

A photograph of solar panels in a field, tilted towards the right. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The sun is visible on the right side, creating a bright glow and lens flare. The panels are dark blue with a grid pattern.

# 2020 — CLIMATE-RELATED FINANCIAL DISCLOSURES<sup>1</sup>





# Our approach to climate change

We support the Paris Agreement's goal of transitioning to net zero emissions by 2050 and are committed to playing our part.

We have increased our ambition to help achieve that goal through a series of commitments and measures set out in our new Climate Change Statement.

## IN SUPPORTING THE 2050 GOAL, OUR APPROACH IS TO:

**Help our customers** by encouraging them to identify climate risks and opportunities, create transition plans and report publicly on their progress

**Support transitioning industries** to help grow the economy

**Reduce our own impact** by managing and reducing emissions from our own operations



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## OUR CLIMATE CHANGE STATEMENT

Reducing carbon emissions is a shared societal responsibility and requires a ‘whole-of-economy’ approach.

To support the transition to net zero emissions by 2050, our Climate Change Statement focuses on three areas:

### 1. Help our customers by encouraging them to identify climate risks and opportunities, create transition plans and report publicly on their progress

- We will do this by:
  - engaging with 100 of our largest emitting customers to support them to establish and strengthen their transition plans by 2021. This work will be undertaken through a structured and ongoing engagement process.
  - improving transparency to show how our financing decisions are supporting the achievement of the Paris Agreement goals. We will do this by disclosing better metrics so that the emissions impact of our financing can be tracked, beginning with commercial property and power generation. Starting in 2020, we will disclose these metrics annually and will set targets by 2021 to reduce the financed emissions of each sector between now and up to 2030.
  - ensuring that discussion of climate risk becomes a part of our everyday client engagement. By 2030 we expect to have a deeper understanding of all our customers’ transition plans, and that the implementation of those plans will be well-advanced. Over time, we will move away from supporting customers that don’t have specific, time bound and public transition plans.

- funding and facilitating at least AUD50 billion by 2025 to help our customer’s lower carbon emissions. This may include increased energy efficiency, low emissions transport, green buildings, reforestation, renewable energy and battery storage, emerging technologies (such as carbon capture and storage, and hydrogen-based technology), disaster resilience and climate change adaptation measures.
- allocating AUD1 billion of this towards supporting customers and communities’ disaster recovery and resilience. We will do this by allocating capital to fund or facilitate resilience initiatives for weather-related events, or to build resilience against non-weather related disasters such as pandemics.

### 2. Support transitioning industries to help grow the economy

- We support the evolution of sectors and the development of new industries and innovative business models to underpin the transition. This will include supporting more diversified energy companies and increasing our lending to lower carbon energy.
- We will do this by:
  - further reducing the carbon intensity of our electricity generation lending portfolio by only directly financing low carbon gas and renewable projects by 2030.
  - continuing to support diversified customers, which means we will no longer bank any new business customers with material<sup>2</sup> thermal coal exposures.

- engaging with existing customers who have more than 50% thermal coal exposure<sup>3</sup> to support existing diversification plans. Where these are not already in place, we will expect specific, time-bound and public diversification strategies by 2025. We will cap limits to customers which do not meet this expectation and reduce our exposure over time<sup>4</sup>.
- not directly financing any new coal-fired power plants or thermal coal mines<sup>5</sup>, including expansions. Existing direct lending will run off by 2030.
- only financing the construction of new large-scale office buildings if they are highly energy efficient, and being built to either at least a NABERS<sup>6</sup> 5-star energy rating or 5-star Green Star Design rating (or equivalent international rating).
- facilitating concessional loans for business customers to buy energy-efficient equipment.
- applying strengthened lending due diligence processes.

### 3. Reduce our own impact by managing and reducing emissions from our own operations

- accelerating the reduction of our own emissions by sourcing 100% of the electricity needed for our business operations from renewables by 2025.
- setting public targets to lower our greenhouse gas emissions by 24% by 2025 and 35% by 2030 (against a 2015 baseline).
- equipping our employees with knowledge and training to minimise their own environmental footprint.

<sup>2</sup>. More than 10% revenue, installed capacity or generation from thermal coal. <sup>3</sup>. We will progressively reduce the 50% threshold so that by 2030 we will seek a diversification strategy from mining, transport and power generating customers with more than 25% thermal coal exposures. <sup>4</sup>. We will continue to provide rehabilitation bonds for those existing customers with some thermal coal exposure to ensure their responsibilities with exiting mine sites are fulfilled. Transaction banking/markets 3-day settlement limits will be excluded from this cap. <sup>5</sup>. These are mines whose reserves or production are at least 35% thermal coal. <sup>6</sup>. NABERS (National Australian Built Environment Rating System) is a rating system measuring the environmental performance of Australian buildings, tenancies and homes, e.g. energy efficiency, water usage, waste management and indoor environment quality.

## Our progress in aligning with the TCFD

This is the fourth year we have reported using the recommendations of the Financial Stability Board Taskforce on Climate-related Financial Disclosures (TCFD).

We aim to provide investors and other stakeholders with clear information enabling them to assess the adequacy of our approach to climate change and our ability to manage the associated risks and opportunities.

TCFD theme	Our progress to date	Focus areas – 2021/22	Beyond 2020 vision
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Board Risk Committee oversees management of climate-related risks</li> <li>• Board Ethics, Environment, Social and Governance (EESG) Committee approves climate-related objectives, goals and targets</li> <li>• Ethics and Responsible Business Committee (executive management) oversees our approach to environment, social and governance (ESG) risks and opportunities, and reviews climate-related risks</li> </ul>	<ul style="list-style-type: none"> <li>• Align with regulatory guidance on climate-related risk governance, including stress-testing of selected portfolios</li> </ul>	<ul style="list-style-type: none"> <li>• An enhanced risk management framework that anticipates potential climate-related impacts, and associated regulatory requirements</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>• ANZ’s Climate Change Statement (available on <a href="https://www.anz.com">anz.com</a>) confirms support for the Paris Agreement goals and transition to a net zero carbon economy</li> <li>• Managing the net zero carbon transition focuses on an orderly and just transition that gives careful consideration to the impacts on communities</li> <li>• Participated in a United Nations Environment Program Finance Industry (UNEP FI) working group on TCFD scenario analysis that issued recommendations and methods to assess portfolio transition and physical risks</li> <li>• Low carbon products and services within our Institutional business focused on climate-related opportunities</li> <li>• Analysis of flood-related risks for our home loan portfolio in a major regional location of Australia</li> <li>• Test-pilot of socio-economic indicators showing financial resilience of home loan customers with respect to flood risk</li> </ul>	<ul style="list-style-type: none"> <li>• Extending analysis of flood-related risks to incorporate bushfire and other risks relating to retail customers</li> <li>• Include climate risk reference in lending guidance documents for relevant industry sectors used by our front line bankers</li> </ul>	<ul style="list-style-type: none"> <li>• ANZ business strategy more closely aligned to a resilient and sustainable economy that supports the Paris Agreement goals and Sustainable Development Goals (SDGs)</li> </ul>

