

# Australia Post Sustainable Finance Framework

## Evaluation Summary

Sustainalytics is of the opinion that the Australia Post Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds<sup>1</sup> are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will contribute to minimizing the environmental impact of Australia Post's operations and promoting socio-economic development in Australia. Sustainalytics considers that the use of proceeds categories contributes to the advancement of the UN Sustainable Development Goals, specifically SDGs 1, 7, 8, 9, 10, 11 and 12.



**PROJECT EVALUATION AND SELECTION** Australia Post's internal process for evaluating and selecting eligible projects will be carried out by its Asset and Liability Committee (ALCO) and staff from Group Treasury, Group Finance, Group Sustainability, as well as other departments. ALCO along with staff from the Group Sustainability and Community will assess environmental and social risks associated with eligible projects including alignment with the Group's Policies and has in place risk mitigation processes. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Australia Post's Asset and Liability Committee will be responsible for the management and allocation of bond proceeds. Australia Post has in place an internal Sustainable Finance Instrument Register to track the use of proceeds. Australia Post intends to allocate the proceeds within 36 months from issuance. Unallocated proceeds will be temporarily invested in cash, cash equivalent instruments or projects or assets that do not include GHG-intensive activities. This is in line with market practice.



**REPORTING** Australia Post commits to reporting on the allocation of proceeds and the corresponding impact in its Sustainable Finance Report annually until full allocation. Allocation reporting will include a list of the green or social projects financed or refinanced utilizing the bond or loan proceeds, their brief description, the amounts disbursed or invested, the allocation of bond or loan proceeds to each green or social project and the intended types of temporary investment instruments for the management of unallocated proceeds. In addition, Australia Post is committed to reporting on relevant impact metrics. Sustainalytics views Australia Post's allocation and impact reporting as aligned with market practice.



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<sup>1</sup> Eligible use of proceeds categories: i) Renewable Energy; ii) Energy Efficiency; iii) Pollution Prevention and Control; iv) Circular Economy Adapted Products, Production, Technology and Processes; v) Clean Transportation; vi) Green Buildings; vii) Socio-economic Advancement and Empowerment; viii) Access to Essential Services; and ix) Employment Generation and Programmes

## Introduction

Australia Post (“AP” or the “Company”) is a postal services provider and a government business enterprise wholly owned by the Australian federal government. Headquartered in Melbourne, Australia, the Company has about 36,400 employees who provide a range of mail and parcel delivery services from a network of 4,310 post outlets, 2,513 of which are in rural or remote areas in Australia.<sup>2</sup>

AP has developed the Australia Post Sustainable Finance Framework dated May 2023 (the “Framework”), under which it intends to issue green, social and sustainability bonds or loans<sup>3</sup> and use the proceeds to finance or refinance, in whole or in part, existing or future projects that will contribute to minimizing the environmental impact of Australia Post’s operations on the environment and promoting socio-economic development in Australia. The Framework defines eligibility in the following green and social areas:

The Framework defines eligibility criteria in six green areas:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Circular Economy Adapted Products, Production Technologies and Processes
5. Clean Transportation
6. Green Buildings

The Framework defines eligibility criteria in three social areas:

1. Socio-economic Advancement and Empowerment
2. Access to Essential Services
3. Employment Generation and Programmes

AP engaged Sustainalytics to review the Australia Post Sustainable Finance Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP),<sup>4</sup> Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP).<sup>5</sup> The Framework has been published in a separate document.<sup>6</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>7</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

<sup>2</sup> Australia Post, “2022 Annual Report”, at : [https://auspost.com.au/content/dam/auspost\\_corp/media/documents/2022-australia-post-annual-report.pdf](https://auspost.com.au/content/dam/auspost_corp/media/documents/2022-australia-post-annual-report.pdf)

<sup>3</sup> For multitranches loan facilities, AP has confirmed to Sustainalytics that the Company will only label tranches of such facilities whose proceeds will be allocated according to the Framework’s eligibility criteria.

