

NOVEMBER 2023

# RESPONSIBLE INVESTMENT AT TMBL:

## Product certification, leadership and market results with RIAA responsible investment association of Australasia

### Key points

- **Every single** retail mortgage, deposit product and wholesale product sold by the Bank across its five brands is Certified by RIAA as Responsible Investment – these are **98% of all products sold**.
- **RIAA's Responsible Investment Certification Program** provides independent, third party verification, and is the leading initiative for distinguishing quality responsible, ethical and impact investment products and services in Australia and New Zealand. RIAA's Responsible Investment Certification Symbol is used to **differentiate quality, true-to-label** responsible investment products which meet the Responsible Investment Standard.
- **Any wholesale investor** in the Bank is guaranteed that their investment of wholesale products MTNs, NCDs and TDs is a Certified Responsible Investment at **zero extra cost**.
- **Any consumer** buying any retail mortgage, or deposit product sold by our five brands is guaranteed that this is a Certified Responsible Investment at **zero extra cost**.
- As at 30th June 2023 the cumulative total of all wholesale and retail assets and liabilities on the balance sheet that are RIAA Certified products is **\$12.3 billion**, which is a **56- fold increase from \$220m in 2018**. This \$12.3 billion is 51.7% Assets and 64.7% of Liabilities.
- Teachers Mutual Bank Limited is the **only bank in Australia** recognised by RIAA as a Responsible Investment Leader for **3 years in a row** 2021 to 2023.
- A Responsible Investment Leader is the **highest possible standard for investors** who demonstrates an **exceptional ability** to deliver on its responsible investment promises, and uses a rigorous and leading approach.
- Of the 54 Responsible Investment Leaders worth \$1.3 trillion, **TMBL ranked 11th** ahead of 80% (43) of other RI leaders. Our score of **91.5%** increased from 82.5% with the broader survey average being 51.5%.

## Certified RIAA products market results to FY2023

As at 30th June 2023 the cumulative total of all wholesale and retail assets and liabilities on the balance sheet that are RIAA Certified products is \$12.3 billion, this is 51.7% Assets and 64.7% of Liabilities.

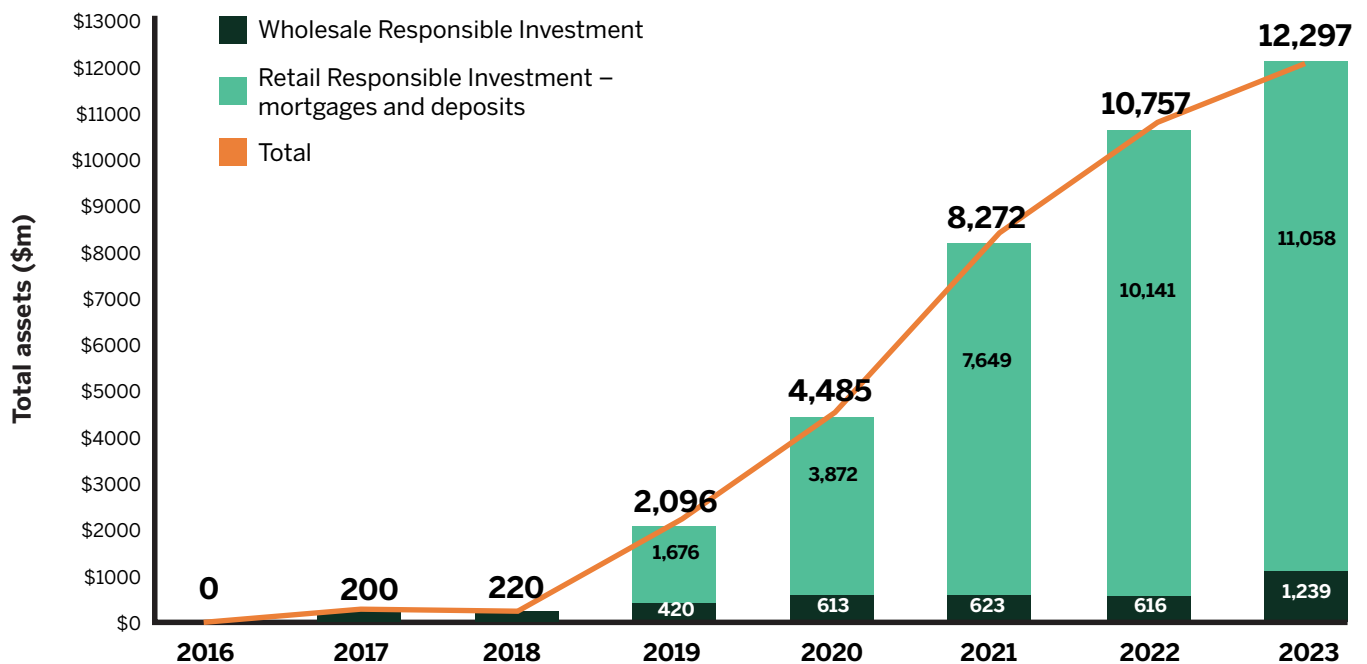
The \$12.3 billion is a 56-fold increase of \$220m in 2018. Most of this, 90% is consumer retail products, at \$11 billion.

