



2022

# APPROACH TO CLIMATE CHANGE

INVESTOR REFERENCE PACK

25 NOVEMBER 2022

Approved for distribution by ANZ's Continuous Disclosure Committee  
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<https://www.anz.com.au/about-us/esg/environmental-sustainability/climate-change/>

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## ACCELERATING OUR APPROACH FOR THE TRANSITION TO NET ZERO

Today we are accelerating our support for the transition to net zero:

- We have set a new **\$100 billion** by **2030** sustainable solutions target to back our customers lowering their carbon emissions and achieving improved sustainability outcomes (FY23–FY30). This will be periodically reviewed and revised to ensure it continues to match our ambition
  - For our largest emitters with good transition plans - around 60 per cent of this group - this means more finance
  - To assist further, we will focus on financing corporate customers' energy efficiency plans to reduce their energy costs
- We will align our lending to four new sectoral pathways and targets in **oil & gas, aluminium, cement** and **steel**. These are in addition to our two existing pathways and targets for power generation and large-scale commercial property; by the end of November we'll have targets for six priority sectors
- For our largest emitting business customers who have not improved their transition plans by 2025, after significant engagement, we will reduce our exposure



## PROGRESS IN ALIGNING OUR LENDING TO THE PARIS GOALS

- Our pathways, targets and reporting demonstrate how we are aligning our lending to the Paris Agreement goals
- We were the first Australian bank to join the Net-Zero Banking Alliance (NZBA) in 2021 and set **emissions intensity** pathways and targets - for **power generation** and **large-scale commercial real estate**. In doing so, we became one of 19 banks globally to set targets ahead of schedule
- We are on track to set 2030 targets for nine priority sectors – with six set as of today – aimed at ensuring at least 75% of our portfolio emissions are on a net zero pathway by end 2024
- Other priority sectors are well progressed. Our direct exposure to thermal coal mining has reduced by ~83% since 2015; our exposure is now less than 0.02% of Group exposure at default (EAD). And we are on track to exit all direct lending to thermal coal mining<sup>1</sup> well ahead of our 2030 target
- Our Climate Change Commitment sets out our “more finance for customers on the right path” targets, available at [anz.com.au/about-us/esg/environmental-sustainability/climate-change/](https://anz.com.au/about-us/esg/environmental-sustainability/climate-change/)
- We will back customers that have the right plans and commitments in place
- Our disclosure is TCFD<sup>2</sup>-aligned and our target setting guided by the Partnership for Carbon Accounting Financials (PCAF) standard
- Our 2022 Climate-related Financial Disclosures report and Financed Emissions Methodology are available at [anz.com.au/about-us/esg/reporting/](https://anz.com.au/about-us/esg/reporting/)

1. Excluding some residual exposures to rehabilitation bonds as per our policy

2. Taskforce on Climate-related Financial Disclosures



# SUPPORTING OUR CUSTOMERS AND STEERING OUR PORTFOLIO

Ambition to be the leading Australia and New Zealand-based bank in supporting customers to transition to net zero emissions

## Key priority areas and sectors we will pursue



1. Supporting sustainable resource extraction in areas such as iron ore, lithium, nickel, cobalt, rare earths, copper and bauxite  
2. Supporting basic materials production including green steel and low-carbon aluminium production  
3. Supporting new technology projects focused on upstream hydrogen and carbon capture use and storage  
4. Initial focus on financing high-efficiency residential buildings and retrofits  
5. Supplying green investment options for environmental sustainability-focused funds/insurers and partnering with financial institutions to deliver alternative capital



# ANZ'S CAPABILITY IN FINANCING SUSTAINABILITY

## GREEN, SOCIAL, SUSTAINABILITY, SUSTAINABILITY-LINKED AND TRANSITION LOANS

Lending to deploy capital into green and social initiatives, where borrowers are required to invest in qualifying green and/or social assets or where loan terms are linked to improved performance against agreed sustainability performance targets

## GREEN, SOCIAL, SUSTAINABILITY, SUSTAINABILITY-LINKED AND TRANSITION BONDS

Distribution of capital into green, social, transition and sustainability initiatives, e.g. green buildings, renewable energy or where bond terms are linked to improved performance against agreed sustainability targets

## GREEN AND SUSTAINABLE INFRASTRUCTURE PROJECT FINANCE

Project financing to support the development of long-term sustainable infrastructure

## ANZ/CLEAN ENERGY FINANCE CORPORATION ENERGY EFFICIENCY ASSET FINANCE PROGRAM

Financing that incentivises small-to-medium sized business customers to invest in energy efficient and renewable energy technologies that will help reduce their energy costs and carbon emissions

### Spotlight on Sustainable Finance

Sustainable Finance volumes

#### AUD365bn

**Total volume (AUD equivalent) of sustainable finance transactions<sup>1</sup> since 2015**

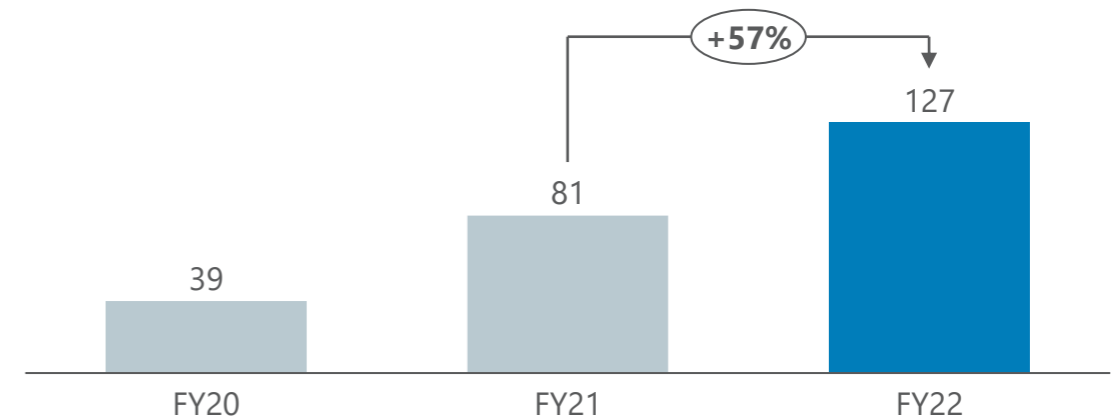
including Green, Social, Sustainability, Sustainability-Linked and Transition Bonds, Loans, Trade Finance and Derivatives, across Australia, New Zealand, Asia, Europe/UK and America in AUD, NZD, USD, SGD, CNH, HKD, JPY, GBP and EUR

#### AUD5.2bn

**ANZ as an Issuer has raised AUD5.2b (AUD equivalent)**

including AUD600m Green Bond (May 2015), EUR750m Sustainability (SDG) Bond (Feb 2018) EUR1.0bn Sustainability (SDG) Bond (Nov 2019), AUD1.25bn Sustainability (SDG) Bond (Aug 2020), EUR750m Sustainability (SDG) bond (Jan 2021)

Sustainable Finance transactions<sup>1</sup>, #



All data current as at 30/09/2022

1. Institutional labelled products only



# ANZ'S \$50 BILLION SUSTAINABLE SOLUTIONS TARGET

## Helping improve the environmental sustainability of customers

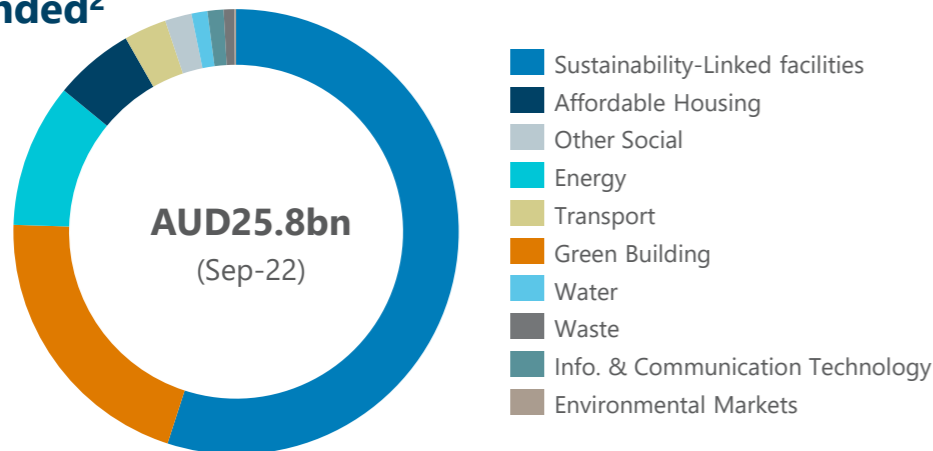
We remain committed to our existing target to fund and facilitate at least **AUD50 billion** by 2025 towards sustainable solutions for our customers, including initiatives that help improve environmental sustainability, support disaster resilience, increase access to affordable housing and promote financial wellbeing, which we are on track to exceed

That is why we are setting a new 8 year **AUD100 billion** by 2030 sustainable solutions target to back our customers lowering their carbon emissions and achieving improved sustainability outcomes (FY23–FY30). This will be periodically reviewed and revised to ensure it continues to match our ambition.

