

Bank Australia

Modern Slavery Statement 2020

Introduction

Bank Australia
Limited ABN 21 087 651 607 (“Bank Australia”).

This is Bank Australia’s first Modern Slavery Statement.

This statement reports on our actions in identifying, assessing and managing modern slavery risks within our supply chain and operations business (lending and investments) in respect of the period 1 July 2019 to 30 June 2020.

Throughout this statement we reference “Modern Slavery”, which includes human trafficking, slavery, servitude, forced or compulsory labour, debt bondage, forced marriage and child labour. We are committed to operating responsibly by establishing ethical standards across our supply chain and business operations and will continually improve our approach to identify and manage modern slavery risks.



Customer owned and 100% Australian based

Bank Australia is a customer owned bank, operating throughout Australia. We provide banking and financial products and services to over 170,000 individual and business customers.

Our purpose is to inspire and empower our customers to use their money to create a world where people and the planet thrive.

Bank Australia is 100% Australian based, and we are committed to keeping jobs here in Australia. We operate throughout Australia and employ approximately 420 staff, with our headquarters in Melbourne, Victoria. Our national lending and contact centres are based in Victoria's Latrobe Valley, our contracts processing team is based in Bendigo, and we have credit card and personal loans teams in Chatswood, News South Wales. We also operate branches across Victoria, New South Wales, Queensland, South Australia, and the ACT. Bank Australia has no operational subsidiaries either domestic or international for which we need to report.

Our purpose is to inspire and empower our customers to use their money to create a world where people and the planet thrive.

Our profits are returned to customers through better rates and fees and we use our lending and investments to create positive social and environmental impact. Our commitment to being economically, environmentally and socially responsible guides our interactions with all customers and suppliers.

Our supply chain and operations

The majority of our supplier base comprises professional services such as legal, brokerage, consulting, training and IT. Approximately 80% of our supply chain provides services for direct banking operations and 20% provides goods and services in support of our facility operations such as stationery, fire, security, heating, ventilation and air conditioning, cleaning and general maintenance.

We have both lending and investment operations. As a customer owned bank, our lending is largely to individual retail customers for their homes, cars and everyday living. Our commercial loan portfolio was approximately 7% of our total lending as at 30 June 2020.

Bank Australia also invests in a portfolio of liquid assets to ensure we have access to a sufficient amount of cash to comfortably meet the needs of our customers.

Our supply chain, commercial loan and investment portfolios were reviewed as part of our Modern Slavery assessment.



Assessment and mitigation of Modern Slavery risk

To meet our obligations under the new Australian Modern Slavery legislation, an external consultant was engaged to review our Modern Slavery requirements.

Supply chain

Assessment

Our suppliers were initially assessed for inherent exposure, primarily based on their industry category, country of registration and operation. Bank Australia supports domestically registered suppliers and manufacturers where possible. The initial risk assessment categorises suppliers into low, medium and high risk. Our high-risk categories included: cleaning; facilities renovations, repairs and maintenance; stationery; catering; and information technology equipment.

Due diligence

We further assess suppliers for modern slavery risk through supplier surveys. Supplier surveys are sent to those assessed with high inherent risk. Once survey responses are returned, suppliers are again assessed to determine if the preliminary high inherent risk rating is warranted and if required, further engagement with the supplier occurs to confirm what we consider to be fair and ethical business practices.

Procurement policy

Our Procurement Policy details procurement governance requirements and is based on the following key principles:

- Positive procurement (alignment to our values),
- Financially responsible procurement; and
- Compliance with applicable laws.

Engaging with what we see as the right suppliers helps ensure we deliver quality products and services to our customers in a financially responsible way, while at the same time supporting our purpose of supporting people and the planet to thrive.

B Corp accreditation

In June 2020, Bank Australia was certified with B Corp accreditation. Becoming a certified B Corp entity means we are judged to be meeting what we consider to be the highest social and environmental standards. We will prioritise using B Corp suppliers as much as possible in future.



Assessment and mitigation of Modern Slavery risk

Business Operations

Assessment

We have developed a screening tool based on Australian and New Zealand Standard Industry Classification codes (ANZSIC codes) to assess modern slavery risks in our commercial loan and investment portfolios. The screening tool gives us a basis for mapping inherent modern slavery risk across all sectors of the economy and allows Bank Australia to assess direct inherent risks with our borrowers and investees.

