



Responsible Business Policy

V 2.0



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Please note all Appendices, listed below, are for internal operational purposes only and therefore aren't included in this version.

- Appendix 1: Sectors
- Appendix 2: Rationales and Criteria
- Appendix 3: Review Group
- Appendix 4: Escalation Process

What this Policy is about

At Kiwibank, we are driven by our Purpose of Kiwi making Kiwi better off. This includes our desire to promote and participate in responsible and sustainable business practices. We recognise there are some activities that cause significant harm to people and the environment. A key part of enabling a resilient Aotearoa is knowing when to say no.

To align with our Purpose we may choose to not deal with, or to limit our dealings with, businesses that operate in sectors we have identified as having high environmental, social or governance (ESG) risks. This Policy guides those decisions by outlining the sectors we believe may cause harm and how we will interact with Relevant Entities operating in those sectors. Kiwibank reserves the right to withhold products or services from any person at its discretion.

In this Policy, capitalised words have the meanings set out in the Terms and Definitions section on page 9.

Who this Policy applies to

This Policy applies to:

- every Kiwibank employee (whether permanent, temporary, or casual); and
- every Kiwibank contractor.

collectively referred to as 'Kiwibank kaimahi'.

Non-compliance with this Policy could be considered a breach of our Kiwibank Code and may lead to formal action.

Risk Assessment

Kiwibank kaimahi should assess ESG risks:

- before Kiwibank enters a new business relationship with a Relevant Entity; and
- where reasonably practicable, when Kiwibank kaimahi engage with Relevant Entities as part of established processes (as set out under the 'When do we assess Relevant Entities under this Policy?' heading below).

We distinguish between Excluded Sectors where the ESG risks are always too high and Sensitive Sectors where Relevant Entities may implement measures to mitigate the ESG risks.

Where a Relevant Entity operates in an Excluded Sector, Kiwibank will not enter a business relationship with that Relevant Entity unless an exception is granted by an Executive. In the case of existing relationships, we may look to offboard that Relevant Entity.

Where a Relevant Entity:

- Is Directly Involved in a Sensitive Sector; or
- Is a Business customer and has a Subsidiary or Holding Entity that is Directly Involved in an Excluded Sector,

Kiwibank kaimahi will conduct an assessment to determine if Kiwibank will enter a business relationship with that Relevant Entity or, in the case of an existing relationship, may limit further dealings with that Relevant Entity.

Set out below is further guidance about:

- Which entities are Relevant Entities.
- When we need to assess Relevant Entities under this Policy.
- How we assess Relevant Entities under this Policy.
- Existing relationships with Relevant Entities.

Which entities are Relevant Entities?

Only Relevant Entities are subject to this Policy. The following entities are Relevant Entities:

- Business customers (including financial markets customers).
- Suppliers.
- Local for Kiwibank Service Agents.
- Treasury counterparties.
- Issuers of financial instruments purchased by Kiwibank.

The following entities are not Relevant Entities, and are not subject to this Policy:

- Personal customers.
- Investors in financial instruments (such as notes, bonds or perpetual preference shares) issued under Kiwibank's funding programmes.

When do we assess Relevant Entities under this Policy?

Kiwibank kaimahi may assess Relevant Entities under this Policy at any time, and will assess them at the following times:

- For all Relevant Entities at onboarding.
- For Business customers, when they are assessing lending applications.
- For Suppliers, when they are reviewing, amending, or renewing an existing contract.

How do we assess Relevant Entities under this Policy?

When Kiwibank kaimahi assess a Relevant Entity under this Policy, they look at whether that Relevant Entity (or in the case of Business customers its Subsidiaries or its Holding Entities) are Directly Involved in Excluded Sectors or Sensitive Sectors.

The sectors that Kiwibank has identified as Excluded Sectors and Sensitive Sectors are set out under the “Excluded” and “Sensitive” headings in the Sectors table at Appendix 1.

The rationales for inclusion and an explanation of the ESG risks applicable to each Sector are detailed in Appendix 2.

The steps Kiwibank kaimahi follow to assess a Relevant Entity under this Policy are set out below. The Climate & ESG Advisory Team can assist with working through any of these steps.

Step 1: Determine whether the Relevant Entity is Directly Involved in an Excluded or Sensitive Sector.

Under this Policy, a Relevant Entity is deemed to be “Directly Involved” in an Excluded Sector or a Sensitive Sector if any activities listed in Appendix 1 as “Excluded” or “Sensitive” form a material part of its operations.