TCFD theme	Our progress to date	Focus areas – 2021/22	Beyond 2020 vision
<b>Risk management</b>	<ul style="list-style-type: none"> <li>Climate change risk added to Group and Institutional Risk Appetite Statements</li> <li>Climate change identified as a Principal Risk and Uncertainty in our UK Disclosure and Transparency Rules (DTR) Submission</li> <li>Guidelines and training provided to over 1,000 of our Institutional bankers on customers' transition plan discussions</li> <li>Enhanced financial analysis and stronger credit approval terms applied to agricultural property purchases in regions of low average rainfall or measured variability</li> <li>New agribusiness customers assessed for financial resilience and understanding of rainfall and climate trends in their area, and water budgets considered if irrigating</li> </ul>	<ul style="list-style-type: none"> <li>Supporting 100 of our largest emitting customers to develop and disclose their transition plans</li> <li>Customer engagement to identify customer or sector-specific transition or physical risks, focused on corporate and Institutional customers</li> <li>Develop an enhanced climate risk management framework that strengthens our governance and anticipates potential climate-related impacts and associated regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Further integrate assessment of climate-related risks into our Group risk management framework</li> <li>Standard discussions with business customers include climate-related risks and opportunities</li> <li>Assessment of customer transition plans part of standard lending decisions and portfolio analysis</li> </ul>
<b>Metrics and targets</b>	<ul style="list-style-type: none"> <li>Support 100 of our largest emitting customers to establish or strengthen low carbon transition plans by 2021, with metrics developed to track progress</li> <li>New metrics to enable our progress to be tracked in reducing 'financed emissions', beginning with two key sectors: commercial property and power generation. Metrics are tailored to each sector (e.g. carbon emissions per square metre of net lettable space for commercial property) and disclosed every 12 months</li> <li>AUD50 billion target to fund and facilitate sustainable solutions by 2025</li> <li>Target to procure 100% renewable electricity for ANZ's operations by 2025</li> <li>Ongoing emissions reduction targets for ANZ energy use aligned with the Paris Agreement goals</li> </ul>	<ul style="list-style-type: none"> <li>Complete transition plan engagement with high emitting customers and consider how to integrate into our regular customer assessments</li> <li>Set targets to reduce metrics for 'financed emissions' in key sectors towards a net zero goal by 2050</li> <li>Consider expanding new metrics for measuring impact of our progress on environmental sustainability to other key sectors</li> </ul>	<ul style="list-style-type: none"> <li>Continue to evolve our reporting with leading practices to measure the alignment of our lending with the Paris Agreement goals</li> <li>Reduce ANZ's operational emissions in line with the decarbonisation trajectory of the Paris Agreement goals</li> </ul>

## Governance

Our Board Ethics, Environment, Social and Governance (EESG) Committee, led by the Chairman, is responsible for reviewing and approving our climate-related objectives and performance, including goals and targets to support action on climate change. The Board Risk Committee has responsibility for the overview of ANZ's management of new and emerging risks, including climate-related risks.

At an executive level, the Ethics and Responsible Business Committee (ERBC), led by the CEO, sets policy as detailed in our Climate Change Statement. The ERBC provides leadership on our ESG risks and opportunities, monitoring progress against targets, including those related to climate change.

The ERBC is also responsible for:

- guiding which industry sectors, customers and transactions we bank, to align with our purpose, strategy and values, and our public statements on issues such as climate change
- assessing current and emerging ethical, social, environmental and governance risks and opportunities.

## Strategy

**Our climate change strategy is shaped by two guiding principles:**

- All sectors of the economy have a role to play in driving the transition.
- The transition needs to be orderly and 'just', with all stakeholders giving careful consideration to the impacts on affected workers and communities.

We have not identified any transition and physical risks of climate change that pose a material threat to the achievement of our business strategy over the short to medium term (0-5 year time horizon). We recognise however that over the longer term (more than 5 years), material risks are likely to emerge unless we take steps to manage the potential impacts of climate change. We regularly review our business strategy to ensure it is responsive to future risks and opportunities associated with the transition to a net zero emissions economy.

Climate change creates risks and opportunities for business and investment. Outlined below are the climate-related risks that have the potential to impact ANZ's financial performance:

### Transition risks

**Policy risk:** climate and energy policy uncertainty in Australia has impacted the energy sector and renewable energy developments. This uncertainty has impacted our lending and advice to the energy sector and driven higher risk profiles for energy developments. The combination of compressed returns and higher risk profiles has meant that we have been selective in participating in green-field renewable energy transactions. Future policy uncertainty or changes may affect our capacity to finance customers' projects that contribute to emissions reductions.

**Market risk:** market demand, supply and prices for renewable and other forms of energy are subject to a number of influences and may change unpredictably. Our climate change strategy and involvement in the energy sector will need to take account of these dynamics and manage risk appropriately.

**Regulatory risk:** prudential regulators across the developed world are now moving to identify and potentially price carbon risk through measures such as capital overlays on high carbon assets. This may affect the amount of capital we are required to hold against loans and may, in turn, lead to a decline in our future earnings. Increased regulatory oversight will require financial institutions to dedicate additional and ongoing resources to identify, assess, compare and disclose climate risks and opportunities, leading to increased operational costs.

**Technology risk:** new technologies may affect the economics of supply of different forms of energy and impact ANZ customers in the energy industry. For example, reduced demand for coal in electricity generation in the future may impact the ability of our customers in the thermal coal supply chain to meet their

repayment obligations. For ANZ, transition risks may manifest as credit losses, which can occur when a customer becomes unable or unwilling to repay debt. We seek to minimise the risk of losses, including by banking larger, well-rated customers, working actively with those facing difficulties and actively managing our exposure.

**Reputational risk:** we are being scrutinised by a range of stakeholders regarding our role in financing industries with environmental impacts, such as power generation, mining, forestry and large infrastructure projects. Failure to apply appropriate standards to our decisions and respond effectively to stakeholder concerns about our involvement in particular transactions can result in public criticism and activism, potentially damaging our brand and reputation. Negative stakeholder perceptions may adversely affect our business relationships and access to funding. It may also give rise to credit, liquidity, market, compliance and operational risks affecting earnings, liquidity and capital position.

### Physical risks

**Acute physical risk:** customers exposed to acute climate-related events (including storms, cyclones, floods as well as fires) may adversely affect our financial condition or collateral position in relation to credit facilities extended to those customers. While any single weather-related event or wildfire is unlikely on its own to result in any material credit related impacts for the bank, the severity and frequency of these events may increase in the future.

**Chronic physical risk:** farming and grazing in Australia and New Zealand has traditionally been undertaken in regions with productive soils and sufficient water. However, in recent years many of our farming customers have had to alter their production and investment profiles in response to climate change. Those that experience substantially lower incomes in response to, for example, severe drought, risk falling into arrears, presenting a potential credit risk to the bank.

### Climate-related opportunities

All sectors have a role to play in the transition to a net zero emissions economy by 2050. ANZ will have an opportunity to assist customers as they invest in new capabilities, technologies and assets and provide lower emissions energy and power, or adapt to a less carbon intensive economy. This is important because we will need to replace lost revenue as a result of the policies we are applying to customers in carbon-intensive industries. The key opportunities we have identified are outlined below.

**Market opportunities:** we are capitalising on opportunities to advise our customers on and arrange sustainable finance solutions such as green, social and sustainability (GSS) bonds and loans. These facilities provide borrowers with access to the capital required to help transition to a net zero emissions economy and adapt to the physical impacts of a warming climate, as well as responding to social and sustainability risks.

