

Sustainability at AFG





Sustainability Highlights

This year I am very pleased to introduce our first report on the company's Environmental, Social and Governance (ESG) practices.

A handwritten signature in white ink, appearing to read 'Tony Gill'.

Tony Gill
Chairman



AFG carbon footprint

880.69

tonnes of carbon dioxide equivalent

foyerfoundation 
Principal partner



Women in AFG Mentorship Program established



Program established to measure annual carbon footprint



AFG Winning Women Broker Scholarship established

Diversity & Inclusion (**% of women in positions**)



Board

33%



Senior executives

22%



Senior managers

47%



Total workforce

51%

Our approach

Although reporting accountability for our ESG performance is relatively new, actions on those things that feed into the ESG metrics, are not new to AFG. We are, and have always been, focused on continuing to drive value for our investors and create a positive impact for our employees, brokers, customers, and the communities in which we operate.

The issue of what to report on, and how best to embed reportable corporate sustainability practices within the business are new. Standardised data will help inform companies such as ours to transparently disclose those things that many of us do every day, but they are not necessarily public processes.



The company has established a Management Sustainability Committee, with representatives from across the business. The committee provides enhanced oversight of the company’s sustainability policies, principles and practices to meet stakeholder expectations and ensure good governance. The committee reports through to the AFG Board.

Environment

The droughts and floods of recent years, and the devastation of the 2020 bushfires brought into sharp focus the impacts of a changing climate on our land and our communities. AFG has now integrated climate change risk into its risk management framework.

Environmental risks identified by AFG include the risks of adverse consequences of our direct impact on the environment and our indirect impact through our business operations. AFG has also identified the risks associated with changes to environmental laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies. Environmental risks (including climate change) impact our brokers, their customers and our AFG Home Loans customers, including their communities and the businesses in which they work.

In addition, this year AFG has been working to understand our direct impact on the environment (our ‘climate footprint’) and we have engaged with carbon solutions provider Carbon Neutral to measure our carbon emissions. The report examined AFG’s Scope 1, 2 and 3 Greenhouse Gas Emissions (GHG) under the operational control of the company for the full year 1 July 2020 to 30 June 2021.

A summary of GHG emissions sources by activity is displayed below:

Figure 1: Total gross GHG emissions by activity - AFG FY2021 (t CO₂e %).

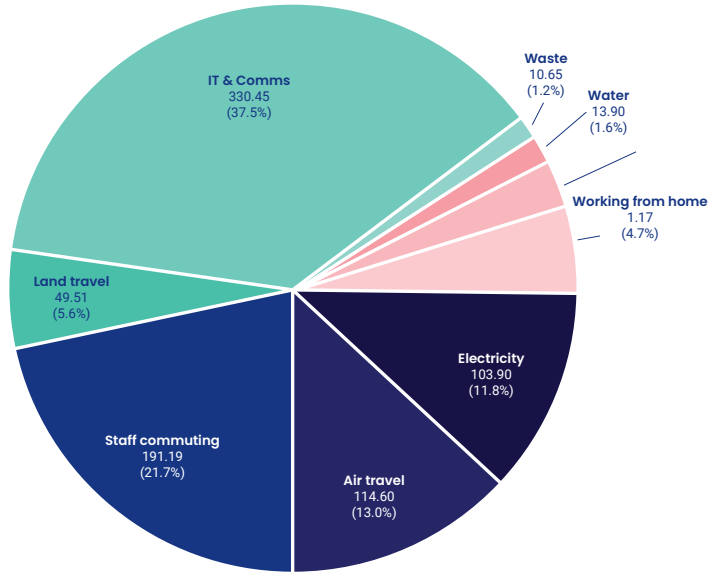


Figure 2: Emission intensity per staff - FY2021

Measure/Metric	CO ₂ -e per measure for FY 2021
Number of staff during period (224)	3.9 t CO ₂ -e / staff member

The main GHG emitting activities were associated with our use of technology, followed by staff commuting, air travel and electricity use. This year we all faced restrictions on travel due to the COVID-19 pandemic, this means the emissions generated by AFG through travel were likely lower during this period than at other times. From this starting point our challenge is now to develop consistent, accountable, and transparent internal practices to reduce avoidable GHG emissions where possible, and to examine opportunities to offset unavoidable GHG emissions to address our impact on the environment.

Social

AFG is committed to managing social risks and contributing to the community as a core part of our values. To achieve this, we have begun work on ways in which AFG can help to resolve some social risks impacting our key stakeholders.

One of those is the social crisis of homelessness and disadvantage. In June 2021 we were very pleased to announce a landmark sponsorship agreement to help play our part in addressing that problem. AFG is now Principal Partner of Foyer Foundation, an independent charitable organisation that works with young Australians at-risk of, or experiencing, homelessness.

Foyer Foundation is an organisation that has a globally proven model that works to address the issue among young people, one of the hardest hit parts of our community when faced with homelessness. Foyers are integrated learning and accommodation settings that provide young Australians experiencing disadvantage with a pathway to education, training and employment that is founded on access to stable and secure housing.

