

Metro Credit Union



1998 Social Audit Report

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GETTING IN TOUCH

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Introductory Section

Message from the Chair of the Social Audit Task Force

This social audit, covering the period April through December, 1998, is the third one undertaken by Metro Credit Union (MCU) over the past five years. From this point on, it is our intention to undertake a social audit each fiscal year. By presenting an Annual Report, audited financial statements and a social audit each year, we believe members, the Board and staff will all gain a clearer picture of our progress, achievements and challenges.

In the course of doing our first three social audits, we have learned a great deal about our social impact and performance and, in some cases, have already implemented important changes and improvements in our operations.

Throughout this process, we have also learned a great deal about the process of social auditing. First, we must be careful about comparing social audits to financial audits. Financial audits follow very strict and formal rules. The financial audits of every credit union and every other type of business follow a standard format. The financial audit process and reporting format follows Generally Accepted Accounting Principles (or GAAP). In contrast, the practice of social auditing is still quite new. We do not yet have Generally Accepted Social Accounting Principles, though the London-based Institute for Social and Ethical Accounting will soon be releasing the AccountAbility 1000 process standards, which will be an important step in the right direction.

When designing the 1998 social audit with our auditor, Rachel Martin of Ethics Matters, the Social Audit Task Force had three key objectives: 1) to address social performance issues in all areas of Credit Union operations; 2) to develop an accounting and audit process that could be repeated and improved each year (which, among other things, would allow us to begin observing trends); and 3) to produce a report that could be readily understandable by members.

We feel we have made significant progress on each of these objectives. At the same time, we recognize the need for ongoing development of this assessment tool. For example, in some areas, we are still trying to determine the best ways to measure or assess social performance. We may not have the full range of measurements that are needed, or still need to improve or reconsider some of our current approaches to measurement.

In other cases, we knew what needed to be measured, but were unable to collect the necessary data. In those cases, the data is now being collected for the next social audit. Another point of frustration at this early stage of our efforts is that certain types of data will only be useful after it is collected over time, so the reader can see the trends and determine whether progress is being made in reaching certain performance objectives.

Introductory Section

We may also be missing entire areas where we should be examining and assessing our performance in future years. As this is an evolving process, we welcome comments from readers on how Metro Credit Union can improve its assessment and reporting on social and ethical performance. [See page 4 for contact information.]

Finally, I would very much like to thank the members of the Task Force, the staff at Metro Credit Union, and Rachel Martin, our auditor, for their commitment, dedication and enthusiasm for this project. We are breaking new ground here, and it often takes a great deal of work to clear away what appear to be little patches of earth. But as time goes on, the work not only gets easier, it starts to bear fruit.

We are pleased to present this report to our members and hope that it plays a useful role in the ongoing development of Metro Credit Union.

Sincerely,

Jonathan Rudin
Chair, Social Audit Task Force

Auditor's Opinion

Ethics Matters has conducted a social audit of Metro Credit Union and the findings are summarized in this report. The audit involved checking the non-financial and financial information presented therein, with the exception of employee and member survey data. This information is Metro Credit Union's measure of its performance in relationships with its constituents: members, employees, the community, co-operatives and government.

On the basis of the procedures I have conducted, I am satisfied that the social audit report, with the exception of employee and member survey data which was not included in the scope of the audit, gives an accurate and balanced view of Metro Credit Union's 1998 social performance.

Ethics Matters Consulting
Rachel Martin, C.A.

September 30, 1999

Introductory Section

Structure of the Report

It is important for the reader to understand that there are two types of information presented in this report coming from two sources. Metro Credit Union's Social Audit Task Force has written this Introductory Section, as well as introductions to each major section of the report. The purpose is to provide the reader with a helpful context and to share the Task Force's views on issues related to future social audits.

The pages following the introduction are the text of the social audit, as compiled and written by the social auditor. These pages have the audited data, facts and figures.

To help the reader quickly differentiate the Task Force's commentary from the auditor's report, we have employed a simple shading system. The sections written by the Task Force appear on the lightly shaded pages, while the auditor's report appears on the white pages.

Please note that the social auditor has also reviewed the Task Force commentary in this report to ensure that it does not contradict or misinterpret the audited information.

About Metro Credit Union

Founded in 1949, Metro Credit Union is a full-service financial co-operative serving approximately 43,000 member-owners in the Greater Toronto Area through a network of ten branches. While most of our members are individual consumers or households, approximately 3,000 are small businesses and community organizations. The Credit Union has approximately \$380 million in assets.

In addition to banking services, Credit Union members have access to mutual funds and other investment products through licensed representatives of Credential Securities and Credential Asset Management Services, and insurance products through MemberCARE.

1998 Social Audit Task Force

The 1998 Social Audit Task Force was appointed by the Board of Directors. The Task Force mandate included recommending the social auditor for Board approval; assisting with development of the social audit process; and issuing the public report.

The members of the 1998 Social Audit Task Force were Board members Penny Bethke, Linda McCormick and Jonathan Rudin (chair); member-volunteers Kit Chapman, Maggie Keith, Lynne Nagata and Walter Whiteley. Management support was provided by Larry Gordon, Vice President, Development, and Kimberley Ney, Director, Sales & Service.

1998 Social Auditor

The Task Force hired Rachel Martin of Ethics Matters (a Halifax-based consulting firm specializing in corporate ethics), as the social auditor for the 1998 report. The Task Force also hired EthicsScan, a Toronto-based firm, to provide research assistance in selected areas.

Overview of SEAR

Today's generally accepted accounting principles (GAAP), the foundation of modern accounting and financial auditing, evolved over a 200-year period. In contrast, the field of social and ethical accounting, auditing and reporting (SEAR), is still in its infancy. While public interest in corporate accountability began to grow in the 1970s, attempts to develop a rigorous social performance methodology are much more recent.

After an extensive international consultation process, the London-based Institute for Social and Ethical Accountability (ISEA) will soon be releasing the AccountAbility 1000 foundation standards for SEAR. Even with this landmark document and other related initiatives, businesses and other institutions wishing to undertake SEAR practices still find themselves playing a pioneering role.

Introductory Section

The Challenge of Social Performance Measurement

Any institution undertaking a social performance assessment is immediately confronted with two fundamental issues. What should we measure? How should we measure it? These fundamental questions are still a point of debate among SEEAR practitioners. Having completed three social audits, Metro Credit Union is still evolving its methodology.

In 1993, Metro Credit Union carried out its first social audit, using in-house resources, without external verification of the findings. The staff and a Board committee developed a list of Credit Union social objectives derived explicitly or implicitly from prior Board policy decisions. The audit and report were organized around three stakeholder groups: members, employees and the general community. Credit Union staff measured and assessed the results. The Board then reviewed and approved the report which was subsequently made available to members and others.

In 1996, Metro Credit Union concluded its second social audit, after instituting a major change in methodology by hiring an external social auditor. The Board also appointed an arms-length Social Audit Task Force, comprised of two Board members

and eight appointees from the membership. The nature of the report also changed. Rather than the focus on stakeholders, the report was organized around Credit Union performance in seven issues, such as workplace practices, democracy, community involvement and ethics.

Building on experience from the past two audits, the 1998 audit and report have evolved once again. The Task Force and our auditor began by reviewing the key principles and policies of Metro Credit Union; the principles of the co-operative movement; and evolving public expectations in areas such as the environment and workplace standards. From this review, specific areas were identified where assessment was required. Finally, the Task Force and our auditor agreed upon specific objective performance measures (or indicators).

The Task Force and our auditor also focused on developing a methodology and indicators that can be readily used from year to year, and a process for changing and improving the audit in coming years. The Task Force has provided further commentary on this in the last section of this report.

