

Innovation Federal Credit Union UNEP Principles for Responsible Banking

2023 - 2024 Self-Assessment Report

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Innovation Federal Credit Union (IFCU) is one of Saskatchewan's largest credit unions with over 450 employees and more than \$4.9 billion in assets under administration. We serve over 62,000 members across 25 advice centre locations. With the overwhelming support of our membership, we are excited to be one of the first Federal Credit Unions in Canada. As a member-owned financial institution Innovation FCU provides quarterly returns to our members as well as invests between 2% - 4% of our pre-tax profits back into the communities annually. In 2023, we were able to give more than \$4 million back to our members. This is in addition to the \$5 million we dedicate to building sustainable communities through our legacy community and development funds, and the more than \$1.1 million we provided to local organizations who are making a difference.

Our purpose is to simplify banking for Canadians across our full suite of services including personal banking, business banking, and wealth. We believe that responsible banking means doing the right thing for our members and the communities they live in. Our mantra of **Save, Earn, Give** forms the foundation of our approach. The financial wellness of our members is important to us, and we help them **save** with fewer fees, great rates, and helpful advice. Every member **earns** a cash dividends simply by banking with us, including them in our success. And finally, we **give** back to the communities we operate in and the causes that our members care about. As a credit union whose core membership primarily live, work, and play in small prairie and northern communities the role Innovation FCU plays is significant. While many larger financial institutions are closing rural branches and pulling out of these communities Innovation FCU is committed to their sustainability and wellbeing; keeping branches open, developing legacy funds, and being a proactive partner on their journey.

Links and references

[2023 Annual Report](#)



Strategy Alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

UN Guiding Principles on Business and Human Rights International Labour Organization fundamental conventions UN Global Compact

UN Declaration on the Rights of Indigenous Peoples

Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: **OSFI B-15**

Any applicable regulatory reporting requirements on social risk assessments None of the above

As a member owned co-operative financial institution, sustainability is embedded in our DNA. We have an unwavering commitment to our members and the communities we serve. Since 2007 Innovation FCU has given back more than \$43 million to members and invested over \$9 million into our communities. In 2023 Innovation FCU provided 10,000 meals through our community impact campaign, created accessible scholarships, invested in green initiatives, and created partnerships with multiple indigenous communities and businesses and SIIT. New in 2023 was a \$1 million commitment to Indigenous Communities and Truth and Reconciliation over the next 10 years.

Innovation FCU's board and leadership team have taken a keen interest in sustainability and truth and reconciliation. It was a core topic of our most recent annual board planning session producing two strong commitments:

1. Innovation FCU has committed to a Net Zero 2050 pathway and establishing supporting interim targets for GHG emissions prior to the end of 2024.
2. Innovation FCU has committed to the goal of becoming a trusted partner with, and to advance economic prosperity and financial health and inclusion for Indigenous peoples and communities, and to establish and targets prior to end of 2024.

While these will form the basis of Innovation FCU's PRB targets there are many other initiatives that contribute to the communities we operate, live, and play in. Our annual report tells the full story on the role we play in building prosperous and sustainable communities.

Links and references

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Principle 2: Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Innovation FCU has approximately 62,000 members primarily located in Saskatchewan. Outside of Saskatoon and Regina the majority of our members both consumer and commercial reside and operate in communities of less than 30,000 people. Because of this Innovation FCU is often a cornerstone of the communities we operate in and have close ties to them. In the majority of communities Innovation FCU is the only financial services provider in town making the role we play critical to the long-term economic sustainability and prosperity of the community.

Innovation FCU has three primary areas of business; consumer, commercial, and wealth. We offer a wide range of products and services including deposit accounts, loans, mortgages, credit cards, investment products, and advice. At this stage, and for the purpose of the PRB we are focusing on consumer and business portfolios.

