
United Nations Global Compact 2017

Communication on Progress.



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General Information.

01.

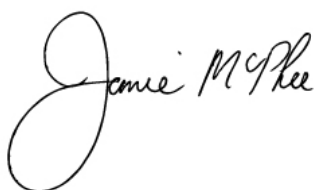
12 February 2018

To our stakeholders:

I am pleased to confirm ME 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 our 2017 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.

Yours sincerely,

A handwritten signature in black ink, reading "Jamie McPhee". The signature is fluid and cursive, with a large loop at the end of the last name.

Jamie McPhee
Chief Executive Officer

Human Rights Principles.

02.

2.1 Assessment, policy and goals.

ME 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 abides by all legislation relating to human rights protection in Australia, where ME conducts all of its business. ME is also committed to ensuring it partners with suppliers which demonstrate a considered approach to economic, social and environmental responsibility.

2.2 Implementation.

United Nations Principle for Responsible Investment.

ME is a signatory to the United Nations Principles for Responsible Investment. As a professional services partner signatory, ME 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 which support the implementation of the principles by those within our business network, primarily our industry superannuation funds shareholders.

Dignity at Work Policy.

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.

All ME employees are trained in 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.

Diversity and inclusion.

ME has developed a formal commitment to diversity and inclusion. This commitment defines what diversity and inclusion mean at ME and explains why diversity and inclusion are important to us. This is overseen by the Board, who are committed to promoting gender diversity across the organisation.

In FY16, employee focus groups met via an externally facilitated process to highlight a range of issues and opportunities for the bank to tackle. Further development of more formal initiatives and activities arising from this work have been determined, as the bank works to develop a detailed and robust diversity and inclusion strategy. While there are gender diversity actions in the bank's plan, it is adopting a broader view to address inclusion.

In the meantime, ME continues to promote and support a range of business and employee-initiated activities which promote and support diversity and inclusion in its workplaces. The activities in recent years which foster diversity have included:

- Sponsorship and support of industry groups and forums such as Women in Super, Women in Risk and Women in DiversITy, all designed to promote and develop the career opportunities for women in these professions
- ME-branded presence at Melbourne's Midsumma festival to celebrate and support the lesbian, gay bisexual, transgender and intersex (LGBTI) community
- Engagement with an external agency to look at developing and promoting opportunities for mothers returning to the workforce
- Workplace celebrations which recognise cultural and religious celebrations from some of the various communities that make up ME's workforce, such as the company-wide celebration of the Hindu festival Diwali which takes place every year.

In FY18, ME is looking to launch a bank-wide ME Women's Group.

Supply chain.

ME works closely with a wide range of suppliers in the day-to-day operation of its business. In line with its commitment to corporate responsibility, it chooses to partner with suppliers which demonstrate a considered approach to economic, social and environmental responsibility.

When sourcing new suppliers, ME regularly assesses performance across a range of corporate responsibility indicators.

2.3 Measurement of outcomes.

During the reporting period, ME has complied with all its obligations under the United Nations Principles for Responsible Investment. It has also complied with all Australian legislation relating to human rights protection.

ME strongly supports diversity and inclusion in our workforce and recognises the rights of our LGBTI employees to live and work free of prejudice and discrimination, with all the essential freedoms enjoyed by other members of ME and the broader community.

As such, in FY18, ME supported the push for marriage equality, which has since passed into law. The bank hosted its own YESFest – a week-long festival which featured the sale of limited edition ME-branded YES t-shirts as well as a lunch-and-learn-style event where LGBTI leaders from both within and outside the bank shared personal stories. The week culminated in rainbow colours being projected on to the outside of the ME building over a weekend in October. Between the fundraising activities of ME employees and the bank, ME was able to donate \$10,000 to advocacy groups Australian Marriage Equality and Stand Up Events.

3.1 Assessment, policy and goals.

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

ME was the first Australian banking organisation to enter into a formal partnership with a union to work collaboratively to solve business issues. ME's partnership with the Finance Sector Union (FSU), forged in 2011, recognises that management, employees and the union have a mutual interest in the ongoing success of the business and use collaboration as an important means of achieving our business objectives while improving employee satisfaction and engagement. The partnership is a more sophisticated way to engage on business issues such as change, modernisation, productivity, and employment terms and conditions. It hinges on a shared understanding of, and working towards, agreed business objectives.

