the end of this profile) laid out and priority initiatives for moving the strategy forward identified, an internal review was conducted to identify and align existing initiatives in support of the new strategic direction. Examples include:

***Expand services to the underserved (79 per cent of members say this is important):***

- Matched Savings Account: A special savings account for participants of Asset Building Programs, which helps people with low income save and create new opportunities for themselves. Run by a growing network of non-profit organizations, Asset Building Programs provides participants with money management training and supports them to set and achieve their personal savings goals for expenses such as education, housing, starting a business, health care, household fixtures, or personal items (e.g., eyeglasses, computers).
- A small, full-service inner-city branch operating successfully since 2001.
- A community partnership in a second inner-city neighbourhood to pilot a community financial services center so clients can open accounts, receive financial counselling, and be supported to establish a relationship with a mainstream financial institution such as ACU.
- A pilot project to make homeownership affordable for modest-income families within the urban Aboriginal community.

***Facilitate the success of community leaders demonstrating leadership in community renewal, environmental sustainability, and co-op development (86 per cent of members say it is important for ACU to contribute to the community):***

- A specialized Community Business Services unit providing access to credit for businesses, non-profits, and co-operatives unable to access conventional financing. In 2008, ACU provided 86 organizations with \$12.2 million in new financing for affordable housing, community facilities, and business start-up and expansion. At the end of 2008, \$35 million was invested in the community in these three areas.
- A partnership with a community fund to provide access to credit for micro-businesses, community programs, and housing projects that do not qualify for traditional financing. The fund provides a loan guarantee and ACU provides the credit. ACU administers the fund and offers community investment certificates for members to support the initiative.
- Community partnerships to provide workplace training and employment opportunities for economically marginalized members of the community, including Aboriginal people, new immigrants, and at-risk youth.

- Purchasing promotional items, gifts, supplies, catering services, courier services, cleaning services, and construction and renovation services from community businesses, including co-operatives and inner-city businesses and social enterprises.
- A sustainable community grants program to support initiatives that contribute to community renewal, environmental sustainability, and co-operative development. The credit union has a policy to donate a minimum of two per cent of its pre-tax earnings (averaged over the previous three years) annually for community grants.

***Integrate CSR and co-operative principles throughout ACU (86 per cent of members say it is important for ACU to demonstrate a commitment to CSR):***

- Diversity programs to attract and retain talented employees who mirror the community. Diversity targets are set annually with plans to address gaps.
- Purchasing socially and environmentally responsible products and services, including ethically sourced promotional items, with a preference for purchasing from local businesses.
- Training its investment advisors in socially responsible investment (SRI) using a dedicated SRI specialist who also makes presentations on SRI to community organizations and members. SRI products comprise about 28 per cent of mutual fund assets under management (81 per cent of members say it is important to offer SRI choices).

***Model and facilitate climate change solutions (88 per cent of members say it is important for ACU to demonstrate a commitment to sound environmental practices):***

- Two new green branches, which have many environmentally friendly features and innovations, including high energy efficiency, water-saving measures, and the use of recycled and green products. Many local companies worked on the sites or provided products, including a social enterprise that creates jobs for inner-city residents. The most recent branch is targeting LEED certification.
- A waste management system to reduce waste, divert materials for reuse and recycling, and reduce environmental impact including greenhouse gas emissions. This includes a multiproduct and electronics recycling program in all branch and office locations. A waste audit was conducted to find out how much and what sort of waste is produced. In 2008, the credit union generated 49.6 metric tons of waste, an average of 99 kilograms of waste per full-time employee. About 55 per cent of all ACU's waste is currently being diverted from landfills through recycling; 24 per cent of waste could be diverted through recycling or composting. ACU is setting targets to improve waste management practices and reduce greenhouse gas emissions over the next five years.
- Successful promotion of new environmental standards for member statements produced for credit unions in Manitoba. Statements will use Forest Stewardship Certified (FSC) paper that is made from 100 per cent

post-consumer mixed-office waste and is 100 per cent processed-chlorine-free and acid-free.

- Switched to FSC-certified paper for more than two million envelopes used at ACU annually.
- Programs to reduce the environmental impact of employees commuting to and from work, such as subsidizing the cost of a monthly bus pass by 30 per cent.
- Installing bike racks at all branches.
- Developing a climate change action plan, including measuring and setting targets to reduce energy use and related greenhouse gases.

### **Sustainability Management and Governance System**

The credit union articulates its mission as: “Our purpose as a socially responsible and profitable financial co-operative is to provide accessible financial services for the well-being of our members, employees, and community; offer fair and meaningful employment in a safe and respectful workplace; and build partnerships that foster self-reliant, sustainable communities.” One of ACU’s values is accountability: “We build trust that fosters organizational success and sustainability through our commitment to social and financial accountability.”

The board’s Community and Member Relations Committee has oversight of relations with community and members (including the community investment policy, stakeholder communications policy, and member engagement policy), and its HR Policy and Compensation Committee has oversight of employee relations.

The CSR strategy is led and sponsored by the VP of CSR, who reports to the CEO. A CSR manager and a community program manager report to the VP. The VP of CSR chairs an internal CSR Council that has membership of staff across the credit union, including CSR staff, the SRI specialist, the director of the member communications center, the inner-city branch manager, the manager of community business services (lending), the manager of employment and diversity, marketing and communications, etc. Members on the council share information, coordinate work, and provide advice on the strategy. The credit union follows a matrix model in which the VP of CSR has overall responsibility for the strategy, but a number of department heads are responsible for delivery on key objectives within the strategy. In this way, responsibility for strategy development and implementation is shared across the organization.

The credit union reports on its CSR performance annually through its annual report. In addition to including details of progress on its CSR strategy and initiatives and its social and environmental impacts, the report discloses stakeholder views of ACU’s performance through member and employee surveys. The surveys ask members and employees whether what the credit union does makes a positive difference in the community and environment, if this makes them proud to be a member or employee, and whether they trust ACU to make business decisions that are socially and environmentally responsible.

ACU uses a balanced scorecard approach to focus its performance. CSR is one of five components in the balanced scorecard, with the weighting determined annually. The weightings for 2009 were as follows:

- Financial: 45 per cent
- Business excellence: 15 per cent
- Member: 15 per cent
- Employee: 15 per cent
- CSR: 10 per cent

The balanced scorecard accounts for 50 per cent weighting on individual performance plans for members of the executive management team.

See Figure 5 for a high-level summary of ACU's CSR strategy.



## BERGENGREN CREDIT UNION

**LOCATION:** Antigonish, Nova Scotia

**ASSETS:** \$177million CAD

**FOUNDED:** 1933



### History and Status of Bergengren Credit Union's Sustainability Initiatives

Bergengren Credit Union (Bergengren) has been committed to providing ethical financial services and community leadership since its inception over 75 years ago. Grants, sponsorships, scholarships, community projects, and financial literacy programs were among its many initiatives to support the community.

More recently, in 2007, the CEO championed an environmental mandate for the credit union – an extension of its community philosophy. The credit union focused on staff education in the early days of its green program. Volunteers from staff, management and the board attended a one-day education session on climate change and sustainable business practices, facilitated by a sustainable development consultant. A key outcome of the session was a brainstormed list of “green ideas” the credit union could advance, including 15 “quick hits” initiatives which could be implemented in 90 days and 20 that could be implemented within one year.

A Green Committee of board, management and staff was formed to compile the list of ideas into a Green Plan and to support their implementation. The Committee's vision was to make Bergengren a more ecologically sustainable business, to set high standard goals, and track and communicate the credit union's progress to members and communities.

The first year the credit union signed a one-year sustainability charter with Antigonish Sustainable Development (ASD), a community-based non-profit dedicated to advancing sustainable development in the Antigonish area. By signing the charter, the credit union was able to access support in developing a sustainability vision, conduct sustainability assessments, and prepare an action plan that would help the credit union become more sustainable. The credit union met monthly with twenty other organizations over the course of the year, which provided invaluable input into the credit union's approach. After the credit union's first year with ASD, it provided the non-profit a \$10,000 grant, to help other organizations go through a similar learning process.

In 2007, the credit union implemented a number of initiatives, such as switching from Styrofoam cups to personalized locally made mugs, switching to 100 per cent recycled paper products, energy saving light bulbs and environmentally friendly cleaners and providing a battery recycling program for members. The credit union also launched an Eco-Loan product, offering loans from \$5,000 to \$50,000, at preferential rates to retail and business members on eco-efficient products ranging from *ENERGY STAR*® certified windows and appliances, to fuel efficient cars and alternative energy sources such as windmills and solar panels. Staff also attended a one-hour session on becoming a more sustainable organization.