### Data and Trends

- In the 12 months to 30 June 2023, Teachers Mutual Bank Limited's total RIAA Certified products increased by **14% (\$1.46 billion) from \$10.8 billion to \$12.3 billion.**
- In the 24 months to 30 June 2023, total RIAA Certified products increased by **48% (\$3.9 billion) from \$8.3 billion to \$12.3 billion.**
- In the 36 months to 30 June 2023, total RIAA Certified products increased by **172% (\$7.16 billion) from \$4.5 billion to \$12.30 billion.**
- In the 12 months to 30 June 2023, Certified RIAA retail mortgage and deposit products increased by **44% (\$3.4 billion) from \$7.7 billion to \$11 billion.**
- Since the retail products were Certified by RIAA on 1 December 2018, RIAA Certified retail mortgage and deposit products increased **from zero to \$11 billion in 4 years.**
- The breakdown of RIAA Certified products on the balance sheet is **51.70% (assets) and 64.70% (liabilities)** as of 30 June 2023.

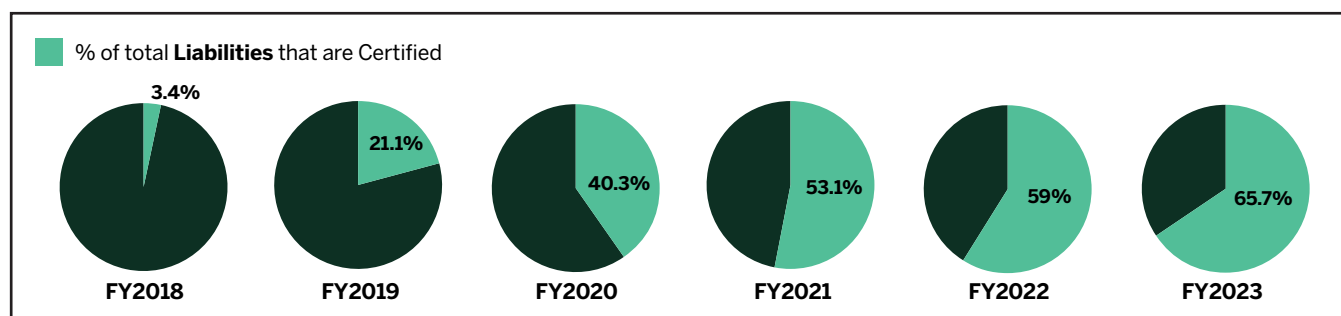
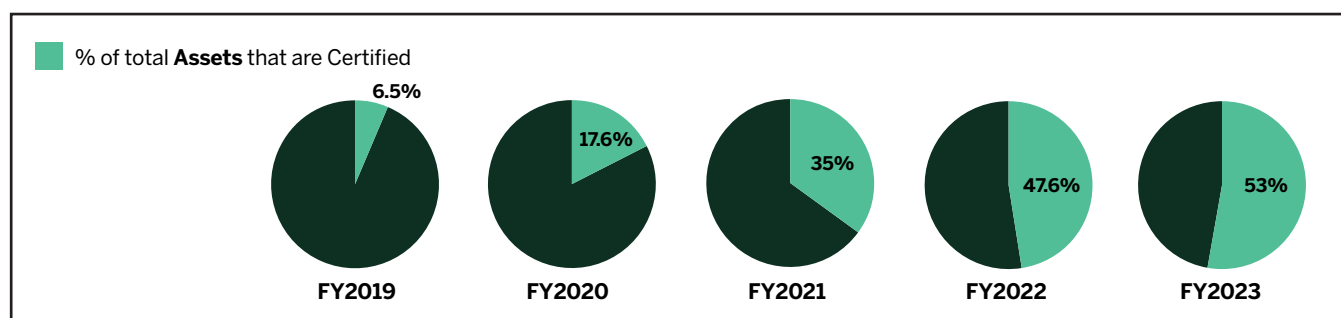
## RIAA Certified Products: cumulative total of all assets and liabilities – wholesale and retail

