

Bank Australia Sustainability Bond 2023 Impact Report

October 2020 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 \$110m 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 \$221.4m (as at 30 June 2023) including community housing, loans to charities and not-for-profits, affordable housing mortgages and mortgages for energy efficient homes with an added environmental offset.

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: Community Housing Limited

Working toward a sustainable and affordable future of housing

Community Housing Limited (CHL) is one of the largest not for profit community housing providers in Australia, and manages over 11,000 properties across the country. These homes provide a safe, secure and affordable roof over the heads of some 9,500 people.

CHL has been a customer with Bank Australia for nearly a decade, and the organisation is focused on providing housing for low and middle income earners, people with disability and people experiencing vulnerability CHL manages leases for social, affordable and market housing. In some cases, CHL manages leases for social housing, while at other times the homes they own are rented or sold on the private market.

CHL's Chief Finance Officer, Gavin Potter, says access to housing is an issue that cuts across a range of social and environmental priorities, as a secure home is a fundamental to achieving wellbeing – at an individual and community level.

“There are broad socio-economic impacts of giving people the stability that comes with living in an affordable home,” says Gavin.

“Broadly as a society we care about issues like the environment, education, health and other measures of wellbeing, but you can't even begin to address those issues if people don't have a safe and secure roof over their heads.”

CHL also recognises the intersection between environmental and social benefits that can be delivered through housing, such as the potential cost savings that come from renewable energy. With a cost of living crisis hitting pockets across Australia, the intersection of affordable and sustainable housing has never been more important.



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CHL is playing an important role in confronting a range of social and environmental issues through its work, and has big plans for scaling up in future.

“Our biggest challenge as an organisation is responding to the demand that exists for social and affordable housing, as well as other types of housing like specialist disability accommodation,” says Gavin.

“Working with Bank Australia has really helped us expand the supply of housing to meet this significant demand,” says Gavin.

Bank Australia's Sustainability Bond helps fund loans for CHL and others who are committed to delivering accessible and affordable housing.

Case study: HomesVic scheme, now the Victorian Homebuyer Fund Making home ownership accessible

Bank Australia is a participant in the Victorian Homebuyer Fund (VHF), a powerful program for making home ownership accessible. Through the VHF, first home buyers can purchase a home with just a 5% deposit, rather than the 20% they would normally need.

Another benefit of the VHF is that borrowers don't need to pay Lenders Mortgage Insurance (LMI), as the Victorian Government contributes additional equity that home owners buy back over time.




Bank Australia has proudly helped over 800 customers purchase a home since the VHF launched in 2021. Bank Australia's Sustainability Bond helps fund loans for shared equity schemes like the Victorian Homebuyer Fund, making an important contributing to the accessibility of home ownership for low and middle income earners.



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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
	10.2 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	\$39.6m	Charities and not-for-profits provide a range of vital services that target social, economic and political inclusion of diverse populations.	8 loans to charities and not-for-profits that provide housing services, education, health care, and social support services for people from non-English speaking backgrounds, and young mothers.
	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums	Commercial loan – community housing	\$26.8m	Community Housing Providers build and operate social and affordable housing for people who can't access the private rental market.	9 loans to Community Housing Providers Victoria, Queensland, and the Northern Territory to build over 480 homes for people who need them.
		Residential mortgages – affordable housing schemes	\$18.9m	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.	87 residential mortgages to help people on low and moderate incomes buy their own homes.
	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 loan	\$136.1m	<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>199,945m² protected on the Conservation Reserve to balance out the impact of 426 construction loans in the eligible asset pool.</p> <p>In addition to the land protected on the Conservation Reserve, these 426 loans are for homes that are of a high environmental standard compared to the whole Australian market.</p>

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



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- 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.

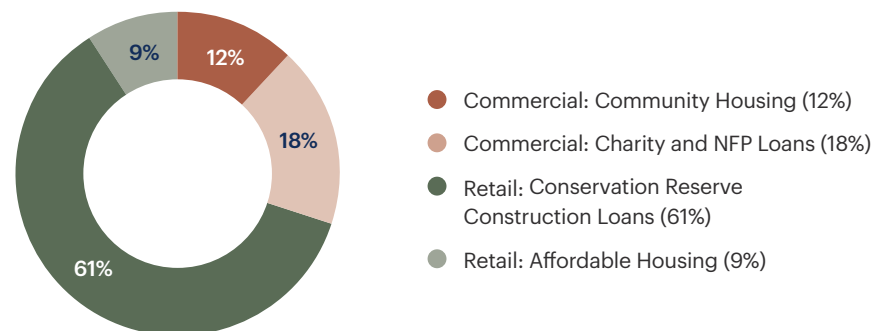
Our Sustainability Bond helps fund construction loans and then the ongoing residential mortgages, which are for properties that meet a high environmental standard, and we protect an equal amount of land in our conservation reserve to the area that has been constructed.

Appendix: Use of Funds Report

100% of the proceeds from the \$110m of Sustainability Bonds issued were allocated to Eligible Assets at issuance and remain fully allocated as at 30 June 2023.

Sustainable Development Goal	Loan Category	Eligible Assets (\$m)	Eligible Assets (%)	Allocation of Current Bond Proceeds (\$m)
SDG 10. Reduced Inequalities	Charity & Not-for-profit Loans	39.6	18%	19.7
SDG 11. Sustainable Cities and Communities	Community Housing Affordable Housing	45.7	21%	22.7
SDG 15. Life on Land	Conservation Reserve Construction Loans	136.1	61%	67.6
Total		221.4	100%	110.0

Eligible Asset Pool



Value of Sustainability Bond Issue

Date of Bond Issuance	Bond Maturity Date	Face Value
23 January 2020	23 January 2025	\$10,000,000
30 June 2020	30 June 2023	\$9,950,000
11 September 2020	11 September 2025	\$10,000,000
29 October 2020	29 October 2025	\$20,000,000
22 January 2021	22 January 2026	\$10,000,000
25 March 2021	25 March 2026	\$10,000,000
6 December 2021	6 December 2031	\$40,000,000
Total current		\$109,950,000



