



Sustainability at AFG

Sustainability highlights

I am pleased to deliver our second report on the company's Environmental, Social and Governance practices.

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

Tony Gill
Chair



AFG Carbon footprint

982.7

(t CO₂-e) gross

674.9

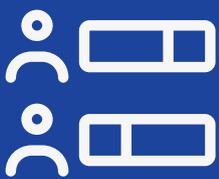
(t CO₂-e) net



Foyer Foundation,
principal partner

Diversity & Inclusion % of women in positions

(as at 31 July 2022)



Board

37.5%



Senior Managers

37%



All Managers

41.07%



Total Workforce

52.3%

Our approach

AFG makes decisions and takes actions to ensure we maintain our position as a successful company and a trusted business partner and employer.

That includes taking steps to protect our business, stakeholders and broader community from the changing climate.

During FY2022, we intensified our focus and accelerated efforts to address this serious risk facing our planet.

We have committed to becoming carbon neutral in scope 1 and scope 2 emissions by 2030, while continuing to drive down scope 3 emissions where possible.

To help achieve this, AFG is looking to identify and implement measures to reduce our carbon footprint.

We are proud to have recently become a participant in the United Nation’s Global Compact, a voluntary initiative to implement universal sustainability principles. Our participation formalises our alignment with the UN’s Sustainable Development Goals.

These goals will help drive sustainable business practices across the environment, human rights, labour, and anticorruption, supporting our mission to have a positive impact on our business, stakeholders and the community.

AFG’s board has oversight for our ESG risks and matters. Reporting to the board is AFG’s Management Sustainability Committee, established in FY2021 and comprising representatives from across the business.

The committee was formed to strengthen management’s sustainability policies, principles and practices.



To help support our ESG agenda, during the year we established a Staff Sustainability Committee, known internally as the 'Green Team'.

The AFG Green Team comprises nine passionate individuals from across the business, with representation from four of our state offices.

The Green Team reports to the Management Sustainability Committee and complements the leadership team’s efforts through a grass roots approach.

AFG Staff Sustainability Committee/Green Team



AFG’s approach to the mortgage industry was recently recognised through our winning of the Aggregator of the Year award in the Mortgage and Finance Association of Australia’s National Excellence Awards, held in Sydney on 17 July, 2022. The Aggregator Award recognises excellence across broker support, professional development, ethics, technology, lender panel value proposition, advocacy and business results. The prestigious award is assessed by a panel of judges including an independent audit by Hall Chadwick.

In the same awards, AFG was a finalist in the Diversity and Inclusion and Professional Development categories.

Our promise: We are committed to becoming carbon neutral in scope 1 and scope 2 emissions by 2030, while continuing to drive down scope 3 emissions where possible.

Sustainability highlights in FY2022			
Climate/Environment	Became a participant in UN Global Compact	Commitment to be carbon neutral in scope 1 and 2 emissions by 2030 and to drive down scope 3 emissions where possible	Launched permanent hybrid working arrangements
Diversity and Inclusion	Named Aggregator of the Year in 2022 MFAA awards and finalist in Diversity and Inclusion category	Met June 2022 target of minimum 40% women in management positions (including KMP, senior managers and other managers)	Created prayer room at Perth head office, enabling staff of all faiths to pray in private and meet religious duties
Talent attraction, growth and retention	Finalist in 2022 MFAA Excellence Awards, Professional Development category	Winner Australian Broking Awards in Training & Education in 2021 and finalist again in 2022	Average length of service from employees - 5 years
Social	Extended partnership with Foyer Foundation for further three years	Continued donating to natural disaster relief, this year focusing on floods	Expanded number of internal mental health first aiders and expanded Employee Assistance Program to brokers
Governance	Expanded board members and increased female representation	37.5% of directors are female (as at 31 July 2022)	Code of conduct and full suite of governance policies in place compliant with the 4th Edition of the ASX Corporate Governance Council’s Principles and Recommendations. Issued second Modern Slavery Statement

Environment



Our own emissions

AFG is dedicated to being part of the solution to a changing climate.

