Responsible Business Banking Policy

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Kiwi bank.

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1. What this Policy is about (Context)

> As an organisation dedicated to making Kiwis better off, we want to ensure that our business decisions are aligned with our purpose.

> We recognise that there are some business activities that cause significant harm to people and the environment. Kiwibank doesn't want to be involved in activities that cause the victimisation of people or the environment.

> We believe entities that demonstrate good environmental, social, and governance (ESG) performance will be more resilient in the long term.

> This Policy sets the expectations for how all staff should consider ethics, reputational risk and environmental, social and governance risks and opportunities.

> These are complex and changing issues, and we want to ensure that there are no unintended negative consequences from this Policy. Therefore, we'll regularly review this Policy against changing public expectations and key issues to ensure that it's taken into consideration all significant ESG risks and opportunities for our business.

Kiwibank will provide leadership, support and resources to implement this Policy across the organisation.

Why this Policy is important (Purpose)

This Policy provides clarity, direction and consistency on how Kiwibank delivers on our purpose of making Kiwis better off through our business decisions.

This Policy has been aligned with the precautionary principle against human and environmental harm.

We've identified a number of sectors as sensitive where customers that are directly involved in this industry will need to demonstrate that they're mitigating their harm.

Expected outcomes

Any staff member who can onboard Business Banking customers will be required to have more in-depth conversations with customers. This will occur during the nature and purpose discussion and identify if a business falls within an Excluded or Sensitive Sector.

> If a business is identified to be part of an Excluded Sector Kiwibank will not provide any service to that customer.

> If a business is identified to be part of a Sensitive Sector, additional steps are required to ensure that the business is minimising its harm. Evidence and documentation must be provided before that customer can be onboarded. Sensitive Sector businesses must be escalated for approval in accordance with the Sensitive Sector Forms process.

Implications

This Policy should be taken into consideration when reviewing the Asset Writing Strategy and Business Banking industry or sector target markets.

Policy approval

This policy is approved by the Chief Customer Officer and is reviewed annually.

2. The scope of this Policy

This Policy is to be applied across all interactions of the Kiwibank Banking Group, including Kiwi Asset Finance Limited. This includes customers that are managed by Business Banking Centres, Business Direct, onboarded direct in Branch and Treasury customers. This recognises that this Policy is primarily focused on our lending decisions and deposit customers.

Who this Policy applies to (Application)

This Policy applies to:

> every Kiwibank employee (whether permanent, temporary or casual) that has the ability to open bank accounts for non-personal customers.

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

What is out of scope for this Policy

> **Personal customers**: Customers who work for or own a business identified in an Excluded or Sensitive Sector are still eligible for personal banking services i.e. personal loans, credit cards, home loans, etc.

Kiwibank reserves the right to provide exceptions to this Policy where a specific business can prove to us that they are in no way causing the victimisation of people and the environment, and are championing positive change for NZ.

Kiwibank reserves the right to apply this Policy to any customer (including personal customers) that is perpetuating the victimisation of people or the environment.

3. Responsibilities

The following establishes the broad accountabilities and responsibilities of the key internal stakeholders applicable to this Policy.

Who	What
Executive Risk Committee (ERC)	Responsible for noting the Policy.
Chief Customer Officer - Business	Is the Policy Sponsor responsible for approval of this Policy.
General Manager Business Banking and Specialist Markets	Is the Policy Owner who recommends approval of this Policy to the Chief Customer Officer.
Head of Business Products	The Policy Owner of the Asset Writing Strategy must ensure this Policy is consistent with that strategy.
Sustainability Lead	Is the Policy Writer and must: > Develop and implement related documents and processes to ensure the Policy is integrated into Kiwibank's day to day operations; > Review this Policy annually and provide recommendations to the Policy Sponsor.
Leaders of functions, groups and teams	Must: > Support and communicate this Policy to their teams > Demonstrate compliance with the Policy > Be able to review exemption requests with confidence and make decisions as to whether a business sits within Kiwibank's ethics appetite or not.
All employees, contractors, consultants and implicated third parties	> Must ensure they understand and comply with this Policy.
Employees, contractors, consultants and implicated third parties that are able to onboard non-personal customers	Must: > Ensure they understand and comply with this Policy > Ask sufficient questions about the nature and purpose of new customers' business to identify whether they are operating in any of the Excluded or Sensitive Sectors as per the definitions in this Policy > Where a business does fall within a Sensitive Sector, gather sufficient information from the customer to complete the Sensitive Sector Form and submit this for approval.

4. Policy requirements

The following outlines the sectors or industries that are classified as Excluded Sectors under the Policy.

Excluded Sectors

Kiwibank won't provide banking services to entities that are directly involved in, or where the majority of their business revenue is from, activities identified as being '**In scope**' for each sector below.