<sup>4</sup> The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>5</sup> The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

<sup>6</sup> The Australia Post Sustainable Finance Framework is available on Australia Post’s website at: <https://auspost.com.au/>

<sup>7</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of this engagement, Sustainalytics held conversations with various members of AP's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. AP representatives have confirmed (1) they understand it is the sole responsibility of AP to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and AP.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, AP is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that AP has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Australia Post Sustainable Finance Framework

Sustainalytics is of the opinion that the Australia Post Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories for the use of proceeds<sup>8</sup> are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainalytics notes that the projects financed under the Framework are expected to contribute to minimizing the environmental impact of AP's operations and promoting socio-economic development in Australia.
  - AP has confirmed that in case of refinancing operating expenditure, it has set a look-back period of 36 months. Sustainalytics considers this to be in line with market practice.
  - Under Renewable Energy, the Company may finance or refinance expenditures related to the following:
    - Installation of rooftop solar panels for own use.
    - Purchase of renewable energy certificates (RECs), including large-scale generation certificates (LGCs).<sup>9</sup> LGC purchases will be both bundled and unbundled with the ability to track these LGCs through designated renewable energy projects. AP has also confirmed that the LGCs will exclude power generated from nuclear and natural gas facilities. Sustainalytics notes that unbundled LGCs have a medium term, and bundled

<sup>8</sup> Eligible use of proceeds categories: i) Renewable Energy; ii) Energy Efficiency; iii) Pollution Prevention and Control; iv) Circular Economy Adapted Products, Production, Technology and Processes; v) Clean Transportation; vi) Green Buildings; vii) Socio-economic Advancement and Empowerment; viii) Access to Essential Services; and ix) Employment Generation and Programmes

<sup>9</sup> Government of Australia, Clean Energy Regulator, "Large-scale generation certificates", (2022), at:

<https://www.cleanenergyregulator.gov.au/RET/Scheme-participants-and-industry/Power-stations/Large-scale-generation-certificates>

- LGCs will be purchased through a continuous agreement to ensure commitment to green energy. Additionally, AP has committed to holding the associated environmental attributes by retiring LGCs. Furthermore, Sustainalytics notes that regarding the procurement of long-term renewable energy power purchase agreements (PPAs) is market preference while noting that AP commits to extending its existing short-term contracts on the same sustainability terms, continuing its commitment to renewable energy. Sustainalytics encourages the Company to establish longer-term agreements.
- Under the Energy Efficiency category, the Company may finance or refinance expenditures related to the installation or upgrade of energy-efficient technology or products, including improved lighting technology, lighting controls, HVAC mechanical upgrades, energy-efficient hot water installations, wall insulations, building ceiling fabric and finishes, fast action doors, skylights and traditional building management systems.
    - Where boilers are required for heating hot water, AP will invest in electric heat pumps and exclude oil and gas boilers. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends AP to exclude financing of heat pumps with high-GWP refrigerants and promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
  - Under Pollution Prevention and Control, the Company may finance or refinance expenditures intended for the collection or recovery, sorting and further transportation to a third-party recycler for recycling or processing of used tyres. AP has confirmed that waste collection supports source segregation of waste, and the recycling activity will exclude e-waste.
  - Under Circular Economy Adapted Products, Production, Technology and Processes, AP may finance or refinance expenditures related to Unit Load Devices (ULD) repairs, such as ULD lid and gate repairs; and retreading of used tyres by third-party service providers for AP's reuse. Sustainalytics notes that the intent of such repairs is for AP to be able extend the life of the used assets and avoid their disposal in landfills. AP has confirmed that these products are being put back to their original use with very minimal or without any further pre-processing required.
  - Under the Clean Transportation category, the Company may finance or refinance expenditures related to the following:
    - Acquisition of electric vehicles (EVs), including electric trucks, three-wheeled electric delivery vehicles (eDVs) and hybrid passenger vehicles. Eligible hybrid vehicles would generate 75gCO<sub>2</sub>/km or less, based on lab tests, including the Worldwide Harmonized Light Vehicles Test Procedures (WLTP) or the New European Cycle Driving (NEDC) procedures.<sup>10</sup>
    - Additionally, AP will finance expenditures related to the development of eligible EV infrastructure, which will be limited to EV charging stations, battery storage on site and infrastructure upgrades to allow for EV charging. AP has confirmed the exclusion of parking facilities.
  - Under the Green Building category, the Company may finance or refinance expenditures to lease its new headquarters in Burnley, Australia, which are being fit out to achieve green building certifications, including: i) 5 star Greenstar Rating;<sup>11</sup> ii) 5 star NABERS Energy;<sup>12</sup> or iii) CBI proxy for low carbon buildings in Australia.<sup>13</sup> Sustainalytics views the schemes and the levels specified by AP to be credible for commercial buildings.
    - Additionally, Sustainalytics notes the operating lease payments for AP's headquarters that are designed specifically for the Company's own operations and for which the Company is either the sole or the anchor tenant.<sup>14</sup> AP has also confirmed that the operating leases will extend beyond the duration of any bond or loan. Since the leases

