





Acknowledgement of Country

At Bank Australia we respectfully acknowledge the Traditional Owners of all the lands on which we live and work, and we pay our respects to elders past and present. We recognise their continued connection to the land, waters and culture and we acknowledge their sovereignty has never been ceded. Our head office is located on the land of the Wurundjeri people of the Kulin Nation.

We share a belief with our customers that money can be used to create a world where people and the planet thrive.

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Welcome

This report demonstrates how we have worked to achieve the best possible outcomes for our customers and remained true to our purpose during the 2023 financial year.

We report on the material issues and activities that matter most to our customers, our employees and other stakeholders.

By reading this report, we hope you'll get a clear picture of our performance and impact for the period 1 July 2022 to 30 June 2023. You'll find information and stories about:

- how we supported our customers and employees to thrive
- how we created positive impact for our communities
- our contribution towards a healthier planet
- our governance and financial performance.

If you have any thoughts on this report that you'd like to share, please email us on mail@bankaust.com.au or call us on 132 888 (+61 3 9854 4666).

2023 in numbers



Total assets

\$10.5
billion

(\$9.7 billion in 2022)



Net profit after tax

\$52.3
million

(\$34.4 million in 2022)



Impact finance assets

17% (**\$1.8** billion)

(14.4%, \$1.4 billion in 2022)



Employee engagement

70%

(72% in 2022)



Our people

591

(527 in 2022)



Our customers

186,863

(184,288 in 2022)



Customer satisfaction

88.6%

(87.5% in 2022)

Message from Judith, our Chair, and Damien, our Managing Director

Welcome to the 2023 Impact Report. On behalf of the Bank Australia Board and our whole team, thank you for being part of our clean money movement.

The year coming out of the COVID-19 pandemic was one that brought new challenges and unprecedented changes to our operating environment. High inflation and a rising interest rate rise environment increased pressure on Australian consumers and the economy. We navigated these challenges and delivered a year of strong growth while prioritising the support of our customers through the uncertainty.

Every year we share an overview of the past financial year in our Impact Report and highlight the positive impact we have worked hard to create on your behalf. We hope this report gives you an understanding of the actions we've taken to support our customers and how we continue to deliver on our purpose.

Making progress on climate action

Last year we set out our climate action strategy with a headline target to achieve net zero emissions by 2035, making us the most ambitious bank in Australia. We know there's a lot of work to do to meet our ambitions and we're pleased to report on the progress we've made this year. We became the first financial institution in Australia to set a validated, science-based emissions reduction target for 2030 to help keep us on track to reach our net zero goal.

We announced we will stop funding car loans for new fossil fuel cars from 2025 to actively support the shift towards a decarbonised economy and we also saw our

Clean Energy Home Loan portfolio grow by 33% to a total of \$197m, or 452 loans.

To achieve our targets we will continue to focus on working with our customers to collectively reduce our emissions and communicate openly with our customers about our progress.

Creating positive impact for people and the planet

Clean money is our promise to our customers. We avoid using money in ways that cause harm, and aim to use it in ways that have a positive impact on people and the planet.

A snapshot of our positive impact this year includes:

- undertaking detailed ecological monitoring of the conservation reserve, with sightings of non-threatened but protected wildlife
- actively supporting the Yes campaign as part of realising the Uluru Statement from the Heart in full
- providing nearly \$300,000 in grants to 16 organisations, to fund community projects through our customer community grants program
- focusing on identifying opportunities for our new nature and biodiversity strategy
- funding our 800th loan under the Victorian Homebuyer Fund, helping customers enter the housing market.



A year of strong financial growth

This year we achieved a significant milestone, growing to over \$10 billion in assets which makes us the fifth largest mutual bank in the country.

Loans grew by 9.6%, just over the budgeted growth of 8.1%. Our deposits grew by 4.7%, below the budgeted 8.2%. We completed the year with asset growth of \$0.9 billion, an 8.8% increase on 2022, taking total assets to \$10.5 billion in 2023.

We achieved a \$52.3 million net profit after tax which was a record result and a 52% increase on the prior year. Our profit result was largely driven by the one-off conditions of consecutive interest rate rises throughout the year which improved our net interest margin. During the year the interest rate environment changed rapidly and we continued to balance fair rates for our customers across deposits and loans. While we expect profits to return to more normal levels in future years, this year's result provides an important boost to our capital and enables continued investment in our transformation agenda to improve customer experience and expand our reach.

Achieving these results could not have been possible without our employees who continue to deliver on our strategy and put customers at the centre of everything we do. We thank them for their efforts and their commitment to making a positive impact.

We know we have built a strong and sustainable business, driven by a quality workforce, loyal and committed customers and a growing brand. We have also shown our resilience and our ability to adapt quickly to changing conditions over the last 4 years. These factors, along with our very strong capital, liquidity and credit quality positions ensure we are in an excellent position to continue to manage any challenges ahead.

Protecting and supporting our customers

Fraud and scam activity continues to increase in speed and volume across the economy, so we are working to provide the safest banking environment possible for our customers. We took a proactive approach to educating our customers about the risk of scams and how to identify them through regular scam awareness campaigns. We also expanded our financial intelligence





team to ensure more capacity to monitor and protect customer funds, and to identify emerging trends and threats.

While many of our customers were able to build up buffers during the COVID-19 pandemic, which helped cushion them from the effects of interest rate rises, the cumulative effect of rate movements has started to impact a small cohort of borrowers experiencing financial difficulty. We work through hardship processes with these customers. Overall our borrowers are well placed to continue to meet their repayments as the rate cycle begins to slow in 2024.

Our customers and what they care about

The number of new customers who joined Bank Australia in 2023 was down on the record year prior. Our 16,630 new customers grew our total customer base by 1.5% to over 186,000. Pleasingly the majority of new customers were from our socially aware target market, who now make up 51.9% of our customer base and represent 57.6% of total banking value. The number

of customers who use Bank Australia as their main financial institution also grew strongly this year.

We invested in recruiting staff to our contact centre and increased customer autonomy by enabling features on internet banking and our banking app. By increasing our contact centre capacity we improved customer call wait times by 43%, however we know there is more we can do to further improve this and are continuing to increase our capacity and improve our technology.

As a customer-owned bank it is important to us that our customers have a voice and tell us the issues they want to see us take action on. In February we conducted our customer values survey to identify the issues of greatest concern to our customers and to inform where we focus our advocacy efforts.

Our customers tell us they deeply care about climate change and want us to act on this. Protecting nature and biodiversity is also a significant concern and stood out as the highest growing concern this year. More customers told us they would like to influence decision-making, especially on social and environmental issues.

Changes to the board

As our customers increasingly use digital banking services, cybersecurity continues to be an important focus. We appointed Dr Marcus Thompson as non-executive director in January 2023. Marcus brings invaluable experience and expertise to the board's oversight of cybersecurity risk management and information technology.

Looking to the year ahead

As we look forward, we know we can expect challenges and changes that are hard to predict and are sure to impact our business. If the last few years has taught us anything, it is that we have built a strong and sustainable business and are in a good position to manage the evolving external landscape.

Our 2024 priorities are clear:

- continue the rollout of the transformation program to better serve our customers through digital channels
- define impact strategies across three of our four key impact focus areas – nature and biodiversity, First Nations reconciliation, and affordable and accessible housing
- help customers decarbonise homes as part of our other key impact focus area – climate action
- protect, educate and support customers amid the growing risk of scams and fraud
- continue to comply with all regulatory requirements
- continue to strengthen our cybersecurity capabilities
- grow our customer base and our assets.

Thank you for your support, together we are creating a world where people and the planet thrive and we will continue to be the bank Australia needs.



Judith Downes,
Chair



Damien Walsh,
Managing Director



This year we provided 16 organisations with a total of around

\$300,000

towards their community projects through our customer community grants program



Clean Energy Home Loan

Our Clean Energy Home Loan portfolio grew by

33%



Socially aware customers

The majority of new customers were from our socially aware target market, who now make up

51.9%

of our customer base and represent 57.6% of total banking value.

1. Our business



Our business

Here's how it works

How we're set up

Bank Australia Limited (ACN 087 651 607) is a 100% customer owned bank with each customer owning one share in the bank.

We're a mutually owned Authorised Deposit-taking Institution (ADI) and an unlisted public company.

How we operate

We are governed by a Board of Directors who are all based in Australia. Our day-to-day operations are led by an Executive team and carried out by our 591 employees.

We serve more than 186,000 customers, on whose behalf we manage \$10.5 billion in assets (at 30 June 2023).

We are primarily a retail bank, with a growing commercial impact lending portfolio. Our responsible banking policy guides how we invest our customers' money and how we support social and environmental issues.

What we do

We accept deposits from and lend money to customers to help them achieve their goals.

We offer depositors fair and competitive interest rates on their savings, and through our responsible banking policy we are clear on what we do and don't fund.

We lend our borrowers money to buy homes and cars, to make renovations and for a range of other purposes.

We currently have \$7.7 billion in home loans that have helped thousands of customers buy their own homes or investment properties.

Our impact asset portfolio includes \$1.8 billion in assets that create positive impact for people and the planet.

What customer-owned banking means

Customer-owned or mutual banks evolved from the Australian credit union movement and are guided by the International Cooperative Principles. Customer-owned banks exist to benefit their customers, not to deliver profits to external shareholders.

As bank owners, our customers share in the prosperity that we create. We create value for our customers through the impact we make, competitive rates and fees and service improvements.

We retain most of the profit we make as capital to ensure the bank remains strong and use a portion to create positive social and environmental change through the Bank Australia impact fund.

As owners of the bank, each customer has an equal vote in the governance of the bank (see page 73), including electing Directors and approving total Director remuneration.

We listen to our customers through a range of mechanisms, such as the Annual General Meeting, complaints and compliments, social media, customer research and involvement in our communications and campaigns.



Our strategy, purpose and values

We remain focused on our purpose and aspiration for 2025

Our purpose and aspiration drive all aspects of the bank's activities.

To meet our aspiration of being Australia's most trusted bank and a leading purpose-driven business, we are focused on being:

- a good bank with the people, technology and capabilities needed to serve our customers
- a force for good to increase the positive impact we have on people and the planet through the business of banking.

Purpose

To inspire and empower our customers to use their money to create a world where people and the planet thrive.

Aspiration

To be Australia's most trusted bank and leading purpose-driven business.

Brand

We are the bank Australia needs.

Values

We live up to our values that have been developed in partnership with customers and staff.



Honesty and Integrity



Care and Empathy



Belonging and Community



Future and Generational Thinking



Authenticity and Transparency

Our strategy

We aim to serve our customers and attract socially aware people and values-aligned organisations with banking products that meet their needs, and generate positive impact for people and the planet on their behalf.

We are focused on a strategy of responsible values-based banking that particularly attracts those who are socially aware. The opportunity in this target market is significant and growing. We serve our customers primarily through digital channels (app and internet banking) and remote channels (our contact centre), supported by a small branch network and third party mortgage brokers.

Our competitive positioning is based on continuing to develop our leadership position by:

- supporting our customers to use their money to create a world where people and the planet thrive
- maintaining focus on our target market of socially aware people and building trust with our customers
- providing a convenient product and service range, which is differentiated according to our brand and focused on positive impact.

We continue our focus on maturing our capabilities to allow us to increase our impact and continue to develop unique customer and employee value propositions. As we deliver our 2025 strategy, this will enable us to improve the performance of our bank and the measurable impact we have.

Increasing our impact

For several years we've been thinking about our role in creating the world we and our customers want to live in. As a values-based responsible bank, we have the capacity to influence social and environmental issues, and we are committed to advocating for positive change. We also know the business of banking can be a force for good and we demonstrate this through our actions, including our impact lending and our impact fund.

In 2022, we identified four key areas to focus our impact, and we have continued advancing our work in these areas in 2023. These include:

- climate action
- affordable and accessible housing
- nature and biodiversity
- First Nations reconciliation



Our customer values surveys consistently show our customers care deeply about these issues and want to see us take action on their behalf. We've also considered our track record of addressing issues through our lending and other activities, and our capacity to undertake stakeholder engagement and research.

In 2023, we had 33% growth in our Clean Energy Home Loan portfolio, which is part of how we incentivise customers to create more sustainable homes. We do this by rewarding customers buying or upgrading an energy efficient home with a discount on their mortgage. We've also committed to ceasing car loans for new fossil fuel cars by 2025, because we know electrifying transport is a critical step to reduce emissions and prevent the worst impacts of climate change.

We hit a milestone in our impact lending portfolio for affordable homes, reaching 800 loans through the Victorian Homebuyer Fund. Through this scheme, we provide finance to low and middle income earners so they can purchase a home with a smaller deposit than would ordinarily be required. They are also exempt from paying Lenders Mortgage Insurance (LMI), which helps to minimise the cost of their mortgage.

Our work supporting nature and biodiversity continued on our conservation reserve in western Victoria, which you can read about on page 64. We've also made headway on developing a nature and biodiversity strategy, which will provide a framework for us to protect what we have now and focus on regeneration for the future.

Working towards a reconciliation strategy continued to be a focus for us in 2023, and we made several key investments through our impact fund in support of First Nations reconciliation this year. We committed to supporting the 'Yes' campaign in the lead up to the federal referendum on the Voice to Parliament and partnered with Treaty Day Out. You can read more about these activities on page 56.

In 2023, we continued advancing our work on four key impact areas:



Climate action



Affordable and accessible housing



Nature and biodiversity



First Nations reconciliation



Our goals and key performance indicators

Measuring our progress

Achieving our purpose and aspiration requires a focus on performance measures that reflect the outcomes we seek. These performance measures help develop our strategic thinking and ensure we align our actions and decision-making with our purpose and aspiration. The table below outlines our progress this year and towards our goals for 2025.

Measures	Key performance indicator	2023 target	2023 actual	2025 target
Workforce	Employee engagement	>70%	70%	>80%
Customer	Customer satisfaction	>85%	88.6%	>85%
Purpose	B Corporation accreditation score	104.2	104.2 ¹	120
	Impact finance assets	>15%	17.0%	>20%
Growth	Total customers	192k	187k	>210k
	Customers from target market	>52%	51.9%	>54%
	Retention of target market customers	>90%	93%	>90%
	Assets	\$10.5b	\$10.5b	\$12.5b
Brand	Awareness	>40%	34%	>45%
Trust	Overall trust	>90%	94.7%	>90%

¹ B Corporation accreditation score is valid for three years. Bank Australia will recertify in 2024.

Our 2023 financials



Total assets

\$10.5 billion

(\$9.7 billion in 2022)



Loan growth

9.6%

(16.9% in 2022)



Deposit growth

4.7%

(12.2% in 2022)



Net profit after tax

\$52.3 million

(\$34.4 million in 2022)



Total impact finance assets

\$1.8 billion

(\$1.4 in 2022)



Customer owned reserves

\$702 million

(\$667 million in 2022)



Costs as a percentage of income

66.2%

(70.1% in 2022)



Capital adequacy ratio (capital held against risk weighted assets)

17.7%

(15.4% in 2022)



Total liquidity as a percentage of on balance sheet liabilities

15.4%

(14.5% in 2022)



Loans 30 days or more in arrears as percentage of total loan portfolio

0.3%

(0.2% in 2022)

Our financial performance

In 2023 we grew to over \$10 billion in total assets, which marks an important moment in our bank's history. \$10 billion in assets is significant because it highlights the strong growth we have achieved in recent years and provides a sound footing for future growth.

2023 was also a highly unusual year across the banking sector, with ten consecutive increases in the official cash rate by the Reserve Bank of Australia (RBA). In the midst of these changes, the World Health Organisation declared the COVID-19 pandemic over, which meant a return to pre-pandemic activities like international travel.

In this context, our focus has remained on balancing the needs of our deposit and loan customers. We took a proactive approach to communicating with customers about changes to mortgage repayments, particularly for those coming off fixed rate and onto variable rate home loans. This ensured customers were able to prepare for changes and that those at risk of hardship could seek support.



Following two years of record growth, the property market began to slow, but the demand for home loans remained high among our customers. We experienced a 9.6% increase in our loan book, which is twice that of the wider banking system. Our growth in deposits was less than previous years but nonetheless remained positive with 4.7% growth throughout the year. This largely reflected a slowdown in overall system growth as rising interest rates and other increases in the cost of living reduced household savings.

We had 16,630 new customers join our bank, and while this is less than the record number attracted in 2022, we're confident that our value proposition continues to resonate with our target market. We ended the year with total assets at \$10.5 billion, an increase of 8.3% from the previous year. Our customer owners' funds grew to \$702 million, up from \$667 million in 2022.

Our net profit after tax this year was \$52.3 million, a 52% increase on the prior year. Our profit was largely driven by the one-off conditions of consecutive interest rate rises throughout the year which improved our net interest margin. Throughout the year, the interest rate environment changed rapidly and we continued to balance fair rates for our customers across deposits and loans. While we expect profit to return to more normal levels in future years, this year's result does provide an important boost to our capital and enables continued investment in our transformation agenda to improve customer experience and expand our reach.

In addition to investing in several transformation projects, up to 4% of our net profit after tax is invested in our impact fund projects, partnerships and programs, which you can read about on page 51. We believe the investments we've made in our people, systems and partners will ensure we continue to serve our customers and our community as a good bank and a force for good.

Overall our bank's financial resilience is unquestionably strong due to a well-funded balance sheet, strong capitalisation and a prudent approach to risk management. For more information on our financial performance, please refer to our 2023 Financial Report using the QR code below.



In 2023 we hit a major milestone of

\$10 billion

in total assets which marks an important moment in our bank's history.



16,630

new customers joined our bank in 2023.



Our customer owners' funds grew to

\$702 million

up from \$667 million in 2022.

2. Our customers



Meeting our customers' needs and expectations

Our aspiration is to be the most trusted bank in Australia. We aim to build trust through meeting our customers' banking needs and exceeding their expectations of our products and services.

Serving our customers

In 2023 we invested in recruiting staff to our contact centre and increased customer autonomy by enabling new features on our banking app and internet banking. This includes being able to increase the daily limit and transfer limits for bank accounts. We also released our new hold music, which features a range of Australian artists, and added a new feature that lets customers know where they are in the call queue.

We have increased staffing levels in order to meet the demands of calls coming through the contact centre in what is a challenging recruitment environment. The average speed to answer calls decreased to 5 minutes 19 seconds, which was a significant improvement on our 2022 performance of 9 minutes 24 seconds, but we know we need to focus on improving this further. We continue to see an increase in the demand from customers using emails. Throughout the year our levels of service have fluctuated, with an average across the financial year of responding to emails within 3 business days.

A consumer-led online initiative, Product Review, is one way we gain insight into our customers' experiences, and in 2023 our product review score has remained strong at 4.6. We will continue working to ensure we are available to our customers when they need us and deliver a high standard of service.

In 2023 we achieved a strong customer satisfaction score of 88.6% (87.5% in 2022). Overall, we are pleased that when our customers did interact with us, they remained largely satisfied with the bank and the service they received from our team.

Our Net Promoter Score (NPS) for 2023 was +38.4, down from +42.2 in 2022. While it has decreased it is still a very positive score, indicating we have far more happy customers than unhappy. Despite the decrease in NPS, our customers remain likely to recommend us to their friends and family, which encourages us in thinking about our growth for the future.

In 2024, we will prioritise action to improve our service levels through:

- expanding our capacity to manage complex support needs through a dedicated team of specialist consultants
- investing in technology to improve customer experience, including a new lending system and improved customer relationship management system
- continuing to implement process improvements to automate repetitive tasks and reduce the need for manual processing by our employees.



Case study

Prioritising our customers' values

Every 2 years, we survey our customers to find out what's important to them and how they would like Bank Australia to take action. Since each of our customers owns an equal share in our bank, we see this as an important way to give customers an opportunity to help guide our activity and decision-making on social and environmental issues.

Our 2023 customer values survey reinforced that the issues we've chosen to focus our efforts on through our impact fund and advocacy remain key concerns for our customers.

An overwhelming 87.8% of our customers are concerned about climate change and 87.2% feel concerned about the protection of nature and biodiversity. Supporting First Nations people and focusing on affordable and accessible housing were the next 2 top priorities for us to be vocal on, according to our customers.

Bank Australia is committed to advocating for change and using our bank as a force for good. We will continue to listen to our customers and focus on the issues that matter most to them.

Growing the Bank Australia community

In 2023 we continued to grow our customer base, including from our target market of socially aware people. We now have 186,863 customers, and despite the economic challenges of the past year, we received strong results in our recent customer satisfaction survey, showing we've continued to deliver on our promise as a good bank and a force for good.

We were pleased to see our customer satisfaction score rose in 2023 to 88.6%, up from 87.5% in 2022. Unfortunately, our customers' satisfaction with their financial situation has decreased from 72.8% in 2022 to 63.9% this year. We know many people are currently doing it tough across Australia given high inflation, consecutive interest rate rises and increased cost of living pressures. We are committed to supporting our customers with their financial wellbeing. You can read more about what we're doing to support customers experiencing hardship on page 27.

We continued to grow the Bank Australia community in 2023 by acquiring new customers, although our average net customer growth slowed to 1,386 new customers per month, from 1,790 in 2022. Customer retention remained steady at 92.4%, consistent with our 2022 results. We also attracted many customers seeking term deposit products, and hit a milestone of \$10 billion in assets in 2023.

The average age of our customer base is now 47, while the average age of new customers rose slightly to 38. Continuing to attract younger generations is important for the future of our bank, as this cohort is seeking out and offering their support to purpose-driven businesses that align with their personal values. Our research shows that 68.6% of new customers chose to bank with us because of our approach to responsible banking, and our customers' advocacy for our bank remained high with a score of 8.2. In fact, we put a call out to our customers to feature in our 2023 brand campaign and received 67 responses in just 3 days. This is a strong sign to us that our customers are engaged with our purpose and want to encourage others to use banking as a force for good.



Building customer trust

Our aspiration is to be the most trusted bank in Australia. In Roy Morgan Research Institute's most trusted brands in Australia list, we were ranked the 37th most trusted brand in 2023 (up from 39 in 2022). In the banking sector, we were ranked the 5th most trusted bank in Australia, down from 4th in 2022.

Working with trusted partners

Mortgage brokers

Working with mortgage brokers continues to be an important part of our growth story as more customers choose to seek advice from a broker when taking out a home loan. We ensure our broker network strongly reflects our values when promoting our brand and products. Our broker relationship team works closely with brokers to build awareness of Bank Australia's brand and to ensure they are equipped to offer their clients home loan options that align with their values.

This year, we expanded our broker network to around 1,700 active brokers. They generated \$1 billion in new home loans (down from \$1.3 billion in 2022), which was 50% of the total loan value generated in 2023.

We apply one common commission structure across all products. Our commission payments are 0.6% plus GST (upfront commission) and 0.15% plus GST (trail commission), for brokers who are part of an aggregator, and 0.5% plus GST (upfront commission) and 0.15% plus GST (trail commission) for brokers holding their own Australian Credit License and a direct relationship with the bank.

Upfront commission payments are based on the settled value of the loan, less offset and redraw balance. Trail commission payments are assessed on the closing balance of the loan, less offset balance, each month. Trail commissions are paid for the duration of the loan.

Our insurance partner – Allianz

Working with Allianz Australia Limited, a leading provider of insurance in Australia, we provide insurance to our customers to help meet their general insurance needs. Under our agreement, we earn a commission on sales based on the gross written premium of products our customers purchase. Allianz also provides us with a contribution towards paying the salary of a sales leader position within the bank as well as a marketing allowance to support the promotion and sales of insurance.

Depending on the performance of the insurance portfolio, we receive a percentage of the underwriting profits (if any) each year.

During the course of this year we identified an issue relating to Allianz insurance products for a small cohort of home loan package customers. We found that some customers eligible for a discount on their insurance premiums did not receive those discounts from Allianz between January 2016 to July 2023.

Once this issue was identified we worked closely with Allianz to ensure that affected customers were reimbursed the discounts they were entitled to, with interest to cover relevant period. All affected customers were refunded by the end of September 2023.





Protecting our customers from fraud and scams

In 2023 an increase in fraud and scam activity continued to take place across the banking sector and the Australian economy. Scammers are contacting our customers and people across Australia more frequently than ever, and their approach has included imitating legitimate businesses, financial institutions and family members.

We remain focused on keeping our customers safe from scammers, and responded to increases in fraud and scam activity by helping equip our customers with the tools they need to protect themselves. We issue frequent alerts about scam activities and encourage customers to be vigilant and contact us if they are unsure of requests made for payment by unknown parties.

In 2023 we delivered a scams awareness campaign to educate customers about the risk of scams and how to identify them. We focused on issuing fast and effective communication to customers once scams were detected, across multiple communication channels. This included banking app and internet banking notifications, emails, web alerts, and social media posts.

This year we also expanded our financial intelligence team to ensure we have greater capacity to monitor and protect our customers' funds. We invested in scams awareness training for our employees, increasing our team's ability to recognise, act on and escalate concerns about potential fraud and scam activity.

In addition to our campaign and staff training, we took the following actions to help our customers avoid becoming the victim of fraud or scams:

- monitored trends and identified new types of fraud scams
- published regular fraud and scam alerts and the Australian Government's Stay Smart Online updates on our website, social media channels, and customer e-newsletters
- improved our fraud monitoring activities, to inform customers more quickly of suspicious activities on their accounts
- maintained our enhanced anti-money laundering systems and technology
- collaborated with industry bodies and government agencies such as the Australian Banking Association (ABA), Customer Owned Banking Association (COBA) and Australian Competition and Consumer Commission (ACCC).

In 2024 we will:

- continue to implement fraud mitigation systems and technology
- continue to focus on customer and employee education and fraud awareness
- continue our work partnering with the broader banking sector to identify scams.

Case study

Proactively protecting customers with our scams awareness campaign

We ramped up our focus on scams education across our marketing communications channels in 2023, and saw some encouraging results, with customers reporting fewer losses despite an increase in scam activity following the campaign.

To plan for the campaign, staff from across our financial intelligence, marketing and corporate affairs teams worked together to ensure we understood the most effective channels to contact customers and the most helpful messages to share with them. We chose to focus on some of the most common scams with high success rates of defrauding customers, including a "Hey, Mum" scam occurring on WhatsApp.

In 2023 we published 74 pieces of educational content about scams, including four blogs, eight eStatements with banners about scams in their letterhead, 30 social media posts and multiple app and internet banking notifications.

These communications all encouraged customers to be vigilant in how they manage their personal information, and informed customers about the types of communications they will and won't receive from our bank. For example, one key message was that we will never ask for a customer's "one time password" or OTP, as this was commonly used by scammers to access customer bank accounts remotely.