To understand our impact on the environment (our 'climate footprint'), our greenhouse gas ('GHG') emissions have been measured by independent consultant Carbon Neutral Pty Ltd. The FY2022 analysis marks our second year of measurement.

Scope 1, 2 and 3 GHG emissions in AFG's operations and value chain have been included in the analysis for the year 1 July 2021 to 30 June 2022.

Emissions from brokers and lenders utilising AFG products and services are outside the boundary of the carbon footprint assessment. Emissions associated with facilities or projects financed by AFG are excluded.

The analysis estimated our business had gross GHG emissions of 982.7 tonnes of carbon dioxide equivalent (t CO2-e) for FY2022.

This marked an increase on our gross FY2021 GHG emissions of 880.7 t CO2-e.

Our FY2022 net GHG emissions – after allowances for the use of carbon neutral products and services – was estimated at 674.9 t CO2-e for the FY22 period.

Gross Emissions	FY2021 t CO2-e	FY2022 t CO2-e
Scope 1	1.17	0.7
Scope 2	98.88	97.6
Scope 3	780.63	884.4
Total	880.68	982.8

	Staff *	Emissions per employee (gross)
FY2021	224	3.9t Co2-e
FY2022	277 *	3.5t Co2-e

*staff surveyed in April 2022.

A key reason for the increased GHG emissions in FY2022 is the resumption of travel as a consequence of transitioning back to normal business activities following the interruptions caused by the COVID 19 pandemic.

An increase in emissions from staff commuting also increased, partially due to a 19 per cent increase in staff numbers between the two measurement dates.

In FY2022 a new category of measurement also emerged – upstream leased assets. This new category was associated with the use of a temporary office in Victoria in April and May 2022 whilst a new Victorian office was being sourced.

AFG is actively looking to identify and reduce carbon emissions, and during FY2022 we started taking action in this regard.

Included was the introduction of a hybrid work policy, enabling staff to work from home for up to two days per week, depending upon the operating model of their departments.

To reduce our paper use, we have implemented access to paperless documents across loan processing and administrative tasks.

Our recently-formed Green Team will introduce an office wide recycling and waste reduction program in the Perth head office and will evaluate our procurement to ensure sustainable consumable options.

This team will also support AFG's bid to raise awareness about sustainability and is responsible for putting in place a series of climate-focused events, including a community tree planting day.

AFG operates out of leased offices which limits measures such as the installation of solar panels. However, we look to ensure our energy use is as efficient as possible with timed lights and carefully tuned air conditioning systems.

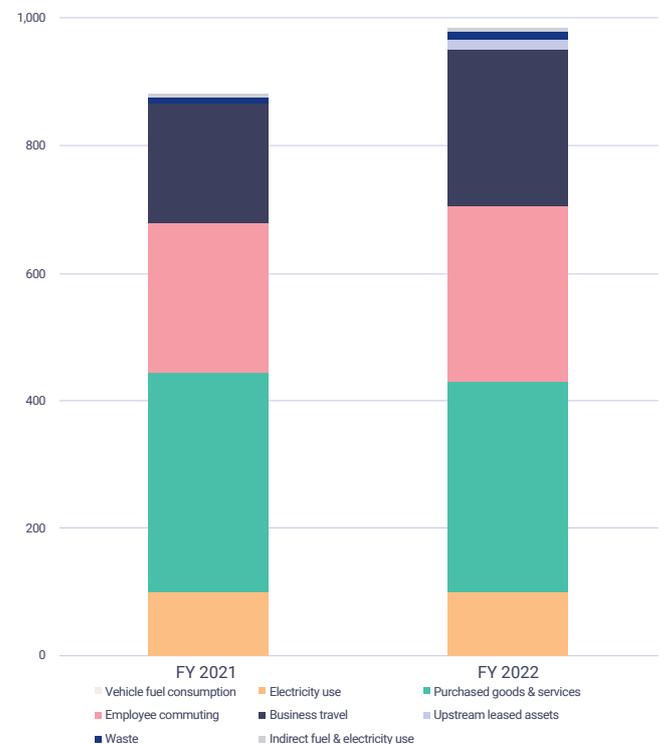
Our head office in Perth, where most staff are based, has received a five-star NABERS energy rating – considered "excellent performance".

