

Sustainability-Linked Financing Framework

Framework

May 2023



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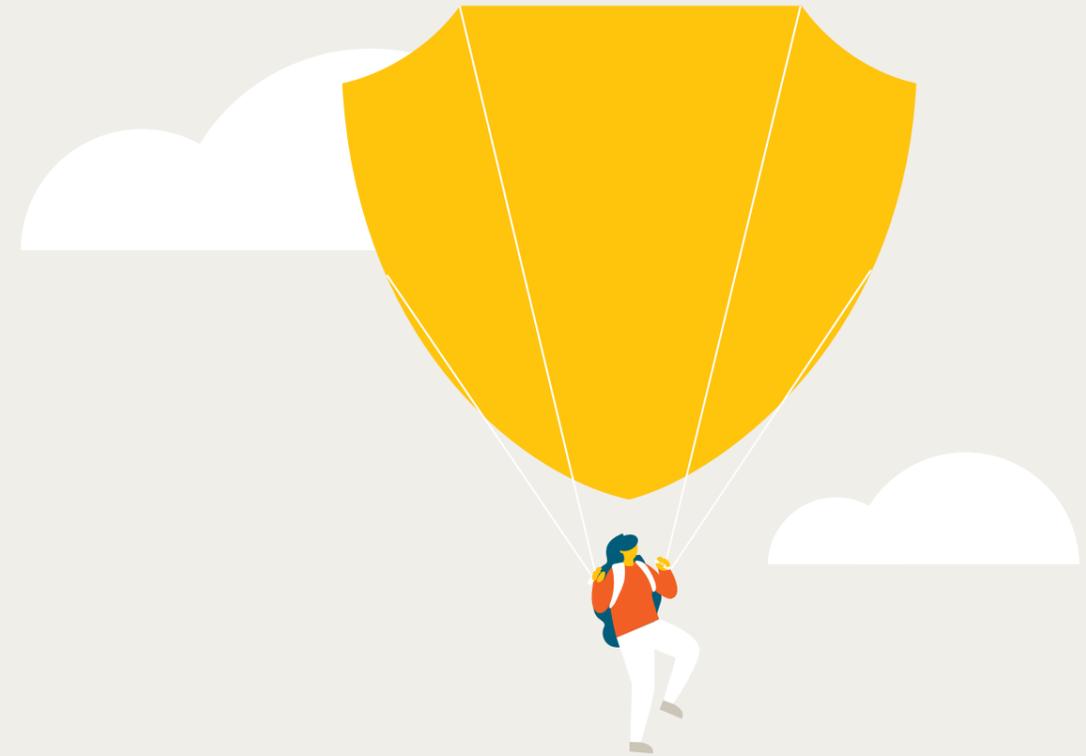
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Australian Unity

Leaders in wellbeing

Established in 1840, Australian Unity is one of Australia’s original social enterprises—founded by community leaders who believed in the power of collective endeavour and shared value to address the challenges of the day. Though we have evolved over time to become a leading provider of health, wealth and care products and services—having a positive impact on the wellbeing of our members, customers and communities remains at the core of everything we do.

For more than 20 years, Australian Unity (in partnership with Deakin University) has been studying the wellbeing and life satisfaction of Australians through the Australian Unity Wellbeing Index. The study focuses on what is called the “seven domains of wellbeing”—factors that combine and work together over time to build an individual picture of life satisfaction. More than a fleeting moment of happiness, Real Wellbeing (as we call it) is a long-lasting, holistic view of our lives.



The seven domains of wellbeing



1. Relationships

The quality of your relationships with family, friends and significant others.



2. Achieving in life

Having a purpose, direction or meaning to your life.



3. Standard of living

Having enough money or financial control to enjoy life.



5. Community connectedness

A sense of belonging and connection to the people around you.



4. Health

Your physical and mental state.



7. Future security

How you feel about your future in terms of job security, health, the environment and other factors.



6. Personal safety

How you feel about your safety and how this translates to your community and nation overall.

For our members and the community

A mutual is an organisation owned by members, generally established by like-minded people in response to market or societal needs.

Unlike more common corporate forms where the maximisation of profit and returns is a fundamental driver of activity, being a member-owned mutual gives us the flexibility to continuously evolve and invest in refining our portfolio of products and services to ensure we remain contemporary, relevant and responsive to our members, customers and the community.

