

**ASSESSMENT**

11 May 2026



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# Bank Australia Limited

## Second Party Opinion – Sustainability Funding Framework Assigned SQS2 Sustainability Quality Score

### Summary

We have assigned an SQS2 Sustainability Quality Score (very good) to Bank Australia Limited's (BAL) sustainability funding framework dated May 2026. The bank has established its use-of-proceeds framework with the aim of financing projects across three eligible social categories and four eligible green categories. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2025 and Social Bond Principles (SBP) 2025. The framework demonstrates a significant contribution to sustainability.

### Sustainability quality score

**SQS2**

Weak Intermediate Good Very good Excellent

#### Alignment with principles USE OF PROCEEDS

**Overall alignment**

Not aligned Partially aligned Aligned Best practices

FACTORS	ALIGNMENT
Use of proceeds	
Evaluation and selection	
Management of proceeds	
Reporting	

#### Contribution to sustainability

**Final contribution to sustainability**

Poor Limited Moderate Significant High

**Preliminary contribution to sustainability**

Relevance and magnitude

Additional considerations **No adjustment**

POINT-IN-TIME ASSESSMENT

## Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of BAL's sustainability funding framework, including the framework's alignment with the ICMA's GBP 2025 and SBP 2025. Under the framework, the bank plans to issue sustainability investment instruments to finance projects across three social categories and four green categories, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 6 May 2026, and our opinion reflects our point-in-time assessment<sup>1</sup> of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our [Assessment Framework: Second Party Opinions on Sustainable Debt](#), published in October 2025.

## Issuer profile

Bank Australia Limited is a mutually owned, authorised deposit-taking institution (mutual ADI), with loans of AUD9.9 billion as of June 2025. In July 2025, BAL completed its merger with Qudos Mutual Limited (Qudos), creating a merged entity with AUD18 billion in total assets. BAL's lending is heavily concentrated in residential mortgages, which represented 95% of its loans. BAL also aims to distinguish itself from other mutual ADIs by adhering to its environmental and social purposes through the implementation of key initiatives that also contribute to brand awareness.

Bank Australia faces low environmental risks. The bank's lower-than-industry-average environmental risk is driven by its limited exposure to carbon transition risks because its loan book is concentrated in Australian residential mortgages. The bank has also begun to expand into clean energy home loans. It has a sizeable loan exposure to New South Wales, which faces natural disasters captured under physical climate risk such as cyclones and floods that could damage homes, but this risk is largely mitigated by insurance cover and a track record of government assistance. The bank faces high industrywide social risks from customer relations (regulatory risk, litigation exposure, and high compliance standards), and the area of data security and customer privacy. The group also faces moderate industrywide social risks related to societal trends, particularly digitalisation, and the extent to which such measures could hurt earnings. As a mutual bank, it operates for the benefit of its members, concentrates on supporting the community from which its membership base is derived, and invests in the aforementioned social initiatives. We perceive these attributes as positively influencing the bank's social risk profile. Ongoing investment in technology will support the bank in meeting rising digital expectations from customers.

## Strengths

- » Financed initiatives are closely aligned with the bank's environmental and social objectives, focusing on priority impact areas
- » A significant number of projects funded through this framework utilise governance structures established by government schemes, thereby guaranteeing both the quality and accountability of these initiatives
- » Both the project evaluation and selection and management of proceeds processes are well-structured

## Challenges

- » Certain project categories, such as terrestrial and aquatic biodiversity, may include a wide range of initiatives and are thus broadly defined
- » Impact reporting is not subject to external review

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## Alignment with principles

BAL's sustainability funding framework is aligned with the four core components of the ICMA's GBP 2025 and SBP 2025. For a summary alignment with principles scorecard, please see Appendix 1.

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Green Bond Principles (GBP)       | <input type="checkbox"/> Green Loan Principles (GLP)                  |
| <input checked="" type="checkbox"/> Social Bond Principles (SBP)      | <input type="checkbox"/> Social Loan Principles (SLP)                 |
| <input type="checkbox"/> Sustainability-Linked Bond Principles (SLBP) | <input type="checkbox"/> Sustainability Linked Loan Principles (SLLP) |

## Use of proceeds



### Clarity of the eligible categories – ALIGNED

BAL has clearly outlined that the nature of the expenditure will be retail and commercial loans, with clear exclusion criteria for eligible categories. The eligibility criteria and target populations associated with social categories for nearly all asset categories have been defined, though certain categories—such as access to essential services, terrestrial and aquatic biodiversity, and climate change mitigation and adaptation—are described more generally within the framework. Additionally, BAL has identified the location of eligible assets to be within Australia.

### Clarity of the environmental or social objectives – BEST PRACTICES

BAL has clearly defined the relevant environmental and social (E&S) objectives associated with all the eligible categories. For the social categories, the objectives include affordable housing, and socioeconomic advancement and empowerment, and access to essential services. For the green categories, the objectives include climate change mitigation and adaptation, and biodiversity conservation. BAL has referenced the United Nations' (UN) Sustainable Development Goals (SDGs) in articulating the objectives of the eligible categories, and the objectives are coherent with these recognised international standards.

### Clarity of expected benefits – ALIGNED

BAL has clearly identified relevant expected E&S benefits for all the eligible categories. The benefits identified are measurable and will be quantified in the impact reporting. BAL will disclose the actual share of refinancing as part of its post-issuance reporting, however, estimated share of refinancing to investors will not be disclosed prior to issuance. BAL has defined a maximum look-back period of two years.

