



CUSTOMER OWNED BANKING
CODE COMPLIANCE COMMITTEE

Community Engagement Own Motion Inquiry

A review of Customer Owned Banking Institutions' focus on community and the impact of that engagement on the wider communities they serve with reference to Key Promise 9 of the Customer Owned Banking Code of Practice.

January 2017

The Code

The Customer Owned Banking Code of Practice ([the Code](#)) was developed by the Customer Owned Banking Association ([COBA](#)) and commenced operation on 1 January 2014. The Code replaces the 2010 Mutual Banking Code of Practice.

The Code has recently been revised to accommodate changes the Australian Securities and Investments Commission ([ASIC](#)) made to [Regulatory Guide 221 Facilitating digital financial services disclosures](#) and the *e-Payments Code*. The revised Code has been effective from 1 July 2016.

Through the Code, 73 subscribing¹ credit unions, mutual banks and mutual building societies voluntarily commit to fair and responsible customer owned banking. The Code contains ten key promises stating that these institutions will:

- be fair and ethical in dealings with customers (including small businesses)
- focus on customers in their service delivery
- give customers clear information about products and services
- be responsible lenders
- deliver high customer service and standards
- deal fairly with any complaints
- recognise their customers' rights as owners of the institution
- comply with legal and industry obligations
- recognise their impact on the wider community, and
- support and promote the Code of Practice.

The Committee

The Code Compliance Committee ([the Committee](#)) is an independent compliance monitoring body established under the Code and the Code Compliance Committee Charter (the Charter). It comprises an independent chair, a person representing the interests of the customer owned banking sector and a person representing the interests of consumers and communities. The Code and Charter entrust the Committee with a number of functions and responsibilities, including to:

- conduct 'Own Motion' inquiries into compliance with aspects of the Code, and
- provide advice to COBA on training and other activities necessary to assist subscribers to meet their Code requirements.

Definitions

For ease of reference when reading this report:

- 'the Code' means the 2016 Code unless otherwise stated
- 'consumer/customer' includes individuals or small businesses that are members or customers of Code subscribers, and
- 'institution' means a customer owned banking Institution that subscribes to the Code.

¹ Number of Code subscribers as at September 2016.

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EXECUTIVE SUMMARY

Key Promise 9 – We will recognise our impact on the wider community

The customer owned banking sector has a strong community focus. We will take account of the impact of our operations on staff, the communities we serve and our customers. We will promote community engagement and will contribute to community activities and projects.

Through Key Promise 9 of the Customer Owned Banking Code of Practice (the Code) customer owned banking institutions promise to recognise their impact on the wider community. This Key Promise reflects the customer owned banking sector's commitment to serving both its communities and its customers.

The Mutuals Industry Review 2016 published by KPMG in November 2016 notes that 'As customer-centric and community-based organisations, the mutuals are more than a financial institution, with competitive products and great personal service. The mutuals also put their profits back into their members through active contribution to the communities and causes that are important to them'.²

This own motion inquiry (the inquiry) seeks to develop a better understanding of how institutions manage their obligations under Key Promise 9, thereby benchmarking current industry practice and making recommendations for good industry practice based on the information provided.

Key findings

How institutions manage their obligations under Key Promise 9

Overall, the inquiry has found that customer owned banks are community focused, reflecting their history and the culture and frameworks that underpin their dealings with customers. In light of the general nature of Key Promise 9, all institutions participating in the inquiry met the Code's requirements.

Institutions serve a wide variety of communities, often reflecting the interests and backgrounds of their membership base. Their definition of what constitutes their community is important to their engagement. The extent of community engagement is impressive as many institutions work with over 100 different community groups on an annual or ongoing basis.

A number of institutions reported their careful consideration of what constitutes 'their' community as defined by region, interest and/or identity, the most common of which are place and identity, relating to the institution's particular industry sector. Overall, sport & recreation, welfare/community, education & training and health are the community groups served by the majority of Code subscribers, while there is strong interest in supporting parenting, children & youth as well as the institution's specific industry sector.

² See, <https://home.kpmg.com/content/dam/kpmg/au/pdf/2016/mutuals-industry-review-2016-report.pdf>, page 10

Financial support varies considerably from small institutions with smaller gifts or grants in the range of \$5,000 to \$10,000, to the majority of institutions irrespective of size contributing more than \$20,000 per annum to community engagement. Three institutions reported expenditure on communities of over \$500,000 per annum.

