

Modern Slavery Statement 2021



Introduction

This is Bank Australia's second 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 2020 to 30 June 2021.

We have a zero-tolerance approach and we are committed to eliminating modern slavery throughout our supply chain and operations.

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.



About us

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 180,000 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 remain committed to keeping jobs here in Australia. We operate throughout Australia and employ approximately 450 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, New South Wales. We operate branches across Victoria, New South Wales, Queensland, South Australia, and the ACT. Bank Australia does not own or control any reporting entities and we have no operational subsidiaries either domestic or international for which we need to report.

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

To aid in our modern slavery risk assessments we worked with senior leaders from various areas of our business materially exposed to such risks. This engagement seeks to create a modern slavery risk identification process, as well as test the adequacy and robustness of our modern slavery approach.

FY21 Summary

- ✓ During the year Bank Australia continued to strengthen its approach to prevent harm and eliminate the risks of modern slavery:
- ✓ Reassessed all our high risk suppliers and identified four key areas of risk: stationery, information technology equipment, uniforms, cleaning and furniture
- ✓ Partnered with ethically and sustainably sourced suppliers after careful assessment in the four key areas:
 - Clothing supplier for all our bank uniforms and garments with minimal modern slavery risk
 - Cleaning supplier for our offices and branches with low modern slavery risk
 - General office supplier for all our primary stationery and general information technology equipment who provides a greater degree of transparency and commitment to ethical sourcing including to the protection of human rights in their supply chain
 - Office furniture suppliers that manufacture and/or assemble within Australia
- ✓ Commenced with the implementation of services from Sedex which will improve our modern slavery risk analysis, monitoring and reporting over suppliers. Sedex stands for Supplier Ethical Data Exchange is one of the world's leading ethical trade membership organisations that allows suppliers to maintain data on ethical and responsible practices and allows them to share this information with their customers.
- ✓ Received from suppliers all outstanding modern slavery surveys and finalised their assessment, despite experiencing delays due to the impacts of COVID-19
- ✓ Developed an approach to screening commercial loans for modern slavery risk
- ✓ Commenced desktop due diligence on borrowers in high-risk sectors and
- ✓ Reviewed our investees' modern slavery statements.



Our supply chain and lending operations

As a customer owned bank, our lending is largely to individual customers for their homes, cars and everyday living.

The majority of our supplier base comprises of professional services such as legal, audit, 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 customers (93% as at 30 June 2021) for their homes, cars and everyday living and this lending is outside the scope of our modern slavery assessment. Our commercial loan portfolio represents 7% of our total lending.

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

Supply chain



Assessment

Our risk assessment reviews our supply chain and operations, and we mindfully consider areas which could be potential causes or effects of modern slavery. We also recognise where we may have a potential risk exposure and are committed to continuing this journey towards improving our approach to identify, assess and manage modern slavery-related risks in such areas.

Our suppliers are initially assessed for their inherent exposure, primarily based on their industry categorisation, country of registration and their general operation. Bank Australia supports domestically registered suppliers and manufacturers where possible. We review each supplier based on their initial risk assessment category: low, medium and high risk.



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 us to ensure we deliver quality products and services to our customers in a financially responsible way, while at the same time supporting our values, our people the planet to thrive.



Our Supplier Code of Practice

The purpose of the Supplier Code of Practice is to detail Bank Australia's expectations in relation to all suppliers providing goods and/or services to the Bank including assessing and addressing the risks of modern slavery. Our Supplier Code of Practice was finalised during the year and it helps to embed our principles and values into our business practices.

The Bank considers general Environmental, Social & Governance (ESG) factors when deciding whether to do business with specific companies to help manage risk and ensure alignment with the Bank's values. These ESG factors include but are not limited to fair payment and treatment of workers, adherence to laws regarding bribery, corruption, environmental regulation, and prevention of human rights abuses.