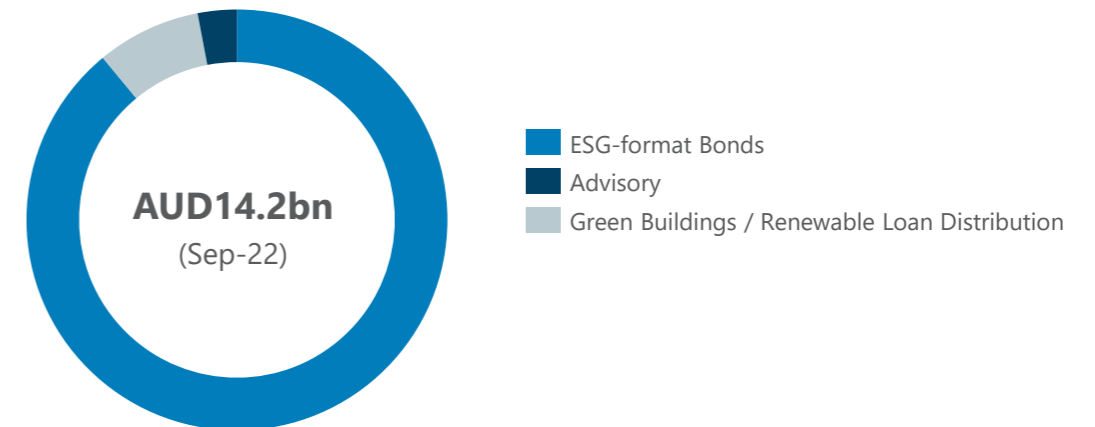
### FY22 progress<sup>1</sup>

- We have funded and facilitated **AUD40.04 billion** since October 2019, with **332** transactions contributing towards 10 Sustainable Development Goals
- **AUD25.8 billion** of transactions are on balance sheet loans and other credit lines provided to borrowers by ANZ
- **AUD14.2 billion** have been facilitated, including through advisory services; ESG-format bonds; and loans initially underwritten by ANZ and subsequently sold on to other lenders

### Funded<sup>2</sup>



### Facilitated<sup>3</sup>



1. This information has been independently assured by KPMG as part of the 2022 ESG Supplement and 2022 ESG Supplement Data Pack assurance engagement.  
 2. Energy: includes Wind/Solar/Battery/Transmission Infrastructure/Energy Transition/Energy Efficiency. Transport: low carbon transportation projects such as light rail, electric vehicle manufacturing. Environmental markets: corporate loans for businesses in environmental/carbon project development which facilitate the transition to net zero or create nature positive outcomes. Information & Communication Technology: networks, management and communication tools which facilitate the transition to net zero, e.g. power management, broadband. Sustainability-linked Facilities: corporate loans to borrowers across multiple industry sectors where terms are linked to improved performance against agreed environmental and/ or social targets that reflect the borrower's material sustainability risks, e.g. emissions reduction, increased renewable energy consumption, labour force diversity. Other Social: includes credit lines to global development banks and agencies providing support to emerging economies, and social component of Sustainability Loans.  
 3. ESG-format Bonds: Green, Social, Sustainable, Sustainability-Linked and Transition Bonds and other ESG-related bonds within the sustainable finance market. Green Buildings/Renewable Loan Distribution: loans initially underwritten by ANZ and subsequently sold on to other lenders, e.g. other banks, fund managers and super funds.





# MANAGING CLIMATE RISK

## Actively managing climate risk within our group risk management framework

### The risks and the opportunities of climate change

- Engaging with our largest emitting business customers on the work they're doing to transition to a low carbon future
- Understanding significant reductions in the cost of energy
- Understanding how the transition to net zero emissions will impact global demand for natural resources and the flow-on effects to prices
- Engaging with regulators and industry on climate-related policies and guidance for banks and financial institutions

### Recent actions to actively manage climate risk

We continue to improve our management of climate risks through workstreams focused on regulatory monitoring, policy governance, risk appetite, data and analytics. This year we focused on:

- reviewing and assessing current and emerging regulatory requirements across the jurisdictions in which we operate;
- refining our Risk Appetite Statements for Institutional and included climate risk in lending criteria documents in the Australia Retail, Commercial and New Zealand portfolios; and
- participating in APRA's Climate Vulnerability Assessment

Our next steps involve:

- developing a data strategy to help us identify and source reliable data to improve how we manage climate risks;
- ensuring we have a consistent approach to meet evolving regulatory requirements across the jurisdictions in which we operate; and
- extending our Climate Change Risk Assessment process to Institutional customers in higher emitting sectors including resources and energy – this is currently being piloted in Project Finance.



# MORE FINANCE FOR CUSTOMERS ON THE RIGHT PATH

## Absolute emissions and emissions intensity targets set our pathways

- Our pathways set our strategy and course out to net zero by 2050 and use credible decarbonisation scenarios
- The pathways allow us to:
  - Determine how each sector is performing against a Paris-aligned path
  - Better pinpoint and manage customers that may be more exposed to transition risks; and help them to capture the growing opportunities that come with the transition
  - Assess the speed and extent to which we are transitioning our exposure to key sectors
  - Provide transparency about how our financing is aligned with climate scenarios
- We will use these pathways to steer our lending decisions in line with the Paris Agreement goals
- We expect the transition is likely to be uneven – and there will be challenges in some sectors more than others



# FINANCE TO BACK CUSTOMERS ON THE RIGHT PATH

## New targets set for four carbon intensive sectors

We have set a new **absolute emissions** reduction target for **oil and gas**

### Oil and Gas<sup>1</sup>

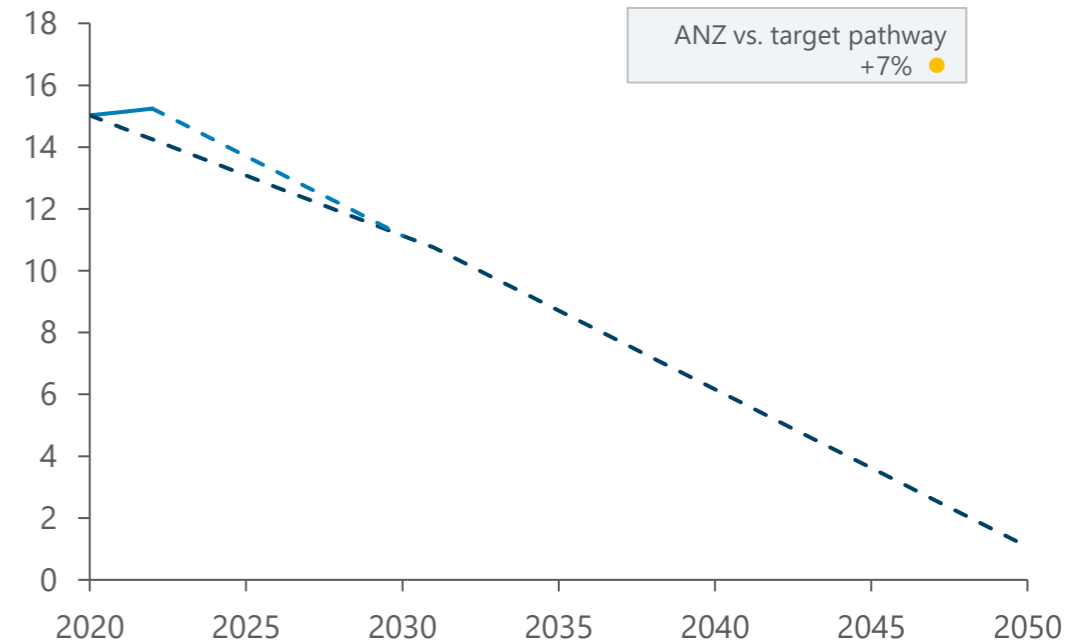
#### NEW TARGET:

**26% absolute emissions reduction by 2030**

- A variety of opportunities exist for the oil and gas sector to reduce emissions across the value chain
- A priority for oil and gas companies is to minimise methane leaks through a focus on leak detection and repair
- Over time we will weight our financing to customers with stronger emissions reduction targets and diversification strategies

### Oil and Gas

Absolute Emissions (Mt CO<sub>2</sub>-e)



- Actual Performance
- - IEA Net Zero Emissions 2050 Pathway
- - 2030 Target (-26%)

1. We measure the portfolio emissions for the oil and gas sector using an 'absolute emissions' approach. We assess financed emissions on an 'all products' basis. Refer to ANZ's Financed Emissions Methodology for detail

- >10% above the pathway
- <10% above pathway
- Below pathway



# FINANCE TO BACK CUSTOMERS ON THE RIGHT PATH

## New targets set for four carbon intensive sectors

We have set a new **emissions intensity** reduction target for **aluminium**

### Aluminium<sup>1</sup>

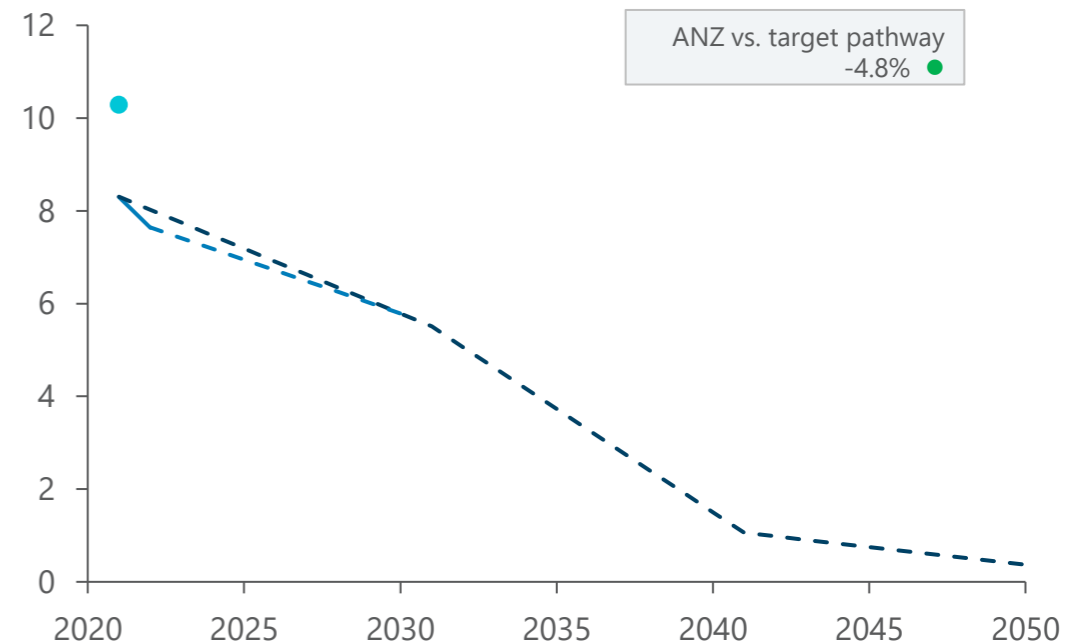
#### NEW TARGET:

**30% emissions intensity reduction by 2030**

- The opportunity for decarbonisation for the aluminium sector is significant and is focused on a switch to renewable energy
- Efforts to decarbonise the grid will be necessary for decarbonisation of the aluminium sector
- Our 2021 portfolio baseline of 8.30 tCO<sub>2</sub>/tonne aluminium is below the 2021 global average of 10.29 tCO<sub>2</sub>/tonne aluminium
- Over time we will weight our lending to customers with stronger emissions targets

### Aluminium

GHG<sup>2</sup> Intensity (tCO<sub>2</sub>-e/t aluminium)



- Actual Performance
- - International Aluminium Institute 1.5 pathway
- - 2030 Target (-30%)
- Global average International Aluminium Institute 1.5 pathway

1. We measure the portfolio emissions in the aluminium sector on an 'emissions intensity' basis. Refer to ANZ's Financed Emissions Methodology for detail

2. Greenhouse gas emissions (GHG)

- >10% above the pathway
- <10% above pathway
- Below pathway



# FINANCE TO BACK CUSTOMERS ON THE RIGHT PATH

## New targets set for four carbon intensive sectors

We have set a new **emissions intensity** reduction target for **cement**

### Cement<sup>1</sup>

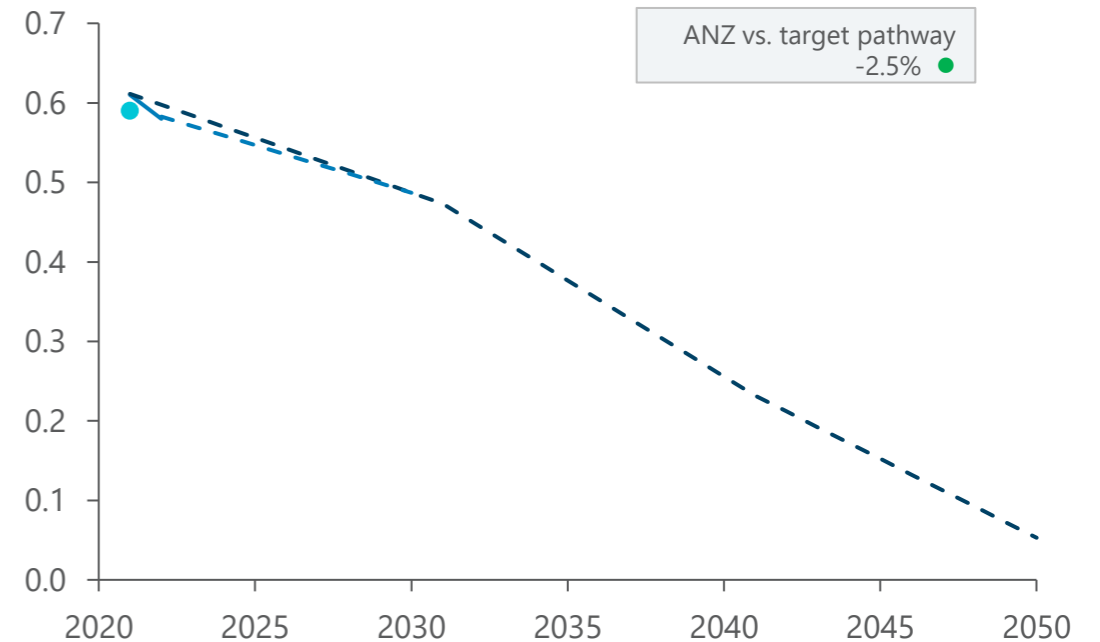
#### NEW TARGET:

**20% emissions intensity reduction by 2030**

- The opportunity for decarbonisation for the cement sector will rely on substituting clinker for alternate cementitious materials
- Industry bodies have articulated the need for carbon capture, utilisation and storage becoming commercially viable to capture emissions from the chemical reaction of limestone to achieve net-zero by 2050 for the industry
- Our 2021 portfolio baseline of 0.61 tCO<sub>2</sub>/tonne cement is marginally above the 2021 global average of 0.59 tCO<sub>2</sub>/tonne cement
- Over time we will weight our lending to customers with stronger emissions targets

### Cement

GHG<sup>2</sup> Intensity (tCO<sub>2</sub>-e/t Cement)



- Actual Performance
- - IEA Net Zero Emissions 2050 Pathway
- - 2030 Target (-20%)
- Global average IEA tracking report 22

1. We measure the portfolio emissions in the cement sector on an 'emissions intensity' basis. In line with the 2022 SBTi Cement Guidance, when we refer to our intensity target in tCO<sub>2</sub>-e/t cement, we have actually set an intensity target per tonne of 'cementitious product' rather than per tonne of 'cement'. Refer to ANZ's Financed Emissions Methodology for detail