In 2023 we conducted an assessment with a third party to better understand our climate impact in five key areas: commercial lending, commercial real estate, residential mortgages, vehicle loans, and project finance. We are currently not including wealth in our impact analysis. While we offer sustainable investment opportunities, we do not currently create securities or funds in-house. The role of our wealth team is to help guide our members on their wealth journey providing planning services, advice, and options. There is a higher potential for direct impact if we focus on lending.

With respect to financial health and inclusion we have decided to align with our Indigenous Connector program. This is an area of need in Saskatchewan, and we feel that by focusing our efforts we can have a material impact in the community.

Links and references

[Personal Banking Products and Services](#)

[Business Banking Products and Services](#)



b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i. by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii. by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

As a community-based credit union in the heart of Canada's breadbasket Innovation's commercial portfolio largely supports the real estate, construction, and agriculture sectors in Saskatchewan. The following numbers are as of the end of 2023.

NAICS	Industry	Comp.
53	Real Estate and Rental and Leasing	34.94%
23	Construction	20.11%
111	Crop Production	16.37%
112	Animal Production and Aquaculture	9.67%
55	Management of Companies and Enterprises	3.72%
48-49	Transportation and Warehousing	2.20%
72	Accommodation and Food Services	2.02%
91	Public administration	2.00%
N/A	17 Other Diversified Insustries (2 lvl NAICS)	8.97%

On the consumer side our membership tends to skew towards older members. We are currently undergoing a digital transformation that will allow us to dig deeper into our membership base and assess their needs.

	15-29	30-59	60 +	Female	Male
<i>Number of Banking Accounts</i>	19%	47%	34%	50%	50%
<i>Volume of Credit</i>	8%	72%	20%	45%	55%
<i>Saving Accounts</i>	4%	28%	68%	52%	48%
<i>Volume of Home Loans</i>	7%	73%	20%	46%	54%

Links and references

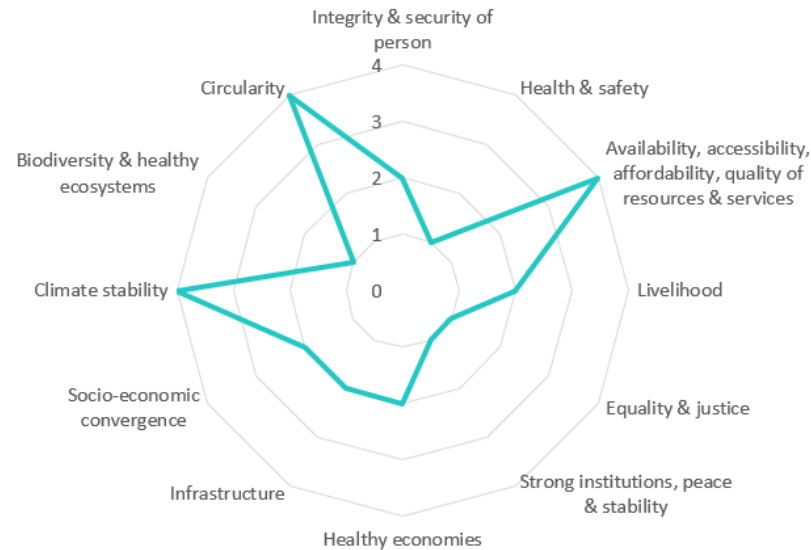


c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank’s portfolio impacts into the context of society’s needs.

The Context module identifies several main challenges and priorities for Canada. Climate stability and circularity, along with housing affordability and food security have been identified as areas with a high level of impact on a national scale.

One of the items not explicitly identified in the context module that is impactful in Canada is the need for Truth and Reconciliation. Saskatchewan is home to over 75 Indigenous Nations which accounts for over 11% of Saskatchewan’s population. Treaties 2, 4, 5, 6, 8 and 10 cover the province of Saskatchewan. As part of Truth and Reconciliation there is disproportionate need for financial health and inclusion which includes access to basic banking services on reserves and in Northern Indigenous communities. Innovation FCU has established the Indigenous Connector Group to engage and collaborate with Indigenous organizations and communities to promote financial health and inclusion. The group connects with various stakeholders which includes but is not limited to Chief and Councils, Town Council from Northern communities, Tribal Councils and institutions like Metis Nation Saskatchewan, Gabriel Dumont Institute, Canadian Council for Indigenous Business, Clarence Campeau Development Fund and the Saskatchewan Indian Institute of Technology.