The sustainable finance market is driving incremental and replacement revenues, and strengthening our relationships with our borrower and investor client base who are seeking our expertise. Increasing demand for these and other similar products is assisting us to re-orientate our balance sheet away from sectors that are more exposed to the transition and physical risks of climate change. Our AUD50 billion sustainable finance target is helping to drive this change, and as at 30 September 2020 we have reached AUD9.08 billion in transactions. GSS bonds may drive increased revenues and promote continued access to a wide range of investors in a manner that is closely aligned to our organisational purpose.

Since mid-2015 we have participated in equivalent to ~AUD90 billion of GSS bonds and loans for customers across our network and in multiple sectors, including energy, infrastructure, property, food distribution, financial institutions and government. Approximately AUD14.4 billion of this is attributable to ANZ's lending capability either via balance sheet exposure or investor distribution.



ANZ is also a sustainable finance market participant, having issued a total of four GSS bonds since mid-2015 as part of Group Treasury's annual funding and capital program. Our inaugural 2015 Green Bond matured in June 2020. In addition, we currently have three SDG bonds on issue, totalling equivalent to ~AUD4 billion. The proceeds of these bonds are financing a portfolio of customer loans aligned to several SDGs including those aligned to environmental impacts such as 'SDG 13 – Climate Action', and 'SDG 7 – Affordable and Clean Energy'.

**Low emission goods and services:** demand is increasing for ESG/green credit lines from customers seeking to manage the transition to a lower carbon economy. Product offerings include green loans, sustainability linked loans, and lending into, for example, green buildings. We have set targets to fund and facilitate billions of dollars in environmentally sustainable solutions for our customers such as low carbon buildings, low emissions transport, green bonds and renewable energy. Having met our 5-year, AUD15 billion target one year ahead of schedule, in 2019 we set a new sustainable finance target – AUD50 billion by 2025 – against which we are making good progress with over AUD9 billion achieved in 2020. Increasing demand is assisting us to re-orientate our balance sheet away from customers and specific sectors that are more exposed to the transition and physical risks of climate change.

**Use of lower-emissions sources of energy:** we joined the RE100 initiative in 2019, which commits us to 100% renewable electricity by 2025 across our operations. We will achieve this target through solar installations, power purchase agreements (PPA) and purchasing renewable energy certificates (I-Recs) in countries where solar and PPAs are not appropriate. In Australia this commitment will help insulate ANZ against the volatility of the wholesale electricity market, and is expected to save around AUD2.3 million per year in energy costs.

## Financial impacts on ANZ

**Operating costs and revenues:** managing and supporting the effort to transition to a net zero carbon economy may affect ANZ revenues and costs. As our customers set ambitious emission reduction targets and other sustainability goals, we expect to see continued strong demand for climate-related financing solutions in the form of GSS bonds and other green/ESG credit lines. This will represent a growing source of revenue for the bank.

Revenue growth from increased sustainable financing activity has been offset by reduced revenue from customers with operations in carbon-intensive sectors, in particular the thermal coal supply chain. This has largely occurred due to the introduction of policy positions on thermal coal mining, transport and power generation since 2015.

Increasing oversight by prudential regulators will also require additional resources enabling us to identify, manage and disclose climate risks and opportunities.

**Capital allocation:** in recent years we have been increasingly financing companies that contribute to reducing emissions and are resilient to a changing climate, and less from high-emitting sectors such as coal-fired electricity generation. Although the thermal coal value chain represents a relatively small component of our overall loan book, when considered in isolation, the impacts of this capital shift are pronounced. In the last five years, we have reduced our lending to thermal coal mining by almost 70% and have not directly financed any new or expanded coal-fired power stations. At the same time, we have increased our direct lending to renewables by around 63%, with renewable energy projects dominating our project finance power generation lending.

As part of our new climate commitments we will further reduce the carbon intensity of our electricity generation lending portfolio by only directly financing renewables and low carbon gas projects by 2030. We will also no longer bank any new business customers that have material thermal coal exposures, i.e. more than 10% of their revenue, installed capacity or actual generation from thermal coal.

## Approach to key sectors

Our strategy is designed to deliver sustainable returns for our shareholders, while achieving a balance between growth and return, short and long-term performance and financial and social impact. The management of climate-related risks and opportunities is a key part of achieving this balance and our business needs to be resilient under a range of different climate-related scenarios.

**Agricultural sector:** we have worked with the United Nations Environment Programme for Financial Institutions (UNEP FI) on a pilot scenario analysis project. We stress tested our agricultural portfolio for physical risk under two warming scenarios and the results were in line with our expectations – that customers with weaker credit profiles would experience more significant impacts in a warming climate. This work is summarised in the UNEP FI report, 'Navigating a New Climate: Assessing Credit Risk and Opportunity in a Changing Climate' and has recently been updated by a further group of banks that builds on our initial work.

The findings of this scenario testing were borne out during 2018/19 with New South Wales and Queensland enduring one of the worst droughts in recorded history, as well as the 2019-20 bushfires (which also impacted parts of Victoria). A large number of customers were affected by this severe drought and the bushfires. However, customer defaults were minimal and, to date, the bank has experienced a low level of loss.

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This positive outcome for customers and the bank arises in part because our agricultural lending is well secured with an average loan-to-value ratio of less than 60% and in the case of the bushfires, customer losses were insured.

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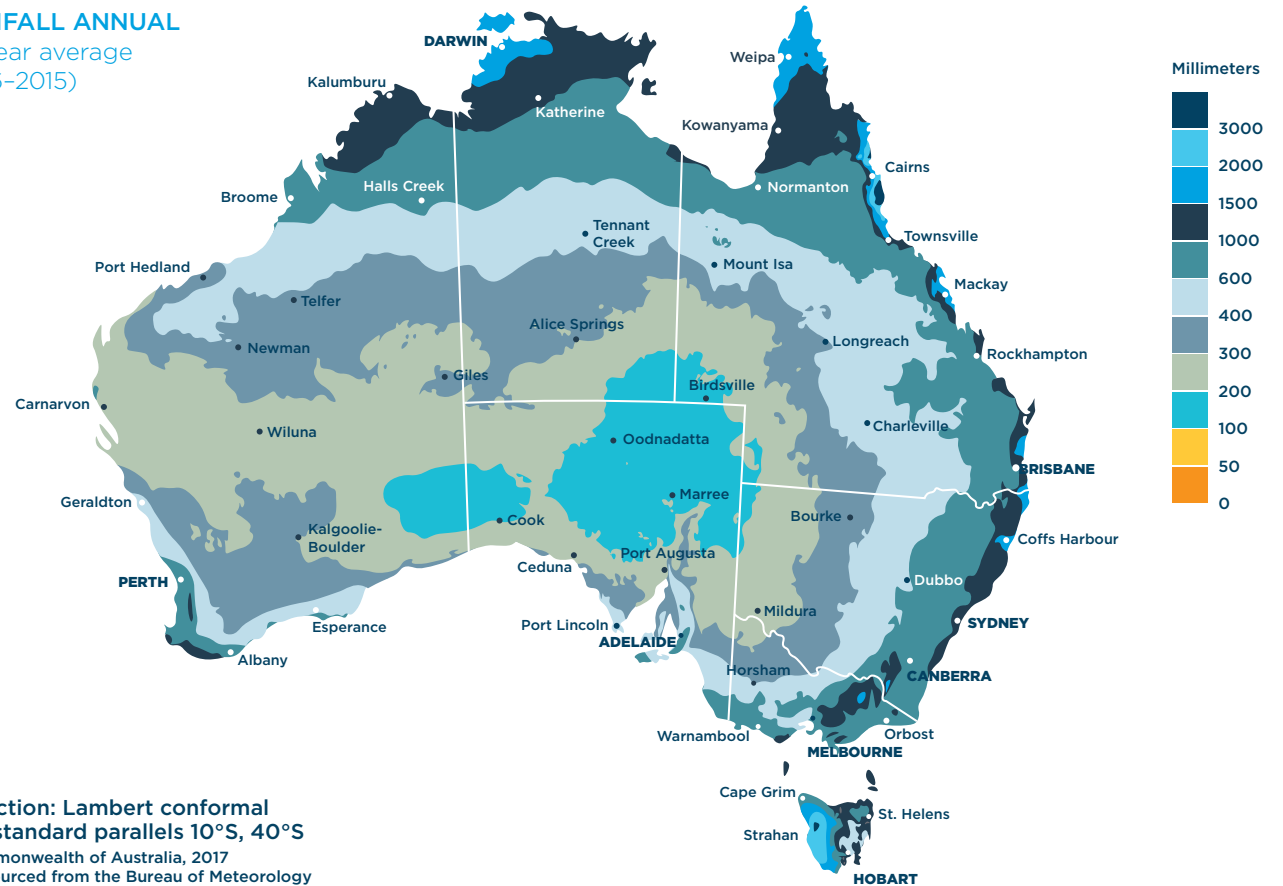
Agricultural sector (continued)