For Business customers in a Sensitive Sector, a Relevant Entity will be Directly Involved in a Sensitive Sector if it derives 50% or more of its revenue from those activities.

For all other Relevant Entities including Business customers in an Excluded Sector, the assessment is intended to be applied on a case-by-case basis, taking account of the nature of the Relevant Entity and its business.

If the Relevant Entity is Directly Involved in an Excluded or Sensitive Sector then Kiwibank kaimahi will move to Step 2(a) or (b) respectively.

If there is uncertainty as to whether the Relevant Entity meets the definition of “Directly Involved” in an Excluded or Sensitive Sector, the escalation process must be initiated. See Appendix 4.

Step 2(a): Relevant Entity is Directly Involved in an Excluded Sector.

If the Relevant Entity is Directly Involved in an Excluded Sector:

- Where we do not have an existing relationship with the Relevant Entity, we will not onboard it unless an exception has been granted by an Executive.
- Where we have an existing relationship with the Relevant Entity, the escalation process must be initiated with a view to offboarding that Relevant Entity, as set out under the “Existing Relationships” heading below.
- If an exception is sought, the escalation process must be initiated.

If the Relevant Entity is not Directly Involved in an Excluded Sector, and is a Business customer, then Kiwibank kaimahi will move to Step 3.

Step 2(b): Relevant Entity is Directly Involved in a Sensitive Sector.

If the Relevant Entity is Directly Involved in a Sensitive Sector, Kiwibank kaimahi will assess whether it is sufficiently mitigating the ESG risk applicable to its business type. The assessment involves Kiwibank kaimahi asking open questions to the Relevant Entities in order to gain an understanding of their approach to ESG risk. In getting to understand their approach, Kiwibank kaimahi are looking to assess the Relevant Entities awareness of applicable ESG risks and seeking to understand what processes they have put in place to mitigate them. The types of questions that should be asked by Kiwibank kaimahi are outlined under 'Sensitive Sector criteria' in Appendix 2.

The Climate & ESG Advisory Team can assist with this assessment if required. If there is uncertainty as to whether the Relevant Entity is sufficiently mitigating the identified risks, the escalation process must be initiated.

If the Relevant Entity is not sufficiently mitigating the identified risks:

- Where we do not have an existing relationship with the Relevant Entity, we will not onboard it unless an exception has been granted by an Executive.
- Where we have an existing relationship with the Relevant Entity, the escalation process must be initiated and we may limit our dealings with that Relevant Entity, as set out under the "Existing Relationships" heading below.
- If an exception is sought, the escalation process must be initiated.

If the Relevant Entity is not Directly Involved in a Sensitive Sector, or is Directly Involved in a Sensitive Sector but is sufficiently mitigating the identified risks, and is:

- A Business customer, then Kiwibank kaimahi will move to Step 3.
- Any other Relevant Entity, then (provided all other standard requirements are met) Kiwibank kaimahi may onboard and/or continue our dealings with the Relevant Entity.

Step 3: If the Relevant Entity is a Business customer, determine whether any Subsidiary or Holding Entity of the Relevant Entity is Directly Involved in an Excluded Sector.

If the Relevant Entity is a Business customer and any Subsidiary or Holding Entity of the Relevant Entity is Directly Involved in an Excluded Sector (as determined by the test at step 1 above), the escalation process must be initiated.¹

¹ The criteria and conditions for dealing with entities with Subsidiaries or Holding Entities the operate in an Excluded Sector will be determined on a case-by-case basis depending on the nature of the Relevant Entity and its related entities.

Otherwise, then (provided all other standard requirements are met) we may onboard and/or continue our dealings with the Relevant Entity.

Existing Relationships

If Kiwibank kaimahi become aware that a Relevant Entity that Kiwibank has an existing relationship with is Directly Involved in an Excluded Sector, the escalation process must be initiated, with a view to offboarding the Relevant Entity at the next appropriate time, taking into account any negative financial impact to the Relevant Entity that would occur.

If a Relevant Entity, that Kiwibank has an existing relationship with, is Directly Involved in a Sensitive Sector and Kiwibank kaimahi determine following an assessment in accordance with Step 2(b) above that it is not sufficiently mitigating the ESG risks associated with that sector, the escalation process must be initiated. Kiwibank kaimahi will engage with the Relevant Entity (refer to the 'Engagement' heading below) and, depending on the outcome of that engagement, Kiwibank may limit our involvement with the Relevant Entity going forward, including withholding additional products and services.