2. Greenhouse gas emissions (GHG)

- >10% above the pathway
- <10% above pathway
- Below pathway



# FINANCE TO BACK CUSTOMERS ON THE RIGHT PATH

## New targets set for four carbon intensive sectors

We have set a new **emissions intensity** reduction target for **steel**

### Steel<sup>1</sup>

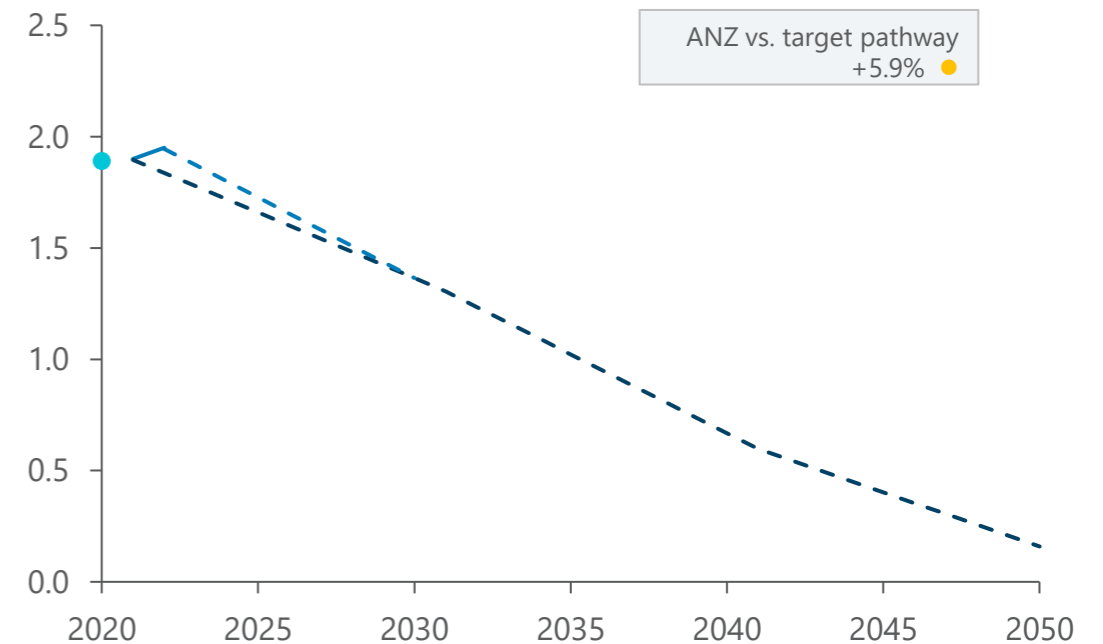
#### NEW TARGET:

**28% emissions intensity reduction by 2030**

- The opportunities for carbon emission reductions for the steel sector are well defined, however the technologies facilitating these reductions are not yet commercially available and will require 'breakthrough technologies' such as carbon capture utilization/storage or direct reduction of iron-ore using renewable energy
- Our 2021 portfolio baseline of 1.90 tCO<sub>2</sub>-e/tonne steel is in line with the 2020 global average of 1.89 tCO<sub>2</sub>-e/tonne steel
- Over time we will weight our lending to customers with stronger emissions targets.

### Steel

GHG<sup>2</sup> Intensity (tCO<sub>2</sub>-e/t Steel)



1. We measure the portfolio emissions in the steel sector on an 'emissions intensity' basis. Refer to ANZ's Financed Emissions Methodology for detail

- >10% above the pathway
- <10% above pathway
- Below pathway



# PROGRESS TOWARDS OUR PORTFOLIO EMISSIONS TARGET PATHWAYS – LARGE-SCALE COMMERCIAL BUILDINGS

We set **emissions intensity** reduction targets for **large-scale commercial buildings** in 2021

## Large-scale commercial property

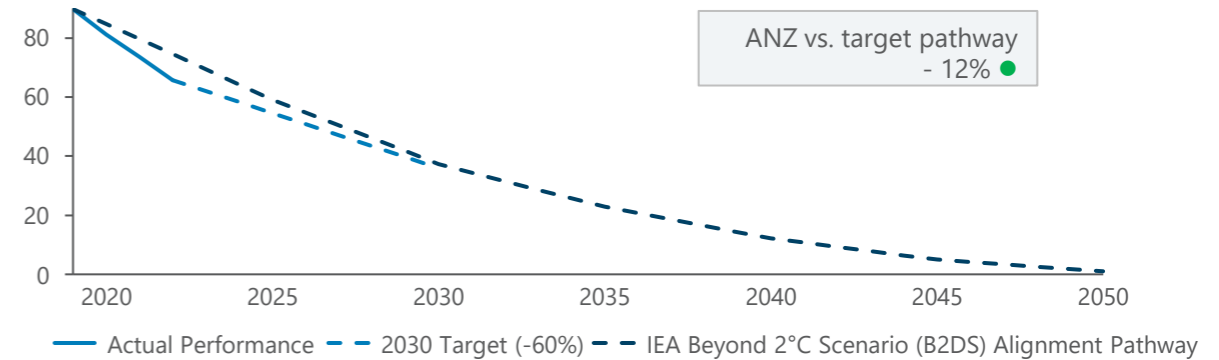
**EXISTING TARGET:**  
**60% emissions intensity reduction by 2030 for major commercial buildings in Australia owned by our large REIT and funds customers**

- We will finance the opportunities for faster and deeper cuts in emissions presented by: improved energy efficiency; greater electrification of final energy use; voluntary purchases of green electricity; and self-generation of electricity from solar PV installations
- Major customers have already committed to achieving net zero emissions targets by 2030 and are making good progress, investing in renewable energy, the electrification of building infrastructure and energy efficient measures
- Building assets covered by the target represent around 20–25% of our total exposures to the non-residential building sector
- Portfolio emissions intensity in the Commercial Building sector continues to reduce and we are below our 2030 target pathways
- All new large-scale offices financed by ANZ in the commercial building sector are required to have a 5-star NABERS<sup>2</sup> rating or above

1. Greenhouse gas emissions (GHG)  
 2. National Australian Built Environment Rating Scheme

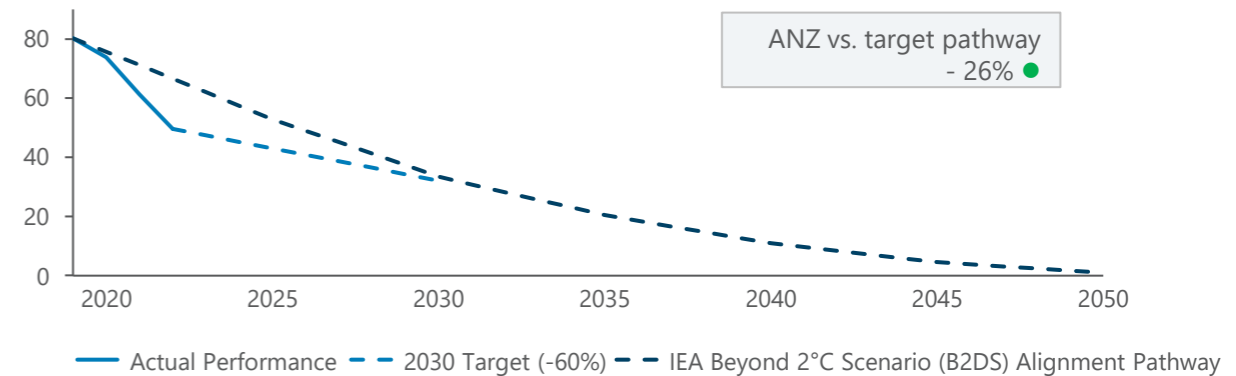
### Commercial Real Estate - Shopping Centres

GHG<sup>1</sup> Intensity, kg CO<sub>2</sub>-e/m<sup>2</sup>NLA (Net Lettable Area)



### Commercial Real Estate - Office Buildings

GHG<sup>1</sup> Intensity, kg CO<sub>2</sub>-e/m<sup>2</sup>NLA (Net Lettable Area)



• >10% above the pathway  
 • <10% above pathway  
 • Below pathway



# PROGRESS TOWARDS OUR PORTFOLIO EMISSIONS TARGET PATHWAYS – POWER GENERATION

## Financial challenges of a changing energy sector

- Wholesale electricity prices increased to record highs in parts of Australia earlier this year. Electricity companies routinely hedge the price of their future energy generation on the ASX electricity futures market, to mitigate against price fluctuations
- Due to these record high wholesale prices, companies using the electricity futures market, including some existing ANZ customers, faced unusually high margin calls on their existing hedge contracts – requiring them to post cash collateral to margin accounts to cover these positions
- We have observed similar developments internationally this year. In the UK, the 'Energy Markets Financing Scheme'<sup>1</sup> is designed to support viable energy firms with major operations in the UK to deal with the unprecedented volatility triggered by Russia's invasion of Ukraine. These firms will be able to apply for government-backed guarantees to secure commercial financing and meet large margin calls from energy price volatility
- In August 2022, the Australian Energy Market Operator<sup>2</sup> forecasted electricity reliability concerns over the next 10 years, with urgent investment in electricity generation, storage and transmission required
- Within this context, our challenge is to finance the new green energy infrastructure required to help achieve net zero emissions, while ensuring existing providers - which are making these investments - are supported while this new infrastructure is being built. These companies serve important roles in the supply and stability of the energy market while the broader operating environment transitions in line with the Paris Agreement goals