Our new proposed Melbourne office has also received a five-star NABERS energy rating while our Sydney office has four stars. Our Brisbane office is in the process of being evaluated, while our Adelaide office is yet to be assessed.

We also focus on reducing business travel where possible through the use of virtual meeting technology, and from FY2023 will offset flights and hotel accommodation through a GHG offset program.

AFG will continue to look for ways to continuously reduce its impact on the environment, considering even the smallest changes will make a difference.

Breakdown of GHG emissions by activity (t CO2-e)



Impact on business

We recognise the serious threats resulting from a changing climate and consider the risks this presents to our business.

Adverse events resulting from climate change, in particular floods, fires and drought, affect the ability of customers to repay loans, potentially leading to higher defaults and delinquency.

Therefore, since October 2021 we have been integrating climate change into our risk management framework.

On a monthly basis we prepare detailed reports on climate risk, utilising the National Disaster Risk Framework. This data forms an important part of AFG Securities' business credit risk metrics.

AFG has also identified 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.

We are aware there is also reputational risk to our business if we fail to adapt to climate change.

Conversely, there are also opportunities if we proactively address the challenges.

We will continue to highlight the sustainable partners we are working with and will seek opportunities to partner with organisations that are taking an active lead in addressing the challenges of climate change.

Social



Partnerships and community

AFG is committed to managing social risks and contributing to the community.

Foyer Foundation

One of the social issues close to our hearts is that of homelessness and disadvantage. In June 2021, we became a Principal Partner of Foyer Foundation, an independent charitable organisation that works with young Australians at-risk of, or experiencing, homelessness.

In May 2022 AFG and Foyer Foundation agreed to extend that partnership for a further three years.

As a result of this agreement, AFG will provide \$600,000 in funding to the Foyer Foundation over 36 months, building on our initial \$200,000 sponsorship.

A key part of our sponsorship with Foyer Foundation is the AFG Independence Fund, enabling up to \$1,000 grants to young persons who are Foyer residents to buy much needed resources to help their education or employment, such as laptop computers, tools or driving lessons.

We are proud that by partnering with Foyer Foundation, we are supporting a program that helps young people with the foundation and security to enable meaningful study or work, and to take their place in the community.

Community

AFG also continues to support those people, businesses and communities affected by natural disasters. Following on from donations made for fire relief in 2021, in 2022 AFG and its staff members donated to help people affected by the recent floods in Queensland and New South Wales.

As part of our commitment to our customers, we provided tailored solutions to our AFG Securities customers experiencing hardship due to the 2022 flooding.

Options included payment deferral or the ability to move to interest only payments. Fortunately, only a small number of customers needed these solutions and we are happy to provide ongoing support.

Supporting financial literacy is also important, and AFG is now in the 24th year of sponsoring the AFG Interschool Numero® Challenge. Numero is an educational maths game designed to improve mental maths, with teams of primary school students competing against each other at an interschool level.

Helping underserved

An area of focus for our AFG Securities business is providing access to those currently under-served in the lending market.

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.

Consequently, 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.

AFG Securities employs a manual, "traditional" approach to credit assessment, focusing on the individual borrower.

By maintaining an approach that focuses on a personalised, circumstances-sensitive assessment model, AFG Securities supports borrowers whose needs may not be met by the broader banking sector.

Diversity and Inclusion

AFG champions a diverse and inclusive culture, where all are welcomed and recognised for their unique ability and identity.