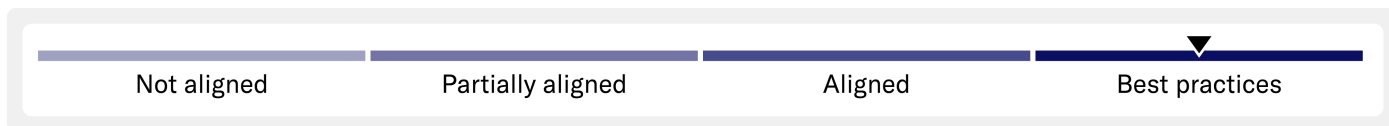
## Process for project evaluation and selection



### Transparency and clarity of the process for defining and monitoring eligible projects – BEST PRACTICES

BAL has established a structured and transparent decision-making process for project selection and evaluation, detailed within its publicly accessible framework. The evaluation and selection of eligible assets are conducted by sustainable finance professionals in the bank's impact management function, following approved management procedures. Once potential eligible assets are identified, they undergo review by the senior manager overseeing impact management and the executive Responsible Banking Committee, which then submits a recommendation to the Managing Director regarding asset eligibility. The bank ensures ongoing compliance of selected assets with both eligibility and exclusion criteria, conducting reviews at least twice per year. Should an asset cease to meet eligibility requirements, proceeds will be reallocated accordingly to other qualifying assets. Information about the bank's environmental and social risk management procedures can be found in BAL's [Responsible Banking Policy](#), available to the public.

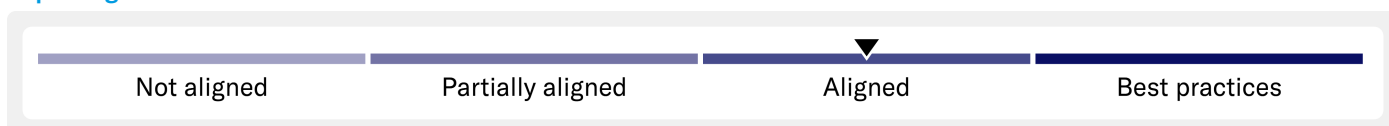
### Management of proceeds



#### Allocation and tracking of proceeds – BEST PRACTICES

BAL has established a structured process for managing and allocating proceeds within its framework. Net proceeds will be deposited into the general treasury and monitored via an internal register of eligible assets. This register enables the identification, qualification, and tracking of the pool of eligible assets against invested proceeds, as well as the valuation of those assets. Reporting on the register will occur at least semi-annually. Proceeds are to be allocated within 12 months following bond issuance and within 1 month for retail impact term deposits. Any temporarily unallocated proceeds will be invested in BAL's portfolio of green, social, or sustainability debt securities (bonds) issued by Commonwealth or State Governments in Australia.

### Reporting



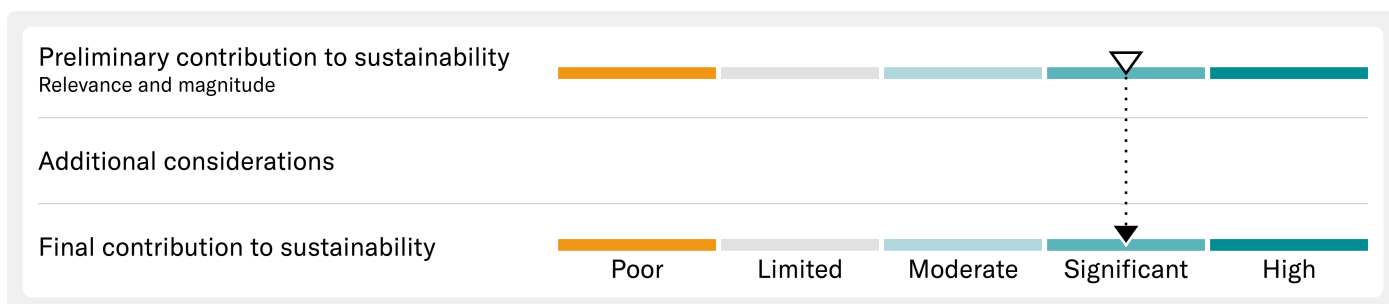
#### Reporting transparency – ALIGNED

BAL will publish both allocation and impact reports at least annually until the investment instruments reach maturity, and in case of material developments. The report will be disclosed to relevant retail and wholesale investors. The allocation and impact reports will include comprehensive information such as the pool of eligible assets, amounts allocated at both total and category levels, the balance of unallocated proceeds, the proportion of proceeds used for refinancing, and the anticipated or actual E&S impacts of the eligible assets.

BAL has identified and disclosed relevant E&S reporting indicators for each eligible category within its framework. The methodologies and assumptions used to report on E&S impacts will be disclosed as part of the impact reporting. Furthermore, BAL will obtain independent verification of allocation reporting; however, independent assessment of the impact metrics will not be conducted.

### Contribution to sustainability

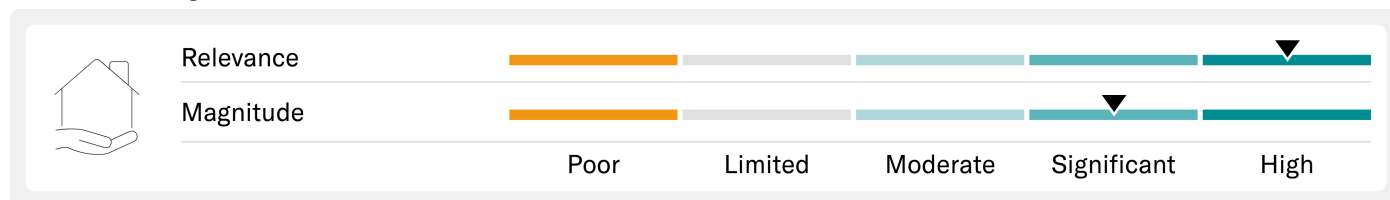
The framework demonstrates a significant overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of significant, based on the relevance and magnitude of the eligible project categories, and we have not made an adjustment to the preliminary score based on additional contribution to sustainability considerations.



#### Preliminary contribution to sustainability

The preliminary contribution to sustainability is significant, based on the relevance and magnitude of the eligible project categories. According to confirmation from the bank, the majority of proceeds will be allocated to affordable housing, green building and energy efficiency categories. Subsequent allocations will support socioeconomic advancement and empowerment, and terrestrial and aquatic biodiversity categories. Our score has been weighted to reflect these priorities accordingly. A detailed assessment by eligible category has been provided below.