Total RIAA Certified Responsible Investment product on the TMBL balance sheet as at June 30, 2023.



## Certified RIAA Responsible Investment products on the TMBL balance sheet 2018–2023.

% of total Assets and Liabilities that are Certified. As of June 30, 2023.



### About our RIAA certified products

Teachers Mutual Bank Limited has retail deposits, mortgages, and wholesale funding products certified by RIAA as Responsible Investment – this is 98% of all products sold<sup>1</sup>. All retail mortgages and deposit products sold by the Bank are Certified Responsible Investment. There is zero cost and zero change from Certification – the products remain the same.

The Bank has five products Certified as Responsible Investment by RIAA, c.98% of all products that the Bank sells. This means all these products sold by all of the Bank's five brands; Firefighters Mutual Bank, Health Professionals Bank, Teachers Mutual Bank, UniBank and Hiver.

All wholesale sector funding issued by the Bank is Certified Responsible Investment. This means that any wholesale

investor in the Bank is guaranteed that their investment is a Certified Responsible Investment.

Certification is based on strict ESG exclusion Policies which means money deposited is never used to directly fund damaging industries such as fossil fuels or tobacco, and money borrowed for mortgage never comes from damaging industries.

### Certification supports consumers who want shop ethically for banking products.

Product Name	Certification start date
\$500m Debt Issuance Programme (DIP) for Wholesale investors	29 September 2014
Increase of \$500m to the DIP for Wholesale investors. Size of DIP now \$1 billion	26 November 2018
All new retail deposit products	1 December 2018
All new retail mortgage products	1 December 2018
Wholesale Sector Short Term Deposits (TDs) comprised of: Negotiable Certificates of Deposit (NCDs), term deposits, and overnight deposits (11AM cash – at call).	20 August 2019

<sup>1</sup> By way of comparison, \$2 million is a significant amount for the Bank, it is 6.7% of NPAT in FY2022

## Wholesale investment

Under the \$1 billion DIP, the Bank may issue debt securities that are issued in series and each series may comprise one or more tranches. These may vary in number, timing and tenor. By certifying the \$1 billion DIP, each individual issuance of notes or tranches is certified.

For wholesale Short Term Deposits, the tenor of these deposits is primarily between 30 days to 1 year. Issuance can be daily, and a typical week may see individual depositors transact numerous times with the Bank (this does not include any secondary market activity).

**Any wholesale investor in the Bank is guaranteed that their investment is Certified Responsible Investment. Wholesale products MTNs, NCDs, TDs.**

(Medium Term Notes, Negotiable Certificates of Deposit, Term Deposits)

## About RIAA certification - independent, third party verification, certification

**RIAA's Responsible Investment Certification Program is the leading initiative for distinguishing quality responsible, ethical and impact investment products and services in Australia and New Zealand.**

RIAA's *Responsible Investment Certification Symbol* is used to differentiate quality, true-to-label responsible investment products which meet the *Responsible Investment Standard*.