<sup>10</sup> Sustainalytics considers best practice to use the World Harmonized Light-duty Vehicle Test Procedure (WLTP), as it replicates realistic driving conditions and yields more accurate emissions results. NEDC test procedure, while still used worldwide, uses theoretical driving data, which can lead to material differences in terms of vehicles' CO<sub>2</sub> emissions compared to WLTP.

<https://www.transportenvironment.org/discover/mind-gap-2016-report/>

<sup>11</sup> Green Star: <https://new.gbca.org.au/green-star/rating-system/>

<sup>12</sup> NABERS Energy: <https://www.nabers.gov.au/ratings/our-ratings/nabers-energy>

<sup>13</sup> Climate Bond Initiative, "Location Specific Criteria for Commercial Buildings & Calculator", at:

<https://www.climatebonds.net/standard/buildings/commercial/calculator>

<sup>14</sup> The anchor tenant does not occupy 100% of the building, but the building would not be financed or built without the anchor tenant's lease commitment.

- including options to renew – run beyond the term of the planned bond and since the Company is the sole tenant or the anchor tenant of the buildings in question, Sustainalytics considers the expenditure to be credible.
- AP has stated that the expenditures may also include refurbishment costs incurred for the buildings to achieve the above certifications.
- Under the Socio-economic Advancement and Empowerment category, the Company may finance or refinance expenditures related to the following:
  - AP supports its partner non-profit organizations through annual donations, value in kind, volunteer time, financing management costs and collaborative work on key initiatives designed to support programs that serve public interest, such as: i) boosting mental well-being of Australians; ii) building disaster preparedness, response and recovery capacity of Australians; and iii) improving access to books and educational resources to First Nations children<sup>15</sup>.
  - Under its Charity Mail program, AP targets charities and non-for-profit organizations that are registered with the Australian Charities and Not-for-profits Commission (ACNC) or who hold a deductible gift recipient (DGR) certificate,<sup>16</sup> sending fund raising or donation requests, or promoting their charitable activities.
  - AP has confirmed the exclusion of any programs or organizations that promote religious or political activities. Additionally, AP has communicated that allocations used towards supporting partner non-profit organizations will be limited to 10% of total allocations. Sustainalytics considers this to be an acceptable practice.
  - AP also intends to finance expenditures related to offering concession mail service<sup>17</sup> targeted towards Australian Federal Government concession card holders<sup>18</sup>. These concession card holders<sup>19</sup> include senior citizens, specially abled, veterans, job seeking youth, Aboriginal and Torres Strait Islander Australians and primary care giver. Through its MyPost concession card, AP intends to provide concession card holders with domestic stamps, mail redirection at a discounted rate and free document certification.
  - AP intends to finance expenditures related to providing PO Box service<sup>20</sup> to homeless individuals<sup>21</sup> so that they can securely receive important documents and redevelop social connections.
  - Overall, Sustainalytics is of the opinion that the intended philanthropic expenditures are expected to promote community support and serve public interest in Australia.
- Under Access to Essential Services, the Company may finance or refinance expenditures related to the following:
  - Expenditures towards providing or delivering letter services to rural and remote locations as a part of the Community Service Obligations set by the federal government.<sup>22</sup> AP has communicated to Sustainalytics that expenditures under this activity will be limited to the following: i) infrastructure costs of new postal offices in rural and remote locations<sup>23</sup> where such services do not exist; and ii) upgrade of technology at existing postal offices in rural and remote locations to bring in digital transformation and enhance the reach of postal services to rural and remote populations. This may include upgrading point-of-sale (POS) technology at AP's