**Affordable housing**

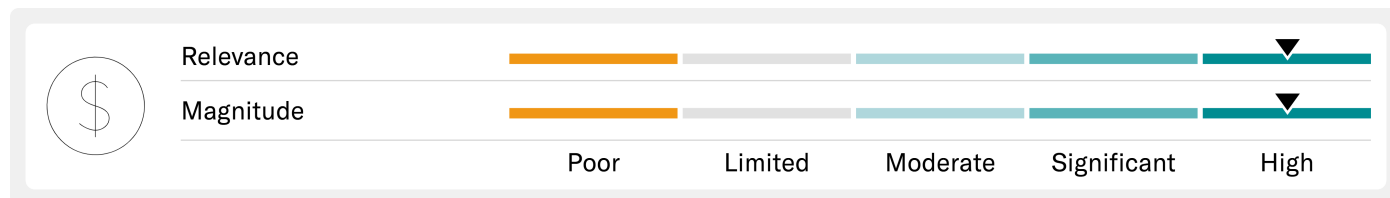


This category is assigned a high relevance score, reflecting acute affordability pressures in the Australian housing market. During the 2024-25 period, approximately 1.26 million low-income households experienced financial housing stress, allocating over 30% of their disposable income to housing expenses.<sup>2</sup> Rental accommodation remains vital, as almost one-third of households are renters. However, rental rates have consistently increased, placing extra strain on low-income families. The national landscape highlights an urgent need for affordable housing options.

Aboriginal and Torres Strait Islander Australians face significantly limited access to affordable, secure, and quality housing. Although they make up about 3.8% of households,<sup>3</sup> they are overrepresented in homelessness statistics, with nearly one-third of homeless children belonging to these groups.<sup>4</sup> Against this backdrop, expanding access to affordable homes aligns closely with the bank's stated purpose and customer values, while the predominance of home loans—exceeding 90% of the loan book—and the sizable impact finance portfolio dedicated to community and affordable housing further reinforce the category's relevance to BAL's core activities.

The magnitude score for this category is significant, reflecting the substantial expected social contribution from residential mortgages and commercial loans that address housing affordability and insecurity. Residential lending is largely aligned with the Australian Government's Help to Buy shared-equity scheme, which targets low- and middle-income households through income caps of AUD 100,000 for individual applicants and 160,000 for single parents or joint applicants, first-home ownership requirements, and owner-occupier conditions. While the income thresholds exceed the national median, the elevated housing costs—especially in Australia's major cities—pose significant challenges for these earners when it comes to purchasing property, particularly after accounting for taxes and other fees. Consequently, the eligibility criteria serve an important role in directing benefits toward borrowers facing material barriers to achieving and sustaining home ownership. Affordability is reinforced by government equity contributions of up to 40% for new homes and 30% for existing homes, alongside minimum deposits as low as 2%. Commercial lending is primarily directed toward community housing assets, which provide secure, long-term, and affordable rental housing for very low- to low-income households, often including individuals experiencing homelessness, family violence, or other complex needs, with rents typically capped at around 30% of income plus Commonwealth Rent Assistance or set at 75% or below of market levels. The category also encompasses housing outcomes relevant to First Nations communities, which face disproportionately high unmet housing needs. BAL offers commercial and retail loan interest rates that are in line with market rates. The consumer credit underwriting process emphasises borrower affordability and responsible lending, which helps maintain positive social outcomes. Furthermore, compliance with current building standards is required, ensuring that financed properties provide safe and suitable housing.

**Socioeconomic advancement and empowerment**

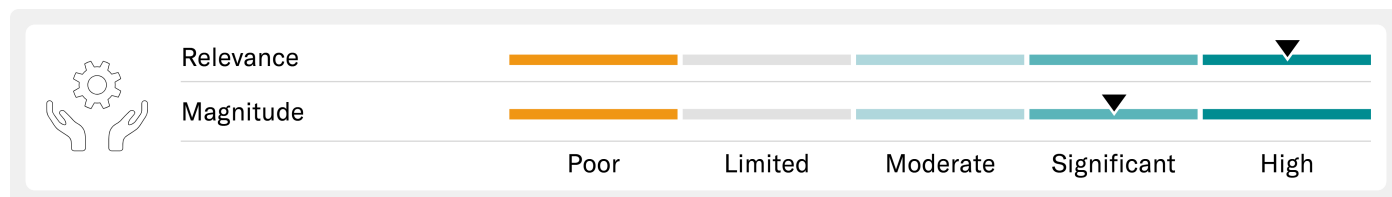


The projects financed within this category—including Specialist Disability Accommodation (SDA) loans and funding to support Indigenous Australians in areas such as economic opportunity, health and wellbeing, and culture—are highly relevant both at the national level and to BAL. SDA financing is closely aligned with Australia's Disability Strategy 2021–2031, which prioritises inclusive housing and communities.<sup>5</sup> This sub-category addresses a well-documented structural housing shortage, with SDA demand expected to rise from approximately 22,900 participants in June 2022 to around 36,700 by June 2042, reflecting an average annual growth rate of 2.4%.

Additionally, financing Aboriginal and Torres Strait Islander controlled organisations—including both Aboriginal and/or Torres Strait Islander Community-Controlled Organisations (ACCOs) and non-ACCO Indigenous organisations—directly supports Priority Reform 2 of the National Agreement on Closing the Gap, which commits to strengthening the Aboriginal and Torres Strait Islander community-controlled sector as a key mechanism for improving outcomes.<sup>6</sup> This category targets persistent socioeconomic disparities, such as lower employment rates, income inequality, and limited access to essential financial services, particularly in regional and remote communities. The relevance of these initiatives is further underpinned by the bank's ethical banking mandate, its proven impact lending record with First Nations organisations, and its continued emphasis on affordable and accessible housing.

