Climate action strategy

Bank Australia

Certified B Corporation

Acknowledgement of Country

At Bank Australia we respectfully acknowledge the Traditional Custodians of all the lands across the country 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 sovereignty has never been ceded.

We acknowledge the Wotjobaluk, Jaadwa, Jadawadjali, Wergaia and Jupagalk peoples of the Wotjobaluk Nations as the Traditional Owners and Custodians of the land where the Bank Australia conservation reserve is located.

We work in partnership with the Barengi Gadjin Land Council, which represents the Wotjobaluk Nations, in the stewardship of the reserve and thank them for their guidance and wisdom.

Photo credit: @Salty_one_here

Salty One AKA Lowell Hunter is a Multi-award winning Creative Sand Artist, 2022 National NAIDOC Award Winner.

'Bunjil's Way' is a story that represents Lore, Connection to Country and ourselves. When you stay strong in Culture and honour the Old people then this will keep you on the right path in life. Continue to be guided by Bunjil the Great Wedge Tailed Eagle.

Location: Anglesea, VIC. **Country:** Wadawurrung

Message from our Chair and Managing Director

Jennifer Dalitz
Chair

Damien Walsh
Managing Director

Climate change is the defining issue of our time. Science tells us that decisive action this decade is imperative to secure a safe and prosperous future for both people and the planet.[1]

We aim to take ambitious climate action on behalf of our customers, and we believe that leading purpose-driven businesses can help shift the conversation and demonstrate what can be done.

We've long had a position around not lending to the fossil fuel industry, and in 2022 we launched the first version of our climate action strategy with a net zero by 2035 target. Since then, we've also launched our nature and biodiversity strategy and First Nations Recognition and Respect strategy, which together aim to accelerate positive impact for people and planet.

This climate action strategy update in 2026 maintains our commitment to emissions reduction with a change from an overarching net zero by 2035 target to three 2035 gross emissions reduction targets for our residential mortgage portfolio, motor vehicle loan portfolio and operational emissions. These targets cover 98% of our reported emissions in 2026. Our strategy continues to acknowledge that reducing emissions is just the first step, and we're committed to demonstrating leadership to support climate advocacy and climate justice.

The 2026 strategy update also contains our climate-related transition plan across climate-related opportunities, risks and engagement for 2027-2029, which aligns to our strategic planning cycle.

Our climate ambition is supported by sustained effort and is continuously informed by both the successes and challenges we've had over the previous years. We've achieved and learned a lot about how we can support our customers to electrify and improve the energy efficiency of their homes, how we can best support climate advocacy, as well as how we can improve our understanding and management of climate risk.

We demonstrated our leadership by ceasing car loans for new fossil fuel cars from 2025, we've continued to offer our flagship Clean Energy Home Loan and we launched the Electrify Your Home program in 2024, a free initiative to support Bank Australia customers to get off gas at home.

We've maintained our responsible banking policy position to not lend to coal, gas or oil extraction or fossil fuel electricity generation. We continue to operate on 100% renewable electricity, which we started doing in 2019.

We've also partnered with a range of organisations addressing the climate crisis from different angles, with the collective aim of supporting a diverse range of communities in the energy transition while working towards a clean energy future for all.

We're committed to working hard to succeed on climate action, including through testing new approaches, working collaboratively, and transparently sharing our progress.

We know the challenge before us is enormous, but together with our customers we are committed to taking the climate action we know is needed.

We're grateful to you for continuing to support our commitment to climate action.

[1] IPCC AR6 Synthesis Report, 2023

Climate action strategy 2026-2035

Our purpose...

As a customer-owned bank, we believe banking can be a force for good and together we can have a positive impact on communities and the planet.

...is brought to life through our intersecting priority impact areas.

Climate action	Nature and biodiversity	First Nations Recognition and Respect	Affordable and accessible housing

To meet our climate action impact statement...

We take climate action on behalf of our customers. We know reducing emissions is just the first step – we're also demonstrating leadership to support climate advocacy and climate justice.

...we activate our focus areas to achieve measurable success that will drive the future we want to help build.