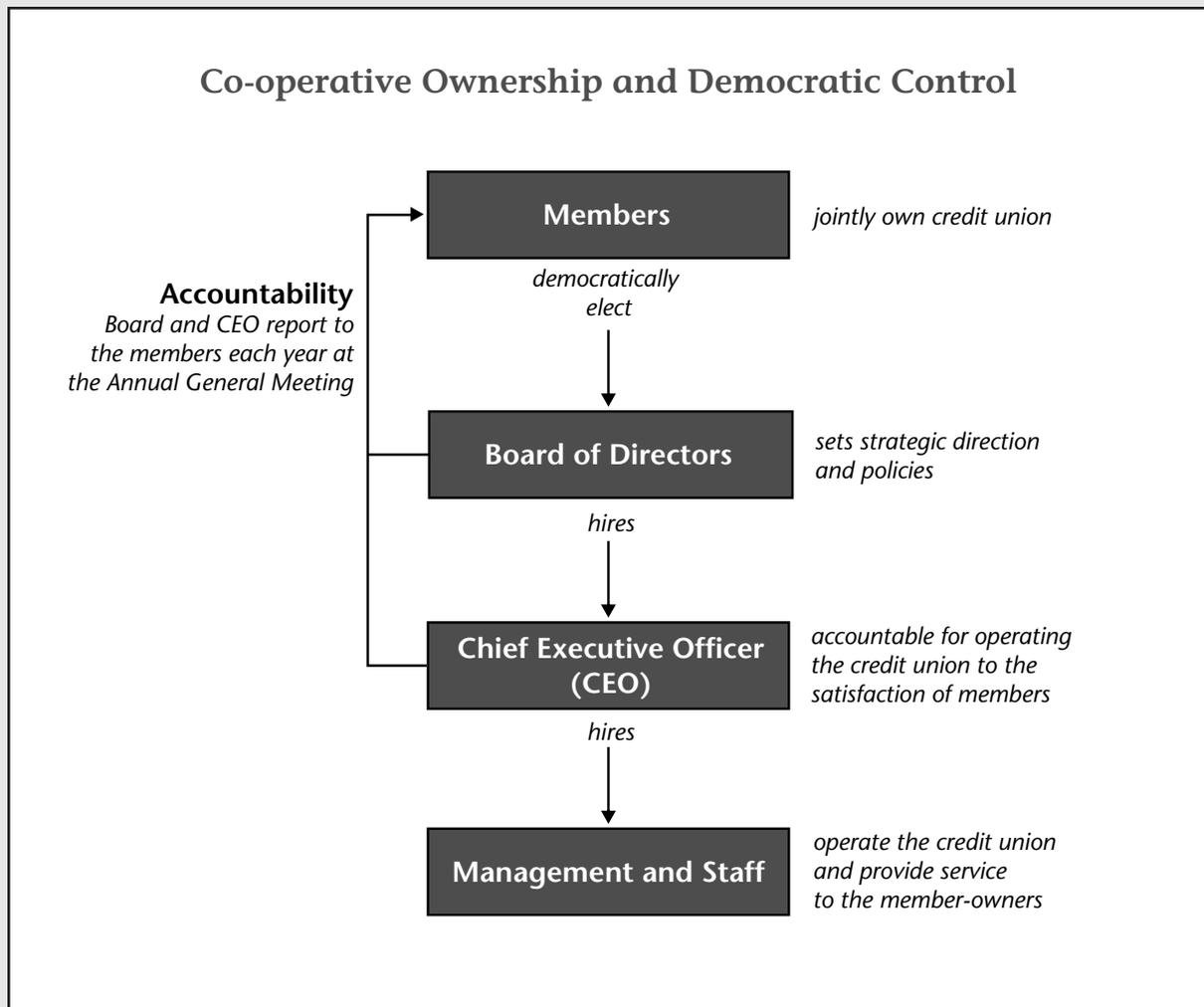
Section I: Members

The members of Metro Credit Union are both the owners and the customers of the enterprise. The social performance assessment of the Credit Union as it affects members, therefore, must take both roles into account.

In terms of ownership, members exercise their governance rights through a democratic structure and process. As owners, members might also expect to call upon their Credit Union in times of need for special consideration. As customers, members are directly affected by the retail business practices of the Credit Union.

Metro Credit Union directs considerable resources to programs and policies related to nurturing and supporting the member-ownership role and to developing a very positive customer experience.

To address Credit Union social performance in relation to members, the 1998 Social Audit examined performance indicators under the broad categories of 1) Democracy, 2) Progressive Consumer Policies, and 3) Responsiveness to Members in Need.



1. Democracy

What does democracy mean when applied to the affairs of a co-operative business enterprise? How does Metro Credit Union apply democratic principles?

Yale political scientist Robert A. Dahl, a leading international authority on democracy, states that democratic governance requires: 1) effective participation, 2) equality in voting, 3) opportunities to gain enlightened understanding of the issues, 4) the ability to exercise final control over the agenda, and 5) inclusion of all adults.

In democratic political systems, these principles are usually applied through an open political process, with universal suffrage for all citizens, who elect their representatives to govern on their behalf. In general terms, co-operative enterprises apply these same democratic principles and practices to enterprise governance.

Measuring Performance

How does Metro Credit Union apply these democratic principles?

Metro Credit Union encourages and supports member participation in governance through a series of specific programs and initiatives. Members are encouraged to learn about Credit Union issues, vote in Board elections, volunteer to serve on various policy and program-oriented task forces, and speak up and provide feedback on general and specific concerns.

In attempting to measure performance in this area, the Social Audit Task Force and our social auditor identified a series of indicators, reported below under the general headings of “Member Participation” and “Democratic Representation”.

Future Considerations

The Task Force and our auditor devoted considerable time to discussing how to measure democratic performance. Some of the issues and questions that require more consideration include the following.

- What is a “healthy democracy” in a co-operative enterprise? Does it matter if there is a low level of voter turn-out, as long as the electoral system is available when members need to express concerns or re-direct the enterprise when they disagree with the leadership?
- Metro Credit Union probably has one of the most active programs among Canadian credit unions for involving member-volunteers in roles (e.g., task forces) that help shape major policies and programs. Yet the number of volunteer positions available are few.
- Metro Credit Union, to our knowledge, has the highest Annual Meeting attendance of any financial institution in Canada – either bank or credit union. Yet, only a small percentage of members attend.
- Metro Credit Union currently requires that all voting in Board elections take place at the AGM. This gives members the opportunity to see and hear the candidates; discuss their options with other members; and perhaps cast a more informed vote. Yet, those who cannot attend that particular event lose the right to vote in that election.
- Elections for the Metro Board are often very competitive, with a good range of qualified candidates. Yet, the current election process does not provide voters with much information on candidates’ positions or ideas about key issues.
- In terms of indicators of a healthy democracy and open process, it can be argued that groups of candidates and elected officials should generally reflect the populations they serve. Yet, an open democracy also means empowering individuals to determine whether to run for office, and to determine for whom they are casting votes.

As the social audit process evolves, these are just a few of the issues that will require further consideration.

1. Democracy

1.1 MEMBER PARTICIPATION

Metro Credit Union (MCU) is legally and philosophically a democratic organization. Democracy in action requires the participation of the members and their active support of the organization. MCU has taken the following steps to encourage active participation.

1.1.1 Publicity for Members' Meetings

In 1998, due to the amalgamation of Jet Power Credit Union and MCU, MCU had a General Members' Meeting rather than the usual Annual General Meeting. This meeting, held on June 22, was publicised by:

- the May Members' Newsletter which advertised the meeting on page 1 and devoted all of page 3 to its promotion; and
- a promotional brochure and registration form inserted in the May statements mailed to all members with active accounts.

1.1.2 Attendance at Members' Meetings

In future, MCU will report on the number of members from each branch attending the AGM. There was not a system in place in 1998 to record this information.

AGM Attendance

as reported in the official minutes (unaudited chart)

1994 AGM	559
1995 AGM	653
1996 AGM	620
1997 AGM	572
1998 Special Members Meeting	816

1.1.3 Publicity for Volunteer Activities

Volunteer opportunities were publicised by:

- a full page in the September 1998 Members' Newsletter that described the mandate of three new task forces and provided an application form for volunteers; and
- posters and handouts in branches that asked for volunteers for the task forces.

1.1.4 Support for Volunteer Activities

MCU incurred costs in 1998 to support the Board of Directors and the volunteer task forces.

In addition to staff time directed to support these functions, which is not quantified at this time, expenditures were as follows.

Expenditures in Support of Democratic Governance

	TOTAL \$	\$ PER MEMBER
Board	\$78,000	\$1.89
Task Forces and Committees	\$1,500	\$.04

1.1.5 Number of Volunteers

Actual numbers of volunteers at MCU in 1998 were:

Number of Volunteers^{1 2}

Member Participation Task Force	5
Mondex Task Force	3
Serving the Under-Served Task Force	5
Social Audit Task Force	4
Donations Committee	1
Board Accountability Task Force	3
Total	21

¹ excluding members of the Board of Directors who serve on task forces;

² there was no overlap in volunteers serving on these task forces or committees.

1.1.6 Member Education

The effective contribution of volunteers in governance is enhanced if the organization assists by providing information, education and training. MCU has several programs and policies which encourage its volunteers:

- MCU did not have any education or training program targeted at the development of volunteers other than board members.
- MCU has developed 'Our Rights & Responsibilities' – a statement for the member-owners of this financial co-operative. This was available to members in a leaflet and the 'Owner's Guide' pamphlet referred members to this leaflet. Additionally, branches are supposed to post a copy of this.
- There is also a Statement of Co-operative Principles that defines the essence of co-ops. Some branches also had this posted. Following is the status of the branches' publicity of these two important documents.

Section I: Members

BRANCH	STATEMENT OF MEMBERS' RIGHTS & RESPONSIBILITIES POSTED	STATEMENT OF CO-OP PRINCIPLES POSTED
Bolton	X	X
Bramalea	X	X
College Street	✓	X
Danforth	X	X
Humber Campus	X	X
Lakeshore	✓	✓
Malton	X	X
Ryerson	✓	X
Scarborough	✓	X
Streetsville	X	X
York Campus	✓	X

These postings were checked in May, 1999. Branches closed in 1998 are not included.

- MCU notices for volunteer participation on committees, task forces and the Board also helped explain and reinforce the essence of co-operative and credit union forms of organization. However, the web-site launched in 1998 did not include any specific information about the credit union philosophy, its governance commitments, or organizational forms.
- MCU had a program for member education on consumer financing issues.
- MCU had existing vehicles to educate its members through statement inserts, its Members' Newsletter and its new web-site. The results of the spring 1999 Members' survey indicated that if such information became available on the web-site, it would be accessible to 53% of MCU members.

1.1.7 Member Feedback

There are several ways that MCU encourages participation and feedback from its members other than through participation in governance. It has the following avenues for members to provide comments and feedback:

- Member Action Forms that members can pick up at the branches and drop in a box or mail in;
- A Tele-Service Centre where trained staff receive members' calls and expedite resolutions to issues;
- A feedback Link on the home banking web site to allow easy access to email;
- A feedback Link at the Question & Answer section of the MCU web-site to allow easy access to email;
- The traditional avenue of correspondence to the Member Services Department;
- The traditional avenue of correspondence to the Chief Executive Officer (CEO) as well as the publication of his telephone number; and
- The traditional avenue of correspondence to the Board of Directors.

Complete information on the number and type of feedback received is not possible as all systems for collating the feedback and follow-through action were not in place. The Tele-Service Centre and Member Action Forms are summarized together. This information began to be systematically collected in October 1998. The following table summarizes the information available from each source and indicates where information is incomplete.

The vast majority of feedback was requests for information or assistance.