The two types of projects funded under this category will make a high contribution toward the stipulated social objectives by offering structural, long-term solutions. SDA projects and loans to Indigenous organisations target two highly vulnerable groups: SDA projects are reserved for a small subset of National Disability Insurance Scheme (NDIS) participants who either have extreme functional impairments or very high support needs. It must be shown that even with home modifications and support, mainstream housing would not accommodate their requirements. On the other hand, funding to Indigenous organisations is intended to benefit Indigenous Australians. Regarding affordability, SDA is mainly financed by the NDIS, with participants paying a capped Reasonable Rent Contribution (RRC) that is much lower than market rates for comparable properties. For Indigenous organisations, while a comprehensive list of financed organisations is unavailable to precisely assess affordability for beneficiaries, rates charged are expected to be reasonable given the majority of funded entities are not-for-profit, such as ACCOs, and operate with social purposes that prioritise accessibility for their intended populations. SDA projects are subject to stringent quality and compliance guidelines, safeguarding participants and ensuring dwellings are fit for purpose. These standards are enforced alongside relevant state and territory building regulations, and properties undergo periodic audits and inspections to maintain compliance. Indigenous organisations, especially ACCOs, have demonstrated their capacity to achieve superior outcomes for Indigenous Australians compared to mainstream providers, particularly in domains such as health, social services, and justice. Additionally, BAL employs robust impact assessment practices to ensure commercial loans yield the anticipated social benefits. This includes documenting a clear impact thesis, establishing metrics for tracking progress, considering baseline conditions for underserved stakeholders, and defining outcome thresholds. These measures collectively help guarantee that financed projects deliver meaningful and measurable improvements for their respective communities.

**Access to essential services**

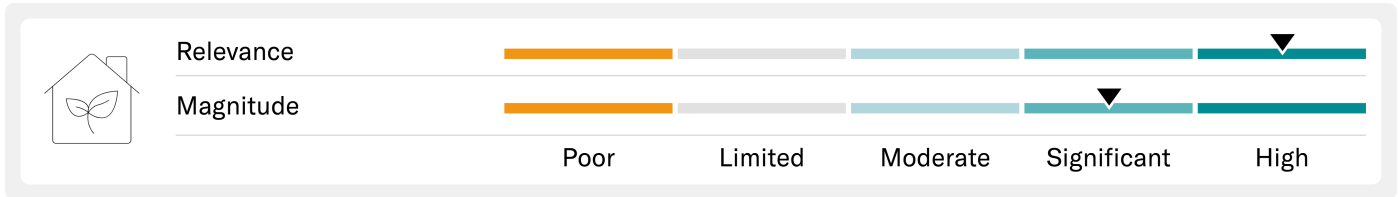


This category is assigned a high relevance score, reflecting both the scale of unmet social needs in Australia and its close alignment with the bank's strategy. Loans to Australian Charities and Not for Profits Commission (ACNC)-registered charities and for-purpose businesses operating in healthcare, social inclusion and education address priority national challenges affecting vulnerable populations, including people living in poverty, people with disability, migrants and refugees, women, gender minorities and ageing communities. Despite some recent improvements, access gaps remain material across these sectors, with persistent affordability pressures, service wait times and unmet healthcare and educational needs underscoring the importance of targeted financing.<sup>7,8</sup> Charities and social enterprises play a central role in delivering essential services to these groups and in filling gaps in government provision, representing a sizeable and economically meaningful part of the Australian economy. For BAL, impact lending to social purpose organisations is a core strategic priority consistent with its customer-owned, values-driven model and long-standing focus on not-for-profit and community-focused lending.

The financed projects are expected to significantly enhance access to essential services for vulnerable populations. At present, the bank's financing under this category is restricted to ACNC-registered charities, with the majority of loans earmarked for specific purposes and subject to ongoing monitoring, which supports effective use of proceeds and sustained impact. Majority of the target populations belong to groups experiencing high levels of vulnerability, and the funded activities are designed to deliver essential services and support over the long term. Affordability is a core consideration underpinning the scale of impact; although

a comprehensive inventory of projects is unavailable, examples provided by BAL demonstrate that these programs are affordable to their intended beneficiaries, often offered at no charge or with limited out-of-pocket expenses. Furthermore, the not-for-profit nature of all eligible charities promotes low fees and reinvestment of any surplus into charitable activities. Quality risks are mitigated by the regulatory and governance requirements applicable to ACNC-registered charities and by the bank's commercial loan impact assessment framework, although the bank does not directly influence service delivery quality as a financier.

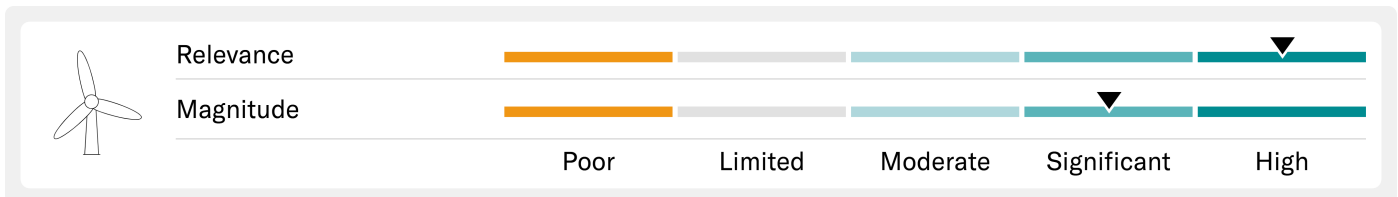
**Green buildings and energy efficiency**



The green buildings and energy efficiency category is highly relevant, reflecting both the environmental footprint of the built environment in Australia and the bank's core exposure to residential real estate lending. The building sector contributes almost a third of Australia's total carbon emissions.<sup>9</sup> The federal government's Climate Act (2022) set a binding target to reduce emissions to 62-70% below 2005 levels by 2035 and reach net zero by 2050, which in turn drives decarbonisation action in the buildings sector.<sup>10</sup> In 2025, an updated "Trajectory for Low Energy Buildings" plan was published, a national roadmap to achieve net-zero ready homes and workplaces. Banking sector plays a strategic role in channeling capital into green real estate projects. For BAL, the sector exposure of the bank's lending is highly focused on the residential housing sector and it has set one of the most aggressive climate targets within the banking sector – aiming to achieve net-zero emissions by 2035.<sup>11</sup> Green buildings and efficiency upgrades are not only part of a sustainability strategy but a core business proposition to the bank.

