

Australia Post

Type of Engagement: Annual Review

Date: 19 February 2024

Engagement Team:

Nilofur Thakkar, nilofur.thakkar@mornignstar.com

Maliha Taj, maliha.taj@morningstar.com

Introduction

In May 2023, Australia Post (“AP”) issued a Sustainability Bond (the “2023 Sustainability Bond”), under the Australia Post Sustainable Finance Framework¹ (the “Framework”), to finance or refinance projects that are expected to contribute to environmental and social impacts in Australia. In 2024, AP engaged Sustainalytics to review the projects financed with proceeds from the 2023 Sustainability Bond and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework. Sustainalytics provided a second-party opinion on the Framework in May 2023.²

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the 2023 Sustainability Bond based on whether they:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category of the Framework.

Table 1: Green Use of Proceeds Categories, Eligibility Criteria and Associated KPIs³

| Use of Proceeds Category | Eligibility Criteria | Key Performance Indicators |
|--------------------------|--|--|
| Renewable Energy | <p>This includes expenditures related to renewable energy projects including:</p> <ul style="list-style-type: none"> • Installation of rooftop solar panels for own use; • Purchase of Renewable Energy Certificates (RECs) including large-scale generation certificates (LGCs). <p>LGCs will exclude power generated from nuclear and natural gas facilities.</p> <p>Australia Post commits to hold the associated environmental attributes by retiring RECs.</p> <p>Where practical Australia Post will establish longer term agreements.</p> | <ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent. • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy). • Capacity of renewable energy plant(s) constructed or rehabilitated in MW. • Number of sites powered. |
| Energy Efficiency | <p>This includes expenditures related to the installation and / or upgrades of energy efficient products and equipment including:</p> <ul style="list-style-type: none"> • Installation of LED lights; • Other improved lighting technology; | <ul style="list-style-type: none"> • Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy). • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent. |

¹ Australia Post, “Australia Post Sustainable Finance Framework” (2023), at :

https://auspost.com.au/content/dam/auspost_corp/media/documents/australia-post-sustainable-finance-framework.pdf

² Australia Post, “Second-Party Opinion, Australia Post Sustainable Finance Framework”, (2023), at:

https://auspost.com.au/content/dam/auspost_corp/media/documents/australia-post-sustainable-finance-framework-second-party-opinion.pdf

³ The Framework defines six green use of proceeds categories and Australia Post has allocated proceeds from the current issuance to towards four green use of proceeds categories.

| | | |
|--|--|---|
| | <ul style="list-style-type: none"> • Lighting controls; • HVAC mechanical upgrades; • Energy efficient hot water installations; • Wall insulations; • Building ceiling fabric and finishes; • Fast action door & skylights; • Traditional building management systems. <p>Where boilers are required for heating hot water, Australia Post will invest in electric heat pumps and exclude oil and gas boilers.</p> | |
| <p>Circular economy adapted products, production technologies & processes</p> | <p>This includes expenditures related to repair and reuse of products including:</p> <ul style="list-style-type: none"> • Used Unit Load Devices (ULDs) (e.g. ULD lid and gate repairs); • Tyres (e.g. retreading of used tyres by third party service providers for Australia Post’s reuse) <p>These products are being put back to their original use with minimal or no further pre-processing.</p> | <ul style="list-style-type: none"> • Percentage increase in materials, components and products that are reusable, recyclable, and/or certified compostable as a result of the project and/or in absolute amount in tonnes p.a. |
| <p>Clean Transport</p> | <p>This includes expenditures related to the acquisition of electric vehicles including but not limited to:</p> <ul style="list-style-type: none"> • Electric trucks; • Three-wheeled electric delivery vehicles (eDV); • Hybrid passenger vehicles (that generate 75gCO₂/km or less, based on lab tests WLTP or NEDC procedures). <p>Expenditures may also include development of electric vehicle infrastructure, limited to:</p> <ul style="list-style-type: none"> • EV charging stations; • Battery storage on site; • Infrastructure upgrades to allow for EV charging. <p>This category excludes parking facilities.</p> | <ul style="list-style-type: none"> • Number of clean vehicles deployed (e.g. electric). • Estimated reduction in fuel consumption. |