With the combined insights of previous experience and stress-testing of possible future warming scenarios, we undertake a number of steps to ensure the resilience of our agricultural loan book to the physical risks of climate change:

**Engaging annually with the Australian Bureau of Meteorology (BoM):** for the past six years we have engaged with the BoM to ensure we have current information to determine the medium term weather outlook. We examine variability in average annual rainfall in recent decades to see how climate change may affect the suitability and volatility of farming in given regions. This informs customer discussions on how they are responding, possibly by changing their farming practices, including investing in technology and crop/stock sciences, and also how they are structuring their finances to ensure ongoing viability.

**Testing of customer's financial resilience to climatic events:** when customers purchase properties in areas identified as having low rainfall or more likely to experience rainfall variation, we test their financial resilience to climatic events like drought and rainfall variation. Customers with lower resilience may be subject to enhanced underwriting standards – for example, loan approval may be dependent on a lower loan to valuation ratio, higher repayments, or evidence of savings or equity. Our bankers also need to document the customer's knowledge of recent rainfall and climate trends where their farm is located.

**RAINFALL ANNUAL**  
30-year average  
(1986–2015)



**Thermal coal value chain:** various low-carbon scenarios, including those published by the International Energy Agency (IEA), show that the achievement of the Paris Agreement goals will require significant reduction in primary demand for thermal coal over the coming decades, especially in electricity generation.

To help us understand the potential impact of reduced demand, we are engaging with customers with significant operations across the thermal coal supply chain including extraction, transportation, ports and generation.

We seek information about risk management strategies in dealing with the transition and physical risks of climate change. This is undertaken for all existing and new customers in the thermal coal value chain and updated at each annual customer review. It includes an assessment of the resilience of their business strategies to two climate scenarios published by the IEA – the Stated Policies Scenario and the Sustainable Development Scenario that is fully aligned with the ‘well below 2 degrees’ objective of the Paris Agreement, in addition to other SDGs.

The engagement is driving improved conversations with our customers about climate change risks, allowing us to make more informed lending decisions and policies. Over time we expect more of our customers to report on their transition plans. We also intend for discussions on climate-related risks and opportunities to become part of regular discussions with all Institutional and corporate customers.

**Retail mortgages:** despite their severity and widespread geographical impact, the 2019-20 bushfires on Australia’s east coast did not result in any material credit related impacts in our retail mortgages portfolio. While many homes were unfortunately lost in the fires, most customers were protected by an insurance policy (in accordance with their mortgage contract) resulting in minimal losses to the bank.

We are continuing to develop scenarios estimating the potential financial impact of extreme weather events in the future. In coming years, we will seek to identify geographic areas that are most exposed to acute physical risks of climate change and overlay this information with socio-economic characteristics of households that could indicate a higher incidence of either a lack of insurance, or under insurance.

## Risk management

We have disclosed our most material economic, social and environmental risks in our 2020 Annual Report (available on [anz.com/annualreport](https://anz.com/annualreport)) in accordance with the *ASX Corporate Governance Principles and Recommendations*. Our most material climate-related risks and opportunities result from our lending to business and retail customers, including credit-related losses incurred as a result of a customer being unable to repay debt.

Under our risk management framework, our material risk category of Credit Risk incorporates the risks associated with lending to customers that could be impacted by climate change or by changes to laws, regulations, or other policies such as carbon pricing and climate change adaptation or mitigation policies. It also includes changes to the cost and level of insurance cover available to our customers.

We include climate change as one of our Principal Risks and Uncertainties (available on [anz.com/annualreport](https://anz.com/annualreport)). Climate change risk is included in the Group and Institutional Risk Appetite Statements to ensure the risk is appropriately identified and assessed.

We continue to develop an organisational culture that encourages regular discussion and consideration of emerging climate-related risks. Our Risk team is working with our bankers, to seek an ongoing engagement with customers about managing the risks and opportunities associated with climate change, assisting us to progress our low carbon transition target focused on our largest emitting customers.

We are closely observing relevant regulatory developments in our key markets of operation. In some jurisdictions, climate-related risks are being integrated into micro

prudential supervision of banks and insurance firms, including via requirements for firms’ stress testing and disclosure. However, such work is generally at an early stage. Some authorities report having set out – or being in the process of setting out – their expectations as to firms’ disclosure of climate-related risks. In some cases, such expectations explicitly refer to the recommendations of the TCFD.

Regulators in our home markets of Australia and New Zealand have flagged closer supervision on climate risk. The Australian Prudential Regulation Authority plans to conduct vulnerability testing in 2021. In New Zealand, the government has introduced legislation that would make climate risk reporting mandatory for banks, asset managers and insurers by 2023, based on the TCFD framework. We understand the need to further embed climate risk in our regular assessment of customers and to improve our understanding of potential risks at a portfolio level. As a result, we have committed to develop an enhanced climate risk management framework that strengthens our governance and is responsive to climate change, by 2022. Our progress will be reported as part of our regular ESG disclosures.

## ENGAGING WITH OUR CUSTOMERS ON THEIR TRANSITION PLANS

In 2018, we set a target to support 100 of our largest emitting customers to establish, and where appropriate, strengthen existing low carbon transition plans, by 2021.

### Our progress

Throughout 2020 we have continued to analyse the carbon disclosures of our largest 100 emitting business customers. We have now engaged with 83 customers to support them to establish, and where appropriate, strengthen existing low carbon transition plans.

This engagement will inform the development of a model that can be applied more widely across our customer base.

Within each industry our customers have different starting points. Through customer discussions and reviews of public disclosures we are developing a better understanding of our customers' preparation for, and management of, their climate-related risks and opportunities.

Transition plans vary depending on the sector. Some sector-specific measures we expect are:

- energy customers seeking to diversify energy sources towards less carbon-intensive fuels. If diversification is not feasible within the period to 2030, we expect they will identify how their business is resilient under scenarios in which demand for their commodities declines more rapidly than a 'business as usual' scenario;
- transportation customers moving towards more fuel-efficient vehicle fleets or undertaking other steps, such as switching from road to rail transport that will reduce their carbon emissions; and

- property developers or retailers reducing building energy consumption and refrigerant-based emissions using best available, commercially viable technologies.