We believe that when people from different backgrounds and points of view work together, it creates and generates more ideas and perspectives, leading to greater innovation and better business performance.

To help frame our approach, we conduct an employee survey every year to gather information and feedback. Diversity and Inclusion objectives are in place to continuously improve on AFG's work environment - and we are making good progress against these metrics.

Gender equality is an important driver across our business, which operates in a traditionally male-dominated industry.

In addition to having strong female representation on our Board (37.5 per cent of Board members are women), AFG is pleased to report it has met its 2022 target of achieving a minimum of 40 per cent of women in management positions (figures as at 31 July, 2022).

We have now set a new target of a minimum 45 per cent women in management positions by 2025 (including KMP, senior managers and other managers), with increased year-on-year representation.

As part of our efforts to encourage senior female leadership, the AFG Women in Leadership mentor program, launched March 2021, provides positive development opportunities for both mentors and the staff they are supporting.

Our Industry

More broadly, AFG is committed to equality across the mortgage broking industry and championing the important role women play.

Our AFG Winning Women program seeks to empower female brokers to connect, grow and celebrate their achievements through initiatives, including a scholarship, state-based events, the provision of coaching courses, and mentoring opportunities with highly successful female brokers from the AFG network.

From this program, five women each year are awarded Winning Women Scholarships to take part in our AFG Academy program. AFG Academy, delivered by Harvard University professors is an annual custom-designed three-day course made available to AFG's top performing brokers, is designed to provide best-in-class business strategies.

During 2022 we became a corporate member of Women in Technology WA ('WiTWA'), which has the goal of creating more opportunities and actively improving the under-representation of women in the technology sector.

Cultural Diversity

Efforts to develop cultural awareness across AFG have also proven a success, with 92 per cent of respondents agreeing in our 2022 Employee Survey that AFG supports cultural diversity.

Whilst not subject to compulsory reporting, we conduct an ethnicity survey, to gain a better understanding of the cultural and ethnic makeup of AFG and to provide ourselves with the insight needed to develop initiatives and policies that encourage a supportive and welcoming environment to people coming from diverse backgrounds.

Among new initiatives to support cultural diversity, AFG has established a prayer room at head office. By converting a small meeting room for two hours a day, employees of all faiths are able to pray in private and meet religious duties with minimal disruption to work commitments.

While we support certain events such as Pride Month in June, we make equality, diversity and inclusivity a priority year-round by encouraging all employees to bring their whole selves to work and through supporting efforts to raise awareness for the struggles faced by the LGBTQIA+ community.

Objective	Result /status
Achieve a minimum of 40% women in management positions (including KMP, senior managers and other managers) by 2022 with increased year on year representation.	40% target was achieved in June 2022. A new target of 45% women by June 2025 has been set.
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.	AFG achieved a positive score of 92% against its diversity index (5 questions).
Maintain workplace diversity as one of the top three performing areas of our employee pulse surveys.	The diversity index (5 questions) was the highest scoring category in the June 2022 Employee Engagement 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 and 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 and lockdowns.
Maintain no less than 30% of each gender in the composition of AFG's Board of Directors.	Our board comprises 37.5% female representation (as at 31 July, 2022)

We recognise the valuable role our staff play and invest in training and development. During FY2022, staff training was extended to all staff.

Healthy Workplace

Health and well being, including mental health, of our people is another priority.

Mental health has come to the forefront, particularly in light of the COVID 19 pandemic.

A survey of staff affected by prolonged lockdowns in NSW and Victoria determined they were feeling the strain, and there were potential impacts to their mental health. As a result, AFG introduced and encouraged "mental health days" – one paid day off per month for those in lockdown. We also introduced fortnightly virtual 'all staff' meetings hosted by our CEO to ensure all felt connected and had direct access to business leaders across the country, and a weekly all staff virtual social event at the end of the week to ensure those in isolation could spend time with their colleagues. Feedback has affirmed these initiatives are valued by staff and they have continued beyond lockdowns.