B Corp accreditation

In June 2020, Bank Australia was proudly certified with B Corp accreditation. Becoming a certified B Corp means that as a bank, we meet the highest standards of verified social and environmental performance. It also means that along with other B Corp certified business, we envision a global economy that uses business as a force for good. Therefore, we endeavour to partner with other B Corp certified organisations, as well as those who practice and prioritise positive social and environmental change. During the year Bank Australia secured supply contracts with six B-Corp accredited businesses and we are striving to increase this number in FY22.



Business Operations



Assessment

We have 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 (20%) was identified in inherently high-risk sectors and this included clothing manufacture, agriculture, cleaning and catering and other hospitality.

We developed an approach to screening loans in medium and high risk sectors, which our Responsible Banking Committee has endorsed. This included: reviewing our sector-based risk ratings for modern slavery, designing a new screening questionnaire that includes comments on due diligence done where loans were proposed in medium or high risk sectors.

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



Due diligence

Our assessment of the inherent risks in our commercial lending and investment portfolio guides our due diligence processes.

Where commercial loan customers are in inherently high or medium risk sectors, we complete due diligence surrounding our customers' capability in preventing modern slavery risks which will then enable us to arrive at an assessment of residual risk. In 2021, we began conducting desktop due diligence and we are now working on steps to add questions to our new loan screening process and annual reviews where necessary. The process of screening for commercial loans is managed by the bank's Impact Finance and Commercial Credit teams.

In our investment portfolio, many of the banks complete their own Modern Slavery Statements, which enables insight into their assessment of modern slavery risk. In 2021, we reviewed the bond issuers in our investment portfolio and found that the majority had issued Modern Slavery Statements. We have established a register of these statements, and will be developing an evaluation template to review key themes and risks, as well as track progress over time as future statements are published.



Responsible Banking Policy

We have a Responsible Banking Policy that describes our approach to lending and investments. This policy includes steps to screen for sectors that the bank does not fund as they do not align with our values and our purpose, including fossil fuels, tobacco, live animal export, weapons and gambling.

Our Responsible Banking Policy also includes screening for general ESG factors. In 2021, we started work on building specific screening for modern slavery into our Responsible Banking Policy process for screening new loans.

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.

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.

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:

- Staff Code of Conduct
- Diversity and Inclusion Policy
- Health, Safety and Wellbeing Policy
- Flexible Work Practices Policy
- Leave Policy (including Parental Leave) and
- Whistleblower Policy.



Measuring effectiveness

We regularly review the effectiveness of our modern slavery approach. The current effectiveness measures we use include:

- Partnering with additional B Corp accredited organisations where possible
- Completing supplier due diligence process and exiting suppliers for critical noncompliance to modern slavery requirements
- Screening commercial loans and investments in line with Bank Australia’s Responsible Banking Policy
- Completing annual compulsory compliance training by all staff
- Investigating complaints and grievances with modern slavery indicators and
- Investigating any disclosures via our Whistleblower process.



Impacts of COVID-19

The COVID-19 pandemic has continued to impact our communities, customers, staff and business partners. During FY21, we continued to support our customer affected by COVID-19.

We have also continued to ensure that our suppliers are supported and promptly paid. During the year, we experienced some minor delays with the delivery of supplier goods and services. However, this was anticipated and had little impact on our business.

COVID-19 also continued to impact our due diligence processes for a small number of suppliers during the year. However, as mentioned in our FY21 Summary section, the receipt of outstanding supplier surveys from FY20 were returned and their assessment finalised.

Next steps

We will continue to embed and strengthen our approach to minimise modern slavery risks in our supply chain and business operations. We have identified areas that will help us to improve in FY22, including:

- Endeavour to partner with like-minded organisations who practice and prioritise positive social and environmental change
- Investigate the establishment of a modern slavery working group within Bank Australia aimed to enhance our approach and improve awareness
- Investigate the use of data analytical tools to enable the identification of payment transactions with modern slavery risk indicators for investigation
- Continue building our screening of lending and investments

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



Damien Walsh
Managing Director



