

Financial Inclusion Action Plan

Foundation Plan 2016/17

November 2016



Message from the Managing Director



Bank Australia has a strong culture of supporting customers and their communities to access banking services and helping them build financial resilience.

I have worked in the customer owned banking sector most of my career and have seen how our approach to banking enables financial inclusion. Indeed we were established out of a need to help people who had been excluded by mainstream banks from accessing banking services. Staying true to these origins has helped ingrain financial inclusion into our DNA.

In practice this has seen the bank have in place a financial inclusion policy focused on responsible lending, and providing access to products and services appropriate to our customers' needs. A responsible approach to lending means we are careful to only lend to customers who have the capacity to repay debt.

This avoids putting customers in a position where debt puts them under financial pressure or they cannot make their repayments. We have also worked directly with many vulnerable customers and communities to help them understand how to manage their money and avoid exclusion.

Today however, we know that around three million Australians are financially excluded.¹ As a result they are more likely to face financial hardship, poverty and have poorer health, social and economic outcomes.

This means that we need to redouble our efforts to do what we can to address financial exclusion in the communities where our customers and their families live.

The national Financial Inclusion Action Plan (FIAP) program provides us with an invaluable opportunity to challenge ourselves to learn more, test new ideas and work with partners to make a difference to this serious issue.

I am therefore pleased to present our Foundation FIAP and the actions that Bank Australia commits to over the coming 12 months.

We look forward to continuing to work with Good Shepherd Microfinance, the Centre for Social Impact, EY, the Australian Government and the other like-minded organisations in this effort to improve financial inclusion in Australia.

A handwritten signature in black ink, appearing to read 'Damien Walsh'. The signature is fluid and cursive.

Damien Walsh
Managing Director
Bank Australia

¹ Centre for Social Impact 2014,
Measuring financial exclusion in Australia.

About Bank Australia

Bank Australia's purpose is to create mutual prosperity for our customers in the form of positive social, economic, environmental and cultural outcomes.

The bank seeks to achieve this through its customer owned and responsible approach to banking. Not having external shareholders means that we prioritise the long-term best interests of our customers who are also our owners. Our lending and investment activities are guided by the bank's responsible investment and lending policy. In practice this means that the bank carefully evaluates a customer's ability to repay a loan before we approve it.

Our five responsible investment and lending principles

- 1 Strive to ensure our customers' funds are invested in loans that provide benefits to people, society or the environment
- 2 Only lend to persons or organisations if it can be determined that they have the capacity to repay the loan
- 3 Market all loan products in a responsible manner
- 4 Offer support to customers facing financial hardship
- 5 Assist customers to enhance their financial literacy

Bank Australia was the first customer owned bank to implement a Reconciliation Action Plan in 2011 and in 2016 we published a Disability Action Plan. Both plans recognise access to appropriate banking services as an important area of focus.

As a 100% Australian owned bank, we are also committed to keeping jobs in Australia. Our National Lending Centre and Contact Centre are located in Victoria's Latrobe Valley, a region where we also have a large customer base.

We are also part of a global movement of banks that is committed to changing the world – the Global Alliance for Banking on Values. Through this alliance of 36 financial institutions, we are able to share experiences putting values-based banking into practice around the world. This includes learning from each other's experience tackling financial inclusion.

Responding to issues of importance to customers and staff

As a customer owned bank, Bank Australia seeks to respond to the social, economic and environmental issues of importance to our customers.

In February 2016, a survey of more than 3,000 customers provided evidence of just how important financial inclusion and financial literacy are to our customers and how they want the bank to respond to these issues. 17% of customers named 'Improving financial literacy' in their top five most important social, economic and environmental issues while 10% nominated 'tackling financial exclusion of marginalised people.'

Bank Australia's Financial Inclusion Action Plan

Bank Australia's Foundation FIAP is a one-year plan, which focuses on the following action areas:

Products and services

Capabilities, attitudes and behaviours

Awareness and understanding of culture and diversity

Economic participation and status

Within each action area, our actions are split into those we will continue, build on, or explore.

