



Climate Disclosure

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coastcapital

Contents

Forward-Looking Statements and Notice	1
Introduction	3
Governance	4
Strategy	5
Risk Management	9
Metrics and Targets	11
Financed Emissions Calculation Methodologies	14
Looking Forward	18
Glossary of Terms	19
Contact Information	21

Forward-Looking Statements and Notice

The Climate Disclosure dated March 28, 2024 (the Report) contains forward-looking statements including, but not limited to, statements relating to Coast Capital Savings Federal Credit Union's (Coast Capital, we, us or our) climate-related objectives, vision, goals, metrics and targets, including our interim emissions reduction targets (interim targets), our interim targets covering additional sectors in the future, our plan to review and revise our initial interim targets as appropriate, our support for the transition to a net-zero economy, our commitment to align our lending activities with net-zero, our commitments to help our clients transition to net-zero and our beliefs about their emission reduction commitments, and that the transition to a net-zero economy will require unprecedented cooperation, action, and collaboration from many parties. Forward-looking statements are typically identified by words such as "expect" and by the future or conditional tense, such as "will" or "would".

The forward-looking statements require us to make assumptions and are subject to risks and uncertainties which include the possibilities that our predictions, forecasts, projections, expectations, or conclusions will not prove to be accurate, that our assumptions may not be correct and that our objectives, vision, commitments, goals, targets and strategies to mitigate and adapt to climate-related risks and opportunities will not be achieved. Moreover, many of the assumptions, standards, metrics and measurements used in preparing this report continue to evolve and are based on assumptions believed to be reasonable at the time of preparation but should not be considered guarantees.

Readers should give careful consideration to these issues and not place undue reliance on our forward-looking statements. Our actual results may materially differ from the expectations expressed in our statements due to, among other things, the need for more and better climate data and standardization of climate-related measurement methodologies, our ability to gather and verify data, our ability to successfully implement various initiatives throughout our enterprise under expected time frames, the risk that initiatives will not be completed within a specified period or at all or with the results or outcomes as originally expected or anticipated by us, the compliance of various third parties with our policies and procedures and their commitment to us, the need for active and continuing participation and

action of various stakeholders (including governmental and non-governmental organizations, other financial institutions, businesses and individuals), technological advancements, the evolution of consumer behaviour, varying decarbonization efforts across economies, the need for thoughtful climate policies around the world, the challenges of balancing emission reduction targets with an orderly, just and inclusive transition and geopolitical factors that impact global energy needs, the legal and regulatory environment, and regulatory compliance considerations—all of which are beyond our control and cannot be predicted in advance.

This report is presented for the purpose of assisting our stakeholders in understanding the ways we intend to address climate-related governance, strategy, risks, opportunities, and metrics and targets, and may not be appropriate for other purposes. For further clarity, this report is provided solely for informational purposes, and is not intended to provide investment, financial, legal, accounting, tax or other advice, and such information should not be relied or acted upon for providing such advice. Many of the assumptions, estimates, judgments, standards, methodologies, scenarios, metrics and measurements used in preparing this report continue to evolve and may differ significantly from those used by other companies and those that may be used by us in the future. Each reader is solely liable for any use of the information contained in this report, whether forward-looking or based on assumptions, estimates, judgments, standards, methodologies, scenarios, metrics or measurements, and neither we nor any of our affiliates nor any of our respective directors, officers, employees or agents shall be held responsible for any direct or indirect damages arising from the use of this report by the reader.

The foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results and the information in this report. Coast Capital does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf. This report and the information contained in it is unaudited.

This report provides a summary of our progress in advancing how we manage climate-related risks and opportunities and in implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). This report

includes voluntary disclosures on sustainability and GHG emissions and targets, climate-related opportunities, activities and risks, governance, strategy, risk management and metrics and targets that are intended to provide information from a different perspective and in more detail than is required to be included in Coast Capital's mandatory regulatory disclosure. While certain matters discussed in this report may be of interest and importance to our stakeholders, the use of the terms "material", "significant" or similar words or phrases should not be read as necessarily rising to the level of materiality used for the purposes of Canadian securities, financial or other laws and regulations. This report and the information contained within it is unaudited.

Any third-party information contained in this report or otherwise used to derive information in this report is believed to be reasonable and reliable, but no representation or warranty is made as to the quality, completeness, accuracy, fitness for a particular purpose or non-infringement of such information. Specifically, the methodologies utilized to measure operational GHG emissions and financed emissions, set targets and track future progress against these targets use emissions information and estimates that have been derived from third-party sources, which Coast Capital believes to be reasonable. Further, in the absence of counterparty specific emissions data, some financed emissions will be estimated using the best information available, including that provided by

third-party sources. In no event shall Coast Capital nor any of its affiliates nor any of their respective directors, officers, employees or agents be liable (whether in contract, tort, equity or otherwise) for any use by any party of, for any decision made or action taken by any party in reliance upon, or for any inaccuracies or errors in, or omissions from, such information contained herein. Certain third-party information, such as scope 3 emissions and emissions factors, may change over time as methodologies evolve and are refined. These inherent weaknesses with current methodologies, and other factors could cause results to differ materially from those expressed in the estimates and beliefs made by third parties and by Coast Capital. While we are not aware of any misstatements regarding the industry, company or market data presented in this report, such data and estimates involve important uncertainties, risks, and assumptions and are subject to change based on various factors, including those discussed under the heading "Caution Regarding Forward-Looking Statements" above.

This report is provided solely for informational purposes. Nothing in this report shall form the basis of or be relied upon in connection with any contract, commitment or investment decision whatsoever.

All data and examples in this report reflect activities undertaken during fiscal year 2022, unless otherwise noted. All amounts in this document are in Canadian dollars unless otherwise noted.

Introduction

As a purpose-driven organization, Coast Capital is Building Better Futures Together, with a vision to unlock financial opportunities that positively impact people and communities. Our credit union roots, core values and designation as a Certified B Corporation™ uniquely position us to help.

We're dedicated to supporting our members to get financially ahead, working to ensure the transition to a low-carbon economy is socially just, and empowering the communities and businesses we serve to thrive in a low-carbon economy. Action on climate change is crucial to support these goals and our broader purpose.

Coast Capital supports the recommendations of the Financial Stability Board's Task Force for Climate-related Financial Disclosures (TCFD). Using the TCFD framework as a guide, we are pleased to disclose in this report our climate risks and impacts, in addition to our mitigation strategies.