<sup>15</sup> Aboriginal and Torres Strait Islander peoples are the first peoples of Australia, as they have been residing in Australia for thousands of years prior to colonisation. For more details, please refer: <https://aiatsis.gov.au/explore/australias-first-peoples>

<sup>16</sup> Government of Australia, Australian Charities and Not-for-profits Commission, "Deductible Gift Recipient", at: <https://www.acnc.gov.au/tools/topic-guides/deductible-gift-recipient-dgr>

<sup>17</sup> Australia Post, "Apply for a MyPost Concession Card", at: <https://auspost.com.au/id-and-document-services/apply-for-a-mypost-concession-card>

<sup>18</sup> The list of eligible Australian Federal Government concession cards include: (i) Pensioner Concession Card, (ii) Health Care Card, (iii) Commonwealth Seniors Health Card (iv) Department of Veterans' Affairs Card and (v) Veterans' Repatriation Health Card. For more details, please refer to: <https://www.servicesaustralia.gov.au/concession-and-health-care-cards?context=60091>

<sup>19</sup> Eligible concession card holders meet the income and asset limits set by the Australian government.

<sup>20</sup> Australia Post, "Free PO Boxes for Sydney's Homeless", at: <https://auspost.com.au/receiving/manage-your-mail/po-boxes-and-private-bags/free-po-boxes-for-homeless>

<sup>21</sup> Eligible individuals are required to present a letter of introduction from the St Vincent de Paul Society (Vinnies). The St Vincent de Paul Society is a charity organisation providing help to Australians through food assistance, material aid, budget advice, shelter, advocacy, friendship and support.

<sup>22</sup> Government of Australia, "Australian Post Community Service Obligations", (2014), at: [https://s3-ap-southeast-2.amazonaws.com/ehq-production-australia/89b517a9ace11eeca2840446c5debc89028/documents/attachments/000/013/476/original/Australia\\_Post\\_and\\_Community\\_Service\\_Obligations.pdf?1401238124](https://s3-ap-southeast-2.amazonaws.com/ehq-production-australia/89b517a9ace11eeca2840446c5debc89028/documents/attachments/000/013/476/original/Australia_Post_and_Community_Service_Obligations.pdf?1401238124)

<sup>23</sup> Australian Bureau of Statistics, "Remoteness Structure", (2021), at: <https://www.abs.gov.au/statistics/statistical-geography/remoteness-structure>

existing post offices for cash handling and payment methods. Sustainalytics acknowledges that the provision of universal postal services has been entrusted as a public mission to AP by the government. Sustainalytics considers the financing of new postal offices in areas that have no access to these services and upgrading existing services in rural and remote areas to be socially impactful in facilitating inclusion of communities living in rural and remote areas of Australia.