Table 2: Social Use of Proceeds Categories, Eligibility Criteria and Associated KPIs⁴

| Use of Proceeds Category | Eligibility Criteria | | Key Performance Indicators |
|---|--|---|---|
| <p>Employment generation, and programs</p> | <p>Procurement from Indigenous businesses and social enterprises into the supply chain</p> | <p>This includes expenditures related to Australia Post’s indigenous business procurement and social enterprise programs.</p> <p>Australia Post defines social enterprises to include businesses which trade to intentionally tackle social problems such as:</p> <ul style="list-style-type: none"> • Improving communities; • Creating employment and training opportunities for members of society who are disadvantaged, or underrepresented such as people with disability, minority groups; or • Protecting the environment <p>These enterprises use at least 50% of their profits to work towards their social mission.</p> | <ul style="list-style-type: none"> • Dollars spent through Supply Nation in both absolute and percentage of total procurement spend. • Jobs created/supported, and or/retained. • Dollars spent through Social Traders in both absolute and percentage of total procurement spend, number of people with a disability employed if known. |
| <p>Socioeconomic advancement and empowerment⁵</p> | <p>Community partnerships and facilitated giving programmes: Providing grants/ donations and facilitating donations for its community partners nonprofit organisations</p> | <p>This includes expenditures related to Australia Post’s support provided to its partner non-profit organizations through:</p> <ul style="list-style-type: none"> • Collaborative work on key initiatives designed to support programmes that serve the public interest, such as: <ul style="list-style-type: none"> o Helping Australians look after their mental health and wellbeing; o Building disaster preparedness, response, and recovery capacity of Australians | <ul style="list-style-type: none"> • Dollars of subsidy provided to charity partners. • Number of mail items delivered for charity partners. |

⁴ The Framework defines three social use of proceeds categories and Australia Post has allocated proceeds from the current issuance to towards two social use of proceeds categories.

⁵ A maximum of 10% of proceeds will be collectively allocated between i) Community partnerships and facilitated giving programmes; and ii) Charity Mail.

| | | | |
|--|---|---|--|
| | | <p>o Improving access for First Nations children to books and educational resources.</p> <ul style="list-style-type: none"> • Annual donations; • Value in kind; • Volunteer time; or • Financing management costs. | |
| | <p>Charity Mail: Providing charities and not-for profit organisations with discounted delivery services</p> | <p>This includes expenditures related to Australia Post’s Charity Mail program, under which Australia Post assists charities and non-for-profit organizations that are:</p> <ul style="list-style-type: none"> • Registered with the Australian charities and not-for-profits Commission (ACNC) as deductible gift recipients (DGR); • Sending fund raising or donation requests or promoting their charitable activities. | |
| | <p>Concession Mail: Providing concession card holders with discounted services</p> | <p>This includes expenditures related to Australia Post’s concession mail service, under which Australia Post offers concession card holders a free MyPost concession account entitling them to concession stamps and other benefits.</p> <p>Someone can apply for a MyPost concession account if they hold any of the following Australia Federal Government concession cards:</p> <ul style="list-style-type: none"> • Pensioner Concession Card; • Health Care Card; • Commonwealth Seniors Health Card; • Department of Veterans’ Affairs Card; | |

| | | | |
|--|----------------------------|--|--|
| | | <ul style="list-style-type: none"> Veterans' Repatriation Health Card. | |
| | Free PO Boxes for homeless | This includes expenditures related to Australia Post's free PO box service for homeless, giving individuals experiencing homelessness an address at a participating post office, where they can securely receive important documents and help reestablish connections. | |

Issuer's Responsibility

Australia Post is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Australia Post's 2023 Sustainability Bond. The work undertaken as part of this engagement included collection of documentation from Australia Post and review of said documentation to assess conformance with the Australia Post Sustainable Finance Framework.