We want to be better and do better. In this report, we're reaffirming our commitment to reduce our emissions and taking steps to measure and manage climate risks.

Aligning with industry efforts to address climate change, Coast Capital joined the Net-Zero Banking Alliance (NZBA) in 2021, becoming part of the global initiative of banks to transition all operational and attributable greenhouse gas (GHG) emissions from their respective lending and investment portfolios to align with pathways to achieve net-zero GHG emissions by 2050. The NZBA consists of approximately 140 member banks that collectively represent more

than 40 per cent of global banking assets. In 2023, we made an **initial disclosure** in line with our NZBA commitment and disclosed emissions for business loans, commercial real estate, and residential mortgage asset classes. This year, we joined the majority of NZBA members who have identified at least one emission reduction target aligned with a 1.5°C future.

We have also maintained certification as a Certified B Corp™ since 2018. This requires Coast Capital to meet rigorous standards of social and environmental performance and a commitment to continuous improvement.

We acknowledge that there is still significant work to be done to address climate change. As we move forward, we aim to continuously improve our risk management processes and our climate performance. Our approach will evolve with regulatory requirements, data quality, and the latest climate science. We will continue to integrate climate considerations into our decision-making and report annually on our progress. These steps are needed to support Coast Capital's members and achieve our purpose. We're looking forward to working with our community to build a better future, together.

Governance

Board of Directors Oversight

Coast Capital has governance structures in place for managing all types of risk, including climate risk. The Risk Management Governance Structure found in our 2023 Annual Report details these governance structures. In line with best practice, climate-risk oversight is top-down, with ultimate responsibility sitting with the Board of Directors. The Board approves our risk appetite, which determines the level of risk we are willing to take to achieve strategic goals. Our assessment of our exposure to climate-related risks is included in our risk appetite, and climate risks are thereby integrated into our overall strategic considerations.

Climate risks are overseen by the Board's Risk Review Committee, which is responsible for the identification, measurement and monitoring of risks and ensuring effective controls are in place. Senior management gives quarterly updates on climate risk to the Board. These updates typically include newly identified issues, any actions taken to mitigate risks, and ongoing assessments of our identified climate risks.

Management Oversight

Senior management, in alignment with our enterprise-wide approach to risk management, is responsible for assessing climate risk. Coast Capital's Operational Risk Committee (ORC) meets monthly to discuss critical strategic, operational, and regulatory risks, including climate risk, to help ensure the overall effectiveness of risk management. Senior leaders from across the business comprise the ORC and report to the Executive Committee (EXCO) monthly, which is responsible for overseeing our overall governance, operations, and activities.

In 2022, Coast Capital established a Climate Action Working Group, to help ensure a coordinated response to address climate matters across the organization.

This group comprises leaders from departments across the organization, including the Social Purpose Office, Risk Management, Strategic Supplier Sourcing, Finance, Enterprise Analytics, Legal, Products and the business lines, including commercial, retail and wealth. The mandate of this working group is to develop and operationalize our climate strategy, including developing and implementing a climate-transition plan, delivering on our net-zero commitments under the NZBA, and meeting our future regulatory climate obligations under OSFI's B-15 Guideline on Climate Risk Management. Our Climate Action Manager convenes the working group, which meets monthly and as needed to ensure progress against our goals. Progress reports are provided to the ORC, EXCO, and the Board of Directors.

OSFI B-15

The Office of the Superintendent of Financial Institutions Canada (OSFI) regulates Coast Capital. In 2023, OSFI released its B-15 Guideline, which mandates federally regulated financial institutions make TCFD-aligned climate disclosures. As a small- and medium-sized deposit-taking Institution, Coast Capital will be required to comply with Guideline B-15 in its 2025 fiscal year-end reporting.

At Coast Capital, we recognize the importance of strong climate leadership and understand that our approach must adapt as our understanding of climate risk evolves. To this end, we are in the process of developing our Target Operating Model to address climate risks more explicitly across the governance structure. We expect that this new Target Operating Model will help us to strengthen our response to climate-related risks, align this with our social purpose and support our members through a transition to net-zero.

Strategy

Coast Capital acknowledges the undeniable impacts of climate change and is committed to aligning its operations to achieve net-zero GHG emissions by 2050. We approach this commitment with hope and determination, recognizing the important role we can play in the global transition to net-zero.

What Does Net-Zero Mean?

Net-zero is a target of cutting GHG emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere through carbon removals.

We are committed to being part of the solution—both in terms of addressing our own emissions, as well as by ensuring the transition to net-zero is socially just by empowering affected communities and businesses with new skills and resources. As part of this commitment, we are dedicated to supporting people and businesses in Canada in upskilling and reskilling for the new economy.

Risks and Opportunities

Management continues to increase its awareness and understanding of climate-related risks and opportunities over the short-, medium-, and long-term. We consider a short-term timeframe to be three years, a medium-term timeframe to be five years, and a long-term timeframe to be 10 years when considering climate-related risks and opportunities. Understanding the potential climate risks that may emerge over these timeframes is necessary for us to determine the impact of climate-related risks and opportunities on our businesses, strategy, and financial planning.

In the short- to medium-term, we have identified opportunities to improve data capture and analysis so we can better understand and assess our exposure to climate-related risks, such as physical threats from extreme weather events and transition risks from evolving market demands and regulations. In the future, we intend to build on this risk identification process to assess the resilience of our strategy, taking into consideration different climate-related scenarios and their impact on Coast Capital's business, strategy, and financial planning.

Additional steps we have taken to support our management of climate-related risks are outlined below.

- We have begun to identify the internal resources and external partners needed to build our capacity and capabilities so that we can comply with upcoming federal regulations, align with the TCFD disclosure recommendations, and achieve our long-term GHG emission reduction targets.
- We measure our GHG emissions on an annual basis. Initial analysis has focused on the scope 1 and scope 2 emissions associated with our own operations, such as heating and powering our offices and using company vehicles. Since 2022, we have quantified and reported on the emissions associated with our investment and lending activities. This work is an important foundation for understanding our financed emissions and identifying areas for data-quality improvements. This year's quantification enabled us to identify a decarbonization target for our residential mortgage portfolio and will provide a baseline for establishing targets for our other asset classes.
- We are engaged in ongoing education activities with our Board members and management team on the responsibilities and expectations in Canada concerning climate risks and opportunities.
- We monitor regulatory changes relating to climate change, both globally and nationally, so we can meet regulatory expectations.
- We support collective action on climate-related risks through community investment and as a member of associations that share best practices, connect with leaders, and build capacity.
- We incorporate our B Corp score, which includes environmental considerations, into our executive's Long-Term Incentive Plan (LTIP) to help ensure climate considerations are reflected in our strategic goal setting and our compensation targets.

