

Bank Australia Sustainability Bond 2023 Impact Report

August 2021 framework



Bank Australia's purpose is to inspire and empower our customers to use their money to create a world where people and the planet thrive.



Introduction

Bank Australia has an Australian Medium Term Note Programme with \$450m of bonds on issue as at 30 June 2023. The proceeds from these bonds are used to help achieve three of the United Nations Sustainable Development Goals:



The proceeds from the sustainability bonds are used to finance loans in an eligible asset pool of \$407.7m (as at 30 June 2023) including community housing, Specialist Disability Accommodation, loans to charities and not-for-profits, affordable housing mortgages, green mortgages and mortgages for energy efficient homes with an added environmental offset. The remaining \$42.3m are allocated to green, social and sustainability bonds from government and semi-government issuers.

This Sustainability Bond Impact Report describes the impact associated with the pool of eligible assets as at 30 June 2023. The Use of Funds report is included as an appendix.

Bank Australia's Sustainability Bond Framework was developed to align with international Sustainability Bond Guidelines. More information including the Sustainability Bond Framework, second-party opinion and assurance statements, and use of funds reports are available at bankaust.com.au/sustainabilitybond



Case study: Clean Energy Home Loan

How Murray and Bec's all-electric family home helped them live sustainably and save money

Murray and Bec became residents of Portarlington back in 2009, on the northern edge of Victoria's Bellarine Peninsula. Their 3-bedroom, one bathroom brick veneer house was a little ramshackle back then, but met their needs. After the arrival of three sons in quick succession, that one bathroom was feeling mighty small, and a renovation was on the cards.

Murray and Bec care deeply about the environment, which is why they chose to become Bank Australia customers in 2015. Improving the comfort of their home was a priority, but so too was reducing their carbon footprint.

"The major thing for us was getting off gas," says Murray. "Environmentally, gas isn't the best thing to use in your house. I knew going electric was best for us and would give us a more sustainable way of living."

Bank Australia's [Clean Energy Home Loan](#) seemed the most logical choice for them, since it would give them a discount on their mortgage that they could put towards the cost of their green upgrades.

With their loan approved, Murray and Bec set to work adding an extra bathroom, bedroom and living area, and improving their home's clean energy credentials. The green upgrades they made included installing solar panels, replacing their gas hot water system with an electric heat pump, and switching from gas to an induction stove in the kitchen.

To cap it off, the couple installed a home battery so they could store energy collected through their solar panels and sell it back to the grid or use it on cloudy days. To improve the comfort and energy efficiency of their home, they also double glazed their windows, which means they now rely less on heating and cooling systems.



"I knew going electric was best for us and would give us a more sustainable way of living."

These upgrades carried some significant up-front costs, but Murray and Bec knew they'd pay for themselves eventually. "Power prices are only going one way, and that's up. We wanted to be able to live without taking too much from the grid."

Although coordinating suppliers had its challenges, the couple found the whole process pretty smooth. "If you're thinking about it, I say just go for it," says Murray.

"The cost might be off-putting, but you have to look to the future. People say the payback's 10 years, but the way power bills are going, I think my system will pay itself back in half that time."

Bank Australia's Clean Energy Home Loan for property upgrades offers a discounted rate for customers who improve their home's clean energy credentials. The eligible asset pool includes 268 Clean Energy Home Loans, which support the decarbonisation of our built environment.

Case study: BeyondHousing

Taking a holistic approach to end homelessness in Victoria

In Victoria, a secure and affordable home remains out of reach for many, with up to 30,000 people confronting the uncertainties of homelessness or unstable housing every day.

CEO Celia Adams says, “the impact of our housing and other homelessness support services is profound, transforming lives and helping to rewrite future narratives one person at a time.”

Based in Victoria’s Goulburn and Ovens and Murray regions, BeyondHousing offers varied housing solutions, from emergency accommodation to long-term affordable rental housing. Given the right mix of resources and dedication, Celia and her team approach homelessness as a solvable issue.

“We often find that housing instability is just the tip of the iceberg,” Celia said.

“We aim to connect people with the supports they need to permanently improve their circumstances. For example, we work closely with a range of organisations focused on mental health and substance abuse.”

Celia says the level of care BeyondHousing gets in their relationship with Bank Australia goes beyond just their loan and feeling like a customer.

“That’s why Bank Australia has been a lender of choice for over a decade. Our relationship is more than just transactional. They truly understand and champion our purpose and vision of homes, not homelessness.”