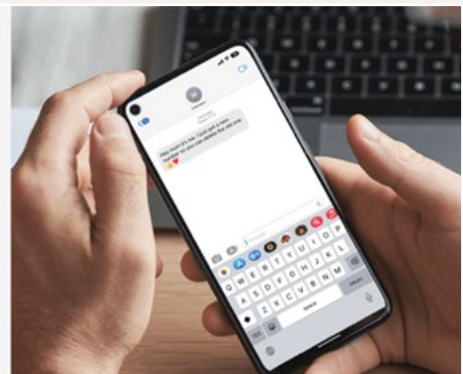
We found these communications to be highly successful in engaging customers. For example, in May 2023 our banking app and internet notifications showed 183,000 total impressions from customers and social media posts in May and April reached 1,400 and 1,800 users respectively.

In 2024 we will continue reviewing best practice for scams awareness and investing in our people, processes and campaigns that help detect scams and empower customers with the information they need to protect themselves.

"Hi Mum..." WhatsApp and SMS scams are on the rise.

Treat any unexpected or 'urgent' contact with caution.

Spot scam red flags at bankaust.com.au/scams



Supporting customers through fair and competitive rates and fees

As a customer-owned bank we pursue profit with purpose. Our approach to pricing aims to ensure our overall package of banking products remains competitive.

In 2023 interest rates rose consistently as the RBA lifted the official cash rate 10 times between July 2022 and June 2023. Throughout the course of the year, our focus has been on helping our customers adjust to the increasing interest rate environment, particularly borrowers moving from fixed rate to variable rate home loans.

Many of our customers were able to build up buffers during the COVID-19 pandemic which helped cushion them from the effects of inflation. Overall our borrowers are well placed to continue to meet their repayments as the rate cycle begins to slow in 2024. A very small cohort of borrowers are experiencing financial difficulty for a range of reasons and we continue to work with them as they manage a period of difficulty.

The rising interest rate environment has brought better news for savers as the rates we offer on our savings accounts and term deposits continued to rise over the past 12 months.

As always, our focus is on ensuring we achieve a fair balance between the interest rates we offer depositors and borrowers, while protecting the long-term sustainability and profitability of our bank.



We're committed to offering responsible products

Our customers expect to be supported by everyday banking products with features that contribute to a more sustainable future for people and the planet.

This is the reason we:



- offer a Parental Pause and an Eco Pause with our home loans
- offer a range of Clean Energy Home Loan products
- offer discounted pricing for customers purchasing low emissions vehicles



- invest money into impact finance assets and other loans in a responsible way
- piloted an Impact Term Deposit where customer deposits were matched loans from our impact finance portfolio.

Case study

How Catherine used our Impact Term Deposit to save for a home and help others

Catherine had never thought about opening a term deposit to grow her savings, until she saw an email about Bank Australia's Impact Term Deposit pilot.

"I never thought I would have a term deposit, because I just assumed – oh, you need fifty thousand dollars for that! But then I saw I could participate in the pilot with just \$500 and it really changed my thinking."

Between October 2022 to February 2023, we piloted a new Impact Term Deposit that matched \$29.7 million in customer deposits with an equal amount of loans across our impact lending portfolio. This means customers' money directly contributed to financing a range of social and environmental asset categories, including Clean Energy Home Loans and loans into the community housing and specialist disability accommodation sectors.

Affordable housing is a priority for Catherine, and she is pleased Bank Australia invests in expanding the availability of affordable homes. Saving to become a first home buyer is one of her own financial goals, and having an Impact Term Deposit has been a great way for Catherine to see her savings growing each month.

"All my life, my money has gone on books, music and travel – but now is a good time to start saving for a home, and I feel I'm in control of my financial security."

A strong appeal of the Impact Term Deposit was knowing that while her savings were accruing a higher interest rate for six months, they were also contributing to someone else's needs.

"I just thought – imagine if everyone contributed \$500? Imagine what we could do!"

Catherine is active in her community, contributing as a volunteer and advocate for equal rights for refugees and other recent migrants, teaching English to a Somali family and helping international students apply for permanent visas.



Having become a customer 2 years ago, drawn to Bank Australia's promise of using customers' money as a force for good, Catherine believes banks can play an important role in increasing access to affordable and secure housing.

"It feels great knowing my money is helping address issues in our community. And I'm going to keep using a term deposit because now I've done it, it has opened my mindset to using one to help me save."

How we invested money from customers' Impact Term Deposits to have a positive impact spans across social and environmental priorities. These include:

- home ownership for 16 households on low to middle incomes
- a school renovation that benefitted up to 60 students
- specialist disability accommodation for 33 people
- home loans for 49 energy efficient homes



Supporting customers experiencing financial difficulty

Supporting customers experiencing financial difficulty is one of our highest priorities. Although our responsible banking policy ensures we provide customers with loans they will be able to service without facing financial hardship, we know that circumstances can change.

In 2023 we varied 93 loan accounts, fewer than the previous year's 140 accounts. These loan variations included options such as loan repayment pauses or temporary adjustments for repayment amounts. The most common causes of hardship were unemployment, reduced income and medical reasons.

The customer support and recovery team assisted 26 customers with loan restructures during the year, or an overall \$4.8m in loans. Restructuring assistance included additional deferrals, reduced repayments, loan term extensions and debt consolidation. In 2023, loans 30 days or more in arrears increased marginally to 0.3% of total loans and advances, compared with 0.2% in 2022.

Our staff are trained in how to communicate with customers experiencing hardship and vulnerability, which includes working through different scenarios to equip them with the tools they need. This is part of our ongoing commitment to support customers when their circumstances change.

Listening to our customers

An accessible and efficient complaints process is an important feature of a customer-owned bank. Listening and responding to concerns and complaints from our customers helps improve our bank, and in 2023 we've continued to improve our processes for managing and reporting complaints.

In 2023, the Australian Securities and Investments Commission (ASIC) made changes to the types of complaints financial institutions are required to report, and the numbers and types of complaints we've seen are consistent with what we expect from a bank our size. Our complaints team has engaged our people to support the process of identifying key events or issues that might lead to customer complaints.

We also know our dispute resolution and complaints process is key to building trust with our customers, and we always strive to manage complaints in a fair and timely manner. To make our complaints process as efficient and effective as possible, we group our complaints by product and issue. This helps us to identify the best way to address complaints and provide customers with a timely response.

Fortunately, digital banking outages became a less frequent issue for our bank in 2023, and we saw a decline in the number of complaints relating to service outages.

This year, the number of complaints we recorded decreased to 1,684 compared with 1,704 in 2022. These complaints were predominantly related to service, administrative errors, contact centre wait times and differences in advertised short-term special rates for new loans and customers' existing rates on loans. These themes were consistent with themes from complaints made in 2022, and there were also a number of complaints related to customers who had been victims of scams.

Our total customer complaints as a percentage of total customers remained low and consistent with 2022 at 0.9% of total customers. We acted quickly to address customer complaints with 86.9% of complaints being resolved in less than 21 days, in accordance with recommendations from regulatory bodies across the jurisdictions in which we operate.

While the overall number of complaints remained relatively stable compared to the previous year, 5.6% of complaints were referred by customers to the Australian Financial Complaints Authority (AFCA). This figure was slightly higher than 2022, when 3.8% of complaints were referred. This demonstrates our dedication to resolving customer concerns directly and effectively.

We continue to upgrade our complaints management process and systems which will enable further improvements to resolving complaints fairly and quickly.



Evolving our service and distribution channels

The way our customers bank is changing

How our customers access products and services has been changing over time. In 2023, we've seen a continued trend in increased activity on our internet and phone banking services. App-based banking, such as using PayID to transfer money, has increased significantly.

In response to this, we've made improvements to the technology we use to serve our customers, enabling our customers to have greater autonomy in the ways they manage their finances. At the same time, we've retained a strong customer service presence, as we know some of our customers still prefer to make changes or resolve issues by speaking with a member of our team over the phone. Overall we've continued to search for and act on opportunities for increased efficiency and transformation in our processes, including strengthening communication between our teams.

We've also assessed the long-term viability of our branch network, and in 2023 made the decision to close our Adelaide branch. Most of our Adelaide-based customers choose to bank with us online, and we had limited numbers of customers attending the branch on a regular basis. The decision we made to close the branch is

consistent with our commitment to using our customers' funds in the most responsible and sustainable way.

We offered support to the staff affected by this closure, including exploring redeployment opportunities across our business. While our branch footprint has changed in recent years, we have continued to employ more people in customer service roles in our contact centre and lending hubs to support our customers, no matter where they live, through digital and remote channels.

All our employees are based in Australia and this year we've expanded our contact centre with the recruitment of staff to our West End office in Brisbane, and to Bendigo and Collingwood in Victoria. We also moved our Head Office from Kew to Collingwood. In 2024 we will continue to review office options as we expand the number of roles based in the Latrobe Valley.

We remain committed to being an employer in the Latrobe Valley and to ensuring our staff have the facilities they need and a positive working environment.

Our bank has grown, and this has helped us expand our lending and credit assessment capacity. Overall we've increased the total number of roles across Australia.

Use of digital banking is accelerating

The rate of change in digital banking continues to accelerate, and over the past year we have invested in improvements to our digital banking services.

The ABA reported in June 2023 that digital channels have become the primary method of banking for Australian customers. Data in this report shows the number of interactions in branches in both regional and metropolitan areas has declined, and there is a growing preference for digital payments, since only 13% of payments were made with cash last year.

The number of transactions by our customers has grown, and we have continued providing high quality services that meet our customers' needs. Launching PayTo, a real-time payment tool, has been part of our expansion of digital banking services. PayTo can be used for both recurring and one-off payments, and these payments can be managed in the Bank Australia app or via internet banking.

Raising awareness about scams during a period of increased scam activity in late 2022 was one key way we used digital banking to communicate with our customers, by including notices on the banking app and internet banking.

As our customer base has grown we have seen an increase in the number of times our customers transact with us. In the past year, the percentage of customers transacting more than 10 times a month has jumped from 56.6% to 58.4%.

1 Teller transactions only

2 ATM withdrawals reported in previous years were the average monthly number of withdrawals, not annual

3 We believe this increase was due to a combination of factors including: our branches returning to normal operating hours (after branches being either closed or operating on varied trading hours during COVID-19), customers depositing cheques prior to the 15 month expiry date and customers requesting cheques rather than transfers from government schemes.

Customers using our mobile app

68%

(104,471, up 7% from 97,961 in 2022)

Customers using digital wallet

43%

(66,530, up 17% from 56,766 in 2022)

Customers using PayID

32%

(49,877, up 19% from 42,041 in 2022)

Customers using cheques^{1,3}

8%

(11,617, up 10% from 10,561 in 2022)

ATM withdrawals²

889,305

(up 3% from 862,134 in 2022)

In branch transactions^{1,3}

115,617

(up 8% from 107,705 in 2022)

Open banking

Open banking is an important element of the Consumer Data Right (CDR) legislation passed by the Australian Government in 2017. It gives customers the right to share their financial data with accredited third parties, including banks or any business that meets the accreditation standards of the Australian Competition and Consumer Commission (ACCC).

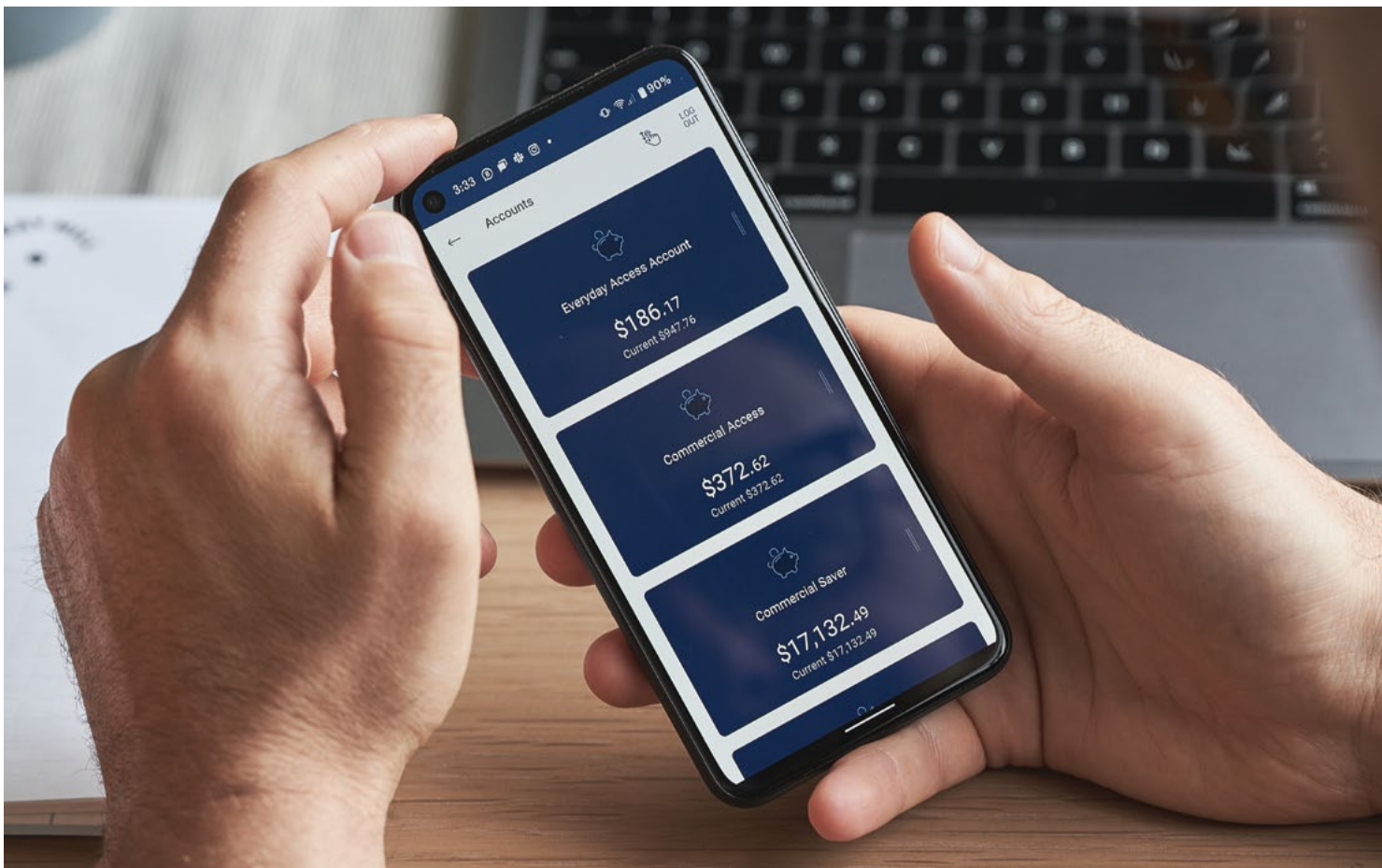
The Australian Government's digital economy strategy is driving the expansion of consumer data rights across banking and other sectors, and we remain committed to ensuring our customers are empowered to manage their finances in the ways that best suit their needs. Open banking enables our customers to make informed decisions about products and services and share their data with other institutions.

As a data holder, we are continuously developing and enhancing open banking functionality aligned to CDR

rules. Our individual and joint account holders have enjoyed access to open banking in the past financial year, and from 1 July 2023 we'll be rolling out data sharing for non-individual accounts. This means that for business and trusts accounts, open banking services will become available.

The functionality in the next rollout will also enable our customers to nominate secondary users or representatives to share data on their behalf on nominated accounts.

In 2024 we will continue working to become an accredited data recipient as part of open banking. This will create more value for our customers and ensure we remain compliant with the legislation.



Impact finance

Many of our customers join our bank because they want to know that their money is being used in a way that aligns with their values. That means knowing the funds sitting in transaction or savings accounts, or the interest they pay on loan products, are not being used to harm people or the planet.

Our responsible banking policy outlines the things we do and don't invest in, and we do not lend to harmful industries like fossil fuels, gambling, tobacco and live animal exports. We invest in the clean energy transition and conservation as well as the inclusive and community housing sector.

We track our impact finance assets, which include loan products like our Clean Energy Home Loan, and loans for affordable and accessible housing. Our Treasury's investments in green, social and sustainability bonds, which are important for our bank's liquidity, also contribute to our impact finance assets.

This year, our total impact finance assets grew to \$1.8 billion. This is an increase of \$400 million from 2022 and represents 17% of our total assets.



\$1.8 billion



Where do we focus our impact lending?

We collaboratively create lending solutions for businesses, organisations and projects that drive meaningful change for society and the environment. The customers we support with impact lending align with our bank's values, and are focused on having an impact on things we and our customers care about. This includes:



Specialist Disability Accommodation

We finance Specialist Disability Accommodation (SDA) developments through business loans and provide pathways to home ownership for people with disability through individual home loans.



Community and affordable housing

We finance community and affordable housing developments and participate in shared equity schemes that help low and middle income households access home ownership.



Sustainable homes

We fund developers that build properties with sustainability in mind and provide discounted home loans to households with homes that were built or renovated to have a lower carbon footprint than a standard home.



Not-for-profits

We lend to not-for-profit organisations to help fund the important work they do through financing new buildings, and provide credit cards and working capital.



Green and sustainable investments

We invest in bonds and other investments to manage our liquidity. We work hard to ensure these investments are consistent with our values wherever we can, and we are an investor in green, social and sustainability bonds in Australia.

Helping to make home ownership more accessible

We believe everyone is entitled to a secure and affordable home, and lending to affordable and accessible housing is a priority for Bank Australia.

In 2023 we continued participating in the Victorian Homebuyer Fund and the First Home Guarantee, two initiatives that help low and middle income earners access affordable homes.

We also continued addressing inequities in the housing sector through our strategic partnership with Indigenous Business Australia (IBA). By supporting First Nations households with finance for their homes, our strategic partnership with IBA is supporting First Nations households who are building their financial independence.

Our lending into the Specialist Disability Accommodation (SDA) sector continues to expand the availability and accessibility of appropriate homes for people with disability. Bank Australia was among the first banks to lend into the SDA commercial sector in Australia, which assists with expanding the supply of SDA homes. For individuals wishing to purchase an SDA approved home, we consider SDA funding received through the National Disability Insurance Scheme (NDIS) as income when we assess their eligibility for a home loan. This reduces barriers to home ownership for people with disability and contributes to a more just and inclusive society.





Case study

How home ownership helped Marlena live her best life on the Gold Coast

Marlena is close with her family, and she always wanted to live nearby them in Burleigh Heads on the Gold Coast. But she also wanted her independence, and that meant having her own space where she felt comfortable.

“As a woman with a physical disability, owning a home is important because I can set it up how I need,” says Marlena.

Marlena loves her local area and community, from the concierge in her building whom she chats with each day to the many cute dogs she sees in the streets and at the beach.

“I am free to go to the beach, local cafes, and from here I can jump on the light rail and go to most corners of the Gold Coast – or even Brisbane for that matter.”

Marlena’s journey to home ownership began in 2021 when she took out a loan with Bank Australia to purchase her apartment. Previously she had been living in a rental apartment, which was close to her family but not customised to meet her needs.

Bank Australia was the best fit for Marlena’s home loan because our bank considers payments from the National Disability Insurance Scheme (NDIS) as a form of income to service a mortgage, in addition to other

forms of income, like Marlena’s earnings from her work.

Marlena says her home loan application experience was incredibly positive, and that the retail team were very helpful throughout the process.

“Owning my home has changed my life in more ways than one can imagine. I am blessed and thank Bank Australia for playing their part in this process, acknowledging my unique situation and approving my loan,” says Marlena.

When she isn’t at the beach or spending time with loved ones, Marlena works as a music journalist. She has interviewed some big names on the international music scene, including Ed Sheeran, Andrea Bocelli and Kylie Minogue.

Marlena has always worked, since her teens when she and a friend started a bouncy castle business Burleigh Bouncers together. Financial security is important to Marlena because it enables her to maintain independence and plan for her future, whether it’s the everyday routine of maintaining her home or planning a holiday.

You can hear more about Marlena’s story in our How to Change the World in 60 Seconds documentary from earlier this year.



Helping customers live more sustainably

Our Clean Energy Home Loan products have helped finance over 450 green homes across Australia. Supported with investment of \$120m from the Clean Energy Finance Corporation (CEFC) since 2020, these home loan customers receive a discount of either 0.2% or 0.3% on their home loan for up to five years.

We know purchasing a sustainable home or making green upgrades isn't easy, and that's why we've advocated for high standards across the housing market. Our submission to the Australian Government's National Energy Performance Strategy consultation calls for rapid improvements to sustainability standards for new homes.

Reducing emissions from the homes we finance will be key to meeting our goal of net zero emissions by 2035, and we're committed to helping our customers decarbonise their homes. Over 90% of our total emissions come from our home loan portfolio, so supporting our customers to buy, build or renovate energy efficient homes powered by renewable energy has a big role to play in meeting our climate action goals.





Case study

How Jake and Marian got off gas and electrified their home

Reducing their carbon footprint has always been a priority for Marian and Jake, who made sustainable upgrades to their 1930s brick home in Melbourne's inner north.

“We moved in with a newborn baby and a three-year old, and had a small gas heater and little insulation. We wanted to make upgrades to increase the comfort of our home, and make those as environmentally conscious as possible,” says Jake.

Marian and Jake made several improvements to their home over the past 5 years, including installing solar panels, which provides the electricity they use to charge their e-bike on sunny days. They also installed heat-pump-powered hydronic heating, replaced their gas hot water system and cooktop with a heat pump and induction stove, and added a rainwater tank they use for gardening.

“We’re not off-grid, but a big chunk of the time we are using our house to supply our own resources for water and energy, and that feels very good,” says Marian.

Small behaviour shifts enabled the couple and their two children to maximise their renewable energy usage, such as checking their energy monitor before putting the washing on or waiting for a cloud to pass over before turning on the kettle. Marian and Jake are also happy their kids will grow up seeing these behaviours as part of their everyday routine.

“You know, they are only 3 and 6, but they already know about those sorts of things. It’s very rewarding,” says Marian.

Installing solar panels, an energy monitor, and an electric hot water system to replace a gas-powered system are some of the ways a household can qualify for a Clean Energy Home Loan (Eco Upgrade). This mortgage product rewards customers making energy efficient upgrades to their home with a discount for up to 5 years of their mortgage.

The couple has also saved on their utility bills and expect to see their return on upfront investments in renovations increase over the years ahead.



**Together,
we're funding
the solutions.**



**Not the
problems.**

Find out more at
bankaust.com.au/solutions



Case study

Together, we're funding the solutions – not the problems.

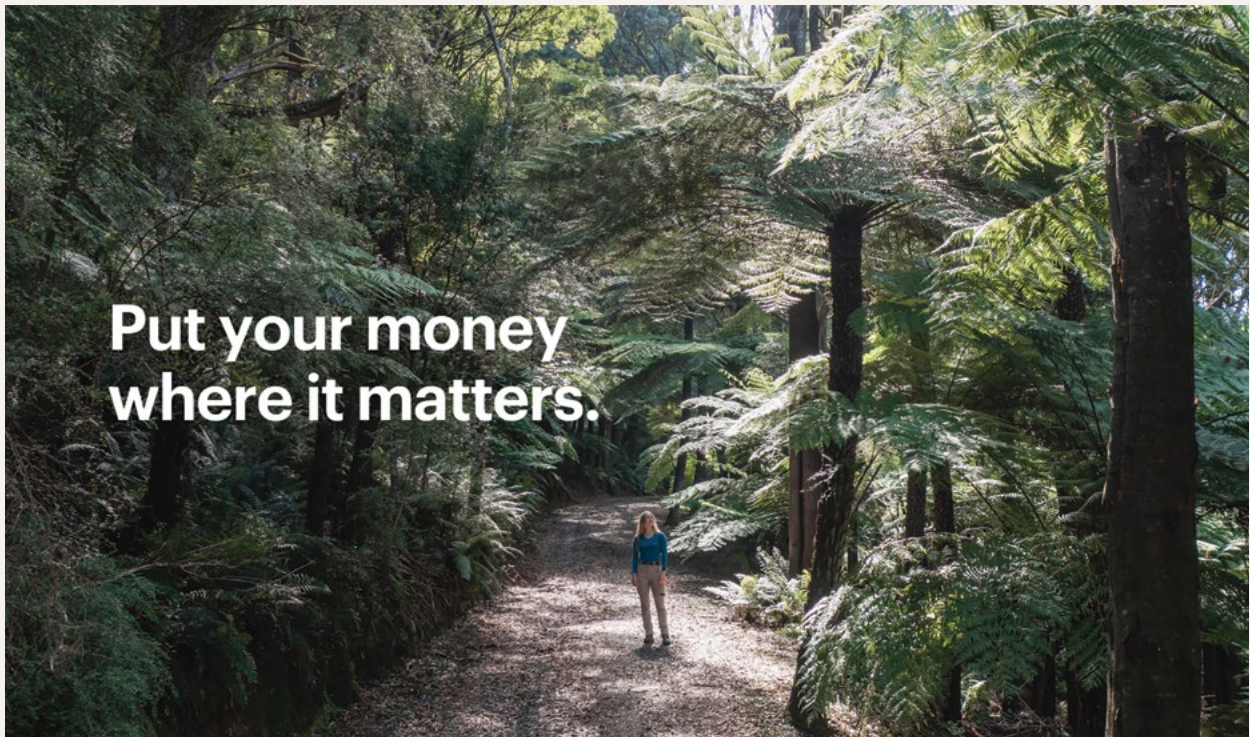
In 2023 we launched a new brand campaign to encourage Australians to put their money where it matters. This campaign featured three Bank Australia customers, Stephen, Kita and Isabelle, and was designed to drive awareness of the power of collective action to protect what we have now, before it's lost.

As a customer-owned bank, our customers are our strongest ambassadors. The customers in our campaign joined our bank because they believe their money can help create positive change. In the campaign, they used their voices to call for others to join them in making this choice.

"We're funding the solutions, not the problems" was the central message of this campaign, which reflects Bank Australia's approach to lending and investments, and shows we are the right choice for people who want to align their banking with their values.

The campaign's message is based on our responsible banking policy, which sets out how we apply negative screens to investments in industries that harm people and the planet, and positive screens to industries that support positive impact, such as community housing and clean energy transition. You can read more about our approach to impact finance and lending on page 32.

This campaign ran across digital TV, print and online media, and digital advertising for 3 and a half months in 2023 and we attracted over 5,500 new customers as a result. In 2024 we will continue to promote our brand and what makes us unique to attract new customers from our socially aware target market.



3. Our people



Engaging our people

As a fast growing bank, ensuring that we continue to attract and retain engaged employees aligned to our purpose and culture is critical to meeting the needs of our customers and other stakeholders.

Our annual employee engagement survey measures overall levels of engagement and 85% of our employees completed the survey in October 2022. The survey results identified an overall engagement score of 70%.

The engagement survey results show that our employees have remained positively engaged with just a 2% decrease from 2022. Based on Kincentric's engagement model, our employee engagement score of 70% was well above the Australian average of 61%, and places us in Kincentric's top quartile of employer results.