Focus areas	Metrics	Targets
Climate opportunities We aim to grow climate-aligned lending and to reduce emissions from our residential mortgage portfolio, vehicle loan portfolio and our operations.	% emissions reduction from 2026 base year % climate-aligned assets out of total assets	**Residential mortgage portfolio:** 70% emissions reduction by 2035 **Vehicle loans portfolio:** 40% emissions reduction by 2035 **Operational emissions:** 40% emissions reduction by 2035
Climate risks We will continue to evolve our approach to assessing, disclosing and managing the risk posed to the bank by a changing climate.	% and $ assets vulnerable to climate-related physical and transition risk	
Climate engagement We aim to engage with our customers, staff, suppliers, peers, governments and communities on climate. We support advocacy on all-electric, energy efficient and resilient homes and climate justice, including First Nations leadership on climate and a fair and inclusive energy transition.	$ impact fund support of climate action # impressions across our climate-related content and communications	

2035 residential mortgage portfolio emissions reduction target

Residential mortgages are the largest share of the bank's emissions and were 92% of the bank's reported emissions in 2026.

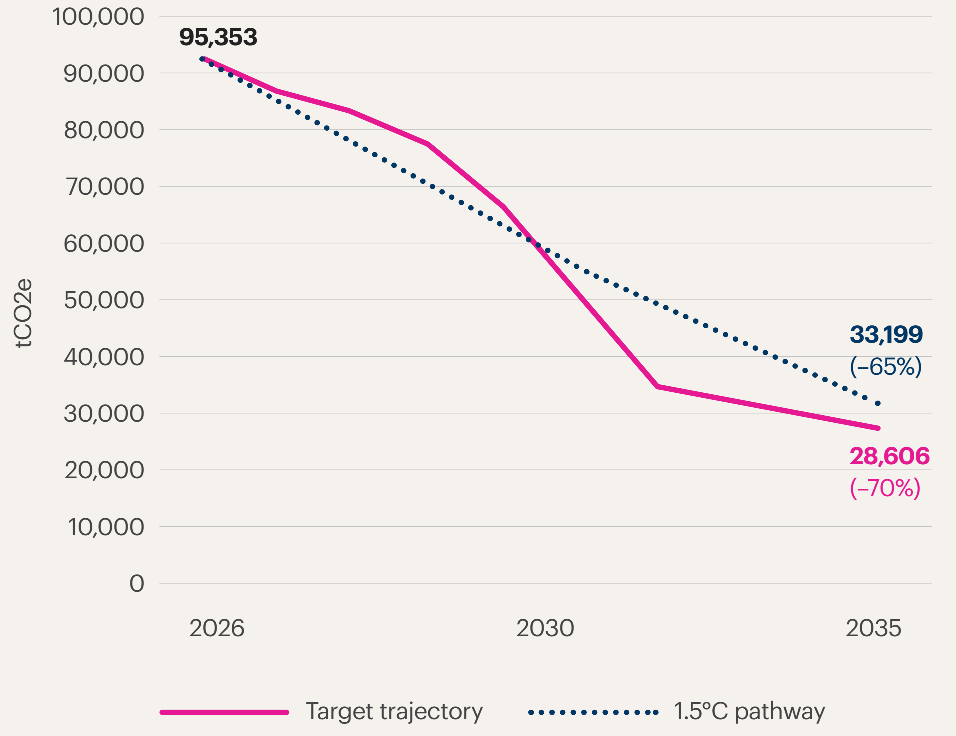
We have set a gross emissions reduction target of 70% by 2035 from a 2026 baseline for our residential mortgage portfolio.

Our climate-related transition plan includes the actions we plan take to achieve our emissions reduction targets.

Our targets rely on key assumptions and dependencies in our view of how climate change will play out (page 10), including Australia's 82% renewable electricity by 2030 target and internal assumptions like future business growth. Achieving our targets requires additional action to be taken by the bank to reduce emissions.

For the scope 3 residential mortgage portfolio emissions reduction target, this additional action is described under the climate-related opportunity to grow climate-aligned lending (page 11) and involves supporting customers to buy, build or retrofit all-electric homes running on renewables through product initiatives, customer enablers and incentives, and data initiatives.