- Through its Bank@Post program, AP intends to provide agency services on behalf of financial institutions in rural and remote areas<sup>24</sup> where there are limited or no bank branches or where commercial banking services have been withdrawn.<sup>25</sup> Such services include providing cash deposits, withdrawals, credit and debit card payments, and checking account balances on behalf of banks where AP's existing postal network provides these services. Additionally, expenditures under this activity may include capex, such as system expenditures incurred for installation of computer systems, and other banking-related systems or technologies. Sustainalytics notes that the number of bank branches in regional and remote Australia have fallen from around 2,500 to 1,900 between 2018 and June 2021 because of digital penetration and economic feasibility. Furthermore, Sustainalytics notes that access to cash remains crucial for certain population segments in Australia, including the elderly, lower-income households, Indigenous groups living in remote areas and people living in remote areas with no or limited access to the internet.<sup>26</sup> AP has confirmed that the Company does not charge any fees to the targeted population for providing the above banking services at its post offices. However, Sustainalytics notes that the financial institutions may charge fees for using Bank@Post.
- Given the withdrawal of banking services from rural and remote locations in Australia and its impact on vulnerable groups, Sustainalytics is of the opinion that the intended expenditures are expected to increase access to banking services in remote locations and communities. Sustainalytics also recognizes that the role of AP is limited to providing agency services for banks, and that it does not have control on deciding the costs of services and affordability mechanisms implemented by the financial institutions for the targeted populations. As such, Sustainalytics encourages AP, where feasible, to provide further disclosure on the affordability measures implemented by the financial institutions for the banking services offered through Bank@Post to the targeted populations and to report on the social impacts achieved.
- Under the Employment Generation category, AP intends to finance or refinance its social enterprise<sup>27</sup> and Indigenous business<sup>28</sup> procurement programme.
  - AP has confirmed that it will exclude all procurement related to harmful products, child labour and forced labour and that a maximum of 15% of proceeds will be allocated to this area.
  - Sustainalytics notes that the green and social bond market generally favours expenditures directly associated with an issuer's green or socially beneficial assets or activities compared to allocation toward procurement costs based on the identity of suppliers rather than the nature of the products or services being supplied.
  - AP has confirmed that such business enterprises are predominantly small and medium-sized enterprises (SMEs). Sustainalytics notes that these are verified or certified businesses by Supply Nation and Social Traders and that they would not remain eligible or qualify if they lose their majority Indigenous ownership under a large corporation acquisition or if they become or are large for-profit companies. Given this context, Sustainalytics recognizes the benefits of supporting SMEs owned or operated by members of historically disadvantaged groups or serving a social cause through procurement from them. While recognizing that such partnerships are likely to benefit

<sup>24</sup> Ibid

<sup>25</sup> Australian Government, The Treasury, "Regional Banking Taskforce – Final Report", 2022, at: <https://treasury.gov.au/publication/p2022-260600>

<sup>26</sup> Ibid.

<sup>27</sup> AP follows Social Traders' definition of social enterprises.

Social Traders, "What is a social enterprise", at: <https://www.socialtraders.com.au/news/what-is-a-social-enterprise>

<sup>28</sup> AP follows Supply Nation's definition of Indigenous businesses.

Supply Nation, "How we verify Aboriginal and Torres Strait Islander businesses", at: <https://supplynation.org.au/benefits/indigenous-business/>

social enterprises and Indigenous businesses, Sustainalytics notes that larger companies are less likely to face challenges in accessing capital than SMEs. Therefore, Sustainalytics encourages AP to prioritize procurement from SMEs that have a clearly defined size or revenue threshold to further maximize the socio-economic benefit.

- The Framework includes an exclusionary list of activities excluded from its green, social and sustainability issuances. Sustainalytics views the exclusion of activities that have potential negative environmental or social impacts, to further strengthen Australia Post Sustainable Finance Framework.
- Project Evaluation and Selection:
  - The Australia Post's Asset and Liability Committee (ALCO) along with staff from Group Treasury, Group Finance, Group Sustainability and other departments will be responsible for evaluating and selecting eligible projects in line with the Framework's eligibility criteria. They will also be guided by Bond Arranger(s). The ALCO will provide a final approval of the eligible projects.
  - The ALCO, along with the staff from Group Sustainability and Community will assess environmental and social risks associated with eligible projects, including alignment with the Group's Policies and has in place risk mitigation processes. For additional details, please see Section 2.
  - Based on this established process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - AP's Asset and Liability Committee will be responsible for the management and allocation of bond proceeds. AP has in place an internal Sustainable Finance Instrument Register to track the use of proceeds. The register will be updated annually.
  - Australia Post intends to allocate the proceeds within 36 months from issuance.
  - Pending full allocation, unallocated proceeds will be temporarily invested in cash, cash equivalent instruments or projects or assets that do not include GHG-intensive activities.
  - Based on the presence of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - AP intends to report on the allocation of proceeds and the corresponding impact in its Sustainable Finance Report on an annual basis until full allocation. Allocation reporting will include a list of the green and social projects financed or refinanced through the bond or loan proceeds, a brief description of the green and social projects and the amounts disbursed or invested, the allocation of bond or loan proceeds to each green and social project and the intended types of temporary investment instruments for the management of unallocated proceeds.
  - Impact reporting will include relevant environmental and social impact metrics, such as GHG emissions reduced or avoided (tCO<sub>2</sub>e), annual energy savings (in MWh or GWh for electricity and GJ or TJ for other energy), number of tyres retreaded, number of clean vehicles deployed, number of mail items delivered for charity partners, number of people with access to financial services, and number of jobs created, supported or retained.
  - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Sustainability Bond Guidelines 2021**

Sustainalytics has determined that the Australia Post Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.