Our engagement with energy customers is well-progressed, especially amongst those with thermal coal operations. A number of them have already disclosed robust transition plans, while others have signalled an intention to improve disclosure. Our customer discussions have generally been well-received and have often revealed more detailed strategies and plans than were apparent in previous engagements. Insights or commitments we have gained from these early customer conversations include:

**Energy:** our engagement in this sector has initially focused on customers with thermal coal operations; however, we are broadening this to include major upstream oil and gas producing customers. While the impacts of COVID-19 have affected short-term demand, some customers are continuing to see strong demand for high-quality, low-cost Australian thermal coal for use in high efficiency, lower emissions (HELE) plants across Asia. Their strategy is focused on developing high quality thermal coal assets and they are committed to improving their external disclosures. Other customers have undertaken scenario analysis (aligned with TCFD recommendations), revealing that some of their commodities will not perform well under a low carbon transition. In response, they are limiting expenditure on thermal coal (with most capital directed to maintenance rather than expansion), or seeking to divest those assets. Some companies are starting to set firmer targets to work with their suppliers and customers to seek to reduce the emissions associated with the use of their mining commodities, i.e. 'Scope 3' emissions.

**Transport:** a key customer in the airline sector has committed to carbon neutral growth from 2020 and halving its 2005 level emissions from international flights by 2050. This aligns with the goals of the international aviation sector.

**Buildings:** a number of customers have established and are now implementing net zero carbon targets that will be achieved largely through improved energy efficiency and onsite solar installations, setting time bound goals to achieve this by 2030.

To equip our staff with the skills and knowledge to undertake these customer engagements, in 2019 we provided training to over 1,000 frontline bankers in our Institutional and corporate businesses. This year we provided further training to frontline staff to share insights from our initial customer engagement in 2019. The training covered how climate-related risks and opportunities might manifest for our customers and what elements we would expect to see in a robust transition plan. Our Risk, Group and Institutional ESG specialists assisted, attending team meetings and customer discussions about low carbon transition plans and the TCFD framework.

**ENGAGING WITH OUR CUSTOMERS ON THEIR TRANSITION PLANS (CONTINUED)**

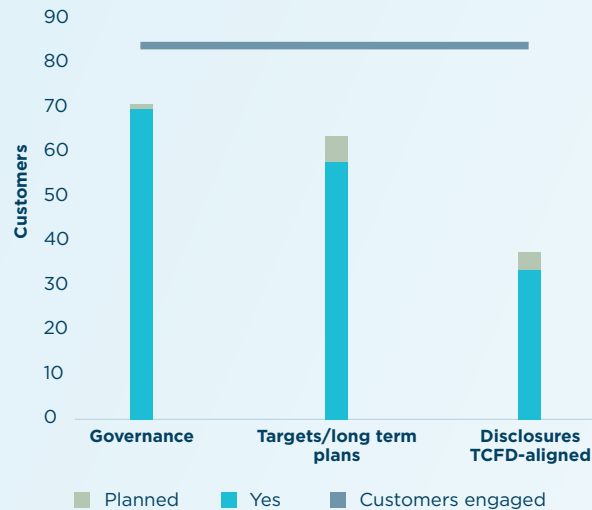
**Results of customer transition plan engagement**

We have identified three key elements that constitute a robust low carbon transition plan:

- governance;
- targets/long term plans; and
- disclosures that are preferably TCFD-aligned<sup>7</sup>.

Of the 83 customers that we have now engaged with over the last two years, the diagram below shows how many we have assessed to have met each of the three transition plan elements.

**CUSTOMER TRANSITION PLAN STATUS**



In FY21, we will:

- engage with remaining customers to encourage and support them to develop transition plans that incorporate each of the three elements above; and
- meet again with customers we engaged with in FY19 and FY20 to discuss their progress.

To ensure transition risk is part of our future customer strategies, we will embed the results of our transition plan target into our customer due diligence.

Initially, we are focused on the top 100 customer emitters in sectors most likely to be impacted by climate change. We will use the results of this work to inform our assessment of the risk exposures of other customers and to conduct more in-depth analysis in particular sectors. We will also use this to inform our ongoing engagement with Institutional and corporate customers and to help us understand their exposure, and strategic response to their climate risks and opportunities. We expect this analysis will increasingly inform our credit decisions and strategy.

7. See <https://news.anz.com/posts/2019/may/low-carbon-transition-plans>



## Metrics and targets

### TCFD-related metrics and industry exposures

For the third consecutive year we have disclosed credit metrics and our exposure to various sub-industries in four key sectors identified by the TCFD to be most exposed to climate-related risks: energy; transportation; materials and building; and agriculture, food and forest products. This is in response to the TCFD recommendations that 'banks should describe significant concentrations of credit exposure to carbon related assets<sup>8</sup> and provide a breakdown of this data by industry, geography, credit quality and average tenor.

Our overall exposure to these four sectors is 19% of the Group exposure at default (EAD), down from 20% in FY19. In terms of credit metrics, we have observed a slight decrease in the percentage of exposures rated as investment grade with 49.9% of our exposures across the four sectors achieving this benchmark in FY20 compared to 51.5% in FY19. The slight reduction in the proportion of our loans rated investment grade has been matched by a corresponding increase in the proportion of loans rated as non-performing with 0.5% of our exposures across the four sectors falling into this category, up from 0.4% in FY19. The increase in the percentage of non-performing loans is partly attributable to the transportation sector, which has been particularly impacted by

the COVID-19 pandemic. The consistently low levels of non-performing loans across the four sectors identified by the TCFD, indicates that transition and physical risks of climate change have not yet manifested as material credit risks for ANZ. The average loan term is relatively short for the majority of our exposures – 87% of total loans to customers in the four sectors are due for repayment in less than five years.

### ANZ acknowledges stakeholder interest in banks' exposure to the transition risks faced by some customers in the energy sector, including the potential risk of 'stranded assets' in the transition to a net zero economy.

For ANZ, transition risks may manifest as credit losses which can occur when a customer becomes unable or unwilling to repay debt. Our total exposure to the energy sector at the end of FY20 was AUD31.2 billion – which is 3% of the Group EAD. With over 80% of these exposures rated as investment grade, and a consistently low proportion of non-performing loans, this reflects our strategy

to bank larger, well-rated clients that are adapting their business strategies to pursue opportunities available in the long-term decarbonisation of the energy sector.

Also disclosed is a more detailed industry and sub-industry breakdown of our exposures to the four sectors identified by the TCFD (see following page).

Our exposure to the most carbon-intensive forms of energy generation has declined since 2015. This decline is largely an outcome of active portfolio management, informed by our credit strategies. These industry credit strategies (known as Risk Appetite Statements) reference our Climate Change Statement and relevant industry standards. They reflect risks associated with climate change, influencing decisions about business strategy and capital allocation.

While supporting our customers to reduce their emissions, we are also seeking to reduce the environmental impact of our own operations. We have a suite of environmental sustainability targets aimed at lowering our carbon emissions, reducing waste to landfill, and reducing water use and paper consumption. See our 2020 ESG Supplement available at [anz.com/cs](https://anz.com/cs) for further detail.