Links and references

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Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2) ? Please disclose.

In consultation with the UNEP PRB support team Innovation FCU is prioritizing the following two areas of impact:

1. Climate stability through a Net Zero 2050 pathway.
2. Financial Health and Inclusion with a focus on Indigenous and Northern Communities within Saskatchewan.

Pursing targets in these areas of impact was approved by Innovation FCU’s board of directors in June of 2024.

Links and references



d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Climate: Innovation FCU's board has approved a commitment to a Net Zero 2050 pathway. We are currently using the institutional banking assessment and identification modules to analyze our portfolio. Given that over 80% of our portfolio is concentrated in real estate, construction, and agriculture the targets we set will likely be related to these areas. We are working towards having interim 2030 targets before the end of 2024.

Financial Health and Inclusion: As a member-owned financial institution Innovation FCU has strong relationships with the communities we serve. Through community engagement sessions with leaders, it was identified that a focus on financial health and inclusion in Northern and Indigenous communities will have a significant and positive impact on the people and communities. These are communities with limited access to financial services who are often overlooked by the Canadian DSIBs. Our goal is to have targets formalized before the end of 2024.

Links and references

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate Change Mitigation and Financial Health & Inclusion as part of our commitment to Truth and Reconciliation.

How recent is the data used for and disclosed in the impact analysis?

Up to 6 months prior to publication
 Up to 12 months prior to publication
 Up to 18 months prior to publication
 Longer than 18 months prior to publication



2.2 Target Setting (Key Step 2) for Climate Mitigation

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

Climate

Innovation FCU has made a commitment to pursue a Net Zero 2050 pathway in line with the Paris Agreement. This aligns with sustainable development goals 7, 11, and 13.

Financial Health and Inclusion

For our second target we have elected to pursue Financial Health and Inclusion as part of a commitment to Truth and Reconciliation with Indigenous peoples. This aligns with sustainable development goals 1, 5, 8, 9, 10, 11, and 17. It also aligns to the Call to Action #92 from the Truth and Reconciliation Commission of Canada of which the Board of IFCU had endorsed.

Links and references

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

Climate

With the help of a third party and utilizing the PCAF methodology Innovation FCU calculated its GHG emissions baseline across Scope 1, 2, and 3 using 2022 data.

Financial Health and Inclusion

Using 2021 as a baseline Innovation FCU had approximately 3,000 Indigenous and northern community members.

Operational Emissions	
Operational	1,869 tCO ₂ e
Financed Emissions	
Business Loans	156,723 tCO ₂ e
Vehicle Loans	26,957 tCO ₂ e
Commercial Real Estate	835 tCO ₂ e
Residential Mortgages	963 tCO ₂ e

Links and references



c) SMART targets (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose. Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

For both our climate and financial health and inclusion targets we have made a commitment to set SMART targets prior to the end of 2024. These will include both impact and practice indicators.

Links and references

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Climate

Action plans will be put in place in concert with our SMART targets and will be ready for the next iteration of our self-assessment report in 2025. This is in accordance with our onboarding extension.

Financial Health and Inclusion

The action plan for financial health and inclusion will align with our Indigenous Connector Group which already has an action plan involving initiatives like Banking Days. Banking Days are events where a team from Innovation FCU travels to remote communities or reserves to work closely with the community talking about financial health and delivering basic banking services to those who may have barriers to accessing them. See section 2.3 for additional details.