1. [Energy Markets Financing Scheme opens today | Bank of England](#)

2. [AEMO | Critical investment needed to manage reliability gaps](#)





# PROGRESS TOWARDS OUR PORTFOLIO EMISSIONS TARGET PATHWAYS – POWER GENERATION

We set an **emissions intensity** reduction target for **power generation** in 2021

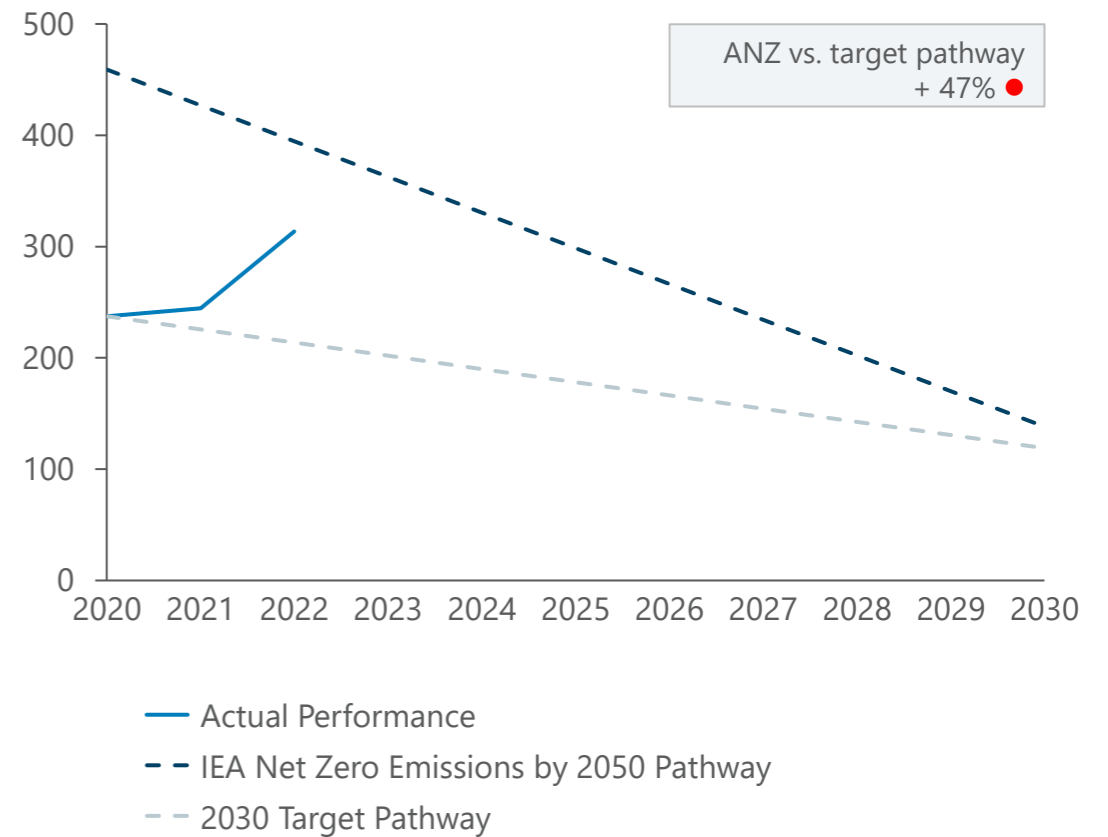
## Power Generation

### EXISTING TARGET:

**50% emissions intensity reduction by 2030 for our global power generation portfolio**

- We know decarbonising will require an increase in electricity generation. The challenge will be to meet that demand growth with clean energy sources – our target we set in 2021 seeks to meet this by influencing the types of customers and projects we support
- Our 2030 target of 119kgCO<sub>2</sub>/MWh is a portfolio average. The target is set against a 2020 baseline of ~240kg CO<sub>2</sub>/MWh
- To ensure the ongoing completeness, accuracy and consistency of our reporting, we are restating our 2020 emissions intensity baseline. This is due to improvements in our ability to identify generation asset(s) that our financing is linked to
- Engagement with power generation customers is focused on how they intend to reduce the emissions intensity of power supplied to their customers
- The emissions intensity of our Power Generation portfolio increased this year due to short term financing for existing customers to manage unprecedented energy market volatility. This does not translate to an increase in ‘real world’ emissions, as they are existing customers and assets
- We remain committed to our 2030 target pathway and remain well below the IEA Net Zero Emissions by 2050 Scenario pathway

## Power generation GHG<sup>1</sup> Intensity (kg CO<sub>2</sub>/MWh)




- >10% above the pathway
- <10% above pathway
- Below pathway

1. Greenhouse gas emissions (GHG)



# BACKING CUSTOMER DECARBONISATION


Illustrative examples of customer pathways that align with our portfolio targets

	OIL AND GAS <i>"Oil and Gas Company Corp."</i>	ALUMINIUM <i>"Aluminium Company Corp."</i>
<b>Paris-aligned targets set their path</b>	<p><b>In 2021:</b> Announced intention to be a net zero energy company by 2050 or sooner (covering full life cycle of energy products)</p> <p><b>By 2030:</b> Reduce absolute Scope 1 &amp; 2 emissions by 50%; Reduce absolute Scope 3 emissions (use of sold product) by 40%</p> <ul style="list-style-type: none"> <li>• 80% reduction emissions in methane emissions</li> <li>• Eliminate routine gas flaring by 2025</li> </ul> <p><b>By 2050:</b> Aiming for net zero across operations, production and sales by 2050 or sooner</p>	<p><b>In 2021:</b> Disclosed <u>science-based</u> GHG emissions intensity reduction targets</p> <ul style="list-style-type: none"> <li>• Current emissions intensity 6.0 tCO<sub>2</sub>-e/t aluminium</li> </ul> <p><b>By 2030:</b> Reduce emissions intensity by 40%</p> <ul style="list-style-type: none"> <li>• Target of 3.6 tCO<sub>2</sub>/t aluminium</li> </ul> <p><b>By 2050:</b> Achieve net zero emissions</p>
 <b>Examples of Paris-aligned investments</b>	<p><b>Company increasingly invests in:</b></p> <ul style="list-style-type: none"> <li>• Minimizing methane leaks through a focus on leak detection and repair</li> <li>• Avoidance of non-emergency flaring and venting</li> <li>• Electrification of upstream operations</li> <li>• Diversifying portfolios into cleaner energy technologies such as renewable electricity, hydrogen, biofuels and biogases etc</li> <li>• Capture and permanent storage of remaining emissions or balancing them with credible offsets</li> </ul>	<p><b>Company increasingly invests in:</b></p> <ul style="list-style-type: none"> <li>• Switching to renewable energy in conjunction with global trend towards grid decarbonisation</li> <li>• Research and development into low/no carbon anodes</li> </ul>