### Industry groups and credit quality summary<sup>9</sup>

Group	Exposure at Default (\$b)			Non-performing loans (% of sector EAD)			Investment Grade (% of sector EAD)		
	FY20	FY19	FY18	FY20	FY19	FY18	FY20	FY19	FY18
Energy	31.2	31.9	28.7	0.1	0.1	0.1	80.1	81.5	80.0
Transportation	17.6	18.8	16.6	0.6	0.2	0.3	61.8	65.1	63.7
Materials and Building	103.1	100.3	92.5	0.4	0.4	0.4	45.4	46.0	40.9
Agriculture, Food and Forest Products	42.6	43.6	42.3	1.1	0.8	0.9	33.6	36.2	35.8
<b>Total</b>	<b>194.4</b>	<b>194.7</b>	<b>180.0</b>	<b>0.5</b>	<b>0.4</b>	<b>0.5</b>	<b>49.9</b>	<b>51.5</b>	<b>48.0</b>

8. Implementing the Recommendations of the TCFD, June 2017 (p24). 9. Values may not add to totals due to rounding.

Exposures to key TCFD sub-industries

Group	Industry/Sub-Industry	Exposure at Default (\$b)		
		FY20	FY19	FY18
Energy	Oil and Gas <sup>10</sup>	17.6	19.9	18.4
	Coal Mining <sup>11</sup>	1.2	1.5	1.4
	Electric Utilities <sup>12</sup>	12.4	10.4	8.9
Transportation	Air Freight	3.7	3.8	3.4
	Maritime Transportation	1.8	2.4	1.7
	Rail Transportation	1.9	1.7	2.0
	Trucking Services	4.8	5.6	4.7
	Automobiles	5.3	5.3	4.7
	Passenger Air	0.1	0.1	0.1
Materials and Building	Metals and Mining	8.8	8.6	6.7
	Chemicals	2.8	3.2	2.6
	Construction Materials	1.8	1.7	1.8
	Capital Goods	20.5	22.0	20.3
	Real Estate Management and Development	69.1	64.9	61.1
Agriculture, Food and Forestry	Beverages	3.4	3.2	3.0
	Agriculture	31.2	31.6	31.2
	Packaged Foods and Meats	6.9	7.8	7.1
	Paper and Forest Products	1.0	1.1	1.0
<b>Total</b>		<b>194.4</b>	<b>194.7</b>	<b>180.0</b>

<sup>10</sup>. Exposure to oil and gas includes all of the oil and gas value chain such as exploration, extraction, transport, refining and retail. Note p. 113 of ANZ's full year results investor discussion pack includes exposure to "upstream" exploration and extraction only as the focus is on resources (mining) exposure in line with ANZSIC industry groupings: <https://www.anz.com/content/dam/anzcom/shareholder/2020-Full-Year-Results-Investor-Discussion-Pack.pdf> <sup>11</sup>. Coal mining includes exposures to metallurgical (coking) coal used for steel making (~\$0.7bn) and thermal coal used for energy generation (~\$0.5bn). <sup>12</sup>. Electric utilities includes exposures to electricity generators that own or operate a mix of thermal and renewable generation assets as well as transmission and distribution infrastructure.

## Financed emissions

Direct financing of renewables projects has increased by 9% compared to the previous year. Renewable generation assets now comprise 87% of our total exposures to electricity generation assets in our project finance portfolio – up from 83% in FY19.

Over the past year our financing has contributed to bringing online 859 megawatts (MW) of renewables projects in Australia, helping reduce the emissions intensity of the electricity generation assets we directly finance to 0.40 tonnes of CO<sub>2</sub> for every megawatt-hour generated. This is 26% below the previous year and is the lowest level recorded for this metric in the seven years we have reported it. With a full twelve months of operation of these assets in FY21, we expect to see continued reductions in the emissions intensity of our Australian-based generation portfolio.

No new thermal coal power projects were added to our Australian-based project finance portfolio over the past year.

The average emissions intensity of generation we finance continues to be well below the grid average in Australia of 0.79 tonnes of carbon dioxide per megawatt-hour<sup>13</sup>.

For electricity generation assets located outside of Australia, we have achieved an emissions intensity of 0.01tCO<sub>2</sub> for every megawatt-hour generated. The attributed generation from this portfolio is now almost entirely sourced from renewable energy sources which was further helped in FY20 through the commissioning of a new 128MW offshore wind farm in Taiwan.

### Tonnes CO<sub>2</sub>-e per MWh electricity generated

	Australia	Outside Australia
<b>2020</b>	<b>0.40</b>	<b>0.01</b>
2019	0.54	0.02
2018	0.66	0.08
2017	0.58	0.24
2016	0.62	0.16
2015	0.64	0.20
2014	0.77	0.25
<b>Movement</b>		
<b>2014-2020</b>	<b>-48%</b>	<b>-96%</b>

We have developed two new portfolio metrics to provide greater transparency to the alignment of our power generation and commercial building portfolios with climate scenarios. These two sectors were chosen because electricity generation is responsible for around a third of Australia's national emissions with the non-residential buildings sector among the largest final end users of electricity. Supporting our customers' efforts to decarbonise the electricity supply and reduce the energy needs of commercial buildings will be key focus areas for ANZ over the coming decades.

### Finley Solar Farm

ANZ is a financier of the new 175MWdc solar farm in Finley, New South Wales that is owned by UK-based infrastructure investor John Laing. Comprised of 500,000 solar PV panels, the project became fully operational in March 2020 and is located inside the New South Wales Government's South West Priority Energy Zone. Renewable Energy Zones such as these will play a vital role in delivering affordable, reliable and zero-emissions electricity over the coming decades as the state's existing power stations are retired. Around two thirds of the electricity from the project will be purchased by Bluescope Steel as part of a 7-year power purchase agreement. This will help them progress towards meeting their 2030 emission reduction target for their steelmaking sites.



13. Australian Government Department of the Environment and Energy, National Greenhouse Accounts (NGA) Factors, August 2019

## Power generation portfolio metric

For the first time we have reported the weighted carbon intensity of electricity generation assets – i.e. carbon emissions per unit of generation – across our entire Institutional loan book. We have reported a similar metric for the past seven years for our project finance loan book. Reporting on the entire loan book provides improved transparency of whether our financing is aligned with the Paris Agreement goals.

The methodology used to report this new metric is based on the Paris Alignment Capital Transition Assessment (PACTA) approach developed by the 2°C Investing Initiative (2dii)<sup>14</sup>. Under this methodology, generation assets owned by our customers are allocated to ANZ based on the proportion of their loan to our overall exposures to the electricity sector. For example, if a customer owns a 600 megawatt (MW) gas-peaker power station and a 200MW wind farm, and their loan makes up 2% of our overall exposures to the electricity generation sector, ANZ is allocated 12MW of the gas-fired power station and 4 MW of the wind farm. The final weighted carbon intensity of electricity generation figure is calculated by applying regional and technology-specific capacity and emission factors to each of the generation assets allocated to ANZ. This methodology captures both the financing decisions we make and also the technology mix used by our customers to supply electricity to their customers. We therefore expect it to be a useful decision making tool as we seek to align our financing in support of the transition to net zero emissions by 2050. Our application of the methodology has been subject to independent limited assurance by KPMG.