Products bearing RIAA's *Certification Symbol* have been assessed as credible responsible investments. They systematically account for environmental, social and governance factors along with demonstrating a rigorous, transparent approach and organisational commitment to responsible investing.

RIAA's *Certification Program* is the longest running responsible investment program in the world. Its *Certification Symbol* is a Registered Trademark, owned and managed by RIAA.

All Certified products are found on the [Responsible Returns website](#) which 'helps you find responsible or ethical banking, superannuation and investment products matching your values and interests'.

## RIAA Certification snapshot for 2022



## RIAA definitions

**Negative/exclusionary screening** refers to the systematic exclusion of certain sectors, companies, activities, regions or issuers from funds based on certain criteria or ethical lenses. Exclusion criteria often include product categories or sectors (e.g., fossil fuels, weapons, tobacco), company practices (e.g., animal testing, violation of human rights, corruption) or controversies.

**Responsible investment**, also known as sustainable or ethical investment, is a broad-based approach to investing which factors in people, society and the environment, as well as financial performance and risks, when making and managing investments.

Responsible investment considers a broad range of risks and value drivers in addition to reported financial risk. It includes considering ESG factors throughout the process

of researching, analysing, selecting and monitoring investments. It acknowledges that these factors can be critical to understanding the fundamental value of an investment and risks posed to the future financial value.

## RIAA's Responsible Investment Leader or Responsible Investment Certification?

Being a responsible investment leader recognises an investment manager's whole organisation attributes as a responsible investor. In contrast, RIAA's responsible investment certification symbol is used to differentiate quality, true-to-label responsible investment products that meet the Australian and New Zealand responsible investment standard.

## Recognised as a responsible investment leader by RIAA

TMBL is the only bank in Australia named a Responsible Investment Leader for the third year in row. This is the highest possible standard for investors for those who demonstrate exceptional ability to deliver on responsible investment promises.

**Of the 54 RI Leaders, TMBL ranked 11th ahead of 80% (43) of other RI leaders.**

Our score of 91.5% increased from 82.5% the previous year, with a broader survey average of 51.5%

TMBL has been named by RIAA as a Responsible Investment Leader in the annual RIAA Benchmark Report released September 18th 2023.

TMBL is recognised as a Responsible Investment Leader in 2020, and the only bank named in 2021 (1 of 54) and 2022 (1 of 74), and 2023 (1 of 54).

### Definition

- A Responsible Investment Leader is the **highest possible standard for investors**.
- A Responsible Investment (RI) Leader is a responsible investor that demonstrates an **exceptional ability** to deliver on its responsible investment promises, and uses a rigorous and leading approach.
- It **recognises our commitment** to responsible investing and attributes as an investment manager.
- **High standards** of stewardship and reporting on outcomes set *Responsible Investment Leaders* apart from non-leaders.
- *Responsible Investment Leaders* are investment managers in the top 20% of scores on RIAA's *Responsible Investment Scorecard*.

### Tougher leadership test

- **Global markets** have moved rapidly to lift expected standards of practise in responsible investment and Australia is no exception.
- This year, to reflect **evolving expectations** of responsible investment leadership domestically and internationally, the standard to be named a *Responsible Investment Leader* **was raised**.
- RIAA's 2022 Scorecard (calendar year released in 2023) consists of 26 questions, compared to just 17 questions in 2021. The Scorecard was revised with new questions, response options and altered scoring of some questions to keep up with market trends.
- A score of 75% was previously considered the hurdle to be a leader, as standards lifted globally, so too does RIAA's Scorecard. Leaders are in the top 20% of the Scorecard.