The magnitude of this category is significant because financed buildings are expected to contribute the decarbonisation of the building sector in Australia. According to the bank, proceeds under this category are expected to be directed mainly toward the construction, acquisition, and renovation of green residential buildings. Alignment with the green technical screening criteria of the Australian Sustainable Finance Taxonomy (ASFT) for building-related activities—namely E1, E2, and E3—supports the expectation of positive environmental outcomes. Under the ASFT, buildings are required to comply with the National Construction Code (NCC) or meet defined energy intensity thresholds, ensuring high energy efficiency. ASFT also mandates buildings to eliminate onsite fossil fuel combustion, and limits on embodied carbon as well as the global warming potential (GWP) of installed refrigerants. Beyond taxonomy alignment, financed buildings may also qualify by demonstrating energy efficiency performance within the top 15% of comparable buildings in a given location, consistent with Climate Bonds Initiative (CBI) criteria. Eligibility is further extended to personal and commercial loans that meet ASFT requirements for Activity E5, where decarbonisation measures are recognised as effective in improving energy efficiency and reducing fossil fuel use. In addition, renovation projects achieving at least a 30% improvement in energy efficiency or carbon emissions qualify for financing, a threshold widely recognised as good market practice in the buildings sector.

**Renewable energy**

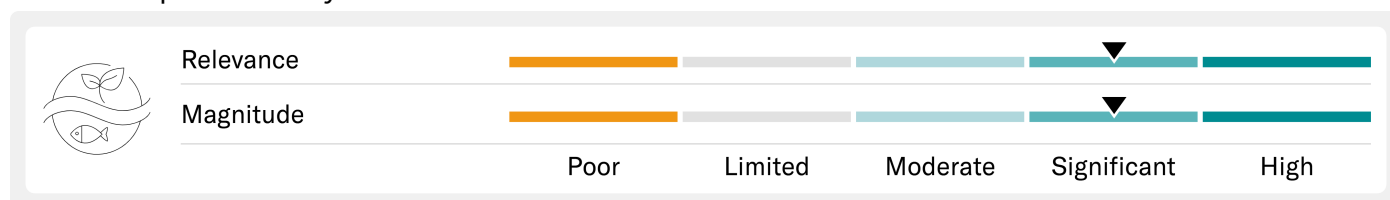


The renewable energy category is highly relevant because of the importance of building-sector decarbonisation in Australia's climate transition. Australia's electricity mix relies heavily on fossil fuels, accounting for 64% of generation in 2024.<sup>12</sup> Despite this, Australia has one of the highest rooftop solar adoption, with rooftop systems contributing about 12.8% of total generation in the first half of 2025.<sup>13</sup> This trend underscores the importance of increasing residential solar adoption as a means to further expand the country's renewable energy usage. BAL's lending activities are heavily concentrated in residential mortgages, and within this portfolio, renewable energy financing is primarily associated with its clean energy home loans and related small-scale installations, such as solar photovoltaic (PV)

panels and inverters. In addition, clean energy home loans support improved energy efficiency by encouraging the use of properties equipped with all-electric fixed appliances, explicitly excluding gas-fueled equipment.

The magnitude of this category is significant, as the financed projects and building components are expected to generate positive environmental outcomes over the long term through reductions in emissions and energy demand linked to building-level decarbonisation. In line with the bank's confirmation, eligible projects align with decarbonisation measures under Activities E6 and E7 of the ASFT, with a focus on distributed renewable generation, electrification and high-efficiency end-use technologies. These measures include rooftop solar photovoltaic systems with battery storage, heat pumps and non-HFC air-conditioning systems, induction cooktops, top-tier energy-efficient appliances, electric vehicle charging infrastructure, and embedded electricity networks supplying 100% renewable electricity. Over the life of residential buildings, the deployment of these technologies is expected to support sustained reductions in operational greenhouse gas emissions by lowering fossil fuel consumption and improving energy efficiency. Nevertheless, due to the absence of a comprehensive list of eligible projects and the lack of established minimum energy efficiency reduction requirements, it remains challenging to accurately assess the degree of energy efficiency contribution.

### Terrestrial & aquatic biodiversity



The financed projects are significantly relevant, reflecting the strong alignment between financing for nature protection, ecosystem restoration, Indigenous-led land management and biodiversity credit projects and Australia's national environmental priorities. Australia has adopted binding commitments under the Kunming-Montreal Global Biodiversity Framework, including protecting 30% of land and marine areas by 2030, restoring priority degraded ecosystems and halting extinctions,<sup>14</sup> at a time when the country faces severe biodiversity decline.<sup>15</sup> Indigenous-led conservation is a central pillar of the national biodiversity strategy, supported by substantial public investment and the scale of Indigenous Protected Areas within the terrestrial reserve system, making financing in this area both nationally strategic and culturally appropriate. The establishment of the Nature Repair Market under the Nature Repair Act 2023 further enhances relevance by providing a legislated, transparent framework for biodiversity projects and tradeable certificates, enabling financing linked to measurable and verifiable biodiversity outcomes and supporting closer alignment between biodiversity and carbon finance. For BAL, nature and biodiversity are identified as a strategic impact area, reinforced by the bank's existing conservation initiatives, which positions nature protection financing as relevant for both risk management and strategic differentiation.<sup>16</sup> However, the significant relevance considers the bank's comparatively limited credit exposure to this sector.

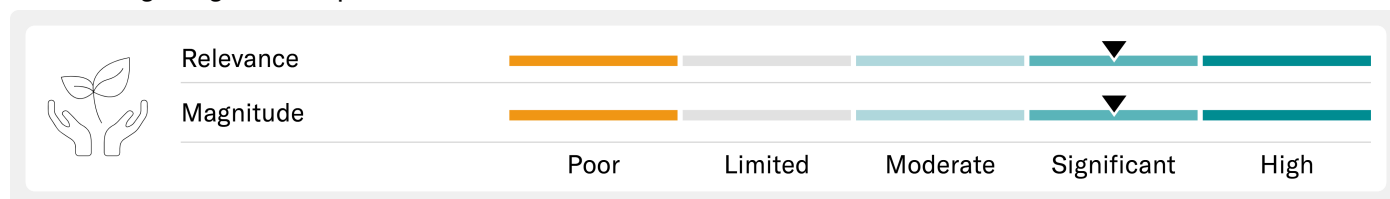
The financed projects are expected to make a significant impact on biodiversity conservation objective. Most of the funds will go towards efforts aimed at conserving, restoring, or managing terrestrial, freshwater, and marine ecosystems. All projects must adhere to established Australian ecological standards, with an additional request for ongoing monitoring using frameworks such as the Accounting for Nature Standard to maintain project quality and achieve desired biodiversity outcomes.