As one of the country's largest networks of mortgage brokers we see firsthand the importance of a place to call home. By partnering with Foyer Foundation, we are supporting a program that helps young people into a stable and secure home from which they can find their feet and take their place in the community.

The COVID-19 pandemic has had a significant impact on all aspects of life in Australia, particularly working arrangements affected by the numerous lockdowns across the country. In 2020 and 2021 our AFG Securities (AFGS) business has been working hard to limit the impact of the pandemic on our customers. For those in financial hardship due to COVID-19 related lost income, we have offered a variety of tailored solutions to assist their recovery. Pleasingly, those numbers are low.

In addition, an important area of focus for our AFGS business is providing access to those currently under-served in the lending market. AFGS employs a manual, "traditional" approach to credit assessment focusing on the individual borrower. Current credit scoring methodologies employed by the majority of lenders - particularly large ADIs - are favourably weighted to the depth of credit records and repayment history which can be biased against borrowers with changeable employment profiles. As a consequence, the self-employed, sole-traders, part-time (often younger) workers with multiple income sources, borrowers who have suffered a one-off life event that impacted their credit score, and recent migrants can be disadvantaged. By maintaining an approach that focuses on a personalised, circumstances-sensitive assessment model, AFGS supports borrowers whose needs may not be met by the broader banking sector.

Governance

The culture of an organisation is one that is difficult to distill to numbers on a page, however the performance of a company that has an average of almost six years of service for its staff speaks to a strong and supportive culture.

The effective functioning of the company from the Board down, seen through sound governance, risk and compliance practices, employee protections, and the support provided to our brokers and customers creates a culture that delivers value to our stakeholders and guides our interactions in our industry and the wider community.

I am pleased to report AFG is on track with our Diversity and Inclusion Objectives. Key metrics are below:

Objective	Status as at 30 June 2021
Achieve a minimum of 40% women in management positions (including KMP, senior managers and other managers) by 2022 with increased year on year representation.	37% of our management positions are held by women. This is an increase of 1% from our reported numbers last year.
Continue to develop cultural awareness across AFG ensuring our workforce reflects the diverse Australian population, demonstrated by a positive cultural diversity score of at least 80% in our annual employee survey.	89% of employees agreed in our 2021 Employee Survey that AFG supports cultural diversity. (Survey period closed 6 August 2021)
Maintain workplace diversity as one of the top three performing areas of our employee pulse surveys.	Workplace diversity was our highest performing area in our 2021 Employee Survey.
Continue training and awareness programs to ensure employees maintain and uphold AFG's acceptable and expected behaviors and diversity and inclusion values in the workplace.	The Diversity & Inclusion Committee continues to deliver a quarterly program of training and awareness initiatives. Mental health was a key focus of the committee in response to challenges caused by COVID-19. Domestic violence awareness and support was also highlighted tying in with government education and awareness campaigns.
Maintain no less than 30% of each gender in the composition of AFG's Board of Directors.	At 33%, AFG meets this objective.

AFG's Women in Leadership mentor program launched in March 2021. The program provides female employees a female mentor from our senior leadership team. The program runs for 12 months with mentees given guidance, suggestions for development and insights into key leadership traits. It has been well received and is providing positive opportunities for development for both mentors and the staff they are supporting.

More broadly, AFG is committed to equality in the mortgage broking industry and championing the important role women play. The AFG Winning Women program seeks to empower female brokers to help them reach their potential through a number of initiatives including a scholarship, state-based events, the provision of coaching courses, and mentoring opportunities with highly successful female brokers from the AFG network.

Whilst not subject to compulsory reporting, AFG undertakes a voluntary Ethnicity Survey among staff. This year, we included two additional questions relating to religious beliefs and whether people have lived or worked overseas, contributing to global experience and awareness. These new questions reflect a broader meaning of 'cultural diversity' that the Diversity Council Australia has recently adopted. Interestingly, more than 50% of participants have lived or worked overseas, bringing significant global and cultural experience to AFG and the way staff work together.

The AFG Group is committed to the highest level of integrity and ethical standards in all business practices and in upholding human rights across our operations and supply chains. This year we produced our first Joint Modern Slavery Statement setting out the steps we are taking to ensure that those practices are not taking place within our organisation or our supply chains. In addition, the Company has recently finalised its Modern Slavery Supplier Procedure. This internal procedure provides for an assessment of the risks of modern slavery in our supply chain and a due diligence process when any risks are identified.

Looking ahead

This is the first year AFG has published information about our approach to Sustainability. By raising the bar on disclosure, we aim to help our stakeholders understand more about how as a company we make decisions and how we create value.

Our challenge is to identify the risks and opportunities presented by this new reporting environment and respond in a manner that is both consistent with the social contract under which we operate and the maintenance of long-term business success. I look forward to continuing to tell the story of AFG's development through the lens of ESG metrics.



Tony Gill
Chairman

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