Additionally, our Climate Action Working Group is in the process of developing steps to achieve our net-zero ambition, including a climate transition plan to support our employees and members in the short-, medium-, and long-term. Key activities in 2023 involved identifying the skills needed to deliver against prioritized climate outcomes. We also worked with an external climate consultant to identify decarbonization opportunities. Moving forward, we aim to develop our approach to policy monitoring and advocacy, enhance member and client engagement, and identify potential green lending and investment opportunities. Building on this work, Coast Capital is committed to advancing our transition plan throughout 2024 and beyond.

Impact and Resilience

As a purpose-driven organization, we are considering how to embed climate-related risks in both the organization and among our members, by including climate action activities into our short- to long-term strategic planning. These plans are intended to strengthen our response to climate change and its effects.

Coast Capital has also made several community investments to strengthen society's resilience to climate change and its impacts. These initiatives support our goal of upskilling and reskilling for the new low-carbon economy (Table 1).

Table 1: Coast Capital's Purpose Partnerships

Kwantlen Polytechnic University (KPU) Institute for Sustainable Food Systems – Farm Schools Program



Coast Capital's dedication to fostering sustainable growth is demonstrated by our investment in KPU's **Institute for Sustainable Food Systems (ISFS)**. Coast Capital invested \$100,000 in the Farm Schools Program, which addresses the growing need for appropriately trained agriculturists by providing participants with the opportunity to gain skills and prepare them for careers in this sector. The 2023 program focused on regenerative agriculture training; creating opportunities for equitable and inclusive employment; providing financial education and advice for new entrant farmers; and community engagement. Coast Capital's support also funded activities in Tsawwassen First Nation communities, such as seedling and apple donations, community garden cleanups, luncheons for elders, and celebration events.

Centre for Ocean Applied and Sustainable Technologies' Training and Workforce Development Initiative



In 2023, we contributed \$50,000 to fund Phase 1 development of the **Centre for Ocean Applied and Sustainable Technologies' training and workforce development initiative**. Phase 1 funding supported a gap analysis, business model development and further partnership development. We are investing an additional \$100,000 in Phase 2 in 2024, which will provide members free access to training and an opportunity to increase their knowledge, develop their skills and further their careers in the Blue Economy (defined by the World Bank as sustainable use of ocean resources for economic growth, improved livelihoods, and jobs while preserving the health of ocean ecosystem).

Collaboration and Engagement

Coast Capital is passionate about supporting people and businesses in Canada. Collaboration is at the heart of our approach to building a better future, and we want to learn from others and work together to find solutions and opportunities to create this better future.

To date, we have introduced six Sustainable Fund investment plan options managed and offered by Guardian Capital LP, each designed to prioritize Environmental, Social and Governance (ESG) considerations, thereby offering investment

opportunities that align with values of sustainability and responsible growth. We intend to continue to engage with our members to identify other products and services that will help them thrive as we align our operations and lending portfolios during our transition toward a low-carbon economy.

In addition, as a signatory partner of the NZBA, Coast Capital aims to accelerate climate action in the financial sector, in addition to undertaking several other collaborations (Table 2).

Table 2: Coast Capital's Industry Engagements

Involved In	About
Net-Zero Banking Alliance (NZBA) Signatory	NZBA is an industry-led, UN-convened group of global banks committed to achieving net-zero GHGs by 2050. As a signatory of the NZBA, Coast Capital is committed to transitioning our lending and investment portfolios to achieve net-zero GHG emissions by 2050, in line with the targets set in the Paris Agreement (an international treaty on climate change adopted by 196 parties in the United Nations Climate Change Conference (COP21) in Paris, France on December 12, 2015).
Partnership for Carbon Accounting Financials (PCAF) Member	The PCAF is a global partnership of financial institutions that are working together on a harmonized approach for disclosing the GHGs associated with their loans and investments. This initiative aims to align the financial industry with the Paris Agreement and to promote transparency and accountability. As a member of PCAF, we have been utilizing their industry-standard emissions factor database to accurately calculate our carbon footprint.
Canadian Credit Union Association's (CCUA) Climate Action Working Group	CCUA's Climate Action Working Group focuses on better understanding climate-related risks and exploring how best to implement industry-leading climate disclosure frameworks in the credit union system. As part of the Climate Action Working Group, we gain valuable perspectives, advice, and input on climate change issues impacting Canadian credit unions.
Canadian Bankers Association Environmental Specialist Group	The Canadian Bankers Association is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals. Coast Capital participates in the CBA's Environmental Specialists Group, which focuses on climate-related policy and regulations from various governing bodies.

Involved In	About
GLOBE Forum Sponsor	<p>GLOBE Forum is North America’s longest-running sustainability conference where leaders unite to accelerate solutions for a regenerative and resilient economy. Through our sponsorship of the GLOBE Forum, we aim to enable critical dialogue and thought leadership and create meaningful opportunities to collaborate on solutions with industry participants.</p>
Canadian Business for Social Responsibility (CBSR) Member	<p>CBSR is a Canadian membership association for companies committed to sustainable and equitable practices. As a corporate member of CBSR, Coast Capital actively engages in leading sustainability and net-zero initiatives. This membership not only aligns us with other corporate leaders in sustainability, but also provides a platform to share and showcase our best practices in our sustainability journey.</p> <p>In 2024, we will have an employee participating in the Sustainable Procurement Fellowship to advance our procurement strategies and contribute towards a net-zero future.</p>
Financing the Circular Economy	<p>Coast Capital participated in a Circular Economy Leadership Canada initiative—alongside the United Nations Environmental Program Finance Initiative (UNEP FI) and other Canadian banks and credit unions—to develop a framework for categorizing circular finance activities in Canada. This framework provides voluntary guidance for financial institutions looking to integrate circular-economy projects into their sustainable finance and ESG activities.</p>

By engaging with industry peers and partners, including other financial institutions, industry associations and standard setters, Coast Capital can ensure alignment with best practices and advance climate governance and risk management in the sector.