# BACKING CUSTOMER DECARBONISATION


Illustrative examples of customer pathways that align with our portfolio targets

	CEMENT <i>"Cement Company Corp."</i>	STEEL <i>"Steel Company Corp."</i>
<b>Paris-aligned targets set their path</b>	<p><b>In 2021:</b> Disclosed <u>science-based</u> GHG emissions intensity reduction targets</p> <ul style="list-style-type: none"> <li>• Current emissions intensity 0.68 tCO<sub>2</sub>-e/t cement</li> </ul> <p><b>By 2030:</b> Reduce emissions intensity by 20%</p> <ul style="list-style-type: none"> <li>• Target of 0.54 tCO<sub>2</sub>-e/t cement</li> </ul> <p><b>From 2030 to 2040:</b> Upscaling and commercialisation of Carbon Capture utilization and storage (CCUS) projects</p> <p><b>By 2050:</b> Achieve net zero emissions</p>	<p><b>In 2021:</b> Disclosed <u>science-based</u> GHG emissions intensity reduction targets</p> <ul style="list-style-type: none"> <li>• Current emissions intensity 3.0 tCO<sub>2</sub>-e/t steel</li> </ul> <p><b>By 2030:</b> Reduce emissions intensity by 33%</p> <ul style="list-style-type: none"> <li>• Target of 2.0 tCO<sub>2</sub>-e/t steel</li> <li>• Increased steel recycling and use of renewable energy</li> </ul> <p><b>From 2030 to 2040:</b></p> <ul style="list-style-type: none"> <li>• Upscaling and commercialisation of CCUS and green steel production</li> </ul> <p><b>By 2050:</b> Achieve net zero emissions</p>
 <b>Examples of Paris-aligned investments</b>	<p><b>Company increasingly invests in:</b></p> <ul style="list-style-type: none"> <li>• Plant retrofit and upgrade to take on alternative fuels</li> <li>• Increased supplementary cementitious product</li> <li>• Research and development into carbon capture and storage technology</li> </ul>	<p><b>Company increasingly invests in:</b></p> <ul style="list-style-type: none"> <li>• Switching to renewable energy in conjunction with global trend towards grid decarbonisation</li> <li>• Efficiency upgrades and retrofits</li> <li>• Steel recycling</li> <li>• Research and development into CCUS technology and direct reduction of iron-ore without the use of fossil fuels</li> </ul>



# BACKING CUSTOMER DECARBONISATION

Illustrative examples of customer pathways that align with our portfolio targets

	<b>COMMERCIAL PROPERTY</b> <i>"Property Company Corp."</i>	<b>POWER GENERATION</b> <i>"Energy Company Corp."</i>
<b>Paris-aligned targets set their path</b>	<p><b>In 2020:</b> Disclosed <u>Paris-aligned</u> plans and decarbonisation strategy</p> <p><b>By 2025/2030</b></p> <ul style="list-style-type: none"> <li>• Low carbon fuel alternatives for machinery</li> <li>• Require min. NABERS<sup>1</sup> 5-star energy rating on offices</li> <li>• Suppliers to reduce emissions from building materials</li> </ul> <p><b>By 2040/2050:</b> Reach net zero emissions</p> <ul style="list-style-type: none"> <li>• All green leases for tenants</li> <li>• Renewable energy tariffs</li> <li>• Zero operational emissions</li> <li>• Phased out diesel and gas</li> </ul>	<p><b>In 2020:</b> Disclosed <u>science-based</u> GHG emissions intensity reduction targets</p> <ul style="list-style-type: none"> <li>• Current emissions intensity 630kg CO<sub>2</sub>/MWh</li> </ul> <p><b>By 2030:</b> Reduce emissions by 50%</p> <ul style="list-style-type: none"> <li>• Target of 315kg CO<sub>2</sub>/MWh</li> </ul> <p><b>From 2030 to 2040:</b> Reduce emissions a further 50%</p> <ul style="list-style-type: none"> <li>• Target by 2040 of 158kg CO<sub>2</sub>/MWh</li> </ul> <p><b>By 2050:</b> Achieve net zero emissions</p>
 <b>Examples of Paris-aligned investments</b>	<p><b>Company increasingly invests in:</b></p> <ul style="list-style-type: none"> <li>• Electric construction plants &amp; equipment</li> <li>• Onsite renewable energy</li> <li>• Battery storage in buildings</li> <li>• Decarbonised heating and cooling infrastructure</li> </ul>	<p>To aid transition, company develops lower-emission base load alternatives to coal fired generation which is being progressively retired</p> <p><b>Company increasingly invests in:</b></p> <ul style="list-style-type: none"> <li>• Large-scale renewables and energy infrastructure including wind and solar farms</li> <li>• Electricity storage technologies such as batteries and pumped hydro (long duration storage)</li> </ul>

1. National Australian Built Environment Rating System

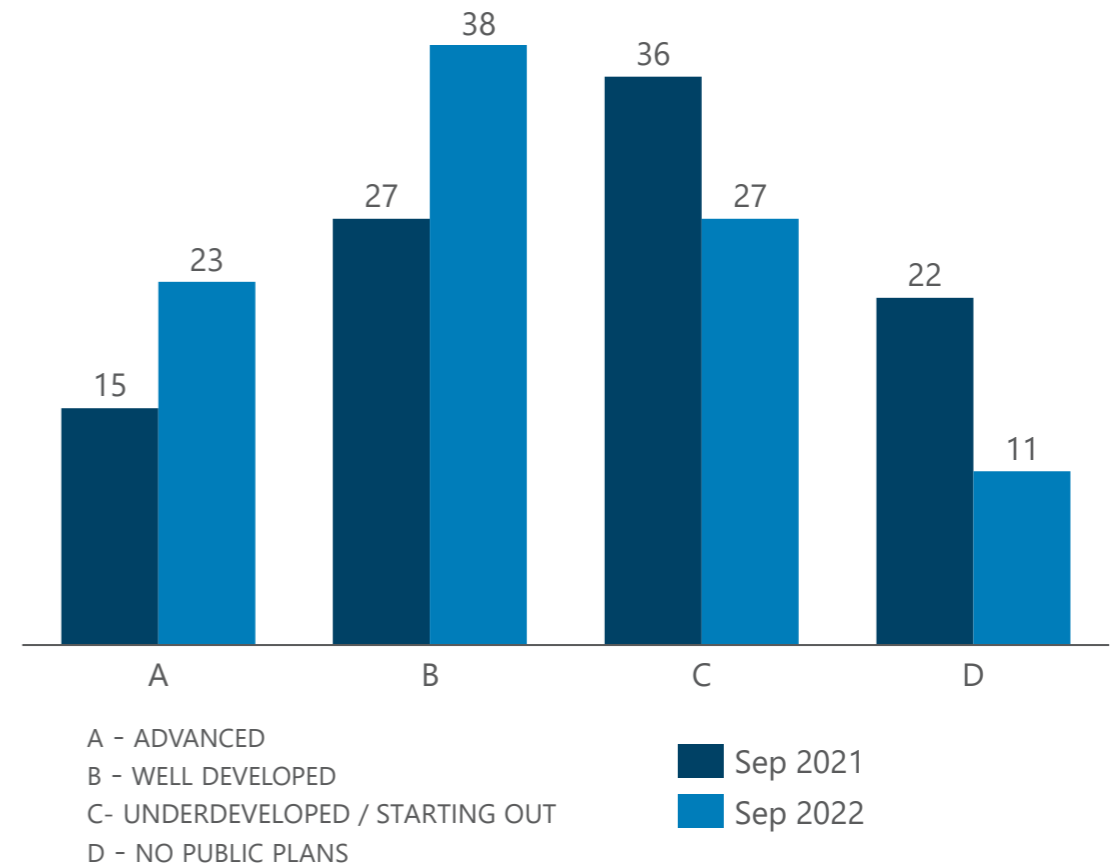


# CUSTOMER ENGAGEMENT TO SUPPORT EMISSIONS REDUCTIONS

## 100 of our largest emitting business customers

- Among our Australian banking peers, we have the most advanced engagement process with our largest emitting business customers
- We have been discussing transition plans with 100 of our largest emitting business customers since 2018, we broadened this to our customers efforts to protect biodiversity in 2022
- In FY22 we engaged with 99 of our largest emitting business customers
- 61% of these customers now have well developed or advanced transition plans versus 42% by end FY21
- Overall good progress is being made, with 29 customers upgraded since FY21
- We consider three key elements constitute a robust low carbon transition plan:
  - governance
  - targets
  - disclosures (preferably aligned with the Taskforce on Climate-related Financial Disclosures)
- These customers produced more than 147 million tonnes of direct (Scope 1) CO<sub>2</sub> emissions during 2020–21 for their Australian-based operations. This is around 30% of the national total for Australia

**100 of our largest emitting business customers by transition plan category<sup>1</sup>**



1. We replaced six customers in 2022 due to exits or significantly reduced exposures, or due to mergers and acquisition activities. Replacements on this list are typically from a similar sector, located in the same country or region, a similar level of exposure and emissions and at a similar stage of their transition planning