TOPIC OF FEEDBACK	ACTION FORMS & TELE-SERVICE CENTRE ¹ OCTOBER TO DECEMBER	CEO / BOARD / MEMBER SERVICES DEPT. ²	REFERRALS FROM HOME-BANKING SITE TO CUSTOMER SERVICE OCTOBER TO DECEMBER
Automatic banking machine	21	not available	1
Point of sale payment	14	not available	
Bill payment	9	not available	2
On-line banking	5	not available	13
Cheque orders	8	not available	
Broken promises	42	not available	
Members misinformed by staff	13	not available	
CUIS Home or Auto Insurance	2	not available	
Holds on accounts	4	not available	
Statement renewal notices	15	not available	
Postings to wrong account	13	not available	
Service fees	10	not available	6
Questions on 1-800 loan service	4	not available	
Other	38	not available	9 ³
Total Feedback	198	not available	31

¹ These sources are summarized and reported together. ² These sources were not systematically summarized or reported in 1998.

³ At least one of these was a comment on the possibility of a national credit union which was under discussion by credit unions.

Section I: Members

TOPIC OF FEEDBACK	WEB-SITE E-MAIL JUNE TO DECEMBER
General Banking Feedback	
Referred to other departments	81
Requests to post fees on-line	9
Comment that navigation on web-site slow or confusing	8
Compliments	7
Web-Site Feedback	
Difficulty with access to web-site	7
Other complaints	5
On-line Banking Feedback	
Difficulty with access to on-line banking	67
How to pay utility bills	41
System down	37
Incomplete account statements	24
Questions about site security	22
Unable to access account statement	20
Errors on utility bill payments	18
Unable to print account statement	14
Password or alias not working	11
Account information not in real time	8
Problems or suggestions about e-mail	7
Other complaints	16
Allow transfers between accounts on-line	12
Allow download to Quickbook / MS Money	9
Add new functions	7
Improve utility bill function	6
Add transaction source / destination information	4
Improve design of site for handicapped users	2
Other suggestions	5
Total Feedback	447

The following chart summarizes the current status of the systems and procedures in place to effectively process member feedback received through various channels.

	EFFECTIVE SYSTEM TO RECORD AND SUMMARIZE FEEDBACK	EFFECTIVE SYSTEM TO MEASURE AND ENSURE FOLLOW THROUGH
Member Action Forms	no	yes
Tele-Service Centre	yes	yes
Communication with CEO, Board & Member Service Dept.	no	no
Home banking site email	yes	no
Web site email	no	no

1.1.8 Plain Language

The final area considered in effective member communication was the level of language complexity in key banking documents that members might have to read and sign. A number of MCU documents were selected to check using the Flesch-Kincaid Grade Level Score, which is based on the simplicity of language used and the simplicity of sentence construction. The Flesch-Kincaid Grade Level indicates the approximate grade level of education required to read and understand the document.

DOCUMENT	FLESCH-KINCAID GRADE LEVEL
Share Certificates	
Class A	12.0
Class B	11.9
Web-site Pages	
10 reasons to join	9.7
AutoBuy	12.0
Car Facts	8.6
Community Loan Fund	11.4
Internet Site	10.8
Lakeshore Branch	11.3
NCB letter	12.0
Nest Egg	10.2
Documents	
Variable Loan Agreement	12.0
Line of Credit Agreement – Standard	12.0
Mortgage Agreement - Standard	12.0
Multi-Option Mortgage Agreement	not measured
Commercial Loan Agreement	not measured
Mutual Fund Forms	
Members' Newsletter, Fall 1998	not measured

1.2 DEMOCRATIC GOVERNANCE

It was not possible to report on all the democratic governance measurements for the 1998 Social Audit, as many indicators were not developed until after key events had occurred. Beginning in 1999, it is the intention of MCU to track all of the items noted below so they can be reported and verified in future audits.

1.2.1 Future Measurements

- One item to be measured is the amount and timing of the publicity given to the members about the opening of nominations for Board candidates. This is one way to judge the intent of the organization to encourage participation.
- As well, the organization will begin to measure the amount of money and staff time it uses to provide support for candidates through the nomination and election stages.
- As the membership must attend the Annual General Meeting (AGM) to vote for board members, another item to be measured is the amount and timing of the publicity for the board elections at the AGM.
- The number of candidates standing for the positions is a measure of the level of participation. In future, MCU will keep these statistics with segmentation by gender, population group and ethnic or cultural origin (the latter through categories used by Statistics Canada).

1.2.2 Board Turn-over

- While there is no rule about optimum longevity of Board members, turnover is healthy for new ideas and ongoing development. We can report the number of board members serving their first term for MCU. Effective April 1, 1998, MCU and Jet Power Credit Union merged. It was agreed that the Board of Directors for the first fiscal year would be the amalgamated boards of the two organizations. In this unusual circumstance there were no new Board members in 1998. In 1998, there were 21 Board members.

1.2.3 Board Composition and Diversity

- The following is information about the composition and diversity of the board:

GENDER OF BOARD MEMBERS	#	%
Men	13	62%
Women	8	38%

PROFESSION	REPRESENTATION BY # OF BOARD MEMBERS	REPRESENTATION BY % OF BOARD MEMBERS
Consultant	3	14%
Homemaker or caregiver	0	0%
Independent businessperson	1	5%
Lawyer	1	5%
Management, public / NGO sector	5	24%
Management, co-op sector	4	20%
Management, private sector	1	5%
Medical or healthcare professional	0	0%
Non-management staff, private sector	0	0%
Non-management staff, public / NGO sector	0	0%
Professional accountant	0	0%
Retired	3	14%
Specialist in banking or financial services	1	5%
Teacher or professor in public or private education	2	10%

Board members completed surveys to provide the following information on population group and ethnic or cultural origin according to categories used by Statistics Canada.

At the time the social audit surveys were distributed [Spring 1999] there were nineteen Board members and we have survey responses from fifteen. Respondents were able to designate multiple categories.

Ethnic or Cultural Origin *(by Statistics Canada categories)*

MEMBERSHIP IN ONE OR MORE GROUPS AS SELF-SELECTED BY EACH BOARD MEMBER	
Canadian	9
Irish	6
English	5
Scottish	4
French	2
German	2
Jewish	1
Northeastern European	1
Welsh	1
Dutch	1
All other Statistics Canada categories (Italian, Chinese, Cree, Micmac, Metis, Inuit, Ukrainian, Dutch, East Indian, Polish, Portuguese, Haitian, Jamaican, Vietnamese, Lebanese, Chilean, Somali, or any other groups as written in)	0

Section I: Members

Population Group *(by Statistics Canada categories)*

MEMBERSHIP IN ONE OR MORE GROUPS AS SELF-SELECTED BY EACH BOARD MEMBER	
White (Caucasian)	15
All other Statistics Canada categories (Chinese, North American Aboriginal, Metis, Inuit, South Asian, Black, Arab/West Asian, Filipino, South East Asian, Latin American, Japanese, Korean, or any other groups as written in)	0

1.2.4 Executive Committee Composition and Diversity

The Executive Committee of the Board of Directors has the power to carry on the general business of MCU between meetings. Its diversity is indicated somewhat by the following. In the future, it is also intended to report on the population group and culture or ethnic origin of the executive:

GENDER OF EXECUTIVE COMMITTEE BOARD MEMBERS	#	%
Men	5	63%
Women	3	37%

PROFESSION OF EXECUTIVE COMMITTEE BOARD MEMBERS	REPRESENTATION BY # OF BOARD MEMBERS ¹	REPRESENTATION BY % OF BOARD MEMBERS
Consultant	2	22%
Homemaker or caregiver		
Independent businessperson		
Lawyer		
Management, public / NGO sector	3	33%
Management, co-op sector	1	11%
Management, private sector	1	11%
Medical or healthcare professional		
Non-management staff, private sector		
Non-management staff, public / NGO sector		
Professional accountant		
Retired	1	11%
Specialist in banking or financial services	1	11%
Teacher or professor in public or private education		
Total	9	99%²

¹ There are more areas represented than the number of board members because one board member is currently active in two categories.

² Rounding error of 1%.

1.2.5 Conflict of Interest

It is important that the actions of a board of directors be in the interests of the organization as a whole. Board

members cannot act in their own interest or the interest of a special interest group. One way a board ensures that it acts for the organization is to have and uphold a conflict of interest policy.

■ MCU has a conflict of interest policy that applies to volunteers serving on the Board Committees and Task Forces. This policy includes specific guidance on actions that are prohibited. It also specifies what action is required when direct or indirect conflicts of interest occur. Generally, conflicts must be declared and the members must remove themselves from participation in related decisions. The MCU definition of a direct conflict is any situation where:

- (a) the volunteer's personal interests, and/or
- (b) the interests of a close friend, relative, business associate, corporation or partnership in which (the volunteer holds) a significant interest, or a person to whom (the volunteer owes) an obligation, which may prevent (the volunteer) from acting in the best interests of the Credit Union, on behalf of the Credit Union, impartially and without bias.

The MCU definition of an indirect conflict is: any situation where

- (a) a benefit may be derived by a close friend, relative, business associate, or corporation or partnership in which (the volunteer has) a significant interest; or
- (a) a benefit may accrue to (the volunteer) which advances or protects (his or her) interests although it may not be measurable in money.

There is no evidence that this policy was infringed. Board members have excluded themselves from attendance at discussions where there was a conflict. Board members are asked to declare conflicts at the beginning of each meeting and this is recorded in the minutes.

1.2.6 Board Education

The effective contribution of volunteers in governance is enhanced if the organization assists by providing information, education and training. MCU has several programs and policies which encourage its volunteers.

All members of the Board of Directors are encouraged to enroll in the credit union system's Credit Union Director Achievement (CUDA) program. MCU pays the tuition for this program of thirteen courses, each being several hours in duration.

Sponsored CUDA Board Education

Number of courses completed in 1998	27
Accumulated courses of 1998 Board members	129
Number of Board members who have completed program	3
Average number of completed courses	6

Section I: Members

2. Progressive Consumer Policies

In the traditional retail situation, the interest of the enterprise is generally to maximize sales to customers and profit for the external shareholders. While the law provides a framework for basic consumer protection, customers are still largely required and expected to bear full responsibility for protecting their own interests.