In addition to these conservation activities, some funds will support Indigenous-led environmental management initiatives. These approaches often surpass others in maintaining biodiversity due to Indigenous peoples' extensive ecological understanding, holistic management practices, long-term vision, and ethical stewardship. Biodiversity credit projects must comply with integrity standards set by the Nature Repair Act 2023, the New South Wales Biodiversity Offsets Scheme, or comparable certifications like GreenCollar's NaturePlus to guarantee positive biodiversity results. It is important to note, however, that despite well-intentioned standards, there remain gaps in achieving consistent results on the ground, and maintaining the quality of offsets continues to be a challenge. The bank will also finance mixed-use productive landscapes, which typically support greater biodiversity than intensive monocultures. These projects must align with relevant state conservation schemes.

Although a detailed list of funded projects is not available—limiting a complete assessment—the strong governance and regulatory requirements attached to these projects help ensure a reasonable standard of quality. Furthermore, the bank undertakes continual

reviews of the projects and recommends that borrowers submit project reports detailing biodiversity outcomes, supported by scientifically rigorous monitoring frameworks.

#### Climate change mitigation & adaptation



This category is significantly relevant given its strong alignment with Australia's legislated climate policy framework and BAL's strategic decarbonisation objectives. Financing Australian Carbon Credit Unit (ACCU) Scheme-registered carbon projects and nature-based adaptation projects directly supports Australia's commitment to reduce emissions by 62–70% below 2005 levels by 2035 and to achieve net zero by 2050, with national plans explicitly identifying the scaling up of net carbon removals and the enhanced role of the agriculture and land sector as essential pathways.<sup>17</sup> The ACCU Scheme, as Australia's national carbon crediting mechanism underpinned by legislated integrity standards, provides a robust and scalable platform for emissions avoidance and sequestration, with growing issuance volumes and record project registrations evidencing increasing market depth. Nature-based solutions, including blue carbon projects enabled by Australia's pioneering wetland restoration methodology<sup>18</sup>, are particularly relevant in the domestic context given the country's globally significant blue carbon assets and public investment in their restoration<sup>19</sup>, while also delivering co-benefits such as biodiversity protection and improved climate resilience for coastal communities. For BAL, whose financed emissions account for the majority of its carbon footprint and which has set sector-leading net-zero targets across its operations and portfolio<sup>20</sup>, financing high-integrity carbon removal and resilience projects is closely aligned with its core climate strategy and stated intention to support emissions drawdown activities. Despite its importance, the bank's exposure to this sector remains relatively limited.

Projects within this category are expected to make a significant impact on climate change mitigation and adaptation objectives. Financing of Australian Carbon Credit Unit (ACCU) registered projects supports emissions reductions across a broad range of sectors under a well-established legislative and institutional framework, with defined roles for policy development, project administration, compliance monitoring and independent integrity reviews, which underpins the potential for scalable and credible abatement. Strict eligibility and integrity requirements, including additionality tests and standards on measurability, verifiability, leakage and conservativeness, further support the likelihood that credited outcomes represent genuine emissions reductions. While questions have been raised regarding the additionality of some project types, official evaluations have found that the ACCU scheme largely achieves its intended objectives. The bank has indicated a preference for supporting ACCU projects that deliver multiple environmental or social co-benefits, with a particular focus on those that enhance biodiversity or improve landscape resilience. It is acknowledged that the primary objective of ACCU project financing under this framework is to support initiatives that deliver measurable climate change mitigation benefits, with ACCUs being generated as a consequence. In reviewing the national framework governing ACCU utilisation, it is evident that ACCUs are primarily designated for addressing residual emissions. This intent is reinforced by the Safeguard Mechanism's design and recent amendments, which incentivise on-site abatement through declining baselines and credits for overachievement, as well as by introducing accountability measures that require public justification for offset usage exceeding 30%.

In parallel, the inclusion of nature-based adaptation projects, such as wetland and mangrove restoration and ecological fire management, is expected to enhance climate resilience and deliver co-benefits for ecosystems and biodiversity when implemented in line with applicable environmental legislation and recognised restoration standards. However, the absence of a comprehensive project list and detailed project-level information limits the ability to fully assess the realised scale and consistency of impacts, notwithstanding the strength of the overarching regulatory framework.

#### Additional contribution to sustainability considerations

We have not made an adjustment to the preliminary contribution to sustainability score based on additional considerations.

The bank has a robust due diligence process to identify and manage E&S risks associated with the financed projects. The bank's Responsible Banking Policy aims to ensure that the bank's operations are responsible to the environment and society. The policy includes details on positive and negative screening of the investments the bank finances and excludes activities and businesses that are

associated with fossil fuel industry, live animal export, intensive animal farming, tobacco industry, arms and gambling.<sup>21</sup> For commercial loans, BAL has established a credit review process to proactively identify and handle ESG risks linked to these loans, as well as to monitor their outcomes and impacts. Most commercial loan agreements contain clauses designed to ensure that loan purposes remain unchanged and that the character of the borrowing entity does not significantly shift.

The eligible projects financed under the framework are considered coherent with bank's sustainability strategies. BAL aims to achieve net zero operations and portfolio by 2035. To support the path to net zero, bank has set an interim target for 2030, which is validated by the Science Based Targets initiative (SBTi). Net zero roadmap sets out the pathway to getting there with initiatives across 3 key areas: reducing financed emissions, financing the climate transition, and reducing operational emissions. Following its merger with Qudos, BAL will undertake a review and revision of its existing net zero target so that the new commitment reflects the broader scope and activities of the combined organisation. As a customer-owned institution, BAL plays an active role in community development by providing impact lending and maintaining an impact fund, to which the bank allocates up to 4% of its annual after-tax profit.<sup>22</sup>