ME's Workplace Agreement contains a range of facilitative provisions – including recognition of the role of union delegates as critical to building union capability. ME provides financial assistance towards an FSU membership or a professional association fee. Employees receive a contribution to a professional membership to receive ongoing professional development, a contribution to an FSU membership for support or training purposes, or a contribution to an association useful for the development of working relationships.

3.2 Implementation.

Remuneration and Recognition Policy.

ME aims to provide recognition and rewards which attract, motivate and retain employees to achieve its purpose and overall objectives within its risk framework. ME uses a range of different remuneration elements to effectively reward employees. Any variable pay and performance-based components of remuneration are designed to encourage behaviour that supports our long-term financial soundness and our risk management framework.

ME also continues to actively listen to the needs of its employees through the annual howÜdoin? employee engagement survey.

Work, Health and Safety Policy.

ME is committed to providing a safe and healthy environment for its employees, contractors and visitors. The bank's active consultation with employees through the Health and Safety Committee as well as its network of health and safety representatives across its workplaces aim to ensure that workplace issues can be readily raised and addressed, with its processes ensuring early incident reporting. Keep ME Safe, the bank's occupational health and safety management system, supports the timely identification and management of preventable health and safety risks, and addresses issues across the organisation.

In FY17, ME rolled out a range of health and wellbeing activities under its 'Happy.Healthy.ME' program, designed to encourage preventative and proactive management of health and wellbeing in the bank's workplaces. The bank also continues to work towards implementing strategies that reduce the return to work (RTW) timeframe after an employee has sustained an occupational injury.

Employee Assistance Program.

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

Performance Management, Dignity at Work and Misconduct Policies.

ME's Performance Management, Dignity at Work and Misconduct Policies detail the procedures to be followed in the event of poor performance or behaviour by an employee. These policies support ME's cultural aspirations to be a values-based, high performing organisation. ME's approach to managing performance or misconduct is to provide a transparent process which is consistent with the principles of procedural fairness.

Collective bargaining.

ME's Workplace Agreement covers all ME employees and provides the cornerstone for ME and its employees to create a workplace culture in accordance with our commitments regarding labour rights.

ME worked closely with the FSU in negotiating the most recent ME Workplace Agreement, guided by our partnership principles and a shared commitment to our business objectives. All ME employees had the opportunity to contribute to creating the agreement by submitting ideas and feedback. Following a successful employee vote, the Workplace Agreement was approved by the Fair Work Commission effective from 12 January 2018 with a nominal expiry date of 30 June 2020.

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 and retrenchment
- termination of employment
- workplace diversity and flexibility
- ME/FSU partnership
- workplace change
- dispute resolution
- work, health and safety
- training and development.

Supply chain.

When partnering with new suppliers, particularly those who conduct activities outside of Australia, ME asks them to demonstrate their approach to a range of corporate responsibility indicators.

3.3 Measurement of outcomes.

Workplace profile.

At the end of June 2017, ME had 1,009 permanent employees and 127 contractors. Our 12-month rolling average workplace turnover for the year was 14.2%.

Work, health and safety.

A common health and safety benchmark is lost time injury frequency rate (LTIFR) which measures the number of lost time injuries per million hours worked. ME's LTIFR in FY17 was 0.66, which compares favourably to the industry rate of 0.9 (source: SafeWork Australia).

Diversity metrics.

ME's gender diversity profile and the number of employees utilising parental leave in FY17 are shown in the table below.

GENDER DIVERSITY IN FY17*

Non-managerial employees

Female	51%
Male	49%

Business leaders

Female	41%
Male	59%

Executive (including CEO)

Female	33%
Male	67%

Board (including Chairman)

Female	43%
Male	57%

UTILISATION OF PARENTAL LEAVE IN FY17*

Primary carer's leave

Female	31
Male	0

Secondary carer's leave

Female	3
Male	5

*From the 2016-17 public report form submitted by Members Equity Bank Limited to the Workplace Gender Equality Agency

Environmental Principles.