Risk Management

Identifying and Assessing Risks

We define climate risk in our risk taxonomy as the risk of event-driven or longer-term shifts in climate patterns, including physical and transition risks, which lead to business disruption, stranded assets, or misalignment with a shift to a lower-carbon economy. We identify and assess climate-related risks in accordance with our Enterprise Risk Management Framework (ERMF). Management assesses risks using Coast Capital's Risk Rating System, which evaluates the likelihood and consequences of risk scenarios. Climate risk reporting is included in the regular reporting provided to the Board of Directors, through its Risk Review Committee.

We continue to use portfolio flood exposure risk indicators, established in 2022, and now incorporated into our risk-monitoring processes. This helps us measure our climate-related risk exposure across our portfolios.

We incorporate specific climate-related physical risks into our Internal Capital Adequacy Assessment Process (ICAAP) modelling. Any material risk identified through this modelling means we will set aside capital reserves in the event these risks materialize. In 2022, Coast Capital conducted a flood risk stress test, exploring the potential impacts of a coastal flood in southern BC. Our approach involved evaluating the potential damage to properties based on their elevation above sea level and flood depth projections. This exercise has helped us to understand the financial implications of flooding for Coast Capital, and forms part of our processes to ensure that we are prepared for potential climate-related impacts.

Coast Capital is actively developing its risk identification and assessment approach to ensure we are well-positioned to respond to evolving climate-related risks. We are currently developing our Target Operating Model in line with best practices to ensure a robust risk approach to climate risk management. Our risk approach is expected to be shaped around five key areas: Governance, Data and Reporting, People and Partnerships, Processes, and Technology.

Managing and Integrating Risks

We manage climate-related risks through our enterprise-wide approach to risk management, by utilizing the standard set of enterprise methodologies, tools, and resources for risk identification, assessment, management, monitoring, and reporting that apply to all risks to which Coast Capital is exposed. This includes establishing controls and mitigations to reduce the impact or likelihood of risks occurring, and establishing action plans where further reduction of risk exposure is warranted.

These activities are managed by business departments across the organization (our first line of defence) and centrally reported to management via the ORC, where the second line of defence (Group Risk Management) has the opportunity to review and challenge the inputs. Our Internal Audit function, the third line of defence, provides independent oversight and assurance on the governance and management of climate risks. Together, these three lines of defence enhance risk management and governance at Coast Capital (Figure 1). Part of our ongoing work to update governance arrangements within our Target Operating Model includes strengthening the integration of climate considerations within Coast Capital's three lines of defence. This helps (i) ensure adequate awareness and understanding to identify, monitor and mitigate climate-related financial risks, (ii) ensure adherence to applicable regulations and (iii) ensure the overall quality and effectiveness of climate risk management.

Figure 1: Coast Capital's Three Lines of Defence for Climate Risk Management

Three Lines of Defence		
First Line of Defence	Second Line of Defence	Third Line of Defence
Risk Owners	Risk Oversight	Independent Internal Assurance
Accountable for the identification, assessment, measurement, mitigation and monitoring and reporting of climate risk against approved risk appetite.	Provides oversight of the effectiveness of First Line climate-risk management practices. Monitors and independently reports on the level of risk against established risk appetite.	Provides independent internal assurance to management and to the Board on the effectiveness of climate-risk management practices.

In addition, our Business Continuity Program and Incident Response Plan guide how Coast Capital will respond to climate-related events that pose physical risks to our operations. Based on the severity of the event or incident, Coast Capital involves appropriate departments—and potentially members—to respond to and remediate.




Metrics and Targets

Coast Capital is committed to measuring and managing our climate impact. To date, our focus has been on quantifying our GHG emissions.

GHG Emissions

When calculating and reporting on our carbon footprint, we distinguish between our operational emissions and financed emissions, as outlined below.

Figure 2: Current Reporting Coverage Across Operational and Financed GHG Emissions

Operational Emissions		Financed Emissions
 <p>Scope 1 Direct GHG emissions from heating our facilities and corporate vehicle fuel use.</p>	 <p>Scope 2 Indirect emissions associated with our electricity consumption.</p>	 <p>Scope 3, Category 15 GHG emissions that result from our on-balance sheet lending and investing activities.</p>

Coast Capital’s operational emissions represent a small percentage of our overall carbon footprint. However, we remain fully committed to reducing our impact on the environment and in taking responsibility for our own emissions.

The bulk of our emissions are associated with our financed activities. As a member of the NZBA, Coast Capital has committed to achieving net-zero emissions across our lending and investing activities by 2050. This includes identifying 2030 targets (and an interim target every five years) focused on the most material sectors within our portfolio.

We have identified our first target for our residential mortgage portfolio, which comprises the majority of our lending book. As we build internal capacity, we intend to measure additional scope 3 emissions categories that are material to Coast Capital, including employee commuting and purchased goods and services.

In line with our commitment to following international best practices, we used the GHG Protocol Corporate Standard to quantify our operational emissions and the PCAF Global GHG Accounting and Reporting Standard to quantify our financed emissions. The PCAF standard complements the GHG Protocol’s Corporate Value Chain Standard and has been reviewed and approved by the GHG Protocol to ensure conformance with all relevant requirements for reporting on scope 3 activities. To ensure the accuracy of our calculations, we engaged expert carbon-accounting consultants and internal subject-matter experts.

The GHG Protocol recommends companies establish a significant threshold for recalculation of base-year emissions. When the cumulative impacts of branch openings, closings, other structural changes, methodology changes, or calculation errors exceed this threshold, base-year emissions are recalculated. Coast Capital has set its threshold at five per cent. In alignment with market best practices and the GHG Protocol’s principle of completeness, we assess year-over-year changes annually, and may recalculate base-year emissions even if the threshold is not exceeded.

Operational Emissions

In 2022, our operational emissions saw little change year-over-year, reducing by 19 tonnes or 1.7 per cent (Table 3). Our disclosure includes emissions from 58 branches, office locations and facilities shops which we occupied for at least part of the year, as well as our corporate vehicles. While our operational emissions from natural gas consumption decreased, and emissions from electricity consumption increased, this was driven by features of our estimation methodology. Our natural gas calculations rely on utility bills, meaning that changes in the cost of energy impact the results. In the future, we plan to use measured data so that we are better able to track our actual emissions reduction progress and develop robust decarbonization strategies.