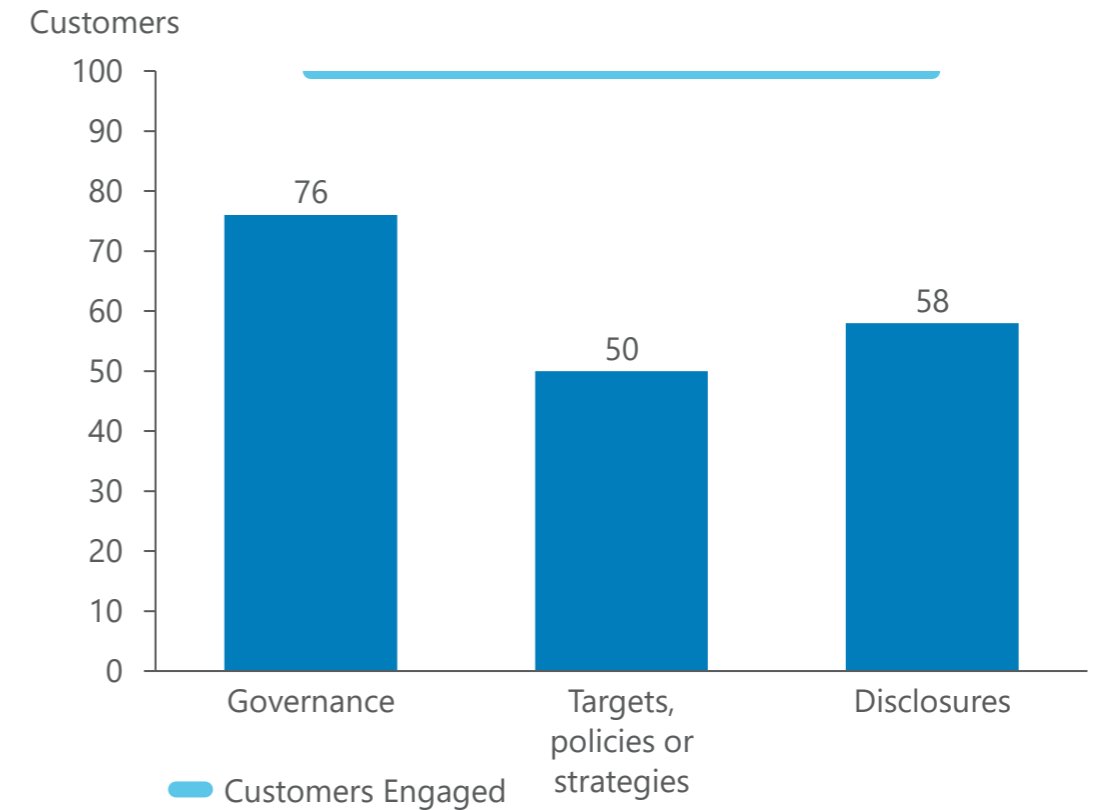


# CUSTOMER ENGAGEMENT TO SUPPORT BIODIVERSITY PROTECTION

100 of our largest emitting business customers

- Biodiversity risk is recognised across our 'sensitive sector' lending policies
- It is a focus area acknowledged in our Climate Change Commitment and as an emerging risk in our Annual Report
- Biodiversity has this year also been included in discussions with our largest emitting business customers
- Discussion to date have been positive - with increased customer awareness and improvements in the way they measure impacts of their business on nature and vice versa
- Engagement is helping refine our screening, improving our knowledge, enhancing capacity to further engage
- We have joined the TNFD<sup>2</sup> Forum to support their work. They play an important role in driving widespread and improved disclosures of biodiversity impacts

## 100 of our largest emitting business customers biodiversity status<sup>1</sup>



1. We replaced six customers in 2022 due to exits or significantly reduced exposures, or due to mergers and acquisition activities. Replacements on this list are typically from a similar sector, located in the same country or region, a similar level of exposure and emissions and at a similar stage of their transition planning

2. Taskforce on Nature-related Financial Disclosures



# SEEKING IMPROVED TRANSITION PLANS FROM SOME CUSTOMERS

## 100 of our largest emitting business customers

### Good progress, more work to be done

- Within each industry our customers have different starting points. Many have improved their governance, strategies, targets and disclosures to advance their transition planning
- In FY22 there were ~60% of customers with more advanced plans. Up from ~40% in FY21
- We provide support with insights into enhanced customer practices. We encourage those further advanced to find ways to strengthen their approach and provide options for how we could potentially assist, including setting 'stretch' targets linked to improved financing terms
- We expect our new 8-year sustainable solutions target of \$100bn by 2030 will further assist our largest emitting customers to invest in emissions reduction. **We will continue to prioritise our support for customers who are committed to improving their plans**
- This support will also focus on customers in the C and D categories. We are seeking improved plans from these businesses by 2025 and will increase our engagement to encourage further progress
- While we will aim to support C and D category customers to improve, if significant engagement doesn't see positive momentum we will reduce our exposure



# PROGRESS WITH OUR 100 LARGEST EMITTING BUSINESS CUSTOMERS

## Examples of improvement through categories

(A) ADVANCED	(B) WELL DEVELOPED	(C) UNDERDEVELOPED / STARTING OUT	(D) NO PUBLIC PLANS
ENERGY COMPANY	DIVERSIFIED INDUSTRIAL COMPANY	LARGE COMMODITIES COMPANY	LARGE RETAILER
<ul style="list-style-type: none"> <li>✓ Governance</li> <li>✓ Targets</li> <li>✓ Disclosures</li> </ul>	<ul style="list-style-type: none"> <li>✓ Governance</li> <li>✓ Targets</li> <li>✓ Disclosures</li> </ul>	<ul style="list-style-type: none"> <li>✓ Governance</li> <li>✓ Targets</li> <li>→ Disclosures</li> </ul>	<ul style="list-style-type: none"> <li>→ Governance</li> <li>→ Targets</li> <li>→ Disclosures</li> </ul>
<p><b>CUSTOMER</b></p> <ul style="list-style-type: none"> <li>• Acknowledges climate risk is a material risk and opportunity; has well developed plans and actions (by reference to their governance, targets, disclosures, and committed to net zero emissions by 2050)</li> <li>• Climate resilience is a key pillar of its sustainability strategy</li> <li>• Public goal of net zero emissions by 2050 across its portfolios</li> <li>• Strong governance in place to manage climate risk</li> <li>• TCFD<sup>1</sup>-aligned reporting</li> </ul>	<p><b>CUSTOMER</b></p> <ul style="list-style-type: none"> <li>• At a well developed stage with well developed plans and actions</li> <li>• Public climate change commitment; climate issues are considered by Sustainability Management Committee that report to their Board</li> <li>• 2030 emissions reductions targets in place</li> <li>• A long-term vision of striving for net zero by 2050</li> <li>• Reports using the TCFD guidelines, scope to improve</li> </ul>	<p><b>CUSTOMER</b></p> <ul style="list-style-type: none"> <li>• At an underdeveloped/starting out stage: acknowledgement, but with limited plans and/or actions</li> <li>• Sustainability and climate risk discussed with Board Risk Committee at regular intervals; Chairman and CEO oversee their climate approach</li> <li>• Has targets to reduce 'emissions intensity' across some of its operations</li> <li>• Moving towards TCFD-aligned reporting; has a 'TCFD index' in its reporting<sup>2</sup></li> </ul>	<p><b>CUSTOMER</b></p> <ul style="list-style-type: none"> <li>• No public plans evident; however, is establishing an Executive Sustainability Committee which will provide greater oversight</li> <li>• Developing sustainability projects at a business and franchisee level</li> <li>• Has engaged an external consultant to help develop a sustainability framework</li> <li>• Acknowledges the need to develop a transition plan, though unclear at this stage whether it will be made public</li> <li>• Has not reported against TCFD</li> </ul>

In place / met ✓  
In progress →

1. Taskforce on Climate-related Financial Disclosures

2. Others in category C may be reporting against TCFD, with uplift required in key areas such as governance, metrics and targets





# PROGRESS WITH OUR 100 LARGEST EMITTING BUSINESS CUSTOMERS

## Examples of improvement through categories

### INDUSTRIAL COMPANY

During our engagement, customer has moved up from Category **D** to Category **B**

