
United Nations Global Compact 2018

Communication on Progress.



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General Information.

01.

7 February 2019

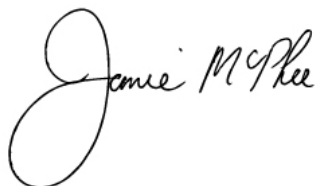
To our stakeholders:

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 2018 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,

Jamie McPhee
Chief Executive Officer

A handwritten signature in black ink, reading "Jamie McPhee". The signature is written in a cursive style with a large, looping initial "J".

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 its 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 Principles 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. ME's participation in this initiative represents a commitment to providing and promoting services which support the implementation of the principles by those within its business network, primarily its industry superannuation fund shareholders.

Performance and Conduct at Work Policy

ME's Performance and Conduct at Work Policy combines the previous Dignity at Work Policy and Misconduct Policy. Under its newly merged title, the policy gives the bank a framework to guide its decisions, actions and approach in relation to unacceptable performance and/or behaviour at ME. ME aims for a workplace free from unacceptable behaviour, such as misconduct, discrimination, sexual harassment, bullying and victimisation. In order to achieve the objectives of this policy, ME has developed processes to manage performances and behaviour where employees are not meeting expectations.

Diversity and inclusion

ME rolled out a new diversity and inclusion policy in 2018 centred on the four pillars to the right:

1. Celebrate ME – celebrating and promoting diversity within the bank by:

- celebrating cultural and affinity festivals
- participating in and promoting charity events linked to different groups
- partnering with sponsor organisations committed to increasing the awareness, health and wellbeing of under-served or under-represented communities.

2. Educate ME – raising awareness and providing education by:

- holding campaigns to raise awareness of the value and importance of diversity and inclusion
- leveraging the bank's data to understand the challenges, gaps and strengths for diversity and inclusion at ME
- building empathy for the challenges of different interest groups and the barriers they face to inclusion
- providing tools and training for leaders and individuals to champion diversity and inclusion in their roles.

3. Hire ME – ensuring that talent acquisition, selection and talent management processes are transparent and equitable to foster an environment where qualified candidates from a diverse range of backgrounds have the opportunity to apply and be considered for opportunities.

4. Support ME – working with all groups across ME to identify specific measures that can increase diversity and overcome barriers to inclusion. It also includes actively supporting employee affinity groups, including the two below that were established in the last 18 months:

- ProudlyME – affinity group recognising and connecting LGBTIQ+ employees. ProudlyME championed the 'yes' marriage equality vote in 2017 and have since grown to provide awareness and support for the bank's LGBTIQ+ community.
- Women at ME – affinity group supporting gender diversity and connecting women.

In June 2018, ME also started working with Talent RISE, the philanthropic arm of global recruitment firm Talent which was founded in 2014 to help solve the youth unemployment crisis. ME's talent acquisition team works closely with its service excellence team – where ME's National Customer Contact Centre (NCCC) sits – to identify appropriate opportunities for Talent RISE graduates.

In addition to the formation of Women at ME, the bank also started working with Work180 – a recruitment job board focused on promoting opportunities for women – to boost its representation of women at all levels. Work180 requires employers to pass a pre-screen to see where they stand on pay equity, flexible working, paid parental leave, equal opportunities and a range of other criteria which are then made transparent to applicants via the Work180 website. ME began recruiting women via this channel in August 2018.

ME uses its employee engagement survey HowÜDoin? to measure the broad reach and impact of its diversity and inclusion strategies and initiatives across the organisation.

The bank also uses quantitative turnover data coupled with qualitative insights gained through exit surveys to monitor attrition trends across demographic factors and ensure it understands the drivers of voluntary turnover and take action if required.

ME regularly reports to the board, executive and external agencies on its continued progression in regard to pay parity in remuneration, promotions and rewards. It regularly reviews and reports female representation at management and board levels, which it publishes publicly via its *Annual Review*.

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.

ProudlyME has grown exponentially since its formation in late 2017 to provide awareness and support for the bank's LGBTIQA+ community. ProudlyME's work in LGBTIQA+ advocacy and awareness has directly led to:

- the creation of a gender neutral field in the bank's human resources management software Workday, 'I identify another way', and removal of the salutation (Mr/Mrs/Ms etc)
- the bank formalising its company-wide diversity and inclusion policy and becoming a member of the Diversity Council of Australia
- a Diversity Disco mixer held across business units to celebrate the launch of the company's first diversity and inclusion policy, which featured performances by two drag queens who are employees within the bank – proving that ME's LGBTIQA+ community feel like they can bring their full selves into work
- a partnership between ME and Thorne Harbour Health (formerly Victorian AIDS Council) that saw ME staff volunteering to prepare safe sex packs, sort and store volunteer t-shirts, and package AIDS awareness ribbons ahead of World AIDS Day on 1 December 2018
- off-site peer meet-ups where employees can discreetly connect with a ProudlyME member at the same place, same date and same time each month.
- an internal event called 'Queer Ask Me Anything' open to all ME employees who can ask LGBTIQA+ related questions on the bank's social network site
- ME joining Pride in Diversity, an employer support program that will enable ME to participate in the annual Australian Workplace Equality Index, and LGBTI Interbank Forum.

ProudlyME's formation, purpose and budget were unanimously supported by each executive in the business. The network group continues to grow from strength to strength as it increasingly spearheads a greater number of diversity and inclusion initiatives within the bank and provides a safe, vibrant and close-knit community for the bank's LGBTIQA+ employees. ProudlyME is a corporate finalist in the 2019 Australian LGBTI Awards, results of which will be announced in March 2019.