When considering offboarding or limiting our involvement with a Relevant Entity, Kiwibank kaimahi must consult Legal for advice, which will include a review of applicable terms and conditions.

Engagement

The ESG landscape is evolving at pace and Relevant Entities may be at different stages of maturity when it comes to monitoring and measuring their ESG risks. Our approach to engaging with Relevant Entities in Sensitive Sectors is to facilitate constructive conversations based on open questions, as opposed to a tick box exercise with yes/no answers. This is because ESG risk is nuanced, sometimes involving trade-offs and varying interpretations. Getting to know the Relevant Entity helps Kiwibank kaimahi understand how they mitigate identified risks and determine if we want to have a business relationship with them.

These conversations are an important way in which we can put our Purpose into action and constructively work with Relevant Entities for the better.

If a Relevant Entity is not sufficiently mitigating the ESG risks associated with a Sensitive Sector, Kiwibank kaimahi can work with the Climate & ESG Advisory team to provide guidance to the Relevant Entity on what we are looking for.

Review

Kiwibank became a certified B Corp in August 2021. This Policy is a key part of our certification. It demonstrates how we apply ESG factors to help us operate responsibly.

In this second iteration of this Policy, we have considered B Lab's industry and practice specific risk standards and rationales. B Lab is the certification body behind B Corp. Where it makes sense given the nature of Kiwibank's business and the environment we operate in, we have sought to align this Policy with those standards and rationales. This choice reinforces our alignment with B Corp and helps to ensure transparency and accountability in our practices.

This Policy will be reviewed against B Lab's industry and practice specific risk standards released between each review of the Policy to reflect evolving ESG risk management.

When a review is undertaken, in addition to the steps outlined in the Kiwibank Policy Development Guidelines, any Significant Changes require approval by the leaders of the applicable teams outlined in Appendix 3.

Terms and Definitions

Term	Definition
Directly Involved	A Relevant Entity is Directly Involved in an Excluded Sector or a Sensitive Sector if any activities listed in Appendix 1 under “Excluded” or “Sensitive” form a material part of its operations. “Material part of its operations” means: • For Business customers in a Sensitive Sector, it derives 50% or more of its revenue from any activities listed in Appendix 1 under “Sensitive”. • For all other Relevant Entities including Business customers in an Excluded Sector, the assessment of “material part of its operations” is intended to be applied on a case-by-case basis, taking account of the nature of the Relevant Entity and its business.
Excluded Sector	Excluded Sectors are set out under the “Excluded” heading in the Sectors table at Appendix 1.
Holding Entity	An entity is a Holding Entity of another entity if it: • directly or indirectly holds 50% or more of the shares or other ownership interests of the entity; or • has the power to directly or indirectly control the composition of the board of directors or other governance body of the entity; or • has the power to directly or indirectly control the voting rights of the majority of the voting shares of the entity; or • has the power to directly or indirectly control the management of the affairs of the entity.
Relevant Entity	The following entities are Relevant Entities: • Business customers (including financial markets customers). • Suppliers. • Local for Kiwibank Service Agents. • Treasury counterparties. • Issuers of financial instruments purchased by Kiwibank.

Term	Definition
Significant Change	Refers to any change made to this Policy other than to: • correct or update a title, name, numbering, web link or a reference (to law, another policy document, or other relevant document); • correct document formatting, spelling, grammar, or clarity of language, which does not otherwise affect the document intent or content; • reflect changes in the technical or process configurations of an associated enterprise system; or • otherwise modify it in a way that does not significantly change the intent or content of the existing version of the policy document.
Sensitive Sector	Sensitive Sectors are set out under the “Sensitive” heading in the Sectors table at Appendix 1.
Subsidiary	An entity is a Subsidiary of another entity if that other entity: • directly or indirectly holds 50% or more of the shares or other ownership interests of the entity; or • has the power to directly or indirectly control the composition of the board of directors or other governance body of the entity; or • has the power to directly or indirectly control the voting rights of the majority of the voting shares of the entity; or • has the power to directly or indirectly control the management of the affairs of the entity.
Climate & ESG Advisory Team	Any or all of ‘GM Sustainable Performance’, ‘Head of Climate & ESG Advisory’ or ‘Senior Manager - ESG Advisory’. They can provide support in applying this Policy.

Where to find out more

This document will be available to all employees and contractors.

This document is uncontrolled when printed. The current version of this document is in our Governance Centre.