

Bank Australia

Modern Slavery Statement 2022

Acknowledgement of Country

At Bank Australia we respectfully acknowledge the Traditional Owners of all the lands on which we live and work, and we pay our respects to Elders past and present. We recognise their continued connection to the land, waters and culture and we acknowledge their sovereignty has never been ceded. Our head office is located on the land of the Wurundjeri people of the Kulin Nation.



This is Bank Australia's third Modern Slavery Statement

Bank Australia Limited ABN 21 087 651 607 ('Bank Australia')

The Modern Slavery Act 2018 (Cth) places an obligation on entities based, or operating, in Australia, which have an annual consolidated revenue of more than AUD100 million, to analyse their supply chain and business operations to identify and address their modern slavery risks. Entities required to comply with the Modern Slavery Act must prepare annual statements that contain the actions taken to prevent the risk of modern slavery occurring.

This statement reports on our actions in identifying, assessing and managing modern slavery risks within our supply chains and operations business (lending and investments) in respect of the period 1 July 2021 to 30 June 2022 (FY22).

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 remain focused to operating responsibly by continuing ethical standards across our supply chain and business operations and will constantly improve our approach for identifying and managing modern slavery risks.

About Bank Australia

Our structure and operations

Bank Australia is a customer owned bank, operating throughout Australia. We provide banking and financial products and services to approximately 185,000 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. 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. Please refer to our 2022 Impact Report to learn more.

Bank Australia is 100% Australian based, and we remain committed to keeping jobs here in Australia. We operate throughout Australia and employ approximately 490 staff, with our headquarters in Collingwood, 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.

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FY22 Summary

During the year Bank Australia continued to improve our approach to the risk of modern slavery:

- ✓ Partnered with additional ethically and sustainably sourced suppliers including other B Corp certified organisations in the following areas:
 - Professional services
 - Property maintenance
 - Merchandise
 - Education and training
 - Recycling
- ✓ Commenced with the use of reference information from Sedex where possible to help assess the risk of modern slavery associated with suppliers. Sedex allows suppliers to maintain data on ethical and responsible practices and allows them to share this information with their customers.
- ✓ Investigated and tested the use of data analytics to identify customer transactions with modern slavery risk indicators
- ✓ Integrated modern slavery screening into our responsible banking policy screening process for new commercial loans and
- ✓ Continued to review modern slavery statements of our investees.

Our spend categories

Service Enablement

Includes transaction processing, customer service costs, printing and postage, and broker costs.

Corporate Services

Includes professional services (e.g. audit, legal and consulting), marketing, staff education, and recruitment.

Technology

Includes IT, telecommunications, computer hardware and software, maintenance, and service providers.

Property

Includes rental, refurbishments, maintenance, utilities, cleaning, and security.



Our supply chain and business operations

The Bank understands that through its supply chain, other third party relations and business operations it can be exposure to the risk of modern slavery. Our supply chain provides services for direct banking operations as well as goods and services to support our facility operations.

Our business operations comprises of both lending and investment operations. As a customer owned bank, our lending is largely to individual customers (96% as at 30 June 2022) for their homes, cars and everyday living and this lending is outside the scope of our modern slavery assessment. Our commercial loan portfolio represents 4% 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 suppliers are initially assessed for their inherent exposure to modern slavery risk, 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. Our high risk categories were determined as: stationery, information technology equipment, facilities renovations, uniforms, cleaning and furniture.



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.

Bank Australia has a membership with the Supplier Ethical Data Exchange (Sedex) which provides tools and services to help members understand and assess their suppliers to ensure they are upholding safe, ethical and sustainable business practices. Where it can be used, the reference information from Sedex assists in the assessment of modern slavery risk.



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 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 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.

Certified



®

Corporation

B Corp accreditation

Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. As a B Corp bank in Australia, we're proud to sit alongside other B Corp certified banks around the world.

We endeavour to partner with other B Corp certified organisations, as well as those who practice and prioritise positive social and environmental change. During FY22 we added an additional seven B Corp accredited businesses and we now partner with a total of 12 covering a range of services and products.



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 commercial lending was in low and medium risk sectors. A relatively small portion (21%) was identified in inherently high-risk sectors and this included construction & building trades, agriculture, cleaning and catering and other hospitality. We developed and started testing a new screening questionnaire that includes comments on due diligence completed 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.



Portfolio 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. We have added questions to our new loan screening process for commercial loans which is managed by the Bank's Lending and Impact Management 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 2022, we continued reviewing investee modern slavery statements and developed an evaluation template to review key themes and risks, as well as to track progress over time. In 2023, we intend to roll this template out for assessing all investee modern slavery statements.



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 and gambling.

Our responsible banking policy also includes screening for general ESG factors, including modern slavery.



Customer due diligence

All Bank Australia customers undergo Know Your Customer (KYC) due diligence to confirm their identity and assess risks associated with fraud and money laundering or terrorism financing, and these activities may identify indicators of modern slavery risk. We also monitor customer accounts for unusual transaction activity. Customers identified with having an elevated risk are subjected to enhanced due diligence review.

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 training plans to promote a safe, diverse and inclusive workplace, including:

- Staff Code of Conduct
- Diversity and Inclusion Policy
- Health, Safety and Wellbeing Policy
- Anti-Discrimination, Bullying and Harassment Policy
- Family and Domestic Violence Policy
- Flexible Work Practices Policy
- Career Policy
- Leave Policy (including Parental Leave) and
- 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

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 non compliance 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 customer transactions, complaints and grievances with modern slavery indicators and
- Investigating any disclosures via our Whistleblower process.



Improvement

We aim to continually improve our approach to further minimise modern slavery risks in our supply chain and business operations. We have identified areas that will help us to improve in FY23, including plans to:

- Partner with additional B Corp certified organisations, as well as those like-minded organisations who practice and prioritise positive social and environmental change
- Implement a supplier management system that will streamline and enhance our supplier due diligence process
- Further assess the use of data analytical tools to identify customer transactions with modern slavery risk indicators for investigation and
- Continue building our screening of lending and investments.

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



Damien Walsh
Managing Director