2035 residential mortgage portfolio emissions reduction target



- Our target is set to meet the level of decarbonisation needed for the upper range of ambition of the Paris Agreement (1.5°C pathway) at 2035, and has been developed considering the Science Based Targets Initiative (SBTi) Buildings Target Setting tool (version 1.2), using the sectoral decarbonisation approach.
- The target end-point at 2035, is aligned with the 1.5°C pathway. Our emissions are expected to exceed the pathway from 2027-2030. From 2030 onwards, emissions are expected to drop below the 1.5°C pathway as the impacts of grid decarbonisation and additional action to grow climate-aligned lending (page 11) take effect.
- Progress against the target is measured using known or estimated energy consumption information of our residential mortgage portfolio. This relies on publicly available housing and energy consumption data from Australian government agencies, estimated energy efficiency data from third-party providers, and customer-provided information.

2035 motor vehicle loan portfolio emissions reduction target

Motor vehicle loans were 1% of the bank's reported emissions in 2026.

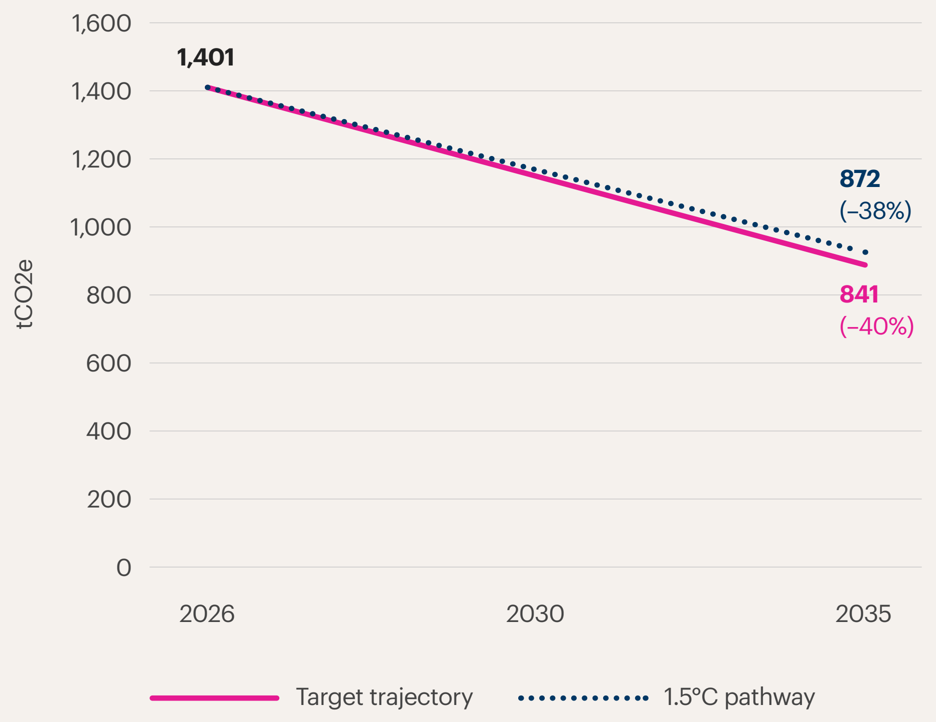
We have set a gross emissions reduction target of 40% by 2035 from a 2026 baseline for our motor vehicle loans portfolio.

Our climate-related transition plan includes the actions we plan take to achieve our emissions reduction targets.

Our targets rely on key assumptions and dependencies in our view of how climate change will play out (page 10), including Australia's 82% renewable electricity by 2030 target and internal assumptions like future business growth. Achieving our targets requires additional action to be taken by the bank to reduce emissions.

For the scope 3 motor vehicle loan portfolio emissions reduction target, this additional action is described under the climate-related opportunity to grow climate-aligned lending (page 11) and involves continuing to offer our Electric Vehicle Loan and maintaining the lending policy change introduced in 2025 to cease lending to new fossil fuel vehicles.

2035 motor vehicle loan portfolio emissions reduction target



- Our target is set to meet the level of decarbonisation needed for the upper range of ambition of the Paris Agreement (1.5°C pathway) at 2035, and has been developed considering the SBTi Corporate Near-Term Criteria (April 2026), using the absolute contraction approach.
- Progress against the target is measured using known or estimated energy consumption information of our motor vehicle loan portfolio. This relies on publicly available fuel efficiency and travel data from Australian government agencies and third-party providers.