The Credit Union presents a different enterprise/customer dynamic, because the enterprise is consumer-owned and consumer-controlled for consumer benefit. While it is under market pressure to operate efficiently, competitively, and profitably, the Credit Union should be expected to institute and maintain consumer-friendly policies and programs because of its distinctive structure and mission.

Measuring Performance

In addition to a standard ethics policy and employee training on appropriate service and sales behaviour, Metro Credit Union has two other major consumer-oriented policies – related to pricing and privacy – that were a focus of this audit. Both are policy areas of increasing concern to consumers.

Future Considerations

As the social audit process evolves, this is another area requiring further review and consideration. First, the topic of “consumer practices” can cover many areas of contact between the Credit Union and its member-customers. Second, performance measurement is difficult in some areas, particularly where the “performance” is part of a private conversation between sales/service employees and the member.

In the future, it would be appropriate to take a more comprehensive look at consumer-related practices. Specifically, the Credit Union may wish to set its own policies or follow voluntary industry standards or codes, and incorporate additional indicators in future social audits. Topics might include: advertising practices, sales practices, and plain language disclosure on products and pricing.

Metro Credit Union Fair Pricing Policy

Members should be able to trust the Credit Union to provide pricing in a fair and equitable manner.

- Members will receive the same pricing and treatment for comparable banking relationships.
- Prices and qualifications for bonuses and discounts will be publicized to all who may qualify.
- Pricing bonuses are automatically provided to qualifying members, without request or negotiation.
- There are no hidden or discretionary prices or bonuses.
- Affinity group pricing benefits are available, as long as those within a specific affinity group are treated according to the fair pricing principles.

2. Progressive Consumer Policies

2.1 FAIR PRICING

There is a commitment at MCU to fairness in pricing of its services. As part of a broader pricing policy, the most recent version of the Fair Pricing Policy was approved formally by the Board on July 9, 1998. Essentially, this policy stipulates that any two members meeting the same criteria will pay or receive the same price for services. Further, members should not have to question staff about the best offer – staff training should focus on delivering this promise. A number of elements indicate how well MCU met this commitment.

2.1.1 Fair Pricing Awareness and Promotion

- The Owner's Guide notified members of the existence of the policy and described it briefly;
- An article in the September 1998 Members' Newsletter listed the essential elements of the Fair Pricing Policy of MCU.

2.1.2 Fair Pricing Complaints

Complaints about possible violations of the Fair Pricing Policy could come through any of the normal feedback channels discussed earlier in the report [see page 12]. There was no segregation of feedback specifically related to complaints about fair pricing. No specific complaints about fair pricing came to light in the review of feedback.

2.1.3 Fair Pricing Audit

It would also be possible for the internal audit department to test for policy observance to some extent. A third way to check whether the policy works is by using pretend members to apply for loans or investments. MCU used a similar process called mystery shopping to check on some of its service delivery. MCU did not include checks of its Fair Pricing Policy in its mystery shopping or internal audit tests for 1998.

2.2 RIGHT TO PRIVACY

MCU also has a privacy policy that stipulates the responsibility of the organization to maintain the

security of information about members. This is important for any organization that has access to and holds sensitive information about people. In the case of a financial institution, this information includes financial and other personal information of its members.

2.2.1 Policy Awareness

In 1998, MCU did not take any steps to inform its membership of the existence or requirements of the privacy policy. Without knowledge of the existence of such a policy, it is less likely that members can be watchful for its observance or aware of an instance when it was breached.

2.2.2 Electronic Privacy

As noted in the feedback section [see page 13], there was member interest in security issues on the on-line banking site. Responses were given to these questions explaining the measures in place on the site. In addition, an article in the September 1998 issue of the Members' Newsletter, which was sent to members, included several items explaining the security measures in place and how on-line banking aliases and passwords work.

The home banking site has several security features.

- When members initially sign on the banking site they use a password given to them by MCU but then select their own password.
- Additionally, each member has an alias on the system. Both passwords and aliases are encrypted.
- Finally, risk is further minimized because the on-line banking system does not allow members to transfer funds to other members.
- There is no access to the banking site directly from the internet – it is on a proprietary server and can only be accessed through it.

One potential weak link in member information is if a member leaves his or her information on the computer used to access MCU on-line banking. Information entered on a personal computer remains until it is deleted.

Members are informed on the banking site of the need to use physical sites that are secure, but it is up to the member to act on this advice.

Section I: Members

Telephone banking:

- The member needs a password and account number.

The web site:

- The web site is separate from the home banking site and information that goes from one site to the other is encrypted.

Corporate e-mail:

- Has a firewall and only accepts incoming mail from addresses it knows; and
- A proxy server receives internal and external e-mail first and passes it on after it clears security.

There are restrictions on who has access to member information within the organization. Each employee has a level of security clearance on the computer information system. Security levels are allocated based on the need of various staff positions to do transactions. All employees, regardless of whether they are in service delivery or administration, have the ability to view member accounts.

Staff members are informed in the Personnel Manual that all member information is confidential and must not be disclosed outside the organization. Further, information should only to be disclosed to other staff in the organization who need it for service delivery.

Section I: Members

3. Responsiveness to Members in Need

Introduction

Owners should expect that the enterprise they own will be responsive to their needs. In most cases, these needs are met through standard day-to-day services. On occasion, however, members may find themselves in need of special consideration or assistance due to an unfortunate situation or external circumstance. In these situations, it should be expected that members will turn to their own co-operative enterprise for assistance.

Measuring Performance

When members are confronted with financially adverse situations, how does the Credit Union respond? Metro Credit Union has a specific policy to assist members affected by strikes and lock-outs. Members, however, can face financial difficulties for a whole host of other reasons, and the Credit Union should measure how well it responds to these cases of special need. Another issue faced by Metro Credit Union is that it operates in a market where many people are not yet fully fluent in English.

These were the areas considered in this section of the social audit. Several other ways Metro Credit Union attempts to address people with special needs are covered in other sections of this report.

Future Considerations

Metro Credit Union generally describes itself as the community's banking alternative. Given its geographic market, Metro Credit Union needs to address whether it can or should provide services for non-English-speaking members of the community. Many people in Toronto are not fluent in English, and could not effectively work with an English-language institution. While Metro has a number of employees fluent in other languages, any resulting non-English service is informally provided – i.e., there is no guarantee that staff at any particular branch will be able to provide ongoing service in other languages. The Credit Union does not publish materials in any language other than English.

Metro Credit Union has limited resources. Any formal commitment to providing additional language services would require a significant redirection of resources. This becomes a matter for the Board, or ultimately the members, to determine whether this is an appropriate use of resources.

The issues identified and reviewed in this section are very specific, and do not necessarily reflect the only areas of member need where the Credit Union might provide assistance. Future consideration should be given to identifying other appropriate areas for review.

Section I: Members

3. Responsiveness to Members in Need

One of the defining criteria of a co-operative form of organization, is that it help its members become more economically self-sufficient. MCU assisted its membership in the following ways.

3.1 STRIKE AND LOCK-OUT POLICY

■ MCU has a Strike & Lock-Out Policy to assist members to meet financial commitments in the event of a strike or lock-out. A member can request that loan payments or lines of credit be adjusted to assist them through this period. MCU states that it will publicise the policy with the applicable unions when it is aware of a strike or lock-out situation. The policy is described on the MCU web-site where it was posted in the summer of 1998. There was no record of any specific notifications to unions or members individually.

■ MCU did not have a system in place to track any use of the Strike & Lock-Out Policy (that is, any arrangements made with individuals were not tracked). Therefore, it was not possible to know from records if it was used in 1998.

3.2 NEED FOR SPECIAL LOAN ASSISTANCE

■ As part of the spring 1999 member survey conducted by the Credit Union, members were asked if they had approached MCU in the past for any financial assistance. The responses are presented below, although readers should note that these results might have no relation to MCU performance in 1998.

% OF YES RESPONSES TO MEMBER SURVEY

Q. 1	Have you ever approached MCU when facing financial difficulties for assistance such as postponement of a loan or mortgage payment?	17%
Q. 2	If you answered YES to Q. 1, did you submit a formal application for this assistance?	6%
Q. 3	If you did not fill out a formal request, was it because your request was discouraged or turned down without applying for these services?	17%
# of survey respondents		All Branches – 773

% OF YES RESPONSES TO MEMBER SURVEY BY BRANCH

BRANCH	# OF SURVEY RESPONDENTS (WEIGHTED)	Q. 1	Q. 2	Q. 3
Bolton	31	13.0%	1.9%	0%
Bramalea	53	22.8%	8%	0%
Brown's Line	38	16.0%	3.2%	18.1%
College Street	200	14.5%	21%	25.0%
Danforth	52	25.0%	8.8%	27.8%
Humber Campus	16	18.0%	2.3%	0%
Lakeshore	35	20.0%	3.9%	0%
Malton	114	16.4%	9%	19.8%
Ryerson	27	18.0%	3.5%	35.7%
Scarborough	138	18.0%	16.6%	0%
Streetsville	22	21.0%	2.6%	11.1%
York Campus	47	17.0%	4.7%	57.6%

Section I: Members

3.3 LANGUAGE AND SERVICE

Effective member service and access is partly dependent on the ability of MCU to provide service in languages that members can understand. The 1999 member survey conducted by the Credit Union asked for member feedback on this issue. The very nature of

communication problems makes it difficult for anyone with these concerns to voice them. Therefore, it should be taken that the survey responses represent only the minimum possible percentage of members who might have required assistance.