Our FIAP has been developed by a cross-business working group. This group has begun an ongoing consultation process inside and outside the bank with a range of customers and key stakeholders.

Our Foundation FIAP aims to:

Continue our responsible approach to banking, including only lending to customers who have the capacity to repay debt, not paying staff sales performance-based commissions and offering accounts with fee-free features for eligible customers.

Focus on communities where we have links to customers and communities at high risk of financial exclusion, such as Melbourne's inner north and the Latrobe Valley in Gippsland, Victoria.

Improve data collection and analysis to inform actions in future FIAPs.

Explore links between financial exclusion and other customer priorities for action, such as reducing family violence and its impacts, treating refugees fairly and humanely, acting on climate change and closing the gap between Indigenous and non-Indigenous Australians

The Corporate Affairs team at Bank Australia will have responsibility for coordinating the actions in this foundation FIAP across the bank.

We will report against this FIAP in the 2017 Bank Australia Corporate Report.

AREA 1: Products and services

What we will continue to do

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Customers	Continue offering the Pension Access Account for our customers on an aged, disability or veteran's pension	Number of customers with a Pension Access Account to be: >8,000	Eligible customers have access to fee-free banking, enabling them to more efficiently manage their finances and increase their financial inclusion and resilience	Retail	Ongoing – monitored annually
Customers	Continue offering a responsible referral pathway to microfinance institutions when we decline small personal loans from our Fitzroy branch	Referrals from Fitzroy branch to responsible microfinance institution(s) No-interest emergency microloans Data collection on number of referrals and loans	Customers have access to affordable, safe credit options thereby avoiding inappropriate and irresponsible lending alternatives	Retail	Ongoing – monitored annually

What we will build on

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Customers	Continue increasing uptake of Basic Access Account for eligible customers on a low income	Basic Access Account offered to eligible customers	Eligible customers have access to fee-free banking, enabling them to more efficiently manage their finances and increase their financial inclusion and resilience	Retail	Ongoing
Customers Staff	Better communicate availability of financial hardship services by presenting information more comprehensively and clearly to customers	A hardship communications plan	Customers know what to do if they are unable to meet their loan repayments and feel more confident about managing their financial situation	Corporate Affairs Marketing Credit Integrity Retail	May 2017
Customers	Review suitability of existing low-income insurance product	Recommendation paper on how the bank can best provide a low-income insurance product	Low-income insurance product supports customers by protecting their assets and increasing their financial resilience	Insurance and Wealth	June 2017

What we will explore for the future

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Customers Community	<p>Pilot a coordinated approach to financial inclusion in Fitzroy and Latrobe branches (Moe, Morwell, Traralgon), which includes:</p> <ul style="list-style-type: none"> • Responsible referrals to microfinance institutions • No interest emergency loans • Low-income insurance • Matched savings programs • Referrals to financial counsellors 	<p>Recommendation paper on how the bank can best provide a coordinated approach to assist people vulnerable to financial exclusion</p> <hr/> <p>Testing of model</p>	<p>People vulnerable to financial exclusion have increased access to suitable financial products and services increasing their financial inclusion and resilience and reducing financial inequalities</p>	<p>Corporate Affairs</p> <hr/> <p>Retail</p> <hr/> <p>Credit Integrity</p>	<p>Recommendation for pilot: August 2017</p> <hr/> <p>Pilot run: 2017/18</p>
Customers	<p>Use data to better inform:</p> <ul style="list-style-type: none"> • The products and services we provide to customers • How we engage customers around financial hardship • What financial literacy information we provide to customers 	<p>Data that informs actions for future FIAPs</p> <hr/> <p>Identification of material actions for the bank and its customers</p>	<p>Products and services increase the financial inclusion and resilience of customers</p>	<p>Marketing</p> <hr/> <p>Corporate Affairs</p> <hr/> <p>Business Support</p>	<p>Scope and source data set: November 2017</p>

