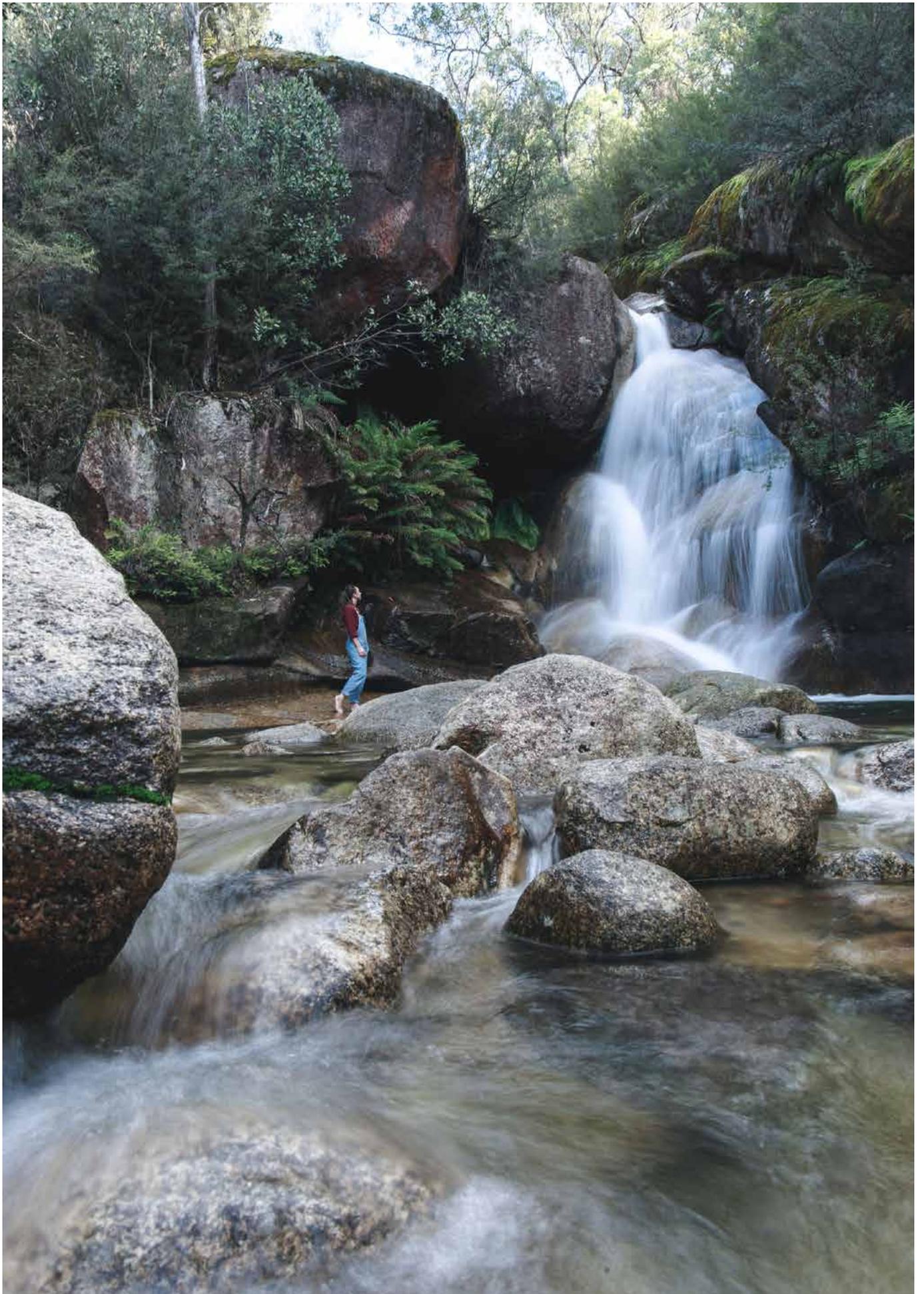


# Responsible Banking Policy



## Our Responsible Banking Policy

**Our Responsible Banking Policy informs everything we do, from the businesses we loan to, where we invest money, and the organisations we do business with. We're part of a 'clean money movement' because we fund positive impact that benefits people and the planet.**

This policy was approved by our board on 24 June 2021. It guides how we achieve our purpose to inspire and empower our customers to use their money to create a world where people and the planet thrive. By putting purpose at the core of our corporate strategy and operations, products and services, we can create value for society and the planet and, in turn, gain Australia's confidence to be the country's most trusted bank and a leading purpose-driven business.