The credit union's four-year "Green Plan" with initiatives from 2007 – 2011, included goals to conduct an environmental and energy review and eco-efficiency audit of each branch; track eco-efficiency progress and set waste and emission reduction targets; offer ecological education and awareness within the school system and larger community; investigate new energy efficient technologies; and budget for alternative energy at branch level, among other projects.

The credit union kept a focus on education and awareness, offering staff one-hour sessions on waste and recycling run by a local non-profit organization. Educational pamphlets were also produced and distributed to staff and members: "The Ecological Footprint", which provided information on humanity's impact on the environment and easy to implement action steps for a home or business. The credit union also branded its green program with a "Follow Our Footprints" logo on its communication materials.

Bergengren's "Green Initiative" continued to evolve. By 2009, the credit union had adopted a procurement policy which stipulated that environmental, social and economic considerations should be taken into account in purchasing decisions. The credit union launched a "Green Committee's Tip of the Month" campaign for employees, that included internal signage featuring "What you can do to help reduce your environmental footprint" and a monthly section in the staff newsletter with green tips for the office and at home. The credit union has also achieved many of its paper goals, including reducing paper consumption (double-sided printing, removing desk top printers, etc.) and switching to 100 per cent recycled content paper. The shift to centralized printing not only reduced paper usage, but created further environmental and economic savings from reducing ink cartridges and electricity use.

One big project was to approve a five to ten-year Premises Master Plan, identifying future space requirements and including the credit union's financial, social and environmental goals, with targets to achieve green building certification for their mechanical and electrical systems. The credit union is currently rolling out this long term premises plan.

While the credit union has been implementing its Green Initiative, it has continued to contribute to community projects, including a number of age-specific initiatives for children, youth and seniors, under the auspices of the marketing manager.

### **Sustainability Management and Governance System**

Bergengren Credit Union established a Green Committee of three board members, two managers and three staff in the early days to provide oversight over its Green Initiative. The CEO's Executive Assistant was given overall project responsibility for the efforts; she chairs the Green Committee. The premises manager is centrally involved supporting and implementing many of the prioritized initiatives.

After a few years the Committee became operationally focused and the membership was limited to credit union staff. Currently the Green Committee has representatives from the CEO's office, premises, human resources, administration, mortgage department and the school savings program. Bergengren's Environmental Vision Statement is "To be an environmental leader business in the communities we serve." The CEO has posted a statement of his commitment to the sustainability section of the credit union website, as follows:

*"Bergengren Credit Union is committed to taking steps to reduce our ecological footprint as a corporation. We will endeavour to help our community and customer owners become more environmentally sustainable."*

Overarching goals of its environmental plan include: 1) Providing products and services to encourage members to practice environmental sustainability; 2) Making a significant contribution to community education and action on climate change; 3) Sharing resources and programs with other credit unions and communities; and 4) Tracking and communicating branch-level environmental progress to members.

Its main projects are in the area of energy, waste and paper reduction, along with staff and member education and environmental leadership in the community. It has set a 2010 target to reduce its total energy consumption by 10 per cent in 2010 over 2009, when the credit union consumed 630,000 kilowatt hours of energy. In addition to measuring its energy consumption, it also base-lined its waste and plans to reduce its waste – measured by how many bags of each type of waste that leaves the branch in one month – going forward. A further 2010 goal is to reduce the number of boxes of copy paper they purchase annually.

While there currently is no Board committee with responsibility for the Green Initiative, there is a Board Community Giving Committee which reviews and approves annual donations and community projects. The Green Committee provides bi-monthly status reports to the Board of Directors via the CEO's Report.

The credit union has incorporated environmental deliverables within the performance plans of the Executive Assistant who chairs the Green Committee (five per cent of her annual performance plan is allocated to the Green Initiative).

The credit union reports on its social and environmental initiatives regularly in its annual report. Going forward the credit union will focus on measuring and reducing its environmental impacts, integrating its green ethic into "business as usual."

## FIRST CALGARY FINANCIAL

**LOCATION:** Calgary, Alberta

**ASSETS:** \$2.3 billion CAD

**FOUNDED:** Formed in 1986 with the amalgamation of eight and purchase of two credit unions



### History and Status of First Calgary Financial's Sustainability Initiatives

First Calgary Financial had a long-standing commitment to supporting the local community. It had a strong corporate donations program and a number of community partnerships in place to enhance the quality of life in Calgary, which it referred to as "Corporate Citizenship". In 2008, the credit union became interested in a broader approach that integrated social and environmental considerations in both its internal operations and in its community programs. Initially championed by the corporate citizenship staff and ultimately sponsored and promoted by the credit union's executive team, the credit union's sustainability program was born out of two years of learning, research and benchmarking.

Initially the credit union focused on learning about sustainability, with staff attending courses and conferences. This was followed by a gap analysis which identified strengths and weaknesses in the credit union's sustainability performance.

Internal (*board, executive management and front line staff*) and external (*five members, three community partners, and three suppliers*) stakeholders were interviewed on the credit union's current sustainability status, perceived gaps and where they think the credit union should be going in the future. This research revealed that stakeholders believe it is imperative for the credit union to have an integrated sustainability approach.

An external consultant was hired to review internal policies and practices, conduct a best practice review and benchmark the credit union to other business leaders in sustainability and corporate social responsibility. This material, along with the results of the stakeholder interviews, informed the development of the credit union's strategic direction. As of mid-2010 the credit union has decided to use its sustainability framework, consisting of an environmental promise, a social promise, and an economic promise, to shape and inform the organization's strategic plan, further details of which are provided in the following section.

As the credit union started thinking more strategically about its sustainability approach (which it refers to as CSR), it continued to advance its community work. In addition to partnering with local non-profit organizations to address social issues in the community, it became a founding member of the Canadian arm of a London, UK, organization, the London Benchmark Group (LBG). As a participant in LBG Canada, First Calgary Financial receives support to measure the impact of its community giving.

It provides grants, sponsorships and partners in the following areas:

- Education and lifelong learning
- Arts and culture
- Strengthening the voluntary sector
- Protecting our planet

“Protecting our Planet” is the newest focus area for donations and sponsorships at the credit union, which is seeking to develop partnerships to advance sustainable and resilient communities and businesses. It has, for example, sponsored the Eco-Initiatives Program with the Calgary Folk Music Festival, supporting the organization to raise environmental awareness and reduce the amount of waste sent to landfill. Credit union employees helped implement the recycling program at the Festival, contributing nearly 100 hours of volunteer time in 2009. In 2010 the credit union partnered with Green Calgary to bring a water education curriculum, “Water for Life,” to students in Calgary.

The credit union participates in a monthly Sustainability Breakfast Series to learn about sustainability and is a founding partner and sponsor of “Make it Good”, which supports business leaders to improve their sustainability practices. First Calgary Financial is also developing programs to reduce its environmental footprint, including incorporating green building standards into renovations and new branch construction; researching a comprehensive recycling program; conducting a paper usage analysis to identify opportunities for paper reduction; and conducting an energy audit of its operations, including the greenhouse gas emissions generated from its electricity and natural gas consumption, paper use, business travel and employee commuting.

In 2008, eighteen staff from across the organization volunteered to participate on the Environmental Advocacy Team, a cross-functional and representative committee which met five times a year over 2008 and 2009, to participate in the development of an environmental strategy and conceive and implement initiatives to raise internal environmental awareness and engage staff on environmental projects. Over the last 18 months the Environmental Advocacy Team has spearheaded a number of events, including: Waste-free Lunch Week, the *Commuter Challenge*®, Ride Your Bike to Work Day, The Green Pages (a section in the member newsletter), the Annual Fish Creek Park Clean-up and Idle-free Zones at various branch locations.

The credit union’s internal environmental initiatives are implemented under the “Envision a Greener World” banner. The committee is supported by the Corporate Citizenship staff to conduct research and recommend environmental projects and priorities to the Executive. They advised on priority goal areas for the next several years:

#### Internal focus areas

- Reducing energy use/impacts.
- Reducing paper impacts; increasing recycling and composting.
- Reducing water impacts.
- Reducing commuting and business travel impacts.

- Increasing employee engagement and awareness.

### External focus areas

- Engaging suppliers and procuring environmental products and services.
- Engaging and supporting member-owners.
- Supporting environmental initiatives in the community.
- Sustainability Management and Governance System.

### Sustainability Management and Governance System

First Calgary Financial's sustainability initiatives are coordinated by the Corporate Citizenship department, including a Manager of Corporate Citizenship and a Corporate Citizenship Specialist, reporting to the Senior Vice President Strategy, Risk and Partnership Relations.

