

NOVEMBER 2021

COMMUNITY INVESTMENT REPORTING METHODOLOGY AT THE BANK

INTRODUCTION

Returning profits back to the community is a fundamental part of the way we operate — our public commitment is to invest a minimum of 5% of net profits after tax into the community. Robust measurement and reporting of our community investment (CI) is an important part of this and reflects our member-owned banking model.

Evolution of Frameworks

Since 2012, The bank used the London Benchmarking Group (LBG) model¹ to report CI. LBG has been the main global framework for companies, but that has changed. LBG has served the Bank well, yet over time it has become harder to benchmark other financial institutions and companies, and it has become more complex.

In 2019, as evolving best practices and standards change, it was timely for the Bank to review, develop and implement a new CI reporting methodology that is fit for purpose for the future. 2020 is the second year of using this methodology.

Developing a new CI Framework

We commissioned external community consultancy, The Incus Group, to draw up a revised best-practice framework for reporting community contributions. The Incus Group are specialist impact measurement consultants with extensive knowledge of community investment measurement and reporting approaches and deep understanding of the Bank's CI data and processes. This involved a comprehensive peer review of 11 national and global peers and an assessment of CI models, data and methodologies. The new framework builds on the Bank's experience with reporting community contributions and use of the LBG.

The peer review demonstrated that there are multiple ways to measure and report community contributions and many organisations include substantial components of 'non-cash' contributions, across four categories: management costs, in-kind contributions, time, and forgone revenue. The actual direct, cash component of CI is highly variable; it can range from 16% to 100% of reported contributions.

Almost no other company provides public data on the definition of 'cash' or how it is broken down, but is generally seen to be direct cash contributions to the community. Some companies outside the peer review do name their major beneficiaries for grants.

We concluded that it was more credible, robust and transparent to measure and report direct cash contributions to our beneficiaries, and remove any other costs or non-cash components.

¹ <http://www.lbg-online.net/>

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CI reporting framework

The guiding principle for the Bank's CI framework is to "count all direct cash contributions for community benefit". This means the total amount of cash contributions paid directly to community organisations or in support of community activities. The definition is 'direct community investment'

In order to provide a clear account of the direct CI cash contribution and to benchmark our performance over time, the following three figures are reported.

Total cash contributions to the community	The total amount of direct monetary contributions paid directly to community organisations or in direct support of community activities.
Cash contributions as a % of Net Profits After Tax (NPAT).	NPAT is a common figure reported in corporate annual reports. It is the net income, or underlying earnings, of an organisation after accounting for all expenses and taxes.
Cash contributions per employee	The total cash contributions divided by the full-time equivalent number of employees at the bank.

Alongside the CI figures, we will separately track and report two other figures;

Total volunteering hours	The salary in lieu cost for time spent by employees during paid working hours doing official charity days. This excludes other volunteering outside of work hours (e.g. evenings, weekends) or as part of the Bank's community activities.
Employee donations and giving	Employee donations to various charities undertaken at official Bank organised charity days, and salary contribution via the Bank's workplace giving scheme.

Results

Metric	FY 2021	FY2020	FY2019
Total cash invested in the community	\$1,445,940	\$1,822,155	\$1,847,189
Cash contributions as a % of Net Profits After Tax (NPAT)	5.0%	7.1%	6.83%
Cash contributions per employee	\$2,550	\$3,228	\$3,485
Total volunteering hours	329	678	700
Employee donations and giving	\$20,045	\$25,447	\$23,962

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Benchmarking Data

The CI cash of most other companies is publicly available on their websites. The review found that when measuring direct community investment as a % of NPAT, 1% is considered best practice.ⁱ In FY 2021

- Teachers Mutual Bank Limited community Investment contribution was 5%
- On average, the Big Four banks contributed 0.6%.

This means, our direct community investment, as a percentage of NPAT, is 5.6 times greater than the average of the Big 4 banks.

The Incus Group was appointed to review the Bank's community investment contributions for 2020 and 2021. They reviewed the CI data from the Bank's audited financial system and identified the direct cash contributions that qualified under our CI reporting framework and excluded all other items. They also reviewed 30% of the value of original invoices, and updated the relevant figures from 9 peer organisations including the big four banks using the most recently available public reports so that the Bank's CI data could be benchmarked.

The benefits of the framework

- It provides a more clearly defined and transparent methodology for a credible and transparent community investment framework.
- It is fit for purpose for a growing bank with four brands and a wider national footprint.
- There is a streamlined approach and alignment with the Bank's existing audited finance and HR system and the Annual Reporting cycle.
- It enables benchmarking with most financial institutions and other companies as it uses figures which are publicly reported by almost every company.
- 'Community investment' is better explained and understood by the actual \$\$ sums involved. It's a basic 'pub test'.

ⁱ <https://pledge1percent.org/>