2035 operational emissions reduction target

Operational emissions were 5% of the bank's reported emissions in 2026.

We have set a gross emissions reduction target of 40% by 2035 from a 2026 baseline for our operational emissions.

Our climate-related transition plan includes the actions we plan take to achieve our emissions reduction targets.

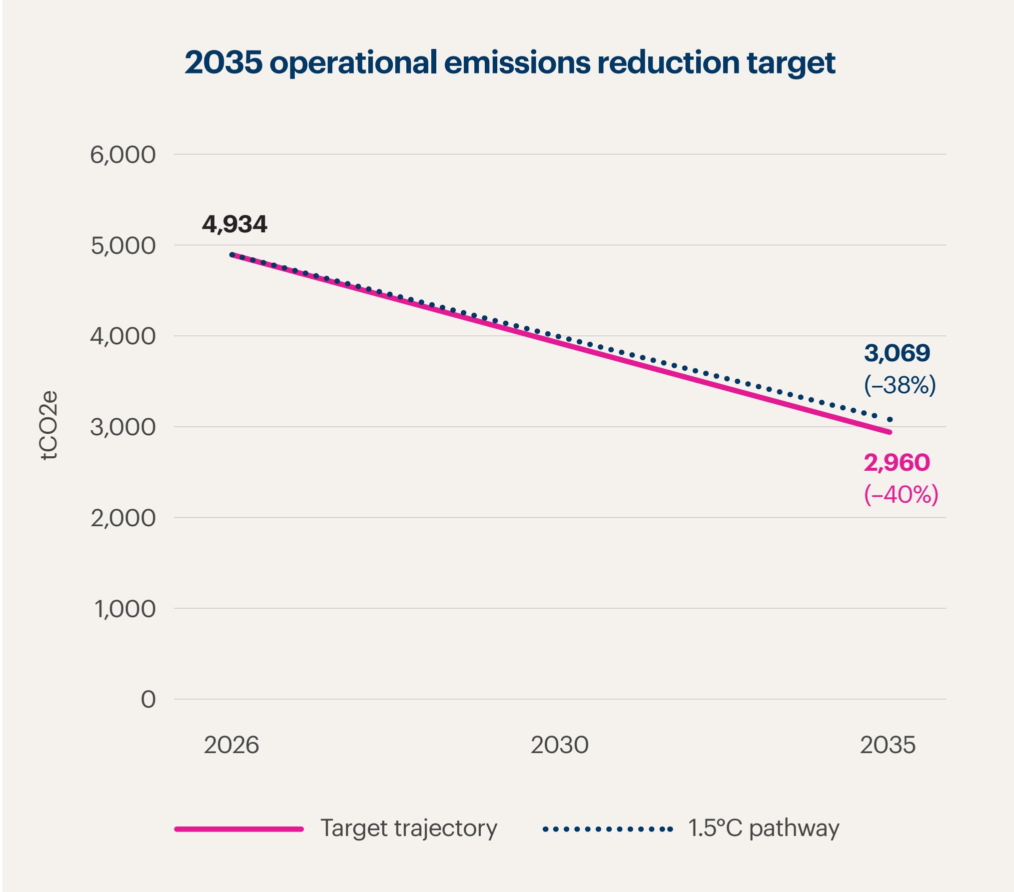
Our targets rely on key assumptions and dependencies in our view of how climate change will play out (page 10), including Australia's 82% renewable electricity by 2030 target and internal assumptions like future business growth. Achieving our targets requires additional action to be taken by the bank to reduce emissions.

For the operational emissions reduction target, this additional action is described under the climate-related opportunity to reduce operational emissions (page 12) and involves:

Scope 1 – Reviewing remaining owned property with gas connections, transitioning our vehicle fleet.

Scope 2 – Continuing to purchase 100% renewable electricity.

Scope 3 – Engaging material service providers to improve emissions data quality, implementing sustainable site fit out and emissions measurement practices, purchasing sustainable aviation fuel and reducing business travel where possible, exploring opportunities to support staff to reduce commute and work from home emissions.