The Environmental Advocacy Team, focused on coming up with initiatives to reduce the credit union's environmental footprint and promote a sustainable and resilient lifestyle to staff, members and others, reports to the Manager of Corporate Citizenship.

In the first two years of the credit union's sustainability efforts, the Board's Member Relations and Corporate Citizenship Committee, which had a corporate donations and partnerships mandate, was management's sounding board on the results of its CSR research. The Committee reviewed and commented upon the stakeholder analysis, best practice research and other material as management continued its investigation phase.

By 2010, the credit union decided to fully embed CSR into its corporate strategic plan, rather than create a separate CSR framework, at which point the full board became engaged in developing the strategic plan which embeds a CSR framework.

That year the credit union adopted a 2011 – 2015 Strategic Plan, framed by its commitment to Corporate Social Responsibility. This is communicated via a Five-year Strategic Statement:

*"First Calgary [Financial] plays a vital role in enriching lives within the Calgary Region, we are working to change lives by:*

- *Improving member-owner financial knowledge and well-being.*
- *Influencing and engaging directly in the social issues impacting our communities. We have a specific and special place in our heart for those who are considered underserved.*
- *Understanding the impact First Calgary [Financial] has on our physical and natural environment. We are very active in contributing to the ongoing health of the environments where we work, live and play.*

*First Calgary [Financial] has a long-standing belief that access to financial services and financial education is the foundation for individual dignity.”*

This Strategic Statement is reflected in the credit union's economic promise, its social promise and its environmental promise, which define the credit union's philosophy to advancing the triple bottom line for its business, members and the community.

As part of its five-year strategic plan, it is developing economic, social and environmental metrics and targets to guide its business. While the economic metrics are typical of many credit unions, the social metrics track motivational aspects of member satisfaction, and tangible impacts from community investments. Its environmental metrics will focus on greenhouse gas emissions, and energy and water use. The executive team will have responsibility for delivering on these targets which are core to the credit union's overall business strategy.



## NORTHERN SAVINGS CREDIT UNION (NSCU)

**LOCATION:** Prince Rupert, British Columbia

**ASSETS:** \$830 million CAD

**FOUNDED:** 1940

### History and Status of Northern Savings Credit Union's Sustainability Initiatives

Throughout the late 1990s and early 2000s, British Columbia's northern economy was struggling with the virtual collapse of its fisheries and forestry resource base and the resulting out-migration. The board of directors and management of Northern Savings Credit Union (NSCU) were very aware that the health of their credit union was directly tied to the health of their regional economy. In 2005, the board adopted a Core Business Statement to clarify the credit union's role: "The heart of our core business is strengthening and growing our Northwest BC communities and members, and our organization." The CEO saw sustainability as a key priority and to implement the board's commitment hired a consultant to conduct research on key community priorities and to identify internal capacity to support a community economic development role for the credit union. The consultant interviewed community leaders, board directors, and staff; conducted a study of credit unions and co-operatives; and researched CSR trends that identified a number of potential directions. A CSR specialist was hired to help prioritize and focus the activities, which resulted in three goals: strategic community development, great place to work, and embedding CSR into the organization. The strategy (referred to as "Community Reinvestment") was adopted in 2006, and the consultant was hired on permanently as manager of Community Reinvestment.

A number of integration initiatives were implemented, including the creation of a board committee with responsibility for oversight of the Community Reinvestment (CR) Strategy, the formation of a Sustainability Leadership Council of senior staff across the credit union to provide input into and support for the strategy, and the recruitment of sustainability champions to help implement the credit union's CR initiatives throughout its operations and branches. A budget was provided for the champions and leaders to help support CR initiatives and a new funding program was launched, referred to as the Community Reinvestment Strategic Grants Program, which supports identified community economic development priorities, including environmental leadership projects and capacity building programs in support of youth development, among other initiatives.

From 2006 to today, NSCU has been educating its board of directors and staff on sustainability and CSR, bringing in outside resources for workshops. Additional training is provided to staff to help them in their increased community development roles, for example in the area of presentation skills. Staff and board members regularly attend conferences on CSR and sustainability within the region and nationally.

NSCU is now in the second phase of its strategy, having achieved many of the objectives it set for itself in the first three years. It is developing a sustainability framework predicated on its identification of four essential aspects of sustainability: social influence, environmental impact, human/organizational culture, and financial. It is seeking to deepen the sustainability commitment within its business and to strengthen the foundation for innovation and growth at the credit union. The commitment will be delivered through a number of social and environmental sustainability initiatives, including products and purchasing, and through incorporating its sustainability commitment into upgraded job descriptions.

A few of NSCU's sustainability initiatives involve financial literacy programs, delivered through partner organizations, and support for community projects that build life skills and financial literacy for youth. In 2007, NSCU launched the Smart Home Energy Loan to incentivize members to improve the energy efficiency of their homes. It offers financing at prime or lower, plus a \$300 rebate toward home energy assessment costs to those members who qualify and undertake an onsite home energy assessment. NSCU also assisted in the launch of an organization that has the goal to provide awareness, education, and training on sustainable living and sustainable communities, and it is financially supporting another organization to develop and implement a plan to grow food locally year-round (in a northern climate). In 2009, the credit union was named one of the 50 best employers in Canada in the small and midsize business category by Hewitt Associates and *The Globe and Mail*.

## Sustainability Management and Governance System

NSCU has a Core Business Statement reflecting that the heart of its business is strengthening and growing communities, members, and the organization. It has five values, one of which is "positively impacting the communities we serve." It has adopted a set of sustainability principles and goals to guide its plans, as follows.

### Principles

*To build strong, resilient, and sustainable communities we are committed to the following principles:*

- *Collaborative engagement with NSCU employees, members, and local communities in setting priorities and implementing solutions, and regional replication of innovations initiated at the community level and at other credit unions.*
- *Developing mutually beneficial partnerships with community, business, education, and government organizations in the design and delivery of priority initiatives.*
- *Unwavering focus on asset development and capacity building of individuals, groups, and businesses for the long-term strength and resilience of our region. We will be an advocate for, and champion of, the social and economic health of our communities.*
- *Leveraging the credit union's core competencies and assets, including our strengths in financial services, governance, human resources, business*

*operations and development, facilities, networks, and cooperative development.*

- *Priority concern for sustainable communities and vulnerable groups, particularly youth, Aboriginal people, seniors, and businesses classified as small or micro.*
- *Commitment to embedding corporate responsibility practices throughout our organization, including measuring, monitoring, and reporting on our progress and continuous learning and improvement; we will build on best practices (including our own).*

### **Long-Term Goals**

- *Strong, resilient communities.*
- *Enhanced trust and reputation.*
- *Increased member satisfaction and loyalty.*
- *Increased employee satisfaction.*
- *Enhanced community reputation and increased profile as community leader and champion.*
- *Stakeholder awareness and understanding of, and support for, NSCU community reinvestment strategy.*
- *Business growth.*

The Board of Directors' Donations and Community Reinvestment Committee is responsible for providing oversight on the credit union's sustainability vision of "strong, resilient Northwest BC communities and credit union, excellent financial services and enhanced quality of life for members, and recognized by our employees to be a great place to work." The committee has overall responsibility for the development and implementation of the sustainability strategy (referred to as the Community Reinvestment Initiative), including policy making, evaluating the effectiveness of the initiative, developing standards of corporate responsibility for the credit union, and providing oversight of the donations program. The CEO plays a central role in integrating sustainability throughout the organization, including incorporating sustainability deliverables in the annual business plan, participating in staff training programs, etc.

The manager of community reinvestment reports to the VP of Human Resources and works with three staffers on loan from other departments on key aspects of strategy delivery. The credit union's sustainability commitment is being incorporated into job descriptions for launch in 2010. The team of sustainability champions supports staff, member, and community engagement throughout the credit union and works on projects they identify as important, such as internal green initiatives, staff health and fitness programs, and money management skills in the community. The sustainability leaders provide advice and support on the strategy and to the sustainability champions.

With the formal adoption of a Sustainability Commitment in 2010, including renewed sustainability principles, a sustainability framework, and sustainability key performance indicators to guide measurement and monitoring, NSCU expects to be well positioned for further innovation and engagement in the coming decade.