The chart on this page shows our power generation portfolio compared to the global market and also the IEAs Sustainable Development Scenario (SDS) that is aligned to the Paris Agreement goals. The carbon intensity of ANZ's electricity generation portfolio is 472 kgCO<sub>2</sub>/MWh compared to the 2019 global average of

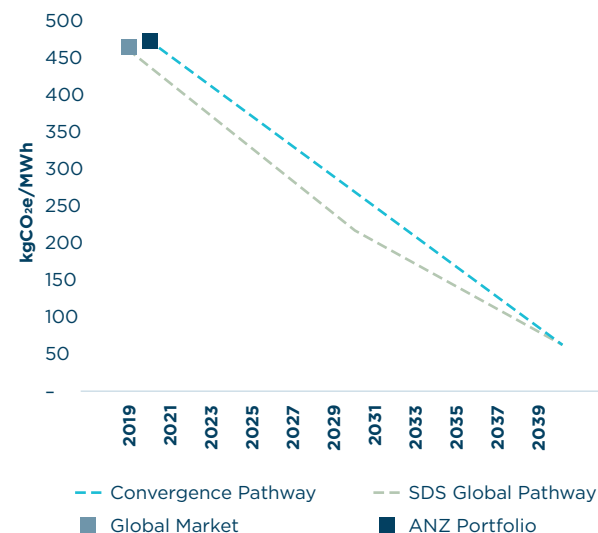
463 kgCO<sub>2</sub>/MWh<sup>15</sup>. Our customers' electricity generation assets are split evenly between OECD and non-OECD countries (51% to 49%), which reflects our presence across 33 markets. Given the close resemblance of our electricity generation portfolio to the global average, we believe it is appropriate to track our progress against it rather than other regional benchmarks. This is because there is typically a slower rate of decarbonisation for the electricity sector in developing and emerging economies compared to advanced countries like Australia and New Zealand. Choosing either one of those benchmarks to compare our portfolio against would not be reflective of where our portfolio currently stands. It also ensures that the need for emissions reductions from our portfolio can be balanced against other SDGs like clean air and universal access to affordable, reliable and modern energy services.

**The SDS** – updated annually by the IEA in their *World Energy Outlook* publication – shows the carbon intensity of global electricity generation will need to be more than halved over the next decade and reduced by almost 90% by 2040. We acknowledge it will be a challenging task for ANZs financing to align with this decarbonisation trajectory – especially given the heavy reliance on coal that many of the markets in which we operate have to meet their electricity needs, including Indonesia, India, China, South Korea, Japan, Hong Kong, Taiwan, Philippines and Australia. In FY21 we are intending to set an interim target up to 2030 to ensure our lending decisions over the next decade keep us on track towards achieving our longer term goal of net zero by 2050.

Our new policy measures outlined on page 1 will play a key role in shaping our portfolio over the coming years and help ensure we stay on track to meet our longer term goal.

We are also supporting our customers to install more renewable energy capacity, and gas generation to replace ageing coal-fired generators.

## CARBON INTENSITY - ANZ POWER GENERATION PORTFOLIO



14. A full description of the PACTA methodology is available at the following link: <https://www.transitionmonitor.com/wp-content/uploads/2020/09/PACTA-for-Banks-Methodology-Document.pdf> 15. International Energy Agency (2020), World Energy Outlook 2020 ([www.iea.org/weo](http://www.iea.org/weo))



## Commercial buildings portfolio metric

### Commercial buildings portfolio metric

This metric covers our commercial office and shopping centre portfolio in our Institutional loan book in Australia, where the majority of exposures are located. Reliable public information is available on the environmental performance of commercial buildings. The carbon intensity metric is calculated by adding up the carbon emissions<sup>16</sup> from our customers’ office building and shopping centre portfolios and dividing this by their ‘net lettable area’ (NLA), which is a recognised metric in the commercial buildings sector.

More than 500 office buildings, with a combined NLA of more than 9.1 million m<sup>2</sup>, were included in the office building metric. The shopping centre metric reflects the performance of almost 200 shopping centres across Australia, with over 10 million m<sup>2</sup> of combined retail space. Together they provide important insights on the performance of buildings we have helped our customers to construct or upgrade. The metrics will also reflect any steps that our customers take in future to improve the environmental performance of their portfolio, which may be supported by lending from ANZ.

Over the coming years, we will look for opportunities to support commercial building customers to not only lower the energy intensity of the buildings that they own and operate but also to lower the carbon intensity of the energy used in these buildings. This will help to reduce absolute emissions from the sector. We are encouraged that several of our customers in the commercial buildings sector have committed to achieving net zero emissions targets by 2050 and are making strong progress towards their goal. This is reflected in the charts below that show an early decarbonisation trend for our customers’ commercial office and shopping centre portfolios – trends also apparent in the broader Australian market<sup>17</sup>. At the end of FY20 the average National Australian Building Energy Rating Scheme (NABERS) energy

star rating for our customers’ commercial office portfolio was 4.89 stars, up from 4.78 stars at the end of FY19. For shopping centres, the average NABERS energy star rating improved from 3.85 stars at the end of FY19 to 4.01 stars at the end of FY20.

The improvements in the carbon and energy performance across our customers’ office and shopping centre portfolios are being driven by a number of different factors:

- the declining carbon intensity of Australia’s national electricity grid from which our customers buy their electricity;
- installation of solar photovoltaic panels on building rooftops to reduce reliance on main grid supply;
- purchase of accredited ‘green power’ from electricity retailers; and
- energy efficiency improvements, such as improved daylighting and LED light installation.

### Weighted average NABERS energy star ratings of ANZ customers’ commercial building portfolios

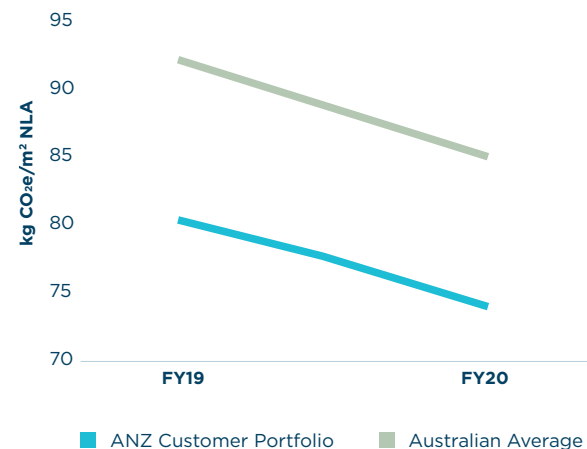
	Commercial Offices	Shopping Centres
FY19	4.78	3.85
FY20	4.89	4.01

While we understand these methods are not ‘perfect’ we think stakeholders will find it useful to track our progress within key portfolios where reasonable data is available, and the extent to which our financing is helping to support the achievement of the Paris Agreement goals in key sectors of the economy.

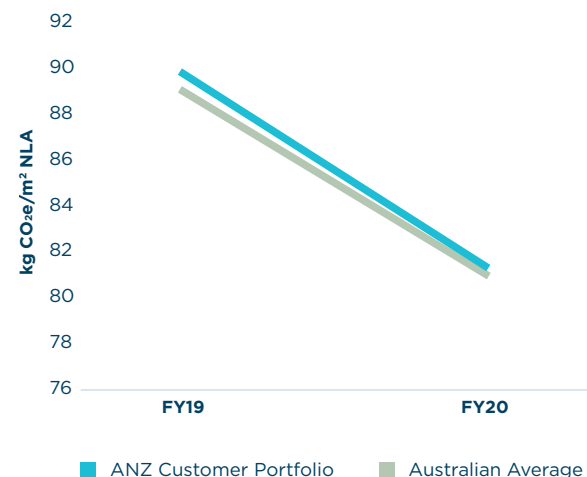
### Targets for reducing these metrics

We are committed to set targets within the next year for lowering our financed emissions in line with ‘Paris aligned’ trajectories. We expect to set targets for 2025 and 2030, aligning with our existing operational emissions targets.