Employee wellbeing improved by 5%, which can be attributed to a number of factors that saw significant positive improvements. These include perceptions of stress related to COVID-19 being manageable, having the technology to work from home effectively and meeting role requirements without excess hours.

Remaining the same were results showing that we are a purpose-led organisation with clear direction. Results also showed our employees feel a sense of belonging and are proud to work at Bank Australia. Overall we've maintained our strong position in areas like our purpose, strategic direction, importance of values and our demonstrated commitment to our values.

While the survey highlighted many positive areas, it also highlighted some areas for improvement in the year ahead. Growth and digital enablement saw improvement but still have the most opportunity for further improvement. In particular, perceptions of development, employee technological skills and having the technology to effectively serve customers saw improvement but remains an area for us to work on.

This year we were also pleased to be named as an Employer of Choice for the fifth year in a row in the 2022 Australia Business Awards. The awards recognise employers across different industries in Australia who have made significant achievements across key areas such as organisational culture, training and development, and health and safety.

We continued to invest in our offices, opening a new south Brisbane location for our growing contact centre team and are continuing to review office options for expanding our operations in the Latrobe Valley.

Developing our people

We invested in building capabilities across our organisation to ensure we can deliver on our strategy and scale up the work we do.

This included recruiting 64 new employees, which has expanded our team to 591 people (from 527 in 2022), or 542 full-time equivalent employees.

The majority of new employees joined our customer service, business transformation, project management and financial intelligence teams.

We offer flexible working arrangements to support our employees to balance their personal and professional lives. Flexible working arrangements include changes to hours such as altered start and finish times, and changes in patterns of work including moving to part time. Approximately 10% of our employees work part-time.

Bank Australia offers a hybrid working environment, subject to individual role requirements. Teams currently have common days in the office and also days working from home. We provide our employees with the tools to collaborate and communicate effectively wherever they are working and contribute to a positive culture. The objective of our flexible work practices policy is to attract, support and retain a diverse workforce, and be more adaptable to change.

In 2023 employee turnover decreased to 13.9% down from 23.1%. This year, the methodology to measure employee turnover was updated to be the number of departures divided by average actual monthly headcount. This replaced using departures divided by average budgeted monthly full time equivalent staff. As a result of the change in methodology, the 23.1% figure mentioned above replaces the 18.3% reported in the 2022 Impact Report.

Building leadership capabilities across our organisation

Our leadership capability framework provides leaders with the opportunity to learn more about their own leadership style and how their leadership contributes to success at Bank Australia. The framework recognises the range of capabilities that we aim to foster among our leaders at different stages of their development.

In 2023 we continued to deliver our leadership coaching circles program with another 34 employees participating in the program, taking the total to 109 participants.

This program provides a series of small group sessions to give leaders the opportunity to connect, learn and develop together, with a common purpose to:

- build a peer network of leaders
- provide an opportunity for leaders to share and discuss their experiences
- explore the role of the leader at Bank Australia
- support their ongoing development and journey as leaders.

This year the executive team and Managing Director also completed an abridged version of the coaching circles program to provide a practical overview and enable them to support the program through informed participant selection.

We also continued to invest in supporting leaders to participate in the Values Based Leadership Program run by the Global Alliance for Banking on Values (GABV). This year 12 employees completed the program bringing the total number of leaders to have completed the program to more than 40 since it began in 2019.



Case study

Celebrating employee milestones

Teams from across our branch network and offices came together at our Collingwood head office for a celebratory event to recognise employees who had reached a series of significant service milestones.

After not being able to gather together to celebrate milestones like this during the pandemic it was a wonderful chance for staff to connect and share their experiences.

29 employees celebrated 10 and 20 year milestones with one individual reaching 30 years and another notable achievement of 40 years.

Sally, Manager of Customer and Payment Operations said “it has certainly been a fantastic journey. I’ve worked with amazing people and had great relationships with customers over the years. I think back to when I first started in 1984 when debit cards were introduced, loan contracts were typed up on a typewriter and cheque books were the cool way to pay people. Nothing was online and we had queues of people every day in the branch. My how times have changed! I am proud of what our bank stands for and look forward to continuing the work we do to assist customers and the community.”

Learning and development

Investing in our people is essential for our success as a purpose-driven bank. We run a quarterly schedule of compliance training so employees can better balance training with the demands of their day-to-day roles. This helped us achieve a 99.8% completion rate across all compliance modules throughout the business this year. Our compliance training includes, but is not limited to: cybersecurity, anti-money laundering, counter-terrorism financing, protecting vulnerable customers, disability awareness and inclusion, modern slavery legislation and social media.

Employees completed 1,394 courses on Boost, our self-paced online learning platform launched in 2021. Training content is on topics ranging from soft skills to professional and leadership development and continues to be available to all employees.

This year we also delivered:

- new starter induction training to 95 employees
- cybersecurity training to 100% of our employees
- training to upskill employees and improve their confidence and ability to provide support to vulnerable customers and those experiencing hardship.

Manager-specific versions of workplace health and safety, and bullying, harassment and discrimination training were completed by 144 employees. These provide targeted learning to improve skills and knowledge, and increase our ability to provide leadership in these areas.

This year 45 employees completed the Reviving Resilience skills training pilot to help build personal resilience. The pilot has been well received and will be a bigger focus in next year's training program.



A key focus this year was implementing Indigenous cultural awareness training for our employees. The training aims to increase understanding of Aboriginal culture and focuses on the importance of creating cultural safety in the workplace. Feedback from participants has been overwhelmingly positive, with many sharing that they gained a new understanding of First Nations culture and history in an open and safe environment. So far more than half of our employees (274) have completed the training and the remaining training is scheduled to be completed by December 2023.

The first employee trip to the Bank Australia conservation reserve since 2019 was held after trips were on hold due to the pandemic. A group of 15 employees enjoyed visiting the conservation reserve and learning about the cultural and environmental significance of the land and the work undertaken by our partners Greening Australia and Trust for Nature. Further employee trips are scheduled for the year ahead as we look to build connections with the conservation reserve after the pandemic years.

We also updated our employee performance review management system to a new platform that is easier to navigate, and makes it easier to keep track of updates and support employee's ongoing development into the future.

In 2024, we plan to:

- complete the rollout of Indigenous cultural awareness training for all our employees
- implement the Reviving Resilience training to a wider group of employees
- implement proactive Employee Assistance Program (EAP) for staff in customer-facing roles including our branch network and call centre
- pilot climate action training for employees.

This year:



100%

of our employees completed cybersecurity training



Employees completed

1,394

courses on Boost, our self-paced online learning platform.



45

employees completed the resilience skills training pilot to help build personal resilience.

Supporting our people

A workplace culture that promotes equality, diversity and inclusion is critical for our continued growth and success. It is important that our workforce represents the varied cultures and life experiences of our customers and wider society, and for our employees to champion our efforts to be a more diverse and inclusive bank.

Gender equality in our team

In 2023, we continued to employ more female staff (346, or 59%) than male staff (244, or 41%). This is in comparison to 61% and 39% for women and men respectively in 2022.

We're committed to pay equity across our workforce and do not discriminate based on gender, background or identity. Every year, we assess for potential gender gaps in remuneration. This assessment accounts for factors such as performance, skill set and experience, tenure at the bank and differences in roles.

We also submit an annual report to the Workplace Gender Equality Agency in accordance with the requirements of the Workplace Gender Equality Act 2012. More information about our employees can be found in Appendix 5 on page 80.

Volunteer leave

We encourage our employees to support their community by offering one day of paid volunteer leave each year.

This year we had 20 employees use their volunteer leave for opportunities through partner organisations. Some of examples include spending a day with The Big Issue to help support and raise funds for vendors in The Big Sell campaign, and participating in Community Street Soccer Program sessions.

Our employees also assisted event organisers at Treaty Day Out in Melbourne, which was hosted by The First Peoples' Assembly of Victoria. You can read more about our people who volunteered at Treaty Day Out on page 56.

Bonus leave

To reward and recognise our employees this year we created an entitlement to bonus annual leave, providing 5 additional paid days of leave. Employees with 12 months of service during a financial year who have met their compliance training and compulsory leave obligations are eligible for bonus leave. This is to support employee health and wellbeing and to encourage employees to take time off during the year.

Traineeships and internships aligned to our values

We continued our financial services traineeship program, offering places for people including refugees and people seeking asylum, and people living with a disability. This provides entry level employment opportunities that equip trainees with skills and qualifications (Certificate III in Financial Services) that assist with seeking permanent employment. Each year Bank Australia advertises these traineeships in Melbourne, the Latrobe Valley and Bendigo.

We also partner with the Brotherhood of St Laurence to provide internship opportunities through their network. This year we were proud to provide 4 trainees and 2 interns with a start to their careers.

Case study

Kick-starting Rohullah's career in banking through our internship program

Rohullah is one of our Relief Customer Service Consultants, who began his career with Bank Australia as an intern at our Kew branch. Rohullah studied economics and finance in Afghanistan but made the difficult decision to leave his country due to ongoing conflict and limited opportunities.

He made his way to Greece, where he began working as an interpreter for the UNICEF education program and United Nations Human Rights Commission resettlement program, since he speaks multiple languages. His work assisting refugees in temporary settlement camps with their search for secure accommodation led him to meet his Australian partner, who was volunteering as a lawyer for not-for-profit advocacy organisation Advocates Abroad.

During the pandemic, travel restrictions and border closures were challenging for their relationship, but upon receiving his partner visa in 2021 Rohullah moved to Australia. He then connected with the Brotherhood of St Laurence (BSL) during his search for work.

BSL has been a partner of Bank Australia since 2017, and each year our bank offers internships through BSL's Given the Chance program. This program is focused on kick-starting the careers of people facing challenges entering the Australian workforce. This includes refugees, people seeking asylum and people on temporary visas.

Rohullah found he was often ineligible to apply for jobs as he was not a Permanent Resident, and he was glad that BSL connected him with an opportunity where his visa status was not a barrier. After hearing about the Bank Australia internship in financial services, Rohullah was eager to apply.

"I've felt so supported through the entire process, right from that first interview. I still remember on my first day how incredibly warm and welcoming everyone was," says Rohullah.

Rohullah's internship gave him the chance to work at several branches, including in Sydney, regional Victoria and metropolitan Melbourne. Being part of teams across different locations gave him insight into the shared values of his colleagues at the bank.

"This is a workplace that really aligns with my values. Social justice is an issue close to my heart and I feel lucky to work in a place where helping people is a top priority."

Rohullah is now in a permanent position with Bank Australia and looks forward to continuing to have a meaningful impact through his work.

"I think Bank Australia is a place with lots of opportunities for people from different backgrounds. It doesn't matter where you come from, what matters is taking those opportunities and building your future."





Our approach to remuneration

We pay our people fairly for the work they do, and we don't pay bonuses or sales-based commissions to any of our employees, including executives.

We want our people to focus on acting in the best interests of our customers. This is why we don't provide financial incentives to drive sales. Instead, we pay our employees fair salaries that reflect their position, qualifications, experience and overall performance. We continue our policy of not paying any sales-based commissions or bonuses to our executives or any other employees. We do make small discretionary recognition payments to frontline employees for their contributions to providing quality service.

We continue to see the benefits of our policy of not paying bonuses and commissions. Offering bonuses to drive sales increases the risk of unethical behaviour that may negatively impact customers.

We benchmark remuneration for our Managing Director against independent market data. The ratio of our Managing Director's wage to the median wage at the bank in 2023 was 11.1:1. In 2022 the ratio was 11.4:1, and in 2021 it was 11.7:1. We believe this is low compared with the ratio of other private sector businesses and reflects our approach to responsible remuneration management.

This year we increased our employee superannuation contribution rate from 11% to 12% to ensure we keep ahead of the default rate (10.5%) and will continue to update this in the coming years as the default rate rises.

We outline the remuneration received by our employees in appendix 5.

Banking Executive Accountability Regime

The Banking Executive Accountability Regime (BEAR) came into effect for small to medium-sized banks on 1 July 2019. Consistent with the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, BEAR increases the accountability of executives and directors for their behaviour, decision-making and the banking cultures they oversee.

We have continued to meet our obligations under BEAR.

Creating regional employment opportunities

We continue to provide employment opportunities across regional Victoria. We are pleased our number of employees in regional Victoria stayed the same, around 43% of all employees, who work across our branches, our Bendigo office and our contact centre and processing centres in the Latrobe Valley. We have 8% of our total employees working in the contact centre in Moe.

Technology transformation at Bank Australia

In 2023 the focus of our transformation program has been building capacity in the Transformation Division and recruiting the new capabilities required to make digital banking easier for our customers and employees.

This includes the introduction of our Enterprise Excellence team to foster continuous improvement, process automation and innovation across the bank. An uplift in our data and analytics capabilities will enable the development of an Enterprise Data Platform to make it easier to access and generate insights from our data, which will in turn assist our customers to manage their financial wellbeing.

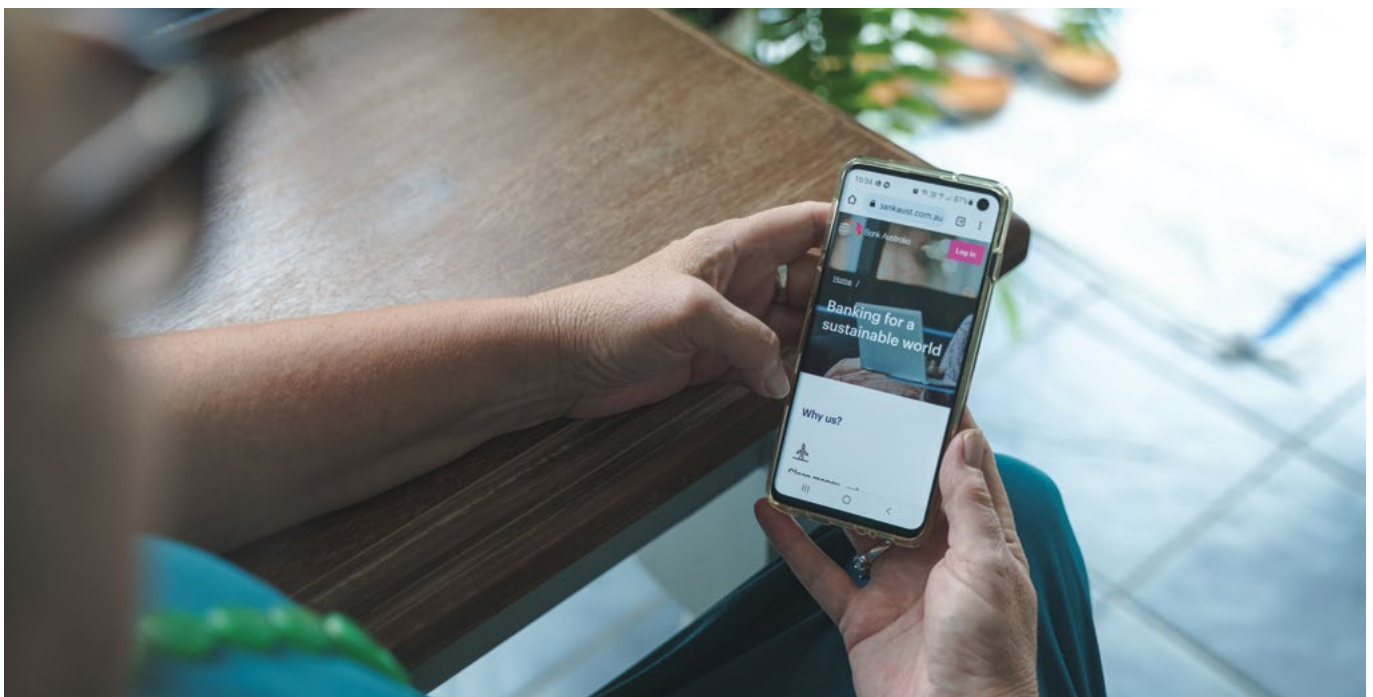
In addition to this, the new Integration and Automation team has allowed us to better integrate our digital platforms with our core banking system to automate many operational processes. This improves our customers' mobile app and internet banking experience and makes it easier for our contact centre and branch teams when serving customers.

To meet the changing ways of how our customers choose to bank with us and the shift towards digital

banking, we have implemented a number of program updates, including:

- moving our non-core applications to a new data centre and network to ensure high availability and performance
- rolling out a new Customer Relationship Management (CRM) platform for frontline staff to enable them to serve our customers faster and better
- extending support for PayTo to our mobile app to allow customers to easily approve recurring third party payments
- continuing the development of our new Loan Origination System (LOS) to improve approval times for home loans, credit cards, personal and car loan applications.

The year ahead will play a significant role in the transformation program roll out which will continue into 2025. Our priority projects include updates to our contact centre platform and our marketing automation system, to better serve and communicate with our customers. This is underpinned by strong governance, risk management and enhanced execution capability.



4. Our community



Our impact fund

We believe the business of banking should be a force for good, and as a customer-owned bank we're committed to using our customers' money to have an impact on the things they care about.

Each year, we commit up to 4% of our after-tax profits to our impact fund, and in 2023 we put \$2.3 million from our impact fund towards projects that support people and the planet.

We also completed an internal review of the impact fund, establishing the Bank Australia impact fund framework. The framework sets out the governance and strategic approach to the impact fund, including our intention to align the majority of our activity with Bank Australia's four priority impact areas: climate action, nature and biodiversity, affordable and accessible housing, and First Nations reconciliation. Our impact fund also supports a wider set of impact areas through our community customer grants program. You can read a full list of our social and environmental impact focus areas in appendix 5 on page 82.

Our conservation reserve

The Bank Australia conservation reserve is the largest impact fund project, and in 2023 we invested \$656,530 in maintaining the 4 properties in our reserve across western Victoria. On our reserve we work with partners Greening Australia and Trust for Nature to restore native biodiversity and work towards positive outcomes for nature. You can read more about our reserve on page 64.

Impact fund partnerships

In 2023 we also funded a number of partners and programs that align with our impact priorities. These include:

- donating to Australians for Indigenous Constitutional Recognition in support of the 'Yes' campaign in the lead up to the federal referendum on a Voice to Parliament
- continuing our 3-year partnership with Seed Mob, Australia's first Indigenous, youth-led climate justice network
- supporting advocacy and research undertaken by Human Rights Watch on the rights of refugees and people seeking asylum
- involving staff with fundraising and volunteering with The Big Issue
- continuing to support the Business Council of Co-operatives and Mutuals (BCCM) Bunya Fund grants program.

Customer community grants

Our customer community grants provide funding for projects and initiatives led by organisations that bank with us. In 2023 we provided \$295,282 in grant funding to 16 customer community organisations, social enterprises and small businesses. Our grant program has provided over \$1.9 million in funding to 137 projects since it began in 2016.

Each year we include a customer on the selection committee for our customer community grants, and in 2023 we included two customers in this committee. After calling for expressions of interest from our customers to be involved, we were astounded by the high calibre of applicants, with a range of valuable lived experiences and expertise.

As a customer-owned bank, we see involving our customers in selecting our grant recipients as an important part of involving our customers in the decisions we make and the impact we have on their behalf. The grant selection process also includes employees and a Director from our Board, to ensure we have a broad representation of our bank's values and priorities in considering who receives a grant.

For the full list of grant recipients, see appendix 5 on page 82, and visit our website for more information about our grants program.



Case study

Supporting asylum seekers and music-led empowerment through our customer community grants

Bridge for Asylum Seekers and Girls Rock! Canberra were two recipients of our 2023 customer community grants. Bank Australia is proud to assist them with delivering their programs in the year ahead.

Bridge for Asylum Seekers is a not-for-profit organisation that raises funds to financially support people seeking asylum in Australia.

“As rents and other costs of living have skyrocketed, it has never been more important to provide people seeking asylum with access to the financial support needed to prevent homelessness and destitution,” says Janet Castle, Chair of Bridge for Asylum Seekers.

Their grant will support more than 20 asylum seekers living in western Sydney, where Bridge for Asylum Seekers is currently running an Asylum Seekers’ Support Project (ASSP). This program has assisted 2,670 people since it first launched in 2003.

“The ASSP across western Sydney will make a huge difference to those who have fled their home countries and applied for protection in Australia,” says Janet.

Girls Rock! Canberra is a community arts organisation dedicated to empowering young girls and gender-diverse youth through the



transformative power of music. Their school holiday rock camps for people aged 10-17 years old operate in Canberra and neighbouring regional and rural areas.

These camps are a safe and inclusive space where participants can explore their creativity, develop musical skills and build self-confidence. They are also a place for forming friendships and finding meaningful forms of expression through the arts.

“We’re grateful to Bank Australia for their support of our upcoming school holiday program and look forward to creating a safe space for our campers,” said Phoebe O’Leary, Co-Director of Girls Rock! Canberra.



Championing First Nations leaders through training and development

Seed Mob (Seed) is Australia's first Indigenous youth climate network, led by and for young First Nations people. Seed's work advocating for climate justice and developing young leaders is critical to a safe climate future, and Bank Australia has proudly supported Seed since 2022.

Our partnership through the impact fund supports the ongoing work of Seed, focusing on building a strong network of First Nations staff and volunteers and supporting their leadership in climate justice. One of the ways Seed does this is through their regional training camps, and in 2023 Seed ran a regional training camp in the Gold Coast on Yugambah country that brought together over 20 young First Nations climate leaders.

The volunteers who attended were all new to Seed, and half of them were under the age of 18. They had travelled from across Queensland and New South Wales to join this in-person event, for two days of learning

and relationship building. Sessions included learning about climate change and climate justice, and how to effectively communicate and build narratives.

"It was incredible to see just how fast these young volunteers progressed in this space," said Georgia Griffith, Seed's Communications Director.

"From being so shy they didn't want to introduce themselves to the group, to then gaining the confidence to present their personal narrative in front of the whole room, it's truly inspiring to see this personal growth."

Seed will continue delivering training and development for young First Nations leaders in 2024, in addition to their ongoing advocacy and campaigns. You can support Seed's work by signing the Heal Country Declaration via the below QR code.



Reconciliation

In 2023 we continued developing our reconciliation strategy, which we aim to release in 2024.



In 2010 we were the first customer-owned bank in Australia to develop a Reconciliation Action Plan (RAP), and the conclusion of our RAP gave us the opportunity to consider how we can best support the goal of First Nations reconciliation. Since then, we have been working to develop a comprehensive reconciliation strategy.

2023 has been a big year for our bank in engaging with First Nations leaders and community stakeholders, and lending our support as advocates for key causes and campaigns. This included:

- our support of the Yes campaign in the lead up to the federal referendum on an Aboriginal and Torres Strait Islander Voice to Parliament
- partnering with the First People's Assembly of Victoria on Treaty Day Out
- supporting the Common Threads conference led by Passing the Message Stick alliance and Australian Progress.

As part of our work to develop a reconciliation strategy, we have invested time and resources in ensuring we have the right capabilities and appropriate capacity to contribute meaningfully to First Nations reconciliation. We have also worked to identify the areas in which we can have the greatest impact on advancing First Nations justice and self-determination.

We also recognise the interconnectedness of our reconciliation strategy with our other strategies across nature and biodiversity, climate action, and accessible and affordable housing. We will continue to work closely to embed our commitment to reconciliation across our business and the impact we have, including by supporting First Nations businesses and partners.

We look forward to finalising our reconciliation strategy which will also adopt a whole of organisation approach to our reconciliation commitments, across areas including advocacy, impact lending and procurement.



Case study

Supporting a Voice to Parliament

Bank Australia is proud to support an Aboriginal and Torres Strait Islander Voice to Parliament that is enshrined in the Australian Constitution. The Voice to Parliament represents a key step towards realising the full Uluru Statement from the Heart, which we have supported since 2019. We believe we have a generational opportunity to begin making this happen.

As a values-based bank, we are committed to advancing reconciliation and working with First Nations communities and organisations. We see the Uluru Statement from the Heart, and the path towards realising a Voice to Parliament, as important steps in the ongoing journey towards First Nations justice and self-determination.

Through consultation with key stakeholders, our customers, employees and Board of Directors we made the decision to actively support the Yes campaign.

At our Annual General Meeting in October 2022, Teela Reid presented on the upcoming referendum. Her presentation concluded with a recitation of the Uluru Statement from the Heart, a powerful moment that has inspired us in our continued efforts towards reconciliation.

Our contribution to the Yes campaign via Australians for Indigenous Constitutional Recognition is part of a broader collective effort across Australia. Our objective is ensuring that the campaign has the tools and resources to undertake meaningful outreach, engagement and awareness-building in advance of the federal referendum.

We have provided our staff and customers with resources and opportunities to learn more about the Uluru Statement from the Heart and the pillars of Voice, Treaty and Truth so they are empowered with knowledge ahead of the federal referendum. We will continue to use our networks in the business community to advance conversations and share knowledge in the lead up to the referendum.



Case study

Treaty Day Out 2023: celebrating First Nations artists and supporting Treaty in Victoria

This year we partnered with the First Peoples' Assembly of Victoria on Treaty Day Out which helped establish a relationship with one of the leading Treaty processes in Australia, aligning closely with our commitment to support the full realisation of the Uluru Statement from the Heart.

Treaty Day Out (TDO) was a sold-out event that took place in Naarm (Melbourne) in June 2023. This annual festival aims to raise awareness and support for the journey towards Treaty in Victoria. It was held on the final day for Aboriginal and Torres Strait Islander peoples to register and vote for the representatives who will have the historic responsibility of negotiating a Treaty with the Victorian Government.

Through the partnership we promoted the event to our customers via our communications channels, encouraging them to attend and learn

more about the role of the First People's Assembly of Victoria and the Treaty process. Employee engagement was also a key component, with all employees given the opportunity to attend a session with Jack Thomson to hear first-hand about the work and focus of First People's Assembly of Victoria.

Our employees were also able to use their volunteer leave to participate on the day as event volunteers, assisting attendees with their wristbands at the entrance and helping attendees complete surveys. A group of 15 staff attended and gave feedback that it was a great opportunity to directly participate in this partnership.

A terrific line up of First Nations artists took to the stage during the festival and organisers were pleased with the turnout of over 4,000 visitors.

Improving our supply chain

Our supply chain is an important aspect of being a responsible bank.

We believe the goods and services we purchase and suppliers we work with shouldn't harm people or the planet and our approach to procurement should support businesses and other organisations that align with our values and purpose.

Modern slavery risk and reporting

The introduction of the Modern Slavery Act 2018 has put an increased focus on the risks of modern slavery practices, such as human trafficking, forced labour and child labour in supply chains. We have now submitted 3 modern slavery statements. These disclose any risks identified in our supply chain, the actions we have undertaken to assess and address those risks, and the effectiveness of those actions.