Sustainalytics relied on the information and the facts presented by Australia Post. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Australia Post.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁶ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. Australia Post has disclosed to Sustainalytics that of the total of AUD 100 million raised from the 2023 Sustainability Bond, 50% of proceeds were allocated towards eligible projects as aligned with the Framework as of May 2023 and the remaining 50% of the proceeds will be temporarily invested in accordance with the Framework.⁷

⁶ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

⁷ 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. Australia Post intends to allocate the proceeds within 36 months from issuance.

Table 3: Detailed Findings

| Framework Requirements | Procedure Performed | Factual Findings | Error or Exceptions Identified |
|---------------------------------|--|--|---------------------------------------|
| Use of Proceeds Criteria | Verification of the projects funded with proceeds from the 2023 Sustainability Bond to determine if projects aligned with the use of proceeds criteria outlined in the Framework. | All projects reviewed complied with the use of proceeds criteria. | None |
| Reporting Criteria | Verification of the projects funded with proceeds from the 2023 Sustainability Bond to determine if impact of projects was reported in line with the KPIs outlined in the Framework. | All projects reviewed reported on at least one KPI per use of proceeds category. | None |

Appendix

Appendix 1: Allocation Reporting by Use of Proceeds Category

In May 2023, Australia Post raised a total of AUD 100 million through the issuance of the 2023 Sustainability Bond. As of May 2023, the total amount allocated to eligible projects was AUD 50 million. 100% of the proceeds allocated was used towards refinancing projects.

| Use of Proceeds Category | Project Description | Net Proceeds Allocation (AUD million) |
|--|--|---------------------------------------|
| Renewable Energy | Installation of rooftop solar panels for own use | 1,500,000 |
| Energy Efficiency | Installation and / or upgrades of energy efficient products and equipment | 5,500,000 |
| Circular economy adapted products, production technologies & processes | Repair and reuse of used Unit Load Devices (ULDs) | 2,500,000 |
| Clean Transport | Acquisition of electric vehicles including electric trucks, three-wheeled electric delivery vehicles (eDV) and development of electric vehicle | 28,000,000 |
| Employment Generation | Procurement from Indigenous businesses and social enterprises into the supply chain. | 7,500,000 |
| Socio-Economic Advancement | Charity Mail: Providing charities and not for profit organizations with discounted delivery services | 5,000,000 |
| Total Proceeds Allocated | | 50,000,000 |
| Total Proceeds Raised | | 100,000,000 |
| Total Proceeds Unallocated | | 50,000,000 |

Appendix 2: Impact Reporting by Use of Proceeds Category

| Use of Proceeds Category | Impacts Reported |
|---|---|
| Renewable Energy | <ul style="list-style-type: none"> Annual GHG emissions reduced/avoided = 1,160 tonnes CO₂e Annual renewable energy generation = 1,600 MWh |
| Energy Efficiency | <ul style="list-style-type: none"> Annual energy savings = 8,355 MWh Annual GHG emissions reduced/avoided = 6,946 tonnes CO₂e |
| Circular economy adapted products, production technologies & processes | <ul style="list-style-type: none"> Number of ULDs repaired and reused = 64,212 Tonnes of materials of recycled and avoided landfill = 6,000 |
| Clean Transport | <ul style="list-style-type: none"> Number of clean vehicles deployed = 1,202 Reduction in fuel consumption = 325,000 litres |
| Employment Generation | <ul style="list-style-type: none"> Amount spent with Social Enterprise suppliers accredited by Social Traders = AUD 7,500,000 |
| Socio-Economic Advancement | <ul style="list-style-type: none"> Dollars of subsidy provided to charity partners = AUD 5,000,000 Number of mail items delivered for charity partners = 9.1 million mail items |

Disclaimer

Copyright ©2024 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