We measure our electricity consumption using branch and office utility bills where these are available and use consumption averages for the remainder. The emissions associated with energy use from this source are calculated using carbon intensity figures. The main driver of the increase in electricity consumption was a significant increase in the carbon intensity of electricity (CO₂e per kWh) in British Columbia year-over-year. Changes in the carbon intensity of electricity are typical, as they are influenced by weather, consumer demand, and commodity prices. Given British Columbia has one of the cleanest electricity grids in the country, our emissions from this source are low and these changes tend to be immaterial to our overall emissions profile.

Table 3: Operational GHG Emissions¹

Emission Source (t CO ₂ e) ²	2022	2021	Percentage Change from 2021 Baseline
Scope 1: Natural Gas	940	986	-4.7%
Scope 1: Vehicle Fleet	25	32	-21.9%
Scope 2: Electricity Consumption	75	41	+82.9%
Total Operation Emissions^{3,4}	1,039	1,058	-1.8%

1. Operational Emissions are calculated based on 2022 data. As we mature our reporting processes, we plan to align reporting to fiscal year in our next disclosure.

2. t CO₂e = tonnes carbon dioxide equivalent. Per the GHG Protocol Corporate Standard, carbon dioxide, methane, and nitrous oxide emissions were calculated separately and then converted to CO₂e. Coast Capital uses 100-year global warming potentials from the Intergovernmental Panel on Climate Change's Fifth Assessment Report.

3. Totals may not add due to rounding and emission intensities may not precisely reflect the absolute figures.

4. Our scope 1 and 2 emissions were calculated using utility bills gathered by our finance team. At this time, not all utility data is aligned to a January 1 – December 31 reporting period. However, data still generally represents 365 days of usage and in the future we will explore how we can align our operational emissions and financial reporting periods.

Financed Emissions

To monitor our progress against our NZBA net-zero commitment, we quantify our financed emissions annually. We are also in the process of identifying targets that are aligned with the latest climate science, as a requirement of the NZBA.

In 2022, we embarked on our financed-emissions journey and quantified our 2021 emissions for residential mortgages, commercial real estate, and business loans. This initial quantification served as a crucial capacity-building exercise for our team, allowing us to better understand our data quality and develop our capabilities. For example, our Enterprise Analytics team has since developed a system to capture data for our emission calculations and identify any gaps. Now that we've begun to recognize where information is missing, we can develop strategies to remedy these gaps. In addition, we've built out internal assurance and testing processes to ensure that we are using accurate, reliable, and complete data. Currently we do not cover all lending activities such as Project Finance or include lending products such as Consumer Credit due to reasons such as a lack of data availability, resource limitations, lack of standardized

methodologies or it is not currently required by the PCAF Global GHG Standard. As we continue to work on improving our coverage and data quality, we will also look to expand our asset classes in future disclosures.

In 2023, we built on our initial work by refining our financed-emissions approach and significantly improving the data coverage for commercial real estate and residential mortgages. Given the significant improvements in data coverage for our commercial real estate asset class and changes to the PCAF emission factor database that occurred since our initial [NZBA disclosure](#), we have decided to set 2022 as our baseline year for financed emissions. This decision reflects our desire to set and report a robust foundation from which we can build a comprehensive transition plan.

Our financed emissions are shown in Table 4. The majority of these emissions are associated with our business lending. While residential mortgages and commercial real estate make up the majority of our lending activities, they contribute only a small proportion of our total financed-emissions footprint (Figure 3).

Table 4: 2022 Financed Emissions^{1,2}

PCAF Asset Class	Outstanding Loan Value (\$MM) ³	Covered Loan Value Included in Calculations (\$MM)	Coverage	Scope 1 & 2 Emissions (t CO ₂ e)	Scope 3 Emissions (t CO ₂ e) ⁴	Scope 1 & 2 Emissions Intensity (t CO ₂ e/\$MM)	Data Quality Score ⁵
Business Loans	1,328	1,326	99.88%	73,874	174,693	55.63	5.00
Commercial Real Estate	3,052	2,723	89.22%	30,579	N/A	10.02	4.93
Residential Mortgages	11,192	10,937	97.72%	37,908	N/A	3.39	4.02

1. Financed Emissions are calculated based on 2022 data. As we mature our reporting processes, we plan to align reporting to fiscal year in our next disclosure.
2. Totals may not add due to rounding and emission intensities may not precisely reflect the absolute figures.
3. Outstanding loan values are defined according to the PCAF methodology and therefore vary from outstanding loan balances used in our financial statements.
4. At this time, PCAF does not have the methodology developed to report Scope 3 emissions for Commercial Real Estate and Residential Mortgages. Once the methodology is developed, we will look to align our emissions measurement.
5. Where 1 is best and 5 is the lowest data quality. Our data-quality scores indicate that most of our reported emissions are estimated, which is common in the industry due to the emerging nature of measuring financed emissions. We are actively working internally and with third-party consultants to improve our data quality.

Financed Emissions Calculation Methodologies

We used the PCAF guidance to calculate emissions from building loans, residential mortgages, and commercial real estate.

Business Loans Quantification Methodology

Due to data limitations, our approach for business loans calculations involves multiplying the total outstanding loan amount by the PCAF emissions factor, which includes scope 3 emissions and summing these emissions together. The PCAF emissions factor represents emissions per dollar of asset in each sector. This approach aligns with a PCAF data quality score of 5. Other approaches, which would receive a higher data quality score, attribute emissions based on company valuation. This is not possible at this time given data availability.




Business Loans

Data Quality 5:

$$\text{Outstanding Amount} \times \frac{\text{Sector GHG Emissions}}{\text{Sector Total Assets}}$$

Commercial Real Estate Quantification Methodology

Coast Capital has improved overall data coverage for its commercial real estate portfolio, extending our coverage from British Columbia to the entire portfolio. Emissions for commercial real estate are quantified by first calculating an attribution factor, equal to our outstanding amount loaned divided by the value of the property at loan origination. Where able, we then multiply by floor area of the property and the PCAF emissions factor. This approach gives us a data quality score of 4. Where floor area data is unavailable, we rely on whole building averages. This approach multiplies our attribution factor by a building-level emission factor provided by PCAF. This approach gives us a data quality score of 5. We then sum these emissions to calculate the portfolio emissions. Per PCAF guidance, we exclude mortgages used for construction or renovations.



