Financed emissions base year data and climate targets recalculation policy.

Vancity

Overview.

This Policy applies to base year data used for setting and tracking lending-related climate targets, historical comparison years used for year-over-year analysis by asset class, and established climate targets. The objectives of this Policy are:

1) To balance comparability, relevance and practical feasibility, recognizing inherent data limitations in financed emissions measurement.
2) To ensure targets remain relevant, meaningful and aligned with current climate science and leading guidance on climate target setting for banks.

Financed emissions base year data.

Accounting for financed emissions is an evolving practice area, with methodologies, data availability, and data quality continuing to improve over time. Vancity's financed emissions disclosures are prepared in alignment with leading market standards, including PCAF's Global GHG Accounting and Reporting Standard Part A, and undergo periodic updates, revisions, and methodological refinements. as data quality coverage and measurement approaches evolve

Vancity may consider recalculating base year data when changes are expected to materially affect the relevance or interpretation of financed emissions trends. Examples include:

• Structural or boundary changes (e.g., acquisitions, divestitures, mergers, changes to product or service offerings)

• Inventory coverage changes including the inclusion or reallocation of asset classes or loan categories that existed in the base year but were previously excluded or estimated using high-level proxies.

• Methodological refinements including updates to data sources, emissions factors, assumptions, or calculation approaches consistent with evolving standards (e.g. PCAF updates) where improvements materially affect results

• Identification of significant errors in previously reported data.

Decisions on whether to recalculate base year data are informed by both quantitative indicators and qualitative judgment. As a general guide:

• For identified data errors, Vancity will assess recalculation where the expected impact exceeds approximately ±5% of base year financed emissions.

• For all other changes, Vancity will assess recalculation where the expected impact exceeds approximately ±10%.

These thresholds are not intended to be deterministic. In some cases, Vancity may choose not to recalculate base year data even if thresholds are exceeded, or may recalculate where impacts are below these thresholds. Factors considered include data quality (see data quality interpretation note below), feasibility, proximity to target end dates, implications for interpretability over time, and governance considerations.

Where historical financed emissions data cannot be made reasonably comparable to current-year data due to material methodological changes, data quality limitations, or the use of high-level estimates, Vancity may omit restated historical figures. In such cases, Vancity will clearly disclose the nature of the change, the reasons comparability is limited, and any implications for trend interpretation in accompanying footnotes or methodology disclosures.

Climate targets.

Vancity's lending-related climate targets and underlying data are based on assumptions and estimates. Measurement errors, inaccurate approximations, and choice of methodology can all lead to uncertainty in the targets we've established, as well as challenges in tracking actual progress. Our expectation is that we'll need to review, recalculate and adjust our targets regularly.

Given the current reliance on estimated and proxy data across portions of Vancity's portfolio (reflected in PCAF data quality scores), initial targets should be interpreted as directional and subject to refinement. Improvements in data quality, coverage, or methodological alignment may result in adjustments to historical baselines or targets over time, without necessarily reflecting changes in underlying real-economy emissions performance.

Vancity may consider target recalculations where changes materially affect the validity, ambition or interpretability of existing targets. Examples include:

• Recalculations of base year data used to establish targets, including emissions and financed floor area (for building-related targets).

• Significant changes to projections/assumptions applied when setting our targets

• Updates to the climate science and/or the guidance on the climate target-setting methods/protocols that we choose to follow.

Our approach to whether a recalculation of a target is necessary is based on multiple considerations. These include:

• Materiality: Not recalculating the target would significantly compromise the relevance and/or meaningfulness of the target to Vancity and its climate transition plan, and/or would, individually or in the aggregate, likely influence or change the opinions of a reasonable person relying on the information provided. This includes considering proximity to meeting established targets, and/or impact on management incentive pay.

• Timing considerations: There may be instances where recalculating of a target is impractical given timing considerations per the methods/protocols we choose to follow, and/or per Vancity's plans to review and update targets. This includes reviewing (and, if necessary, adjusting targets) at least every five years, as well as establishing new targets before existing targets are reached, in line with the Guidelines for Climate Target Setting for Banks.

• Assurance: Our third-party assurance provider's ability to provide an unqualified assurance opinion on progress made on climate targets.

Re-baselining and/or target adjustment process.

Where recalculation impacts exceed agreed quantitative indicators and qualitative considerations suggest a material effect, management will escalate the assessment and recommendation to Vancity's Impact and Equity Committee for review and decision, following established governance processes.

Interpretation note: PCAF data quality considerations.

A significant portion of Vancity's financed emissions estimates relies on PCAF data quality scores (DQS) of 4 or 5, reflecting the use of sector-average emission factors, revenue- or balance-based proxies, modelled estimates, and other high-level assumptions where borrower-specific emissions data is not yet available. In line with the PCAF Standard, such data quality levels are understood to be appropriate for establishing an initial baseline and directional targets, but are also expected to evolve materially over time as borrower disclosures, data sources, and methodologies improve.

As a result:

- Year-over-year changes in reported financed emissions may reflect improvements in data quality or methodological alignment rather than underlying changes in real-economy emissions performance.
- Improvements in data quality (including transitions from DQS 5 → 4 → 3→ 2 or 1) may lead to material changes in absolute emissions levels, intensity metrics, baselines, or target trajectories.
- Such changes, on their own, do not necessarily indicate deterioration or improvement in portfolio climate performance, nor should they be interpreted as management-driven increases or decreases in financed emissions.

Where data quality improvements materially affect trend interpretation or target comparability, Vancity will prioritize transparent disclosure and explanatory footnotes over mechanical restatement, consistent with leading practice for financed emissions reporting.

This interpretation underpins Vancity's approach to base year recalculation, target recalibration, and historical comparability disclosures under this Policy.

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