In 2023 we continued to partner with ethically and sustainably sourced suppliers for our uniforms and merchandise, cleaning and general office supplies and office furniture. We use a scoring matrix that assesses a range of factors when we procure a service or product. Whether the supplier has a certification, such as B Corp or a registered charity, what their ownership structure is and how they operate are all part of the process we use.

In 2024, we will continue work to strengthen our modern slavery risk assessments and reporting. This will include updates to our procurement systems and processes, using a vendor management system that involves a modern slavery questionnaire and asks companies to report against a set of key performance indicators.

We expanded the number of B Corps we worked with

As a certified B Corp we endeavour to partner with other B Corp certified organisations, as well as those who practice and prioritise positive social and environmental change. During the year Bank Australia secured supply contracts with 20 B Corp accredited businesses, up from 6 in 2022.

We continue to focus on increasing the number of B Corps in our supply chain and we are actively seeking opportunities to procure services from First Nations businesses where possible.



In 2023 we invested

\$656,530

in maintaining the 4 properties in the Bank Australia conservation reserve.



Our customer community grants program has provided over

\$1.9 million

in funding to 137 projects since it began in 2016.



During the year Bank Australia secured supply contracts with

20

B Corp accredited businesses.

5. Our planet



We're progressing on our climate action strategy

Last year we launched our climate action strategy that sets out our ambitions across the key areas of decarbonisation, climate justice, customer action, regenerative finance, the protection of nature and climate risk.

We know our customers care deeply about climate change and want to see us take climate action.

This continues to be the number one social and environmental issue of concern among our customers, with 87.8% listing climate change as their highest concern (up from 84.5% in 2021) in our latest customer values research study completed in February 2023.

Our 2035 net zero target is the headline commitment in our climate action strategy and is the most ambitious of any bank in Australia, and one of the most ambitious of any bank in the world. As we work towards our climate action goals we know there is a lot of work to do.

Making progress on our climate action strategy is a priority for us and one of the highlights this year included becoming the first financial institution in Australia to set a validated science-based emissions reduction target.

In support of our pathway to net zero emissions by 2035, we set 2030 interim emissions reduction targets across our scope 1, 2 and 3 emissions that are validated by the Science Based Targets initiative (SBTi). These targets are in line with limiting global warming to 1.5 degrees, which experts agree is crucial to avoid the worst impacts of climate change. These science based targets apply to our operations, as well as our residential and commercial lending and corporate bond portfolios (our financed emissions), which make up 82% of our lending and investment activities as of 2021, our baseline year for the target.

The largest share of our financed emissions comes from energy used in the homes we fund. Total emissions from our mortgage portfolio in 2023 were estimated at 72,778 tonnes of CO₂-e, a decrease of 5.6% compared to 2022. We saw our Clean Energy Home Loan portfolio grow by 33% to a total of \$197 million. We now have a total of 452 Clean Energy Home Loans, with these homes emitting on average 35% less carbon than a standard Bank Australia-funded home.

We also announced we will stop funding new fossil fuel car loans from 2025 to actively support the shift towards a decarbonised economy. By taking a leadership position on this now, we hope to provide momentum for the uptake of electric vehicles.

We know reaching net zero emissions by 2035 won't be easy, and that we need to work fast to reduce emissions across our portfolio. Scaling up our sustainable products and rewarding customers for choosing low emissions homes and cars will be a key part of us achieving our climate action goals.

Customers tell us reducing the carbon footprint of their homes is a priority and our new partnership with The Australia Institute and Boundless Earth will play an important role in us supporting customers to do this. Our focus has been on developing a pilot program to gain insight into how we can help customers make the transition to electrifying their homes as easy and accessible as possible. This program will launch in the 2024 financial year.

Less than 4% of our emissions in 2023 came from our operations and we run on 100% renewable electricity. To continue making our operations more sustainable we're transitioning our fleet to electric vehicles and supporting ways to reduce business travel and improve our waste management systems. In 2023, the emissions from our operations increased, driven largely by emissions from the fit-out of our new head office.

Advocacy is another way we act on issues important to our customers such as climate action. This year we made submissions to Federal Government consultations including the National Electric Vehicle Strategy and National Energy Performance Strategy. We were part of the Australian Sustainable Finance Institute and Energy Efficiency Council's joint statement calling for

State, Territory and Commonwealth Governments to accelerate critical reforms that would help improve the energy efficiency and performance of Australia homes. We were also ranked second in Greenpeace's Electrify Fleets ranking for our commitment to phasing out fossil fuel cars in our fleet and loans.

We remain committed to communicating openly about our progress with our customers. We do know that to achieve these targets, we need to work with our customers to collectively reduce our emissions, and this aligns with our foundation as a customer-owned bank.





Case study

First Australian financial institution to set 2030 science-based emissions reduction target

In March, Bank Australia became the first financial institution in Australia to announce a validated interim emissions reduction target for 2030, which will keep us on track to meet our ambitious 2035 net zero goal.

Validated by the Science Based Target initiative (SBTi), a global body enabling businesses to set ambitious targets based on the latest climate science, the 2030 target is in line with limiting global warming to 1.5 degrees, which experts agree is crucial to avoid the worst impacts of climate change.

The 2030 target will apply to our scope 1, 2 and 3 emissions, including the most significant contributor to our current carbon footprint – our financed emissions. Emissions from our residential mortgage portfolio account for over 90 per cent of our total emissions currently, and we will aim to reduce these emissions by 64 per cent per square metre by 2030 (from a 2021 baseline). Our target also covers our corporate bonds, commercial real estate and corporate loans.

Operational emissions account for less than 4 per cent of our total emissions, since our offices are already powered using 100% renewable electricity, but we will continue improving efficiencies and reducing emissions across operations, including staff transport and waste management.

Bank Australia Chief Impact Officer Sasha Courville said having a validated, near-term target is a critical step in demonstrating our bank's commitment to climate action.

"We always knew our own commitment to net zero by 2035 would need to be backed up by a nearer-term target, because that shows us the areas we need to focus our efforts on, and how urgently we need to act.

"Climate change is the number one issue our customers care about and it's our priority to transparently communicate the steps we're taking to address the climate crisis. The SBTi's framework is a credible way to ensure we're doing the work that needs to be done to keep our actions in line with limiting global warming to 1.5 degrees."

Assessing climate risk

This year, we continued to develop our understanding of how a changing climate will affect our bank and our customers. Building on our work in 2022 to start understanding the acute physical climate events that may affect the homes we fund, in 2023 we started to take a deeper dive into how climate events may impact our customers' ability to pay their loans in future, under both low and high emissions scenarios (RCP 2.6 and RCP 8.5 respectively) in 2030 and in 2050. This is in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendation to describe the climate-related risks we have identified and their impacts on our business, strategy and financial planning.

In 2023, we investigated the link between a changing climate and customers' ability to insure their homes. When we lend to a customer for their home, insurance is a key way we can be sure that a customer has some financial protection for events that may damage their homes. This protects our customers and helps to make sure they will be able to pay their loans, which is important for us to manage given we lend out our customers' money to other customers.

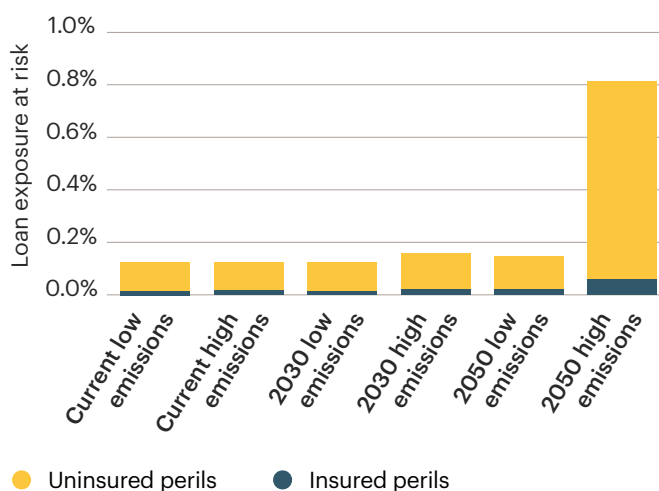
We worked with Finity Consulting to conduct an analysis of our current customers which showed that by 2050 under a high emissions scenario, home insurance premiums would increase by an average of 2% to 16%. This depends on which state or territory they are in with Queensland and Northern Territory showing the highest increases. Some individual customers in high risk areas could experience much higher increases than this average. Finity assessed the impact of increasing insurance premiums under each scenario on both a customer's ability to repay their loan and on property values, as well as Bank Australia's loan exposure to such customers. Finity also considered loans where our customers may face increases in climate physical risks that are not insured, including impacts of heat stress and coastal hazards.

Overall, approximately 0.12% of Bank Australia's lending is potentially exposed to credit risk based on increasing, unaffordable or unavailable home insurance and/or decreasing property values as a result of physical climate events. This increases to 0.16% under a low emissions scenario and is seven times higher at 0.81% under a high emissions scenario (see chart at right).

Notably the majority of this exposure arises from uninsured perils like heat stress and coastal hazards, rather than insured perils such as floods and bushfires, assuming that customers are appropriately managing their risk exposure through adequate insurance coverage. Our assessment highlights that while Bank Australia's loan exposure at risk per this methodology is low, it is expected to increase over time with climate change, and will be significantly higher unless global emissions are substantially reduced. It is important to note that this methodology sets out an interpretation of climate risk as credit risk based on property insurance affordability and exposure to specific uninsured perils. This relies on key assumptions about customers continuing to take out appropriate insurance coverage and appropriate insurance being available. As we mature our approach to understanding physical climate risk over time, we expect that we will need to bring in further analysis of physical climate perils, actual insurance coverage and interaction with other drivers of credit risk, like transition risk.

For our customers, we know that increasing home insurance premiums and exposure to increasing physical climate events are and will continue to be difficult challenges to navigate with broad impacts on communities. We will continue to understand what this means and how we can support our customers, including through the development of a climate risk roadmap to guide our approach over the coming years. For more detail on our work on assessing climate risk in 2023, see appendix 9.

Summary of Bank Australia's exposure to credit risk as a result of climate physical risk



Working together for the planet

We have worked with a number of partners and other stakeholders this year as part of our community action on the climate crisis.

Some highlights include:

- supporting Australia's first Indigenous youth climate network, Seed, to help amplify young First Nations voices and to support their leadership in climate justice
- partnering with Renew on their annual Sustainable House Day, allowing participants to learn from unique and inspiring sustainable homes across Australia through virtual tours
- supporting the HalfCut campaign to raise funds to buy-back and protect threatened land in the Daintree rainforest and return the land to the Traditional Owners.

Climate Active

We continue to be certified under the Australian Government's Climate Active initiative. Our emissions from our operations in 2023 were 2,618.7 CO₂-e from 766.5 CO₂-e in 2022). The increases in emissions were because of including emissions from the fit-out of our new head office (1,159.8 CO₂-e), as well as increases in travel as COVID-19 lockdowns have ended, including staff commute to our offices and branches, air travel and hotels. We offset these emissions using offsets from 3 different projects. For more information, please see appendix 7.



87.8%

of our customers list climate action as their highest concern in our latest customer values research study.



We saw our clean energy home loan portfolio grow by

33%

with these homes emitting on average 35% less carbon than a standard Bank Australia-funded home.



We run on

100%

renewable electricity

The Bank Australia conservation reserve

We believe we are the only bank in the world with a conservation reserve, which spans 2,117 hectares in western Victoria.

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.

Seeing native species thrive

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 21 birds, 10 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 protected 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, including:

- vast areas of magnificent grass trees on our Salvana property. Judging by their height, some of these trees appear to be nearly 200 years old.
- sightings of Diamond Firetails, a threatened bird species, and the adorable pygmy possums that live on the heartlands of the reserve
- 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. You can read about in our case study on the next page.

Building fire resilience

Bushfires pose a risk to our conservation reserve and we have undertaken fire risk reduction work in partnership with the BGLC, the County Fire Authority (CFA) and West Wimmera Shire Council. Our aims include minimising the risk fire poses to our stringybark woodlands and healthland, protecting large old trees with hollows from being felled or burnt and enhancing healthy understorey.

BGLC has led cultural burns in the endangered Buloke woodlands at our Minimay reserve, which have reduced weedy annual grass and supported cultural values of the land. Thick undergrowth can be fuel for fires, and so burning off low lying shrubs and grass can help mitigate the spread of bushfire. Cool burns have been used to reduce the threat of fires spreading, and to create spaces for native herbs and grasses to grow.

The CFA has also conducted burns that serve to protect the reserve and surrounding properties from bushfires. Part of their fire prevention work has been creating access routes so that firefighting vehicles, equipment and personnel can quickly take action to stop the spread of fire when bushfires do occur.

Acoustic monitoring on the reserve

In 2020 we began contributing to a monitoring project led by the Australia Acoustic Observatory, and our Boorookpi property is one of sites within this project. The project will provide five years of constant sound data. The Boorookpi property of the conservation reserve is part of the 360 strong network of acoustic sensors managed by A20, which collects high-resolution audio data that is freely available to researchers, citizen scientists and the general public. Researchers from Queensland University of Technology (QUT) are pioneering new techniques to monitor the presence of endangered animals using this monitoring, including the South-eastern Red-tailed Black Cockatoo.

In 2023, we used 4 days of sound recordings on the reserve to produce 4 tracks of between 30-45 minutes long. These soundscapes are accessible to stream or download on Spotify using the below QR code. The recordings capture different moments in the day, including the birds chirping at sunrise and sunset, the rustle of the trees in the breeze and a storm brewing at night.



In 2023 we continued our work to develop a comprehensive nature and biodiversity strategy, which will guide the future of the conservation reserve. In 2024 we plan to deliver this strategy and begin implementing a range of initiatives that will continue protecting our reserve and supporting positive outcomes for nature and biodiversity.

We will also continue protecting land on our reserve in line with our commitment to customers who construct a home with a Bank Australia loan. Our construction loans have land protected in our conservation reserve that is equal to the size of each building lot.



Photo credit: Mike Sverns

Case study

Ecological monitoring discovers South-eastern Red-tailed Black Cockatoos at home on the reserve

It's hard to tell them apart from other cockatoo species when they're sitting on a tree branch, but in flight the brightly coloured tail of the South-eastern Red-tailed Black Cockatoo is hard to miss. The survival of these eye-catching native birds are sadly under threat, having been registered as a threatened and then endangered species in 1988 and 1999 respectively.

In our 2023 monitoring of the reserve, we discovered many of these cockatoos in their preferred habitats of desert Stringybark and brown Stringybark trees. A key food source of theirs is native to the reserve, the Buloke tree. As well as being critical to the cockatoos' survival, Buloke

woodlands are listed as an endangered ecological community.

Western Victoria's Buloke Grassy Woodland is an ecosystem critical to the survival of many plant and animal species, including the South-eastern Red-tailed Black Cockatoo. Part of these woodlands are located on our reserve, and extend into the Riverina and Murray-Darling.

In 2024 we will continue monitoring our conservation reserve to discover the impacts of our efforts to restore and protect these precious ecosystems and the plants and animals that make their homes within them.

Case study

Visiting Minimay and Salvana: our conservation reserve staff trip

In 2023, a group of employees participated in the first trip to our conservation reserve since before the COVID-19 pandemic. Those who attended enjoyed 2 days of bushwalks, workshops and learning sessions.

Our staff take immense pride in the conservation reserve, since it's one thing that really sets Bank Australia apart. Georgia, from our Fitzroy branch, said learning about the ways the local custodians the Barengi Gadjin Land Council (BGLC) have been caring for the land was a highlight of her 2 days on the reserve.

"I was excited to learn that cool cultural burns have been introduced back to the land, and that the BGLC has conducted a survey to identify culturally significant sites to be listed on the Victorian Aboriginal Heritage Register for future protection," said Georgia.

Our staff visited the Minimay and Salvana properties, a 5 hour bus ride from Head Office in Melbourne. At Minimay, they heard from some of our partners at Greening Australia and Trust for Nature, gaining insight into the monitoring and conservation projects taking place on the reserve.

The group then assisted with removing tree guards from 4 year old Buloke trees, to enable their continued growth.

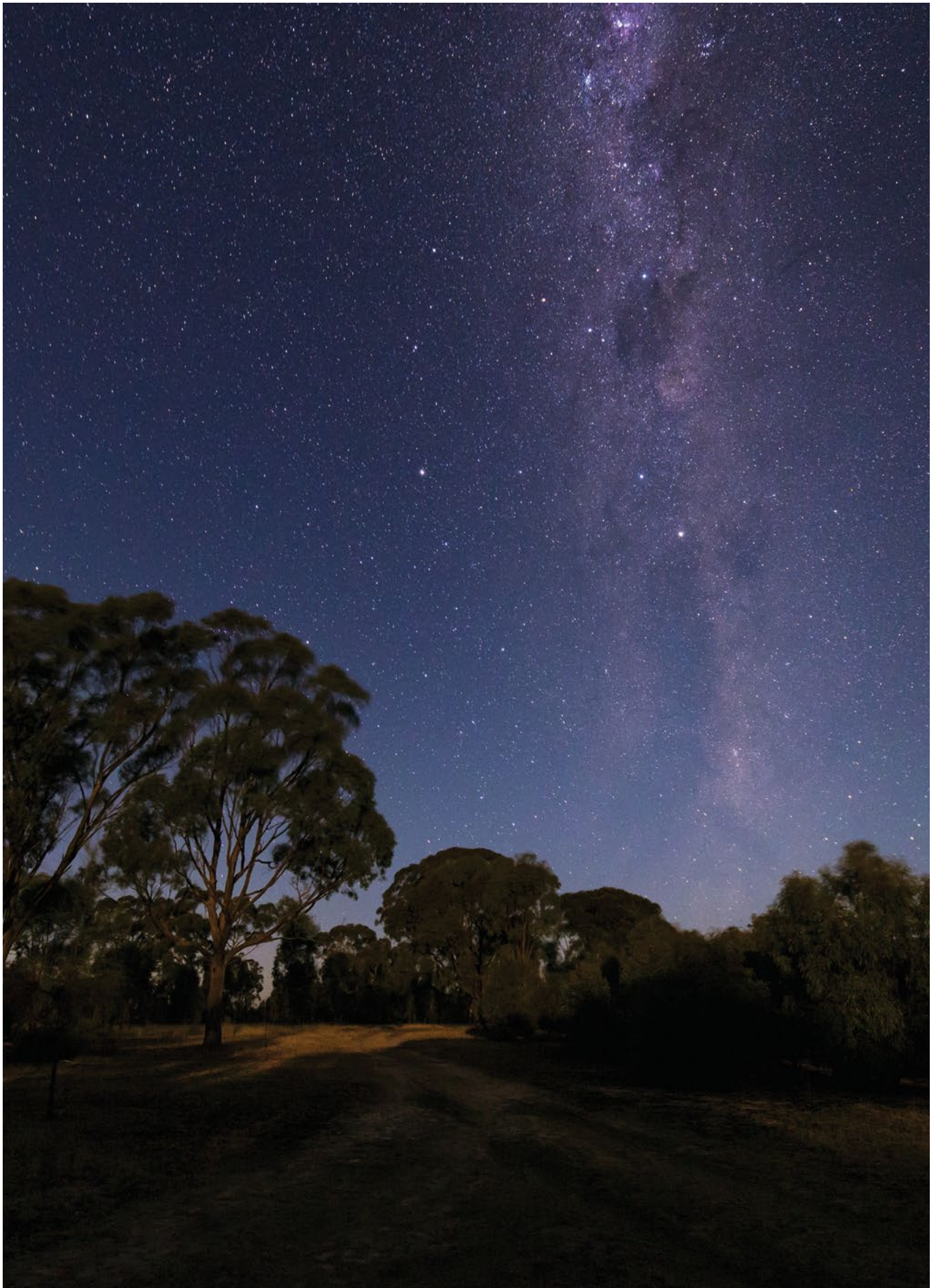
"Walking along two of the scenic trails, the beauty of the landscape left us in awe, and the abundance of diverse plants and animals was astounding. Within just 15 minutes, we encountered kangaroos, wallabies, echidnas, and even a spotted marsh frog," said Mitch, a member of our marketing team, who also participated in the staff trip.

The landscapes are distinct at Minimay and Salvana, owing to unique ecosystems at each site. Mitch said the contrast came as a surprise to him, and gave him a better understanding of just how diverse the flora and fauna are across the reserve.

"Having boots on ground at the conservation reserve really helped me understand the beauty and importance of this part of Victoria," said Tanaya, who works in our impact management team.

"Every tree, bird and blade of grass had their role to play in creating a uniquely biodiverse environment. I am immensely proud to know that Bank Australia is committed to protecting ancient lands and waters together with our partners on the reserve."





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Appendix 1:

Our reporting approach

We report on where we can have the greatest impact

Talking to our customers, our employees and other stakeholders helps us better understand what matters most to them and to assess which current and emerging topics to include in this report.

These topics are then considered in terms of which ones Bank Australia could have the greatest impact on in line with the materiality principle of the Global Reporting Initiative (GRI) Standards.

Our report is structured according to topics of interest and stakeholder groups.

Report chapter	
Chapter 1:	Our business and how the bank is run
Chapter 2:	Our customers and how we serve them
Chapter 3:	Our people and how we support them
Chapter 4:	Our community and how we strengthen it
Chapter 5:	Our planet and how we work to protect it

See our [website](#) for a full list of the disclosures included in this report that reference the GRI Standards.

Who has a say?

As a customer owned bank, a mix of stakeholders inform our strategy, planning and reporting.

As part of our reporting cycle, we consult formally and informally with a range of these stakeholders, including:

- our customers
- our employees
- our regulators: the Australian Securities and Investment Commission (ASIC) and the Australian Prudential Regulation Authority (APRA)
- our Board of Directors
- our partners (organisations we work with or support)
- our sector: Customer Owned Banking Association (COBA), the Global Alliance for Banking on Values (GABV), the Business Council of Co-operatives and Mutuals (BCCM) and the Australian Banking Association (ABA).

Purpose of this report

We produce an Impact Report to be transparent with customers and other stakeholders about how we are pursuing our purpose to inspire and empower our customers to use their money to create a world where people and the planet thrive.

The primary audiences for the Impact Report are customers (personal and organisational), employees, stakeholders including Bank Australia impact fund partners, community organisations, large depositors, investors, impact finance business, government representatives, regulators, and peers and organisations in our sector.

This report presents Bank Australia's performance for the period 1 July 2022 – 30 June 2023 (referred to as 2023 in the report), unless otherwise stated. It does not include the performance of third party organisations that provide services to Bank Australia and our customers.

Bank Australia also produces statutory financial accounts (the 2023 Financial Report) to complement this report and as required by law.

In this 2023 Impact Report, Bank Australia reports on:

- performance in delivering our bank's strategic plan and targets
- progress towards meeting our bank's public commitments
- our bank's responses to priority topics.

The selection of priority topics in this report are assured against the GRI Standard for Materiality (GRI 3: Material Topics 2021). Selected non-financial disclosures are also assured (see appendix 9 for EY's assurance statement).

Reporting topics that matter

To make sure this report covers our greatest impacts, we conduct a materiality process to select and prioritise material topics. This process ensures our report is balanced, comprehensive and informed by the expectations and views of our stakeholders. In 2023 our materiality process was informed by ongoing, informal stakeholder engagement that ran for the duration of the year, and by a formal materiality process that occurred in May and June.

In 2023 we updated our approach to follow the revised GRI materiality standard.

According to the GRI materiality standard, this type of report should cover activities and business relationships of Bank Australia that have an actual or potential impact on the economy, environment, and people, including impacts on their human rights.

How we identified topics

Our revised materiality approach involved identifying positive and negative impacts from a mix of internal and external data sources and semi-structured interviews with key Bank Australia staff and external stakeholders.

Data sources

Internal

- Strategic and Corporate Plan
- Risk Appetite Statement and register
- Bank Australia's public commitments
- Bank Australia policies
- Board and Committee minutes
- Monthly communications briefings to the Executive and Board and Board Committee minutes
- Bank Australia's Annual General Meeting: questions raised, feedback and discussion
- Bank Australia's social media
- Staff research: staff engagement
- Customer research: responsible banking and customer experience and satisfaction
- Conversations with staff in key roles across the business.

External

- Interviews with a selection of external stakeholders
- Participation in national and international conferences
- Media coverage and commentary
- Engagement with the APRA, the ASIC and the Reserve Bank of Australia
- Sustainability and impact reports of peers in our industry
- Stakeholder engagement with not-for-profit sector partners and customer organisations
- Participation in industry working groups (ABA, COBA, GABV).

Topic prioritisation and selection

We ran a workshop with Bank Australia's departmental heads in May 2023.

A shortlist of 13 positive and 10 negative impacts were circulated in advance of the workshop. Participants were asked to individually prioritise this list of impacts according to those that had the greatest impact (positive or negative). The impacts that participants ranked most highly were discussed in further detail at the workshop. As a result we grouped some impacts together and refined our definition of them to reflect the focus of 2023. Our assurance provider, EY, also attended this workshop to observe the discussion.

This list of priority topics was presented to the Executive and Board Audit Committee for approval.

Priority issues for this report

Issue	Definition	Page
Resilient values-based bank	A financially resilient bank with strong governance and leadership, which is true to its purpose and invests in the capability and wellbeing of its staff.	4-7, 9-13, 14-15, 16-17, 40-49, 73-76, 79-81, 85-90
Customers at the centre	Keeping our customer-owners at the centre of what we do, with a focus on fair rates and fees, customer experience and support for customers experiencing hardship.	5-9, 16-17, 18-39, 44, 49, 77-78
Impact focus and integrity	Working to create positive impact and avoid negative impacts across our four priority impact areas: climate action, affordable and accessible housing, nature and biodiversity and First Nations reconciliation. Being transparent and authentic in our approach to impact, including with our responsible banking policy.	4-9, 12-13, 20-21, 27, 32-39, 50-57, 58-67, 82-84, 85-90, 91-107, 108-110
Fraud and cybersecurity	Preventing fraud and cybersecurity events through investments in technology, monitoring, staff capability, customer education and customer support when needed.	5, 7, 23-24, 44-45, 79

Appendix 2: How we're governed

Good corporate governance and sound risk management practices are a fundamental part of the culture and business of the bank. The key aspects of our corporate governance framework and risk management practices are set out below.

We are a mutual entity in accordance with section 51M of the Corporations Act 2001, a public unlisted company limited by shares, an APRA regulated authorised deposit taking institution and governed by a Board of Directors. The Board is accountable to our customers who own Bank Australia. Customers elect the majority of Non-Executive Directors to the Board and vote on issues at our Annual General Meeting.

The Board is responsible for the governance of Bank Australia and ensuring that our Bank establishes and implements risk management frameworks and processes with the ultimate objective of creating a sound risk culture.