This means we need to be demonstrably attuned to the needs and challenges of our members and customers such as an ageing population, rising rates of chronic conditions and the cost of, and access to healthcare—where there are servicing gaps in the market or are services that are traditionally delivered or addressed by government. We aim to be deliberate and focused in our design and delivery of products and services that best meet those needs as, and when, they occur.

By designing and providing access to quality products and services that seek to address these issues, we aim to provide our members and customers, and the communities that surround them, with a positive social impact. The value experienced by our members and the community in turn supports our sustainability and our ability to invest further and advance opportunities to help people thrive.

Our strategy

Our purpose

To help people thrive

Our vision

To enable Real Wellbeing for our members, customers and community through our portfolio of commercial and sustainable businesses.

Areas of operation

Health, Wealth & Care

Our approach to supporting wellbeing

Although we have a wide range of portfolio of businesses, all are guided by the same approach to the way we operate.

Create a great place to work

If we take care of our people, they will take care of our customers

Put customers and members front and centre

Customers and members have choices, and we want them to choose us

Deliver sustainable performance

We've been here for more than 180 years and we want to be here for many more

Make a difference to our community

Community wellbeing is at the heart of what we do

Strategic priorities to grow our impact

In our objective to create positive, long-term impact, three strategic priorities direct our key growth efforts.

Realising the value of the social enterprise

Create deeper relationships with members and the community—based on data, member-centred initiatives and superior interactions—with a particular focus on innovating products and services that meet the health and financial wellbeing needs of our members.

Accelerating our social infrastructure position

Continue our progress as a leader in the creation of social infrastructure that supports Real Wellbeing in communities. Mobilise significant private capital to support burgeoning community needs both in the health and ageing sector, as well as broader social infrastructure opportunities.

Leveraging our position across the continuum of care

Deliver a continuum of integrated wellbeing care and supports—incorporating key social determinants such as housing, community and social interaction, employment and education alongside direct healthcare—at all life stages.



Our portfolio

We have built a diverse and thematically linked portfolio delivering health, wealth and care services organised under four customer-focused platforms.

Platforms	Business Unit	Description
Home Health		Home Health is an integrated healthcare business created to support Australians to age well with solutions designed for delivery in home and community care settings. These services are delivered across a range of modalities, from domestic assistance to clinical care, in person as well as virtually. Across all these modalities, the business also designs and delivers culturally appropriate care to Aboriginal and Torres Strait Islander customers.
Specialist Care	Residential Communities	We own and operate 12 integrated retirement villages and residential aged care precincts and 13 standalone retirement villages across New South Wales, Victoria and Queensland.
Retail	Health Insurance	Our policyholders are insured against a range of costs that (depending on the cover held) includes hospital accommodation, theatre fees, prostheses and more—with extras cover extending to treatments such as dental, optical and physio.
	Banking	Australian Unity Bank offers a wide range of personal banking services, such as owner-occupied and investor home loans, personal loans, credit cards, everyday transaction accounts, savings accounts and term deposits. Our Bank also offers general insurance broking services to individual and business customers.
Wealth & Capital Markets	Social Infrastructure	Sourcing and managing capital, our property investment strategies provide much needed healthcare facilities, infrastructure for business, community amenities and homes to support and improve the quality of life for those needing additional care or assistance to live independently.
	Life & Super	Our Life & Super business offers a range of investment bonds, funeral bonds and education savings plans.
	Funds Management	We provide investment solutions through high-quality, differentiated and relevant investment management capabilities in asset classes including venture and private capital, equities, property, fixed interest and cash.
	Trustees	We provide traditional trustee services, including financial administration and estate and trust administration, as well as estate planning and taxation services.
	Advice	Our Advice business provides personal financial advice on investments, superannuation and insurance.

Portfolio structure as at May 2023



Our ESG Journey

Environmental social and governance (ESG) criteria are becoming increasingly important standards for assessing the impact and sustainability of entities around the world. The Our Impact report documents our impact across these three areas, with a focus on social impact which has been the centre of our activities since the very beginning.



Environmental

Australian Unity acknowledges the growing impact of climate change on the wellbeing of our communities and, as an organisation, we want to find ways to minimise the impact that climate change could have on our financial and operational sustainability.