## VANCITY CREDIT UNION

**LOCATION:** Vancouver, British Columbia

**ASSETS:** \$14.5 billion CAD

**FOUNDED:** 1946

### History and Status of Vancity Credit Union's Sustainability Initiatives

Vancity's sustainability journey began in the mid-1980s when a number of members seeking to differentiate the credit union from its bank competitors were elected to the board of directors. By 1986, the credit union had established Canada's first socially responsible investment product—a mutual fund referred to as the **Ethical Growth Fund®**—and by 1989 the credit union had established the Vancity Community Foundation, with an initial \$1 million endowment whose purpose was to support affordable housing, community economic development, and micro-lending in the region. In 1990, the credit union turned its attention to the environment and launched *enviroFund™*, in which profits from one of its VISA\* cards were channelled into a fund for environmental initiatives voted on by cardholders. In 1992, the credit union launched a third socially responsible product for its members, called the Community Investment Deposit, wherein members could opt for a deposit product with zero to market rates of interest, with the funding channelled into community economic development loans to members. Around that time, the credit union also became a signatory to the Ceres Principles, a 10-point code of corporate environmental conduct promoted by Ceres, a U.S.-based network of investors, environmental organizations, and public interest groups working with companies and investors to address sustainability challenges.

In the early 1990s, Vancity refocused its community giving program away from the more traditional funding of sports, education, and community events toward three priorities: economic resilience, community well-being, and environmental sustainability. Today it funds projects that benefit people with economic disadvantages and that are aligned with Vancity's core interests of climate change, poverty, and the social economy.

In 1995, Vancity built a new head office with a number of environmental features, including sitting above a major public transit station. In that period the credit union - through its socially responsible real estate division at the time - sought out opportunities to build affordable housing on top of its branches when branches required upgrading or redevelopment.

In 1997 the credit union published its first third-party-audited social report, in which it followed emerging global standards for sustainability reporting. Around this time the credit union also formalized its sustainability strategy, which it referred to as its CSR Role, and incorporated explicit targets and goals into the annual plan and five-year business strategy.

In 2000, Vancity launched an international community investment product, modeled after its Community Investment Deposit, which channelled member deposits into third-world microfinance initiatives. In the same year it released its Statement of Values and Commitments, a set of guidelines for implementing its sustainability credo throughout its operations. It was developed in consultation with staff, members, and community representatives and serves to guide how Vancity does business.

The following year the credit union launched the Vancity Award, in which six projects aligned with Vancity's values were voted on by members who had the opportunity to choose which project would receive the \$1 million award. The first year, the prize went to an organization that wanted to build a cross-region bike path to support health and fitness and bike commuting; the award program continued for six years.

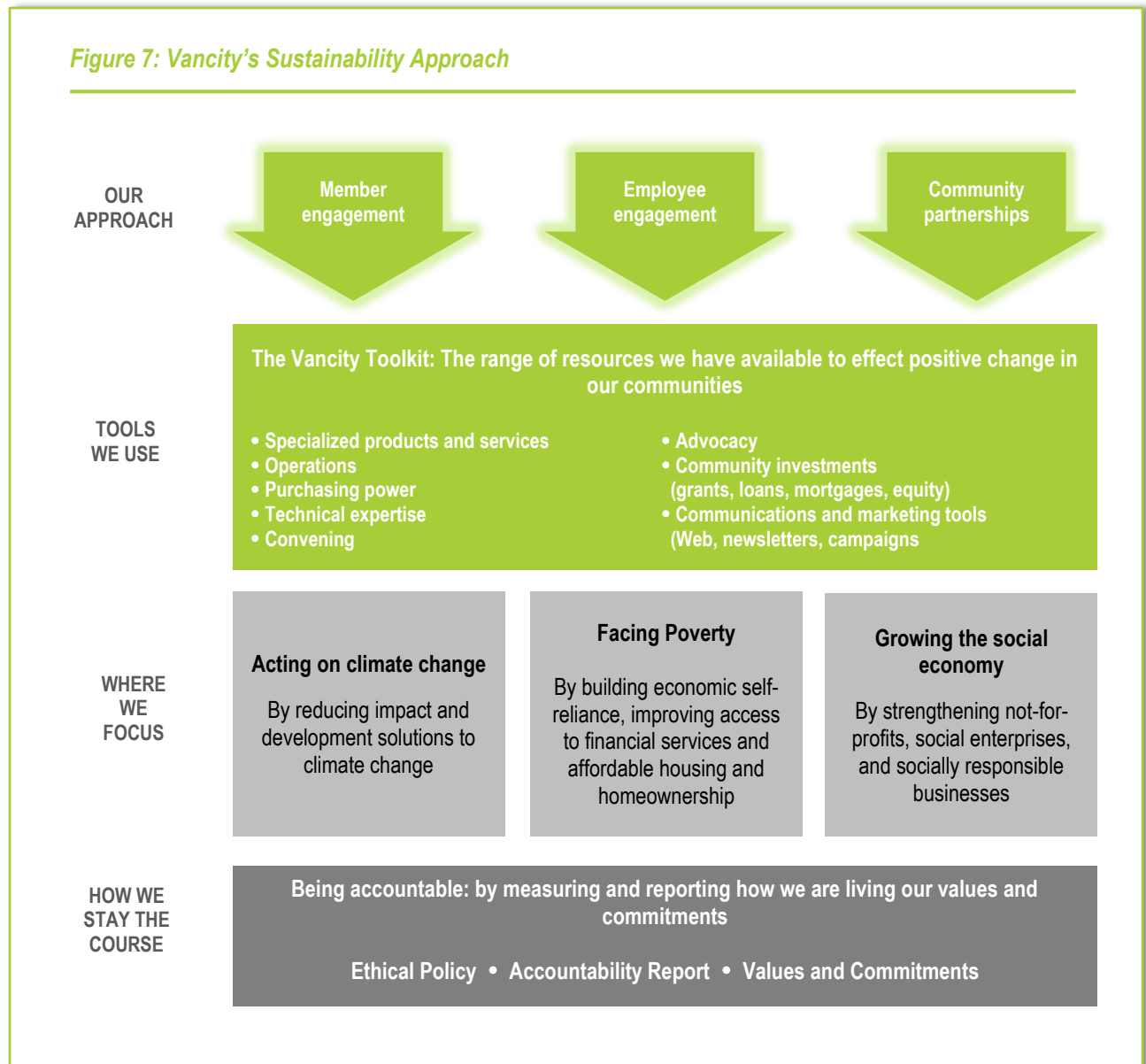
On the heels of this success, Vancity updated its sustainability strategy in 2004, referring to it as its Community Leadership Strategy. A board and management task committee was established that commissioned research into key social and environmental issues in the region, surveyed member perceptions of key issues, interviewed community leaders, and conducted a competitive analysis to feed into a **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats (**SWOT**) analysis. The credit union sought to build on its success by becoming clearer on its strengths and opportunities, using the four following strategy objectives as its guide:

- Ensure the sustainability product and services array generates value and impact.
- Provide a framework for the organization to “row together” for maximum impact.
- Respond to market opportunities and member issues/concerns.
- Create a framework to respond to competing “asks” and opportunities.

As a result of this focused effort, the credit union formalized its sustainability approach into the framework shown in Figure 8.

Vancity has been tracking the results it is achieving in these areas, some of which are listed here.

**Figure 7: Vancity's Sustainability Approach**



### Growing the Social Economy

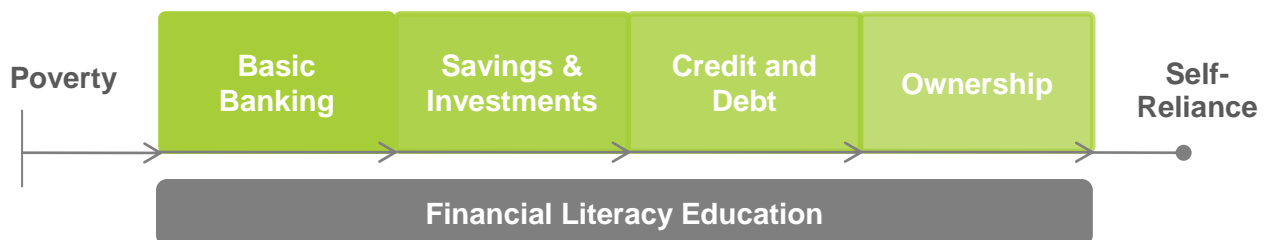
- Investments in more than 340 social enterprises over five years—through grants and microloans of \$5,000 and up.
- Capacity-building for 60 social enterprises.
- \$11 million in loan portfolio to support sustainable and social enterprises as of 2007.
- Vancity has secured 25 per cent of total non-profit market share.