The Board:

- establishes corporate objectives
- develops, with management, the corporate culture, strategy and policy
- appoints the Managing Director and evaluates their performance
- provides oversight for Bank Australia's operations and ensures they align with our values
- ensures the appropriate control frameworks are in place, including the capital structure
- accepts responsibility for compliance with APRA prudential standards, the Australian Corporations Act and other regulatory and legislative requirements
- approves the budget
- sets risk appetite.

The Board generally:

- meets eight times a year, plus the Annual General Meeting and annual Board planning (two days usually)
- has committees, which meet as follows: Risk (6), Audit (4), Governance & Remuneration (4), Nominations (1), and Corporate Actions Committee (as required).

- has limited Directors' tenure (via Bank Australia's constitution) to 12 years. The average tenure of Non-Executive Directors at the end of this financial year is 5.8 years.
- The Board is comprised of nine Directors. Five independent, Non-Executive Directors appointed by members and there are three Non-Executive Board-appointed Directors, one of which is non-independent Marcus Thompson (who previously consulted to the bank). Managing Director Damien Walsh is an Executive member of the Board.

Every three years of service, each customer-elected Director will be eligible for reappointment if they qualify and would like to stand for the position again. This appointment occurs through a customer vote at the Annual General Meeting.

Members can vote for or against reappointment of specific Directors, and can vote for alternate candidates if other candidates have nominated and pass a due diligence process to enable them to stand for election. The Board may also reappoint Board appointed Directors at its discretion, as long as there remains a majority of member appointed Directors.

Each candidate for the position of Director is expected to have the following mandatory competencies:

- a comprehensive understanding of the roles and responsibilities of a Director, including the regulations required in the financial sector
- the ability to understand retail banking risks, including risk identification and monitoring of risk mitigation
- has experience in an organisation (or organisations) of comparable scale and complexity to Bank Australia
- a commitment to mutuality values, sustainability and responsible banking principles, including the ability to be seen as a role model for the Company's brand through the demonstration of their actions and behaviours
- the ability to evaluate, form conclusions and apply good judgement
- the ability to understand the Company's strategy

- the capacity and willingness to undertake continuous professional development and learning to acquire and update skills and knowledge relevant to the role of Director of the Company
- good financial literacy
- an understanding of their obligations as an Accountable Person under the Banking Executive Accountability Regime (BEAR), namely to:
 - act with honesty and integrity, and with due skill, care and diligence
 - deal with APRA in an open, constructive and co-operative way
 - take reasonable steps in conducting those responsibilities to prevent matters from arising that would adversely affect the prudential standing or prudential reputation of the Company
 - The Board has the discretion to determine other mandatory or desirable criteria to meet the skill requirements of the Board.

In 2023 a candidate must have the following additional competencies required to meet a desired skills mix on the Board:

- Significant understanding and knowledge of bank finance, including capital management, treasury and hedging.

All nominees for Director meet with the Nominations Committee, including existing Directors, prior to standing for election or being appointed and must demonstrate the mandatory competencies.

The Board, led by the Chair, regularly considers the skills represented by the Directors to ensure that the mix of skills remains appropriate to achieve Bank Australia's objectives. The Board consists of Directors with a broad range of experience, expertise and diversity in background and gender. The Board is subject to an annual review of its performance to ensure that it continuously identifies opportunities to improve.

The Board may seek advice from external experts in areas where the current members of the Board recognise they would benefit from specific expertise.

For further information about Board of Director Accountability please refer to our [website](#).

Remuneration

For information about our approach to remuneration including our policy, collective remuneration and base remuneration, professional development expectations and our remuneration report refer to the Financial Report.

Avoidance of conflicts of interest

In addition to their standing notices, Directors must declare any specific conflicts of interest arising from the business of a particular meeting.

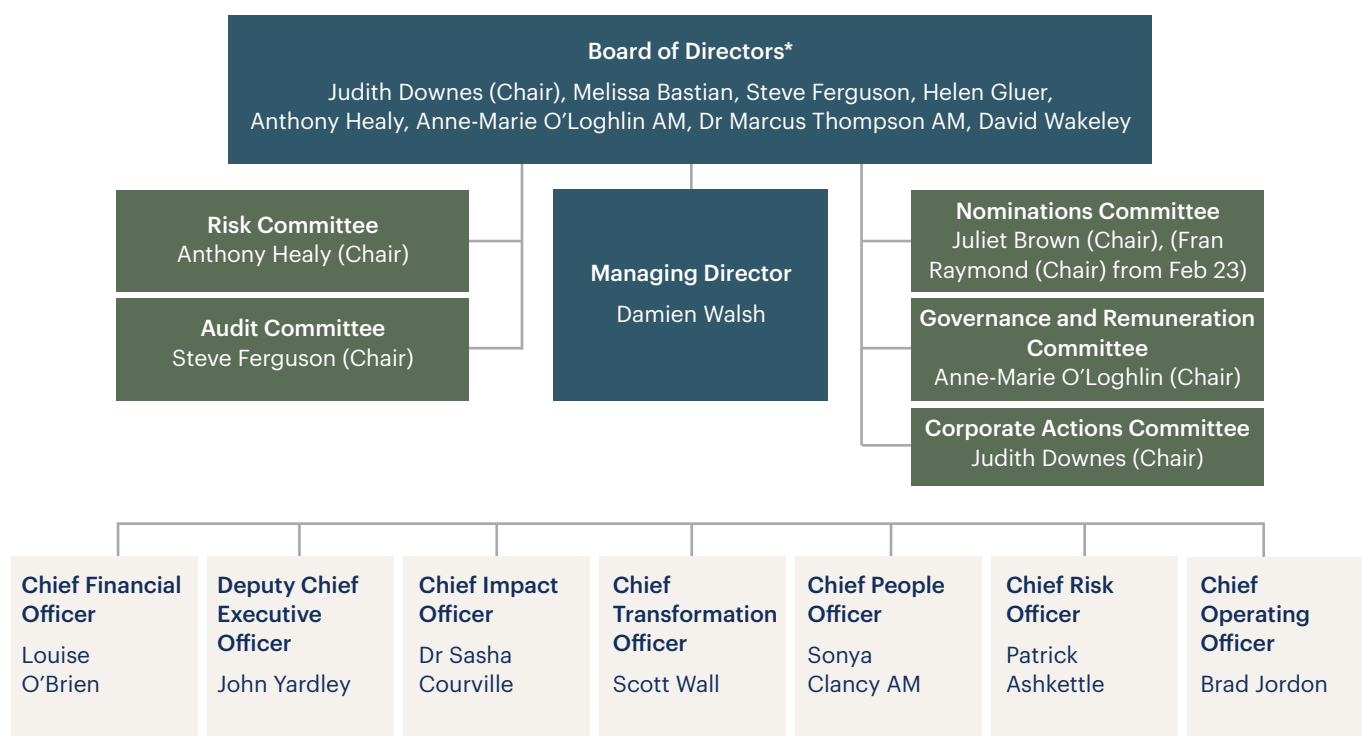
Chair

The Chair, an independent Non-Executive Director, is responsible for the efficient conduct of the Board's meetings, setting the agenda, facilitating the work of the Board at its meetings and ensuring that the procedures and standards of the Board are observed.

Managing Director

The Managing Director is charged with Bank Australia's day-to-day leadership and management, supported by a senior management team that oversees Bank Australia's operations. Together, the Managing Director and the senior management team are responsible for embedding culture and sustainability principles within the business and delivering strategy and leadership, product development, risk management, commercial oversight, stakeholder engagement, community partnerships, and communications.

Our Statutory Financial Report includes a profile of each of our Directors.



* as at June 30 2023

The Board committees are:

- **Risk Committee.** The Board Risk Committee oversees the implementation and ongoing operation of the risk management framework, risk identification and control, and ensures the bank meets its prudential and statutory requirements in relation to the risk management framework. It fulfils Bank Australia’s obligations under Prudential Standard CPS 510 – Governance requiring a Board Risk Committee with specific responsibilities. The Risk Committee meets six times per year.
- **Audit Committee.** The Board Audit Committee helps the Board fulfil its corporate governance responsibilities relating to the oversight of Bank Australia’s reporting obligations, audit function, internal control and compliance framework, and promote an ethical culture of compliance throughout the organisation. It fulfils Bank Australia’s obligations under Prudential Standard CPS 510 – Governance requiring a Board Audit Committee with specific responsibilities. The Audit Committee meets four times per year.
- **Governance and Remuneration Committee.** The Board Governance and Remuneration Committee ensures Bank Australia has a strong and effective governance framework for fulfilling Bank Australia’s remuneration responsibilities and constitutional matters, and advises the Board on related matters. It fulfils Bank Australia’s obligations under Prudential Standard CPS 510 – Governance requiring a Board Remuneration Committee with specific responsibilities. The Governance and Remuneration Committee meets four times per year.
- **Nominations Committee.** The Nominations Committee is responsible for determining the appropriateness of candidates for Director elections and appointments. It oversees nominations submitted from eligible customers and interviews nominees to assess their fitness and propriety to be and act as a Director. The Nominations Committee consists of two independent members plus the Chair of the Board. (If the Chair of the Board is standing for election, the Chair of the Governance and Remuneration Committee acts as the third member of the Nominations Committee.) The Nominations Committee is formed annually and meets as needed.
- **Corporate Actions Committee.** The Corporate Actions Committee’s principle function is to advise the Board on negotiations and execution of corporate actions, specifically joint ventures, equity investments, mergers and acquisitions, recovery planning requests, demutualisation and takeover bids.

* Dr Marcus Thompson AM joined the board as a Non-Executive director in January 2023

External auditor

Ernst and Young (EY) has been appointed to conduct an audit of the Financial Report and to report to members in accordance with the requirements set out in the Corporations Act for the year under review. The audit report is provided at the end of the Financial Report.

A representative from EY attended last year's Annual General Meeting to answer any questions from members on the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted in the preparation of the financial statements and EY's independence in relation to the conduct of the audit of the bank's financial statements. A representative from EY will attend this year's Annual General Meeting to fulfil a similar role. EY also performs non-financial assurance procedures over the materiality process and selected performance metrics disclosed in the Impact Report. Refer to Appendix 9 for further information.

Internal audit

Bank Australia's internal audit function provides independent, objective assurance and consulting services to Bank Australia's operations. PwC was appointed to carry out this function for Bank Australia from January 2023. PwC assesses whether Bank Australia's framework of risk management, control and governance processes are adequate and functioning in a manner that supports various aims, including:

- the appropriate identification, reporting and management of risks
- the accuracy, reliability and relevance of financial, managerial and operating information
- compliance of employees' actions with policies, standards, procedures and applicable laws and regulations.

Compliance

Bank Australia has a well-developed and implemented compliance framework supported by dedicated compliance managers. The focus of this function is to ensure ongoing compliance with all laws and regulatory requirements with particular attention to industry specific requirements.

How we're regulated

Bank Australia is committed to maintaining high standards of corporate governance, and whilst not a listed company actively applies a governance framework that reflects the majority of the Australian Stock Exchange Corporate Governance Principles and Recommendations.

Bank Australia is regulated by APRA. This independent statutory authority supervises institutions across banking, insurance and superannuation, and is accountable to the Australian Parliament. According to regulatory requirements, we must manage a diversified liquidity portfolio consisting of securities issued by government and a number of Authorised deposit-taking institutions (ADIs), including the four major banks and regional banks.

This portfolio includes fixed term deposits, negotiated certificates of deposits, bank bills, bonds, covered bonds, mortgage-backed securities and floating rate notes, and is required by APRA for liquidity purposes. It is not possible to determine the exact purpose of every dollar invested in these APRA-regulated institutions.

Bank Australia is also regulated by ASIC, which has responsibility for regulation under the Corporations Act 2001. ASIC is Australia's corporate, markets and financial services regulator. The bank is a Mutual Entity under Section 51M of the Corporations Act 2001.

Bank Australia is also subject to oversight by various state, territory and Commonwealth regulators across its operations and workforce including the Department of Health, the Australian Taxation Office, the Fair Work Ombudsman, the Workplace Gender Equality Agency, the Australian Transaction Reports and Analysis Centre, the Office of the Australian Information Commissioner and several work-health and safety regulators.

Transparency in our share holdings

Bank Australia holds shares in related companies. Currently Bank Australia is a shareholder in two major service suppliers:

- Cuscal – a provider of payment and transactional banking services
- Data Action – a supplier of core banking and data network facilities.



Appendix 3: Our customer profile

New customer acquisition slowed in 2023 with 16,630 customers joining Bank Australia. This is following a period of record customer growth.

Customer acquisition was impacted by the changing external environment including inflation affecting cost of living, rising interest rates and wider economic uncertainty throughout the year.

Increased competition for deposits across the banking sector as interest rates rose also had an effect.

We continue to diversify our customer base through a digital first focus and multi-channel approach, with strong growth across all States & Territories outside of Victoria.

Customer numbers and demographics, 2019-2023

	2023	2022	2021	2020	2019
Number of customers					
Total customers	186,863	184,288	176,210	160,437	146,400
New customers	16,630	21,490	27,691	26,796	19,199
Customers acquired through merger	0	0	0	0	0
Customers who left the bank	14,055	13,412	11,918	12,759	16,043
Net customer growth	2,575	8,078	15,773	14,037	3,156
Customer retention rate ¹	92%	92%	93%	91%	88%
Customer locations					
Victoria	58.1%	58.9%	60.4%	63.9%	66.2%
New South Wales	16.4%	16.2%	15.5%	14.1%	12.3%
Queensland	10.6%	10.5%	10.2%	9.6%	9.2%
Australian Capital Territory	4.6%	4.5%	4.4%	4.3%	3.9%
South Australia	3.2%	3.0%	2.7%	2.4%	2.2%
Western Australia	3.2%	2.9%	2.7%	2.3%	2.1%
Tasmania	1.5%	1.4%	1.3%	1.1%	0.9%
Northern Territory	0.5%	0.4%	0.4%	0.4%	0.3%
Other	2.0%	2.1%	2.4%	2.1%	2.9%
Customer age					
Average age of customers (years)	49	48	49	49	50
Average age of new customers (years)	38	36	35	36	39

Customer profile, 2019-2023

	2023	2022	2021	2020	2019
Customer satisfaction					
Customer satisfaction ²	89%	88%	87%	90%	88%
Net promoter score ²	38.4	42.2	42.4	45.4	44.6
Customer complaints ³	1684	1704	715	914	383
Customer complaints as a share of total customers	0.9%	0.9%	0.4%	0.6%	0.3%
Brand awareness					
Brand awareness of our brand within target audience ⁴	34%	40%	40%	31%	34%
Financial wellbeing					
Customer satisfaction with overall financial situation ⁵	64%	73%	75%	75%	71%
Hardship					
Loans varied due to hardship ⁶	93	140	383	1,714	121
Serving our customers					
Average time taken to answer calls in our contact centre ⁹	5 minutes 19 seconds	9 minutes 24 seconds	3 minutes 28 seconds	51 seconds	1 minute 30 seconds

Notes on our customer profile

- Does not include customers who joined and left in the same financial year.
- We again worked with research agency Forethought to measure customer satisfaction late in the financial year. A representative sample of 2,206 customers were asked how satisfied they are with Bank Australia on a 10-point scale. Scores of 6+ (satisfied or extremely satisfied) are used to calculate overall satisfaction. Forethought also surveyed these 2,206 customers to determine the Net Promoter Score, which is the likelihood that customers will recommend us to others. While the score is strong, there has been a decrease since 2022 and this is likely due to the volatile interest rate environment across the majority of 2023 as well as contact centre service wait times.
- Our approach to responding to customer complaints is discussed on page 28, including our increased focus on recording customer complaints in 2023. 87% of complaints were resolved within 21 days.

- We regularly conduct research to determine the awareness of our brand within our target audience. We define our target audience according to Roy Morgan's Helix Personas. The target market consists of those personas that index over 100 for social awareness. This research was last conducted in July 2023.
- Our customers' satisfaction with overall financial situation has decreased. We believe that this is due to inflation related interest rate increases and cost of living pressures.
- The number of loans deferred due to financial hardship decreased from the previous year and are now at pre COVID-19 levels. Our approach is discussed on page 27.

Appendix 4: Our people and culture

This appendix contains information and statistics about our people and our culture activities in 2023. All data is reported as at 30 June unless otherwise stated. For further information about our gender data please refer to Workplace Gender Equality Agency (WGEA) reporting on the WGEA website <https://www.wgea.gov.au/>

Our workforce summary, 2019-2023

	2023	2022	2021	2020	2019
Total staff ^{1,2}	591	527	456	441	427
Female	346	319	290	285	292
Male	244	207	166	156	135
Non-specific	1	1	-	-	-
Full-time equivalents (FTEs) ³	542	487	417	400	386
Staff turnover rate ⁴ (continuing)	13.9%	23.1%	15.6%	10.4%	12.7%
Absentee rate ⁵	3.6%	3.5%	2.4%	3.1%	2.7%
Occupational health and safety hazards, incidents and injuries affecting staff ⁶	101	29	22	54	38
Occupational health and safety hazards, incidents and injuries affecting customers ⁶	8	4	23	7	6
Days lost to injury ⁷	154	109	11	54	12
Number of staff who took paid parental leave ⁸	40	30	26	17	21
Staff engagement survey score ⁹	70%	72%	75%	70%	71%

Notes on people and culture summary figures

- 1 Total staff figure includes employees on parental leave, extended sick leave, casual, fixed term contracts, and trainees. Excludes Board Directors.
- 2 Most staff worked full time (84.9%) followed by those who worked part-time (10.3%), those on a contract (2.5%), trainees (0.5%) and casual staff (1.7%). These figures are broadly similar to those reported in 2022.
- 3 This excludes staff on parental leave, extended leave and Board Directors.
- 4 Voluntary and involuntary separations of permanent staff only. Does not include redundancies. A new methodology was introduced in 2023 resulting in the 2022 figure being restated (was previously reported as 18.3%).
- 5 This is an annualised rate and includes staff on extended sick leave, unpaid sick and pandemic leave. A new methodology was introduced in 2023 resulting in the 2022 figure being restated (was previously reported as 2.8%).
- 6 The increase in numbers is multifactorial and includes an increase in staff numbers and an increased focus on health and safety in the workplace and reporting in the business, particularly on psychosocial incidents on sites where aggressive customer interactions have impacted staff and many staff previously accepted this as 'part of the job'. There were 101 hazards, occupational health and safety incidents and injuries affecting staff recorded. This was made up of 38 hazards, 40 injuries, 32 of which were psychosocial in nature and the remaining related to factors such as slips, trips, falls, minor cuts and abrasions etc.

There were 8 customer/member of public incidents reported, including two hazards, two near misses, three minor injuries and one personal illness.

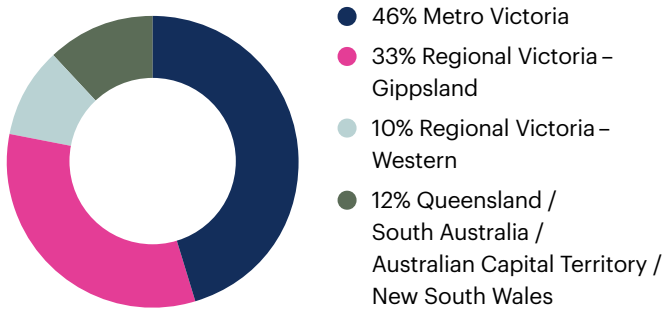
- 7 In 2023, there were two claims resulting in lost time, both of these employees were supported and managed proactively and returned to full time hours and normal duties. The remaining days lost related to a single injury that occurred in 2021, the employee is now back at work.
- 8 Our parental leave figure refers to leave that is taken and paid by Bank Australia. In November 2021, Bank Australia increased paid parental leave for all eligible employees to 14 weeks, regardless of primary/secondary carer status.
- 9 Staff engagement is measured by surveying staff with a non-compulsory survey (85% participated in October 2022). The 70% result is in Kincentric's Australian top quartile of employer results, and exceeds the Australian Diversified Financial Services 66% benchmark.
The survey had 60 questions and the following eleven indices were measured: cybersecurity, demonstrated commitment of values, digital enablement, direction, diversity & inclusion, engagement, growth, importance of values, purpose driven, risk culture, wellbeing.

Where our people work

In 2023, our people were distributed across our locations as illustrated below:

- 43% of our people are based in regional Victoria. This proportion reflects our commitment to creating jobs and opportunities in regional Australia
- 88% of our people are based in Victoria and 12% are based in other states.

Staff by location, 2023



Employee age and tenure

Most of our people continue to be between the ages of 25 and 55.

The average tenure of employees is 5 years (down from 6 in 2022). The decrease is due to the number of new employees joining the business.

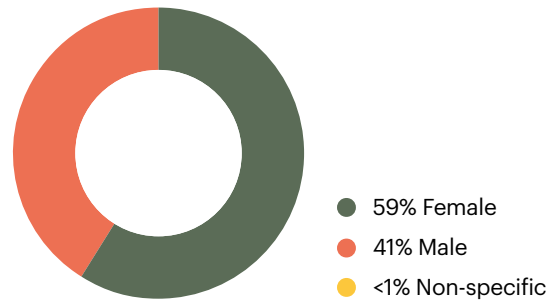
Employee age, 2023

Age bracket	Number	% of total
<25 years	69	12%
25 years to 55 years	457	77%
>55 years	65	11%
Total	591	
Average Age		
Average age	39	

Gender equity

In 2023, we continued to employ more female staff (346, or 59%) than male staff (244, or 41%). This is in comparison to 61% and 39% for women and men respectively in 2022. These figures exclude Bank Australia’s Board of Directors.

Employee gender split, 2023



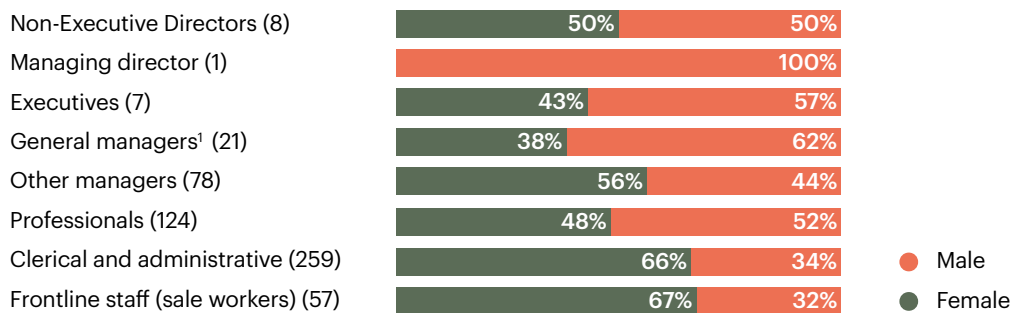
Salary packages, by gender, 2023

Role classification	Female salary package (average)	Male salary package (average)
Frontline and support staff	\$82,534	\$79,960
Middle management	\$155,745	\$161,029
Senior Management	\$331,378	\$334,926

Notes:

- Includes superannuation.
- Frontline and support staff are all those employed at grade 1 and 2 (including trainees).
- Middle management are all those employed at grades 3 and 4
- Senior management are all those employed at grades 5 and 6
- Consistent with previous years, Senior Management excludes the Managing Director
- Average base salary has been converted to FTE for part-time staff
- The differences between the average FTE salaries for females and males is attributable to a number of reasons relating to individual choices including years of service at the bank, level of experience and complexity of roles.
- Refer to page 46 for our approach to gender equality.

Employee gender split, by role classification, 2023 (as at 31 March 2023)^{1,2}



Employee gender split by type of employment, 2023³

Employee type	Gender	FTE	% of total
Full-time staff	Female	251	52%
	Male	231	48%
	Non-binary	1	<1%
Part-time staff	Female	37.4	96%
	Male	1.6	4%
	Non-binary	0	0%
Trainees	Female	3	100%
	Male	0	0%
	Non-binary	0	0%
Contract staff (full-time) ⁴	Female	5	56%
	Male	4	44%
	Non-binary	0	0%
Contract staff (part-time)	Female	2.8	83%
	Male	0.4	17%
	Non-binary	0	0%
Casual staff (head count)	Female	6	60%
	Male	4	40%
	Non-binary	0	0%

1 Categorisations updated to reflect Australian and New Zealand Standard Classification of Occupations (ANZSCO). As a result some staff previously categorised as Head of Business were re-categorised as General Manager.

2 Percentage calculated based on headcount within each role category.

3 Note: These figures do not include Non-Executive (Board) Directors.

4 Prior to 2021, permanent staff on a secondment or temporary change to hours/roster were previously classified as 'Fixed Term'. We have now correctly reclassified these as 'Permanent' staff.

Role classification

We classify roles across the bank based on the WGEA classification of roles: frontline staff (this includes sales workers), clerical/administrative staff, professionals, other managers, senior managers, general managers and executives. The WGEA data presented on this page is accurate, as of 31 March 2023. To align to our WGEA reporting we have included all levels of the workforce in the *Staff by role classification* and *Employee gender split by role classification* charts. All other data excludes Non-Executive Directors.

Staff, by role classification, 2023 (as at 31 March 2023)

Role	Number	% of total
Non-Executive Directors	8	1%
Managing Director	1	<1
Executives	7	1%
General managers ¹	21	4%
Other managers	78	13%
Professionals	124	21%
Clerical and administrative	259	44%
Frontline staff	85	15%
Total	583²	

Appendix 5: Bank Australia impact fund

- The bank allocates up to 4% of its after-tax profits to the Bank Australia impact fund. The fund supports a number of projects and partnerships that benefit people and the planet.
- Our largest social partnerships include support for Australians for Indigenous Constitutional Recognition, Seed, BCCM, and Human Rights Watch.
- Our largest environmental project is the Bank Australia conservation reserve.
- We also run an open grant round each year for Bank Australia community customers who can apply for grants of up to \$20,000 that benefit people or the planet.

The funding allocated to the impact fund in 2023 increased as a result of the bank's solid profits.

In 2023, we reviewed the impact fund, establishing the Bank Australia impact fund framework. The framework explains our approach to governing the impact fund, including how we use philanthropy to support action on issues our customers care about.

Funding summary, 2019 – 2023¹

	2023	2022	2021	2020	2019
Opening balance of the impact fund as at 1 July	\$2m	\$1.6m	\$0.6m	\$1m	\$0.6m
Funding allocated to Bank Australia impact fund (up to 4% after tax profits)	\$2.1m	\$1.4m	\$1.6m	\$0.9m	\$1m
Spend from Bank Australia impact fund	\$2.3m	\$1.0m	\$0.6m	\$1.3m	\$0.7m
Balance of Bank Australia impact fund as of 30 June	\$1.8m	\$ 2m	\$1.6m	\$0.6m	\$1m

¹ In 2023, we completed an internal reconciliation of impact fund records; as a result, we have restated the spend from the impact fund over the last five years. The total amount remains similar, while the years in which funding was disbursed has changed due to spend being accrued in different years to that which was reported. The 2023 spend reported above includes \$507,082 of funding that had been reported in the 2022 impact report.