We're committed to a sustainable future that supports the Real Wellbeing of all Australians—and as part of this commitment, work is under way to establish our baseline carbon emissions and develop a roadmap to reach net zero carbon emissions across our business operations. We believe a net zero transition plan is key to operationalising and demonstrating the credibility of our net zero pledge, acting as both a strategic planning tool and a practical action plan.



Social

Having a social impact is at the core of what we do and as such, we see the 'S' in ESG as a way of measuring our performance as a wellbeing company. Over the past few years, we have evolved our industry-endorsed Community & Social Value (CSV) Framework to help us better understand, articulate and measure our social impact.

In FY22, Australian Unity delivered \$1.63 billion in community and social value.

Our CSV Framework identifies three overarching impact areas where we have a unique social impact on our members, customers, employees and broader communities.



Governance

As a modern mutual, Australian Unity combines a focus on members, customers and community. We are proud of our strong social focus and presence—built on the foundations of good corporate governance and sound risk management practices that are a fundamental part of the culture and business of the Group.

Underpinning Australian Unity's commitment to governance are key policy areas including: modern slavery, anti-bribery, corruption and whistleblowing; cyber risk, privacy and data protection; and vendor risk management.

Our Community & Social Value

Why value social impact?

There is a growing shift from the traditional view of leaving social and community challenges to government and the not-for-profit sector, to one that sees and expects businesses to step up and contribute. Individuals are increasingly demanding and sourcing more information about the impact of their choices—such as where they spend their money or place of work—on society and the environment. Intrinsic to our role as a modern mutual and a wellbeing company is our approach to identifying and taking on the critical wellbeing challenges of our time. When designing future products and services, we focus on aligning our efforts towards functional and social needs and the ability to deliver in a way that ensures maximum positive impact and relevance to our customers, members and the community.

The insights provided by the Australian Unity Wellbeing Index have, and continue to, inform the wellbeing areas in which we operate and enable us to objectively measure our societal impact across our diverse businesses and activities. These insights are further used to support commercial and strategic decisions based on social return on investment and to identify new opportunities for social and commercial growth. This includes opportunities to work with major partners aligned with our purpose and values to develop social impact products and investments.

By measuring our social impact, this not only helps us prioritise our decision-making and investments in the design and delivery of products and services, but also makes sure we, as an organisation and mutual, are 'walking the talk' for our members, customers and the community when it comes to making a positive impact.

What is the CSV Framework?

Our Community & Social Value (CSV) Framework was developed in partnership with leading social impact specialists, Social Ventures Australia, with the aim to develop a robust methodology to measure (in actual dollar value) our unique impact on members, customers, employees and the broader community.

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The CSV Framework does this by using extensive metrics and data (and financial proxies where required) to measure and value our impact—as a result of an interaction with an Australian Unity product or service—on *individuals* (e.g. helping people be healthy, be more financially secure), to the *wider community* (e.g. creation of assets that benefit society or that can reduce government spending such as the creation of new hospital beds), and our *employees* (particularly pertinent in our care businesses where the industry largely relies on 'gig' or contract employment). The use of a financial proxy enables us to use the same unit of measurement across all of our businesses and ensure we encapsulate every aspect of our activity. Importantly, the CSV Framework seeks to avoid overclaiming and bluewashing through rigorous discounting to ensure only the unique impact that has been directly delivered by Australian Unity in its capacity as owner of a business, operator, investor or as fund manager are accounted as our social impact.

You can read more about the CSV Framework and methodology in the latest **Our Impact report**.

Impact Area	Priority Outcome	
Lifelong Wellness We help people access better levels of health and wellness with care and services that are based on individual needs	Better access to healthcare	Through a diverse range of services and investment initiatives, we create access to quality healthcare—including hospital substitution, early intervention and preventative programs, in-home and health services, specially designed accommodation and specialist health facilities.
	Improve health outcomes	We understand that to be effective, care and services must be tailored to meet the needs of individuals and not the other way around. Our customers experience better health outcomes thanks to our clinically led approach to new product design and service delivery.
Economic empowerment We help build financial security and resilience to provide confidence about the future and to deal with life challenges	Building financial resilience	We recognise financial security is an important contributor to wellbeing. We help people build their financial resilience and improve their financial wellbeing, including their ability to fund their own healthcare, ageing and life stages.
	Social and economic opportunities through employment	As a wellbeing company, we know the positive impact on wellbeing of being financially secure and socially connected. We are proud to provide social and economic opportunities through employment across our business, delivery of our products and services and through our investments.