## Facing Poverty

- 4,400 participants in Vancity supported financial literacy programs since 2004 (1,600 of whom are youth).
- 454 participants in homeownership readiness workshops since 2006.
- Instituted a program to train staff to deliver financial literacy to diverse ethnic groups.
- Has provided \$4.3 million in financing to micro- and small-business start-ups.
- Provides basic banking services to low-income residents of Vancouver's Inner City through a dedicated branch called Pigeon Park Savings.
- Adopted Asset Building Path (based on the Credit Path model developed by Alternatives Federal Credit Union in New York) to communicate and focus its work in low-income communities. Figure 9 presents four steps that individuals can take on the path from poverty to economic self-reliance, along with the products, services, and community partnerships that will help them get there. Vancity further supports progress along the Asset Building Path by providing members with access to financial literacy education.

**Figure 8: Vancity's Asset Building Path**

The path begins with basic banking – getting a bank account – through learning how to save and invest, build credit and pay off loans, and finally, owning assets.



Source: [www.vancity.com/MyCommunity/OurVision/FacingPoverty](http://www.vancity.com/MyCommunity/OurVision/FacingPoverty).

## Acting on Climate Change

- Became the first North American-based financial institution to achieve carbon neutral status.
- Has shared its climate change message with 500,000 BC residents through member education and public forums.
- Co-financed Dockside Green, a 15-acre mixed-use residential and commercial real estate development that has achieved the world's highest LEED standard.
- Offers the *Bright Ideas*® Home Renovation Loan, a personal loan at a beneficial rate for up to 10 years for homeowners who make approved energy efficiency retrofits.

- Offers the Clean Air Auto loan, which rewards members who buy cars with low carbon dioxide emissions by giving them preferential loan rates.
- Provides products and services to help small businesses reduce their energy consumption, including a Green Business Manager who meets with businesses one-on-one or can facilitate a green business learning session for staff.
- Launched a multi-year employee awareness program called GreenFeat, where staff are invited and incented to reduce greenhouse gas emissions and help Vancity achieve carbon neutral status.
- In 2003, set a target to reduce energy use per employee by 10 per cent by 2008; by the end of 2007 it had met its goal.
- About 40 per cent of Vancity's total emissions are from employees driving alone to and from work. To help reduce that number, the credit union introduced a Guaranteed Ride Home program to provide employees who commute to work using sustainable transportation a free ride home in case of a family emergency, employee illness, or unanticipated overtime.
- Paper use per employee has dropped from 183 metric tons to 170. All of Vancity's office paper is 100 per cent post-consumer-waste recycled paper; envelopes are 30 per cent post-consumer waste and 15 per cent pre-consumer waste. Greenhouse gas emissions from paper use totalled 870 metric tons in 2006, or 0.37 metric tons per employee.
- Vancity achieved a 15 per cent decrease in absolute greenhouse gas emissions from employee commuting from 2006 to 2008, along with a 1 per cent decrease in absolute greenhouse gas emissions from paper use over the same period.
- Since Vancity started reducing its energy use and emissions from its buildings, it has saved \$2 million in energy costs.

In addition to these climate change initiatives, Vancity has implemented a number of programs to reduce its waste. For example, it has a recycling program for paper, glass, cans, and plastic. Used electronic equipment is donated to non-profit groups, given to companies that deal in obsolete electronics recycling, or sold to employees and their families. From Vancity's waste audits it knows that the three main components of waste are recyclable paper products, food and lunch waste, and non-recyclable paper products, and it is implementing measures to further reduce the amount of waste that is sent to the landfill.

On the community side, Vancity refers to its community investments as Shared Success. It shares its profits with members and the communities it serves through its Shared Success program, in which each year up to 30 per cent of profits are given back to members and the community via dividends and grants, respectively. Since 1994, Vancity has disbursed \$138 million in Shared Success funds, with members pocketing over \$92 million in membership dividends and \$46 million provided as grants to community organizations.

Vancity is using social media to engage its members in its initiatives and foster member loyalty. One tool, *ChangeEverything.ca*, is an online vehicle for people who want to change themselves, their communities, or their world. Members and non-members alike can post their ideas on what should change and share resources and ideas on how to advance the changes they seek. Vancity also has an online bulletin board for members to share their ideas for new products and services ([weallprofit.vancity.com](http://weallprofit.vancity.com)).

The credit union's socially responsible product array includes wealth management services for clients seeking investment options that integrate social, environmental, and governance factors and a range of socially responsible mutual funds available in Canada. Vancity's community investment deposit and international community investment deposit have been rebranded as *Shared Growth*® and *Shared World*® and continue to be offered to members, along with a number of products that feature an environmental component, as described earlier. The board of directors has also adopted an Ethical Policy in which the credit union pledges to work with organizations that demonstrate a commitment to ethical business practices, environmental leadership, respect and fair treatment, and healthy and peaceful communities. The policy, which is reviewed annually, is also audited by an independent third party to ensure Vancity is following these criteria in its loans, investments, and purchases, with the results published in Vancity's Accountability Report.

In terms of its commitment to be a great place to work, Vancity is focused on employee satisfaction, the diversity of its workforce, providing equal opportunities for all its employees, promoting personal and professional employee development, the provision of a safe and healthy work environment, competitive salaries and benefits, and talent management overall. It tracks and reports on employee engagement and turnover, employee empowerment, workplace diversity, work-life balance, and overtime, among other topics.

Having defined its focus areas in its Community Leadership Strategy, Vancity has identified the means by which it can achieve outcomes in these areas, specifically, through:

- Community investments such as grants, loans, and equity.
- Specialized products and services.
- Purchasing power.
- Technical expertise.
- How it runs its operations.
- Communications and marketing.
- Advocacy.
- Community partnerships.
- Convening power.
- Member and employee engagement.

After five years of implementing its Community Leadership Strategy (2004–2009), Vancity is redefining its leadership role, with a focus on social finance.

This new approach is expected to be launched in 2010 with goals to encourage entrepreneurial and risk-based investment in businesses, non-profits, and co-operatives to generate economic, social, and environmental benefits while using its convening power and capital to redefine wealth for all.

### **Sustainability Management and Governance System**

Over the past ten years, Vancity has developed its overarching purpose statement, which is “to work with people and communities to help them thrive and prosper.” It has also adopted a Statement of Values and Commitments (SOVAC) and an Ethical Policy to govern its actions and focus its resources on meaningful social change.

The board of directors has a Community Leadership Committee, which approves strategic partnerships, projects, and grants. From time to time the credit union forms ad hoc task forces comprised of board members and management to develop and build out strategic priorities; the Social Finance Task Force, for example, is currently developing a key aspect of Vancity’s future direction.

Vancity’s director of community leadership reports to the SVP of social finance. There are 12 staff members in the Community Leadership department and hundreds of sustainability champions across the organization who are helping to move Vancity’s sustainability initiatives forward. The role of this network of community leadership champions is to help communicate Vancity’s community leadership initiatives, goals, programs, and products and to provide feedback to the Community Leadership department about how things are working.

Since Vancity adopted its SOVAC in 2000 and established an accountability framework that identified the responsibilities of key executives for some of the sustainability deliverables, its core sustainability staff have become less responsible for initiatives and more responsible as advisors and champions to other business divisions, such as Purchasing and Community Banking. Some Community Leadership staff have been redeployed to other departments; for example, the social accountability staff who produce the sustainability report now reside in the Finance division, and Vancity is aiming to produce one integrated report on social, environmental, and financial performance. Increasingly, ownership of Vancity’s community leadership initiatives is spread throughout the credit union, with each line of business or subsidiary using its unique resources to make a difference. In 2007 the credit union embedded its community leadership initiatives into the majority of its business and departmental plans, as revealed in its 2006-07 Accountability Report. That year more than 75 community leadership-related deliverables were led by departments other than the sustainability (community leadership) group.

Vancity sees its sustainability reporting as an internal management system that ensures it continues to innovate in its social and environmental performance. The credit union produces an Accountability Report every two years, the most recent dated 2006–07. It has found its sustainability reporting program to be an important driver of member and community trust and loyalty



## BETHPAGE FEDERAL CREDIT UNION

**LOCATION:** Bethpage, New York

**ASSETS:** \$3.6 billion USD

**FOUNDED:** 1941

### History and Status of Bethpage Federal Credit Union's Sustainability Initiatives



Bethpage Federal Credit Union (Bethpage) became community chartered in 2004 and at that time committed to becoming the premier community financial institution on Long Island, where it is headquartered. Their founding philosophy was, "If we are going to ask for business from the community we need to give back to the community." The environmental prompt came from a community organization that sought out the credit union as a community partner. Its initial community charter plan, or strategic plan, set a goal to open one in four branches in underserved communities. The credit union has already exceeded this goal, with eight of its 23 branches in underserved communities. One of its most recently opened underserved branches is in Roosevelt, New York, which has one out-of-town commercial bank and whose residents have been hoping for more banking services for 20 years. The credit union is using land cleaned up from a brownfield property (environmentally contaminated, underused commercial property) for the site.

