

From Principles to Practice:
Responsible Banking Case
Study Series

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Principles for
Responsible Banking

Vancity
Advancing Sustainability
through Climate Action
and Financial Inclusion

March 2025

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Principles for Responsible Banking

The Principles for Responsible Banking (PRB) are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.

The framework consists of six principles designed to bring purpose, vision and ambition to sustainable finance. They were created in 2019 through a partnership between founding banks and the United Nations. Signatory banks commit to embedding these six principles across all business areas, at the strategic, portfolio and transactional levels.





Vancity is the largest community credit union in Canada, operating as a values-based financial cooperative headquartered in Vancouver. It became a signatory of the Principles for Responsible Banking (PRB) in 2019.

For more information about the bank, visit [here](#).

Working at the intersection of financial inclusion and climate: Climate ready affordable housing

PRINCIPLE 4: STAKEHOLDERS

As a value-driven financial co-operative, with members as their sole stakeholders, Vancity's strategy is grounded in supporting their members and communities, with a strong emphasis on enhancing financial wellbeing and addressing systemic barriers to financial inclusion.

Vancity is committed to tackling critical challenges related to affordability and financial inclusion at both individual and community levels, and where possible, on a broader scale. These challenges include housing affordability and the impacts of climate change, which affect a wide range of members, as well as the unique barriers faced by historically underserved groups. In this context, Vancity's ongoing Reconciliation work remains a key component of its sustainability agenda. The bank's holistic approach reflects the interlinkages of sustainability topics, highlighting their interconnected and indivisible nature.

In response to Vancouver's housing affordability crisis and broader financial disparities, Vancity has developed a wide range of initiatives that address issues across the entire housing lifecycle.

The bank collaborates with the Vancity Community Foundation to provide pre-construction financing for affordable housing projects. Managed by the Foundation and open to additional investors, the Affordable Housing Accelerator Fund was established to support early-stage development by offering low-cost, flexible loans. The fund aims to assist non-profits, co-operatives, and Indigenous housing organizations in covering expenses such as project design, costing, and financial planning, addressing common financial barriers in the pre-construction phase. The bank applies a 'climate-ready' approach to housing, referring to projects that meet or exceed local building codes for energy-efficient equipment and zero-carbon heating and hot water. By facilitating access to early-stage funding, the fund contributes to advancing affordable housing projects, including Soroptimist Apartment House, Rivermark, and Mount Douglas Manor.

For construction financing, Vancity supports non-profit housing developers, who often face challenges securing funding due to their financial structures. Taking a holistic approach, the bank evaluates both financial viability and social impact of each project, helping advance affordable housing initiatives in Vancouver.

Additionally, Vancity offers tailored financial solutions for members purchasing cooperative housing units, including lending options and advisory services to housing cooperatives. Its commitment to climate resilience extends to retrofit financing, enabling homeowners to access loans for emission-reducing and climate-resilient upgrades. Vancity also provides grant programmes support retrofits in non-profit affordable housing, housing cooperatives, and Indigenous communities.

To further support Indigenous communities, Vancity has developed customized financing solutions to overcome barriers related to land tenure arrangements.

Through its subsidiary, Vancity Community Investment Bank, the bank collaborates with municipalities to promote affordable housing retention and climate adaptation. This includes innovative solutions like retrofit financing repaid through property taxes and land-trust models to preserve affordable housing.

Climate commitment in action

Vancity takes a structured approach to target setting, progress tracking and sustainability goals evaluation using key performance indicators (KPIs). In January 2021, the bank adopted the Partnership for Carbon Accounting Financials (PCAF) methodology to measure financed emissions, allowing to set reduction targets across its loan and investment portfolios, while addressing data and methodology gaps. Vancity has also shared insights and learnings with peers in PRB through various workstreams on different topics, as this helps drive progress across the entire industry. Building on its experience with climate target setting, Vancity has taken a similar approach to its financial inclusion initiatives. In fact, the bank has worked alongside other PRB signatories to develop impact measurement approaches that integrate sustainability and inclusion goals.