Our mapping of ANZSIC codes to inherent modern slavery risks identified that the vast majority of our lending was in low and medium risk sectors. A relatively small portion (11%) was identified in inherently high-risk sectors and this included clothing manufacturing, agriculture and cleaning.

Our investment portfolio is comprised of bonds from other banks and semi-government issuers. As direct investees, these are in low risk sectors.

Responsible Banking Policy

We have a Responsible Banking Policy that describes our approach to lending and investments. This policy includes steps to screen for areas that the bank does not lend to as they do not align with our values and purpose (e.g. fossil fuels), as well as for general environmental, social and governance risks.

In FY20, we updated our Responsible Banking Policy to define responsibility for preparing our Modern Slavery statement.

Due diligence

Our assessment of the inherent risks in our commercial lending and investment portfolio will guide our next steps in FY21.

Where commercial loan customers are in inherently high or medium risk sectors, we plan to do due diligence surrounding our customers' capability in preventing modern slavery risks which will then enable us to arrive at an assessment of residual risk. We will do this using a combination of desktop research (e.g. reviewing for relevant certifications) and adding assessment questions to our annual review of commercial loans where necessary.

Many of the organisations we hold investments with are entities that will also report under the Modern Slavery Act, and our next steps will be to analyse their Modern Slavery statements to better understand risks in their supply chains and operations.

Assessment and mitigation of Modern Slavery risk

People

The risk of modern slavery through our hiring practices for employees is low. We only hire employees that live and are permitted to work in Australia in accordance with the Fair Work Act. We are committed to respect human rights in our workplace and have in place a number of policies – and related engagement and training plans – to promote a safe, diverse and inclusive workplace, including:

- 01 Staff Code of Conduct
- 02 Diversity and Inclusion Policy
- 03 Health, Safety and Wellbeing Policy
- 04 Flexible Work Practices Policy
- 05 Leave Policy (including Parental Leave)
- 06 Whistleblower Policy.

All staff complete compulsory Modern Slavery training when they join Bank Australia and annually thereafter. This specific training contains practical scenarios to equip staff in identifying and raising concerns so we can respond appropriately.



Measuring effectiveness

Being our first Modern Slavery Statement, we are still developing our approach to measure the effectiveness of assessing and managing Modern Slavery risks.

Effectiveness measures we currently use include:

- Completion and assessment of supplier surveys and additional engagement with suppliers where required
- Approval of our process for screening commercial loans and investments by Bank Australia's Responsible Banking Committee
- Completion of annual compulsory compliance training by all staff and
- Disclosures via our Whistleblower process.

We are currently considering how we can improve our measures of effectiveness for FY21.



Impacts of COVID-19

We recognise that the COVID-19 pandemic has impacted our communities, customers, staff and business partners in profound ways. During FY20, we launched a comprehensive customer support package and ensured that our suppliers continued to be supported and promptly paid. We did not experience any impacts to our supply chain due to COVID-19.

During FY20, COVID-19 impacted our due diligence processes for suppliers with the return and assessment of supplier surveys behind our planned schedule. We are committed to completing this process during FY21 for suppliers assessed with a high preliminary inherent risk assessment and for other selected suppliers.

Next steps

We are committed to improve our approach for identifying, assessing and managing modern slavery risks in our supply chain and business operations. We have identified areas that will help us to improve in FY21, including:

- Seek partnering opportunities with other B Corp accredited suppliers which will further reduce the risk of modern slavery in our supply chain
- Finalise our Supplier Code of Practice which outlines expectations for suppliers which includes the fair payment and treatment of workers and the prevention of human rights abuses
- Update our Responsible Banking Policy related guidelines and practices for environmental, social and governance screening to build in screening for Modern Slavery risks
- Complete outstanding due diligence processes over our suppliers which were delayed by the impacts of COVID-19 and
- Perform further due diligence over our commercial loan and investment portfolios.

This statement has been approved by the Board of Bank Australia.



Damien Walsh
Managing Director