3.1 Assessment, policy and goals

ME is committed to upholding the principles of the International Labour Organization's (ILO) core instruments in all its 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 its 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 works 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 Policy

ME aims to provide rewards that attract, motivate and retain employees to fulfill ME's core purpose of helping all Australians get ahead and meet its overall objectives, while encouraging employees to act responsibly within its risk appetite and risk framework. ME uses a range of different remuneration elements to effectively reward employees, which are described in the bank's reward framework. Any variable pay and performance-based components of remuneration are designed to encourage behaviour that supports the bank's long-term financial soundness and its risk management framework.

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

Health, Safety and Wellbeing Policy

ME employees, contractors and visitors expect and deserve a safe and healthy workplace. People are the focus of ME's business and the wellbeing of all workers – including employees, contractors and students – is a non-negotiable.

ME is committed to providing and maintaining the safety and wellbeing of all its employees. To achieve this, it ensures its business and work practices are created and conducted safely, and that hazards to health, safety and wellbeing are either identified and removed, or minimised and controlled.

The bank develops, implements and maintains its occupational health and safety management system, Keep ME Safe Management System, to comply with all current legal requirements. ME is committed to establishing measurable objectives and targets to ensure continued improvement of health and safety performance aimed at eliminating work-related injury and illness.

ME communicates information and consults with and educates its employees on health, safety and wellbeing matters in the workplace.

ME actively supports the physical and mental health and wellbeing of its employees through the provision of a health and wellbeing program called Mindfully ME, with a company-wide Wellbeing and Benefits Expo scheduled for February 2019.

ME also actively participates in work-related and non-work related return-to-work of injured employees and supports injury management and rehabilitation processes to achieve positive return-to-work outcomes.

Employee Assistance Program

ME offers an Employee Assistance Program (EAP) to support employees and immediate family members in dealing with issues at home or work. The EAP is a voluntary, professional and confidential counselling service. EAP counsellors are all experienced psychologists or social workers who have extensive training and experience in counselling and workplace consulting, and hold peak industry body accreditations.

Manager Assistance Program

ME offers a Manager Assistance Program (MAP) to identify, explore and help people leaders manage a range of issues through a solution-focused approach. All Australian-based people managers at ME can discuss a wide range of issues – from employee behaviour to organisational development, in addition to accessing coaching, tools, psycho-education and other resources.

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 the bank's commitments to labour rights.

ME worked closely with the FSU in negotiating its most recent ME Workplace Agreement, guided by its partnership principles and a shared commitment to common 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 ME 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 2018, ME had 1,167 permanent employees and 140 contractors. The bank's 12-month rolling average workplace turnover for the year was 19.9%.

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 FY18 was 1.19.

Diversity metrics

ME's gender diversity profile and the number of employees utilising parental leave in FY18 are shown in the tables below.

GENDER DIVERSITY IN FY18*

Non-managerial employees

Female	50%
Male	50%

Business leaders

Female	34%
Male	66%

Executive (including CEO)

Female	37%
Male	63%

Board (including Chairman)

Female	43%
Male	57%

UTILISATION OF PARENTAL LEAVE IN FY18*

Primary carer's leave

Female	23
Male	4

Secondary carer's leave

Female	8
Male	32

*From the 2017-18 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. It understands that its environmental impact extends beyond its own operations to include the products and services that it provides and procures as well as the investment decisions it makes.

In FY18, ME maintained its public position made in FY17 to not invest in fossil fuels, coal mining, coal ports, coal power, gas power and liquid natural gas plants.

ME prefers to partner with suppliers who demonstrate a considered approach to economic, social and environmental responsibility. The bank's expectations of, and how it works with, its 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 – its major impacts are in electricity use in offices and paper use. ME has initiatives underway to reduce its consumption in these areas.

ME's head office in Melbourne, where the majority of its people are located, has a five-star 'Green Star – Office Interiors v1.1' rating. The building that ME sits in has a five-star assisted NABERS Water Rating. The bank's green-star accommodation has provided significant environmental benefits, including reduced electricity 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 FY18, ME produced 1,830 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 10% from the previous year.

The largest source of GHG emissions for ME is electricity use in its offices, which accounted for 63% of the bank's total emissions in FY18. In FY18, ME reduced its electricity usage by 37.7 tonnes carbon dioxide equivalent (CO₂-e) and vehicle fleet usage by 80.6 tonnes CO₂-e.

ME's overall paper consumption dropped slightly from 18.8 tonnes in FY17 to 18.4 tonnes in FY18. This slight reduction is part of inroads the bank has made towards greater automation and technological efficiencies in the space of customer billing, customer onboarding and office equipment.

All the paper which ME uses carries the Programme for the Endorsement of Forest Certification (PEFC), and meets the Forest Stewardship Council's (FSC) national carbon neutral certified offset standard as well as the NoCo2's carbon neutral accreditations.

More details about ME's resource use over the past year can be found in its *2018 Annual Review* available at mebank.com.au

Supply chain

In FY18, 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. It also incorporated an assessment of the sustainability and environmental policies and performance of its existing business critical and material suppliers as part of its 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, it has 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 the celebrations of successes – or token branded items such as pens, golf balls or umbrellas.

This policy forms 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, such as 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, 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 a 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 for the Moon – which were formulated in FY15 – allow for all employees to feel confident that 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’ Policy

‘Speak Up’ is ME’s whistleblower policy and operates in addition to the Code of Conduct. It supports all ME employees – both current and former, and including 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.

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

The policy 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.

5.3 Measurement of outcomes

In FY18, 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 the 2018 calendar year, ME also undertook 17 internal fraud investigations, but not all investigations were related to hardcore fraud or a monetary dollar loss.

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