- Regularly review your definition of community to ensure that you include the wider community as well as the community represented by your customers and staff.
- Review how you define your community/communities to ensure that your community engagement programs deliver sustainable impact for community benefit.

Identify and promote good business practices for engaging with communities

Philanthropic or voluntary community engagement which provides no direct financial benefit to the institution is wide-spread irrespective of the size of the institution.

The majority of institutions provide specific products for community groups, some of which are inventive while others address broader community concerns. Some are altruistic with no direct financial benefit to the institution while other community-focussed products appear to provide flow-on benefits to institutions.

Social media plays an important role in engagement with communities, in particular to maintain visibility with younger consumers. As far as the frequency of communication is concerned, the majority do so on a weekly or monthly basis.

- Ensure community engagement methods promote and contribute to the community served and are not designed mainly for promotion and commercial gain.
- Match the focus and products of your community engagement to the special needs and concerns of the community/communities you serve.
- Embrace social media to offer a range of communication channels adapted to the characteristics of the communities you serve.

Assess the effectiveness of institutions' impact on the wider community

When done well, community engagement brings benefits to both communities and institutions. From the perspective of institutions, it increases community trust in their work, thereby improving reputations with both their customers and communities. Additionally staff morale and commitment is enhanced through effective community engagement.

For communities the impact of the work of their customer owned banking institutions can be measured in monetary as well as non-monetary terms, such as enhanced community cohesion fostered through active institutional engagement. Monitoring community feedback through various means provides a measure of the success or otherwise of products and services, enabling institutions to improve their delivery.

- Put robust measurements in place regarding the impact of your community engagement to ensure effectiveness.

Benchmarking current practice and performance and providing recommendations for good industry practice.

The inquiry has shown that community engagement is strong among customer owned banking institutions and reflects the diversity of the sector. Publicly reporting this work is a further commitment to community engagement.

- Continue to add value and credibility to your engagement policy by including it in your Business Plan and Annual Budget.
- Consider how you report your community engagement in your publications including your Annual Report.

The conclusions of this report based on the findings of the inquiry focus on ensuring continuing effective community engagement by customer owned banking institutions and good industry practice.

INTRODUCTION

This inquiry examines how customer owned banking institutions, including mutual building societies, credit unions, mutual banks and other mutual Authorised Deposit Taking institutions, comply with their obligation to effectively engage with the wider community under Key Promise 9 of the Code. The Code contains ten key promises. All ten key promises are general principles or values that Code subscribers are required to apply in their dealings with both customers and the wider community.

Objectives

The purpose of this inquiry as stated to Code subscribers is to:

- develop a better understanding of how institutions manage their obligations under Key Promise 9
- identify and promote good business practices for engaging with communities
- assess the effectiveness of institutions' impact on the wider community, and
- provide recommendations based on the information collected.

The inquiry should benefit institutions by benchmarking current industry practice and performance and provide recommendations for good industry practice.

Methodology

Information for the inquiry was collected using an online questionnaire (see [Appendix 1](#)) during May 2016. All 73 code subscribers participated in the inquiry. We thank participants for their contributions and the time and commitment taken to respond to the inquiry.

The data obtained has been collated and analysed in this report. The following Table (Table 1) provides information about the number of institutions surveyed broken down by size and location.

Table 1: Size of institution by state

State	Size of institution (measured by \$ assets)				All institutions
	Small <\$200m	Medium \$200m to \$500m	Large \$500m to \$1b	Largest >\$1b	
NSW	13	10	10	7	40
NT	1	-	-	-	1
QLD	1	4	2	4	11
SA	2	-	2	1	5
TAS	1	-	-	-	1
VIC	8	2	1	3	14
WA	-	-	-	1	1
Total	26	16	15	16	73

Community engagement and its relevance to the Code³

'Engagement' is a broad term that can be used to describe consultation, communication, education, public participation or working in partnership. For the purposes of this inquiry, 'engagement' is used as a generic term to describe the broad range of interactions between institutions, their members and the wider communities they serve.

The word 'community' is also used to define groups of people living in the same place or having a particular characteristic in common. A community may be, but is not limited to a geographic location (community of place), a community of similar interest (community of practice) or a community of affiliation or identity (such as a school or sporting club). One form of 'community engagement' could therefore be a planned process initiated by the institution with the specific purpose of working with identified groups of people (whether they are connected by geographic location, special interest, affiliation or identity) to address issues affecting their wellbeing.⁴

The linking of the term 'wider community' to 'engagement' serves to broaden the scope of the terminology, shifting the focus from the individual to the collective. This highlights the importance of inclusiveness, which ensures consideration is given to the diversity that exists within any community.⁵

Key Promise 9 of the Code encourages engagement with staff and customers, as well as communities in general, not only those who are necessarily linked to the institution as a customer.