## **Section 2: Sustainability Performance and Strategy of Australia Post**

### **Contribution to AP's sustainability performance and strategy**

Sustainalytics is of the opinion that AP demonstrates a commitment to sustainability by integrating environmental and social considerations into its business and operations to promote positive economic, social and environmental value for the community at large. The Company has developed a 2025 Sustainability

Roadmap based on several initiatives, including but not limited to: i) achieve net zero by 2050; ii) reduce, reuse and recycle waste; iii) grow sustainably; and iv) support Australia's diverse communities.<sup>29</sup>

AP supports the Australian government's goal of reaching net zero by 2050, validated by the Science Based Target initiative. AP will implement a wide range of activities to achieve net zero by 2050, with interim targets for 2025, 2030 and 2040. Some of the short-term targets for 2025 include investing in 100% renewable electricity and reducing emission by 15% from a 2019 baseline. In 2020, the Company identified carbon emission and energy management as key material issues under environment basis the materiality assessment it carried out. Between 2020 and 2022, AP was able to add to its delivery fleet, including 3,125 EVs, 1,507 electric bicycles and three electric delivery trucks, which makes up 30% of its entire fleet. In addition, the Company invested in 23,000 solar panels across 71 sites and 35,000 energy efficient LED lights across 107 sites. It also aims to reduce waste going to landfills by 20% and increase its recycling rate by 70% by 2025 from a 2019 baseline. Between 2020 and 2022, AP was able to divert close to 85,000 kg of e-waste from landfills through collaboration with different third-party vendors. In 2022, only 21% of truck and van tyres were purchased as new tyres, with the remaining 79% being retreads.<sup>30</sup>

To support Australia's diverse communities, AP intends to spend AUD100 million with social enterprises and Indigenous businesses by 2025. Between 2020 and 2022, AP achieved a 3% representation of Aboriginal and Torres Strait Islander team member representation across its workforce, and it is working towards a target of reaching 3.15% Indigenous representation by 2023. To ensure better support to local communities across Australia, AP awarded more than 1,000 grants to community organizations. The Company delivered 280,000 books to children living in 356 Indigenous communities through a partnership with the Indigenous Literacy Foundation.<sup>31</sup> In addition, more than 3,500 post offices in Australia offer important agency banking services through AP's Bank@Post, which remains a crucial service for local communities. There were more than 14.5 million Bank@Post transactions in 2022, ranging from cash withdrawals and deposits to business banking deposits.<sup>32</sup>

Sustainalytics is of the opinion that the Australia Post Sustainable Finance Framework is aligned with the Company's overall sustainability strategy and initiatives and will further AP's action on its key environmental and social priorities.

#### **Approach to managing environmental and social risks associated with the projects**

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving occupational health and safety, community relations and stakeholder participation.

Sustainalytics is of the opinion that AP is able to manage and mitigate potential risks through the implementation of the following:

- AP has in place a Work Health & Safety Policy to ensure safe work environments in line with its vision of zero injuries and harm at the workplace.<sup>33</sup> As part of its 2025 Sustainability Roadmap, AP intends to focus on physical and psychological safety and injury management. In 2022, AP adopted a safety and injury management system, which was designed to provide a seamless and integrated processing and reporting solution.<sup>34</sup>
- AP consults with its stakeholders on a variety of issues through the Australia Post Stakeholder Council. The council enables dialogue between AP and its external stakeholders to understand and improve stakeholder needs and expectations while enabling AP to enhance its services and product initiatives.<sup>35</sup>
- As Government Business Enterprise, AP is accountable to the Shareholder Ministers on behalf of all Australians. To ensure adherence to applicable laws, regulations, codes, policies and procedures, AP has in place an Ethical Standards Policy.<sup>36</sup> In addition to laying out ethical standards for all internal