* Totals may vary due to rounding.

Bank Australia impact fund projects, 2023

Impact area	Organisation	Program	Amount
Community customer grants			
Animal welfare	Barossa Wildlife Rescue Incorporated	Possum Palace: wildlife rescue enclosure upgrades	\$19,408
Climate action	Commune and Co Pty Ltd T/A Cirque du Soil	The Circular Road: Scaling up food waste collection with inclusive employment.	\$20,000
Climate action	Nature Conservation Council NSW	The Community Organising Fellowship (COF)	\$17,500
Climate action	Rethink Recycling Co-op	Rethink Recycling Plastic Sheet Press	\$19,360
Climate action	The Corner Store Network	Corner Store Hydroponics	\$20,000
Climate action	Women's Environmental Leadership Australia (WELA)	Three Generations of Climate and Environmental Changemakers	\$20,000
Disability inclusion	ASTERIA Services Inc	Fun and fitness for people with disability	\$7,217
Disability inclusion	WWILD Sexual Violence Prevention Association Inc.	How to Hear Us	\$20,000
Family violence	Project Respect	Art & Wellbeing for Women and Gender Diverse People with Experience in the Sex Industry.	\$16,797
First Nations reconciliation	Woor-Dungin Inc.	Pathways to Self-Determination: Strengthening First Nations Partnerships with Philanthropy	\$20,000
Gender equality	Women of Colour Australia	WoCMentorWoC Mentorship Program	\$20,000
Just and fair economy	Sustain: The Australian Food Network	Food Justice Farms in Darebin: Paid Youth Internships	\$20,000
LGBTIQ+ inclusion	All The Queens Men	LGBTIQ+ Elders Dance Club	\$20,000
LGBTIQ+ inclusion	Girls Rock! Canberra	September Rock Camp	\$15,000
Refugees and people seeking asylum	Bridge for Asylum Seekers Incorporated (Bridge)	Asylum Seekers' Support Project (ASSP)	\$20,000
Refugees and people seeking asylum	Mzuri Dance ArtisTree Fund Inc	SHE Thrives: Empowering African Women through Business and Wellbeing	\$20,000

Bank Australia impact fund projects, 2023, continued

Impact area	Organisation	Program	Amount
Major grants and partnerships			
Climate action	Seed Indigenous Youth Climate Network Ltd	Supporting First Nations youth climate justice and advocacy	\$75,000
First Nations reconciliation	Australians for Indigenous Constitutional Recognition	Voice to Parliament donation	\$500,000
Just and fair economy	Business Council Of Co-Operatives And Mutuals (BCCM)	The Bunya Fund	\$50,000
Just and fair economy	The Big Issue ¹	Volunteer partnership	\$25,000
Nature and biodiversity	Greening Australia/Trust for Nature	Bank Australia conservation reserve	\$656,530
Refugees and people seeking asylum	Human Rights Watch	Australian operations and research	\$25,000
Other			
First Nations reconciliation	Gippsland Community Leadership	First Nations leadership scholarship – Gippsland	\$6,000
Nature and biodiversity	Goroke Rural Fire Brigade	Donation to Fire Brigade local to Bank Australia conservation reserve	\$2,500
Nature and biodiversity	Kaniva Rural Fire Brigade	Donation to Fire Brigade local to Bank Australia conservation reserve	\$2,500
Nature and biodiversity	Minimay Rural Fire Brigade	Donation to Fire Brigade local to Bank Australia conservation reserve	\$2,500
Nature and biodiversity	Neuarpuur Rural Fire Brigade	Donation to Fire Brigade local to Bank Australia conservation reserve	\$2,500
Nature and biodiversity	Ozenkadnook Rural Fire Brigade	Donation to Fire Brigade local to Bank Australia conservation reserve	\$2,500
Nature and biodiversity	Peronne Rural Fire Brigade	Donation to Fire Brigade local to Bank Australia conservation reserve	\$2,500
Spend from Bank Australia impact fund reported in FY2022 ²			\$507,082
FY2023 GST			\$115,594
Total spend from impact fund			\$2,270,488

1 Bank Australia's Chief People Officer, Sonya Clancy is the current Chair of the Big Issue. Our partnership with The Big Issue commenced in 2016 and predates Ms Clancy joining the bank in 2018.

2 Spend from Bank Australia impact fund reported in the 2022 Impact Report, which has now been updated to be captured in the total 2023 spend

Appendix 6: Our lending and investments

This appendix contains information on our lending and investment activities for 2023 with a particular focus on our impact finance assets. For full reporting of our balance sheet, see our 2023 Financial Report.

Our lending portfolio

Lending portfolio	Total value	% of overall loan book
Total lending	\$8.1b	100%
Home loan lending	\$7.7b	95.1%
Lending to personal customers for car loans, personal loans and overdrafts	\$0.1b	0.8%
Commercial lending	\$0.3b	4.1%

Our responsible banking policy guides all our lending, and our teams follow procedures to ensure we screen out any potential loans that don't comply with sectors excluded under our policy.

Commercial lending by sector

Sector	Total balance	% of overall loan book
Accommodation and food services	\$0.2m	0.1%
Administrative and support services	\$3.7m	1.1%
Agriculture, forestry and fishing	\$3.9m	1.2%
Arts and recreation services	\$2.3m	0.7%
Construction	\$21.8m	6.6%
Education and training	\$1.7m	0.5%
Electricity, gas, water and waste services	< \$0.1m	0%
Financial and insurance services	\$26.2m	7.9%
Health care and social assistance	\$7.2m	2.2%
Information media and telecommunications	\$0.1m	0%
Manufacturing	\$5.4m	1.6%
Other services	\$3.1m	0.9%
Professional, scientific and technical services	\$1.1m	0.3%
Public administration and safety	\$0.1m	0%
Rental, hiring and real estate services	\$250m	75.4%

Commercial lending by sector, continued

Sector	Total balance	% of overall loan book
Retail trade	\$0.8m	0.2%
Transport, postal and warehousing	\$3.5m	1.1%
Wholesale trade	\$0.5m	0.2%
Total*	\$331.6m	100%

* Totals may vary due to rounding.

Loans to excluded sectors

As at 30 June 2023

In 2021, we updated our responsible banking policy to expand the range of sectors that we don't fund. This included adding the screen: "We do not provide new loans to businesses whose primary purpose is to train horses or greyhounds for the purposes of racing and for gambling and entertainment".

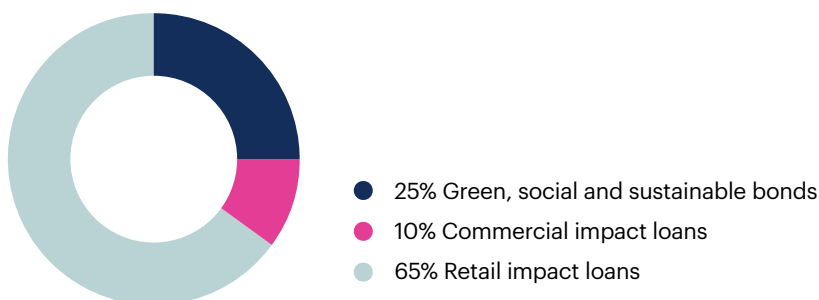
We have two older loan accounts that are classified as horse or dog racing that pre-date our responsible banking policy. The balance on these loan accounts has nothing outstanding as at 30 June 2023.

Impact finance assets, 2019-2023

We're committed to lending and investing with a positive impact for people and the planet. We're a member of the Global Alliance for Banking on Values (GABV), and we use the GABV Scorecard as the basis for classifying our impact finance assets into three categories based on the primary impact they have: people, planet or prosperity.

Impact finance assets	2023	2022	2021	2020	2019
Total balance	\$1,791.2m	\$1,390.2m	\$1,080m	\$746.1m	\$610.7m
% of total assets	17%	14.4%	12.8%	10.4%	9.6%

Our impact finance assets include loans for people, planet or prosperity, as well as investments from our liquidity portfolio in green bonds and sustainability bonds.



Impact finance assets continued, 2019-2023

Impact finance lending	2023	2022	2021	2020	2019
Total balance	\$1,340.3m	\$1,024.3m	\$756.0m	\$578.2m	\$487.1m
% of total loan portfolio	16.5%	13.7%	11.9%	10.4%	9.3%
People lending					
Total balance	\$157.3m	\$131.2m	\$148.3m	\$108.4m	\$115.4m
% of total loan portfolio	1.9%	1.8%	2.3%	1.9%	2.2%
Planet lending					
Total balance	\$627.8m	\$545.7m	\$488.8m	\$392.5m	\$324.7m
% of total loan portfolio	7.7%	7.3%	7.7%	7.0%	6.2%
Prosperity lending					
Total balance	\$555.2m	\$347.5m	\$119.0m	\$77.3m	\$47.0m
% of total loan portfolio	6.8%	4.7%	1.9%	1.4%	0.9%

Lending for people

Our people lending includes:

- commercial loans to community housing providers to help them build affordable and social housing for people who need it
- commercial loans and individual loans for specialist disability accommodation suited to people with complex care needs
- commercial loans to not-for profit community organisations that have a social focus.

People lending highlights in 2023 were:

- a loan to an affordable housing provider tackling homelessness and housing affordability in regional and rural Victoria
- new funding for Specialist Disability Accommodation (SDA) providers to develop new SDA residential properties in Victoria, Queensland, and across Australia.

Lending for planet

Our planet lending includes:

- commercial loans and home loans for sustainable housing developments
- commercial loans to make green upgrades to buildings
- commercial loans to not-for profit community organisations that have an environmental focus
- Clean Energy Home Loans
- home loans for construction (because we protect an equivalent amount of land on our conservation reserve)
- car loans (because we offset emissions associated with our loans), including discounted loans for low-emissions vehicles.

Planet lending highlights in 2023 were:

- a new loan for land restoration and conservation in regional Victoria
- new funding for an energy efficient residential property development in Melbourne
- allocated 414,937m² of land on our conservation reserve to ensure an area is protected that's equal to the size of the building lots of all the construction loans we financed during the year.

Lending for prosperity

Our prosperity lending includes:

- home loans as part of affordable housing initiatives such as the First Home Loan Deposit Scheme, the Victorian Homebuyer Fund shared equity scheme, the Home Smart Shared Equity Scheme, and ACT Land Rent
- home loans as part of Indigenous Business Australia's banking panel to support Aboriginal and Torres Strait Islander customers on their home ownership journeys.

Prosperity lending highlights in 2023 were:

- we continued to be an approved lender to support the Victorian Government's Victorian Homebuyer Fund shared equity scheme, which launched in October 2021. Since then, we have contributed to reducing affordability barriers for Victorians by funding over 800 homes
- we continued our banking panel partnership with Indigenous Business Australia to support Aboriginal and Torres Strait Islander customers to own their own homes
- we continued to support first home buyers enter the housing market through the First Home Loan Deposit Scheme, helping 116 customers purchase their first home during the year.

A selection of our people, planet and prosperity loans have been used to underpin Bank Australia's sustainability bonds. We have issued \$560m of sustainability bonds since our first bond in August 2018. In 2023, we also piloted an Impact Term Deposit, which was underpinned by a selection of our people, planet and prosperity loans.

Our liquidity portfolio

We hold money in liquid investments to ensure we have access to a sufficient amount of money to meet our customers' needs, as well as the requirements of our regulator, APRA. These investments include bonds from other banks, governments and other organisations.

When they are available, we prioritise green, social and sustainability bonds and we're working to increase the share of these in our total liquidity portfolio.

Measuring our impact

We're committed to measuring and reporting on the impact of our people, planet and prosperity assets.

As a member of the GABV since 2012, we've been on this journey for a while. Each year we complete the GABV Scorecard that tracks our share of people, planet and prosperity assets and compares us to other values-based banks around the world. We also map our impact finance assets to the United Nations Sustainable Development Goals (SDGs).

The SDGs are 17 global goals set by the United Nations with a target date of 2030. They are described as a blueprint to achieve a better and more sustainable future for all, and each goal includes specific targets for the world to work towards.

In developing our impact finance strategy, we used the SDGs as a reference point and identified five key goals that aligned with both our capabilities and the positive impacts our customers want to see.

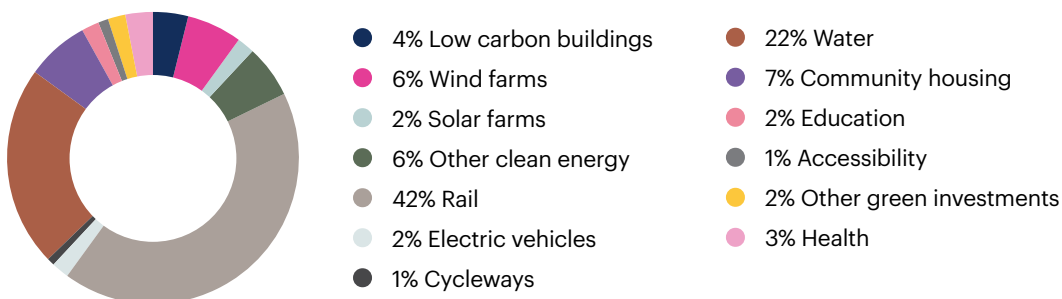
We map our impact finance portfolio against the 17 SDGs, reviewing the expected impact of all loans and investments against alignment with SDGs and their targets. The breakdown of our impact finance assets according to the primary SDG they are aligned to is shown right.



Green social and sustainability bond investments

	2023	2022	2021	2020	2019
Total value	\$449.6m	\$365.9m	\$324.2m	\$168.9m	\$123.6m
% of total investment securities	22.6%	19.1%	17.5%	12.3%	13.9%

The proceeds of our investments in green, social and sustainability bonds are allocated to the sectors below.



Examples of how we map our key areas of lending against their contribution to the SDGs are below.

Example lending area	SDG	Target	Rationale	Example indicators
Commercial Loan – community housing	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	Housing affordability in Australia continues to decrease, leaving populations in need of safe and high quality accommodation. Community Housing Providers build and operate social and affordable housing for people who can't access the private rental market.	Number of loans provided to community housing providers Number of homes built Number and % mix of individuals and populations served
Clean energy home loan	7 Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency	Homes in Australia are not generally built to high standards of energy efficiency. By providing an incentive to customers to build or buy green homes, or make ambitious green upgrades to their homes, this product contributes to the rate of improvement in energy efficiency.	Energy rating of homes financed Green upgrades made Carbon emissions saved

Loan impact assessment

We complete loan impact assessments for all new commercial impact loans, as well as for new retail impact programs.

Our impact lending team completes an assessment for each new commercial loan or retail program, considering how the business or the project aligns to the GABV's people-planet-prosperity framework and to the SDGs. To assess the expected impact of a loan, we draw on the impact management project's five dimensions of impact – what, who, how much, contribution and risk.

Appendix 7: Climate action

Bank Australia makes disclosures on climate each year, including this appendix. In 2023, we have used the Taskforce on Climate-related Financial Disclosures (TCFD) framework, splitting disclosures into sections on governance, strategy, risk management, metrics and targets.

The TCFD framework is outlined below.

TCFD area	TCFD recommended disclosure	Page reference in report
Governance	a) Describe the board's oversight of climate-related risks and opportunities	92
	b) Describe management's role in assessing and managing climate-related risks and opportunities	92
Strategy	a) Describe climate-related risks and opportunities the organisation has identified over the short, medium, and long term	93-95
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	92-95 (partial)
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	96-99 (partial)
Risk management	a) Describe the organisation's processes for identifying and assessing climate-related risks	96-99
	b) Describe the organisation's processes for managing climate-related risks	92-95
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	92-95 (partial)
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	100-107
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	100-107
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	100-103

Overview of governance of our climate action strategy

Board

Bank Australia’s Board charter states that all public commitments that Bank Australia makes are to be approved by the Board. This includes Bank Australia’s climate action strategy and related commitments.

Key commitments endorsed by our Board this year included our 2030 science based emissions reduction targets, which were then validated by the Science Based Targets initiative, and the decision to stop funding car loans for new fossil cars from 2025. Our Board’s annual strategy session included a deep dive into transition planning to meet our net zero by 2035 commitment.

Audit Committee

The Board’s Audit Committee is engaged regularly on climate and the approval of climate disclosures, including approval of the annual impact report.

Risk Committee

The Board’s Risk Committee is responsible for setting and approving Bank Australia’s risk appetite, including on climate risk.

Management

The Board delegates responsibility for implementation of the climate action strategy to management, including the Managing Director, Chief Impact Officer and Executive team.

Executive Responsible Banking Committee

Our Executive Responsible Banking Committee assesses and manages the implementation of the climate action strategy. The committee is chaired by Bank Australia’s Chief Impact Officer and includes all members of Bank Australia’s Executive. It meets every quarter and receives a report on the implementation of the climate action strategy at each meeting. Other Executive committees receive reporting on climate when it is relevant to their respective areas.

Climate Action Strategy Steering Committee

Our Climate Action Strategy Steering Committee was established in June 2022 to bring together senior leaders who have operational responsibility for implementation of the climate action strategy. It is chaired by the Head of Impact Management with Executive sponsorship from the Chief Impact Officer and participation from heads of department across areas including product, lending, risk, data, finance, corporate affairs and marketing.

Climate Risk Working Group

Climate Risk Working Group reports to the Climate Action Strategy Steering Committee. As outlined in the group’s charter, the working group is responsible for operationalising objectives from, and presenting planned items to, the Climate Action Strategy Steering Committee. This includes developing internal definitions, integrating climate risk, and developing a climate risk disclosure framework. The working group was established in November 2022 and membership includes representatives from finance, risk, impact and data.

Key roles

In 2023, Bank Australia continued building its capability to deliver on the climate action strategy, appointing a Manager Climate Action Strategy as well as establishing a new senior role in the data team focused specifically on climate, Senior Business Partner – Climate, which was filled in August 2023. This is in addition to the appointments of Chief Impact Officer and Head of Impact Management in 2022.

Strategy

As a customer-owned bank, we engage regularly with our customers on the social and environmental issues they care about. We know that action on climate is the number one issue for our customers and taking bold action is essential to live up to their expectations. That’s why in 2022, we launched our climate action strategy, which includes our target to reach net zero emissions by 2035.

Our strategy was developed to act on Bank Australia’s key climate-related risks and opportunities, including decarbonisation, climate justice, customer action, regenerative finance, the protection of nature and climate risk. Our strategy helps us respond to our customers’ concerns about climate action. The table below sets out progress against our ambitions in 2023, including links to relevant case studies in the main body of the report.

Our climate action strategy and progress we made in 2023

Ambition	Risks and opportunities	Progress in 2023
Decarbonisation		
<p>We will achieve net zero operations and portfolio by 2035</p>	<p>Reducing emissions is a core part of our climate action strategy. The largest share of our emissions come from our mortgage portfolio. As the grid decarbonises and more homes continue to install solar, the largest challenge we face is helping customers who own the homes we fund to move to all-electric. Given our strong presence in Victoria, a gas-heavy state, we need to place a strong focus on supporting households to switch from gas to electric appliances.</p>	<p>We continued to measure our financed emissions, and we saw a 5.6% decrease in emissions in our largest source – our mortgage portfolio. While the number of mortgages we funded grew in 2023, we grew our Clean Energy Home Loan, and we saw decarbonisation of the electricity grid have an effect. We describe this in more detail on pages 100-101 below.</p> <p>To measure our emissions, we still need to use estimated emissions from state-based data for most of the homes we fund. Working to improve this will be a focus for the coming year.</p> <p>For our Clean Energy Home Loans, we did capture some better data. This year we were able to build estimations for the Clean Energy Home Loan into our financed emissions model. It’s still not perfect – we need to make assumptions, but it’s part of our pathway to better understand the homes we fund. We explain the method we’ve been working on further on page 101. For a case study on our Clean Energy Home Loan, see page 37.</p> <p>We have worked to develop a pilot program to gain insights into how we can help customers to replace gas and make the transition to electrifying their homes as easy and accessible as possible. This is expected to launch in Spring 2023.</p> <p>We also made the commitment to stop funding car loans for new fossil fuel cars from 2025.</p> <p>For our operational emissions, we moved our head office closer to public transport and bike paths, which has reduced our staff’s reliance on cars to get to work. We also continued to buy 100% renewable electricity, which we started doing in 2019.</p> <p>Our overall operational emissions increased in 2023. The largest increase came from a new source – the fit-out from our new head office. While these emissions were due to a one-off event, we will continue to measure emissions from future fit-out activity we have.</p>

Our climate action strategy and progress we made in 2023, continued

Ambition	Risks and opportunities	Progress in 2023
We will have a validated 2030 science-based emissions reduction target	We know that it's important to have interim targets on the way to net zero to make sure we're on the right track. That's why we've committed to using the leading global standard for setting near-term emissions reduction targets from the SBTi to work out where we need to get to by 2030 to be aligned with a 1.5 degree scenario.	In 2023, we set 2030 targets to reduce emissions from a 2021 baseline. These were validated by the SBTi, making us the first financial institution in Australia to have our near-term targets validated by the SBTi. These science based targets apply to our operations, as well as our residential and commercial lending and corporate bond portfolios, which make up 82% of our lending and investment activities as of 2021. The targets are described in detail on pages 100-107, and there's a case study on page 61.
We will explore directly investing in projects that draw down emissions	Reducing emissions as far as we can needs to be our top priority. We do expect there to be a limited role for offsets in future. That's why we want to explore whether we can combine our expertise regenerating land on our conservation reserve with creating our own carbon offset projects.	In 2023, we started concept discussions with key partners to explore potential project types. In the year ahead, we will investigate key technical questions to assess project feasibility including how to structure a project.
Customer action		
We offer support and products to assist our customers to better understand and reduce their emissions	Our customers tell us that action on climate is their top priority, so we're planning to scale up ways to offer support and products to help our customers take collective action.	As described above, we have continued to grow our Clean Energy Home Loan and we've been working on a pilot to help customers electrify their homes. In 2023, we also piloted a way for customers to direct their deposits towards social and environmental projects, including energy efficient homes. Our Impact Term Deposit pilot is described in the case study on page 26.
Regenerative products and services		
We will be financing \$1.5b of clean energy transition and conservation by 2025	As a bank, funding regenerative products and services is an important part of our contribution to climate action. Currently, we fund <ul style="list-style-type: none"> Clean Energy Home Loans, and other green homes with a NatHERS rating of 7 stars or higher residential mortgages where we funded construction and are protecting an equivalent amount of land on our conservation reserve (includes homes that meet Climate Bonds Initiative criteria for Australia) loans for low-emissions vehicles loans for solar installations and energy efficiency upgrades loans for developing new green residential property loans for conservation projects investments in green bonds. 	As at 30 June 2023, we were financing \$954m of clean energy transition and conservation, which is an increase of 21% on 2022. In 2023, we expanded our impact lending team, building capacity to grow our commercial lending with a positive impact. Work is underway on a dedicated project exploring impact lending to climate opportunities in sectors such as renewables, battery storage, circular economy, built environment and mobility. This project is working with external experts to assess needs in the market against our capabilities and expertise.

Our climate action strategy and progress we made in 2023, continued

Ambition	Risks and opportunities	Progress in 2023
Protection of nature		
We are a leading voice on corporate conservation innovation to draw down carbon from the atmosphere, while protecting and preparing our conservation reserve for a warmer climate	Private land conservation is an important path forward to protecting more of the precious environment from development forever. We've been protecting land on our conservation reserve since 2008, and we want to share what we've learned to show that this is something other landholders in Australia can do too.	<p>Highlights for 2023 included:</p> <ul style="list-style-type: none"> • Working with partners to prepare a case study on the conservation reserve for inclusion in the Victorian State of the Environment 2023 Report's interpretative website. • Ecological and acoustic monitoring at conservation reserve, revegetation activities and community engagement. <p>Refer to appendix 8 for further information about activities on our conservation reserve in 2023.</p>
Climate justice		
We are actively supporting the economy in the Latrobe Valley as it transitions from fossil fuels	We've got a long history in the Latrobe Valley and we're still there. One of the larger credit unions that merged into what is Bank Australia today was the Enterprise Credit Union, the credit union for employees of Victoria's former State Electricity Commission. A third of our staff are based in the Latrobe Valley and we're committed to continuing to support the community as it transitions from fossil fuels.	In addition to our commitment as an employer in the region, we started engaging with initiatives focused on transition in the Latrobe Valley. This included sponsoring the inaugural Gippsland New Energy Conference.
We are seeking guidance and leadership from First Nations voices on climate action	<p>We know and recognise that First Nations voices can lead the way on climate action. We began our own Reconciliation Action Plan journey in 2010, becoming the first customer owned bank to develop a RAP. We still have a way to go but we're committed to the work we know we need to do.</p> <p>On our conservation reserve, we're continuing to engage with Barengi Gadjin Land Council.</p>	<p>We've partnered with Seed Mob, Australia's first Indigenous youth climate network who are leading solutions and striving for a safer, healthier and more just future for all.</p> <p>In 2023, we worked on developing our new First Nations reconciliation strategy.</p>
Climate risk		
We will assess, disclose, and manage the risk posed to our business by a changing climate	Climate change is here. We need to analyse the risks climate change poses to our business as a bank and lender. Following the framework of the TCFD, we're thinking about physical risk, like damages to homes we finance, transition risk, like changes in the economy as we transition away from fossil fuels, and liability risk, like failure to take appropriate action.	In 2023, we continued our focus on understanding physical risks to our mortgage portfolio, investigating the link between a changing climate and customers' insurance of their homes. When we lend to a customer for their home, insurance is a key way that we can be sure that a customer has some financial protection for events that may damage their homes. This protects our customers, and helps to make sure they will be able to pay their loans, which is important for us to manage as a bank that lends out its customers' money to other customers. We worked with Finity consulting to conduct an analysis of our current customers, which is described on page 62 and pages 96-99.

Risk management

Climate risk is captured in Bank Australia's risk appetite statement, which is subject to Board oversight. Our Head of Operational Risk holds an annual risk workshop with the Climate Risk Working Group to review and update how the risk is captured in our risk register.

Throughout the year, the Climate Risk Working Group continued to evolve our approach to identifying and understanding the risks posed to the bank from a changing climate. Given Bank Australia's largest share of lending is to residential mortgages, a strong focus to date has been in better understanding the physical risks that may impact customers, and how these may influence credit risk. To date, our focus has been on understanding risks to our existing portfolio. Future work will consider how we build climate risk considerations into our loan origination process.

In 2023, we worked with Finity consulting to build our understanding of the links between a changing climate and customers' home insurance, given insurance is a key way that we and our customers manage risk from climate events. A summary of our work with Finity is on page 62, and further detail is given below.

Background

Climate physical risk is related to the physical impacts of climate change, including the acute and chronic consequences of increasing temperatures driven by anthropogenic greenhouse gas emissions.