Key Promise 9 – We will recognise our impact on the wider community

The customer owned banking sector has a strong community focus. We will take account of the impact of our operations on staff, the communities we serve and our customers. We will promote community engagement and will contribute to community activities and projects.

The nature of customer owned banking institutions is to focus on customer benefits and community involvement. Unsurprisingly then, throughout the Code the emphasis on community extends beyond Key Promise 9 and is driven by the interests of institutions' members/clients.

³ In the writing of this inquiry some literature on community engagement was referenced for general guidance in relation to community engagement approaches.

For example:

Victorian Government Department of Sustainability and Environment, 'Effective engagement',

<http://www.dse.vic.gov.au/effective-engagement>

Queensland Government, 'What is community engagement?' <https://www.qld.gov.au/web/community-engagement/guides-factsheets/introduction/what.html>

Community Places (2014) Community Planning Toolkit – Community Engagement,

<http://www.communityplanningtoolkit.org/sites/default/files/Engagement.pdf>

⁴ <http://www.dse.vic.gov.au/effective-engagement/introduction-to-engagement/what-is-community-engagement>

⁵ Queensland Government, 'What is community engagement?' <https://www.qld.gov.au/web/community-engagement/guides-factsheets/introduction/what.html>

FINDINGS

Communities served

Question: How do you define the community you serve?

The inquiry asked institutions to identify the communities that they serve and have engaged with over the past three years.

'We define the communities we serve in a few ways: geographically; aligned to our core values and beliefs; and the mutual sector. Specifically we operate within the [...] region and beyond and partner with organisations to give back to the community. We align with organisations that adhere to our brand values of mutuality, community, family.'

'Our communities are those areas that we operate or serve in the market. That takes the form of geographical community areas around our branch network, niches like local government and industry and an online community.'

'We define the communities we serve in both geographical and industry terms.'

'We define the community we serve as being part of us. The make-up of our membership and staff is a cross section of the local community, representing all facets of community.'

Most institutions defined the community they serve as their membership together with the different communities their members represent, by region, interest and/or identity.

Communities highlighted by the institutions included the education sector, charities, the hospitality industry and small businesses, as well as sporting, social and community groups. Institutions also use geographical classification to identify the communities they serve. This is the case particularly to highlight activities in rural and regional areas.

Some institutions stated that they operate in a niche ethnic community and that they are either a part of or have an affinity with that specific community, providing them with a unique operating environment and specific understanding of that particular culture.

Question: How many different community groups did you engage with during the past three years?

'We are only a very small Credit Union and feel it best to select just one local charity in order to have some beneficial impact.'

'On an annual basis we reach some 25 alliances and over 500 different school community groups. We aim to target and support more groups every year.'

'The Mutual has financially supported approximately 200 community groups in the past three years.'

'We engaged with over 2,000 schools and over 50 different educational associations and groups.'

'More than 500 community organisations, being customers who we have engaged with and a range of others that we have engaged with on various projects.'

'Varying from big groups like large charities through to small organisations like community kindergartens.'

Many institutions reported that they engage with over 100 different community groups on an annual and ongoing basis. Responses included descriptions of long standing relationships with a variety of community groups, representing large charities as well as small local organisations and groups. The variety of community groups served represents a diverse range of ethnic, religious and social backgrounds.

Some of the small institutions stated that, given their size, they only engage with community groups that specifically represent their members' industry interests and welfare.

Question: What types of community groups did you engage with during the past three years?

The inquiry allowed more than one response per institution to this question and also provided the option for commentary.

Responses indicate the institutions support a wide variety of community groups.

Overall, sport & recreation (79%), welfare/community (74%) and education/training (64%) are the community groups noted as most commonly served by institutions. At the lower end of the scale, 18% of institutions indicate that they serve religious communities.

Amongst respondents were Code subscribers with strong support for emergency services (50% of largest institutions) and environment (63% of largest institutions), while 44% of medium institutions support international aid and development.

Based on the size of institution, largest institutions have a more even spread across a slightly wider variety of community groups than smaller institutions. More than 50% of the largest institutions support eight community types. By comparison, more than 50% of the large and medium institutions support four community types and over 50% of small institutions support six different community groups.