Impact Area	Priority Outcome	
Strong communities We create strong communities providing individuals with a sense of purpose and security through meaningful engagement, access to services and social connectedness.	Leading social innovation	Sourcing and managing capital, our property investment strategies provide much needed healthcare facilities, infrastructure for business, community amenities and homes to support and improve the quality of life for those needing additional care or assistance to live independently.
	Supporting living in place	We invest in place-based models of care, social and community infrastructure and affordable specialist housing—with a strong focus on creating environments that are not just designed to support the delivery of care, but which also positively contribute to the wellbeing of our customers and the community.

How do we use our framework?

Creating a sustainable portfolio

Australian Unity is one of Australia’s original social enterprises, founded by community leaders who believed in the power of collective endeavour and shared value to address the most pressing challenges of the day. By designing and delivering products and services that support the needs of our members, customers and community, this naturally creates an in-demand portfolio that contributes to the sustainability and longevity that has seen us support the Australian community for over 180 years. Our CSV Framework allows us to measure and forecast potential social impact across our diverse business portfolio to support decision-making and investment into areas that matter.

Driving capital funding and investment

As a mutual, we have traditionally been limited in our ability to raise capital funds and could generally only do so by raising debt, thus effectively restricting growth. Following a successful advocacy campaign, changes were made in 2019 to the *Corporations Act 2001* (Cth) that allowed mutual entities to issue Mutual Capital Instruments (MCI) without compromising mutual status. We were the first in Australia to issue MCIs (twice) and have raised to date over \$350 million to drive business activities that underpin our commitment to delivering community and social value. Our CSV Framework and approach enables us to attract like-minded capital investors who are able to see both our commitment to, and actual delivery of, positive societal impact.

As part of our investment case process and requests for major project capital funding, businesses must provide a CSV analysis to demonstrate the social impact potential of the activity. This ensures our strategic decision making is done so with commerciality and impact side by side.

Reporting for accountability and transparency

Consumers, investors, regulators and general society today are more attuned to seeking more information about the impact of their choices and decisions. The development of our robust CSV measurement framework enables us to show—in actual dollar value—that we are active and transparent about putting the wellbeing needs of our customers, members and community at the centre of our business. We simultaneously reported our CSV results alongside our financial results for FY22. This resulted in significant uplift in investor engagement around our results, and we believe it reaffirms the centrality of CSV to our stakeholders and as an integral part of our accountability to them. This also means the Group is well advanced on including CSV impact reporting under sustainability accounting standards potentially required by regulating bodies from FY25.



Our Sustainability-Linked Financing Framework

Recognising our ESG journey, efforts to deliver Community & Social Value, and our vision to enable Real Wellbeing for our members, customers and community, Australian Unity has developed this Sustainability-Linked Financing Framework (**Framework**). Through this Framework, Australian Unity will aim to achieve its vision, while providing a mechanism for lenders or investors to contribute capital to help achieve their own sustainability goals.

This Framework outlines the process by which Australian Unity Group entities intend to enter into sustainability-linked instruments, where the economic terms of the applicable financing instruments are linked to our achievement of material sustainability performance targets.

Sustainability-linked instruments issued under this Framework will be aligned with the Sustainability Linked Loan Principles (**SLLPs**)¹ or Sustainability-Linked Bond Principles (**SLBPs**)² (together the **Market Standards**) as applicable, as they may be amended from time to time.

The Framework is intended to provide an overview of Australian Unity’s approach to issuing sustainability-linked instruments. Lenders and/or investors should also refer to the relevant documentation for each instrument issued under this Framework.

In future, we may also consider the issuance of other sustainable finance instruments and this Framework may be subsequently updated as the market evolves.

1. <https://www.ista.org/content/sustainability-linked-loan-principles-sllp/>

2. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

Governance



The Australian Unity Board of Directors has ultimate oversight and approval of the Australian Unity Group's strategy, purpose and values (which includes sustainability), and is initially developed by Australian Unity's Group Leadership Team. The Australian Unity Board of Directors will approve this Framework and other sustainability governance items.

In relation to this Framework, Australian Unity's Group CFO, with the Finance & Strategy team, will be responsible for monitoring compliance with the reporting and external review requirements of this Framework and the applicable Market Standards.