% OF YES RESPONSES TO MEMBER SURVEY BY BRANCH

BRANCH	# OF SURVEY RESPONDENTS (WEIGHTED)	HAS LANGUAGE BEEN A BARRIER TO YOU DOING ALL THE BUSINESS YOU WANTED TO WITH MCU?	DO YOU REQUIRE THE ASSISTANCE OF AN ENGLISH SPEAKING FRIEND OR FAMILY MEMBER TO CONDUCT YOUR BUSINESS WITH MCU?	DO YOU PREFER SERVICE IN A LANGUAGE OTHER THAN ENGLISH	THE LANGUAGE PREFERRED BY MOST IN THIS % GROUP ¹
Bolton	31	0 %	2.0 %	2.0 %	French
Bramalea	53	0 %	5.0 %	7.0 %	Italian French
Brown's Line	38	1.1 %	8.0 %	10.0 %	Italian
College Street	200	1.5 %	5.5 %	8.5 %	Spanish
Danforth	52	1.9 %	1.0 %	2.0 %	French
Humber Campus	16	0 %	2.0 %	6.0 %	Italian French Cantonese Spanish
Lakeshore	35	1.1 %	3.0 %	8.0 %	Italian Spanish
Malton	114	0.7 %	3.6 %	6.3 %	Italian
Ryerson	27	0 %	2.0 %	7.0 %	French
Scarborough	138	0 %	1.3 %	4.7 %	Cantonese
Streetsville	22	0 %	1.0 %	4.0 %	Italian
York Campus	47	0 %	0 %	11.0 %	Italian
All Branches	773	0.7 %	3.2 %	6.7 %	Italian

¹ Where an equal number of people chose different languages, they are all listed.

² Note that within the relatively small percentage of members preferring service in a language other than English, the percentage is divided among two or more alternatives; the largest percentage in any branch that chose any one alternative language was 3%.

There was no system for MCU members to communicate, in writing or orally, in a language other than English. Some of the branches had staff members fluent

in languages in other than English, but they were not formally identified to assist members who might have wanted their assistance.

Section II: Employees

The Metro Credit Union operation is supported by approximately 170 full and part-time employees. The employees are also member-owners, but are precluded by the Ontario Credit Unions and Caisses Populaires Act from holding Board seats.

Given the time spent at work and their reliance on the Credit Union for income, employees have a more encompassing relationship with the Credit Union than other members-owners.

One employee – the Chief Executive Officer – is hired directly by the Board. The CEO, in turn, hires the senior management team, who are responsible for hiring department and branch managers, and either directly or indirectly, all other employees. Together, the employees are responsible for delivering services to members, and carrying out all other

functions and obligations of Metro Credit Union.

A review of Credit Union social performance, therefore, must address a number of issues related to employees and employment conditions. Like many other enterprises, the Credit Union has an extensive set of policies and programs related to employees and employment. Many fulfil regulatory or legal requirements and others relate more specifically to Metro Credit Union practices.

The social performance assessment focused mostly on areas of discretionary practices – that is, areas where Metro Credit Union has choices in how it relates to employees. The social performance indicators are covered under the broad categories of: 1) Compensation, 2) Work Environment, and 3) Employee Support.

4. Compensation

Introduction

From an employee perspective, one of the most important elements in the relationship with the employer is the compensation program. How is the employee compensated for her/his time, energy and contribution to the operation? All parties would probably agree that the objective is to have a “fair and competitive” compensation program. Yet this is an area where opinions can vary greatly. Different employers, even within a common industry or market, may differ widely on their practices. Individual employees, even within a single enterprise, may have very different beliefs and expectations about appropriate compensation.

Measuring Performance

Given this context, the social performance assessment focused on salaries and benefits, pay equity and employment equity.

Future Considerations

The current assessment focuses only on internal data, which will provide more value in future years as

trends become apparent. The assessment did not look at any comparative data for other credit unions or within the financial services industry, either in our regional market or elsewhere. Further consideration should be given to what other data is readily available within the industry to allow external comparisons. Another point of consideration is whether the Credit Union should have a more specific set of policy objectives in regard to various aspects of compensation. What does it hope to accomplish and how?

The issue of employment equity – i.e., are people from different groups being treated fairly and equitably – is both challenging and contentious. While most Canadians accept the concepts of fairness and equity in the workplace, there is less agreement on: 1) whether there should be attempts to measure employment equity, 2) if so, how it is done, and 3) how the results should be interpreted or used.

As noted below, the current assessment on equity attempted only to determine how future assessments might be done. It is still unclear how the Credit Union can best develop a practical and acceptable assessment strategy in this area.

4. Compensation

4.1 SALARIES AND BENEFITS

In addition to employment equity, fairness can be promoted in other ways. We accept in our culture that different levels of effort and skill justify different levels of compensation. Although there is no general agreement in society on the acceptable compensation range, there is recognition that at some point the difference between compensation at different levels of the organization becomes too large.

4.1.1 Remuneration

Following are several indicators of the range of remuneration at MCU:

RATIO OF AVERAGE TOTAL SALARIES AND BENEFITS USING NON-MGT. STAFF AS BASE	
Non-mgt. Staff	1
Management	1.6 times Staff
Senior Management	2.8 times Staff

4.1.2 Profit-Sharing

Metro Credit Union has profit-sharing for all employees. Both full-time and part-time employees are eligible. An employee is eligible if he or she achieves a benchmark grade on their evaluation. In 1998, 90 of 98 total eligible employees received profit-sharing (this was before the merger with Jet Power Credit Union and the increase in the number of employees). This profit-sharing program, based on the 1998 fiscal year results, gave each employee \$785. Each employee received an equal share.

Section II: Employees

4.1.3 Benefits

MCU offers a wide range of benefits to its employees that are 100% included in compensation. These are listed below along with an indication of their availability to full-time and part-time staff at senior management, management and non-management staff levels.

BENEFIT	STAFF (PART-TIME)	STAFF (FULL-TIME)	MANAGEMENT (FULL-TIME)	SENIOR MANAGEMENT (FULL-TIME)
Mortgage discount	✓	✓	✓	✓
Line of credit or loan discount	✓	✓	✓	✓
Home equity line of credit discount	✓	✓	✓	✓
Free financial services except safety deposit box rental, manual bill payment, non-ATM Interac	✓	✓	✓	✓
Staff rate on foreign exchange	✓	✓	✓	✓
1/4% bonus on term deposits	✓	✓	✓	✓
75% top-up on maternity and parental leaves	✓	✓	✓	✓
Earned deferred leave	✓	✓	✓	✓
Employee Assistance Program	✓	✓	✓	✓
Business related training educational benefit	✓	✓	✓	✓
Senior management vacation: 1 to 9 years – 4 weeks 1 day of additional holiday for every year after nine years	N/A	N/A	N/A	✓
Full-time management and staff vacation: 1 to 5 years – 3 weeks 6 to 15 years – 4 weeks 1 day of additional holiday for every year after fifteen years to a maximum of 6 weeks	N/A	✓	✓	N/A
Part-time staff vacation: vacation paid as a % of salary	✓	N/A	N/A	N/A
Flexible perquisite account funded from holding back 5% of gross salary	X	X	X	✓
Bonuses	✓	✓ ²	✓ ²	✓ ¹
Semi-private hospital room	✓ ³	✓	✓	✓
Medical plan including prescriptions, vision and dental	✓ ³	✓	✓	✓
Benefits extended to common-law and same gender	✓ ³	✓	✓	✓
Group life insurance at 3 times salary	✓ ³	✓	✓	✓
Travel accident insurance	✓ ³	✓	✓	✓
Pension plan contributions mandatory at age 35 – MCU contributes 7.5% of gross salary and employee contributes 5%.	✓ after 2 years service and for those who work 20 hours per week or more	✓	✓	✓
2 floating days	X	✓	✓	✓
Non cumulative sick leave days	✓ 5 days	✓ 10 days	✓ 10 days	✓ 10 days
Attendance bonus exclusive of floating days	✓ \$60	✓ \$125	✓ \$125	✓ \$125
Bereavement days	✓ 2 days	✓ 3 days	✓ 3 days	✓ 3 days

¹ Up to 5% of salary with no other profit sharing or cost of living available ² Bonuses used as appropriate in lieu of raises for staff who reach the top of the salary scale for their position.

³ MCU pays the percentage of the cost of these benefits of a full-time equivalent position. For example, if someone works half time, MCU pays half the cost and the employee pays the other half.

Section II: Employees

In addition there are benefits available for employees to purchase at cost.

BENEFIT	STAFF (PART-TIME)	STAFF (FULL-TIME)	MANAGEMENT (FULL-TIME)	SENIOR MANAGEMENT (FULL-TIME)
Long-term disability insurance	✓	✓	✓	✓
Option for employees to purchase additional life insurance	✓	✓	✓	✓
Option for employees to purchase additional dependents' insurance	✓	✓	✓	✓

4.1.4 Pay Equity

MCU has a pay equity system in place. Each position was analysed based on its requirements in terms of education, experience and physical and mental skills. Pay ranges were assigned to each position with levels that allow for improved performance of the functions of each position. Employees filling these positions are evaluated on their performance of the requirements of the position. Employees' salaries should be within the range allowed for their position.

In 1998, one employee received less than the bottom of the range for a position. Some employees were above their position ranges. However, the latter was largely because of salary increases that preceded the implementation of the equity program. This was the case for a few MCU employees and some of the former employees of Jet Power Credit Union who only came under the employment equity program when the two organizations merged in 1998.

4.2 EMPLOYMENT EQUITY

A measure of the fairness of treatment of employees is an organization's commitment to employment equity.

Unfortunately it was not possible to measure the extent equity is achieved along lines of gender and population group or ethnic/cultural identity. To do so requires that each employee file identify these attributes. Only if this information is available can a social audit report on the fairness of hiring, promotions and departures.

As part of this social audit, it was decided to survey employees on their willingness to supply this information voluntarily for future use.