Responses provided in the category 'other' include cultural or ethnic communities, local government/councils, community events, tourism, ad hoc support, indigenous communities, members with disabilities, senior citizens and agricultural show societies.

Table 2 provides an overview of the communities which were served by institutions according to their asset base.

Table 2⁶: Types of community groups served by size of institution

Size of institution (measured by \$ assets)	Small <\$200m		Medium \$200m to \$500m		Large \$500m to \$1b		Largest >\$1b		All institutions	
	Number of institutions	% of group	Number of institutions	% of group	Number of institutions	% of group	Number of institutions	% of group	Number of institutions	% of group
Sport & recreation	20	77%	14	88%	11	73%	13	81%	58	79%
Welfare/community	16	62%	13	81%	11	73%	14	88%	54	74%
Education & training	13	50%	13	81%	9	60%	12	75%	47	64%
Health	14	54%	9	56%	9	60%	12	75%	44	60%
Parenting, children & youth	16	62%	7	44%	7	47%	10	63%	40	55%
Business/professional/union	14	54%	6	38%	8	53%	11	69%	39	53%
Arts/heritage	10	38%	6	38%	6	40%	8	50%	30	41%
Emergency service	6	23%	4	25%	7	47%	8	50%	25	34%
Environment	4	15%	4	25%	4	27%	10	63%	22	30%
International aid/development	3	12%	7	44%	4	27%	5	31%	19	26%
Other	8	31%	1	6%	4	27%	4	25%	17	23%
Animal welfare	2	8%	3	19%	4	27%	6	38%	15	21%
Religious	3	12%	2	13%	3	20%	5	31%	13	18%

Small institutions appear less inclined to serve international aid/development (12%), animal welfare (8%) and religious communities (12%). However, a reasonable level of support is provided by the large and largest institutions towards these communities.

Methods of community engagement

Question: How have you engaged with community groups during the past three years?

'We offer a scholarship for young members who are furthering their education following high school.'

'We actively sponsor, and participate at the annual Christmas children's party held for both employees' children (our members) and disadvantaged children.'

'Every school day of the year we visit schools, preschools and educational associations.'

⁶ Note: Institutions could identify more than one type of community group, therefore, the total of each column does not add up to 100%

'Each year the institution conducts a program for customers and staff to raise awareness on how everyone impacts on our environment, and how we can put measures in place to reduce this.'

'Staff attending school fetes and meals on wheels.'

Community engagement and the impacts of customer owned banking institutions on their communities take many forms. Many institutions provide financial support to community groups in the form of community grants programs, sponsorships of local events and groups, provision of scholarships, organising community events and making charitable donations.

Some institutions also provide support in more creative ways that align with their institution's objectives and goals. For example, one institution trains young people with physical and intellectual disabilities in how to open deposit accounts and use their debit card or an ATM. Another institution purchases handheld UHF radios for volunteer emergency service groups, including rural fire brigades and ambulance services.

Other examples include running conferences, seminars and events and support of staff participating in community events and voluntary work.

Some of the largest institutions have dedicated community managers in different locations to interact with community groups on a daily basis.

Question: On average, how often did you engage with a community group during the past three years?

Table 3 shows the results provided by institutions about how often they engaged with community groups during the past three years by size of institution.

Table 3: Frequency of engagement by size of institution

Size of institution (measured by \$ assets)	Small <\$200m		Medium \$200m-\$500m		Large \$500m-\$1b		Largest >\$1b		All institutions	
	Number of institutions	% of group	Number of institutions	% of group	Number of institutions	% of group	Number of institutions	% of group	Number of institutions	% of group
Frequency of engagement over past three years										
Weekly	5	19%	2	13%	7	47%	9	56%	23	32%
Monthly	6	23%	7	44%	3	20%	3	19%	19	26%
Quarterly	5	19%	2	13%	4	27%	-	-	11	15%
Bi-annually	3	12%	3	19%	-	-	1	6%	7	10%
Other	7	27%	2	13%	1	7%	3	19%	13	17%

Although there is a spread of engagement frequency across each institution size, it appears that the large and largest institutions are more likely to engage with community groups on a more regular basis.

Overall, over 50% of institutions engage with communities on a weekly or monthly basis, while 10% of institutions, including one largest institution, engage only twice a year. Indeed, overall weekly communication is identified as the most popular timeframe for communication with the exception of the medium sized institutions which favour monthly communication.