For sustainability-linked instruments, the Finance & Strategy team will have oversight of Australian Unity's performance against the sustainability performance targets.

Sustainability-Linked Instruments

Sustainability-linked instruments link the issuer's cost of borrowing to its performance against material sustainability key performance indicators and pre-defined targets.

With respect to loans, sustainability-linked loans will be structured in accordance with the SLLP, while bonds will be aligned to the SLBP.

When issuing and during the term of any sustainability-linked instruments, Australian Unity will communicate how the instrument, the KPIs and the targets are material to the group and aligned with our ESG journey and vision to enable Real Wellbeing.

In accordance with the most recent publications of the SLLPs and SLBPs, this Framework covers five core components as follows:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Loan and/or Bond Characteristics
4. Reporting
5. Verification.

By entering into sustainability-linked instruments, we will be incentivised to continuously improve our Community and Social Value, aligned to our performance against predetermined targets.

1. Selection of KPIs

Australian Unity has selected the following quantifiable KPI that are core, relevant and material to its business. KPI under this Framework will be updated from time to time to reflect the current ESG commitments of Australian Unity.

KPI 1: Australian Unity's Community & Social Value ("CSV")

Rationale

For over 180 years, we've been here for the Real Wellbeing of Australians, and we know through our longevity and sustainability that we've been making a positive impact. Capturing and measuring our social impact helps inform and shape the way we create and deliver our products and services to maximise the positive impact we have on our members, customers, employees and the community.

We developed the CSV Framework to define and measure our performance in what can be broadly described as our ambition to deliver real wellbeing to our members, customers, employees and community. This measure assesses our impact across a variety of measures which extend across our business activities.

The CSV is the most integral part of our sustainability strategy, and as such this metric is seen as the most material ESG metric aligned to our ambitions. This framework informs our strategic business decisions and is a key component of the way we manage our portfolio and our 10-year vision.

This measure is material across all of our business operations with every business unit contributing to total CSV. The measure is also material to society as we currently have a CSV impact of \$1,632m (on a discounted basis).

UN SDG Alignment

The selected KPI is aligned with supporting the United Nations Sustainable Development Goals 1, 3, 5, 8, 9, 10 and 11.

Metric

CSV in AUD

Scope

This KPI will be based on 100% of Australian Unity's operations, including 100% of Australian Unity's reported CSV.

Methodology

Australian Unity partnered with Social Ventures Australia to develop our CSV outcomes framework. Our framework identifies three overarching impact areas and six priority outcomes where we have a positive and unique social impact on our members, customers, employees and the broader community.

These impact areas and outcomes provide the foundation for measuring our unique impact value and for informing our key business decisions.

What impact do we measure?

We recognise impact to our customers and the community around them, to the broader community by way of systemic impact and to our employee base.

How do we measure it?

We use the principles employed by the Social Return on Investment framework to hold ourselves to account and ensure we measure what matters (outcomes over inputs) use robust data and that we aren't overclaiming. Our CSV framework is underpinned by six guiding principles commonly used in the Social Return on Investment that provide an anchor for informing our calculation decisions and for assessing our impact:

1. Focus on social outcomes

Reporting our outcomes, not inputs our outputs. Capturing social, not business value

2. Set a clear boundary

Capturing value created during the reporting period, not a lifetime value

3. Value what matters

Use financial proxies in a manner that the value of the outcome can be recognised

4. Recognise adoption, not just innovation

Recognise AU's role as a social innovator by demonstrating the value of these ideas once they are adopted by external entities



5. Do not overclaim

Not taking 100% credit for value created where other parties have contributed to its creation, through the use of discount factors

6. Rely on quality data

Report on outcomes where reliable data and evidence of outcomes exist within AU or through reliable direct sources

Impact value criteria

The social impact value created can be described as a combination of the value that accrues:

- to individuals (including caregivers), for example, being healthy—both physically and mentally—and more financially secure, or
- to the wider community, for example from the creation of assets that benefit society or through avoided government spending.
- to our employees, particularly those in our Home Health business, for example providing permanent roles in a largely ‘gig’ or contract industry.

Further information on how impact value is calculated and reported, including how the social impact of Australian Unity's products and services have been determined, please see our latest **Our Impact report**.

This reporting criteria forms the basis for our annual assurance, and will continue to be reported by Australian Unity annually.