Despite good progress, challenges remain in obtaining reliable emissions data, particularly from small business clients and investment portfolios. To ensure consistency, Vancity follows the PCAF Global GHG Standard, making necessary adjustments such as using property values at loan origination for calculations and refining credit classification.

To integrate climate risk considerations into its investment strategy, the bank applies environmental, social, and governance (ESG) criteria to assess potential investments, including environmental performance and policies, monitored to ensure ongoing alignment with set standards. The bank evaluates companies based on financial and ESG criteria, considering factors such as corporate governance, environmental leadership, and social responsibility. It also actively monitors investments, engages with company management on emerging ESG risks, and files shareholder resolutions when necessary to encourage improved performance.

Vancity's climate risk assessment criteria for investment

Vancity's climate risk strategy consists of four key components:

- **Divestment/exclusion:** The bank has divested from fossil fuel companies and upholds an exclusion policy—its parent company maintains a policy of not investing in or providing investment banking services to fossil fuel companies.
- **Decarbonization screening:** It avoids financing companies with high emissions and energy use growth unless they have specific targets and strategies aligned with global climate action.
- **Reinvestment:** It facilitates reinvestment by directing funds toward sectors associated with lower-carbon energy and services.
- **Shareholder Engagement:** Vancity uses shareholder influence to push for climate risk disclosures and sustainable strategies

Beyond integrating environmental considerations into its operations, Vancity supports organizations developing sustainable technologies and services and offers guidance to members on adopting sustainable practices.

Supporting climate-friendly retrofits: vancity's grant program for non-profit housing

- As part of its climate commitments, Vancity provides grants to non-profit housing providers and co-operatives for deep energy retrofits, reducing emissions and improving climate resilience.
- The program offers planning grants (up to CAD 80,000) for feasibility studies and energy modelling, and capital grants (up to CAD 99,000) for projects that achieve at least a 30% reduction in greenhouse gas emissions. Additional funding supports project management and staff training.
- Through this initiative, Vancity helps non-profit housing organizations transition toward net zero emissions while maintaining occupant comfort.

Aligning with international frameworks: The PRB as a catalyst for change

PRINCIPLE 1: ALIGNMENT

Vancity's engagement with the PRB has played a pivotal role in shaping its strategic planning, target setting, and sustainability reporting. Since becoming a signatory in November 2019, Vancity has established governance structures to oversee its commitments. The Executive Leadership Team plays a central role, actively monitoring progress on PRB commitments and reporting directly to the Board while a Chief External Relations Officer oversees Vancity's commitments related to both climate action and financial inclusion.

Annual feedback from the PRB Secretariat, based on the bank's public disclosures, has helped refine its sustainability approach. Leveraging the PRB impact analysis tools has confirmed that climate action and financial inclusion are the primary focus areas for Vancity.

Implementing the Principles into everyday operations, Vancity has embedded sustainable finance principles across its banking products, lending practices, wealth management, risk assessment, and treasury operations, aligning its business strategy with its commitments. Progress in these areas has also a direct influence on executive compensation structures, further reinforcing the importance of sustainability within the organization.

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UNEP Finance Initiative (UNEP FI) brings together a large network of banks, insurers and investors that catalyses action across the financial system to deliver more sustainable global economies.

For more than 30 years the Initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda establishing the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance challenges.

Convened by a Geneva, Switzerland-based secretariat, more than 500 banks and insurers with assets exceeding USD 100 trillion are individually implementing UNEP FI's Principles

unepfi.org

for Responsible Banking and Principles for Sustainable Insurance. Financial institutions work with UNEP FI on a voluntary basis to apply the sustainability frameworks within their industries using practical guidance and tools to position their businesses for the transition to a sustainable and inclusive economy.

Founded in 1992, UNEP FI was the first initiative to engage the finance sector on sustainability. Today, the Initiative cultivates leadership and advances sustainable market practice while supporting the implementation of global programmes at a regional level across Africa & the Middle East, Asia Pacific, Europe, Latin America & the Caribbean and North America.



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