In terms of frequency and engagement, the category 'other' includes responses such as servicing club memberships as required; school days when visiting schools, pre-schools and educational associations; community days (e.g. coaching clinics and fun runs) and seasonal involvement.

A number of institutions provided further comments:

'Ad hoc requests when it comes to donations and academic awards.'

'Every school day of the year we visit schools, preschools and educational associations.'

'Fortnightly.'

'Depending on the engagement, i.e. an annual charity event may require several months of effort and planning, school banking has an operating rhythm that may require weekly tasks, sporting clubs may require seasonal involvement.'

Question: Do you use social media to engage with the community you serve?

'We see [social media] as a key tool to especially connect with new communities with the same interests. We have a short-term and longer-term strategy that is in the pipeline.'

'We ensure we use the most relevant channel and the channels our audience prefers. This includes email, social media, websites and micro sites, and face to face.'

'Internally social media has been pivotal to building and increasing awareness and engagement with the wider team. Externally we have been gradually increasing use of social media to promote our activities and share our results with our local community.'

'Currently we use Facebook and twitter and these are monitored on a daily basis. We are also developing a new app targeting the youth demographic.'

The KPMG Mutual Industry Review 2016 stated that '[customer owned banking institutions] increased their footprint on social media platforms by 18%, with 95% of [the KPMG's survey] participants acknowledging it has some degree of strategic importance. Facebook (94%) and Twitter (70%) continue to be the most popular avenues to reach consumers'.⁷

⁷ See <https://home.kpmg.com/content/dam/kpmg/au/pdf/2016/mutuals-industry-review-2016-report.pdf>, page 15

Many institutions report using social media to engage with the communities they served. Their responses indicate that institutions consider communities include the various community groups they supported as well as their member base.

Some of the references to community engagement in this section represent a direct link to the commercial benefit that community engagement might provide.

Many institutions describe the use of social media in terms of promotion and advertising. This could be considered to be a blurring of the line between altruistic community engagement and that undertaken for commercial purposes.

Institutions using social media indicate that they use a range of platforms, such as Facebook, Instagram, LinkedIn, Twitter and Google+, as well as their own websites, to promote their work. Some institutions connect with their communities via several of these platforms, and others are working towards using social media to engage with their communities. Social media is used not only as an advertising tool for new products and services, but as an opportunity to share success stories and involvement in community initiatives and events.

While some institutions use social media daily, others are less frequent users. A few institutions report that they do not use social media at all for community engagement.

Question: During the 2014-15 year what amount did your institution spend on community engagement?

'In 2015, approximately 4.5% of pre-tax profit went back to the local community via sponsorship, donations and events – this was well in excess of the 1% that social experts deem adequate.'

'The Mutual donates time with staff attending a variety of events this has been calculated at approx. 100 hours.'

'In dollar terms the amount is [about] \$40,000 but then if you include the value of the staff time the total amount exceeds \$200,000.'

Overall, 73% of the institutions spend more than \$20,000 on community engagement activities, including a significant number (50%) of the small institutions and (68%) of the medium institutions.

Expenditures included the actual amount spent in dollar terms as well as staff time. 17% of institutions spend more than \$100,000 on community engagement. These include the large and largest institutions.

Table 4: Dollar amount spent on engagement activities by size of institution

Size of institution (measured by \$ assets)	Small <\$200m		Medium \$200m-\$500m		Large \$500m-\$1b		Largest >\$1b		All institutions	
	Number of institutions	% of group								
\$0-\$5,000	3	12%	1	6%	-	-	-	-	4	5%
\$5,000-\$10,000	8	31%	1	6%	-	-	-	-	9	12%
\$10,000-\$15,000	2	8%	1	6%	-	-	-	-	3	4%
\$15,000-\$20,000	-	-	2	13%	-	-	1	6%	3	4%
\$20,000-\$50,000	10	38%	9	56%	8	53%	8	50%	35	48%
\$50,000-\$100,000	3	12%	1	6%	2	13%	-	-	6	8%
\$100,000-\$200,000	-	-	-	-	2	13%	2	13%	4	5%
\$200,000-\$500,000	-	-	-	-	3	20%	-	-	3	4%
Over \$500,000	-	-	-	-	-	-	3	19%	3	4%
Other ⁸	-	-	1	6%	-	-	2	13%	3	4%

Focus of community engagement

Question: Does your institution have a specific focus on community engagement?

The responses to this question showed great variability with some institutions stating that they focus on specific communities only and others stating that they engage with a variety of communities with no specific focus on a particular cause.