Links and references

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	Climate Mitigation	Financial Health and Inclusion as part of Truth and Reconciliation
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In Progress <input type="checkbox"/> No
SMART targets	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In Progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In Progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No



2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

While action plans are still under development Innovation FCU continues to grow our support for sustainable communities through various initiatives. Our Save, Earn, Give approach to banking enables financial inclusion with no-fee accounts and financial dividends for all members. In 2023 this amounted to \$4.2 million in disbursements to our members allowing them to be included in the prosperity of the credit union. In addition to member disbursements Innovation FCU gives back between 2%-4% of our annual profits to local organizations, like food banks, who are making a difference. In 2023 that amount was over \$1.1 million. Furthermore, Innovation FCU has a \$5 million legacy fund dedicated to the smaller communities we operate in help keep them sustainable. Now that's responsible banking! Putting money back into communities so they can continue to grow and prosper.

In 2023, Innovation FCU grew its impact as an employer by partnering with Tokata HR Solutions to educate, inform, mentor, and hire Indigenous people to create lifelong connections and opportunities. 64% of Innovation FCU's leadership and 42% of the board identifies as female. Innovation FCU continues to deepen its partnership with the Canadian Center for Diversity and inclusion and 18.4% of our employees identify as a member of a designated group. In 2022 Innovation FCU's compensation structure was redesigned to align with best practices and the principles of pay fairness. 4% of employees self-identify as indigenous. IFCU has a goal to increase compliment of Indigenous employees to 6% in 2024.

Our Indigenous Connector Group's 'Banking Days' brings financial conversations and services to remote communities. The Indigenous Connector Group is also collaborating with three different Indigenous financial institutions, seven Indigenous economic development corporations, more than a dozen Indigenous advancements organizations, and multiple educational institutions including high schools and the Saskatchewan Indigenous Institute of Technology (SIIT). Since 2023, we have provided more than \$150,000 in funding to Indigenous community development events and programs. Internally Innovation FCU has delivered cultural training for staff that includes courses like Four Seasons of Reconciliation, lunch and learns and incorporated cultural ceremonies such as Elder blessings into key events.

In consultation with the UNEP PRB implementation support team and our third-party assurance partner Innovation FCU recognizes that we need to take the next step in setting and monitoring targets to create an impact at the portfolio level. This is the next phase of the PRB journey for Innovation FCU. A cross functional ESG agile team has been created to help move this work forward by completing an impact analysis, setting targets, and creating and executing on an action plans

Links and references

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Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

- Yes **In progress** No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

- Yes In progress **No**

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved. This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank.

With respect to financial health and inclusion Innovation FCU's Indigenous Connected Group works closely with Indigenous nations and organizations to understand needs and opportunities make it easier for people to access financial services from remote locations and on reserve. The Connector Group collaborates with several Indigenous economic development companies on the commercial lending side and delivers Banking Days where they go on site to talk directly with people, hear their stories, deliver financial education, and help them access basic banking services.

For climate we are developing our capabilities in this area. Recently we conducted an ESG survey with our members and are currently analysing the results. Creating a framework for member engagement is on the roadmap for 2025.

Links and references



3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Innovation FCU's Indigenous Connector Group utilizes several approaches to engage Indigenous people and communities. One is Banking Days where our team travels to remote communities or reservations to work directly with the members of the community on financial education and help people get set up with basic banking services. The Connector Group fosters direct relationships with Indigenous economic development corporations, Nations, and entrepreneurs. While other Fis are closing remote branches, Innovation is opening them in areas with limited or no access to financial services.

Specific Claims Financing provides First Nations bands the capital they need to pursue specific claims with the federal government. These claims relate to the fulfillment of historic treaties and other agreements. This specialty financing product does not encumber the Nation and we conservatively estimate that our specific claims financing will save the three bands currently engaged with the program over \$30 million vs the traditional legal route. These savings have long term sustainability impacts for the community.

Innovation has developed a 'no questions asked' emergency overdraft program for remote and northern communities impacted by wildfires. This helps provide members peace of mind as they navigate the impacts of these natural disasters.