Commercial Real Estate

Data Quality 4:

$$\frac{\text{Outstanding Amount}}{\text{Property Value at Origination}} \times (\text{Floor Area} \times \text{GHG Emissions per m}^2)$$

Data Quality 5:

$$\frac{\text{Outstanding Amount}}{\text{Property Value at Origination}} \times \text{GHG Emissions per Building}$$

Residential Mortgages Quantification Methodology

Our residential mortgage portfolio is quantified using the same formulas as our commercial real estate portfolio. We calculate an attribution factor for each mortgage using the outstanding loan amount and the property value at origination. For data quality 4, we then multiply by floor area and a PCAF emission factor, which expresses GHG emissions per m². If floor area is unavailable, we use building intensity averages. This approach, which equates to a data quality of 5, multiplies our attribution factor by the average GHG emissions per building. We then sum these emissions to calculate the portfolio emissions. GHG emissions per building are provided by PCAF and are broken down by building type. Our quantification includes residential mortgages from British Columbia and Ontario. Per PCAF guidance, we exclude mortgages used for construction or renovations. Additionally, where our system flags a residential mortgage as commercially zoned, we have included these in commercial real estate instead.

This year, we are disclosing for the first time our financed emissions associated with the NZBA's priority sectors within our business loans asset class. These sectors are the most carbon-intensive in our economy and are where action is most needed to limit the impacts of climate change (see Table 4a). The business loans asset class has minimal exposure to these sectors overall. Transportation is the most significant source and represents 4 per cent of business loan emissions. Agriculture, iron, steel, and oil and gas total 558 tonnes, which is 0.2 per cent of our total business emissions. We do not have any outstanding loan amounts to clients in the aluminum, cement, or coal industries within our business lending activities.



Residential Mortgages

Data Quality 4:

$$\frac{\text{Outstanding Amount}}{\text{Property Value at Origination}} \times (\text{Floor Area} \times \text{GHG Emissions per m}^2)$$

Data Quality 5:

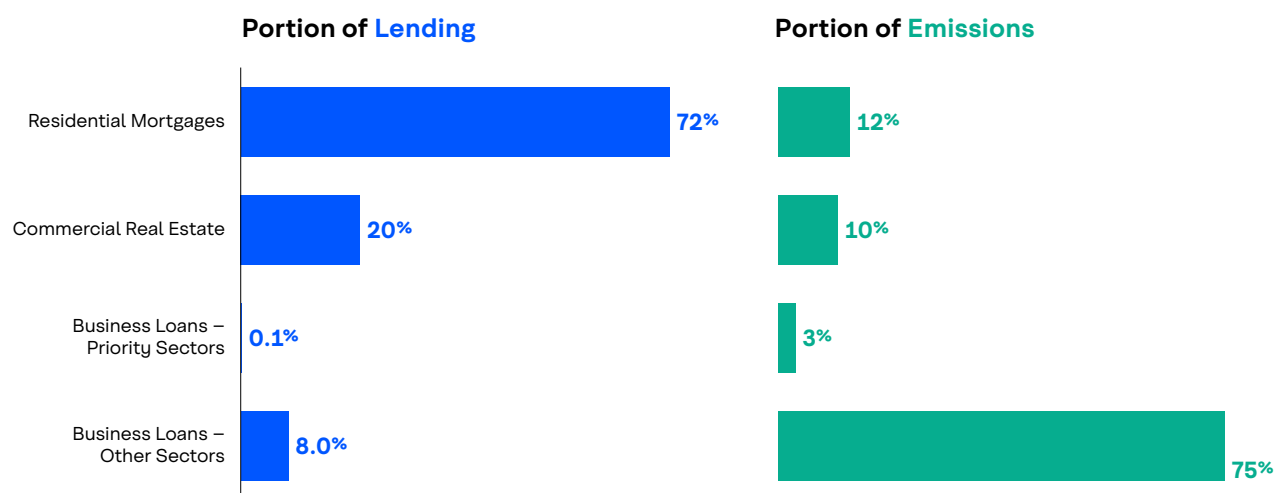
$$\frac{\text{Outstanding Amount}}{\text{Property Value at Origination}} \times \text{GHG Emissions per Building}$$

Table 4a: 2022 Business Loan Emissions from NZBA Priority Sectors^{1,2}

NZBA Sector ³	Outstanding Loan Value (\$MM)	Covered Loan Value Included in Calculations (\$MM)	Coverage	Scope 1 & 2 Emissions (t CO ₂ e)	Scope 3 Emissions (t CO ₂ e)	Scope 1 & 2 Emissions Intensity (t CO ₂ e/\$MM)	Data Quality Score
Business loans	1,328 ⁴	1,326	99.88%	73,874	174,693	55.63	5.00
Of which:							
<i>Agriculture</i>	<i>0.46</i>	<i>0.46</i>	<i>100%</i>	<i>377</i>	<i>143</i>	<i>816</i>	<i>5.00</i>
<i>Iron and Steel</i>	<i>0.01</i>	<i>0.01</i>	<i>100%</i>	<i>2</i>	<i>3</i>	<i>452</i>	<i>5.00</i>
<i>Oil and Gas⁵</i>	<i>0.00</i>	<i>0.00</i>	<i>100%</i>	<i>31</i>	<i>1</i>	<i>84,794</i>	<i>5.00</i>
<i>Transportation</i>	<i>19.99</i>	<i>19.99</i>	<i>100%</i>	<i>4,427</i>	<i>5,673</i>	<i>221</i>	<i>5.00</i>

1. Financed emissions are calculated based on 2022 data. As we mature our reporting processes, we plan to align reporting to fiscal year in our next disclosure.
2. Totals may not add due to rounding and emission intensities may not precisely reflect the absolute figures.
3. Coast Capital does not have any outstanding amount loaned to clients in the aluminum, cement, coal, or power generation industries within the business loans asset class.
4. Outstanding loan values are defined according to the PCAF methodology and therefore vary from outstanding loan balances used in our financial statements.
5. Due to nominal business loan amounts, outstanding loan value for the Oil and Gas sector round to 0.00 when expressed to \$MM. The calculation requires division of emissions by the small outstanding loan value, which results in a high emissions intensity for the \$MM loaned, even though the emissions themselves are very low.

Figure 3: Contribution of Each Portfolio to Total Lending and Financed Emissions (2022)



The majority of our business members are small- and medium-sized enterprises (SMEs). SMEs do not typically have the resources to quantify and report on emissions, and there isn't a regulatory requirement to do so. Since most businesses in Canada are classified as SMEs, measuring emissions in the SME sector remains an important component of understanding Canada's GHG emissions and identifying pathways to reach net-zero. We're committed to exploring ways to solve this problem through partnerships and innovation.