As the first Australian member of the Global Alliance for Banking on Values and a certified B Corporation, we're committed to using banking as a force for good. This policy outlines how we do this through our lending and investments and ensures we prioritise our community, the environment, sustainability and serving the real economy.

## Clean money in action

**When you deposit money in a bank, it doesn't just sit there – banks use it to make loans and investments.**

When we make a loan (like a home loan) or make an investment (such as in social or green bonds) we seek to balance the needs of people and the planet and the need for the bank to generate profit. We're customer owned, our customers are our shareholders and we act in their best interests. We use our customers' money to create positive impact on their behalf. Profits are returned into the bank to benefit all customers and help address the issues they care about, like acting on climate change and creating a fair and just economy.

Our Responsible Banking Policy includes screens for what we fund (positive screens) and what we don't fund (negative screens) with your money. Our policy also informs the actions we take to help address the issues most important to our customers.



## What we fund

### Positive screens

#### ✓ **Everyday people**

Lending to people so they can purchase a home or a car, or for everyday living is the cornerstone of why and how we exist.

We design our products to encourage our individual customers to make sustainable choices, like our Clean Energy Home Loan, our car loans with carbon offsets and our construction loans, which have land protected in our Conservation Reserve that is equal to the size of each building lot.

We also work to help first home buyers get into the market. We only lend our customers an amount they can afford to repay and we help during times of financial hardship.

#### ✓ **Inclusive and community housing**

We lend to community housing providers to help them build affordable and social housing for people who need it, and specialist disability accommodation providers that build homes suited to people with complex care needs. We'll continue to support this sector to increase the number of Australians who can access stable, safe and affordable housing no matter their situation.

#### ✓ **Clean energy transition**

We are committed to playing our part in Australia transitioning to a zero emissions future. To inspire and encourage this vision, we offer a range of products designed to assist our customers who are lowering their emissions from their homes, cars and businesses.

Our Clean Energy Home Loan encourages customers to build or renovate energy efficient homes, use less energy and generate their own electricity by rewarding them with a lower interest rate on their home loan. We also offer a discounted interest rate on car loans for electric vehicles.

We lend to green, affordable and community-focused housing and land developments that are helping to make our cities and regions more sustainable. We also lend to commercial properties that are installing renewable energy systems and making buildings more energy efficient.



✓ **Not-for-profit and for-purpose companies**

We lend to not-for-profit and for-purpose community and business customers who provide vital services and advocacy in areas like disability support, education and environmental conservation.

✓ **Small and medium-sized businesses**

We lend to small and medium-sized businesses including B Corporations to help them purchase property or manage their cash flows. Many of these businesses seek us out because they want to align their business banking with their values.

✓ **Other banks and government bonds**

We hold money in liquid investments to ensure we have access to a sufficient amount of money to meet our customers' needs, as well as the requirements of our regulator, the Australian Prudential Regulation Authority. These investments include bonds from other banks, Governments and other organisations.

We work hard to ensure these investments are consistent with our values wherever we can, and we are an investor in green, social and sustainability bonds in Australia. Each year in our Impact Report, we disclose what share of our liquidity portfolio is in green, social and sustainability bonds as well as the types of projects these investments finance, like light rail and transport, wind and solar farms, and low carbon buildings.



## What we don't fund

### Negative screens

#### ✗ **The fossil fuel industry**

The negative impacts of the extraction and use of non-renewable fossil fuels on the environment and climate are well documented. We accept the science of climate change and, as part of our commitment to protecting people and the planet and transitioning a decarbonised world, we don't lend to coal, gas or oil extraction or fossil fuel electricity generation.

- **Coal**

We don't lend to organisations that conduct exploration for and extraction of coal reserves, or generate power using coal. We also exclude companies using technologies to reduce emissions from coal-fired power generation.

- **Oil and gas**

We don't lend to organisations conducting exploration, mining and/or extraction of oil or gas from conventional methods or fracking.