AREA 2: Capabilities, attitudes and behaviours

What we will continue to do

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Customers	Continue following responsible lending practices: <ul style="list-style-type: none"> • Only lend to customers who have the capacity to repay debt • Assess capacity to repay using cost-of-living calculator • Not offer unsolicited credit card increases • Not pay staff commissions on product sales 	Low level of delinquent loans (target <0.06% of total loan portfolio)	Customers are not put in a situation that causes them financial hardship	Retail Product and Credit Lending Operations	Ongoing – monitored and reported annually

What we will build on

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Staff Community	Further our participation in financial inclusion networks such as committing to Australia's National Financial Literacy Strategy and supporting the Australian Bankers' Association position on Financial Inclusion	Participation in financial inclusion initiatives Engagement with the financial inclusion sector	Approach to financial inclusion improves through listening and learning from others and modelling best practice	Corporate Affairs	Ongoing

What we will explore for the future

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Staff	Explore ways to formalise and increase the sharing of knowledge on how to help customers facing financial exclusion	Identification of training and development needs Plan developed to increase capacity, attitude and behaviours of staff to support customers facing financial exclusion	Staff are better able to support customers facing financial exclusion	Retail People and Culture	Plan developed: July 2017 Implementation: 2017/18
Customers	Explore ways to offer high quality financial literacy information to customers	Recommendation paper on how the bank can best provide financial literacy information to customers	Customers have enhanced levels of financial literacy	Corporate Affairs Marketing	Recommendation paper: May 2017 Implementation: July 2017 onwards

AREA 3: Awareness and understanding of culture and diversity

What we will continue to do

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Customers Staff Community	Continue implementing Reconciliation Action Plan (RAP) actions, focusing on areas including: <ul style="list-style-type: none"> • employment • cultural awareness 	Staff cultural awareness training Employment opportunities for Aboriginal and/or Torres Strait Islander people Acknowledgement to country at Bank Australia-owned properties	Awareness of and respect for Aboriginal and Torres Strait Islander peoples increases Financial inclusion for Aboriginal and Torres Strait Islander peoples is increased through employment opportunities Access to financial products and services for Aboriginal and Torres Strait Islander customers is increased	RAP working group People and Culture Corporate Affairs	Ongoing – monitored and reported annually as per RAP program
Customers Staff	Continue to provide employment opportunities to refugee trainees and other people with culturally and linguistically diverse backgrounds	Employment opportunities for refugees Encouragement of diversity among employees	A more diverse workforce is better able to serve a range of customers with diverse attitudes to money and financial issues thereby reducing the potential for financial inequality to occur	People and Culture Retail	Ongoing – monitored and reported annually

What we will build on

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Customers Staff	Improve staff awareness of available interpreter services for linguistically diverse customers	Communication to frontline staff informed about interpreter services	Frontline staff are better able to assist linguistically diverse customers thereby reducing the potential for financial inequality to occur	People and Culture Retail Corporate Affairs	April 2017
Customers	Increase focus on financial inclusion in development of next RAP	Identification of new financial inclusion related actions for next Bank Australia RAP	Aboriginal and Torres Strait Islander customers receive greater support from the bank aimed at increasing their financial inclusion	RAP working group Product and Credit Retail	November 2017
Customers	Continue with Disability Action Plan (DAP) to improve customers' access to the bank's products and services	Clear actions to improve accessibility for customers with a disability	Customers with a disability receive greater support from the bank aimed at increasing their financial inclusion	DAP working group	September 2017

What we will explore for the future

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Customers Staff Community	Develop a response which helps address the issue of treating refugees fairly and humanely which the banks customers have identified being an issue of importance to them	A response that considers how to increase financial inclusion for refugees	Refugee customers receive greater support from the bank aimed at increasing their financial inclusion	Corporate Affairs	Recommendation paper: June 2017

