

# TEACHERS MUTUAL BANK LIMITED

OCTOBER 2022

## COMMUNITY INVESTMENT REPORTING METHODOLOGY AT THE BANK

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In FY22 total direct cash investment in the community was \$1.034 million 3.2% of NPAT (Net Profit After Tax). This is 5.3 times the average of the major four banks, and 1% is considered best practise.

### INTRODUCTION

Returning profits back to the community is a fundamental part of the way we operate at Teachers Mutual Bank Limited. 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, Teachers Mutual Bank Limited has used the London Benchmarking Group (LBG) model<sup>1</sup> to report CI. LBG has been the main global framework for companies, however in recent years this has changed as over time it has become harder to benchmark other financial institutions and companies, as benchmarking became more complex.

In 2019, as evolving best practices and standards changed, it was timely for the Bank to review, develop and implement a new CI reporting methodology that is fit for purpose for the future.

### Developing a new CI Framework

To develop 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.

Developing the new CI Framework 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.

The comprehensive peer review demonstrated that there are multiple ways to measure and report community contributions with many organisations including 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.

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<sup>1</sup> <http://www.lbg-online.net/>

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

At Teachers Mutual Bank Limited, we concluded that a credible, robust and transparent approach is to measure and report direct cash contributions to our beneficiaries, and remove any other costs or non-cash components.

## 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'.

To ensure a clear account of the direct CI cash contribution is reported and to benchmark our performance over time, the following three figures are reported.

<b>Total cash contributions to the community</b>	The total amount of direct monetary contributions paid directly to community organisations or in direct support of community activities.
<b>Cash contributions as a % of Net Profit After Tax (NPAT).</b>	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.
<b>Cash contributions per employee</b>	The total cash contributions divided by the full-time equivalent number of employees at the bank.

Alongside the CI figures, we track and report two other figures.

<b>Total volunteering hours</b>	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.
<b>Employee donations and giving</b>	Employee donations to various charities undertaken at official Bank organised charity days, and salary contribution via the Bank's workplace giving scheme.

Metric	FY22	FY21	FY20	FY19
Total cash invested in the community	\$1,034,000	\$1,445,940	\$1,822,155	\$1,847,189
Cash contributions as a % of Net Profits After Tax (NPAT)	3.2%	5.0%	7.1%	6.83%
Cash contributions per employee	\$1,896	\$2,550	\$3,228	\$3,485
Total volunteering hours	151	329	678	700
Employee donations and giving	\$25,426	\$20,045	\$25,447	\$23,962

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## Benchmarking Data

The review found that when measuring direct community investment as a % of NPAT, in FY22 1% is considered best practice.<sup>i</sup>

- Teachers Mutual Bank Limited community Investment contribution was 3.2 %
- On average, the major four banks contributed 0.6%.

**This demonstrates, our direct community investment, as a percentage of NPAT, is 5.3 times greater than the average of the major four banks.**

Since 2019, the Incus Group was appointed to review the Bank's community investment contributions. 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 nine peer organisations including the major 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 financial value involved.

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<sup>i</sup> <https://pledge1percent.org/>