According to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), human-induced climate change is already affecting many weather and climate extremes in every region across the globe. Under the emissions scenarios considered, global surface temperatures will continue to rise until at least mid-century, and result in increasing frequency and intensity of extreme weather such as heatwaves, floods, tropical cyclones, storms, bushfires, coastal erosion and inundation. These changes will be exacerbated by rising sea levels driven by ocean warming and glacier and ice sheet melting.

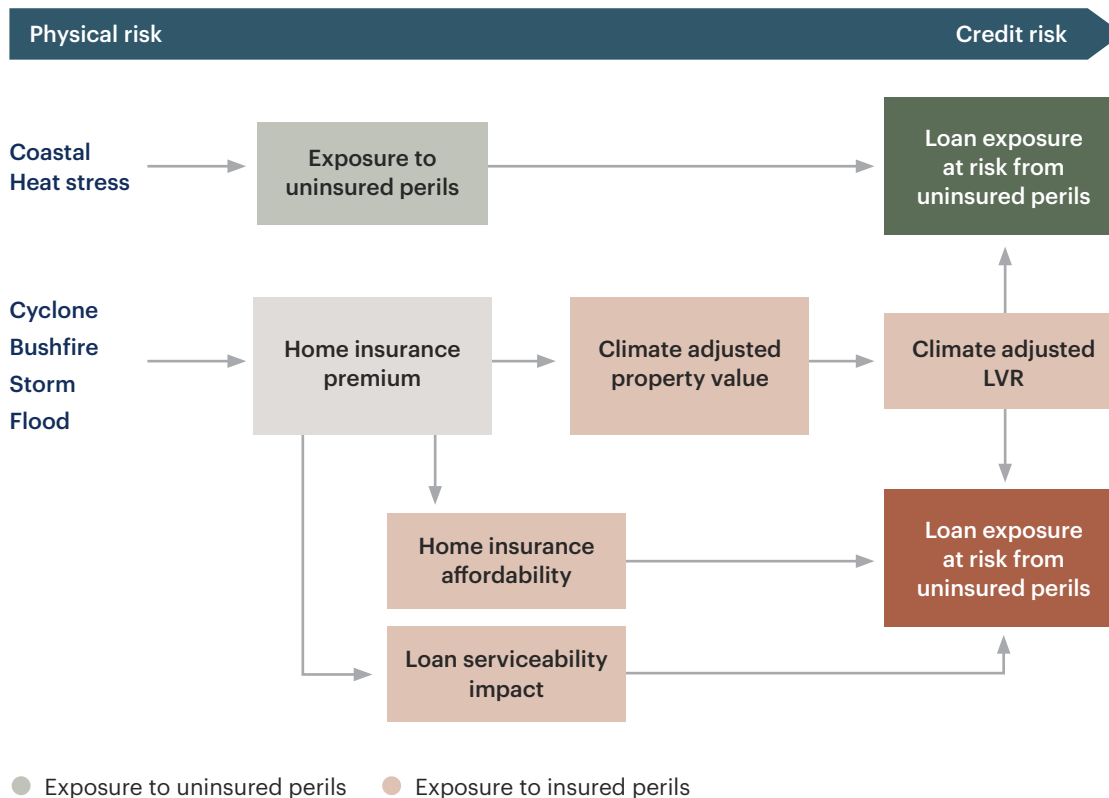
These changes in extreme weather are expected to impact some of our customers through damage to property, disruption to daily living activities, increased home insurance premiums, reduced property values, increased energy costs and additional property protection, adaptation and maintenance costs.

Over time these impacts have the potential to translate into increased credit risk for Bank Australia. Stress on household budgets can impact loan serviceability for members, while reduced property values can impact Bank Australia's security if customers defaulted on their loans. While we expect customers to maintain home insurance policies for mortgaged properties, unavailable or unaffordable insurance and exposure to uninsured risks can result in the bank being exposed to credit risk as a result of climate change.

Assessment of the impact of climate physical risk on Bank Australia's home loan portfolio

We engaged Finity consulting to perform a climate physical risk assessment of our mortgage book based on its models of the impact of climate change on extreme weather events. This analysis has been done for the home loan portfolio as at 30 June 2023 and under climate scenarios at 2030 and 2050.

In line with recommendations made by the Network for Greening the Financial System (NGFS) and the Australian Prudential Regulatory Authority (APRA), the IPCC's RCP2.6 and RCP8.5 scenarios were selected to represent the low and high end of the range of possible future emissions scenarios. These climate scenarios set out pathways for the emissions of greenhouse gases, their future atmospheric concentrations, and implications for climate physical risk. These scenarios are not forecasts, but describe the potential impacts depending on potential future emissions pathways. Actual future emissions, and the resulting impacts on climate physical risk, may differ from those included within the scenarios considered. It is also important to recognise that while the impact of climate change is well understood at a continental scale, there is greater uncertainty at the regional scale, and in particular at an



individual household level. The models used have made use of the best available information at this time. As our understanding of climate change improves over time, including through updates to the assessment reports by the IPCC, our understanding and assessment of climate physical risk is expected to improve over time.

Assessing the impact of climate risk on the bank requires translating physical risks for Bank Australia’s home loan portfolio into credit risk. The diagram above shows how this is done by quantifying at each point in time:

- the exposure to uninsured perils such as heat stress and coastal erosion and inundation
- the cost of home insurance, and the affordability of home insurance compared to income levels
- the impact of increasing home insurance premiums on loan serviceability and property values and loan to value ratios.

The increase in home insurance premium is converted into a serviceability impact by expressing it as an equivalent interest rate increase for that member. Under APRA guidance and as part of loan applications, the bank assesses if applicants can continue to service the loan if interest rates increase by at least 3%. Given that the current environment of rapidly increasing interest rates is likely to have eroded much of this initial serviceability buffer, we have identified loans where future increases in home insurance are equivalent to a 1% or higher interest rate increase, to identify loans that may be exposed to climate physical risk.

Home insurance affordability is measured by considering how much of the postcode average household income is needed in order to purchase home insurance. A home insurance premium that requires more than 5% of the average household income is considered to exert affordability pressures on the customer that could result in stress on the household budget.

The impact of climate risk on property value is quantified by capitalising the potential future increases in home insurance premiums due to climate change and deducting this from the property value. This subsequently flows on to produce the climate adjusted loan to value ratio (LVR). 80% and 100% were used as the two LVR thresholds for determining levels of overall climate physical risk.

As well as considering the impact of extreme weather events covered by insurance, exposure to coastal hazards and heat stress (through days where wet bulb globe temperatures¹ exceed 28°C) were identified, which are perils that may impact Bank Australia’s customers and are generally not covered by home insurance.

Loan exposure to climate risk is calculated where a loan meets any of the criteria shown below. These criteria consider exposure to uninsured perils and risk to serviceability – which affects probability of default; and risk to security as measured by the LVR – which relates to loss given default.

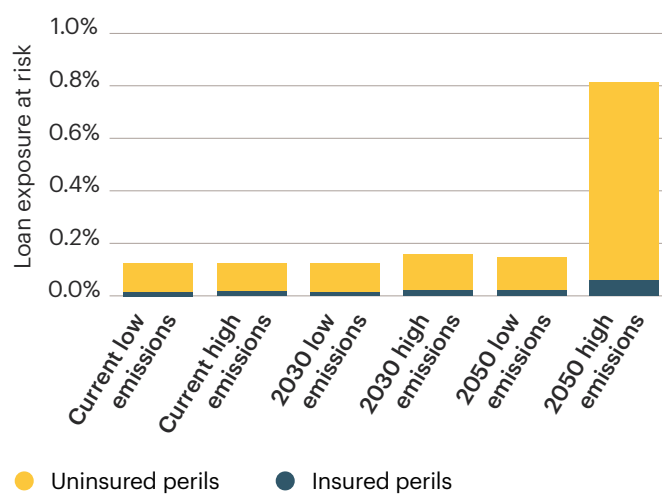
Criteria
Coastal inundation exposure or high / very high coastal erosion or heat stress more than 50 days per year and climate adjusted LVR exceeds 60%
Medium coastal erosion exposure or heat stress between 40 and 50 days per year and climate adjusted LVR exceeds 60%
Home insurance premiums greater than 5% of income and home insurance premium increase greater than a 1% interest rate shock and climate adjusted LVR exceeds 80%
Home insurance premiums less than 5% of income but home insurance premium increase greater than 1% interest rate shock, or home insurance premiums greater than 5% of income and home insurance premium increase less than 1% interest rate shock and climate adjusted LVR exceeds 100%

Under the low emissions scenario, less than 0.2% of Bank Australia’s loan exposure is at risk up until 2050. Under the high emissions scenario, the loan exposure at risk increases sharply at 2050, primarily as a result of heat stress, to reach 0.81% of the total loan exposure. This significant increase supports the need for bank

actions to support emissions reduction, which will be beneficial to both our customers directly and the financial position of their bank, as well as seeking to influence the broader system.

It should be noted that the loan exposures shown do not represent expected losses, as they reflect neither the probability of the scenarios eventuating nor the level of recovery were such an event to occur. Consistent with current international practice, it also assumes a static portfolio with no changes in the lending profile of Bank Australia over time.

Summary of Bank Australia’s exposure to credit risk as a result of climate physical risk



The relatively small proportion of the bank’s portfolio that is affected by climate physical risk reflects customer locations and the bank’s historic risk settings and appetite. While the risk to the bank’s overall loan exposure is relatively small, it is important to note that individual communities and members will still be significantly affected in regions with high exposure to each of the perils.

Finally, it should also be noted that this analysis does not consider climate transition risk or the wider impact of climate change on communities, which are expected to be significant especially under the RCP8.5 scenario. In particular, the home insurance affordability assessment assumes no real changes in household income.

¹ Wet bulb globe temperature considers the impact of heat on the human body, considering the combined impact of temperature, humidity, radiant heat, and wind

Climate physical risks Bank Australia’s current loan portfolio is exposed to

The geographic distribution of our current home loan portfolio significantly impacts the climate physical risks to which the bank is exposed. Almost half of our portfolio by loan exposure is located in Victoria, while a further 20% is located in New South Wales. Queensland makes up 12% of our exposure and the remainder of the portfolio is distributed across the rest of Australia.

This geographical distribution results in average annual loss estimates under the two emissions scenarios for insured perils as shown in the figure below. This gives an indication of the main insured perils to which our customers are exposed and how these are expected to shift under the high and low emissions scenarios in 2030 and 2050.

Storm represents the majority of the costs to which the portfolio is exposed. Under the scenarios considered, storms are broadly expected to become less frequent across Australia, but more severe when they do occur, with the overall impact being no change for Bank Australia’s portfolio.

Cyclone costs are comparatively low due to the concentration of Bank Australia’s portfolio in Victoria. Under the scenarios considered, the frequency of low category cyclones is expected to reduce, but the frequency of high category cyclones is expected to increase. Further, the scenarios we have considered include a southern ward expansion of cyclones into

northern NSW and southern WA. The climate physical risk to the bank and our members from cyclone is expected to increase significantly, especially under the high emissions scenario considered.

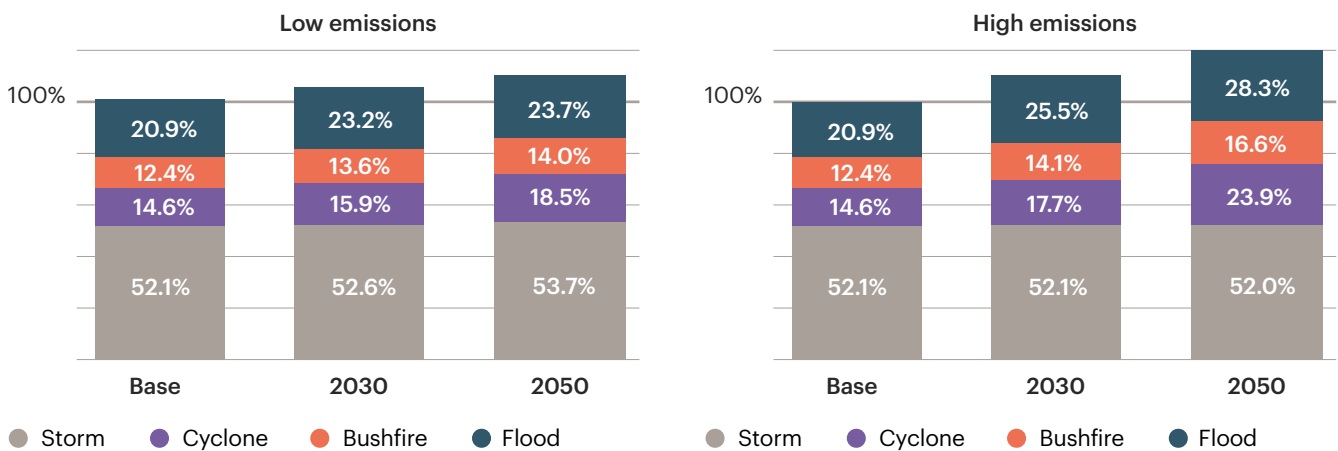
Flood and bushfire costs also increase significantly under the high emissions scenario and impact a greater proportion of the portfolio than cyclone. These perils are highly location specific and are therefore depend on the precise locations of the properties.

Next steps

Our assessment highlights that while Bank Australia’s loan exposure at risk per this methodology is currently relatively low, it is expected to increase over time with climate changes, and will be significantly higher unless global emissions are substantially reduced. It is important to note that this methodology sets out an interpretation of climate risk as credit risk based on property insurance affordability and exposure to specific uninsured perils. This relies on key assumptions about customers continuing to take out appropriate insurance coverage, or appropriate insurance being available. As we mature our approach to understanding physical climate risk over time, we expect that we will need to bring in further analysis of physical climate perils, actual insurance coverage and interaction with other drivers of credit risk like climate transition risk. This will assist us as we work towards building climate considerations into our loan origination process over time.

Projected annual average losses under low and high emissions scenarios

Total average annual losses in 2030 and 2050 indexed to 2023 base year; colours denote share of average annual losses attributable to each insurable peril



Metrics and targets

Climate finance target

Our climate action strategy has the ambition that we will be financing \$1.5 billion of clean energy transition and conservation by 2025.

As at 30 June 2023, we were financing \$954m of clean energy transition and conservation. Clean energy transition focuses on both renewable energy and energy efficiency. The asset types we include are:

- Clean Energy Home Loans, and other green homes with a NatHERS rating of 7 stars or higher, including from a previous version of our green home loan product
- residential mortgages where we funded construction and are protecting an equivalent amount of land on our conservation reserve (for homes built since 2015 to make sure they also have a good level of energy efficiency compared to the general market)
- loans for low-emissions vehicles
- loans for solar installations and energy efficiency upgrades
- loans for developing new green residential property
- loans for conservation projects
- investments in green bonds, where proceeds are used for renewable energy, low carbon buildings, low carbon transport and water.

Greenhouse gas emissions

We have the target to reach net zero by 2035 across our operations and our lending and investment portfolio, and this year we set our interim science based emissions reduction target for 2030 (from a 2021 baseline).

Emissions from our mortgage portfolio (scope 3)

The largest share of our emissions come from our lending portfolio from the homes that we assist our customers to build or buy. We're working with some of our customers to reduce their emissions from electricity and gas use via our Clean Energy Home Loan, which now represents nearly 2% of our total mortgage portfolio. We know we have work to do to reach a broader set of customers, which is why we've been developing a pilot to support customers to electrify their homes.

Methods for calculating emissions from the mortgage portfolio

To estimate these emissions for the majority of our mortgages, we have taken the number of properties we fund and the state they're located in, and multiplied them by average household scope 1 and 2 energy consumption per state from the Australian Energy Regulator, and emissions factors from the National Greenhouse Accounts Factors for emissions factors. According to the Partnership for Carbon Accounting Financials's (PCAF's) data quality scoring, these estimates have a data quality score of 5 (where 1 is best quality and 5 is lowest quality). The share of a property's emissions attributed to Bank Australia is taken based on the loan-to-value ratio, as per the methods from PCAF.

Absolute emissions from the mortgage portfolio, 2021-2023

Emissions source	2023 (tonnes CO ₂ -e)	2022 (tonnes CO ₂ -e)	2021 (tonnes CO ₂ -e)	% change since 2022	% change since base year
Mortgages total	72,778	77,131¹	75,570	-5.6%	-3.7%
From electricity	51,408	56,181	55,207	-8.5%	-6.9%
From gas	21,370	20,950	20,363	2.0%	4.9%

¹ Disclosed as 77,548 in 2022 Impact Report; reduced as Clean Energy Home Loans are now incorporated.

We know that to track progress against our targets over time, we're going to need better data. We'll be investigating options in future for getting more property specific data, and working with our customers to provide them with data insights that can motivate action.

For the mortgages that are on our Clean Energy Home Loan, we are capturing some better quality data that is enabling us to improve the quality of our data estimates. This data includes energy ratings (e.g. NatHERS rating) and/or information on installed technologies like solar, battery, double-glazed windows, insulation, heat pump hot water. Using this data gets us closer to having a PCAF data quality score 3 (where 1 is best quality and 5 is lowest quality), noting that we are still missing some elements to properly achieve a score of 3 (e.g. the home's actual floor space). In 2024, we will continue trying to improve this data quality score for homes where we capture home-specific information.

Absolute emissions from the mortgage portfolio

Absolute emissions from our mortgage portfolio decreased in 2023, despite the number of loans in our portfolio increasing during that period.

The decrease in emissions was driven mainly by decarbonisation of the electricity grid. As described above, we were also able to get better data for homes on our Clean Energy Home Loan product, which had lower emissions than the average home. We have updated our disclosure of 2022 mortgage emissions to include Clean Energy Home Loans, which reduced the emissions we disclosed in 2022 by 417 tonnes.

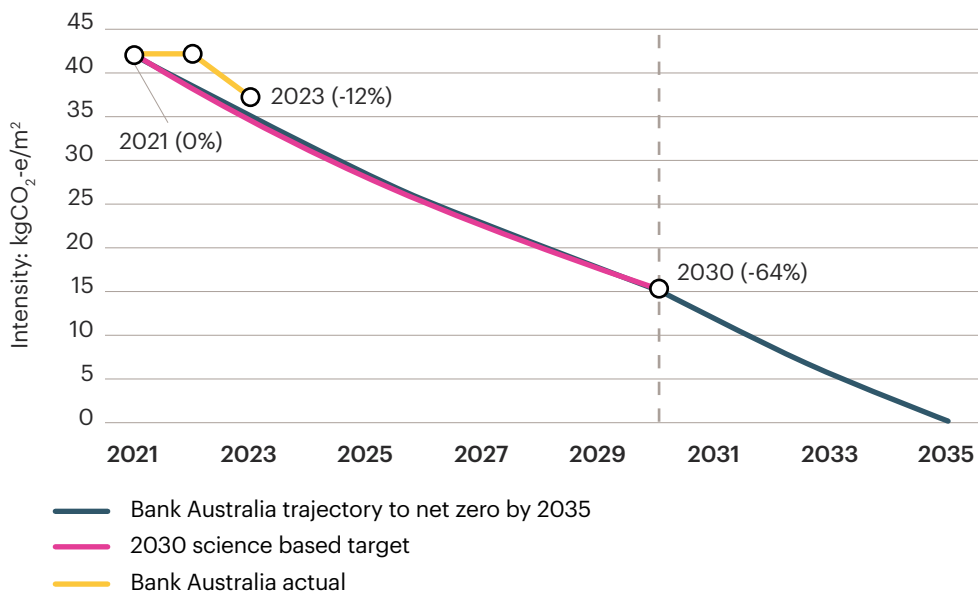
Intensity-based emissions from the mortgage portfolio

Our science based target for residential mortgages is an intensity target, based on kg of CO₂e per square meter. Our target is to achieve a 64% reduction by 2030 (from a 2021 baseline), before reducing further to net zero by 2035.

In 2023, our reduction against the 2021 base year was 12%.

Residential mortgage greenhouse gas emissions reduction target

Reduction per m²



Absolute emissions from the commercial real estate portfolio, 2021-2023

Emissions source	2023 (tonnes CO ₂ -e)	2022 (tonnes CO ₂ -e)	2021 (tonnes CO ₂ -e)	% change since 2022	% change since base year
Commercial real estate total	2,756	1,955	4,730	41.0%	-41.7%
From electricity	2,020	1,434	3,999	40.9%	-49.5%
From gas	736	521	731	41.3%	0.7%

Emissions from our commercial real estate portfolio (scope 3)

Methods for calculating emissions from the commercial real estate portfolio

To estimate the emissions from our commercial lending to real estate we have taken the number of properties we fund and the state they're located in. We have also identified whether the primary use is residential, commercial or industrial. We have multiplied the properties by average floor space for each property type and emissions estimates by state. These emissions estimates are from sources including: average household scope 1 and 2 energy consumption per state from the Australian Energy Regulator, average commercial building use from Energy Star and Sustainability Victoria, and emissions factors from the National Greenhouse Accounts Factors for emissions factors. According to PCAF's data quality scoring, these estimates have a data quality score of 5 (where 1 is best quality and 5 is lowest quality). The share of a property's emissions attributed to Bank Australia is taken based on the loan-to-value ratio, as per the methods from PCAF. We know that to track progress against our targets over time, we're going to need better data. We'll be investigating options in future for getting more property specific data, and working with our customers to provide them with data insights that can motivate action.

Absolute emissions from the commercial real estate portfolio

The absolute emissions from our commercial real estate portfolio have fluctuated since our base year, largely driven by the number of properties in the portfolio. In particular, larger changes have occurred where loans with multiple properties refinanced or we funded new

loans with multiple properties associated with them. Our 2023 absolute emissions from the commercial real estate portfolio increased by 41% since 2022; however, this still represents a 42% decrease since our base year. Decreases in emissions have also been driven by decarbonisation of the electricity grid.

Intensity-based emissions from the commercial real estate portfolio

Our science based target for commercial real estate is an intensity target, set based on kg of CO₂e per square meter. Our target is to achieve a 70% reduction by 2030 (from a 2021 baseline). In 2023, our reduction against the 2021 base year was 39%. The relative change in emissions (per m²) is shown below. The decrease has largely been driven by grid decarbonisation and some changes to property types and LVR given we are still using average emissions factors for commercial real estate.

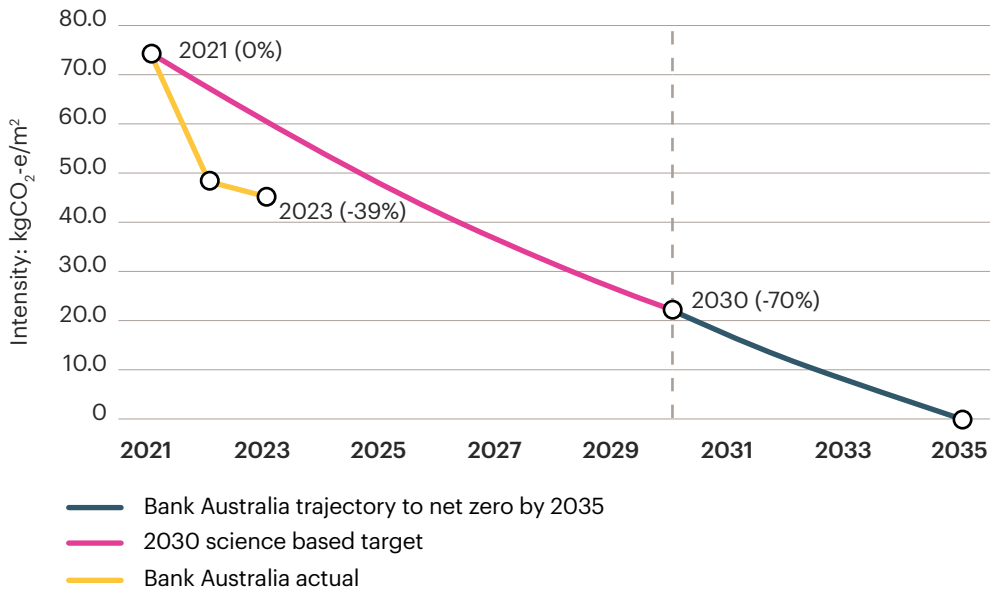
Operational emissions (scopes 1, 2 and 3)

Less than 4% of our emissions come from our operations, however reducing these emissions is still an important way for us to demonstrate our commitment to climate action. We're aiming to keep reducing our emissions from running Bank Australia (Scope 1 and 2 emissions) and throughout our supply chain (Scope 3).

Our science based target is an absolute 42% reduction by 2030 (2021 base year), and to continue purchasing 100% renewable electricity through 2030. In 2023, the emissions from our operations increased, largely driven by emissions associated with the fit-out of our new head office. We continued purchasing 100% renewable electricity, which started doing in 2019.

Commercial real estate greenhouse gas emissions reduction target

Reduction per m²



In 2023, our operational greenhouse gas emissions increased by +1,693.1 tCO₂-e, or +182.9% between 2022 and 2023, primarily driven by a rise in scope 3 emissions (+1,681.6 tCO₂-e, or +195.8%). We added new sources of emissions this year – emissions associated with Bank Australia’s head office site change and merchandise purchased for new staff and customers have been included for the first time in 2023. We moved into the new office in July 2022, and the emissions associated with this move include interior finishing, office furniture and IT equipment. We will continue to improve our facilities in ongoing years, and associated emissions will be reported under this category. Emissions associated with merchandise are primarily from clothing and similar branded material.

Scope 1 emissions rose by +11.5 tCO₂-e, or +17.2% despite a decline in emissions associated with gas consumption (-21.8 tCO₂-e, or -50.1%), reflecting the increased use of job needs and salary packaged vehicles as operations resumed pre-pandemic activity levels. The largest drivers for the rise in scope 3 emissions include a site change for Bank Australia’s head office and

associated site fit-out (1,159.8 tCO₂-e, see footnote 3), and a shift back to pre-pandemic activities associated with Air transport (+367 tCO₂-e, or +623.1%); Land and sea transport (+266.3 tCO₂-e, or +119.6%); Hotel accommodation (+53.1 tCO₂-e, or +136.7%); and Water (+7.4 tCO₂-e, or +186.6%), which were partly offset by declines in emissions from employees working-from-home (-134.5 tCO₂-e, or -59.9%). A rise in emissions associated with Paper (+5.9 tCO₂-e, or +1466.1%) is due to inclusion of new emissions sources (see footnote 3). A decline in emissions associated with Key suppliers (+62.7 tCO₂-e, -33.1%) is due to improving grid emissions factors, and a corrected calculation methodology (see footnote 4). A decline in emissions associated with Waste (-33.3 tCO₂-e, or -83.5%) is reflective of improved waste weighing and measurement methods, while a decline in emissions for gas base building and distribution is due to our head office site change.

The table below discloses our operational GHG emissions for the period 2019 – 2023.

