

2011 Communication on Progress

1. GENERAL INFORMATION

17 August 2011

To our stakeholders:

I am pleased to confirm that ME Bank reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Jamie McPhee
Chief Executive Officer

2. HUMAN RIGHTS PRINCIPLES

Assessment, policy and goals

ME Bank is committed to upholding the Universal Declaration of Human Rights and all other international standards relating to the protection of these rights. In addition to the measures in place to protect the human rights of our people relating to labour (see Labour Rights section of this document), ME Bank abides by all legislation relating to human rights protection in Australia.

Implementation

United Nations Principles for Responsible Investment

ME Bank is a signatory to the United Nations Principles for Responsible Investment. As a professional services partner signatory, ME Bank acknowledges the relevance of environmental, social and governance issues within the investment sector, including the protection of human rights. Our participation in this initiative represents a commitment to providing and promoting services that support the implementation of the Principles by those within our business network, primarily our shareholding industry superannuation funds.

Measurement of outcomes

During the reporting period, ME Bank has complied with its obligations under the United Nations Principles for Responsible Investment.

Objectives for the next reporting period include the implementation of environmental, social and governance assessment of business lending and the development of a sustainable supply chain and procurement policy addressing social and environmental issues, including human rights.

3. LABOUR PRINCIPLES

Assessment, policy and goals

ME Bank is committed to upholding the principles of the ILO core instruments in all our operations. As a wholly Australian owned and operated company, ME Bank complies with Australian laws and regulations relating to labour rights.

Collective Bargaining

ME Bank's 2008 collective agreement provides the cornerstone for ME Bank and its employees to create a workplace culture in accordance with our commitments regarding labour rights.

The agreement covers

- Employment categories
- Hours of work
- Job grading and remuneration
- Performance development and reward
- Leave
- Workers compensation and make up pay
- Redundancy, redeployment & retrenchment
- Termination of employment
- Dispute resolution
- Occupational health and safety
- Training and development
- Equity and workforce diversity

Dignity at Work

Our Dignity at Work policy outlines our commitment to providing all employees with the opportunity to pursue excellence in their workplace endeavours in a caring, healthy and safe environment. Discrimination, harassment, vilification, bullying and workplace violence are not an acceptable part of the work culture at ME Bank.

Occupational Health and Safety

ME Bank's Occupational Health and Safety policy establishes the responsibilities of ME Bank employees, contractors, consultants and agency staff in relation to health and safety.

Implementation

Dignity at Work compliance

All ME Bank staff are trained regarding our Dignity at Work policy. This training module must be completed annually. Our complaints resolution procedure outlines employee options for addressing unacceptable behaviour, including discrimination, harassment and bullying.

Additionally, ME Bank Contact Officers provide information to employees on the Dignity at Work policy and procedures, including assisting with identifying issues and presenting options for resolving complaints.

Occupational Health and Safety compliance

Primary responsibility for employee safety at ME Bank sits with our Chief Executive Officer who is committed to taking all reasonably practicable steps to ensure ME Bank complies with Occupational Health and Safety Legislation in Australia and that appropriate mechanisms are provided to regularly monitor and report on health and safety performance.

Additional Occupational Health and Safety responsibilities are enacted by designated Health and Safety Representatives, members of the National Occupational Health and Safety Committee and Occupational Health and Safety Coordinators.

Employee Assistance Program

ME Bank offers an Employee Assistance Program (EAP) to support employees in dealing with issues at home or work. The EAP is a voluntary professional and confidential counselling service provided for ME employees to assist employees in managing the demands of their job, personal issues and to increase employees' overall well-being.

Freedom of Association and the Financial Sector Union

ME Bank's collective agreement contains a range of facilitative provisions including recognition of the role of union delegates as critical to building union capability. ME Bank provides financial assistance towards a Financial Sector Union (FSU) membership or a Professional Association fee. Employees receive a contribution to a professional membership to receive ongoing professional development; the FSU for support or training purposes; or an association useful for the development of working relationships.

Measurement of outcomes

At June 2011

- 87% of ME Bank employees are employed in a full time capacity
- An equal number of males and females are employed at ME Bank

During June 2010 – June 2011

- 25 OHS incidents were reported
- Lost time injury frequency rate (LTIFR) = 2.37

During the reporting period ME Bank has improved reporting processes regarding employee demographics and occupational health and safety. Objectives for the next reporting period include implementing a leadership and talent framework, implementation of a reward strategy and the continued improvement of occupational health and safety reporting.

4. ENVIRONMENTAL PRINCIPLES

Assessment, policy and goals

ME Bank is committed to upholding the principles of environmental stewardship and the precautionary principle. ME Bank understands the need to act to help save our planet. By working to minimise our environmental footprint and assisting our customers to reduce their own impacts, we seek to play our part in securing our shared future.

Implementation

Statement on Climate Change

In July 2011, the ME Bank Board approved a statement on climate change, identifying our support for market related mechanisms as essential for reducing carbon pollution and encouraging a shift to renewable energy resources. As a challenger bank, it is important we have a voice and contribute to important public policy discussion including issues such as climate change.

Green Building

In November 2010, ME Bank became a member of the Green Building Council of Australia – a national, not-for-profit organisation, committed to developing a sustainable property industry for Australia by encouraging green building practices. Our participation in this initiative informed the design and construction of our new head office, which was completed in May 2011. Our head office is targeting a 5 Star Green Star rating through our commitment to creating a sustainable workplace including maximising natural light, reduced energy and water use, use of recycled or sustainable materials and waste management.

Measurement of outcomes

During the reporting period, ME Bank implemented environmental accounting processes to prepare for the measurement of the Bank's total carbon emissions. ME Bank also implemented improved photocopying processes to help monitor and measure paper use at our head office. Objectives for the next reporting period include the implementation of a carbon reduction strategy (including carbon measurement and reduction) and the development of a sustainable supply chain and procurement policy addressing social and environmental issues, including environmental impacts.

5. ANTI-CORRUPTION PRINCIPLES

Assessment, policy and goals

As a financial institution, ME Bank takes the issue of corruption very seriously. ME Bank has in place a number of policies and procedures to prevent instances of corruption.

ME Bank is committed to complying with all relevant Australian legislation and codes to prevent corruption and to protect customers and the Bank.

Implementation

Code of Conduct

The ME Bank code of conduct sets ethical standards to adopt and advocate. The code of conduct establishes mandatory behaviour in the areas of conflicts of interest, personal transactions and abiding by the law.

Business Customer Identification and Verification Policies and Procedures

In compliance with Australia's Anti-Money Laundering and Counter-Terrorism Financing Act 2006, ME Bank has implemented Business Customer Identification and Verification Policies and Procedures. The laws are intended to reduce the risk of Australian businesses being misused for the purposes of money laundering or terrorism financing. They also aim to meet the needs of law enforcement agencies for information about possible criminal activity and terrorism.

Suspicious Matter Reporting

Relevant ME Bank employees undertake annual training in Suspicious Matter Reporting. This module advises employees on how to identify a suspicious matter and the appropriate actions regarding suspicions. If ME Bank forms a suspicion when dealing with a customer on a matter that may relate to an offence, tax evasion or proceeds of crime, ME Bank must complete a suspicious matter report. Offences include money laundering, terrorism financing, operating under a false identity or an offence under a Commonwealth, State or Territory law.

Measurement of outcomes

During the reporting period, ME Bank complied with both the Anti-Money Laundering and Counter-Terrorism Financing Act and with the suspicious matter reporting requirements of the Australian Transaction Reports and Analysis Centre. Objectives for the next reporting period include the approval and execution of a Fraud Management Plan.