Of those who responded to this question, 38% said they would provide this information, 33% said they would not, and 29% were unsure. There are some variations in results based on the gender and whether the employee is a member of a visible minority or has a handicap. These results are not presented here due to concerns about confidentiality within the relatively small survey population. Given these results, a decision will need to be made. Can worthwhile results be achieved by tracking employment equity for only those groups of employees who are in favour of providing the information voluntarily?

Section II: Employees

5. Work Environment

Introduction

Most employees spend a minimum of 35 hours each week in the workplace. The physical work environment can play a critical role in workplace efficiency, employment satisfaction and overall quality of life.

Measuring Performance

Performance measurement in this area focused on:

- 1) the work of the Health and Safety Committee,
- 2) physical safety and psychological support related to robberies,
- 3) amount of employee illness, and
- 4) ergonomics, or how well the physical workplace is designed.

Future Considerations

As with other data being collected for the first time, it is unclear how to interpret survey results, given the lack of internal or external comparative data. Future audits will need to consider trending and whether any meaningful external data is available to help assess results in this area.

5. Work Environment

5.1 HEALTH AND SAFETY

The provision of a healthy and safe working environment is a necessary feature of Metro's commitment to social responsibility.

5.1.1 Health and Safety Committees

The Health and Safety Committees are in an early stage of development. MCU divided its offices and branches into two areas and each area had one meeting in 1998. This was an introductory meeting to discuss the purpose and procedures for these Committees. All staff members were invited to the meetings and each meeting had attendance of six to eight people including the Facilities Manager and a distribution of staff from different sites.

The definition of the Committee's purpose was postponed to the next meetings and these had not yet taken place in May 1999 at the time of the social audit fieldwork. Health and Safety Committees can be the internal standard setter and watchdog for the organization.

5.1.2 Robbery Procedures

An unfortunate reality of the banking industry is that it sometimes attracts robbers. MCU has done extensive work on staff preparation for bank robberies. There are written protocols that emphasize the precedence of safety. New facilities and renovations are designed to discourage robberies.

In 1998 there were robberies at the Malton Branch and the old Lakeshore Branch. Staff from head office came immediately to assist with the robbery aftershock. Within a few days, group counseling sessions were provided to all staff at the site by external consultants. Staff members could also access confidential counseling through the MCU Employee Assistance Program. However, although all staff knew of this program in general, it does not seem that the availability of this service was reinforced after the robbery. On the whole, staff were satisfied with the support from the organization. Some, but not all, of their recommendations on physical layout have been implemented. Staff recommended changes to the physical layout at Malton, some of which have been done. The Lakeshore Branch has since been relocated to a new site and this site has better view planes.

5.1.3 Employee Illness

One indicator of a healthy and safe work environment is the level of illness days in an organization. At MCU, there is no distinction made between absence for illness or other reasons except vacation. 1998 records show:

	DAYS ABSENT AS A % OF PAID DAYS IN THE AUDIT PERIOD
Non-management Staff	.4 %
Management	.5 %
Senior Management	.4 %

5.1.4 Ergonomics

The ergonomics of workstations is a significant health and safety issue in an office environment such as MCU. A total of 165 employees were surveyed by EthicScan on satisfaction with their physical environment and 139 employees responded as follows:

PHYSICAL ATTRIBUTE	1 VERY SATISFIED	2	3	4	5 VERY DISSATISFIED	NO ANSWER
Keyboards	14 %	20 %	34 %	17 %	14 %	1 %
Monitors	23 %	33 %	25 %	7 %	8 %	4 %
Chairs	17 %	26 %	25 %	11 %	17 %	4 %
Lighting	15 %	31 %	28 %	14 %	9 %	2 %
Heating/Air Quality	9 %	10 %	24.5 %	30 %	24.5 %	2 %
Workspace	24 %	17 %	21 %	24 %	11 %	3 %
Privacy/Quiet	15 %	26 %	25 %	20 %	13 %	1 %

Section II: Employees

6. Employee Support

Introduction

Progressive employers provide ongoing support for employee development, particularly in the form of educational programs and training. Another form of support that employees require is a clear means for resolving workplace problems and disagreements.

Measuring Performance

The social audit focuses on these two areas: 1) staff training and education, and 2) both formal and informal problem resolution.

Future Consideration

In future assessments, it would be useful to find comparable data on employee training support in other credit unions and within the industry.

Future assessments should also review the Credit Union policy on mergers and acquisitions, which states that employment preservation is a priority in those circumstances. Do other institutions have a comparable commitment to employees? How well does the Credit Union meet this policy objective?

6. Employee Support

6.1 Education and Training

A staff development program encourages staff to develop and add to their individual growth and the growth of the organization. In the credit union movement, additional development is needed for staff to realize the unique attributes of being a credit union organization and enhance their ability to contribute to its growth.

- MCU has given attention to the first of these educational efforts. It allows business related training for all staff. While there are no specific limits, the program is intended for short-term courses and not major expenditures such as executive MBA programs. The company pays the fee for an accepted program up front. If an employee is not successful, payback would be expected. In addition, MCU has in-house seminars for development of various skills. However, there were no seminars focused specifically on the unique characteristics of the credit union or co-operative movements.
- The amount spent by MCU on staff education and training during fiscal 1999 (April 30, 1998 to March 31, 1999) was \$180,000. This represented out-of-pocket expenditures for training, and did not include staff resources used to organize or conduct training, or the cost of staff time when they were training. Neither of these latter costs were tracked.
- This represented an average expenditure per employee (measured as the number of full-time equivalent positions) of about \$1200.

6.2 Employee Recourse

The ability of employees to voice valid concerns and complaints in a formal process that allows their voice to be heard and protects their tenure is an important ingredient in ensuring the integrity of an organization. This is an internal check on whether MCU walks the talk.

6.2.1 Whistle Blowing Policy

A policy that is specifically designed to allow employees to report any actions that are perhaps contrary to the articulated goals of the organization is called a whistle blowing policy. MCU does not, at this time, have such a policy. When such a policy is established, it will be important to confirm that employees are aware of it and feel able to use it, if required.

6.2.2 Grievances

A grievance policy sets out a procedure that allows an employee to bring forward concerns about his or her treatment by the organization. MCU does have a formal Grievance Procedure printed in the Employee Personnel Manual. It lays out the procedure for submitting a grievance and time lines for its resolution. MCU did not have any formal grievances submitted in 1998. The employee survey done in the spring of 1999 indicated there were two grievances filed in the prior three years. One of the two was resolved to the satisfaction of the employee and the other was not.

6.2.3 Complaint Resolution

The recent survey also asked employees if they had made less formal complaints. Eighteen people indicated they had brought forward complaints in the last three years and of these, it was indicated that ten were not solved to the satisfaction of the employee.

Section III: The Community

Metro Credit Union presents itself as a community credit union and an alternative to the banks. But what does Metro Credit Union mean by “community”?

“Members” and “employees” are very clearly defined groups. As the social audit process evolves, the definition of “the community” will need further refinement. To some extent, the answer will come as the Credit Union continues to refine its vision, mission and strategic direction.

At this point, it may be more appropriate to think of Metro Credit Union serving “communities”

rather than “a community”. The Credit Union clearly provides service in a number of distinctive geographic communities. Within the membership are also groups who may rightly define themselves as part of a non-geographic community: for example, people with common interests, concerns, values or professions.

For the purpose of the current social performance assessment, the indicators are grouped in the following subject headings: 1) Serving the Community, 2) Community Social and Economic Development, and 3) Responsible Investment.

7. Serving the Community

Introduction

As noted above, Metro Credit Union has not categorically defined what communities or groups it wishes to serve. From past policy decisions, discussions and practices, it can be determined that there has been concern about being accessible to physically challenged members. Also, the Credit Union has yet to determine whether it can or should serve the large immigrant and ethnic communities in the Greater Toronto Area that are not being well-served by other financial institutions. (Groups with specific social/economic disadvantages are covered in the next section.)

Measuring Performance

Given the limitations noted in the introduction, the current social performance assessment focused on two specific groups: 1) access for the physically challenged, and 2) the variety of ethnic/cultural and population groups within the membership.

The latter issue was addressed by asking members through a confidential survey if in the future they would be comfortable providing information on population group (race) and ethnicity to allow the Credit Union to help determine how well it is serving these communities in the Greater Toronto Area.

Future Considerations

The Social Audit Task Force and auditor discussed this issue extensively, only to conclude that the Credit Union should develop more clarity on which communities it expects to and can realistically serve.

The member survey results on the confidential disclosure of population group and ethnicity may be interpreted in several ways. Yet, only 12% responded with a clearly negative answer regarding provision of this information, indicating that it may be worthwhile to proceed with collecting the data the next time a complete member survey is done.

7. Serving the Community

7.1 Accessibility

MCU wants to meet the credit union mission of openness to all who wish to join. It has selected several ways to judge how well it is meeting this mission:

Friendliness of Access for Those with Disabilities¹

BRANCH	PARKING ²	DOORS ³	ACCESS ⁴	WHEEL CHAIR: SPACE ⁵	WHEEL CHAIR: COUNTER ⁶	WHEEL CHAIR: ATM ⁷	SIGHT IMPAIRED: ATM ⁸
College Street	✓	✓	X ⁹	✓	✓	✓	X
Ryerson	✓	✓	✓	✓	✓	✓	✓
Danforth	✓	✓	✓	✓	✓	✓	✓
Scarborough	✓	X	✓	✓	✓	✓	✓
York Campus	✓	✓	✓	✓	✓	✓	✓
Humber Campus	✓	✓	✓	X	✓	✓	✓
Lakeshore	✓	✓	✓	✓	✓	✓	✓
Malton	✓	X	X	✓	✓	X	X
Bramalea	✓	X	X	✓	✓	X	X
Streetsville	✓	X	✓	✓	✓	✓	X
Bolton	✓	X	X	✓	✓	N/A	N/A

¹ These accessibility features were measured in May, 1999. Branches closed in 1998 are not included.