AREA 4: Economic participation and status

What we will continue to do

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Staff	Continue encouraging gender equality in the workplace	Demonstrated gender equality at all levels of the bank	Women and men have equal opportunities for career progression and remuneration thereby reducing the potential for financial inequality to occur	People and Culture Managers	Ongoing – monitored and reported annually
Community	Continue supporting Youth Choices collective impact project in the Latrobe Valley funded from the Bank Australia Impact Fund	<p>Collective impact program to engage disadvantaged young people in the Latrobe Valley</p> <p>Bank Australia actions to reach young people in the Latrobe Valley with financial literacy information</p>	<p>Education and employment outcomes improve for young people</p> <p>Bank Australia takes a leadership role encouraging financial literacy in an effort to reduce inequality and increase financial inclusion and resilience</p>	Corporate Affairs	Ongoing – monitored and reported annually

What we will continue to do

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Community	Continue investing in programs through the Bank Australia Impact Fund that address educational disadvantage and support young people from disadvantaged backgrounds to obtain an education.	Young people supported to remain in education through scholarships, support to purchase equipment etc.	<p>Education and employment outcomes improve for young people</p> <p>Bank Australia takes a leadership role encouraging financial literacy in an effort to reduce inequality and increase financial inclusion and resilience</p>	Corporate Affairs	Ongoing - monitored and reported annually
Community	Continue to lend to projects which increase safe, secure and affordable housing for those in need	Level of lending to community housing sector to be: >\$100m	Increase in safe, secure and affordable housing for those in need thereby reducing financial inequality	Retail	Ongoing - monitored and reported annually

What we will build on

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Staff	Better promote financial literacy information to staff	Communication to staff about financial literacy resources	Staff have access to resources to improve their own financial literacy	People and Culture Corporate Affairs	Recommendation paper: March 2017 Implementation: June 2017 onwards

What we will explore for the future

Stakeholder group	Action statement	Output	Outcome	Responsibility	Timeframe
Customers Staff Community	Develop a response which helps address the issue of reducing family violence and its impacts which the banks customers have identified being an issue of importance to them	Response will consider how to increase financial inclusion of people impacted by family violence This will include a range of supportive internal policies to support staff	Customers and staff who have experienced family violence will receive greater support from the bank aimed at increasing their financial inclusion	Corporate Affairs	November 2017

Statement by the FIAP Partnership Group

On behalf of the FIAP Partnership Group, I would like to acknowledge and congratulate Bank Australia for your ongoing public commitment to financial inclusion and financial resilience.

Together we are embarking on a journey to explore, learn and grow – both as a program through this Foundation FIAP and as Trailblazers undertaking the important process of reducing inequalities and promoting inclusive growth in our communities.

Financial hardship can impact us all, at any stage in our lives – through the FIAP, our hope is that every organisation will be able to respond in time and every time to ensure financial hardship can be identified early, managed and overcome. By building capacity, awareness and

greater access to appropriate products and services, organisations will see the social and economic benefits in their engagement, outcomes and prosperity of customers and employees.

The FIAP Partnership Group exists to support the growing community of practice to identify opportunities to better respond to financial risks, develop meaningful actions across key stakeholders and measure the social and economic impact. Drawing on our individual expertise the FIAP Partnership Group will provide implementation, evaluation and quality assurance support to ensure key actions you have identified are (i) on track to achieve the intended impact and (ii) engaging those stakeholders in most need of support. We are proud to be on this important journey with Bank Australia.

At the heart of the FIAP program is the belief that together we can achieve more. Bank Australia joins the growing community of organisations that understand they play a critical role in Australia's financial future – together we can reduce inequalities and realise inclusive growth for all Australians.

Sincerely,



Vinita Godinho
General Manager, Advisory
Good Shepherd Microfinance

On behalf of the FIAP
Partnership Group.



Supported by



Australian Government
Department of Social Services



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