

## Certified Ethical Investment at Teachers Mutual Bank Ltd (TMBL)

### Key points

1. TMBL is the first bank in Australia to have a Certified Ethical Investment wholesale cash product.
2. It is the first certified ethical investment wholesale cash product that is based on fossil fuel lending and investing exclusion.
3. The TMBL \$500m Debt Issuance Programme (DIP) for wholesale investors is a Certified Ethical Investment by the Responsible Investment Association Australasia (RIAA).
4. TMBL's DIP achieved Ethical Certification by the RIAA on the basis that the Bank's Policy is *'the exclusion of lending to, or investing in, large scale greenhouse gas pollution from fossil fuel exploration, extraction, production and use.'*
5. Certification started in June 2015 for the first two year period and has been extended for a further two years, from June 2017 to June 2019.
6. TMBL is an issuer of Certified Ethical Investment product.
7. TMBL ethical bond issuance has reached \$200 million;
  - In October 2016, TMBL issued A\$100 million of three-year notes, the first ethical bond from a mutual bank in Australia.
  - In June 2017 TMBL issued a second series of A\$100 million three-year floating rate notes.

The RIAA certification is of TMBL's \$500m Debt Issuance Programme (DIP) for wholesale investors. The cash proceeds raised are used to fund TMBL's balance sheet. Under the \$500m Debt Issuance Programme, TMBL 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 \$500 million Debt Issuance Programme, each individual issuance of notes or tranches is certified.

TMBL's \$500m Debt Issuance Programme has been certified 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.

*"RIAA is pleased to support this landmark issuance in the Australian market by Teachers Mutual Bank, at a time of increasing movement of capital towards responsible and ethical investments. Having been Certified by RIAA, investors can be sure that the bond is true to label, delivering on its commitments, after having completed a rigorous assessment and verification process. It's pleasing to see again that an ethical approach to responsible finance can deliver a win-win for investors and the environment."* said Simon O'Connor CEO of RIAA.

### Teachers Mutual Bank Ltd Policy

**Lending Risk Policy;** *'Various lending opportunities are disqualified from TMB'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*
- *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.'*

**Treasury Credit Risk Management Policy;** *'TMB will not directly invest in any large scale greenhouse gas polluting (i.e. fossil fuel exploration, extraction, production and use) activities or companies.'*

## About the Responsible Investment Association of Australia (RIAA)

The Responsible Investment Association Australasia (RIAA) is the peak industry body representing responsible and ethical investors across Australia and New Zealand. RIAA has over 185 members who manage more than \$1 trillion in assets under management, including super funds, financial product providers, fund managers, consultants, researchers, brokers, impact investors, property managers, community banks, community trusts, religious groups, financial advisers and individuals.

### About the RIAA's Responsible Investment Certification Program

The Certification Symbol (the Symbol) is the Registered Trade Mark and is owned and managed by RIAA. Program applicants select the Symbol they wish to use and are eligible to enter into a two-year licence agreement to use the Symbol once certified under the Program. The Responsible Investment Certification Program allows investors to access detailed information about how each investment product or financial adviser takes into account ESG and ethical issues in the investment process.

#### Certified RI Product Providers:

- 1. Have auditable RI strategies and processes:** can detail their responsible investment product strategy and explain the specific RI processes, management systems and reporting frameworks undertaken for their responsible investment product/s. These RI strategies are systematically and consistently applied to the product and thereby differentiate the product from its traditional (i.e. non-RI) equivalent investment product; and
- 2. Have their RI strategies documented in legal product documentation:** provide full disclosure of their responsible investment strategies in the Product Disclosure Statement (retail), Information Memorandum or Pitch book (wholesale) and/or equivalent documentation that supports the product; and
- 3. Have their RI processes verified:** have their product and its management processes audited by a Third Party Verification entity appointed by RIAA; where some or all of the product is managed by external manager/s, those managers' processes are also required to be audited by a Third Party Verification entity appointed by RIAA (unless already certified by RIAA); and
- 4. Disclose holdings and product performance:** regularly publish (with no longer than a quarterly lag period) the past performance results/returns of the product (where relevant) and provide full holdings disclosure (for equities funds, or an equivalent disclosure for other products) for the product ensuring that these are updated at least every six months; and
- 5. Promote the Program:** incorporate the Certification Symbol into their marketing and communications material in accordance with the *Certification Symbol Licensee Agreement* and the *Licensee Marketing Kit and Style Guide*.

Certification means that;

- Your responsible investment credentials can be trusted.
- You are a leader in responsible investment practice.
- You are committed to responsible investment

#### Certified responsible investment products:

1. Meet strict operational and disclosure requirements and publish their responsible investment strategies, underlying investment manager names, asset holdings and performance results;
2. Are subject to an assessment by the Certification Assessment Panel, a sub-committee of the RIAA Board as well as an independent verification of data by Grant Thornton or KPMG;
3. Remain certified by resubmitting for renewal every two years or when material changes to the product occur;
4. Make themselves available to RIAA's annual spot audits (executed by RIAA or a Third-Party Verification Panel member designate) covering between 5-10% of eligible Program participants renewing Program certification in a given year.
5. Have their issuers invite their members, clients and peers to hold them to account for their behaviours consistent with the Program *Code of Conduct*.