Sector	Policy applies to	Policy does not apply to
Casino operation	> Businesses with a casino.	> Class 1-4 gambling.
Fossil fuels manufacturing and production	> Production, manufacturing, and extraction of coal, oil and gas.	> Distribution and retailing of coal, oil and gas; > Production, manufacturing and extraction of other minerals and metals.

Military grade firearms and weapons	> Military grade weapons;
	> Componentry intended for use in military grade weapons;
	> Weapons prohibited by the NZ Police[1];
	> Cluster munitions;
	> Nuclear weapons and nuclear explosive devices;
	> Anti-personnel mines, and landmines;
	> Depleted uranium weapons;
	> Chemical and biological weapons.
		> Manufacturers, distributors and retailers of:
		  > non-military firearms;
		  > weapons to the NZ recreational market.
		> Weapons manufacturers and distributors who hold an exclusive contract with a national defence force organisation and don't sell weapons to any other consumer.

Non-medicinal and recreational drugs	> Synthetic cannabinoids; > Synthetic cathinones; > Psychoactive herbal products; > Psilocybin mushrooms and spores; > Hallucinogenic substances, including kratom.	> Medicinal cannabis; > Drugs prescribed by a medical specialist or listed as a permitted substance by the Ministry of Health[2] (such as vitamin supplements).

Palm oil	> Manufacture and production of raw palm oil.	> Distribution and retailing of:
		  > palm oil;
		  > down-stream by-products of palm oil.
		> Certified members of the Roundtable on Sustainable Palm Oil.

1. www.police.govt.nz/advice/firearms-and-safety/prohibited-offensive-weapons
2. www.medsafe.govt.nz/regulatory/PILSearch.asp

Predatory lending	> Short term high cost finance companies that aren't operating in line with the principles set out in this Policy; > This includes, but is not limited to, charging high interest and fees, unethical sales practices and taking security over unrelated household items.	> Short term high cost finance companies that don't meet the definition of predatory lenders as per our 'Criteria for Predatory Lenders'.
Tobacco manufacturing and production	> Growing and production of tobacco; > Manufacture and production of tobacco products.	> Manufacture and production of e-cigarettes and vaping products; > Distributors and retailers of tobacco, e-cigarettes and vaping products.

Sensitive sectors

Sensitive Sectors are defined as those that have a high potential to cause harm to people or the environment. However, many businesses that operate within these sectors can effectively mitigate and minimise their harm.

Kiwibank reserves the right to provide banking services to entities that are directly involved in, or where the majority of their business revenue is from, the activities identified as '**In scope**' for each sector below. However, we'll only do so where these businesses are demonstrating that they are effectively mitigating the risks associated with their sector.

Sector	Policy applies to	Policy does not apply to
Adult entertainment industry	> Strip clubs; > Brothels; > Filming, production, and publishing of pornographic material.	> Sex toy and pornography retailers; > Individual adult entertainment performers; > Individual sex workers; > Sex workers operating together in a legal arrangement that does not require a '**Brothel Operator Certificate'**.
Alcohol retailing	> Wholesalers, distributors and retailers who generate more than 50% of their revenue from the sale of alcohol through an 'off-licence'.	> Alcohol producers (wineries, breweries, and distilleries); > Hospitality entities (pubs, restaurants and cafes) with an alcohol 'on-licence'.
Non-casino gambling	> Entities with a Class 3 Gambling Licence who generate more than 50% of their revenue from lotteries and sweepstakes where the prize is more than $5,000; > Entities with a Class 4 Gambling Licence who generate more than 50% of their revenue from pokie and gaming machines outside of a casino.	> Class 1 and 2 gambling (office sweepstakes, and prize draws, where the prize is less than $5,000, and it is run by individuals or clubs without a licence); > NZ TAB operations; > Lotto NZ retailers.

Tobacco retailing	> Wholesalers, distributors and retailers who generate more than 50% of their revenue from tobacco and tobacco products.	> Wholesalers, distributors and retailers of e-cigarettes and vaping products.

5. Terms and Definitions

Term	Definition
Sensitive Sector	Activities or products that have specific environmental, social or governance risks common to the sector. Kiwibank requires additional information from entities before extending services to them.
Excluded Sector	Business activities or products that Kiwibank won't extend services to because of the environmental, social or governance risks common to the sector.
Service	Any business relationship an entity may wish to engage Kiwibank in.
Sector	The industry or area of business the entity is directly involved in or earns the majority of its business revenue from. This includes the extraction, production, manufacturing, distribution, wholesaling and retail of goods, and the provision of services.
Majority of business	This means that greater than 50% of revenue is derived directly from the sale of products or services of this sector.
Direct involvement	Entities that are directly involved in the activity described.

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