At the outset of Bethpage's founding, a number of its executives joined a few business groups to better understand the needs of the community, outreach was conducted in communities where branches were planned, and non-profit leaders were contacted to identify the key concerns of the underserved in the area, such as homelessness, food banks, affordable housing, and underserved families. Scans were conducted of community development best practices of competing financial institutions to learn how best to leverage a community commitment.

It was originally determined to focus on media and branding to communicate the credit union's social responsibility to its marketplace. This has become a marketing program called, "The Heart of Bethpage," which is the brand name given to its community initiatives. Central to the brand is the credit union's signature initiative in which it selects four charities a year to be the recipient of a three-month print and radio advertising campaign. In addition, the credit union incentivizes Long Islanders to open a new account, which generates a \$25 donation in the member's name to the profiled charity. This has resulted in positive brand results for both the credit union and the charities, with the community organizations benefiting from increased corporate support, volunteers, and new business.

Bethpage is engaged in affordable housing initiatives on a number of fronts, including participation in housing coalitions that promote affordable housing developments in the community. It also offers unsecured home equity loans at discounts to help members with housing finance. To further help with personal financing, the credit union offers a personal loan with a 50 basis point discount for smaller purchases, a more affordable credit card alternative.

Bethpage's financial education programs include a full-time financial education counsellor to help members with individual and household budgets, credit issues,

and long-term planning; and a Volunteer Income Tax Assistance Program, which provides free tax preparation for those who cannot prepare their own tax returns.

The credit union has also played an advocacy role on equity issues, working with a local congresswoman to introduce legislation that would require tax preparers to disclose to their low-income customers that they have a free alternative, such as that provided by the credit union. Bethpage also offers mobile income tax assistance, providing on-site services at several non-profits and businesses to reach those individuals who cannot get to a branch.

There is a strong ethic of volunteerism at the credit union, supported by the Bethpage Employee Volunteer Program, which grants staff up to three paid work days per year to volunteer for community organizations. Volunteer hours are tracked across the credit union, with 1,400 hours logged in 2008. The credit union is targeting 2,000 hours in 2009.

From time to time Bethpage provides seminars for not-for-profit organizations on board governance, budget management, and strategic planning. As an offshoot of this initiative, the credit union funded 19 non-profit representatives to go to Washington, D.C., to build relationships with decision makers and learn how Washington can help their community. As a result of this program, called “Fly-in,” a number of organizations benefited from government concessions and grants to further advance their missions.

When Bethpage launches a new initiative, it holds a series of roundtables with a large group of stakeholders, including businesses, non-profits, community leaders, and governments, to identify key priorities. Over a six-month period, the credit union drafts a plan, receives and accommodates feedback, and launches the initiative with community support. It has done this successfully with, for example, the Latino community in order to develop an effective Latino outreach strategy.

As part of its community development mandate, Bethpage invests in other credit unions, putting money into their low or zero per cent interest CD products. The credit union also has \$4 million invested in the New York Credit Union Foundation to help it in its mission to support credit union development.

The credit union is in the early development stages of its environmental programs. Internally, the Facilities department is focused on improving the credit union’s environmental performance, including reducing paper use, and pursuing LEED certification as retrofits or new builds are contemplated.

### **Sustainability Management and Governance System**

The board’s Marketing Committee reviews and approves the credit union’s community development initiatives, while annual plans are approved by the overall board of directors. An assistant VP of community development manages the community portfolio, supported by three full-time employees in the Community Development department. The AVP reports to the VP of Corporate Development and Government Relations, who allocates about one-quarter time to community development initiatives. At this time, there is no lead staff member or strategic plan for the credit union’s environmental efforts, which are still in their infancy.



## MISSOULA FEDERAL CREDIT UNION (MFCU)

**LOCATION:** Missoula, Montana

**ASSETS:** \$300 Million USD

**FOUNDED:** 1956



### History and Status of Missoula Federal Credit Union's Sustainability Initiatives

Missoula Federal Credit Union (MFCU) has had a long-standing approach to social responsibility, including the provision of community grants and a donation-matching program (up to \$100) for employees who want to financially support their favourite organizations. The credit union has a strong culture of employee volunteering, which it encourages through an employee volunteer program in which staff are given four hours of paid time per year to volunteer in the community.

The credit union focuses its social responsibility on financial literacy and youth. A full-time financial counsellor provides members one-on-one financial counselling; payday alternative loans are also available. Presentations and workshops on financial education are provided for youth in the county by a full-time youth coordinator. A \$1,000 youth certificate is offered that matures when the child turns 18; if the youth completes a series of financial education seminars, the certificate earns 10 per cent, eight per cent more than a traditional deposit certificate. Additionally, some of the credit union staff are involved in affordable housing efforts in the region.

MFCU expresses its social responsibility philosophy on its web site as "providing support for initiatives that are consistent with the credit union philosophy of improving credit union members' well-being, promoting the credit union ideal of cooperative self-help, and bringing about human and social development." These socially responsible programs are ongoing while over the past three years the credit union has begun to evolve its approach to its environmental responsibility. This started in 2007, with the CEO becoming interested in the opportunity to build a green branch; a year later, in 2008, the credit union opened the doors to one of two LEED Platinum buildings in all of Montana. The credit union calculates the green premium on the building as five per cent to seven per cent. However, operating costs have been reduced by \$20,000 a year, generating a return-on-investment on its initial capital outlay.

Since 2007, when MFCU committed to building a green branch, the credit union has launched a number of environmental initiatives, some internal and some member-facing:

- Created a green draft account that offers electronic statements, eliminating the paper, processing, and transportation costs of traditional statements. The credit union overall has close to 63 per cent share draft penetration, of which about 70 per cent is attributable to its green draft account.
- Created an employee Green Team to evaluate, suggest, and implement green policies and practices.

- Holds annual Sustainability Fairs in conjunction with the annual meeting to provide information to members about how to make their daily choices more eco-friendly.
- Held a Member Shred Day to allow members to bring their paper to be shredded and recycled (over 2,800 pounds of paper was saved from the landfill at the first event).
- Switched to printing messages directly on statements, rather than inserting a paper stuffer in member mail-outs.
- Piloted the installation of electronic signature pads at one of its branches, avoiding the need to print loan documents for signature. The pads will be rolled out to other branches over time.

The credit union's social responsibility is part of its cultural fabric and thus is not considered a strategic program, while its environmental initiatives have been conceived and developed organically. Environmental sustainability is, however, a named deliverable in the credit union's business plan, elevating this aspect of the credit union's business to a higher-profile priority.

### **Sustainability Management and Governance System**

MFCU has formalized its environmental mandate in its current business plan, under its human resources section, as "form a Green Team, brainstorm ideas, and evaluate ways to be more green, more productive, and reduce expenses." The Green Team adopted formal bylaws in 2008 to guide its role, which is to promote, educate, and engage MFCU staff and communities in environmentally friendly strategies, and to form and/or assess strategic proposals relating to environmentally friendly practices. The Green Team is given guidance on how to present proposals—an environmental budget management framework—to "include all costs, initial and continuing, as well as describe the benefits to the environment. When possible proposals should offer a comparison to traditional methods for cost and environmental impacts." There are five to eight members of the team, all of whom are volunteers from across the organization, including two management liaisons who report to executive management on the team's progress. The Green Team holds monthly meetings, which take place virtually through phone conferencing when possible. Employees are encouraged to submit suggestions on how to make MFCU more green through a virtual suggestion box ([greenidea@missoulafcu.org](mailto:greenidea@missoulafcu.org)). The Green Team discusses these ideas with appropriate managers at their monthly meetings to determine the feasibility of implementing them. The Green Team may reward contributors with recognition or a nominal gift.

The green efforts at MFCU are the overall responsibility of the SVP of marketing and branch development and the SVP of finance and IT; the social initiatives are under the purview of the SVP of marketing and branch development. MFCU's social and environmental initiatives are supported by staff resources across the credit union of three to four full-time equivalents spread over six positions, plus the Green Team.