### The benchmark universe

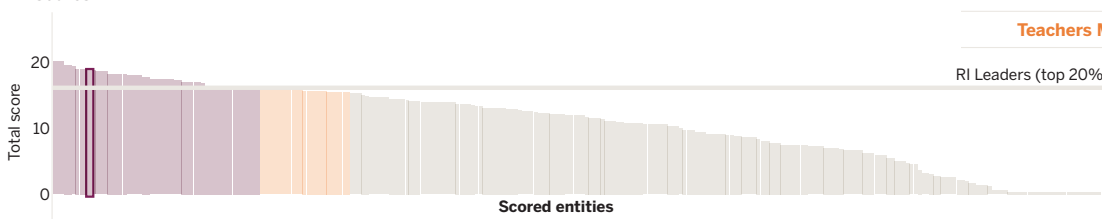
- RIAA identified **272** investment managers practising responsible investment, worth **\$3.3 trillion** and were assessed against RIAA's Responsible Investment Scorecard.
- Of the 272, **54** worth **\$1.3 trillion** were named as *Responsible Investment Leaders* – the top 20%.
- By asset size, **TMBL is 0.8%** of the total *Responsible Investment Leaders* assets.



## Responsible Investment Scorecard Results – Australia

All scores

Your 2022 score



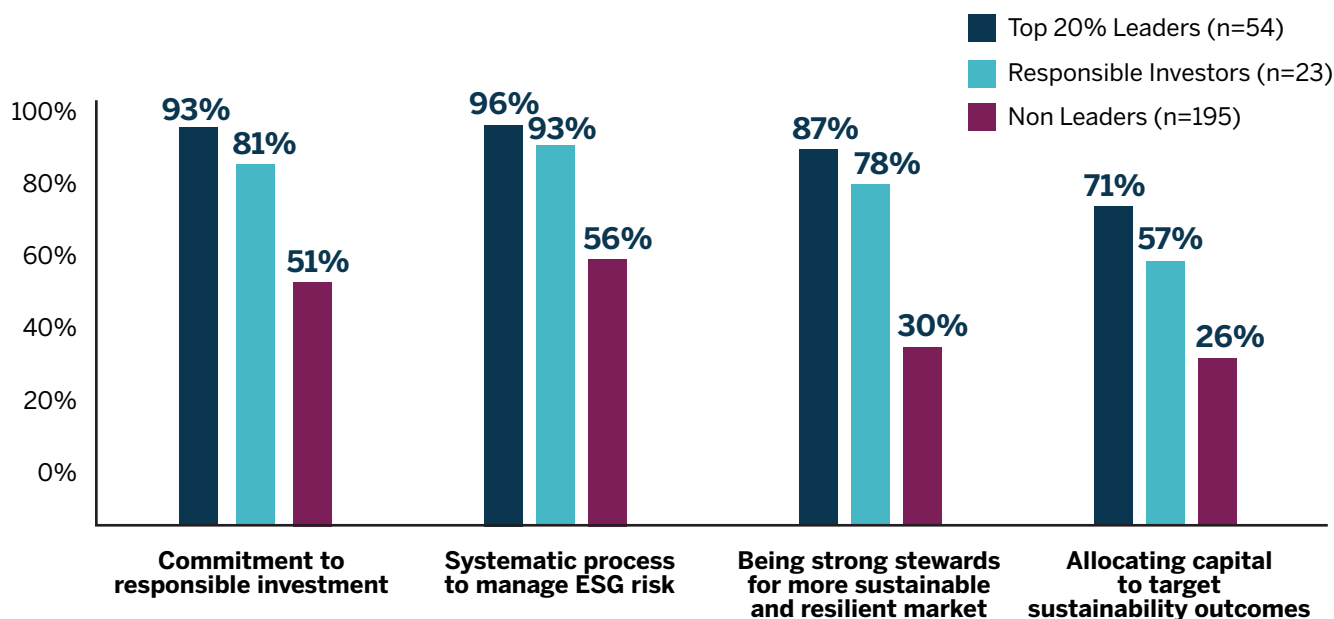
How did you score compared to the previous year, by pillar?

	Commitment to responsible investing and transparency	Risk management through explicit and systematic considerations of ESG factors	Stewardship/active ownership and building better beta	Allocating capital to benefit stakeholders and real world outcomes
2022 Score	100%	100%	79%	90%
2021 Score	85%	64%	100%	80%

**\*NEW\* How do you compare to your peers? Your peer group is: RI Leader**

Commitment to responsible investing and transparency	Risk management through explicit and systematic consideration of ESG factors	Stewardship/active ownership and building better beta	Allocating capital to benefit stakeholders and real world outcomes
93%	96%	87%	71%

## Average scores of Responsible Investment Leaders, Responsible Investors and the remaining investment managers on RIAA's Responsible Investment Scorecard



### Further information about RIAA and certified products

#### What are the requirements?

In order to certify products as certified responsible investments, RIAA assesses them against its *RI Certification Standard*. The *Certification Standard* is underpinned by eight requirements that act as the guiding principles of the *RI Certification Program*. Since its inception the *RI Certification Standard* has evolved significantly, reflecting the dynamic evolution of responsible investment.