- ✔ Governance
- ✔ Targets
- ✔ Disclosures

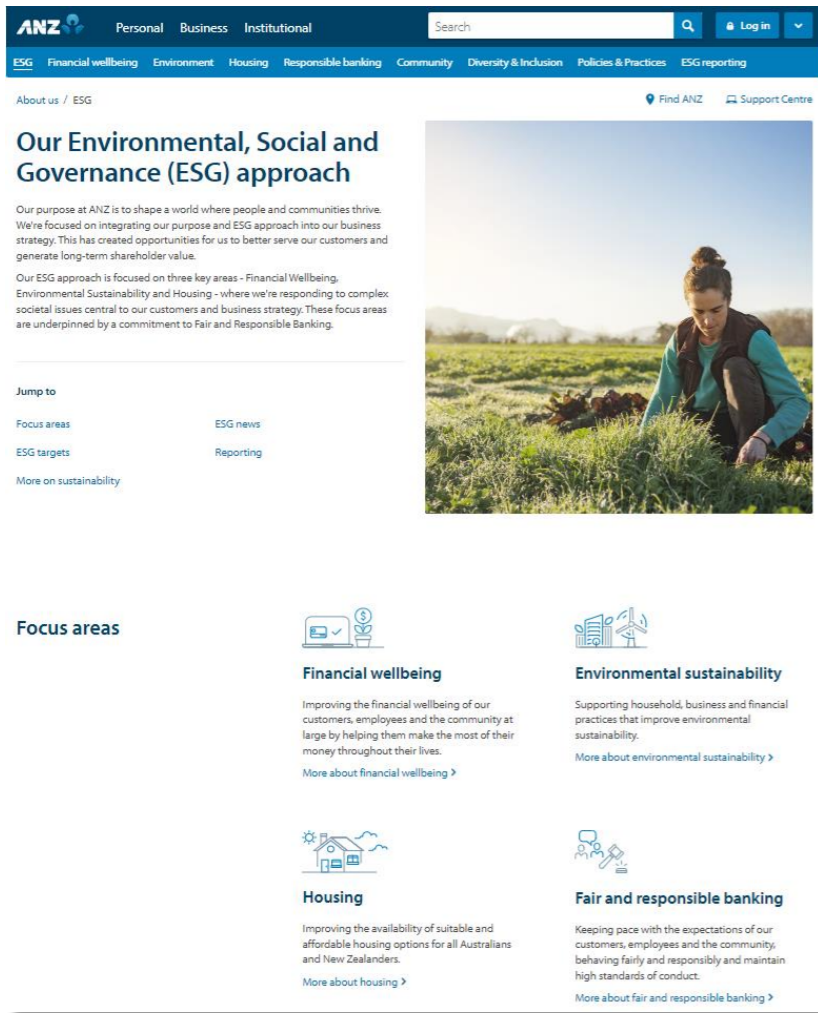
### CUSTOMER

- The customer is at a well developed stage with clearly defined plans and actions that have evolved significantly since 2021
- A clear governance framework is in place, outlining senior management oversight of climate change and nature-related risks and opportunities. Issues and opportunities are considered by the Environmental Policy and Risk & Sustainability Committee
- Public targets and strategies are in place to reduce emissions and support government policies up to 2030 in key markets. Metrics and targets have been set to assess and manage impacts and dependencies on nature and associated risks and opportunities
- First TCFD report published in 2021 Annual Report, including a pathway disclosure and a commitment to have Scope 1 & 2 emissions reduction target independently validated by the Science Based Targets Initiative

In place / met ✔



# OUR ESG RELATED DISCLOSURES



### ESG Supplement



ESG information & progress against our ESG targets

<https://www.anz.com.au/about-us/esg/reporting/esg-reporting/>

### ESG Briefing



Annual event to brief investors on ESG matters

<https://www.anz.com/content/dam/anzcom/shareholder/2022-ESG-investor-presentation-and-reference-pack.pdf>


### Climate Change Disclosures



Climate change commitment and climate related financial disclosures

<https://www.anz.com.au/about-us/esg-priorities/environmental-sustainability/climate-change/>

### Human Rights



Our approach to human rights

<https://www.anz.com.au/about-us/esg-priorities/fair-responsible-banking/human-rights/>


### Housing



ANZ-CoreLogic Housing Affordability Report, the pre-eminent guide to trends & drivers of housing affordability across Australia

<https://www.anz.com.au/about-us/esg-priorities/housing/>

### Financial Wellbeing

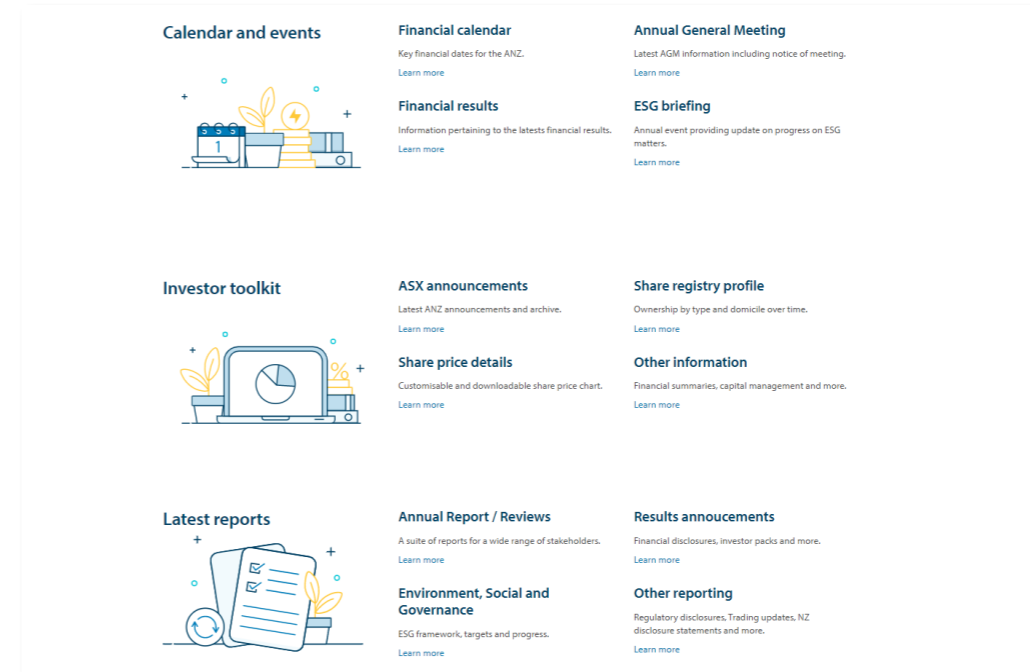
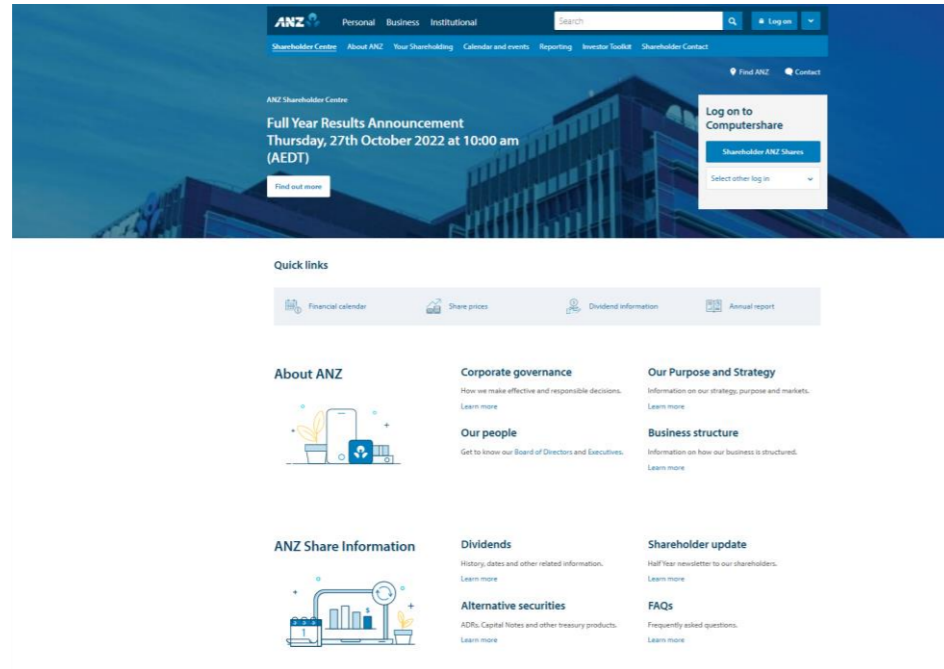


Our financial wellbeing programs, incl. ANZ Roy Morgan financial wellbeing indicator

<https://www.anz.com.au/about-us/esg-priorities/financial-wellbeing/>



# FURTHER INFORMATION



<https://www.anz.com/shareholder/centre/>

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