## Appendix 1 - Alignment with principles scorecard for BAL's sustainability funding framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score		
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Aligned	Aligned		
		Definition of content, eligibility and exclusion criteria for nearly all categories	A				
		Location	A				
		BP: Definition of content, eligibility and exclusion criteria for all categories	No				
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Best practices			
		Coherence of project category objectives with standards for nearly all categories	A				
		BP: Objectives are defined, relevant and coherent for all categories	Yes				
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Aligned			
		Measurability of expected benefits for nearly all categories	A				
		BP: Relevant benefits are identified for all categories	Yes				
		BP: Benefits are measurable for all categories	Yes				
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	No				
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes				
	Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A		Best practices	Best practices
			Disclosure of the process	A			
Transparency of the environmental and social risk mitigation process			A				
BP: Monitoring of continued project compliance			Yes				
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices	Best practices		
		Periodic adjustment of proceeds to match allocations	A				
		Disclosure of the intended types of temporary placements of unallocated proceeds	A				
		BP: Disclosure of the proceeds management process	Yes				
		BP: Allocation period is 24 months or less	Yes				
Reporting	Reporting transparency	Reporting frequency	A	Aligned	Aligned		
		Reporting duration	A				
		Report disclosure	A				
		Reporting exhaustivity	A				
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	Yes				
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes				
		BP: Disclosure of reporting methodology and calculation assumptions	Yes				
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	Yes				
BP: Independent impact assessment on environmental and social benefits	No						
<b>Overall alignment with principles score:</b>					<b>Aligned</b>		

Legend: BP - Best practice, A - Aligned, PA - Partially aligned, NA - Not aligned

## Appendix 2 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The seven eligible categories included in BAL's framework are likely to contribute to seven of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 3: Good Health and Well-being	Access to essential services	3.8: Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all
GOAL 4: Quality Education		4.6: Ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy
GOAL 7: Affordable and Clean Energy	Renewable energy	7.2: Increase substantially the share of renewable energy in the global energy mix
	Renewable energy; Green buildings and Energy efficiency	7.3: Double the global rate of improvement in energy efficiency
GOAL 10: Reduced Inequality	Socioeconomic advancement and empowerment	10.2: Empower and promote the social, economic and political inclusion of all
GOAL 11: Sustainable Cities and Communities	Affordable housing; Socioeconomic advancement and empowerment	11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
GOAL 14: Life Below Water	Terrestrial & aquatic biodiversity	14.2: Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts
GOAL 15: Life on Land	Terrestrial & aquatic biodiversity; Climate change mitigation & adaptation	15.1: Ensure the conservation and sustainable use of terrestrial and inland freshwater ecosystems and their services
	Terrestrial & aquatic biodiversity	15.A: Mobilize and increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

### Appendix 3 - Summary of eligible categories in BAL's framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Affordable housing	<p>Loans where the purpose of funds is to improve the supply, security, and access to affordable and appropriate rental or owned housing for individuals and households on very low, low, and moderate incomes, or people who are vulnerable, marginalised, or with special needs, including:</p> <ol style="list-style-type: none"> <li>1. Residential mortgages originated as part of Government-sponsored affordable housing programs;</li> <li>2. Commercial loans to build, purchase, maintain and operate housing suitable for Target Populations, including: Community Housing, co-operative housing, 'Build to Rent', and 'Build to Rent to Buy' housing models.</li> </ol> <p>Target populations:</p> <ul style="list-style-type: none"> <li>- People vulnerable to lack of access to safe, appropriate, and affordable housing</li> <li>- People vulnerable to exclusion from home ownership due to housing affordability</li> </ul> <p>Loans where the purpose of funds is to improve access to safe, secure, and affordable housing for First Nations people and communities including:</p> <ol style="list-style-type: none"> <li>1. Owner-occupied residential mortgages originated under Government-sponsored affordable home ownership schemes;</li> <li>2. Commercial loans to registered Community Housing Organisations or Aboriginal and Torres Strait Islander controlled: housing organisations, land councils or registered charities and not-for-profits, with a primary purpose of improving housing outcomes for Indigenous Australians.</li> </ol> <p>Target populations: First Nations people and communities.</p>	Affordable housing	<ul style="list-style-type: none"> <li>- Number of dwellings constructed, acquired, renovated, or held</li> <li>- Number of residents from target population housed</li> <li>- Number of households supported into home ownership</li> <li>- Mix of homes constructed/purchased/rented</li> <li>- Affordability indicators: % of housing cost versus income, % of homeowners in hardship</li> </ul>

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Socioeconomic advancement and empowerment	<p>Loans where the purpose of funds is to improve access to economic opportunities and prosperity for First Nations people and communities including:</p> <ul style="list-style-type: none"> <li>- Commercial loans to Aboriginal and Torres Strait Islander controlled organisations that deliver products or services with a demonstrable benefit to the economic opportunity, health and wellbeing, culture, and Country of First Nations people and communities.</li> </ul> <p>Target populations: First Nations people and communities.</p> <p>Loans where the purpose of funds is to improve the supply, security, suitability, and access to appropriate rental or owned housing for people with disability. This includes loans for the construction, acquisition, renovation, or operation of, or investment in, Specialist Disability Accommodation (SDA) where the building is, or once constructed, will be:</p> <ul style="list-style-type: none"> <li>- Enrolled with the National Disability Insurance Agency as an Specialist Disability Accommodation dwelling, and</li> <li>- Operated by a provider who is suitably registered with the National Disability Insurance Scheme Quality and Safeguards Commission.</li> </ul> <p>Target populations: People with disability</p>	Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> <li>- Production outputs: value or volume of products and services delivered in benefit of a target population</li> <li>- Number of target population reached, employed, benefited</li> <li>- Number of specialised dwellings constructed, acquired, renovated, or held</li> </ul>
Access to essential services	<p>Loans where the purpose of funds is to improve the supply of, or access to essential services for people in Australia, including commercial loans to:</p> <ol style="list-style-type: none"> <li>1. Charities registered with the Australian Charities and Not for Profits Commission that operate in the health care, social inclusion, or education &amp; training sectors.</li> <li>2. For-purpose businesses operating in the health care and social inclusion sectors</li> </ol> <p>Target populations:</p> <ul style="list-style-type: none"> <li>- People living below the poverty line</li> <li>- People with disability</li> <li>- Migrants and/or displaced persons</li> <li>- Underserved, in respect to access to appropriate essential services</li> <li>- Women and/or sexual and gender minorities</li> <li>- Aging populations</li> </ul>	Access to essential services	<ul style="list-style-type: none"> <li>- Number and types of charities and for-purpose businesses supported, key activities and outputs delivered</li> <li>- Number and type of target populations reached/benefited</li> </ul>