#### RIAA's Certification Symbol signifies that:

A product or service has implemented an investment style and process that systematically takes into account environmental, social, governance or ethical considerations, and this investment process reliability has been verified by an external party. The product or service meets the operational and disclosure practices of Certification Program requirements.

#### License requirements statements

- Have formal, consistent, documented, and auditable RI strategies and processes.**
- RI strategies are fully explained** in legal product documentation such as the Product Disclosure Statement (retail), Information Memorandum or Pitch book (wholesale) and/or equivalent documentation that supports the product.
- Make honest claims and are appropriately labelled.** Claims: are named to accurately reflect the social, environmental, sustainability and/or ethical outcomes or responsible investment strategy applied to the product.
- Avoid significant harm:** can detail how the responsible investment product strategy results in a product for investors that, as a minimum avoids significant harm.
- Account for ESG factors in the investment process:** can evidence how the responsible investment strategy accounts for the explicit inclusion of environmental, social and governance factors.
- Have relevant and accessible RI disclosures.**
- Are managed by active stewards:** can detail the stewardship practices applied to the management of the responsible investment product and articulate the improved investee governance outcomes of these practices.
- Are managed by organisations with a formalised commitment to responsible investing:** managing or issuing organisations can demonstrate their organisation-wide commitment to promote, advocate for or support approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment and economy.
- Provide educational information** to members and customers about the responsible investment strategies and investment outcomes.

## RIAA Certified Responsible Investments (RI) products:

- Make honest claims and are appropriately labelled.
- Avoid significant harm
- Account for ESG factors in the investment process
- Have relevant and accessible RI disclosures
- Are managed by active stewards
- Are managed by organisations with a formalised commitment to responsible investing
- Provide educational information to members and customers

## Certified responsible investment products must:

1. Meet operational and disclosure requirements and make publicly available specific details of their services as laid out under the respective category of the Certification Standard
2. Invite their members, clients and peers to hold them to account for their behaviours consistent with the Program Code of Conduct
3. Be subjected to the Quality and Thresholds Test
4. Promote the Standard by incorporating the Certification Symbol into marketing and communications material in accordance with the Certification Symbol Licensee Agreement and the Licensee Marketing Kit and Style Guide
5. Agree to participate in good faith in the Program's Concerns & Grievance Policy and Procedures with a view to protecting the reputation of responsible investment peers, individual investors and/or the responsible investment industry as a whole
6. Hold current membership with the Responsible Investment Association Australasia

7. Be operating/offered for investment in Australia and/or New Zealand
8. Be current and legally trading
9. Not be persistently subject to legal proceedings and/or regulator investigation
10. Commit to notify RIAA of material changes in product or service characteristics that may impact the suitability of the product remaining certified under the Program.

## RI Certification process

1. Complete the Pre-Certification checklist (product only) and Contact RIAA to ensure product or service eligibility
2. Submit application (Products through the online application portal Financial Advisers and Financial Adviser Groups by contacting [certification@responsibleinvestment.org](mailto:certification@responsibleinvestment.org))
3. RIAA Certification and Ratings team assesses application and makes recommendation to Certification Assessment Panel (a delegated sub-committee of the RIAA Board)
4. Certification Assessment Panel examines, deliberates and determines outcome of application
5. Application data is verified by a member of RIAA's Independent Verification Panel (IVP) (Products only)
6. Commit to updates and ongoing data requirements, as per the Program requirements, during the term of certification (generally two years but earlier recertification required if material changes).
7. Submit to RIAA's annual spot audits (executed by RIAA or a member of IVP) (Products only)