PCAF provides a data-quality scoring methodology for evaluating the robustness and reliability of the data used to measure financed emissions. Our data-quality scores reflect the fact that the majority of our reported emissions are estimated, which is typical in our industry because the practice of measuring financed emissions is still in its infancy. We are working to improve our data quality over time as data becomes more readily available.

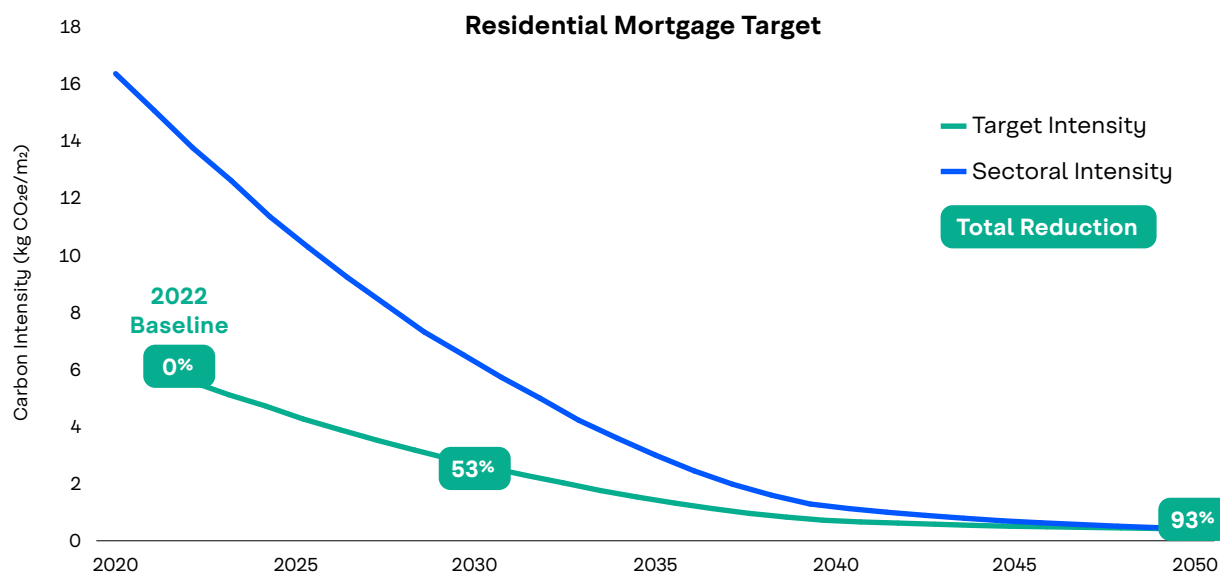
Target Identification

For the first time, Coast Capital has identified a carbon-intensity target for our residential mortgage portfolio: **a reduction of 53 per cent by 2030, compared to a 2022 base year** (Figure 4). This target has been identified using the latest building-sector decarbonization pathway, developed jointly by the Science Based Targets initiative (SBTi) and the Carbon Risk Real Estate Monitor. This target is aligned with a 1.5°C future and satisfies our NZBA commitment.

We prioritized target setting based on materiality and data quality considerations. Residential mortgages comprise the majority of our lending book and represent 12 per cent of our financed emissions, and data quality is the highest across our financed emissions portfolios. While business loans make up most of our financed emissions, poor data quality creates challenges when setting targets and commercial real estate makes up a smaller percentage of both our lending volume and financed emissions. The remaining NZBA priority sectors make up less than one per cent of our lending book so are not prioritized at this time.

Figure 4: Residential Mortgage Portfolio Target Pathway to 2050

The science-based target for Coast Capital's residential mortgage portfolio would see a 53 per cent reduction in emissions intensity (kg CO₂e/m²) by 2030 from a 2022 base year



	Current (2022)	2030	2050
Sector Average (kg CO ₂ e/m ²)	16.37	7.32	0.41
Our Target (kg CO ₂ e/m ²)	6.04	2.85 (53% reduction)	0.41 (93% reduction)

Our target was identified using the SBTi's industry-standard Sectoral Decarbonization Approach. Under this approach, the carbon intensity of our residential mortgage portfolio (orange) will converge with the average Canadian residential intensity (blue) in 2050. Our rate of decarbonization is less than the sectoral average because our initial carbon intensity is already low.

We acknowledge that our residential mortgage target will not be attainable without significant changes to the external policy environment. Many of our members rely on fuels such as natural gas for their heating needs. The decarbonization of Canadian residential properties depends on supportive government regulation and incentives which will help increase the uptake of low-carbon heating technologies, such as heat pumps, and make other retrofitting improvements more affordable.

Data availability also represents a large challenge to making progress on our 2030 target. Coast Capital is currently limited by a lack of property-level data and has to rely on provincial averages when calculating emissions. This makes it challenging to measure performance against targets because our metrics are based on estimated data. This is a ubiquitous issue faced by financial institutions across Canada. To combat this, we're investigating primary data collection methods and are in the process of understanding our data gaps so that we can improve our data systems and calculate our emissions with a higher degree of accuracy.

Looking Forward

We recognize that we are at the start of our climate journey and there is a lot more to do to reduce our carbon emissions and impact on the environment.

Our priorities in the coming years include building internal capacity and looking at how we can improve the things within our control: our governance frameworks, data processes, member engagement, and community investment.

Despite data and measurement challenges, we remain committed to measuring and reporting on the GHG emissions of our activities and identifying portfolio decarbonization targets. Through 2024, we will build out a transition plan for our residential mortgage portfolio. This plan will identify the levers, engagement, and implementation strategy required to make meaningful progress on our journey to net-zero.

Glossary of Terms

1.5°C Pathway: A pathway of emissions of greenhouse gases and other climate forcers that provides an approximately one-in-two to two-in-three chance, given current knowledge of the climate response, of global warming either remaining below 1.5°C or returning to 1.5°C by around 2100 following an overshoot.

Source: [Glossary – Global Warming of 1.5°C \(ipcc.ch\)](#)

B Corp Certification: B Corp Certification is awarded to companies that meet high standards of performance, accountability, and transparency, including employee benefits, charitable giving, and supply chain practices. To be certified, a company must score at least 80 out of 200 on the B Impact Assessment, pass a risk review, legally commit to stakeholder accountability, and make their B Lab™ performance publicly available.