## WHATCOM EDUCATIONAL CREDIT UNION

**LOCATION:** Bellingham, Washington

**ASSETS:** \$595 million USD

**FOUNDED:** 1936



### History and Status of Whatcom Educational Credit Union's Sustainability Initiatives

Whatcom Educational Credit Union (WECU) began a process to formalize its strategic sustainability journey in 2006 when the board of directors became interested in the opportunity to provide banking services for immigrant and neglected communities in the credit union's region. The decision was made to create a position that would be responsible for co-ordinating social outreach to these groups, identifying their key social and banking priorities and helping them become better integrated socially and economically. A social responsibility manager (marketing representative/social responsibility) was hired the following year, and the sustainability portfolio has been building since then.

The initial phase involved outreach to community leaders to identify key issues and priorities and potential partners on community initiatives. In terms of social responsibility, the credit union established three priorities: Hispanic outreach, Native American outreach, and financial literacy. Over time the program has expanded to include financial education and wellness, including free financial counselling, high school money management presentations, grants, strategic community sponsorship, and, more recently, the environment.

In terms of its community initiatives, WECU is part of an asset-building coalition of community groups, private industry, and government, developing initiatives to raise the asset levels of the most needy. Building on the success of its tax initiative, in which it provides staff volunteer support to assist with free tax filing services, the credit union is now starting to train case managers on helping its low-income clients avoid predatory lenders, open bank or credit union accounts, and other financial education matters. It is hoped that by building the capacity of frontline non-profit staff, the credit union can leverage its core competency in financial literacy to other organizations, thereby widening its impact. Additionally, WECU accepts government cards that allow consumers to access government funds such as social security and basic food benefits. It also makes its education center available to non-profit groups free of charge as a community service. The credit union is focused on building partnerships with community organizations whose goals are moving people out of poverty through financial literacy and supporting children's early years to provide them better prospects in life.

WECU's environmental initiatives arose due to an internal champion who was very involved with a local sustainability-oriented non-profit organization on personal time. This has evolved to the point that the credit union has a community partnership with the non-profit, including grant and seed funding of new environmental initiatives such as a Buy Local campaign. As support for environmental leadership grew in the credit union, WECU committed to the development of a LEED Gold branch that became the first privately funded Gold LEED-certified building in its county, later followed by two new branches that qualified as Silver LEED. It worked with a local non-profit to monitor energy usage on its older facilities and identify improvements; as a result, the credit

union has initiated energy efficiency retrofits for its older buildings. WECU promotes alternative transportation to its employees by raising awareness about a local organization that provides incentives for car alternatives for employee commuting. WECU is interested in continuing to build out its environmental initiatives and is exploring the opportunity of providing green loan products to its members.

### **Sustainability Management and Governance System**

The Board of Directors has had a Social Responsibility Committee since the late 1990s, with a mandate to review strategic grants, community partnerships, and sponsorships. The board and executive receive a report on the credit union's social responsibility activities as part of the monthly marketing report; social responsibility is housed within the Marketing department. The social responsibility representative reports to the Vice President of marketing. While there is no formal social responsibility or sustainability policy, the credit union's culture supports staff participation in social responsibility initiatives proposed by the social responsibility representative.

WECU has been able to advance on its social responsibility initiatives in part because of the internal structure that focuses on deliverables. The dedication of a staff position, the reporting structure, and the board's Social Responsibility Committee help the organization prioritize the strategic initiatives and partnerships that have the greatest value for the credit union and the community. Environmental initiatives are not part of this management framework and are currently initiated through more ad hoc processes.



## MECU LIMITED

**LOCATION:** Kew Victoria, Australia

**ASSETS:** \$1.52 billion AUD

**FOUNDED:** 1957 originally (mecu was formed in 2003 by way of merger)



### History and Status of mecu's Sustainability Initiatives

In the late 1990s and early 2000s, mecu grew exponentially as a result of a number of mergers. Due to this rapid growth, the credit union found itself unable to articulate its competitive advantage or core purpose. With each merger, credit union staff increasingly began to question what differentiated the credit union from its traditional banking competitors. Board, management, and staff were in agreement about the need to clarify how the credit union created value for its members. Thus, in 2002, the credit union initiated a review of its business, starting with research into how other mutuals had tackled this question. An international study tour was conducted of leading sustainable finance institutions, including, among others, Vancity Credit Union and Citizens' Bank in Canada, the Co-operative Bank in the UK, and Triodos in the Netherlands, in order to identify the "sweet spot" of member value. The major conclusion of the best practice benchmarking was that it was possible and desirable to achieve scale while fulfilling the core principles that accompanied the creation of the co-operative and credit union movement: advancement of social capital and social activism to help advance progress in society. The credit union thus embarked on a path to go back to its co-operative banking roots to develop a program for creating member value and competitive advantage.

With co-operative banking principles as its framework, mecu analyzed the key contemporary social and environmental issues that were relevant to its banking business—water conservation, climate change, high levels of personal indebtedness, affordable housing, and population growth and its impacts on biodiversity loss—and found these to be important leverage points for demonstrating the value and importance of the credit union or social enterprise business model. The credit union had also studied the Body Shop, well known for its sustainability-focused products, and wondered if it could similarly embed its values into its products, thereby helping its members align their values with their actions and investments.

The initiative was largely led by senior management, and a strategy session was held to consider management's recommendations. To prepare for the strategy session, in addition to the study tour, a number of member and staff focus groups were formed, and research into the emerging ethical consumer movement was conducted. This background analysis revealed that there were business gains to be had by adopting sustainable development as part of the credit union's growth strategy. The credit union joined the United Nations Environment Program Finance Initiative (UNEP FI) and committed to follow its principles for sustainable finance. At the same time, the regional government, the State of Victoria, was establishing "covenants" with businesses that committed to improving their environmental practices.

Mecu became one of the first partners to endorse a Sustainability Covenant with the government; the covenant includes commitments to increase the efficiency with which mecu uses resources to develop and deliver its products and services, to help alleviate negative environmental and social impacts through its products and services, to help members live more sustainable lifestyles, and to support developments within the finance sector that encourage others to embrace sustainability. Finally, mecu's interest in sustainability reporting connected it to the Global Reporting Initiative (GRI), an international standard for social and environmental reporting. These three frameworks—the GRI, the Sustainability Covenant, and UNEP FI principles—shaped mecu's approach to building its sustainability strategy and business model. Together, these commitments focused the credit union on taking a leadership position, identifying and managing its sustainability risks and opportunities, product development and innovation for sustainability and reducing its environmental footprint.

Mecu's overarching sustainability objective is to become the preeminent socially responsible banking brand in Australia, and it is already meeting with some success: As of 2008, 87 per cent of members agree that mecu practices socially responsible banking.

In 2004, mecu integrated its sustainability objectives into its corporate strategy; it is currently five years into its business strategy, some of the components of which are described next.

The credit union is committed to becoming carbon neutral. As a socially responsible provider of finance for houses and motor vehicles, both of which produce greenhouse gases, mecu is designing features into its core banking products and services to tackle climate change; for example:

- Launching a suite of products that reduce members' greenhouse gas emissions (see below for details).
- Development of the mecu Conservation Landbank, involving an investment in over 400 hectares of land to be used as a conservation area to offset the carbon emissions from the cars it finances and from credit union operations as well as the biodiversity loss associated with financing new home construction.
- Offering members e-statements so they can receive their statements online.

The credit union is also implementing a carbon management framework to reduce its direct greenhouse gas emissions, which—along with the energy and travel reduction efforts cited below—includes measures to reduce paper consumption, purchase recycled paper, and minimize paper sent to members.

Overall, mecu's environmental policy articulates its approach to managing its impacts in relation to paper, waste, energy, travel, water, and land<sup>27</sup>. This approach is now being formalized into an Environmental Management System (EMS), which is a planned and documented system to enable the credit union to better meet its environmental objectives and manage its environmental impacts. The mecu EMS aims to deliver environmental commitments made under mecu's Sustainability Covenant and to continually improve environmental performance associated with activities undertaken across the organization.

### mecu Milestones on its Sustainability Journey

- 2003: Became a signatory to UNEP Finance Initiative (the first credit union in the world to do so).
- 2004: Integrated sustainability objectives into its corporate strategy.
- 2005: Published its first annual sustainability report.
- 2005: Signed a three-year Sustainability Covenant with the government, which was extended for a further three years in 2008 (the first Australian business to do so).