Bank Australia’s Sustainability Bond helps fund a loan for BeyondHousing and other housing associations that are working to solve homelessness in our communities.




“We aim to connect people with the supports they need to permanently improve their circumstances.”

Bank Australia's eligible asset pool

The eligible asset pool contains commercial and retail loans that contribute to three SDGs. The table below shows how our eligible asset types link to SDGs and targets and describes the impact of loans in the eligible asset pool as at 30 June 2023.

Sustainable Development Goal (SDG)	SDG target	Eligible asset type	Balance as at 30 June 2023	Impact rationale	Impact of loans in the eligible asset pool as at 30 June 2023
 10 REDUCED INEQUALITIES	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	Commercial loan – charity and not-for-profit loans	\$17.7m	Charities and not-for-profits provide a range of vital services that target social, economic and political inclusion of diverse populations.	5 loans to charities and not-for-profits that provide affordable housing services for First Nations people and rural populations, education, disability support, and social support services for people from non-English speaking backgrounds.
		Commercial loan: Specialist Disability Accommodation loans	\$46.9m	People with complex care needs currently lack choice over where and how they live, and access to appropriate housing. Funding high quality housing suitable for people with complex care needs contributes to the empowerment and inclusion of people living with a disability.	5 loans to Specialist Disability Accommodation providers to build 114 homes for people with complex care needs.
 11 SUSTAINABLE CITIES AND COMMUNITIES	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums	Commercial loan – community housing	\$3.6m	Community Housing Providers build and operate social and affordable housing for people who can't access the private rental market.	3 loans to Community Housing Providers in Victoria and New South Wales to build over 25 homes for people who need them.
		Residential mortgages – affordable housing schemes	\$75.6m	Home ownership is increasingly out-of-reach for low- and moderate-income households in Australia; Government-supported affordable housing schemes help get people into home ownership and start building their financial futures.	260 residential mortgages to help people on low and moderate incomes buy their own homes.

Bank Australia's eligible asset pool (continued)

Sustainable Development Goal (SDG)	SDG target	Eligible asset type	Balance as at 30 June 2023	Impact rationale	Impact of loans in the eligible asset pool as at 30 June 2023
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	11.3 By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries	Residential mortgages: Green mortgages	\$121.3m	<p>Residential buildings are responsible for more than 10% of total carbon emissions in Australia¹. Loans are given to energy efficient homes which have:</p> <ul style="list-style-type: none"> • 7 Stars or higher calculated using software accredited under the Nationwide House Energy Rating Scheme (NatHERS), OR • A one-star uplift in the property's star rating on the Residential Efficiency Scorecard, OR • Property upgrades, including installation of a solar PV system of at least 5kW or the minimum size required by the Climate Bonds Initiative standards for Australia <p>These residential mortgages support the decarbonisation of the built environment.</p>	<p>268 residential mortgages for energy efficient homes, built to a high environmental standard, with:</p> <ul style="list-style-type: none"> • 7.9 star average NatHERS rating • Over 680kW of total solar PV capacity across 127 systems installed • 146 other energy efficiency upgrades, including: battery storage, hot water or air conditioning systems, energy usage monitors, thermal window and insulation upgrades <p>On average, these homes emit 45% less CO₂-e than a typical Bank Australia-funded home²</p>
		Commercial loan: Green buildings	\$2.2m	Commercial loans are provided to build, renovate or operate buildings to make them sustainable and environmentally sound. These loans support the decarbonisation of the built environment.	1 commercial loan to build 10 homes to a high environmental standard, with a deliberate focus on building community.
 <p>15 LIFE ON LAND</p>	15.1 By 2030, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements	Residential mortgages – Conservation reserve-backed construction loans and associated ongoing mortgage loans	\$140.4m	<p>Conservation and restoration of ecosystems is essential for addressing the twin challenges of climate change and biodiversity loss.</p> <p>Bank Australia acted on this challenge in 2008 by purchasing the first of its conservation reserve properties, which have since expanded to 2117 hectares.</p> <p>For all construction loans, Bank Australia protects an equivalent amount of land on its conservation reserve to balance out the environmental impact of construction.</p>	<p>478,020m² protected on the Conservation Reserve to balance out the impact of 357 construction loans in the eligible asset pool.</p> <p>In addition to the land protected on the Conservation Reserve, these 357 loans are for homes that are of a high environmental standard compared to the whole Australian market.</p>

¹ energy.gov.au/government-priorities/buildings/residential-buildings

² Based on analysis of our Clean Energy Home Loan portfolio compared against our residential mortgage portfolio. Emissions estimates are based on external modelling, incorporating data from the Australian Energy Regulator and Sustainability Victoria.