04.

4.1 Assessment, policy and goals.

ME is committed to upholding the principles of environmental stewardship. We understand that our environmental impact extends beyond our own operations to include the products and services we provide and procure as well as the investment decisions we make.

In FY17, ME publicly affirmed its position to not invest in fossil fuels, coal mining, coal ports, coal power, gas power or liquid gas natural plants.

ME prefers to partner with suppliers who demonstrate a considered approach to economic, social and environmental responsibility. Our expectations of, and how we work with, our suppliers with regard to environmental management is outlined in ME's Procurement Policy.

4.2 Implementation.

Resource reduction.

ME has measured the environmental impact of its operations – our major impacts are in energy and paper use. We have initiatives underway to reduce our consumption in these areas.

Our head office in Melbourne, where the majority of our people are located, has a 5-star 'Green Star – Office Interiors v1.1' rating. The building we sit in has a 5-star assisted NABERS Energy Rating and a 2.5-star NABERS Water Rating. The bank's green star accommodation has provided significant environmental benefits, including reduced electrical consumption, largely due to improved heating, cooling and lighting efficiencies.

Supply chain.

ME's Procurement Policy details how the bank is committed to understanding and managing the social and environmental impacts of its procurement activities. Suppliers are expected to adhere to a Code of Conduct whereby at a minimum they comply with all relevant laws and regulations regarding corporate governance and ethics, workplace health and safety, environmental management, employment practices, diversity and risk management.

4.3 Measurement of outcomes

In FY15, ME produced 2,056 tonnes of greenhouse gas (GHG) emissions from its operations, including electricity use in offices, vehicle fleet usage and employee air travel – a decrease of nearly 20% from the previous year. This figure decreased to 1,928 in FY16 and subsequently to 1,894 tonnes of GHG emissions in FY17.

The largest source of GHG emissions for ME is electricity use in its offices, which accounted for 55.8% of the bank's total emissions in FY17. In FY17, ME reduced its electricity usage by 59.2 tonnes carbon dioxide equivalent (CO2-e) and vehicle fleet usage by 19.3 tonnes CO2-e.

ME's overall paper consumption dropped from 106 tonnes in FY14 to 22 tonnes in FY15. This sharp reduction was due to the completion of a technology transformation program which ME undertook to digitise and streamline the processes involved in customer applications and the opening of new customer accounts.

In FY16, ME used 18.2 tonnes of paper and in FY17, 18.8 tonnes of paper. While the bank's customer numbers increased by 15% on the prior year, the increase in paper usage of only 3.3% reflects the bank's continued digitisation and streamlining of processes.

ME has already made significant inroads to reduce its paper consumption in FY18. From November 2017, the bank is no longer offering paper application forms for its Everyday Transaction Account, Online Savings Account and Term Deposit products on its website, which is a significant step towards becoming paperless.

All the paper which ME uses is 100% Australian made, certified carbon neutral and accredited by the Australian Forestry Standard, a not-for-profit organisation promoting responsible forestry practices throughout the entire supply chain.

More details about ME's resource use over the past year can be found in its 2017 Annual Review available at www.mebank.com.au.

Supply chain.

In FY17, ME again requested information on all potential suppliers' economic, social and environmental impacts and incorporated this information into its decision-making process when selecting suppliers. We also incorporated an assessment of the sustainability and environmental policies and performance of our existing business critical and material suppliers as part of our regular due diligence process.

Anti-Corruption Principles.

05.

5.1 Assessment, policy and goals.

ME is committed to the protection of its employees and customers and to maintaining the integrity of the bank's operations and reputation. To this end, we have policies and systems in place to protect against corruption, fraud, crime or serious misconduct within the organisation.

ME is committed to complying with all relevant Australian legislation and codes to prevent corruption. ME complies with Australia's Anti-Money Laundering and Counter-Terrorism Financing Act 2006.

ME has a number of policies and procedures to prevent instances of corruption and these are reviewed and updated every year.

5.2 Implementation.

Conflicts of Interest Policy.

The Staff.