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Green buildings and Energy efficiency	<p>Loans for the construction, purchase, renovation, or refinance of green residential buildings that deliver positive environmental outcomes through their high standard of thermal efficiency and or energy use, including buildings that:</p> <ol style="list-style-type: none"> <li>1. Meet climate change mitigation green technical screening criteria for residential buildings according to the Australian Sustainable Finance Taxonomy, or;</li> <li>2. Represent the top 15% of like-buildings for energy efficiency performance in a given location, based on the date of construction, compliance with relevant building standards, and other criteria, as defined by the Climate Bonds Initiative standards for Buildings.</li> </ol> <p>Personal loans and commercial loans where the purpose of funds is to improve the energy efficiency and carbon emission performance of existing residential buildings through electric-only, energy efficiency renovation and retrofit equipment and upgrades that:</p> <ol style="list-style-type: none"> <li>1. Meet climate change mitigation decarbonisation technical screening criteria for residential and small commercial renovations and upgrades according to the Australian Sustainable Finance Taxonomy or;</li> <li>2. Achieve at least a 30% improvement in energy efficiency or carbon emissions.</li> </ol>	Climate change mitigation	<ul style="list-style-type: none"> <li>- Number of green homes constructed, acquired, renovated, or held</li> <li>- Quality of thermal or energy use performance</li> <li>- Carbon emissions (co2-e) avoided</li> <li>- Energy demand (kW/MJ) reduced</li> <li>- Number and type of energy efficiency upgrades completed</li> </ul>
Renewable energy	<p>Loans where the purpose of funds is to deliver renewable energy and enabling technology solutions that meet climate change mitigation decarbonisation technical screening criteria according to the Australian Sustainable Finance Taxonomy. This includes loans for the design, construction, operation, maintenance, manufacture, or supply of renewable energy or energy efficiency infrastructure or equipment (including solar PV, battery storage, microgrids, and e-mobility).</p>	Climate change mitigation	<ul style="list-style-type: none"> <li>- Output of renewable energy capacity or equipment</li> </ul>
Terrestrial & aquatic biodiversity	<p>Loans where the purpose of funds delivers improved nature protection and sustainable land use, including:</p> <ol style="list-style-type: none"> <li>a. Conserving, restoring or managing terrestrial freshwater or marine ecosystems, and activities that restore ecological function (including revegetation and invasive species removal);</li> <li>b. Indigenous led (majority control) environmental stewardship, ranger programs, biodiversity and cultural land management;</li> <li>c. Land acquisition to establish protected areas and/or operate biodiversity credit projects;</li> <li>d. Mixed use productive landscapes delivering biodiversity benefits.</li> </ol>	Biodiversity conservation	<ul style="list-style-type: none"> <li>- Land area or marine habitat protected or restored (ha/km2)</li> <li>- Native species abundance or richness</li> <li>- Invasive species presence or spread reduced (land area, ha/km2)</li> </ul>

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Climate change mitigation & adaptation	Loans where the purpose of funds delivers a carbon emission reduction or capture outcomes, including: <ul style="list-style-type: none"> <li>- Australian Carbon Credit Unit (ACCU) Scheme - registered carbon projects;</li> <li>- Nature-based adaptation projects (including wetland restoration) that contribute to the removal of carbon emissions and/or climate resilience.</li> </ul>	Climate change mitigation  Climate change adaptation	- Carbon emissions (co2-e) avoided/removed  - Land area committed to climate change mitigation & adaptation activities

## Endnotes

- [1](#) Point-in-time assessment is applicable only on date of assignment or update.
- [2](#) Australian Institute of Health and Welfare, [Housing affordability](#), 16 October 2025.
- [3](#) Australian Institute of Health and Welfare, [Housing circumstances of First Nations people](#), 16 October 2025.
- [4](#) Homelessness Australia, [The housing gap for Indigenous Australians that keeps widening: new analysis](#), 1 August 2025.
- [5](#) Department of Social Services, [Australia's Disability Strategy 2021-31](#), 2024.
- [6](#) Closing the gap, [Priority Reforms](#), accessed on 1 April 2026.
- [7](#) Australian Institute of Health and Welfare, [People with disability in Australia](#), 23 April 2024.
- [8](#) Australian Institute of Health and Welfare, [Health of refugees and humanitarian entrants in Australia](#), 3 November 2023.
- [9](#) Infrastructure Australia, [Embodied Carbon Projections for Australian Infrastructure and Buildings](#), 15 July 2024.
- [10](#) Department of Climate Change, Energy, the Environment and Water, [Net Zero](#), 25 November 2025.
- [11](#) Bank Australia, [Impact Report](#), 2025.
- [12](#) Department of Climate Change, Energy, the Environment and Water, [Australian electricity generation - fuel mix](#), accessed on 2 April 2026.
- [13](#) Clean Energy Council, [Rooftop solar and storage biannual report](#), 15 September 2025.
- [14](#) Department of Climate Change, Energy, the Environment and Water, [Australia's National Biodiversity Strategy and Action Plan](#), 27 March 2026.
- [15](#) Australian Bureau of Statistics, [Biological diversity](#), 15 September 2025.
- [16](#) Bank Australia, [Conservation Reserve](#), accessed on 7 April 2026.
- [17](#) Department of Climate Change, Energy, the Environment and Water, [Setting our 2035 target and path to net zero](#), 18 September 2025.
- [18](#) CSIRO, [Coastal carbon – Australia's blue forest future](#), accessed on 7 April 2026.
- [19](#) Department of Climate Change, Energy, the Environment and Water, [Coastal blue carbon ecosystems](#), 15 September 2025.
- [20](#) Bank Australia, [Net zero by 2035: it's time to raise the bar on climate action](#), accessed on 7 April 2026.
- [21](#) Bank Australia, [Responsible Banking Policy](#), accessed on 24 March 2026.
- [22](#) See endnote 11.

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REPORT NUMBER 1478692