- Our target is set to meet the level of decarbonisation needed for the upper range of ambition of the Paris Agreement (1.5°C pathway) at 2035, and has been developed considering the SBTi Corporate Near-Term Criteria (April 2026), using the absolute contraction approach.
- Progress against the target is measured using a combination of methodologies detailed in our annual sustainability report. These rely on publicly available emissions factors from Australian government agencies or third-party providers, and emissions reporting from our suppliers.

Climate-related transition plan 2027-2029

Our climate-related transition plan operationalises our climate action strategy.

It sets out how we plan to achieve our emissions reduction targets.

It incorporates our plan to realise our climate-related opportunities, to understand and manage our climate-related risks, and to engage externally to support climate advocacy and climate justice outcomes as part of the economy wide transition.

The plan includes focus areas for our climate-related opportunities, risks and engagement actions over the 2027-2029 financial years, aligned to and refreshed in line with our business-wide strategic planning cycle.

Climate-related transition plan structure

Foundations

- Our strategic ambition
- Our business model and value chain
- Our view of how climate change will play out, including key assumptions and dependencies

See pages 9-10

Action

- Our plan to realise climate-related opportunities
  - Grow climate-aligned lending
  - Reduce operational emissions
- Our plan to understand and manage climate-related risks
  - Climate-related credit risk in the mortgage portfolio
  - Climate-related liability risk
  - Climate-related business continuity risk
- Our climate engagement plan
  - Our staff and customers
  - Our peers in banking and progressive business
  - Government and communities

See pages 11-14

Accountability

- How we govern our climate work
- Our approach to resourcing and ongoing capability building on climate
- How we will disclose on progress against this plan

See page 15

Foundations

Our strategic ambition

Climate action is embedded in our bank-wide strategy.

As a customer-owned bank, we believe banking can be a force for good and together we can have a positive impact on communities and the planet. The importance of taking action on climate change is embedded into our bank-wide strategy.

We recognise effective climate action goes beyond emissions reduction.

Our emissions reduction targets align with the upper range of ambition of the Paris Agreement (1.5°C pathway) at the 2035 target year. Our climate action strategy goes beyond emissions reduction to take action on climate justice and interconnected outcomes for nature and biodiversity.
We aim to be an effective contributor to systemic change, supporting ambitious and equitable outcomes across our broad base of customers and a just economy-wide climate transition.

Our business model and value chain

Our business model is focused on retail banking with some commercial lending and investments, including bonds.[1] Our value chain includes purchased goods and services, our offices and branches in our direct operations, as well as our conservation reserve, and our lending and investments.

Upstream

- Utilities – energy, water
- Consumables – stationary, food
- Waste
- Equipment – IT, cybersecurity, office fixtures and furniture
- Commercial partners – e.g. insurance

Direct

- Our offices and branches
- Our conservation reserve: 2,117 hectares on Wotjobaluk Country in western Victoria

Downstream

- Lending and investments (the majority of our lending is for residential mortgages)
- Our responsible banking policy includes screens for what we fund (positive screens) and what we do not fund (negative screens). We do not lend to coal, gas or oil extraction or fossil fuel electricity generation.

[1] Our annual sustainability report contains information about our investments, including bonds.

Foundations

Our view of how climate change will play out

Our view of how climate change will play out underpins the activities in this plan and is based on 1.9°C to 2.7°C of warming by 2100 (Climate Action Tracker warming projections: global temperature increase by 2100, November 2024 update).

Domestic grid decarbonisation and household electrification will continue to scale up, but a degree of physical risk is already locked in due to historical and continuing delays in global action.

Transition risk escalates in the short term (2028) to medium term (2035) and then drops due to a relatively ambitious pace of decarbonisation, and physical risk increases from the medium term (2035) to long term (2050).

Key assumptions and dependencies in our view of the world

- An expectation of increasingly robust climate policy internationally, including through the United Nations Framework Convention on Climate Change (UNFCCC) nationally determined contribution (NDC) cycles. Key countries, including Australia's important trading partners, show a mixture of as-is, moderate and very strong climate action, which in turn influence changes in the Australian economy.
- An expectation of stronger domestic climate policies including the strengthened 2035 NDC (62-70% reduction) lead to energy system transformation and increasing renewables in the grid (Commonwealth target: 82% renewable electricity by 2030), home electrification and energy efficiency measures, higher housing construction standards and vehicle emissions standards.
- Australians have interest in and capacity to act on green preferences, which Bank Australia Limited can support.
- Despite mitigation efforts domestically, climate-related physical impacts escalate, and chronic impacts become locked-in over the long-term horizon.
- Insurance availability and coverage may change over time, which could affect the value of some Australian homes.