Case study: Seeing native species thrive on our conservation reserve

Bank Australia cares for a conservation reserve, which spans 2,117 hectares in western Victoria. Since colonisation, the land in the Wimmera region has been used for agriculture, and the sites in our conservation reserve were once agricultural land too.

Greening Australia and Trust for Nature assist us with our scientific monitoring and conservation work on the reserve, and we work closely with Traditional Custodians the Barengi Gadjin Land Council (BGLC) to assess and protect cultural values of the land. In collaboration with our reserve partners, we've worked to restore the land's native ecology, and it is now home to hundreds of native plants and animals including many threatened species.

A focus of our work on the reserve is to reduce the negative impacts of invasive plants and animals and restore biodiverse woodlands. This year we undertook detailed ecological monitoring to learn about the impact of our restoration efforts since we first began in 2008 and we observed a number of improvements to ecological values. This includes providing habitat for an additional 18 birds, 9 new reptiles and 2 mammals.

Our ecological monitoring has been valuable for learning more about what is working well and where we need to make adjustments. It has also resulted in sightings of several not previously recorded species, including the Painted Dragon, Common Scaly-Foot, and the Western Pygmy Possum. These recent sightings provide a bigger picture of the nature and biodiversity at the reserve:

- vast areas of tufted grass trees on our Salvana property, which is a threatened species. Judging by their height, some of these trees appear to be nearly 200 years old
- sightings of the Diamond firetails, a threatened bird species, and pygmy possums that live on the heartlands of the reserve



A focus of our work on the reserve is to reduce the negative impacts of invasive plants and animals and restore biodiverse woodlands.

- other significant ecological communities on the reserve include plains woodland, healthy herb-rich woodland, shallow sands woodland, and lowan sands Mallee.
- the reserve is also home to many South-eastern Red-tailed Black Cockatoos, which are an endangered species, and Buloke trees.

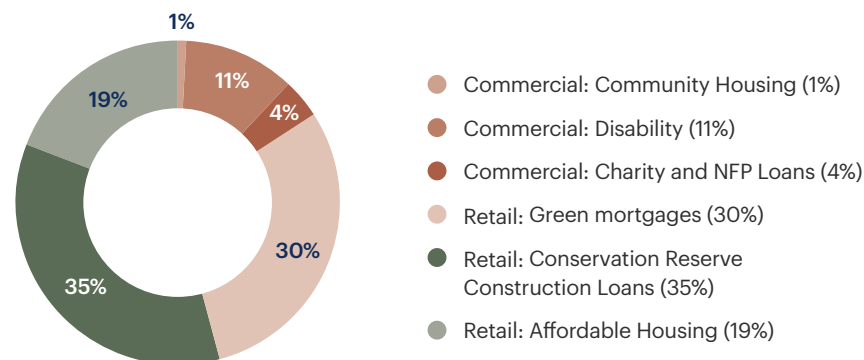
Our Sustainability Bond helps fund construction loans and then the ongoing residential mortgages, which are for properties that meet a high environmental standard, and we protect an equal amount of land in our conservation reserve to the area that has been constructed.

Appendix: Use of Funds Report

\$408m of the proceeds were allocated to Eligible Assets at issuance and remain fully allocated as at 30 June 2023. The remaining \$42m were allocated to green, social and sustainability bonds from government and semi-government issuers as per the Sustainability Bond Framework.

Sustainable Development Goal	Loan Category	Eligible Assets (\$m)	Eligible Assets (%)
SDG 10. Reduced Inequalities	Disability Housing	\$64.6	16%
	Charity & Not-for-profit Loans		
SDG 11. Sustainable Cities and Communities	Community Housing	\$202.7	50%
	Affordable Housing		
SDG 15. Life on Land	Conservation Reserve Construction Loans	\$140.4	34%
Total		\$407.7	100%

Eligible Asset Pool



Value of Sustainability Bond Issue

Date of Bond Issuance	Bond Maturity Date	Face Value
24 November 2022	24 November 2025	\$150,000,000
22 December 2022	24 November 2025	\$75,000,000
22 February 2023	22 February 2027	\$225,000,000
Total current		\$450,000,000