## References

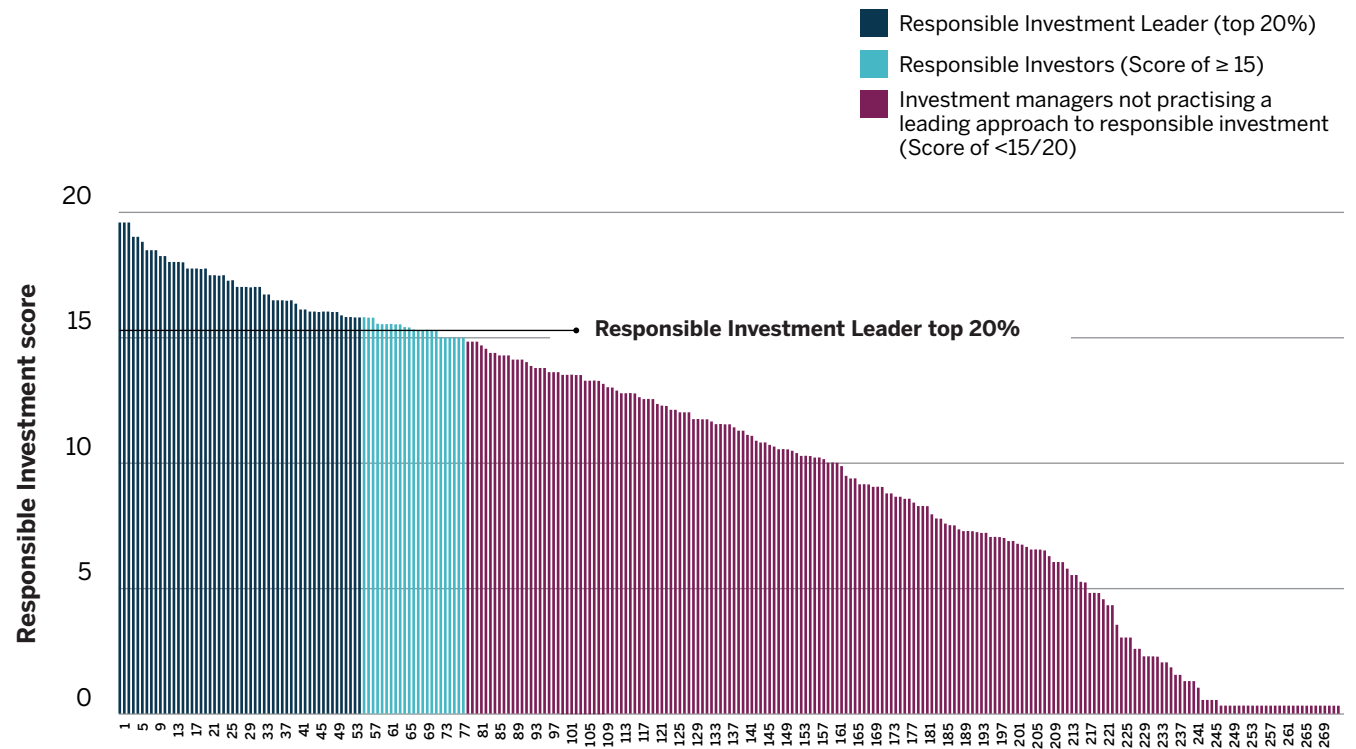
RIAA's pioneering annual Responsible Investment Benchmark Report charts the size, growth, depth and performance of the Australian and New Zealand responsible investment markets over 12 months and compare these results with the broader financial market. This is the 22nd annual Responsible Investment Benchmark Report prepared by the Responsible Investment Association Australasia (RIAA). The report details industry data on the size, growth, depth and performance of the Australian responsible investment market over 12 months to 31 December 2022.