The bank's conflicts of interest policy is responsible for ensuring the bank's conflict of interest systems and controls are appropriately designed and effectively implemented across the bank's management and employees.

As part of managing actual, perceived or potential conflicts of interest, the conflicts of interest policy also provides guidance for the acceptance, non-acceptance and reporting of gifts and benefits by ME employees. The policy is intended to reduce the actual or perceived risk that the acceptance of a gift or benefit might influence or appear to influence an employee.

Specific exclusions to this include the giving of gifts to employees from other employees or management to mark occasions – such as birthdays, retirements, resignations, promotions and where successes are being celebrated – or token branded items such as pens, golf balls or umbrellas.

This policy forms a part of the ME Risk Management Framework and is applicable to all ME employees and contractors. Breaches of its requirements will be subject to appropriate consequence management and outcomes of non-compliance may include disciplinary action, up to and including termination.

The Board.

ME's directors have a duty to not place themselves in a position which gives rise to a real or substantial possibility of conflict of interest or duty in relation to any matter which is or is likely to be brought before the Board. All directors are required to disclose any actual, potential or perceived conflicts of interest prior to their appointment and on an ongoing basis. Directors are required to keep these disclosures to the Board up-to-date through formal standing notices.

The bank's conflicts of interest policy and board disclosure of interests and handling conflicts of interest procedures set out disclosure obligations and procedures to be followed by directors in the event of a conflict or potential conflict of interest or duty.

Code of Conduct.

ME recognises the importance of being an inclusive employer and the value of a safe, fair and respectful workplace where there is no room for intolerance. ME is a place where teamwork is valued and diversity is celebrated. The bank is committed to embracing diversity and creating an environment where everyone can reach their full potential across the organisation.

ME has a Code of Conduct which provides an ethical and legal framework for all directors, employees and contractors. The Code of Conduct sets out a number of overarching principles of ethical behaviour set out under the following headings:

- Integrity
- Respect
- Be Your Best
- Live Our Values.

Training about the Code of Conduct is part of the induction process for all new ME employees. It is also a requirement that ME employees complete annual online refresher training about the Code of Conduct.

As a values-based organisation, ME believes in free and open communication on even the most difficult of issues. ME's values of Love Monday, Have a Swing, Ride the Subway, Stay Hungry and Go to the Moon – which were formulated in FY15 – allow for all employees to feel confident they may, in good faith, raise concerns internally. The bank's Code of Conduct provides a mechanism to enable employees to report actual or suspected misconduct or unlawful activity.

‘Speak Up’ program.

‘Speak Up’ is ME’s whistleblower program and operates in addition to the Code of Conduct. It supports all ME employees (both current and former), contractors, officers, suppliers, brokers and third parties to raise concerns of suspected or actual misconduct or unlawful activity with the knowledge that retaliation will not be tolerated.

The type of actual or suspected inappropriate conduct include things such as corruption, bribery, abuse of authority, wilful breaching of legislation, questionable accounting or auditing practice, unsafe work practice and health risks, bullying or harassment and wilful breaching of internal policies, among other things.

program covers instances where the employee is reluctant to, or it would be inappropriate to, follow a standard notification process or if the person wishes to make the report anonymously. The processes within the policy aim to protect those who speak up by making sure that anyone who reports wrongdoing feels safe doing so, while at the same time, effectively investigating and managing concerns.

Fostering a culture of speaking out is important as it gives ME the opportunity to improve processes; protect the interests of customers, employees, shareholders and the general public; and reduce financial loss and reputational damage.

Misconduct Policy.

The Misconduct Policy gives the bank a framework to guide its decisions, actions and behaviours in relation to misconduct and applies to all ME staff members – including employees, contractors and agency staff.

ME expects all employees to meet acceptable standards of behaviour in connection with work at all times. If staff fail to comply with these standards, they may be subject to disciplinary action, which may include termination of their employment. If they engage in behaviour which is considered serious misconduct, they may be dismissed immediately.

5.3 Measurement of outcomes.

In FY17, ME 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.

In FY17, ME also undertook four internal fraud investigations which have either resulted in termination of employment or other disciplinary actions.

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