Innovation FCU helps members access programs like Energy Efficient Home Renovation Loans in partnership with CMHC (Canada Mortgage and Housing Corporation) and the CMHC Green Home program. This allows eligible members to have a refund of up to 25% of the premium of their loan. We also help members access the Auto Loan for Zero-Emission Vehicles Incentive for zero-emission vehicles (ZEV) program through the Government of Canada. This program allows members to be eligible for incentives of up to \$5,000.

Innovation has partnered with NEI Investments Canada's leading provider of Responsible Investment (RI) solutions, to make a positive difference for our investors, partners, and society. NEI has built Canada's most diversified lineup of RI actively managed funds advised by the leading institutional money managers and overseen by NEI's propriety Investment Management, Asset Allocation and Environmental, Social and Governance (ESG) teams.

Innovation FCU's Young Farmers Financing Program helps new farmers under 40 enter an industry that is difficult to break into without coming from a farming legacy. The program provides preferred rates and has increased flexibility in accessing credit for higher risk, low equity, start-up farmers. This provides a pathway to increased diversity and opportunity in the farming sector while also contributing to food security and innovation.

Supplementing these are direct investments in green and sustainable initiatives like the Saskatchewan Solar Co-Opp, and Water Equity Fund.

Links and references



Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

Yes **In progress** No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

As a member owned co-operative Innovation FCU makes it a priority to engage and collaborate with stakeholders to shape our future and the work we do in the community. The next step for us is to integrate the principles for responsible banking into these consultations and formalize a process to engage stakeholders in conversations and action plans around sustainability as defined by the PRB. Stakeholder groups that we currently engage, and consult include:

Members: We conduct member research and feedback surveys throughout the year. Our high-level of community engagement, giving, and opportunity creation has resulted in positive social equity when it comes to sustainability.

First Nations Leaders: Innovation FCU's executive team and board members have been building relationships with First Nations Leaders and communities to understand their unique challenges including remote and northern locations, community needs, perceptions around money, financial education, environmental and cultural preservation, economic growth, and the pursuit of specific claims. We are creating partnerships with 'the next seven generations' in mind.

Third Party: Innovation FCU collaborates with multiple groups to strengthen the impact we have. Some of these groups include Gabriel Dumont Institute, Saskatchewan Indigenous Economic Development network, Indigenous Wealth Financial, First Nations Carbon Summit, AFOA Canada, Saskatchewan Solar Co-Op, and many others.

CCUA: The Canadian Credit Union Association is an excellent partner and stakeholder with multiple working groups focused on sustainability. Through these groups we share and learn from other Canadian credit unions on how they are approaching sustainability and evolving regulatory requirements.

The next step for Innovation FCU is to purposefully integrate conversations around our areas of impact and targets with these groups.

Links and references



Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Innovation FCU is in the process of formalizing and aligning the governance of the PRB within our existing governance structures, policies, and procedures. Currently the PRB is governed through our management Member First committee which reports to the Community and Member Relations Committee at the board level. Operationally the PRB will be lead by the Chief People & Governance Officer and VP of Strategy & ESG.

The mandate of the Community and Member Relations Committee is to:

- To ensure Innovation has an effective Community and Member Relations framework that includes a Social Responsibility framework.
- To ensure the credit union is effectively linked to and contributing to the community.
- To establish efficient and effective service delivery channels to serve current and future members.
- To oversee the implementation of member education programs as part of the member experience.
- To establish and maintain an effective mechanism to understand member needs and ensure the membership's voice is integrated in Governance and the Operations.
- To analyse and make recommendations for donation requests that go beyond management policy for approval.

Links and references



5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Innovation FCU's Code Book is centred around Responsible Banking. The code book is the key internal document and philosophy that drives and guides our culture. Every employee goes through the 'Innovation Experience' a dedicated in-person training session and workshop focused solely on Innovation's Culture, our values, and our commitment to responsible banking. In addition to Innovation Experience all employees are also required to take the Four Seasons of Reconciliation course to which provides a comprehensive, customized anti-racist education in line with the Truth and Reconciliation Commission's 94 Calls to Action. Innovation FCU has also had a series of Indigenous lunch and learns featuring external presenters.