<sup>29</sup> Australia Post, "2025 Sustainability Roadmap", at : [https://auspost.com.au/content/dam/auspost\\_corp/media/documents/2025-sustainability-roadmap.pdf](https://auspost.com.au/content/dam/auspost_corp/media/documents/2025-sustainability-roadmap.pdf)

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Australia Post, "2022 Annual Report", at : [https://auspost.com.au/content/dam/auspost\\_corp/media/documents/2022-australia-post-annual-report.pdf](https://auspost.com.au/content/dam/auspost_corp/media/documents/2022-australia-post-annual-report.pdf)

<sup>33</sup> Australia Post, "Group Work, Health and Safety Policy", at : [https://auspost.com.au/content/dam/auspost\\_corp/media/documents/work-health-and-safety-policy-poster.pdf](https://auspost.com.au/content/dam/auspost_corp/media/documents/work-health-and-safety-policy-poster.pdf)

<sup>34</sup> Australia Post, "2022 Annual Report", at : [https://auspost.com.au/content/dam/auspost\\_corp/media/documents/2022-australia-post-annual-report.pdf](https://auspost.com.au/content/dam/auspost_corp/media/documents/2022-australia-post-annual-report.pdf)

<sup>35</sup> Ibid.

<sup>36</sup> Australia Post, "Our Ethics", at : [https://auspost.com.au/content/dam/auspost\\_corp/media/documents/our-ethics-booklet.pdf](https://auspost.com.au/content/dam/auspost_corp/media/documents/our-ethics-booklet.pdf)



stakeholders, the policy also extends to contractors and licensees to enforce ethical standards and minimize deal breaches.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that AP has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All nine use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainalytics has focused on where the impact is specifically relevant in the local context.

#### Importance of renewable energy in Australia’s electricity grid

Electricity production in Australia is heavily dominated by fossil fuels, with coal and gas accounting for 51% and 18% of the power generated in 2021, respectively.<sup>37</sup> Power generation from renewables made up 29% of electricity generation over the same time period, with solar, wind and hydro contributing by 12%, 10% and 6%, respectively. Additionally, the carbon intensity outlook of the power sector in Australia in 2020 was 656.4 CO<sub>2</sub>g/kWh,<sup>38</sup> highlighting the need and opportunity to decarbonize electricity generation in Australia.

Australia’s electricity grid is projected to face major supply shortages from 2025 as a handful of coal-fired power stations are in line to go out of service from the national electricity market.<sup>39</sup> When coupled with ongoing heatwaves in Australia, this adds to the prospects of increasing energy demands in the future.<sup>40</sup> To reliably fulfil demand from Australian homes and companies, there is a need for urgent and continued investments in renewable energy, long-duration storage and transmission. These investments would also complement Australia’s Nationally Determined Contribution commitments to reducing its emissions to 43% below 2005 levels by 2030.<sup>41</sup> Meanwhile, solar power has gained huge traction in Australia, with more than 3 million rooftop solar PV systems installed by January 2021.<sup>42</sup> This accounts for 30% of homes in Australia adopting solar power.<sup>43</sup> The country incentivizes renewable energy adoption by providing renewable energy certificates through the Australian Clean Energy Regulator; certificates can be sold to recover a portion of the system’s installation and purchase costs.<sup>44</sup>

Given this context, Sustainalytics is of the opinion that AP’s financing of renewable energy is expected to further Australia’s emissions targets and fulfil energy demands.

#### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Australia Post Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency

<sup>37</sup> Government of Australia, Department of the Environment and Energy, “Electricity Generation”, at: <https://www.energy.gov.au/data/electricity-generation>

<sup>38</sup> Statista, “Carbon intensity outlook of the power sector in Australia from 2020 – 2050”, at: <https://www.statista.com/statistics/1190081/carbon-intensity-outlook-of-australia/#:~:text=Power%20sector%20carbon%20intensity%20outlook%20in%20Australia%202020%2D2050&text=The%20power%20sector%20in%20Australia,an%20estimated%2098%20gCO2%2FKWh>.