Many institutions reported having a strong focus on developing financial literacy in school children and young adults. These institutions engage with their communities by delivering financial literacy programs to primary and secondary schools, providing professional development for teachers, as well as offering information sessions for young adults, such as first home buyer sessions and Indigenous apprentice pre-employment programs. Other core areas for institutions with a specific community engagement focus include mental health, youth services, breast cancer research and assistance for families in need.

'[...] whether it be arts and culture, sport and recreation or health and education – if a benefit to the community which they serve is evident, they are eligible to be considered for a community support grant.'

'We have focused our attention on youth banking, introducing students to basic financial literacy skills through educational sessions [...].'

⁸ 'Other' included responses such as involvement as % in pre-tax profit; donated time with staff attending a variety of events; and becoming members of various local groups.

'Community partners [...] would generally need to share our core brand values and attributes of ethics, social responsibility and providing great service to members.'

'The focus is based on best meeting the needs of the individual communities we serve.'

'Our commitment to supporting our young adult members to achieve personal and financial goals such as purchasing their first home has been the driver behind our first home buyer information session which we have been running for a number of years across our branch network.'

'Assisting minority groups within the community and those disadvantaged in some way.'

The institutions that had no specific focus of community engagement stated that they developed their community engagement based on issues that their customers found important, areas that gave back to the communities that supported them and organisations that shared the same core values.

Question: Do you provide specific products for community groups?

The majority of institutions provide specific products for community groups. These include discounts for students, teachers and casual teachers, fee-free banking for people under 18 years and full-time students under 25 years, lifestyle accounts for over 55 retirees and community/club accounts with reduced fees and high interest rates, and special accounts for not-for-profit organisations.

Others however do not provide specific products for community groups, but do offer benefits to their members as a whole, such as education package loans, first home buyer loans and first home buyer bonus saver accounts, low fee or no fee accounts for all members, allow rate negotiations and fee waivers, special saving achievement awards and free ATMs. There were 20 (27%) institutions that advised that they did not have specific products in place.

'We offer [...] accounts for not-for-profit and charitable organisations.'

'[We offer] interest free bicycle loans.'

'We offer a wildlife saver product, aimed at children that helps support conservation initiatives through a wildlife park.'

Impact on communities

Question: What do you consider to be the most important outcomes from your engagement activities?

Institutions indicated that they all derived positive outcomes from their engagement activities. One major positive was the strengthening of relationships between the institutions and their communities, thus creating mutual respect and trust. This in turn supported membership growth, as institutions were seen to benefit their communities and act in their best interests.

Among the other positive outcomes reported were high levels of member and employee satisfaction and the opportunity to demonstrate the value of the customer owned model for banking. Some institutions referred to brand awareness and how it developed through their engagement activities. One institution described how engaging with its community enhanced its reputation in its small town, while another wrote about the importance of word of mouth in promoting the institution.

The institutions found that the outcomes they derived from their engagement activities were in line with their core values. One institution made the observation that by supporting the community, the institution would grow and prosper alongside it.

'A mutually beneficial outcome, being able to engage with the community by assisting in the improvement of the economic and social well-being of our communities.'

'Success across our engagement activities means that our members feel supported and confident to take action and to thrive regardless of their stage of life.'

'The important outcome from our engagement is that we promote healthy and strong communities by facilitating social, educational, cultural and health programs.'

'We also aim to build trust in our customers and develop the understanding that they are not just a number, that we are a part of the community, our point of difference is that we are "Local" and that we really care about our customers and our community.'

Question: How do you monitor the impact of your community activity on staff, the community you serve and your customers?

Institutions had various ways of monitoring the impact of their community activity on staff, the community and customers.

In some cases staff complete surveys to measure participation and provide feedback about community activities they were engaged in.

To monitor the impact of their community activity many institutions use member surveys, member feedback, compliments and complaints received, social media and public relations responses. Similarly, when customers are considered to represent their community, institutions rely on customer satisfaction surveys, customer feedback, complaints received and social media responses to monitor the impact of their community engagement.

Institutions with a specific focus on community engagement have developed specific ways in which to measure impact such as the development of a credit card which, through donations, supports a breast cancer foundation.

Many institutions placed an emphasis on geographic location and referred to their impact as a 'geographical footprint'.

Where the responses stated that there was no formal or accurate monitoring system, they did report anecdotal feedback, for example via active social media such as Facebook and Twitter.

'We survey our members twice a year and ask them about their satisfaction and feedback in regards to our community involvement and contribution.'

