

# Wholesale Ethical Investment at the Bank

- **All wholesale funding issued by the Bank is independently Certified as Ethical Investment<sup>i</sup>.**
- **Therefore, any wholesale investor in the Bank is guaranteed that their investment is Ethical.**
- **We are the only Bank offering Certified Ethical Wholesale investment products (MTNs, FRNs, NCDs, TDs) to the Australian market.**
- **Ethical means zero investment in damaging sectors such as fossil fuels, tobacco and gambling.**

## Pioneering ethical investment

The Bank pioneered ethical investment when it became the first and only Australian financial institution to have its entire wholesale debt issuance programme of \$500m independently Certified by the Responsible Investment Association Australasia (RIAA) in June 2015. This was the first DIP launched by the bank. It also is;

- First and only Certified Ethical investment wholesale cash product in Australia.
- First and only wholesale cash product based on fossil fuel exclusion.
- First and only Bank to ethically certify its total wholesale sector funding.

## Wholesale Certified Ethical investment products

- **June 2015** - \$500m Wholesale Debt Issuance Programme (DIP).
- **November 2018** - Increase of \$500m to Wholesale DIP. Programme size now \$1 billion.
- **August 2019** - Wholesale Sector Short Term Deposits comprised of: Negotiable Certificates of Deposit (NCDs), Wholesale term deposits, and Wholesale overnight deposits (11AM cash – at call).

Under the \$1 billion DIP the Bank may issue debt securities, that are issued in series, and each series may comprise one or more tranches. These may vary in number, timing and tenor. By certifying the \$1 billion DIP, each individual issuance of notes or tranches is certified.

For wholesale Short Term Deposits, the tenor of these deposits is primarily between 30 days to 1 year. Issuance can be daily, and a typical week may see individual depositors transact numerous times with the Bank (this does not include any secondary market activity).

## Our guarantee to wholesale investors

Any wholesale investor in the Bank is guaranteed their investment is a Certified Ethical Investment, as follows:

- **All existing holders** of the Bank's wholesale term debt issued under the Bank's debt issuance program.
- From 20 August 2019, **all new investments** in the Bank's wholesale short term deposits (i.e., cash, negotiable certificates of deposit and term deposits).

## **Proceeds fund mortgages**

Proceeds of the Bank's wholesale funding are used to fund the Bank's balance sheet and primarily fund residential mortgages. The Bank's balance sheet funds our four brands: Teachers Mutual Bank, Firefighters Mutual Bank, UniBank and Health Professionals Bank.

## **Certified Ethical Investment criteria**

The Bank's first DIP of \$500m achieved RIAA Certification on the basis of fossil fuel exclusion. In 2018, RIAA Certification was extended to an additional \$500m, the second part of the Bank's \$1 billion DIP for wholesale investors which was increased in size. Certification of the second \$500m and of the Wholesale Short Term Deposits is based on 13 additional ethical exclusions as well as fossil fuels.

### **1) Ethical lending exclusions**

'Various lending opportunities are disqualified from the Bank's lending origination business. Such exclusions are where the primary purpose of the entity or business is alcohol, armaments, correctional facilities, cryptocurrency, deforestation or gross environmental degradation, fossil fuels, gambling, military activities, political activities, pornography, slavery, tobacco or uranium.'

### **2) Fossil fuels and climate change exclusions**

'Various lending opportunities are disqualified from the Bank's lending origination business. Such exclusions are where:

- the purpose would be to finance large scale greenhouse gas pollution from fossil fuel exploration, extraction, production and use; or
- the purpose would be to directly lend to, buy equity or debt in any large scale greenhouse polluting activities from fossil fuel exploration, extraction, production and use.
- The Bank will not directly invest in any large scale greenhouse gas polluting (i.e. fossil fuel exploration, extraction, production and use) activities or companies.'

## **About RIAA Certification**

RIAA's *Responsible Investment Certification Program* verifies and assures that a responsible investment product is delivering on its sustainability claims, meets high standards of delivering on those claims, and is transparent on the approach to responsible investment.

The *Certification Program* is the trusted source on quality responsible investment products and services and the Program and the Certification Symbol forms the most comprehensive market initiative for responsible investment in Australasia.