In addition to paper reduction and land-banking, mecu's key environmental initiatives include the following:

- *Energy Reduction Action Plan* to reduce the credit union's energy use, including such efforts as installing timers to reduce night time energy consumption, installing energy-efficient lighting, upgrading PC monitors to more efficient models, and installing solar panels on the roof of the head office.
- *Green Travel Action Plan*, which encourages the use of the most benign transport feasible for its business (e.g., walking before public transportation, before car-pooling, before driving); provides eco-Drive training in the orientation process for new employees; hosts Alternative Transport Day, where staff are encouraged to use a more environmentally friendly form of transport to get to and from work; and provides a carpooling register on the intranet for employees to coordinate sharing the drive to work with colleagues in the local area. (With these and other initiatives, the credit union found that in 2007–2008 its overall business-related vehicle travel decreased by 15 per cent compared to a year earlier.)
- *Water Reduction Action Plan*, which resulted in the installation of a rainwater tank at its head office to be used for toilet flushing and garden watering and the purchase of microfiber cleaning gloves and cloths to reduce the amount of cleaning products and water used, among other initiatives.
- *Waste Reduction Action Plan*, which supported initiatives to recycle plastic, glass, aluminum, liquid paperboard, and steel containers; promote organic recycling; donate excess electronic equipment and furniture to a non-profit organization that recommissions the equipment and furniture for use by disadvantaged groups/communities; etc. Personal garbage bins have been removed from each workstation, and waste stations have been established in strategic locations to help increase the level of office recycling.

On the social side, the credit union's Community Investment Program supports processes, events, and activities that make a positive, measurable, and sustainable difference to society. The program focuses on environment, education, science, and "beyond Australia" initiatives. Further, mecu is working with the affordable housing sector to finance affordable housing projects, develop capacity among participants in the sector, and support affordable housing policy development at a state and national level.

Mecu's Community Support Policy outlines its commitment and approach to community support through fund-raising, payroll giving, and sponsorship activities. The credit union targets up to four per cent of its budgeted post-tax profits to sponsoring community partnerships.

One of mecu's main sustainability commitments is to develop products that make a contribution toward a responsible and sustainable society. To that end, it has developed a number of products with features that encourage members to be more environmentally responsible and that help alleviate social issues within the community. Descriptions of some of these products follow.

### Environment

- The goGreen Car Loan offers a lower interest rate the greater the fuel efficiency and the newer the car; 100 per cent of the CO<sub>2</sub> emissions produced by the car are offset for the term of the loan via mecu's Conservation Landbank.
- The premium for a goGreen Motor Insurance policy is calculated on the basis that the insured car will be driven by no more than two covered drivers who are 25 or over, and that it will not be driven more than 10,000 kilometres during the period for which it is insured. The credit union also offers water-saving car wash kits free of charge with its insurance products.
- Homes achieving a certain energy efficiency rating qualify for the goGreen Home Loan, which offers a lower interest rate, where it is hoped that the lower rate can offset the additional cost of energy efficient additions and upgrades.
- The goGreen Home Improvement Loan offers a discount on the standard variable loan rate for environmentally friendly home improvements, such as solar paneling, wind electricity generation, grey water recycling systems, insulation, and rainwater tanks.
- Mecu's biodiversity offset on all new-home-construction loans is believed to be a world first.

### Social

- The Premium First Home Buyers Loan offers a sharply discounted variable interest rate, helping members purchase their first home by reducing their home loan repayments.
- Mecu is the only credit card provider in Australia offering a 100 per cent no-marketing guarantee. The credit union will not offer cardholders unsolicited increases to credit limits or incentives to increase cardholders' level of spending.

The credit union's Ethical Lending and Investment Policy outlines key lending and investment issues relating to ethics and corporate responsibility and details how mecu will ensure that ethical standards are maintained. This includes not lending money to or investing funds in activities that would be economically, environmentally, or socially irresponsible.

Mecu is also integrating its sustainability commitments into its supply chain. Sustainability requirements are incorporated into the tender process, service agreement, and contracts for all new suppliers and those undergoing renewal. In 2008, for example, mecu's mailing service, printing, marketing and agency service, and staff uniforms were changed on the basis of pricing and environmental improvements offered by competitors.

## Sustainability Management and Governance System

Mecu is guided by its overall aim—to become the preeminent socially responsible banking brand in Australia—and its values, which state that it will:

- Treat its members with dignity and respect.
- Value, encourage, and support its employees.
- Operate ethically and with integrity.
- Apply prudent financial and business practices.
- Be economically, environmentally, and socially responsible.
- Care for its communities.

To embed its sustainability ethic throughout its operations, mecu has adopted board-approved policies on community support, environment, ethical lending and investment, and stakeholder engagement, which are reviewed annually.

The board's Sustainable Development Committee meets quarterly and provides advice and recommendations to the board on matters relating to its responsibility for ensuring that mecu's values and stakeholders' expectations are reflected in its policies and practices.

Rather than having one executive be responsible for its sustainability commitments, mecu gives the CEO and senior management team overall shared responsibility for embedding sustainability principles within the business and delivering strategy and leadership, product development, overall management, commercial oversight, stakeholder engagement, community partnerships, and sustainability communications. All senior executives have sustainability incorporated into their job descriptions, performance contracts, and remunerations. In this way, sustainability is recognized as a core part of the credit union's business performance.

To foster employee buy-in and participation, a staff member from each division is nominated to participate in the Staff Sustainability Reference Group, called Footprints. The group is responsible for helping to champion and implement appropriate sustainability projects and initiatives across the business. Footprints is supported by a Sustainability Advisory Network made up of representatives from each of the credit union's business locations. This network ensures that sustainability initiatives are implemented across the credit union and provides a channel for becoming more sustainable and meeting its sustainability commitments. The committee and network are currently supported by the general manager of operations, who is responsible for coordinating and providing support for mecu's approach to sustainability across the organization. All general managers take turns performing this role.

Sustainability is further embedded in the business model by incorporating sustainability aspects into the core competencies established for staff, by including sustainability in new staff orientation, and by requiring all staff to take a one-hour training course.

Staff are also required to complete an annual competency assessment that includes a range of operational issues, including knowledge on sustainable development (e.g., “Name four mecu products that achieve social or environmental outcomes,” “What does Sustainable Banking mean?” and “What are the four levels that make up mecu’s Sustainability Governance Structure?”). Thirteen sustainability questions are asked for a total of 46 points in the overall assessment tool.

The credit union continues to focus on delivering on its sustainability commitments and is increasingly confident that this is the business model of the future for credit unions. It has witnessed record levels of member retention and satisfaction, profitability, organic business growth, and employee engagement and satisfaction since it started down this path. As part of its covenant goal to support developments within the finance sector that encourage others to embrace sustainability, mecu is supporting national and international system efforts to raise credit union awareness of this business approach. The credit union sums up its belief this way: “If credit unions don’t start from a place of values they can’t create value.” Its member satisfaction levels are a testament to this belief, at 94 per cent in 2008, not to mention a member retention rate of 99 per cent, while its world’s best practice levels of staff commitment and engagement are further testament to the value of adopting a values-based approach to banking.

## 1. Organizations

### *Best Practice Sustainable/Social Finance Banks Identified by Case Study Credit Unions*

- Alternatives Credit Union
- Co-operative Bank
- Self Help Credit Union
- ShoreBank
- Triodos Bank

### *Sustainability/CSR Resources*

- Canadian Business for Social Responsibility: [www.cbsr.ca](http://www.cbsr.ca)
- The Natural Step Canada: [www.thenaturalstep.org/en/canada/](http://www.thenaturalstep.org/en/canada/)
- Industry Canada CSR website: <http://www.ic.gc.ca/eic/site/csr-rse.nsf/eng/home>

### *Global Sustainability Resources*

- Global Reporting Initiative: [www.gri.org](http://www.gri.org)
- UNEP FI: [www.unepfi.org](http://www.unepfi.org)

## 2. Sustainability Principles

- Equator Principles: [www.equator-principles.com](http://www.equator-principles.com)
- BankTrack, "Collevocchio Declaration: The Role and Responsibility of Financial Institutions," 2003  
[www.banktrack.org/download/collevocchio\\_declaration\\_2/0\\_030401\\_-collevocchio\\_declaration.pdf](http://www.banktrack.org/download/collevocchio_declaration_2/0_030401_-collevocchio_declaration.pdf)

## 3. How-To Guides and Tools

### *Environment*

- Strandberg Consulting. Small and Medium-Sized Business Environmental Road Map.  
[www.corostrandberg.com/publications\\_Corporate\\_Social\\_Responsibility.html#1j](http://www.corostrandberg.com/publications_Corporate_Social_Responsibility.html#1j)
- Sustainable Industries. Green Office Guide 2009. Sustainable Industries Magazine publishes an annual Green Office Guide with tips on paper use, commuting, meetings, facilities, and purchasing. [www.sustainableindustries.com/resources](http://www.sustainableindustries.com/resources)
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