Action

Our plan to realise climate-related opportunities

Opportunity	Metrics and targets	Actions for 2027-2029
1. Grow climate-aligned lending[1]	**1.1** Residential mortgage portfolio emissions reduction target: 70% by 2035 from a 2026 baseline.	**1.1 Residential mortgage portfolio** | We plan to continue supporting customers to buy, build or retrofit all-electric homes running on renewables. • 1.1.1 Product initiatives | We plan to continue with competitive interest rates for products like the Clean Energy Home Loan and we plan to implement further product initiatives. • 1.1.2 Customer enablers and incentives | We plan to continue with customer enablers like our Electrify Your Home service as well as launching new customer incentives. • 1.1.3 Data initiatives | We plan to continue to improve data quality on the energy attributes of homes in our portfolio by purchasing third-party data sets and exploring ways for customers to share data directly with us.
	1.2 Vehicle loan portfolio emissions reduction target: 40% by 2035 from a 2026 baseline.	**1.2 Vehicle loan portfolio** | We will continue to offer our competitive Electric Vehicle Loan. We introduced a lending policy change in 2025 to cease car loans for new fossil fuel vehicles and we will maintain this commitment.
	1.3 Commercial loan portfolio emissions will be measured and disclosed annually. We have not currently set an emissions reduction target.	**1.3 Commercial loan portfolio** | We will continue to monitor and seek opportunities for climate-aligned commercial loans, including growing climate-aligned residential building assets as well as exploring new climate-aligned asset classes. Per our responsible banking policy, we do not lend to coal, gas or oil extraction or fossil fuel electricity generation.

[1] **Climate-aligned lending is defined as:**

- Residential mortgages where the underlying collateral has an emissions intensity under the 1.5°C pathway benchmark for emissions intensity.
- Personal loans for home electrification equipment.
- Loans for fully electric vehicles.
- Commercial lending for climate and environment technology solutions, nature protection and sustainable land use, and carbon avoidance or reduction projects.

Our plan to realise climate-related opportunities

Opportunity	Metrics and targets	Actions for 2027-2029
2. Reduce operational emissions	**2.** Operational emissions reduction target: 40% by 2035 from a 2026 baseline.	**2.1 Scope 1 operational emissions** • 2.1.1 Owned property gas consumption (stationary combustion) | We have been transitioning from owned to leased property and will be reviewing the plan for remaining owned property with gas connections. • 2.1.2 Vehicle fleet (mobile combustion) | We will transition our fleet vehicles by 2028.
		2.2 Scope 2 operational emissions • 2.2.1 Electricity | We will continue to purchase 100% renewable electricity.
		2.3 Scope 3 operational emissions • 2.3.1. Purchased goods & services (operational expenditure) | We aim to engage our material service providers to improve emissions data quality. These are primarily technology service providers. • 2.3.2 Purchased goods & services (capital expenditure) | We will continue to implement sustainable site fit out practices and emissions measurement of fit out projects. • 2.3.3 Business travel | We plan to purchase sustainable aviation fuel to reduce emissions from business flights and will consider opportunities to reduce business travel where possible. • 2.3.4 Employee commute and work from home | We will continue to explore opportunities to support staff to reduce commute and work from home emissions.

Action

Our plan to understand and manage climate-related risks

Risk	Metrics and targets	Actions for 2027-2029
1. Climate-related credit risk in the mortgage portfolio	**1.** % and $ of assets vulnerable to climate-related transition and physical risks.	**1.** We plan to continue to assess and manage credit risk in the mortgage portfolio as a result of climate-related transition and physical risk, including through sourcing external data and expertise, and considering how we can integrate climate-related transition and physical risk information in key risk management processes.
2. Climate-related liability risk	**2.** Climate-related liability risk is monitored under key risk indicators for regulation risk and compliance risk in our risk appetite statement.	**2.** We expect regulatory scrutiny of environmental claims to continue and compliance requirements to continue to evolve. We plan to continue managing climate-related liability risk by investing in capability to meet regulatory requirements and to monitor the emerging regulatory and compliance landscape, including continuing to partner with external experts where required.
3. Climate-related business continuity risk	**3.** Risks related to business continuity are monitored under key risk indicators for operational risk and technology risk in our risk appetite statement.	**3.** We plan to continue monitoring how our business continuity plan considers the potential effects of climate-related risks, including where this may change the risk profile of assessments of material suppliers.