² Parking – branch is either close to parking or accessible public transport.

³ Doors that have automatic opening devices or are open when the branch is, as is the case for branches in malls.

⁴ Entrance to branch and branch site is either flat, has a useful ramp or an elevator.

⁵ Space in branch to maneuver a wheelchair.

⁶ Access to service at a desk or counter usable by a wheelchair.

⁷ Wheelchair accessible Automatic Teller Machine; N/A means location has no ATM.

⁸ Sight Impaired controls on Automatic Teller Machine; N/A means location has no ATM.

⁹ The Commercial Loan Department is upstairs.

7.2 Population Group and Ethnicity

If MCU could show that its members reflect the community, this would be another way to measure its success at openness. This would involve comparing demographic characteristics of MCU membership with the same characteristics of the Greater Toronto Area. In the spring 1999 Member Survey, members were asked whether they would be willing to supply this information in the future. Specifically, they were asked to indicate whether they would provide, if asked, their population group and ethnic or cultural origin using the categories laid out by Statistics Canada.

Whether Members Wish to Provide Confidential Demographic Information

	POPULATION GROUP (RACE)	ETHNIC OR CULTURAL ORIGIN
YES	57%	57%
NO	11%	12%
Not sure	18%	16%
Not answered	14%	15%
Total	100%	100%

Section III: The Community

8. Community Social & Economic Development

Introduction

Metro Credit Union has demonstrated for many years its commitment to supporting the economic and social development of the communities it serves. The type of contribution that Metro makes is sometimes described as community economic development (CED). CED is the mobilization of local community resources, through community-based institutions, to contribute to the social and economic development of the community, with a particular focus on those in most need. As an institution that recycles community capital resources, Metro Credit Union itself is an example of a CED enterprise.

Metro Credit Union also has a long-standing commitment to help those who are socially and economically disadvantaged. This has led to a number of initiatives, particularly in the direct and indirect support of community loan funds, as well as other less formal programs and practices to provide assistance. In most cases, however, the programs and policies have not had any significant impact in the community. The possible exception may be the community donations program to which the Credit Union directs 2% of pre-tax profits, which exceeds the 1% minimum standard set by the Imagine Campaign for corporate giving.

Measuring Performance

The current performance assessment focused on a number of areas where it is currently possible to measure contributions: 1) lending, 2) special programs, and 3) donations.

Future Considerations

The social performance assessment of a financial institution should presumably focus on the provision of banking services to those in need. The current assessment includes an examination of certain lending practices and results, but this entire area needs much more consideration on how best to carry out a practical and useful assessment. Additional data collection would be helpful, but there are many practical and legal limitations on what types of data can readily be collected, particularly in the lending area. An example of a practical

dilemma is measurement of micro-enterprise financing, given that many micro-enterprises are financed in ways that are invisible to the Credit Union, for example through personal lines of credit and credit cards.

The social assessment of data is also difficult. For example, a high turn-down ratio for loan applicants could be interpreted negatively, in that the Credit Union is turning away those in need. The same results could also be interpreted more positively, in that the Credit Union is indeed trying to work with those in need, but is also making an appropriate judgement not to advance further credit to those who are already financially overburdened.

In the past year, the Credit Union appointed a task force to make recommendations on how to become more focused and have more impact in serving under-served individuals and communities. This work may provide some needed focus for the Credit Union and for future social performance assessments.

Other credit unions, such as VanCity Savings, have also introduced a wider range of socially responsible banking products to help support specific CED programs – e.g., community development term deposits, micro-enterprise loan programs, and affinity credit card programs. The current social audit of Metro Credit Union did not measure performance in these areas, because Metro has no products of this nature. This is a case illustrating the difficulty of designing an appropriate social assessment. Should the Metro assessment illustrate that it lacks these products, or ignore the issue because Metro isn't offering the products? At this time, the issue is absent in the findings. Should it be in future assessments?

Finally, approximately 800 non-profit and community organizations are members of Metro Credit Union. It may be argued that one of the important contributions the Credit Union makes to the community is the provision of specialized services for other community groups. If this is the case, how can that impact be assessed in future social audits?

Section III: The Community

8. Community Social & Economic Development

8.1 LOANS

8.1.1 Loans to Assets

The monthly loan portfolio as a percentage of MCU assets was:

Total Loans to Members as a Percentage of Assets

1998	LOANS TO MEMBERS AS % OF ASSETS
April	88 %
May	88 %
June	87 %
July	88 %
August	88 %
September	88 %
October	88 %
November	87 %
December	86 %

8.1.2 Micro-Enterprise and Small Business Loans

NEW MICRO-BUSINESS AND SMALL BUSINESS LOANS APRIL TO DECEMBER, 1998

BRANCH	MICRO LOANS: I.E., UP TO \$10,000			SMALL BUSINESS LOANS: I.E., \$10,001-\$50,000		
	#	\$	NEW LOAN \$ AS A % OF ALL NEW COMMERCIAL LOANS	#	\$	NEW LOAN \$ AS A % OF ALL NEW COMMERCIAL LOANS
Bolton	0	0	0 %	1	\$ 20,000	100 %
Bramalea	0	0	0 %	1	\$ 35,000	100 %
College Street	11	\$ 71,000	1 %	12	\$ 327,750	4 %
Danforth	2	\$ 6,000	1 %	2	\$ 39,200	5 %
Humber Campus	0	0	0 %	0	0	0 %
Lakeshore	0	0	0 %	2	\$ 61,000	24 %
Malton	0	0	0 %	1	\$ 20,000	100 %
Ryerson	1	\$ 5,000	1 %	5	\$ 120,000	19 %
Scarborough	1	\$ 2,000	1 %	3	\$ 130,000	70 %
Streetsville	1	\$ 8,500	38 %	1	\$ 14,000	62 %
York Campus	0	0	No new lending	0	0	No new lending

8.4 STAFF TIME

Contributions to community economic development in both dollars and staff time are a goal of MCU. This is not something that MCU has tracked in the past so it could not be reported in this social audit. Systems will be put in place to report on this activity for the next social audit.

8.2 LOWER FEES AND MEMBERSHIPS

MCU has available fee waivers or long-term share purchase options to increase the ability of people in need to become members. Three members were receiving fee waivers.

8.3 BANKING FOR NON-PROFITS

MCU also has many non-profit organizations which use the Credit Union's chequing, savings, investing and borrowing facilities. The actual usage of these services follows.

BRANCH	NON-PROFIT ORGANIZATION ACCOUNTS #
Bolton	24
Bramalea	19
College Street	381
Danforth	41
Humber Campus	20
Lakeshore	18
Malton	45
Ryerson	69
Scarborough	45
Streetsville	9
York Campus	108
Total	779

8.5 DONATIONS

Charitable donations are another way MCU contributes to its broader community. In the fiscal year ended March 1999, donations totaled \$41,000. This is 3.1% of 1997-98 earnings before taxes and member dividends. The corporate donations policy is that the donations budget be 2% of pre-tax profits of the preceding fiscal year.

Section III: The Community

9. Socially Responsible Investment

Background

Metro Credit Union has an extensive history of promoting the concept of socially responsible investment – i.e., making investment decisions with consideration to both financial and social impacts. The Credit Union has its own social investment policy for corporate investments, and is one of the leading retail centres in Ontario for the sale of socially screened mutual funds.

Measuring Performance

The performance assessment this year focused solely on the application of the Credit Union's own social investment policy.

Future Considerations

The Metro Credit Union investment policy begins by stating that the first and most important use of funds is to provide loans to members. While it would seem a reasonable assumption, the policy is not clear on whether the social investment criteria apply to the Credit Union's commercial loans.

As well as being a direct investor, the Credit Union, through its partnership with investment companies, helps promote investment products to its members. How does the Credit Union promote the concept of socially responsible banking and investment? What are the results and trends in regard to members' purchase of socially responsible investments compared to traditional investments? What member and public education role does the Credit Union play on this issue?

It would be appropriate to develop further indicators for this area in future assessments.

9. Socially Responsible Investment

MCU's Investment Policy includes the following clause:

The credit union will not invest in corporations that, either in Canada, or abroad:

- (i) engage in environmentally destructive practices;*
- (ii) engage in the manufacture or sale of military armaments;*
- (iii) engage in production or wholesale sales of tobacco products;*
- (iv) practice or encourage poor or inferior labour relations;*
- (v) practice or encourage poor or inferior human rights standards;*
- (vi) practice or encourage poor or inferior aboriginal relations.*

The policy covers the investment of funds to meet the liquidity requirements of the organization. These investments were with CUCO, provincial governments or the federal Canadian government and met the criteria of the investment policy.

In 1998, investments that were in the form of loans and mortgages to members were not covered by this policy.

Section IV: Other Groups

Though to a lesser degree than with members, employees and the community, Metro Credit Union has relations with other groups which require consideration. The Board and management of Metro have often played an active role in the credit union and co-op movements. The Credit Union also interacts on a daily basis with dozens of major and minor suppliers of products and services. The Credit Union is occasionally required to interact with government and regulatory officials, regarding the affairs of Metro Credit Union or matters affecting the broader credit union system.

The current assessment provides a brief overview of certain activities in relation to these groups. The Task Force and our auditor concluded that these areas of assessment, while important, are not priority areas in the coming years.

The development and implementation of new policies, however, may provide a better means to focus our social performance assessment with these groups in future years. For example, the Credit Union recently developed a Responsible Purchasing Policy, which will provide a means of assessment related to suppliers in future audits.

Section IV: Other Groups

10. Credit Union & Co-op Movement

MCU has a commitment to strengthening the credit union and co-operative movements. It is also committed to co-operation with its fellow credit unions and co-operatives. Evidence of activity to meet both these objectives is MCU's participation in the exploration of the development of a national financial co-operative institution with nine other Canadian credit unions. Following are other activities undertaken during 1998 that were targeted to meet one or both of these objectives.