'We require evaluations from organisations that we sponsor and support to quantify the impact of our contributions.'

'The community/customer benefits from the ongoing personal financial management education to the [...] community, monitored by the repeated invitations we receive from schools to present and educate their staff, and positive feedback given during school visits and sector conferences.'

'A number of factors can be monitored to ensure that [...] is having impact within the community, none more important than the voice of our customers and staff. Below are measures that can be used to determine impact: percentage of profits reinvested back into the community, growth measures (such as school banking participation, community accounts), staff engagement scores, community and media feedback/sentiment, event participation/attendance, number of sponsorship/donation requests and referral incentives paid.'

Culture of community engagement

To investigate the extent to which institutions created a culture for community engagement, the inquiry asked whether their community engagement was defined in a specific policy and included in their Annual Report and Budget. We also asked institutions to comment on how they considered community engagement benefits the customer owned banking industry in general.

Question: Do you have a policy or procedure in place to determine how you engage with the community you serve?

Most institutions have policies or procedures in place to determine how they engage with communities, including Corporate Social Responsibility Policy, Donations Policy, Community Service Leave Policy, Volunteers Policy, Sponsorship Guidelines, Community Partnership Application Process, and Community Foundation Policy.

In other circumstances, institutions have a number of different policies that govern how they engage with their communities, while others reflect their engagement with their communities in their Mission Statement, Terms of Reference or marketing strategy.

Procedures that institutions use to determine how they engage with their community include assessing sponsorship agreements against a checklist or gaining approval from the CEO or Marketing Committee.

20 (27%) institutions stated that they do not have specific policies or procedures in place, in one instance because they already have long-standing arrangements with certain charities, with another noting that the process is set by meetings of the Board and Management.

'How [the institution] engages with our community is entrenched into our mission statement, that states that owners, our customers and their communities benefit from high service levels, ethical treatment and access to appropriate financial products and services. It is further entrenched in our values being sustainability, community, ownership, respect and ethics.'

'We have a marketing strategy and plan that supports our local community engagements. We also build this strategy into managers' business plans.'

'The [institution] has a strategic plan and clear criteria for deciding which charitable organisations to support through its annual funding round....For sponsorship we have criteria and procedures by which we select our partners and these are outlined on our website when people apply.'

Question: Is your community focus part of your Business Plan and included in your Annual Budget?

In most circumstances, community focus forms part of an institution's Business Plan and is included in their Annual Budget.

Excepting two of the smaller institutions, all other institutions responded that community focus is part of their Business Plan and included in their Annual Budget.

Table 5 summarises responses about whether an institutions' Business Plan and Budget included a community focus.

Table 5: Community focus included in Business Plan/Annual Budget

Size of institution (measured by \$ assets)	Small <\$200m		Medium \$200m-\$500m		Large \$500m-\$1b		Largest >\$1b		All institutions	
Is Community focus included in Business Plan/Annual Budget?	Number of institutions	% of group								
Yes	22	85%	14	87%	15	100%	14	87%	65	89%
No	2	2.5%	-	-	-	-	-	-	2	3%
Other	2	2.5%	2	13%	-	-	2	13%	6	8%

Responses to the category of 'other' included:

'Inclusion is dependent on the performance.'

'It is part of the Annual Budget, but not explicitly included in the Business Plan.'

'The institution is planning to incorporate it.'

Question: What in your view is the benefit of community engagement for your institution and the customer owned banking industry in general?

There was complete unanimity about institutional benefits which flow from community engagement and furthermore the wider benefits for the profile of community owned banking institutions. Most institutions felt proud of the fact that they could give back to the communities that had supported their growth and that they could deliver specific products and services that were tailored to the needs of their members and communities. Reference was made to being a 'good corporate citizen' making a positive contribution to the community.

'We recognise that our success is not only measured in terms of profits and growth, it is also how we engage with and support our members, communities, employees and how we minimise our impact on the environment.'

'Genuine community engagement is what sets customer owned banking institutions apart from other financial institutions – our mutuality is a point of difference. It increases customer engagement and loyalty.'

'Community engagement plays a fundamental role in our competitive positioning as an industry group by providing a very real and identifiable point of differentiation between us and the traditional banking sector. We are involved in grass roots community support both big and small with the goal to provide genuine community support.'

'Allows the [institution] to "give back" to the community as a way of demonstrating its commitment to "mutuality" and being community and member focused.'