### AVERAGE CARBON INTENSITY FOR CUSTOMERS’ OFFICE BUILDINGS



### AVERAGE CARBON INTENSITY FOR CUSTOMERS’ SHOPPING CENTRES



16. Scope 1, 2 and 3 emissions that are sourced from NABERS Energy Rating certificates that are either current at a relevant date or have expired within the previous 12 months of that date. The emissions figures are derived from a mixture of Whole Building and Base Building energy ratings and include, where relevant, emissions reductions associated with the purchase of accredited green power (see <https://www.nabers.gov.au/ratings>). 17. Carbon intensity figures for the Australian market are sourced from the 2019/20 NABERS Annual Report, and are current for the year ending 30 June. ANZ figures are based on averages for the year ending 30 September.

## Explanatory notes

### Financed Emissions

Reported figures reflect actual generation from financed assets over the period 1 October 2019 to 30 September 2020, or an annual reporting period as close to those dates as possible. The proportion of generation attributable to ANZ finance was based on the ratio of our Class 1 Debt Limits to Total Syndicate Debt. They do not include generation assets under construction.

Australian financed emissions is calculated using generation and emissions data from four sources:

1. Australian Energy Market Operator (AEMO) for scheduled generators connected to the National Electricity Market (NEM) grid<sup>18</sup> and the South West Interconnected System in Western Australia;
2. The register of large-scale generation certificates (LGC's) for non-scheduled renewable energy assets connected to the NEM;
3. 2018–19 National Greenhouse and Energy Reporting (NGER) data for designated generation facilities (available from Australian Clean Energy Regulator website); and
4. Client supplied data for remaining generators where there was no data available from the first three sources. Overall, AEMO, LGC and NGER data was available for more than 99% of electricity generation from projects financed by us in 2020.

Financed emissions outside Australia is calculated using generation and emissions data from four sources:

1. The New Zealand Electricity Authority's Electricity Market Information website for New Zealand generation assets;
2. Carbon Monitoring for Action database maintained by the Centre for Global Development;
3. Client supplied data; and
4. Estimates by ANZ for remaining generators where there was no data available from the first three sources or where there was doubt over the accuracy from the first three sources.

### Power generation portfolio metric

The figure reported reflects the weighted carbon intensity of electricity generation assets – i.e. carbon emissions per unit of generation – across our entire institutional loan book at 30 September 2020.

The methodology used to report the metric is based on the Paris Alignment Capital Transition Assessment (PACTA) approach developed by the 2°C Investing Initiative (2dii). Under the methodology, the installed capacity of generation assets owned by our customers is allocated to ANZ based on the proportion of their loan to our overall exposures to the electricity sector. For example, if a customer owns a 600 megawatt (MW) gas-peaker power station and a 200MW wind farm and their loan makes up 2% of our overall exposures to the electricity generation sector, ANZ is allocated 12MW of the gas-fired power station and 4 MW of the wind farm.

For each customer, the installed capacity of generation assets allocated to ANZ are aggregated and assigned to one of six technology types:

- Coal
- Gas
- Oil
- Nuclear
- Hydro
- Renewables

The final weighted carbon intensity of electricity generation figure is calculated by applying regionally specific<sup>19</sup> capacity and emission factors that apply to each of the six technology types. These factors have been calculated in accordance with the following methodologies:

#### Capacity factors

A capacity factor is the ratio between what a generation unit is capable of generating at maximum output versus the unit's actual generation output over a period of time. Capacity factors are used to determine estimated annual generation quantities from our customers' generation assets and were calculated for each of the above 6 listed technology types broken down by OECD and non-OECD countries.

These capacity factors were calculated based on gross electricity generation and installed electrical capacity data for 2018 that were published in the *2020 World Energy Outlook*<sup>20</sup> – an annual publication of the International Energy Agency (IEA). They are calculated through the following formula:

$$\text{Capacity factor} = \frac{\text{Gross Electricity Generation (TWh)} \times 1000}{\text{Electrical capacity (GW)} \times 365 \times 24}$$

<sup>18</sup>. Generation data for scheduled generation assets connected to the NEM was supplied by Energy One Limited. <sup>19</sup>. Refers to whether the generation asset is located in an OECD or non-OECD country. <sup>20</sup>. International Energy Agency (2020), World Energy Outlook 2020 ([www.iea.org/weo](http://www.iea.org/weo)).

These capacity factors were subsequently used to estimate annual electricity generation from our customers' generation assets through the following formula:

**Annual Electricity Generation (MWh) =**  
Capacity factor x Electrical Capacity x 365 x 24

#### Emission factors

Regional-specific emissions factors for our customers' coal, gas and oil fuelled generation assets were estimated in accordance with the 'Fixed heat efficiency approach' outlined in the IEA's 2019 'CO<sub>2</sub> Emissions from Fuel Combustion' report<sup>21</sup>. The method calculates average emissions intensity for electricity only plants and the electricity component of combined heat and power (CHP) plants. The method assumes that the heat component of a CHP plant is 90% efficient and the remainder of the fuel input is allocated to electricity. All source data used in the calculations was obtained from IEA databases and applicable for the 2018 Calendar year. The methodology also assumes no emissions from nuclear, hydro and renewables assets.

The total aggregate emissions from our customers coal, gas and oil fuelled assets are calculated by multiplying the total generation by the appropriate emissions factor. Total emissions are then divided by the total generation across all technology types to arrive at the final weighted emissions intensity of generation.

#### Commercial buildings portfolio metric

This metric covers our commercial office and shopping centre portfolio in Australia, where the majority of exposures are located. The carbon intensity metric is calculated by adding up the carbon emissions from our customers' office building and shopping centre portfolios and dividing this by their 'net lettable area' (NLA).

Carbon emissions data for our customers' office and shopping centre buildings is based on Scope 1, 2 and 3 emissions associated with fuel and electricity consumption. Any purchases of accredited green power by our customers is assumed to have zero emissions.

Emissions data is sourced from NABERS Energy rating certificates that are issued to our customers and includes a mixture of both Whole Building and Base Building ratings. The ratings are accessible from a public register<sup>22</sup>.

Data on the NLA of office buildings is sourced from the Australian Government's Building Energy Efficiency Register<sup>23</sup>. For office buildings and shopping centres that don't have a Building Energy Efficiency Certificate, the NLA of our customers' buildings is back-calculated based on information appearing in the NABERS Energy Rating. This is calculated by dividing the total energy use of the building by the published energy use per m<sup>2</sup> of NLA.

The inclusion of our customers' buildings and shopping centres in the overall metric is dependent on whether the building has a current NABERS energy rating at a given point in time e.g. 30 September or that it has expired within the previous 12 months of that date. If those criteria are not met, the building is not considered as part of the overall calculation. Priority is given to using emissions data from current NABERS energy ratings and in cases where a building is jointly owned by two or more customers, the building is only counted once in our metrics.

21. See <https://www.iea.org/reports/co2-emissions-from-fuel-combustion-overview>. 22. See <https://www.nabers.gov.au/ratings>. 23. See <https://www.cbd.gov.au/registers/downloadable-cbd-program-data-set>.



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