Links and references

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

In fulfilling our strategic objectives, we take calculated risks when engaging in opportunities to ensure we manage risk that could potentially impact our Credit Union, community, and members. To do this we utilize our Risk Appetite Framework (RAF) and our Enterprise Risk Management Framework to meet our objectives while managing risk within our appetite. We monitor and report our risks quarterly to the Enterprise Risk Committee (ERC) our risk management committee and to the Risk Committee (RC) our board risk committee.

Our regulator the Office of the Superintendent of Financial Institutions (OSFI) has released a guideline B-15 Climate Risk Management which provides direction on their expectations regarding how to manage climate risk and the associated reporting standards. As part of this implementation, we are working through OSFI's climate scenario exercise which focuses on physical climate risk. Small and medium sized financial institutions are required to comply with OSFI B-15 by the end of 2025 and Innovation FCU is diligently working towards that goal. This will include frameworks for physical and transition risk, disclosure in line with ISSB (formerly TCFD), and disclosure of GHG emissions utilizing the PCAF methodology.

Responsible Banking is core to who we are as a Credit Union. Every decision is based how it aligns to our values and the impact it will have on our stakeholders. Our CEO Dan Johnson regularly reminds staff about the importance of doing the right thing and making a difference. We see this play out in the partners we choose and the communities we support. Every employee is responsible for adhering to our Code of Conduct and we have an Integrity in Action program (Whistleblowing) which is promoted not only by the risk team but also our CEO and Board chair. This allows employees to report serious misconduct in good faith anonymously.

Links and references



Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes Partially No

If applicable, please include the link or description of the assurance statement.

We have been informed by the North American support team that the requirements for assurance for financial institutions with less than \$5 Billion in assets is under review. As a result, our next report will go through the new process that will involve an internal audit. We have discussed our approach with the North American support team as part of our onboarding period extension.

Links and references



6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

GRI SASB CDP IFRS Sustainability Disclosure Standards (to be published) TCFD Other: OSFI B-15 Other: PAIR

As a federal credit union Innovation FCU will have to comply with OSFI-B15 starting in 2025. As part of this we will be required to disclose our Scope 1,2, and 3 emissions (Scope 3 for small and medium FIs under OFSI has a grace period until 2026). We will do this using the ISSB (formerly TCFD) framework for disclosures and PCAF for our calculation methodology.

On the Indigenous relations side Innovation FCU is pursuing Partnership Accreditation in Indigenous Relations (PAIR) certification under the Canadian Council for Aboriginal Business.

Links and references

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

Over the next 12 months Innovation FCU will continue to iterate on the work that was recommended in the feedback and support meeting report provided by the UNEP in May of 2024 and to close the gaps identified in the readiness assessment provided by our assurance provider. The main components of this work include:

1. Completing the institutional banking assessment and identification modules and performing a deep dive on our commercial portfolio.
2. Prior to the end of 2024 we have committed to setting 2030 targets for both climate and financial health and inclusion. These targets will be approved by the Board and form part of the 2025 Corporate Scorecard
3. Formalize the governance structure around the UNEP Program and continue to build an agile team to support the PRB planning and implementation.
4. Mature our data to support the measurement of progress against our targets and create a sustainable reporting structure and process.

Links and references



6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|---|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability |
| <input type="checkbox"/> Conducting an impact analysis | <input checked="" type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input checked="" type="checkbox"/> Other: Continuity, Succession, and Institutional Knowledge | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:

A challenge we are working to overcome is building institutional knowledge around climate target setting. This is new for IFCU (as it is for many) and we want to get it right. We know there are many guides and frameworks, and we need to understand the mechanics to set proper and achievable SMART targets. As a small financial institution, we also face some challenges in resourcing in the face of the ongoing need to keep up with the pace of change in the financial sector from technology and regulations. To mitigate this we are utilizing an ESG agile team to help distribute the workload and ensure continuity.



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