CONCLUSIONS

The purpose and intention of this inquiry as stated is to benchmark current industry practice and performance and provide recommendations for good industry practice. The data collected through the inquiry enables the development of a better understanding of how institutions manage their obligations under Key Promise 9, identifies and promotes good business practices for engaging with communities and assesses the effectiveness of institutions' impact on the wider community. The following conclusions and recommendations are based on the information provided.

Communities served

Institutions responded to the inquiry with information to demonstrate that their membership, together with the different communities their members represent, constitute the communities that they serve. These are most commonly differentiated by geography and industry sector. Responses also indicated that longstanding relationships with a variety of community groups, representing in particular large charities as well as small local organisations, were those most commonly served.

The primary aim of any community engagement process is to correctly identify the community to be served. To do this effectively requires a sound understanding of the community and how it is being affected or impacted by the engagement.

- Regularly review your definition of community to ensure that your focus is consistent with your mission.

Methods of community engagement

There is a diverse range of methods of engagement with community including sponsorship of events, scholarships, organising community events and staff support services. The frequency of engagement is spread over time depending on the method of engagement with the largest institutions, unsurprisingly, more likely to engage on a more frequent basis. Some institutions also indicated the use of social media to effectively provide community engagement.

Responses also indicate a blurring of the line between methods of engagement that provide a sole purpose of serving the wider community to those that might represent advertising and promotion for commercial gain.

- Embrace social media to offer a wide range of communication channels adapted to the characteristics of the communities you serve.
- Ensure community engagement methods promote and contribute to the community served and are not designed mainly for promotion and commercial gain

Focus on key community issues

Responses were mixed with some institutions stating that they focus on specific communities only and others indicating that they engage with a variety of communities with no specific focus on a particular cause.

An institution's own activities and values can inform its choice of focus area, which might not always align with the areas of need and concern in the community. Discovering these differences can inform the engagement with these groups and the development of specific products or support.

- Match the focus and products of your community engagement to the special needs and concerns of the communities you serve.

Impact on communities

Some examples of the positive outcomes that institutions report include the strengthening of relationships within their community; high levels of member and employee satisfaction; enhancement of reputation and brand awareness. Overwhelmingly, though, the responses indicate that a positive impact on communities is aligned with the core values of a customer owned banking institution.

Managing community impact involves assessing the real and potential effects of the business on the local and broader community.

- Put robust measurements in place regarding the impact of your community engagement to ensure effectiveness.

Culture of community engagement

Institutions confirm that community focus forms part of their Business Plan and Annual Budget. This indicates a strong culture and proud history of community engagement. These are sentiments echoed in many of the responses received.

Effective community engagement sits within a supporting community engagement framework or policy. It is also reflected in a high level of understanding of, and commitment to, engagement within the organisation, both management and staff.

- Continue to add value and credibility to your engagement policy by including it in your Business Plan and Annual Budget.
- Consider how you report your community engagement in your publications, including your Annual Report.

APPENDIX 1. Online Questionnaire

1. How do you define the community you serve?
2. What do you consider to be the most important outcomes from your engagement activities?
3. How do you monitor the impact of your community activity on staff, the community you serve and your customers?
4. How many different community groups did you engage with during the past three years?
5. What types of community groups did you engage with during the past three years?
 - Arts/heritage
 - Business/professional/union
 - Welfare/community
 - Education and training
 - Animal welfare
 - Emergency service
 - Environment
 - International aid/development
 - Religious
 - Sport and recreation
 - Health
 - Parenting, children and youth
 - Other – please specify
6. Does your institution have a specific focus on community engagement (for example financial literacy or child welfare)? If so, please tell us what it is.
7. Do you provide specific products for community groups (for example fee-free accounts)?
8. How have you engaged with community groups during the past three years? Examples could include providing scholarships, running events or charitable donations.
9. On average, how often did you engage with a community group during the past three years?
 - One-off occasion
 - Weekly
 - Monthly
 - Quarterly
 - Bi-annually
10. Do you use social media to engage with the community you serve?
11. During the 2014-15 year what amount did your institution spend on community engagement?
 - \$0 - \$5,000
 - \$5,000 - \$10,000
 - \$10,000 - \$15,000
 - \$15,000 - \$20,000
 - More than \$20,000
12. Do you have a policy or procedure in place to determine how you engage with the community you serve?
13. Is your community focus part of your Business Plan and included in your Annual Budget?
 - Yes
 - No
14. What in your view is the benefit of community engagement for your institution and the customer owned banking industry in general?