During the audit period, the CEO:

- did a presentation on the national financial co-operative initiative to Toronto area credit unions;
- spoke at the Credit Union Professional Development Day hosted by Deloitte & Touche Chartered Accountants in Toronto;
- served on the Board of the Credit Union Executive Society of Ontario;
- spoke at the Streetsville Rotary Club;
- addressed a class at Centennial College; and
- served on the Investment Services Advisory Committee of Credit Union Central of Ontario (CUCO).

MCU staff also participated to fulfil these objectives during the audit period. They:

- wrote an article published in a community economic development newsletter on the role of credit unions in advancing community economic development;
- participated actively in the CUCO Annual General Meeting;
- served on the Technology Advisory Committee of CUCO; and
- responded to requests to consult with groups interested in forming new credit unions.

MCU also participated in the following ways to demonstrate its commitment to the movement:

- In conjunction with the Co-op Housing Federation of Toronto, MCU has an affinity banking program for housing co-ops. This gives housing co-ops access to bonus interest rates and other service benefits;
- MCU financially supported the CUCO initiated fire safety education program; and
- MCU donated items to the silent auction in support of the Ontario Credit Union Charitable Foundation.

11. Suppliers

MCU cannot dictate social responsibility to its suppliers, but there are steps it can take to encourage suppliers to participate in the MCU vision. It can also give preference to suppliers that meet MCU expectations in the area of social responsibility.

- At this time, MCU does not have a policy statement about its expectations for suppliers and social responsibility. This would be a first step in encouraging suppliers to follow its lead.
- MCU promotes financial services of other co-operative or social investment organizations including The Co-operators, Ethical Funds, Credential Securities and

Co-operative Trust. MCU also is a member of credit union associations that provide the organization itself with services. These organizations include Credit Union Central of Ontario (CUCO), Credit Union Electronic Transaction Services (CUETS), Credit Union Central of Canada (CUCC) and Credit Union Member Insurance Services (CUMIS). Some of these associations are, in turn, the suppliers of the above mentioned financial services. To date, none of these suppliers or affiliated organizations have completed social audits. Should these be conducted, MCU would notify members of their availability.

12. Government

One of the principles of co-operatives is to advance democratic principles. As a co-operative organization, MCU can contribute by participating in the workings of democracy. As such, it can respond to government requests for consultation and information and it can initiate communication on policy issues. Policy issues could relate directly to the operation of credit unions or co-operatives. There also could be issues arising from the broader mandate of foundational international co-operative principles to serve the under-served of the community.

- In 1998, MCU, in conjunction with other credit unions, was involved in exploring the possible purchase of the Province of Ontario Savings Office. Although this initiative did not proceed, these credit unions answered the request from government to consider the matter and participated in a full analysis of the possibilities; and
- MCU lobbied the government to favour legislation permitting the formation of a national co-operative bank.

Section V: The Environment

All individuals, organizations and businesses need to be alert to how their actions and operations affect the natural environment.

Regarding internal operations, the Credit Union has an environmental impact through consumption, use and disposal of resources. As a financial institution, the Credit Union can play an indirect role by determining if it will provide services to other businesses or institutions engaged in environmentally destructive or inappropriate practices. As a purchaser of goods and services, the Credit Union can play a role by purchasing the environmentally appropriate alternatives, when possible.

At this time, Metro Credit Union has relatively few formal environmental policies, programs or standards in place. In order to focus environmental performance assessments in the future, it would be appropriate for the Credit Union to consider its objectives in terms of environmental practices and set policies and standards where necessary.

The current performance assessment only addressed the issue of resource use, specifically the consumption of gas, electricity and certain paper products.

Section V: The Environment

13. Resource Use

As a measure of its effect on the environment and attempts to improve environmental responsibility, MCU will track its consumption of major energy uses and paper consumption. These are two items recommended for reporting by the Coalition for Environmentally Responsible Economies (CERES).

Consumption of Electricity and Natural Gas by Location

LOCATION OF OFFICES, BRANCHES OR SUB-BRANCHES ¹	CONSUMPTION PER SQUARE FOOT FOR APRIL TO DECEMBER 1998		
	GAS \$	ELECTRICITY \$	COMBINED UTILITY USAGES \$
Bolton	.416	1.244	1.660
Bramalea	.083	1.778	1.861
Brown's Line	.147	1.235	1.381
College Street	gas not used	2.023	2.023
Danforth	gas not used	3.208	3.208
Humber Campus	leased/not available	leased/not available	
Lakeshore - location opened in June 1998	.158	.514	.672
Malton	.092	1.123	1.215
Ryerson	leased/not available	leased/not available	
Scarborough	.167	2.357	2.524
Streetsville	.138	1.326	1.463
York Campus	leased/not available	leased/not available	
Dehavilland	leased/not available	leased/not available	
Litton	leased/not available	leased/not available	
County Court	leased/not available	leased/not available	

¹It was not possible to obtain this information for locations where space is leased as part of a mall as the utility charges are included in the rent. Locations scheduled for closure are not included.

Three major paper products were selected for measurement: newsletters, bond paper and member statements.

Consumption from April 1, 1998 to December 31, 1998

	MEMBERS' NEWSLETTER MAY AND SEPTEMBER	BOND PAPER	MEMBER STATEMENTS
Total Weight	6570 kg.	Data not provided	Data not provided
Weight Consumed per Member	.15 kg.	Data not provided	Data not provided

Section VI: Social Audit Communications

As noted in the introduction to this report, the social audit field is new and evolving. In order to further develop this methodology, it is necessary to publicize and promote social auditing to as many appropriate audiences as possible.

Metro Credit Union tries to play a leadership role in this regard. To our knowledge, we were the first Canadian financial institution to publish a social audit report in 1993. Likewise, in 1996, we became the first Canadian financial institution to carry out and publish an externally verified social audit of our operation.

More recently, Metro Credit Union and VanCity Savings, Canada's largest credit union, jointly hosted a meeting of Canadian credit union representatives to discuss development of common guidelines and standards for credit union social audits. A project to develop a credit union social audit handbook is now underway.

For these reasons, the Metro Credit Union social performance assessment includes the following section, with a review and assessment of the steps the Credit Union has taken to publicize and advance the use of social audits.

Section VI: Social Audit Communications

This 1998 Social Audit is the third one by MCU. Although the 1996 Social Audit summary report was prepared and published, there was no formal plan to widely disseminate the results. It is not known where and to whom the report was distributed as records were not kept.

MCU publicised the availability of its 1996 Social Audit summary report to the co-operative and credit union community as follows:

- An article in the July 1996 Credit Union Central of Ontario (CUCO) newsletter;
- An article in the July/August 1996 Credit Union Way magazine.

Members were notified of the 1996 social audit results as follows:

- An article about the forthcoming summary report in the Spring 1996 Members' Newsletter;

- A presentation at the June 1996 AGM included distribution of summary report;
- Display of report at all branches in Summer – Fall of 1996;
- An article in the Fall 1996 Members' Newsletter included information on how to obtain a copy of the summary report;
- Social Audit Task Force did an update report at the June 1997 AGM;
- An article in the January 1998 Members' Newsletter called for volunteers for the new social audit.

Employees were certainly aware of the 1996 social audit but the report was not distributed to each employee.

To date there has been no formal publicity or distribution of its social audit to its suppliers or government.

While this is Metro Credit Union's third and most formally structured social audit to date, the methodology is still evolving. At each stage of development, new issues emerge that require further consideration and refinement of the methodology. In addition, as the process evolves, the Board, Task Force and our staff are still learning how to best manage the related work flow. Procedures must be developed to efficiently manage the social accounting, auditing and reporting processes on a timely basis to allow incorporation of the information into the regular business planning cycle.

A number of specific suggestions on the future development of the social audit appear in the previous sections of this report. The following are a number of general observations on how the overall process may be further developed.

Role of the Task Force

The current Social Audit Task Force is comprised of Board members and member-volunteers, operating at arms length from the Board. The current Task Force believes there is an important but changing role for such a coordinating body in the future.

In past years, the Task Force was required to direct most of its time to developing an assessment process "from scratch" with the assistance of an outside auditor. The current assessment methodology, while in need of further refinement, does provide a template for development.

In the future, the Task Force can redirect its attention to developing and refining the assessment methodology. Do any new issue areas need to be addressed? What new indicators (or measurements) need to be added? What indicators are no longer relevant and can be removed or modified? How can member and employee input to the social audit process be facilitated? While this work will still require periodic meetings throughout the year, the workload should be greatly reduced from past years.

Changing Indicators

The value of the social audit lies in the value of the indicators that are used. Part of the evolutionary process will obviously involve the periodic changing or refinement of these indicators. It is important, however, that this process of change be managed in a transparent manner and in a way that does not impede the timely publication of reports.

Removal of indicators should only occur one year after notice is given in the previous social audit report on the intention to do so, with an explanation. The report must provide assurances that the indicators are being removed for appropriate reasons (e.g., lack of relevancy, or replacement by a better indicator) and not for public relations reasons (e.g., the results are embarrassing to the Credit Union).

Likewise, the addition of indicators should also be planned in the prior fiscal year. This will allow Credit Union management to ensure that appropriate data collection and accounting procedures are in place at the beginning of the audit period. This will help facilitate the timely publication of reports, since all data will be readily available at the fiscal year end.

Annual Report Cycle

In order to provide members, the Board and management with a useful information and planning tool, the social audit should be carried out annually and published prior to the Annual General Meeting along with the traditional audited financial statements.

If the process for changes in methodology is followed as noted above, staff should be able to have the appropriate data available shortly after fiscal year end, allowing the audit to begin immediately. If the audit can be completed within a month, that allows another six weeks to produce the report prior to the Annual General Meeting. While the timing is very tight, every effort should be made to meet this objective in order to ensure that the social audit becomes a standard part of the annual reporting cycle.



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