Source: [About B Corp Certification \(bcorporation.net\)](#)

Climate Risk: The threats posed by climate change and the global response to the safety and soundness of financial institutions, and the broader financial system. These include physical risks from climate-related disasters, longer-term gradual shifts of the climate, and indirect effects of climate change such as public health implications. They also include transition risks related to adjustment towards a low-greenhouse gas (GHG) economy. These risks could emerge from future regulation, technological advancements, and market changes.

Source: [Climate Risk Management \(osfi-bsif.gc.ca\)](#)

Base-Year Emissions: The benchmark year's greenhouse gas emissions against which an organization's emissions reduction progress is measured. Base-year emissions should be representative of a company's typical GHG profile, accurate and verifiable.

Source: [FAQs – Science Based Targets \(sciencebasedtargets.org/faqs\)](#)

Carbon Intensity: The amount of emissions of carbon dioxide (CO₂) released per unit of another variable such as gross domestic product (GDP), output energy use or transport.

Source: [Glossary – Global Warming of 1.5°C \(ipcc.ch\)](#)

Decarbonization: The process by which countries, individuals or other entities aim to achieve zero fossil carbon existence. Typically refers to a reduction of the carbon emissions associated with electricity, industry and transport.

Source: [Glossary – Global Warming of 1.5°C \(ipcc.ch\)](#)

Financed Emissions: Financed emissions refer to the greenhouse gas (GHG) emissions associated with the loans and investments made by financial institutions, and is a scope 3 activity.

Source: [PCAF Financed Emissions \(carbonaccountingfinancials.com\)](#)

GHG Protocol: A widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions.

Source: [Greenhouse Gas Protocol \(ghgprotocol.org\)](#)

Greenhouse Gases (GHGs): Gases that trap heat in the atmosphere. Among the most common are CO₂, CH₄, and N₂O.

Source: [Overview of Greenhouse Gases | US EPA \(epa.gov/ghgemissions/overview-greenhouse-gases\)](#)

Scenario: A plausible description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces (e.g., rate of technological change, prices) and relationships. Note that scenarios are neither predictions nor forecasts, but are used to provide a view of the implications of developments and actions.

Source: [Glossary – Global Warming of 1.5°C \(ipcc.ch\)](#)

Net-Zero Emissions: Net-zero emissions are achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period.

Source: [Glossary – Global Warming of 1.5°C \(ipcc.ch\)](#)

Net-Zero Banking Alliance (NZBA): The Net-Zero Banking Alliance (NZBA) is an industry-led, UN-convened group of global banks committed to financing ambitious climate action to transition the real economy to net-zero greenhouse gas emissions by 2050. NZBA is the climate accelerator for UNEP FI's Principles for Responsible Banking (PRB) and the sector-specific alliance for banks under the Glasgow Financial Alliance for Net Zero (GFANZ).

Source: [Net-Zero Banking Alliance \(unepfi.org\)](https://www.unepfi.org/)

Operational Emissions: Direct and indirect emissions that result from the day-to-day operations of an organization, across scopes 1, 2 and 3 (except financed emissions).

Source: [GHG Protocol \(https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf\)](https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf)

OSFI B-15 Guideline: Guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI) in Canada, outlining expectations for federally regulated financial institutions in managing climate-related risks.

Source: [Guideline B-15 – Climate Risk Management \(osfi-bsif.gc.ca\)](https://www.osfi-bsif.gc.ca/en/guidelines/guideline-b-15-climate-risk-management)

Paris Agreement: The Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC) was adopted December 2015 in Paris, France, at the 21st session of the Conference of the Parties (COP) to the UNFCCC. The agreement, adopted by 196 Parties to the UNFCCC, entered into force on 4 November 2016 and as of May 2018 had 195 Signatories and was ratified by 177 Parties. One of the goals of the Paris Agreement is 'Holding the increase in the global average temperature to well below 2°C in Paris, France, at the 21st session of the Conference of the Parties (COP) to the UNFCCC. The agreement, adopted by 196 Parties to the UNFCCC, entered into force on 4 November 2016 and as of May 2018 had 195 Signatories and was ratified by 177 Parties. One of the goals of the Paris Agreement is 'Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels', recognizing that this would significantly reduce the risks and impacts of climate change.

Source: [Glossary – Global Warming of 1.5°C \(ipcc.ch\)](https://www.ipcc.ch/glossary/)

Risk Appetite: The risk appetite is the amount and type of risk an organization takes to achieve its objectives.

Source: [Bank of Canada – Risk Management \(bankofcanada.ca\)](https://www.bankofcanada.ca/risk-management/)

Scope 1: Direct GHG emissions occur from sources that are owned or controlled by the company, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc. or emissions from chemical production in owned or controlled process equipment.

Source: [Net-Zero Jargon Buster – a guide to common terms – Science Based Targets \(sciencebasedtargets.org/blog/net-zero-jargon-buster-a-guide-to-common-terms\)](https://sciencebasedtargets.org/blog/net-zero-jargon-buster-a-guide-to-common-terms)

Scope 2: Emissions from purchased electricity, heat, and steam for use in business operations. Scope 2 emissions physically occur at the facility where electricity is generated, and so would fall into the scope 1 category for the power generator.

Source: [Net-Zero Jargon Buster – a guide to common terms – Science Based Targets \(sciencebasedtargets.org/blog/net-zero-jargon-buster-a-guide-to-common-terms\)](https://sciencebasedtargets.org/blog/net-zero-jargon-buster-a-guide-to-common-terms)

Scope 3: Scope 3 is a reporting category that allows for the treatment of all other indirect emissions. scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company—typically as a result of supplier or customer activities. These can be up or down the value chain—for example, transport and distribution, or the disposal of goods or services after they reach the consumer. Some examples of scope 3 activities are extraction and production of purchased materials; transportation of purchased fuels; and use of sold products and services.

Source: [Net-Zero Jargon Buster – a guide to common terms – Science Based Targets \(sciencebasedtargets.org/blog/net-zero-jargon-buster-a-guide-to-common-terms\)](https://sciencebasedtargets.org/blog/net-zero-jargon-buster-a-guide-to-common-terms)

Transition Plan: A transition plan is an aspect of an organization's overall business strategy that lays out a set of targets and actions supporting its transition toward a low-carbon economy, including actions such as reducing its GHG emissions.

Source: [TCFD Guidance on Metrics, Targets, and Transition Plans \(fsb-tcfd.org\)](https://www.fsb-tcfd.org/)

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