- **Fossil fuel-related industries**

For any new loans, we screen to ensure borrowers are not in fossil fuel-related industries, like fossil fuel retailing or transport, or any other major suppliers to the fossil fuel industry. If a borrower provides any supply to the fossil fuel industry, we make sure it's not more than 50% of their revenue.

#### ✗ **The live animal export industry**

Live export involves sending animals overseas, often exposing them to stress and cruel deaths during transportation from factors such as fatigue, heat, and overcrowding as well as inhumane and brutal slaughter methods. Live export is not an industry we believe can become "more humane".

We don't lend to organisations that export live animals like shipping companies or air freight companies. We don't lend to farms that raise animals for the purpose of live export.

#### ✗ **Intensive animal farming**

All animals should live healthy, comfortable lives without pain and distress. We exclude farming systems and processes that restrict the natural behaviours of animals being produced for meat or other products.

Intensive farming practices are carried out in buildings, enclosures, paddocks or pens and involve the stocking of animals in large densities, or the confinement of animals in cages, crates or stalls for longer than incidental periods. They may also involve the use of controls in the farming environment like the use of temperature and light controls.

We don't lend to organisations that use intensive animal farming systems, including:

- Caged or shed/barn production of poultry for meat or eggs where no outside access is available
- Feedlot production of cattle and sheep for meat or milk
- The use of farrowing crates or sow stalls during the production of pigs for meat

In addition to screening out intensive farming practices, for any new farming loans we encourage use of pain relief for animals subjected to invasive procedures (e.g. dehorning, castration, and mulesing), or consideration of alternative methods if available.

### ✘ Industries using animals for cosmetic testing or harmful trade

We don't lend to industries that use animals for cosmetic testing or harmful trade, which includes companies involved in:

- cosmetic or detergent testing on animals
- the trade of wild or endangered animals
- fur farms and the trade of fur products, particularly those made from endangered species

We acknowledge the work of scientists and the use of animals in the development of important scientific research, medicines and vaccinations. Although we encourage companies and scientists to use alternatives where possible, this exclusion does not apply to companies that we are satisfied are using animals for clinical or other scientific research where no viable alternative is possible.

### ✘ Tobacco industry

Tobacco kills more than 7 million people each year globally. There are also a number of human rights abuses in the tobacco industry – in many parts of the world child labour and slave labour are used in tobacco farming.

- We don't lend to organisations that produce, manufacture or businesses whose primary activity is selling tobacco

### ✘ The arms industry

The arms industry manufactures and sells weapons, including guns and military technology. We recognise arms are a necessary part of defence however, the sale and manufacture of arms can be problematic when sold to countries with repressive regimes, militia organisations and organised crime syndicates. There are also several types of weapons that are designed and manufactured to cause maximum harm to people who are often civilians. These include nuclear weapons, cluster munitions, biological and chemical weapons and landmines.

- We do not lend to businesses that produce or sell armaments

### ✘ Gambling

Gambling is a common pastime in Australia, but for some gamblers it becomes a problem. 'Problem gambling' describes a situation in which a person has difficulty limiting the amount of money or time spent on gambling.

- We don't lend to casinos, online gambling operators or businesses that derive revenue directly from poker machines or sports betting
- We do not provide new loans to businesses whose primary purpose is to train horses or greyhounds for the purposes of racing and for gambling and entertainment
- We prohibit gambling using Bank Australia credit cards. Customers are still able to gamble using their own money via their debit card

Our gambling exclusion does not apply to not-for-profit organisations that use lotteries or raffles as a source of fundraising.

## Glossary

To help you understand our Responsible Banking Policy, we've explained some key terms.

- 'loan', 'lend to' or 'lending': the money we provide to individuals and organisations, like a mortgage, a credit card or a small business loan, in return for an interest rate paid back alongside the loan amount
- 'investment', 'invest in' or 'investing': the money we place in products, like bonds with other banks or the government, to make sure we can always have access to cash (what we call 'liquidity management'). We do this to make sure we've got money available to comfortably meet our customers' needs, and as part of our regulatory requirements as a bank (or 'Authorised Deposit-taking Institution', in regulatory terms)