By being a *Certified Responsible Investment*, consumers can be assured that the responsible investment product is delivering on its sustainability promise. The *Certification Symbol Trade Mark* provides consumers with a quality mark of the Australia and New Zealand standard for responsible investing products and advice.

## **RIAA Certified Responsible Investment Products;**

- Have formal, consistent, documented, and auditable RI strategies and processes
- Make honest claims and are appropriately labelled
- Avoid significant harm
- Account for ESG factors in the investment process
- Have relevant and accessible RI disclosures

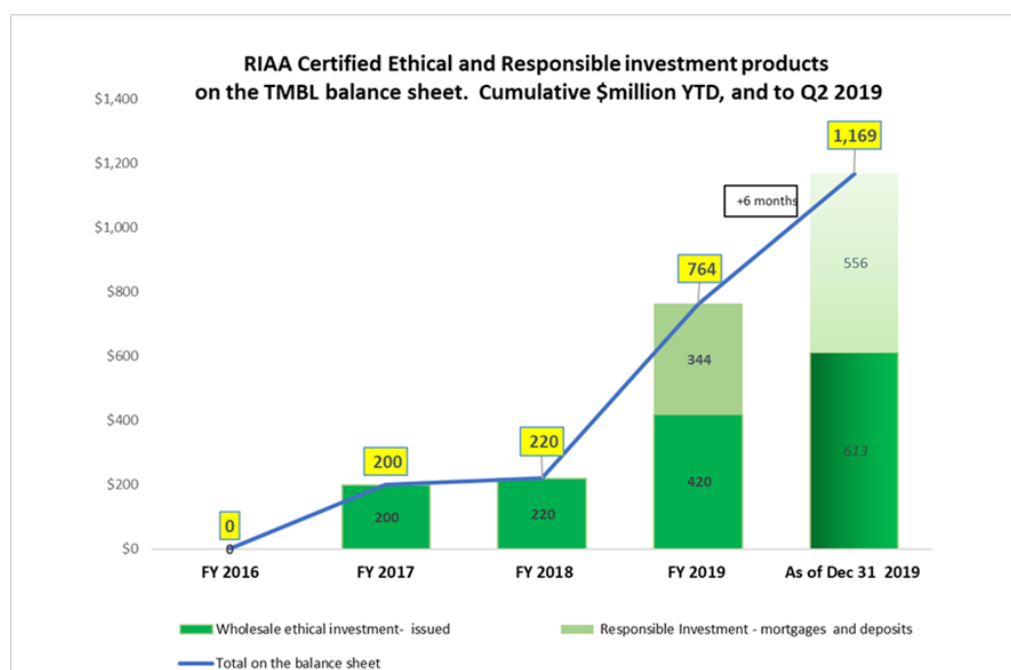
- Are managed by active stewards
- Are managed by organisations with a formalised commitment to responsible investing
- Provide educational information to members and customers

Wholesale Short Term Deposits and the Debt Investment Programme have been certified as Ethical Investment by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See [www.responsibleinvestment.org](http://www.responsibleinvestment.org) for details.

## Reporting

We report on our total RIAA Certified products twice a year, and in addition to wholesale products, all new retail mortgage and deposit products sold are Certified Responsible Investment.<sup>ii</sup>

As of Dec 31 2019, the Bank had \$613 million of wholesale Ethical Investment products on the balance sheet.



Ethical Debt Issuance to date has been;

- **\$100m** of 3-year floating rate senior unsecured notes, issued in October 2016, matured on 28 October 2019
- **\$100m** of 3-year floating rate senior unsecured notes, issued in June 2017, matured on June 29 2020.
- **\$20m** of 10-year non-call 5-year floating rate subordinated notes, issued in September 2017.
- **\$200m** of 3-year floating rate senior unsecured note, issued in July 2018 as the single largest transaction to date.
- **\$100m** of 3-year floating rate senior unsecured notes, issued in October 2019

<sup>i</sup> As of June 1 2020

<sup>ii</sup> The products represent the amount on the balance sheet. Whilst more retail products and wholesale Short Term Deposits have been sold, it is what remains on the balance sheet that is counted.