Any changes to our underlying methodology is captured under the ‘Recalculation of SPTs’ sub-section below.

2. Calibration of SPTs

Based on the above KPIs, Australian Unity will determine measurable and identifiable SPTs that are:

- meaningful and aligned to Australian Unity’s overall Sustainability Framework;
- represent a material improvement in the KPI over the life of the sustainability-linked instrument;
- are beyond a “business as usual” trajectory; and
- are set in accordance with the SLBP and / or SLLP as applicable.

SPTs will be set at the inception of each new issuance of a sustainability-linked instrument, and with reference to Australian Unity’s historical performance, peer performance and scientific data, for example science-based scenarios, regional, national or international targets, or other best-available technologies or methodologies.

SPTs will be clearly specified in the relevant documentation for each sustainability-linked instrument together with any material factors that may impact the achievement of the SPTs. This will include the target observation date for which performance against the SPT will be assessed and the target observation period. All calculation methodologies will also be disclosed alongside the selected SPT in the relevant documentation.

3. Loan and/or Bond Characteristics

Proceeds of any sustainability-linked instrument will be available for general corporate purposes unless otherwise stated.

These transactions will feature financial and/or structural characteristics that encourage the achievement of the SPT. This may include both penalties and/or incentives, depending on the transaction. The magnitude of the coupon or margin adjustment, as well as the effective dates will be clearly set out in the relevant documentation for each transaction.

It should be noted that the parameters of the KPIs or calibration of the SPTs may change if there is a material change to Australian Unity’s current business operations, such as a recent material acquisition, and any such change will be communicated within its annual reporting and in line with its disclosure obligations. Lenders and/or investors should also refer to the relevant documentation for each sustainability-linked instrument issuance under this Framework which would detail these considerations.

4. Reporting

Australian Unity will clearly state the scope, detail, frequency and timing of reporting in the relevant documentation for each sustainability-linked instrument.

At a minimum, Australian Unity will undertake annual reporting regarding the issuance and performance in relation to the SPTs and will make such reporting available on our website or to lenders and/or investors as required by applicable Market Standards.

Annual reporting will include:

- Up-to-date information on the performance of the KPI against the SPT, including the baseline where relevant;
- Independent external verification of performance by a qualified external reviewer, relative to annual performance against the SPT (as outlined below) and the related impact, and timing of such impact, on the sustainability-linked instrument’s financial and/or structural characteristics; and any information enabling lenders and/or investors to monitor the progress of the SPTs (e.g. any update in the Australian Unity’s sustainability strategy or on the related KPI/ESG governance, and more generally any information relevant to the analysis of each KPI and SPT).

When feasible and possible, the annual reporting will also provide:

- a qualitative or quantitative explanation of the contribution of the main factors, including merger and acquisition activities, behind the evolution of performance / KPI;
- illustration of positive sustainability impacts of performance improvements, including qualitative and/or quantitative reporting of the social impacts (where relevant) resulting from the projects undertaken to meet our SPTs; and
- any re-assessments of each KPI and/or restatement of the SPT’s and/or proforma adjustments of any baselines or KPI scope.

5. Verification

For each sustainability-linked instrument on issue, appropriate external verification will be undertaken. This includes obtaining assurance of sustainability performance prior to the issuance of a new instrument, as well as ongoing assurance of performance in relation to the selected SPTs for each instrument at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the sustainability-linked instrument financial and/or structural characteristics, until after the last SPT trigger event of the sustainability-linked instrument has been reached.



Second party opinion

In accordance with the applicable Market Standards, Australian Unity has sought a Second Party Opinion over the alignment of this Framework to the Market Standard, from ISS Corporate Solutions, Inc., prior to establishment of this Framework. A copy of the Second Party Opinion can be found on our website.

Continuous improvement

As the market standards and the global sustainable finance markets continue to evolve, so too will Australian Unity's approach as it seeks to adapt to the changing environment. Australian Unity may update this Framework over time, to align with market best practice.

For the ongoing enhancement of Australian Unity's Framework, we welcome feedback and input from stakeholders as this will support Australian Unity to deliver on our sustainability objectives and meets the needs of investors and stakeholders.

Further information

Further information on Australian Unity's approach to sustainability can be found at australianunity.com.au/impact.



For Real Wellbeing Since 1840

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