<sup>39</sup> Hannam, P., (2023), “Australia at risk of electricity supply shortages as renewable projects lag behind coal plant closures”, The Guardian, at: <https://www.theguardian.com/australia-news/2023/feb/20/australia-at-risk-of-electricity-supply-shortages-as-renewable-projects-lag-behind-coal-plant-closures>

<sup>40</sup> Ibid

<sup>41</sup> Government of Australia, Department of the Environment and Energy, “International Climate Action”, at: <https://www.dcceew.gov.au/climate-change/international-commitments>

<sup>42</sup> Government of Australia, Department of the Environment and Energy, “Solar PV and batteries”, at: <https://www.energy.gov.au/households/solar-pv-and-batteries>

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse
Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible Consumption and Production	12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Socio-economic Advancement and Empowerment	10. Reduce inequality within and among countries	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Access to Essential Services	1. No poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
Employment Generation	8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  10. Reduce inequality within and among countries	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value  10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

## Conclusion

AP has developed the Australia Post Sustainable Finance Framework, under which it may issue green, social and sustainability bonds or loans and use the proceeds to finance or refinance, in whole or in part, existing or future eligible projects in nine categories. Sustainalytics considers that the eligible projects funded by the proceeds will contribute to minimizing the environmental impact of AP's operations and promoting socio-economic development in Australia.

The Australia Post Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Australia Post Sustainable Finance Framework is

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aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of UN Sustainable Development Goals 1, 7, 8, 9, 10, 11 and 12. Additionally, Sustainalytics is of the opinion that AP has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that AP is well positioned to issue green, social and sustainability bonds or loans and that that Australia Post Sustainable Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2023) and Social Loan Principles (2023).

## Appendix

### Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

#### Section 1. Basic Information

Issuer name:	Australia Post
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Australia Post Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 08, 2023
Publication date of review publication: Original publication date <i>[please fill this out for updates]:</i>	

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify):</i>                         |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

##### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation   |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                  | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the environmental taxonomy, if other than GBPs:

##### Use of proceeds categories as per SBP:

- |   |  |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure  | <input checked="" type="checkbox"/> Access to essential services                                   |
| <input type="checkbox"/> Affordable housing   | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security  | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Australia Post's internal process for evaluating and selecting eligible projects will be carried out by its Asset and Liability Committee and staff from Group Treasury, Group Finance, Group Sustainability, as well as other departments. The ALCO, along with staff from Group Sustainability and Community will assess environmental and social risks associated with eligible projects, including alignment with the Group's Policies and has in place risk mitigation processes. Sustainalytics considers the project selection process to be in line with market practice.

- |   |  |
|---|--|
| <input type="checkbox"/> Credentials on the issuer's social and green objectives  | <input type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                           | <input type="checkbox"/> Other (please specify):   |

### Information on Responsibilities and Accountability

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):  |   |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Australia Post's Asset and Liability Committee will be responsible for the management and allocation of bond proceeds. Australia Post has in place an internal Sustainable Finance Instrument Register to track the use of proceeds. Australia Post intends to allocate the proceeds within 36 months from issuance. Unallocated proceeds will be temporarily invested in cash, cash equivalent instruments or projects or assets that do not include GHG-intensive activities. This is in line with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |

- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

#### 4. REPORTING

Overall comment on section (if applicable):

Australia Post commits to reporting on the allocation of proceeds and the corresponding impact in its Sustainable Finance Report on an annual basis until full allocation. Allocation reporting will include a list of the green or social projects financed or refinanced utilizing the bond or loan proceeds, a brief description of the green or social projects and the amounts disbursed or invested, the allocation of bond or loan proceeds to each green or social project and the intended types of temporary investment instruments for the management of unallocated proceeds. In addition, Australia Post is committed to reporting on relevant impact metrics. Sustainalytics views Australia Post's allocation and impact reporting as aligned with market practice.

##### Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

##### Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify):

##### Frequency:

- Annual
- Semi-annual
- Other (please specify):

##### Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

##### Information reported (expected or ex-post):

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Number of beneficiaries
- Target populations
- Other ESG indicators (please specify): number of tyres retreaded, number of clean vehicles deployed, number of mail items delivered for charity partners, number of people with access to financial services, and number of jobs created, supported or retained.

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify):  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification  
 Verification / Audit  Rating  
 Other (please specify):

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.



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- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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