We also identified the need to increase the number of mental health first aiders – people across the business who have the skills and are a point of contact for those experiencing mental health issues or emotional distress. We now have eight trained mental health first aiders across the business, including four in WA and one in each office in other states.

The AFG Employee Assistance Program has operated for several years, offering staff access to a national network of professional mental health specialists for support if required. In August 2021, the program was extended to offer support to our broker network.

In addition, we are active in supporting staff against domestic violence, appointing a support ambassador, and hosting staff presentations on the topic by clinical psychologists.

A presentation, to mark White Ribbon Day in November 2021, covered the impact of domestic abuse, what to do at high-risk times (like Christmas and in extraordinary circumstances such as lockdowns caused by the COVID 19 pandemic), what to look for, and how staff can provide support to those impacted.

Other initiatives to support our staff include annual influenza vaccination clinics and the ongoing free supply of fresh fruit.

Team building and social events are a regular feature on our calendar, and we participate in community events, such as donating towards the “It’s in the Bag” campaign, which collates essential personal items for women at Christmas time.

We are confident that AFG provides a welcoming, engaging and rewarding work environment. Although we have taken on many new staff members during FY2022 and the “Great Resignation” is making headlines – our average staff tenure is 5 years.

What our staff say

“Work culture, best I’ve ever experienced. AFG should be proud at how well they treat, encourage and look after their staff.”
AFG 2022 Employee Survey

“AFG does well in looking after its people and trying to build a diverse, inclusive environment.”
AFG 2022 Employee Survey

“AFG has a great acceptance and respect for employees of different faiths and cultural backgrounds.”
AFG 2022 Employee Survey

 **Governance**



The board receives regular updates on a range of ESG issues, including climate change, covering progress against our commitments and goals, and any concerns raised by stakeholders.

During the year we strengthened our board by appointing two new directors: Greg Medcraft and Annette King.

The new appointments mean AFG has eight directors, all non-executive, including three women (37.5 per cent female representation as at 31 July 2022).

In compliance with the ASX Corporate Governance Council’s Principles and Recommendations (4th Edition), as at 31 July 2022 the majority of our board members (75 per cent) are independent directors.

We are 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.

AFG operates under a code of conduct and there is a full suite of human resource and governance policies, consistent with ASX 300 organisations.

Relevant policies include Workplace Health and Safety, Discrimination, Bullying and Harassment, Grievance, Anti Bribery & Corruption, and an annual Modern Slavery Statement. All staff are required to familiarise themselves with these at induction and on an ongoing basis.

Privacy and Security

We are committed to protecting our customers’ privacy and consider information security a top priority.

AFG is bound by the Commonwealth Privacy Act 1988, and personal information that we collect will be used only for the purpose that a person has consented to provide that information to AFG and its related entities, or as allowed by law.

AFG is also committed to safeguarding our customers and our brokers’ customers’ personal information that we hold from external threats and risks.

Measures to prevent, detect and respond to any cyber threats are embedded across all systems and processes, and are a part of every business interaction we have.

To support this, we partner with recognised industry cyber security experts, whose work includes conducting regular risk reviews and penetration and vulnerability testing.

All AFG staff undertake regular compulsory cyber security awareness training and scenario testing.

We also provide training to our extensive network of brokers to assist them to ensure the highest standards of personal information protection are also upheld for their customers.

AFG will continue investing in our technology and people to ensure an ongoing, robust and multi-layered strong defence to protect the personal information of our brokers, and all stakeholders across our supply chain.

Our sound governance, risk and compliance practices, employee protections, and the support provided to our brokers and customers creates a culture across AFG that delivers value to our stakeholders and guides our interactions with customers, the industry and wider community. We are already contemplating the potential impact of International Climate Disclosure Accounting Standards.