Greenhouse gas emissions – tonnes of carbon dioxide equivalent (tCO₂-e)¹ 2019 – 2023

	2023	2022	2021	2020	2019	2022 to 2023 % change
Scope 1						
Land and sea transport	56.6	23.3	24.8	44.1	67.4	+143.3%
Gas consumption	21.8	43.6	47.8	57.7	52.3	-50.1%
Scope 1 subtotal	78.4	66.9	72.7	101.8	119.7	+17.2%
Scopes 2 + 3²						
Electricity consumption and distribution	0.0	0.0	0.0	0.0	982.0	0.0%
Scope 2 + 3 subtotal	0.0	0.0	0.0	0.0	982.0	0.0%
Scope 3						
Land and sea transport	488.9	222.6	144.1	370.8	540.7	+119.6%
Employees working-from-home	90.2	224.7	248.7	12.9	-	-59.9%
Air transport	425.9	58.9	31.5	170.8	234.7	+623.1%
Hotel accommodation	91.9	38.8	15.8	86.2	98.5	+136.7%
Water	11.4	4.0	1.8	2.8	3.0	+186.6%
Waste	6.6	39.9	27.2	62.6	65.5	-83.5%
Printing & stationery	31.9	11.6	21.1	14.5	25.8	+174.2%
Paper ³	6.3	0.4	12.4	0.0	0.0	+1466.1%
Postage	51.3	51.0	69.9	77.8	-	+0.7%
Merchandise ³	43.4	-	-	-	-	-
Base buildings	5.6	13.8	18.2	27.8	37.4	-59.7%
Site fit-out ³	1,159.8	-	-	-	-	-
Key suppliers ⁴	126.9	189.7	32.6	32.8	57.6	-33.1%
Gas distribution	0.2	3.4	3.7	4.2	4.0	-93.0%
Scope 3 subtotal	2,540.3	858.8	627.0	863.2	1067.2	+195.8%
TOTAL	2,618.7	925.6	699.7	965.0	2,168.9	+182.9%

Note:

- 1 Our greenhouse gas emissions are defined in the Greenhouse Gas Protocol:
 - Scope 1: direct emissions that we own or control (for example, owned motor vehicles)
 - Scope 2: indirect emissions, including emissions from the generation of purchased electricity
 - Scope 3: other indirect emissions that are a consequence of our activities but have sources that we do not own or control (for example, air travel).
- 2 In line with best practice and guidelines from the Greenhouse Gas Protocol and Climate Active, we have reported our electricity emissions in FY23, FY22, FY21 and FY20 using the Market-based approach. Estimates for FY19 use the Location-based approach which was the best methodology at the time. Bank Australia switched to 100% renewable electricity for the first full year in FY20, which was achieved for the fourth

consecutive full year in FY23. This commitment remains unaffected by this change in reporting standards.

- 3 New source included for the first time in FY23. Paper based merchandise products have been added to the Paper category for the first time in FY23.
- 4 Total emissions and scope 3 emissions were underreported in our 2022 Impact Report due to a miscalculation associated with our key supplier emissions. Key supplier emissions include electricity emissions from two providers of our key banking services, Data Action and Cuscal. Bank Australia is also a part owner in Data Action and Cuscal; our ownership share is used to estimate the proportion of the companies' total services we use. Our supplier's electricity consumption increased in 2022 with the inclusion of additional data centres. This consumption was underreported in 2022 by 108.1 tCO₂-e. We have offset an equal amount to correct for the error, and associated emissions have been updated in our 2023 report.

Renewable electricity

For the fourth full year running, we ran on 100% renewable electricity. Our electricity consumption is in line with our Scope 2 electricity consumption reported for our carbon neutral claim under Climate Active (using the operational control method to define our organisational boundary).

We use three methods of renewable electricity consumption, as per the RE100 Technical Criteria:

- direct consumption from on-site installations owned by Bank Australia (from solar panels at our head office and contact centre)

- direct procurement from a grid-connected generator (purchase of large-scale generation certificates directly from the generator under a power purchase agreement)
- unbundled energy attribute certificate purchase (voluntary purchase of large-scale generation certificates from our electricity retailers).

Our electricity consumption and renewable electricity use for 2023 is shown below.

Electricity source	MWh	Share of total FY2023 consumption
Behind the meter consumption of electricity generated	102	11%
LGC Purchased and retired (kWh) (including PPAs) ¹	509	57%
Jurisdictional renewables (LGCs retired) ²	96	11%
Jurisdictional renewables (Large Scale Renewable Energy Target) (applied to ACT grid electricity)	41	5%
Large Scale Renewable Energy Target (applied to grid electricity only) ³	139	16%
Total renewable electricity consumption	887	100%

Notes:

- 1 Serial number of large-scale generation certificates (LGCs) retired voluntarily: 103639-103670, 190249-190406, 40035-40205, 13682-13829
- 2 As per Climate Active guidelines, jurisdictional renewables refer to states and territories that have renewable energy targets over and above the Large Scale Renewable Energy Target requirement. In 2023, this refers to our ACT electricity consumption.

- 3 All electricity retailers are required to retire LGCs to meet the federal renewable energy target in line with the renewable power percentage set by the Clean Energy Regulator. In FY23, the renewable power percentage was 18.8%.

Offsetting the emissions associated with our operations

The offsets we have used were selected based on a combination of projects delivering strong co-benefits (WithOneSeed) and projects that provide lower priced offsets. [WithOneSeed](#) is a project that we have supported since 2018, which is a community forestry program in Timor-Leste.

Project description	Type of offset units	Registry	Date retired	Serial number	Eligible quantity (tCO ₂ -e)	Eligible quantity used for previous reporting periods	Eligible quantity banked for future reporting periods	Eligible quantity used for this reporting period	Percentage of total (%)
VER – WithOneSeed East Timor	VER	The Gold Standard Environmental Registry	2020-21	GS1-1-TL-GS4210-21-2020-21820-4553-5652	1100	767	0	333	13%
Watchbox conservation project, Victoria Stapled to Inner Mongolia Ximeng Zheligentu Wind Farm Phase I Project	VCU	VCS	2021-22	9651-115152188-115154487-VCS-VCU-259-VER-CN-1-849-01012018-20072018-0	2300	1343	0	957	37%
Renewable energy in Maharashtra by Sispara, India	VCU	VCS	2023-24	8457-21913276-21915275-VCS-VCU-997-VER-IN-1-1660-01012019-31102019-0	2000	0	672	1329	51%
Total offsets retired this report and used in this report									2619
Total offsets retired this report and banked for future reports									671

In 2023, we identified errors with offset units reported in our 2021 and 2022 Impact Reports and our corresponding Climate Active public disclosure statements, where the offsets stated in our Climate Active reporting were different to those in our Impact Report. Our published [2020](#) and [2021](#) Climate Active public disclosure statements contain the correct offset information and should be relied upon going forward as the correct register of offsets.

Offsetting the emissions associated with our car loans

Since 2004, we have been measuring and offsetting the emissions associated with each car loan we make, for the life of the loan. We know that we ultimately we need to transition to lower emissions vehicles, which is why in 2023 we made the commitment to cease funding car loans for new fossil fuel cars from 2025.

In 2023, the total emissions associated with our active car loans were 3,192 tCO₂-e. The offset units used to offset those emissions are described in the table below.

Type of offset units	Registry	Date retired	Serial number	Eligible quantity (tCO ₂ -e)	Eligible quantity used for previous reporting periods	Eligible quantity banked for future reporting periods	Eligible quantity used for this reporting period	Percentage of total (%)
CER	ANREU	2019-20	1,024,252,240 – 1,024,262,239	10,000	7,065	0	2617	92%
VCU	VCS	2022-23	8457-21893201-21896700-VCS-VCU-997-VER-IN-1-1660-01012019-31102019-0	3,500	3,437	0	63	2%
VCU	VCS	2023-24	8457-21915385-21916384-VCS-VCU-997-VER-IN-1-1660-01012019-31102019-0	1000	0	806	194	6%
Total offsets retired this report and used in this report								3192
Total offsets retired this report and banked for future reports								806

Notes:

1 We calculate emissions associated with each car loan based on average vehicle emissions factors and average kilometres travelled (sources: National Greenhouse Accounts Factors and Australian Bureau of Statistics). For each car loan, we use the average vehicle emissions factor multiplied by the share of the year that the car loan was active.

Restatement of 2021 car loan offsets: In 2021, 270 carbon offset units reported against our car loan offsets were incorrectly taken from a batch of VCUs labelled with serial numbers 9651-115152188-115153787-VCS-VCU259-VER-CN-1-849-01012018-20072018-0. These 270 units were correctly taken from the batch of CERs described above with serial numbers 1,024,252,240 – 1,024,262,239

Corporate bonds, and corporate loans: electricity generation

Corporate bonds

Our current science based target is for 21% of corporate bonds (by total value held) to be covered by science based targets by 2025, with 47% covered by 2030. We invest in bonds from other Australian banks as part of managing our liquidity. At the time we set this target, two banks whose bonds we invest in had made commitments to setting validated science based targets. However, many banks in Australia are now setting targets using target setting methods from the Net Zero Banking Alliance. In 2024, we will engage with the banks we invest in to understand the feasibility of our current target setting method and whether to consider an alternative method permitted under a validated science based target.

Corporate loans: electricity generation

Our science based target for corporate loans: electricity generation is to continue financing only renewable electricity through 2030. We did not make any new corporate loans for electricity generation in 2023.

Appendix 8: Bank Australia conservation reserve

We continue to work with our partners Greening Australia and Trust for Nature to manage the Bank Australia conservation reserve. Our reserve received funding of \$656,530 from the Bank Australia impact fund in 2023, up from \$397,200 in 2022. This increase in spend was due to the big spring monitoring project undertaken by Greening Australia over the past year.

In 2017, we set out our Reimagining the Future, 10-year strategy. Each year we report on our progress against the five action areas. Where targets dates have passed we continue to report against progress.

Our progress against the 10 year strategy in 2023

Action area	Objectives	Progress in 2023
Wildlife and land conservation	<p>1.1, 1.2</p> <p>By 2026, we will maintain or improve the quality of at least 600 hectares of our conservation reserve to support and increase the populations of up to five existing threatened plants and four existing threatened animals, which have been identified through baseline ecological monitoring.</p>	<p>In 2023, in partnership with our delivery partners, Greening Australia and Trust for Nature, we have undertaken flora and fauna surveys to assess how the reserve is changing over time, and whether native animals and plants are becoming more diverse and abundant in the revegetated and remnant areas. The results of this will inform how we are tracking against our 'Reimagining the Future' plan. Preliminary results indicate we are on track and have improved the habitat quality of much of the 600 hectares objective through revegetation, weed control and pest animal control. Preliminary results of the monitoring program also reconfirmed the presence of the following threatened wildlife at locations where they had not been seen before through the reserve: Fiery Jewel butterfly, the Hooded Robin, and the South-Eastern Red-Tailed Black Cockatoo. Habitat restoration efforts support the recovery of the threatened flora at the reserve including Buloke, Buloke mistletoe, Wimmera Mallee-box, Tufted grass-tree, Yam daisy and Colourful Spider-orchid.</p>
	<p>1.3</p> <p>By 2026, we will extend and enhance the condition of existing revegetation across 200 hectares of previously degraded land in our reserve to provide habitat for at least five other wildlife species, which will be identified through baseline ecological monitoring.</p>	<p>In 2023, additional infill planting was completed across 40 hectares of the 190 hectares planted last year by our delivery partner Greening Australia. Infill planting replaces dead plants or plants that are not growing very well with the aim of achieving adequate tree canopy cover to resemble remnant woodland. We are well on track to achieve the 200 hectares aim of improved revegetation condition by 2026 and have commissioned additional revegetation for the 2024 financial year.</p>
	<p>1.4</p> <p>By 2020, social and Indigenous ecological knowledge will be integrated into the management of our reserve.</p>	<p>In 2023, monitoring of the ecological and cultural benefits of re-introducing traditional cultural burning practices to the reserve continued. Engagement and planning was undertaken with Traditional Owners for the next cultural burn. Culturally suitable plants were purchased from the Dalki Garringa nursery managed by the Barengi Gadjin Land Council (BGLC) with the aim to maintain traditional ecological knowledge and connectedness to the reserve.</p>

Action area	Objectives	Progress in 2023
Climate change resilience	<p>2.1, 2.3</p> <p>By 2026, the current extent of our conservation reserve system will be revegetated with native species, and managed to maximise both habitat and biodiverse carbon storage.</p>	<p>In 2021 we purchased Salvana, a 1100 hectare property previously managed for grazing and conservation. This purchase doubled the size of our reserve and also increased the area of degraded land that requires revegetation. Over 2022, 190 hectares of Salvana was revegetated but we still have a long way to go to completely fill all of the gaps requiring restoration. As we progress towards this goal we are taking a pragmatic approach and undertaking infill planting where we can, targeting pest plant control to focus on invasive weeds, and undertaking pest animal control across the properties. These efforts enhance existing habitat and maintain native vegetation in a healthy form so as to maximise carbon storage and sequestration.</p>
	<p>2.2</p> <p>By 2026 our conservation reserve will provide critical habitat for up to four identified threatened wildlife species, based on 2050 climate models. The species will be identified through baseline ecological monitoring.</p>	<p>The results of the big spring monitoring program are still being reviewed with a final report expected towards the end of the 2023 calendar year. We believe this objective will be achieved as preliminary results already indicate further distribution of habitat and threatened wildlife records through the reserve including Fiery Jewel butterfly, the Hooded Robin, and the South-Eastern Red-Tailed Black Cockatoo. There is potential that habitat for Diamond Firetail and Crested Bellbird is also expanding with the increase in our restoration and revegetation efforts</p>
Engaging the community	<p>3.1</p> <p>By 2020, Indigenous land management practices and stories will be implemented and celebrated within our conservation reserve.</p>	<p>We continued to monitor the ecological benefits of previous cultural burns carried out on-site, and listened to Traditional Custodians to identify new avenues for their engagement with the land. Engagement and planning was undertaken with BGLC for the next cultural burn and will be expanded to future land stewardship options over the coming years</p>
	<p>3.2</p> <p>Each year we will run one project at our conservation reserve that ties in with an identified social priority of our customers other than conservation (for example, supporting people with a disability or refugee communities).</p>	<p>This objective was placed on hold over 2023 as we designed our four impact priority areas that now include climate action, nature and biodiversity, reconciliation, and affordable and accessible housing. These four areas will guide the implementation of this goal in future years.</p>

Action area	Objectives	Progress in 2023
	<p>3.3</p> <p>Each year until 2021 we will engage the local community, including children, with our conservation reserve.</p>	<p>In 2023, our community engagement has focused on maintaining good relationships with our existing neighbours, and other local stakeholders including Parks Victoria and the Department of Energy, Environment and Climate Action. We provided donations to each of the surrounding CFA brigades as a thank you for their support to the local community.</p>
Demonstrating corporate environmental leadership	<p>4.2</p> <p>By 2021 Bank Australia will have partnerships with at least three research institutions and/ or conservation networks relating to the conservation reserve.</p>	<p>Research is often conducted on the reserve and requires multiple partners and collaborators. These partners and collaborators have included The Red-tailed Black Cockatoo Recovery Team, the Australian Acoustic Observatory, the Queensland University of Technology, Parks Victoria and the Department of Energy, Environment and Climate Action, all supported by Greening Australia and Trust for Nature. The Nature Glenelg Trust were also engaged by our partners to assist with the ecological monitoring program in 2023.</p>
	<p>4.1</p> <p>At least once each year Bank Australia will inform a banking industry or corporate audience about the conservation reserve, such as through a conference, presentations, visit or publication.</p>	<p>Bank Australia, Trust for Nature and Greening Australia worked together to prepare a case study on the conservation reserve for inclusion in the Victorian State of the Environment 2023 Report's interpretative website. The report is expected to be released publicly in the second half of 2023.</p>
Delivering value to Bank Australia and our customers	<p>5.1</p> <p>By 2021, 60% of Bank Australia's customers will be aware of our conservation reserve.</p>	<p>In 2023, we shared stories about our conservation reserve and relevant partners through channels including social media, our website and blog, and internally with staff.</p> <p>Our Customer values survey (conducted in March 2023) found that 57% of customers are aware of the conservation reserve.</p>
	<p>5.2</p> <p>Every year there will be a greater number of customers who identify our conservation reserve as being a factor in deciding to join Bank Australia.</p>	<p>Protecting nature and biodiversity is the second most important social and environmental issue of concern for our customers behind acting on climate change (Customer values survey, 2023).</p> <p>We do not collect specific data on the conservation reserve as a factor in deciding to join Bank Australia.</p>
	<p>5.3</p> <p>Each year 10% of our staff will have visited our conservation reserve and be able to share their stories with customers.</p>	<p>In 2023 3% of our staff attended the conservation reserve. This activity is still recovering from uncertainties in relation to the pandemic and floods during Spring 2022. An extra focus will be placed upon achieving this goal in 2024 with the commencement of a dedicated Manager of Nature and Biodiversity in May 2023.</p>

Appendix 9: EY statement of assurance

Every year we engage an independent auditor to review our Impact Report as part of our commitment to transparency.

Involving an independent third party also improves confidence for our Board, senior management, staff, customers and readers over the accuracy and completeness of disclosed information.

The rigorous process also helps to improve our internal reporting processes year on year.

EY provided limited assurance over our materiality process and selected performance metrics disclosed in our 2023 Impact Report. This is the tenth report for which they have provided assurance for us. Details of the metrics that EY tested and the procedures they performed are given in the assurance statement in this appendix.

Each year we select several metrics to undergo assurance. We base this selection on our material topics and aim to rotate through these metrics depending on the focus of current initiatives, level of complexity of the data and potential or perceived risk.

In 2023 we increased the number of metrics that were included in the assurance scope, including metrics that had not been assured previously.

Independent Limited Assurance Statement to the Management and Directors of Bank Australia Limited ('Bank Australia')

Our Conclusion

Ernst & Young ('EY', 'we') were engaged by Bank Australia to undertake a limited assurance engagement as defined by Australian Auditing Standards, hereafter referred to as a 'review', over the Subject Matter defined below for the year ended 30 June 2023. Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe the Subject Matter has not been prepared, in all material respects, in accordance with the Criteria defined below.

What our review covered

We reviewed the following Subject Matter:

- Bank Australia's materiality process including the way Bank Australia identified material topics and the appropriate disclosure of these material topics in the Report
- A selection of performance metrics, as shown in the table below:

Criteria applied by Bank Australia

Selected Performance Metrics	Report Section
We don't lend to the tobacco industry	Impact Finance, p.32
We don't lend to fossil fuel industry	Impact Finance, p.32
We fund inclusive and community housing	Impact Finance, p.22; Measuring our impact, p.90
We fund clean energy transition and conservation	Impact Finance, p.32; Appendix 7: Climate action, p.94; Appendix 7: Climate action, p.100
Amount of funding contributed to the Bank Australia impact fund 2019 - 2023	Appendix 5: Bank Australia impact fund, p.82
Operational carbon offsets	Appendix 7: Climate action, p.106
Car loan offsets	Appendix 7: Climate action, p.107
By 2026, we will extend and enhance the condition of existing revegetation across 200 hectares of previously degraded land in our reserve to provide habitat for at least five other wildlife species, which will be identified through baseline ecological monitoring	Appendix 8: Bank Australia conservation reserve, p.108
Staff engagement score	2023 in numbers, p.3; Our goals and key performance indicators, p.14; Appendix 4: Our people and culture, p.79
Customer complaints	Listening to our customers, p.28; Appendix 3: Our customer profile, p.77
Scope 1, 2 and 3 emissions, including selected financed emissions (scope 3 category 15 emissions)	Appendix 7: Climate action, p.100-104

Criteria applied by Bank Australia

In preparing the materiality approach, Bank Australia applied the Global Reporting Initiative (GRI) principles for defining report content for materiality. In preparing the Selected Performance Metrics, Bank Australia applied Criteria as detailed in the Report, including those defined by management, the Climate Active Standard and Partnership for Carbon Accounting Financials (PCAF).

Key responsibilities

EY's responsibility and independence

Our responsibility is to express a conclusion on the Subject Matter based on our review. We have complied with the independence and relevant

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ethical requirements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bank Australia's responsibility

Bank Australia's management is responsible for selecting the Criteria, and for presenting the materiality process and selected material topics; and fairly presenting the associated Selected Performance Metrics in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Our approach to conducting the review

We conducted this review in accordance with the Australian Auditing and Assurance Standards Board's *Australian Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000'), *Assurance Engagements on Greenhouse Gas Statements* ('ASAE 3410') and the terms of reference for this engagement as agreed with Bank Australia on 19 May 2023. That standard requires that we plan and perform our engagement to express a conclusion on whether anything has come to our attention that causes us to believe that the Subject Matter is not prepared, in all material respects, in accordance with the Criteria, and to issue a report.

Summary of review procedures performed

A review consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other review procedures.

The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error. The procedures we performed included, but were not limited to:

- Conducted interviews with personnel to understand the business and reporting process
- Conducted interviews with key personnel to understand the process for collecting, collating and reporting the Subject Matter during the reporting period
- Assessed that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the Criteria
- Undertook analytical review procedures to support the reasonableness of the data
- Identified and tested assumptions supporting calculations
- Tested, on a sample basis, underlying source information to assess the accuracy of the data

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our review conclusion.

Inherent Limitations

Procedures performed in a review engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a review engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

Our procedures did not include testing controls or performing procedures relating to assessing aggregation or calculation of data within IT systems.

The GHG quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation and measurement uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

Other matters

Our report does not extend to any disclosures or assertions made by Bank Australia relating to future performance plans and/or strategies disclosed in the Impact Report.

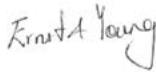
Use of our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of Bank Australia or for any purpose other than that for which it was prepared.

Our review included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.



Terence Jeyaretnam FIEAust
Partner
Melbourne, Australia
28 September 2023



Ernst & Young

Glossary

Term	Description
arrears	The repayment that is still outstanding after the payment due date has passed
Australian Credit Licence (ACL)	Authorisation to provide services as a credit provider in Australia. National legislation defines credit activity, including activity related to credit contracts, consumer leases, related mortgages and guarantees, and credit assistance services
authorised deposit-taking institution (ADI)	Corporations authorised under the <i>Banking Act 1959</i> (Cth), including banks, building societies and credit unions that must meet certain criteria
Australian Financial Services Licence	Authorisation to offer and provide consumers with specified financial products and services in accordance with ASIC compliance standards
Australian Prudential Regulation Authority (APRA)	An independent Commonwealth statutory authority that administers the <i>Banking Act 1959</i> (Cth) and sets prudential requirements for ADIs, including monitoring their lending activities
Australian Securities and Investments Commission (ASIC)	An independent Commonwealth statutory authority that protects consumers, investors and creditors by licensing and monitoring financial services organisations and their representatives. ASIC regulates mutual ADIs as companies under the <i>Corporations Act 2001</i> (Cth)
capital adequacy ratio	The percentage of a bank's adjusted capital compared to its risk-weighted assets, as per Prudential Standard APS110
Clean Energy Home Loan	Our loan product that incentivises customers to create more sustainable homes. Customers are rewarded with a discount on their mortgage for buying, building or upgrading an energy efficient home
Cuscal	An ADI regulated by APRA, which provides payment services to Australian mutual ADIs
customer	An account holder. Customers also hold one share in Bank Australia
cybersecurity/information security	The preservation of the confidentiality, integrity and availability of the bank's information assets including customer and financial data assets
Global Reporting Initiative (GRI) Standards	The current version of global voluntary guidelines for companies to report their sustainability performance and workplace practices
hardship	Unexpected circumstances where a borrower requires financial hardship assistance from the bank which may include a repayment pause or a loan restructure
incident (occupational health and safety related)	An occupational health and safety (OH&S) event that affects staff but does not result in physiological or psychological change. It includes when a person or process is impacted by a hazard (for example, when a person trips on a broken floor tile). It does not include near misses (for example, when a plywood sign falls from its mounting but does not hit a person). The total number of incidents includes injury numbers
impact finance	Finance that is mobilised to create measurable positive social and/or environmental impact, while delivering a return on investment
Inflation	An increase in the level of prices of the goods and services that households typically buy
Liquidity	The availability of cash in the near future after taking account of financial commitments over this period

Term	Description
materiality	In this report materiality is the threshold at which issues become sufficiently important that they should be reported according to the GRI materiality principle
mutual bank	A bank that evolved from the credit union movement and is guided by the seven International Cooperative Principles. Customer owned banks exist to benefit their customers, not to deliver profits to external investors
net profit after-tax	The amount of profit achieved after tax
percentage of loan portfolio in arrears	The percentage of delinquent loans 30 days or more in arrears to the total loan portfolio. This includes delinquent loans greater than or equal to 90 days past due that are categorised as non-performing loans
responsible banking policy	Our Board-approved policy that sets out what we do and don't fund

Abbreviations

Term	Description	Term	Description
ABA	Australian Banking Association	FTE	Full-time equivalent
ACCC	Australian Competition and Consumer Commission	km	Kilometres
ACL	Australian Credit Licence	kWh	Kilowatt hours
ACN	Australian Company Number	LGC	Large-scale generation certificate
ADI	Authorised deposit-taking institution	MJ	Megajoules
AFCA	Australian Financial Complaints Authority	NatHERS	Nationwide House Energy Rating Scheme
APRA	Australian Prudential Regulation Authority	NDIS	National Disability Insurance Scheme
ASIC	Australian Securities and Investments Commission	PCAF	Partnership for Carbon Accounting Financials
BCCM	Business Council of Cooperatives and Mutuals	RAP	Reconciliation Action Plan
BEAR	Banking Executive Accountability Regime	RBA	Reserve Bank of Australia
COBA	Customer Owned Banking Association	SBTi	Science Based Targets initiative
EY	Ernst and Young	SDA	Specialist Disability Accommodation
GABV	Global Alliance for Banking on Values	SDG	Sustainable Development Goal
GRI	Global Reporting Initiative	tCO₂-e	Tonnes of carbon dioxide equivalent
GST	Goods and services tax	TCFD	Taskforce on Climate-related Financial Disclosures
		WGEA	Workplace Gender Equality Agency

The company we keep

Who we choose to partner with, the organisations we join as members and the certifications we seek are integral to building trust in our brand and our continued growth as a purpose-driven, responsible bank. We also partner with organisations that share our values, which helps us to raise awareness of social and environmental issues and work towards shared goals.



The Global Alliance for Banking on Values (GABV). The GABV is an international network of financial institutions that use the business of banking to create social and environmental good.



We're a certified B Corp, which means we're part of a community of over 4,000 organisations committed to having a positive impact on the world.



We're active in banking and mutual sector industry forums as a member of the Customer Owned Banking Association (COBA), the Australian Banking Association (ABA) and the Business Council of Cooperatives and Mutuals (BCCM).