Our climate engagement plan

Engagement area	Metrics and targets	Actions for 2027-2029
1. Our staff and customers	1. # impressions across our climate-related content and communications.	**1.1** We aim to deliver effective and inspiring climate communications content to raise awareness and motivate our customers to take action. **1.2** We aim to deliver effective climate training programs and internal communications to support our staff to understand and enable our climate action work.
2. Our peers in banking and progressive business	2. We have not currently set a metric for this engagement area.	**2.1** We aim for our leadership to demonstrate what's possible and to motivate increased climate action among our peers in the progressive business community and the banking sector. We aim to participate in and contribute to working groups, advisory committees, industry forums, key events and collaborative processes focused on relevant climate topics.
3. Government and communities	3. $ impact fund support of climate action.	**3.1** We aim to be an effective contributor to climate policy advocacy with a credible voice based on practical insights from our work. We plan to support climate policy advocacy aligned to our priorities: all-electric, energy efficient and resilient homes and climate justice, including First Nations leadership on climate and a fair and inclusive energy transition. This involves supporting grassroots and civil society or undertaking direct advocacy where appropriate. We plan to continue to build trusted relationships with government to collaborate and knowledge share.

Accountability

How we govern our climate work

Bank Australia's board is responsible for approving all public commitments that the bank makes, including the climate action strategy, climate targets and other climate-related commitments. The board is responsible for monitoring and assessing performance against board-approved targets and strategies, and oversight of climate-related risks and opportunities. The Audit Committee, a sub-committee of the board, is responsible for reviewing climate disclosures and recommending them to the board for approval. The Risk Committee, a sub-committee of the board, is responsible for setting and approving the bank's risk appetite statement, which includes climate risk. The executive Responsible Banking Committee provides managerial oversight for the Managing Director and ensures progress of implementation of the climate action strategy into relevant functions.

The Climate Action Strategy Steering Committee is a management committee and guides the implementation of the climate action strategy. Its main purpose is to facilitate information sharing on the work happening on the climate action strategy, identify opportunities for collaboration relevant to the climate action strategy, maintain visibility over the progress of the climate action strategy and provide endorsement for the standing climate action strategy progress report to the executive Responsible Banking Committee. The Climate Action Strategy Steering Committee is chaired by the Head of Impact Management with executive sponsorship from the Chief Legal Officer and Company Secretary and participation from heads of department and managers.

Our approach to resourcing and ongoing capability on climate

People and capability

To effectively deliver the plan, we are embedding general climate change knowledge for all our staff and providing technical role-specific training for relevant staff. Our board has relevant experience and a mix of skills and capabilities to oversee climate-related risks and opportunities. Our board members and executive team regularly build capability via engagement with climate topics at their meetings and have opportunities to strengthen their climate-related capabilities through participation in global forums and conferences. We continue to monitor best practice relevant to our climate action work, and where needed, we seek external expertise.

Financial resources

The activities in the climate-related transition plan are supported by financial resources embedded across the business. This includes operational expenditure, like partnering with external providers to deliver the Electrify Your Home program, purchasing home energy attributes data and climate-related risk data, working with consultants to develop emissions modelling and measurement tools and purchasing 100% renewable electricity. We also deliver retail product initiatives like our Clean Energy Home Loan through providing reduced interest rates and our philanthropic impact fund supports our climate engagement work.

How we will disclose on progress against this plan

Each year in our annual reporting suite, we'll take stock of how we've performed over the last year against our climate action strategy and climate-related transition plan: www.bankaust.com.au/page/bank-reporting

Our annual reporting suite includes our sustainability report and impact report.

Contact

Manager Climate Action Strategy
Impact Management
impactmanagement@bankaust.com.au

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