[Read it here](#)

## Responsible Investment Leaders

abrdn	Ethical Partners Funds Management	Northern Trust Asset Management
Acadian Asset Management	Fidelity International (FIL Investment Management Australia)	Nuveen
Adamantem Capital	First Sentier Investors	Pella Funds Management
Affirmative Investment Management / Metlife Investment Management	Franklin Templeton	Pendal Group
Altius Asset Management	Generation Investment Management	Perennial Partners
Amundi	IFM Investors	PIMCO (Australia)
Australian Ethical Investment	Impax Asset Management	Queensland Investment Corporation
Aviva Investors Pacific	J.P. Morgan Asset Management (Australia)	Resolution Capital
AXA Investment Managers	Janus Henderson	Robeco
Baillie Gifford	Kilara Capital	Russell Investments
Bell Asset Management	Kilter Rural	Schroders
Betashares	Macquarie Asset Management	Stewart Investors
BNP Paribas Asset Management	Maple-Brown Abbott	T. Rowe Price
Conscious Investment Management	Martin Currie	Teachers Mutual Bank
Dexus	Melior Investment Management	Triple Eight Capital (T8 Capital)
Dimensional Fund Advisors	MFS Investment Management	TT International
DNR Capital	Nanuk Asset Management	U Ethical
ECP Asset Management	New Forests	WaveStone Capital
Emit Capital Asset Management		

## Responsible Investment Scorecard results of investment managers in the Research Universe





## Disclosure of market data

We support the Program aims to publish relevant and accessible disclosures. We report twice yearly data of our Certified Responsible Investment products on the balance sheet to engage and inform the market about our commitment to responsible investment and RIAA Certified products.

## Methodology

In February 2021 we reviewed the methodology to calculate the market data of Certified Responsible Investment products, and shared this with RIAA to align with the Program's aims and objectives.

**Assets – retail mortgages** This is outstanding balances of new mortgages sold since certification. The total increases as more new mortgages are sold and reduces as existing ones are paid off over time, or exited. This includes existing mortgages that have been topped up.

**Liabilities – wholesale products** Debt securities issued under the DIP are issued in tranches so very simple to report. STD balances are issued daily by Treasury. Over time as STDs have been progressively replaced, all STD are now Certified, so we use the balance of STDs that is calculated daily.

**Liabilities – retail deposits.** This is new money deposited into the bank since 1 December 2018. It may be placed into an existing product account, if a new product is not needed. We calculate new money only; e.g. if an account had \$100k before Dec 1 2018 and retained this balance and then had a balance of \$150k, we only count the \$50k. We count the increase over the lowest balance since 1 December 2018. It is also the balance for all new deposit accounts opened since 1 December 2018 - all new money to the bank.

- The reported data represent the Certified products on the balance sheet at that point in time. In the period, balances go up and down, for retail products in particular.
- We report the percentage of Certified Responsible Investment for total balance sheet assets and liabilities.
- Retail mortgages and deposits are combined into one figure.
- Data for a Financial Year is taken from audited accounts. Six months' data to December is unaudited, and released after APRA statistics are published.

## Disclaimer and disclosure

The Bank's \$1 billion Debt Issuance Programme, its Wholesale Sector Short term deposits and its retail deposits and mortgages have been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See [www.responsibleinvestment.org](http://www.responsibleinvestment.org) for details. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

## About RIAA Responsible Investment Association Australasia

The Responsible Investment Association Australasia (RIAA) champions responsible investing and a sustainable financial system in Australia and New Zealand. RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.

RIAA has more than **500 members and represents Au\$40 trillion in assets** under management, making it the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. Our membership includes super funds, KiwiSaver providers, fund managers, banks, consultants, researchers, brokers, impact investors, property managers, trusts, foundations, faith-based groups, financial advisers and individuals.

## RIAA achieves its mission through:

- providing a strong voice for responsible investors in the region, including influencing policy and regulation to support long-term responsible investment and sustainable capital markets;
- delivering tools for investors and consumers to better understand and navigate towards responsible investment products and advice, including running the world's first and longest running fund Certification Program, and the online consumer tool [Responsible Returns](#);
- supporting continuous improvement in responsible investment practice among members and the broader industry through education, benchmarking and promotion of best practice and innovation;
- acting as a hub for our members, the broader industry and stakeholders to build capacity, knowledge and collective impact; and being a trusted source of information about responsible investment.

