

Second Party Opinion

ANZ Sustainable Development Goals (SDG) Bond

Evaluation Summary

Sustainalytics is of the opinion that the ANZ SDG Bond Framework creates meaningful impact, is transparent, credible and aligns with the Green Bond Principles 2018 (GBP), the Social Bond Principles 2018 (SBP), and the Sustainability Bond Guidelines 2018.



USE OF PROCEEDS The Eligible Categories for the use of proceeds are widely recognized as impactful by the Green Bond Principles and Social Bond Principles 2018.



PROJECT EVALUATION / SELECTION ANZ has a dedicated Green Bond Working Group, which bears responsibility for the final decisions on project selection and evaluation, aligned with market practices.



MANAGEMENT OF PROCEEDS The management of proceeds using internal reporting systems and a register is in line with market practices. As well, ANZ has obtained pre-issuance assurance from EY to confirm that allocation of proceeds is done in accordance with the SDG Bond Framework. This is aligned with market best-practice.



REPORTING ANZ has outlined an extensive list of impact metrics and is committed to impact reporting on an annual basis, including the alignment of assets with the SDGs, which is considered market best practice

Evaluation date	October 2019
Issuer Location	Australia

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For inquires, contact the Project Team:

Trisha Taneja (Toronto)
 Senior Associate, Advisory Services
 trisha.taneja@sustainalytics.com
 (+1) 647 317 3695

Catalina Secreteanu (Sydney)
 Director, Institutional Relations
 catalina.secreteanu@sustainalytics.com
 (+61) 2 8015 5651

Introduction

The Australian and New Zealand Banking Group Limited (ANZ) provides a broad range of banking and financial products and services to retail, small business, corporate and institutional customers. The company operates in Australia, New Zealand, the Asia Pacific region, the United Kingdom, France, Germany and the United States.

ANZ has developed a Sustainable Development Goals Bond Framework (SDG) in accordance with which it intends to issue SDG bonds. An SDG bond is a type of sustainability bond that aligns the funded social and environmentally impactful projects with the Sustainable Development Goals.¹ As such, proceeds of the SDG bonds may be directed towards projects from ANZ's lending activities and will be used to finance and refinance, in whole or in part, future and existing projects and businesses, including ANZ's own operating or capital expenditures (Eligible Projects) that contribute to the achievement of the following Sustainable Development Goals:

1. SDG 3: Good Health and Well-Being
2. SDG 4: Quality Education
3. SDG 6: Clean Water and Sanitation
4. SDG 7: Affordable and Clean Energy
5. SDG 9: Industry, Innovation, and Infrastructure
6. SDG 10: Reduced Inequalities
7. SDG 11: Sustainable Cities and Communities
8. SDG 12: Responsible Consumption and Production
9. SDG 13: Climate Action

ANZ has engaged Sustainalytics to provide a second-party opinion on its SDG Bond Framework dated October 2019,² and on the framework's environmental and social credentials. Sustainalytics has assessed the ANZ SDG Bond Framework as a sustainability bond framework, i.e. on its alignment with the ICMA Green Bond Principles 2018, the Social Bond Principles 2018, and the Sustainability Bond Guidelines 2018. Sustainalytics has also opined on the transparency of the bank's SDG Bond Framework in linking to progress on the SDGs.

As part of this engagement, Sustainalytics held conversations with various members of ANZ's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of ANZ's SDG Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information. Following this engagement between ANZ and Sustainalytics, some elements of the SDG Bond Framework were clarified to ensure an alignment with the level of disclosure expected by ICMA's Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines 2018.

This document contains Sustainalytics' opinion of ANZ's SDG Bond Framework³ and should be read in conjunction with that framework.

¹ UN Sustainable Development Goals: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

² This SPO is a slightly revised version of a previous SPO (dated February 2018). It has been updated to incorporate new version of the Green Bond Principles (GBP), the Social Bond Principles (SBP), and the Sustainability Bond Guidelines. Sustainalytics is of the opinion that the changes do not have a material effect on the impact of the intended use of bond proceeds or the Framework's alignment with the SBP.

³ <https://www.anz.com/debtinvestors/centre/>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the ANZ SDG Bond Framework

Summary

Overall, Sustainalytics is of the opinion that the ANZ SDG Bond Framework creates meaningful impact, is transparent, credible and aligns with the Green Bond Principles 2018 (GBP), the Social Bond Principles 2018 (SBP), and the Sustainability Bond Guidelines 2018. Some of the key considerations in Sustainalytics' assessment are:

- The Eligible Categories for the use of proceeds are widely recognized as impactful by the GBP and SBP 2018.⁴ For details on the expected positive environmental and social impacts of the use of proceeds, see Section 3 of this document.
- ANZ has a dedicated Green Bond Working Group, which bears responsibility for the final decisions on project selection and evaluation, aligned with market practices.
- The proceeds are managed using an ANZ internal reporting system and a separate register for earmarking, including semi-annual Use of Proceeds reporting to investors on outstanding asset volume, eligible assets, as well as eligible asset removal and substitution. This is in line with market practices. As well, ANZ has obtained pre-issuance assurance from EY to confirm that allocation of proceeds is done in accordance with the SDG Bond Framework. This is aligned with market best-practice.
- ANZ has outlined an extensive list of impact metrics and is committed to impact reporting on an annual basis, including the alignment of assets with the SDGs, which is considered market best-practice.

Inclusion of non-project based lending

Sustainalytics recognizes that the GBP and SBP prefer project-based lending and financing. The ANZ SDG Bond Framework includes project based lending, it also contemplates the inclusion of the following non-project based lending activities and expenditure:

- General corporate purposes provided that such financing is to businesses that derive 90% or more of their revenues from activities in Eligible Categories;
- Capital and/or operational expenditure associated with ANZ's own operations provided that such expenditure promotes any of the selected SDGs.

Given the provisos set out above, Sustainalytics is of the opinion that the proceeds of the ANZ SDG bonds – whether they are used for capital and/or operational expenditures associated with financing/refinancing project-based or non-project-based lending/expenditure activities - will contribute to supporting businesses and activities which ensure the provision of products and services that are necessary to achieving sustainable development in the long term.

Alignment with Green Bond Principles/Social Bond Principles 2018

⁴ As indicated in the ANZ SDG Bond Framework, the eligible categories of the bond include (i) Access to essential services, (ii) Socioeconomic advancement and empowerment, (iii) Affordable basic infrastructure, (iv) Sustainable water and waste water management, (v) Pollution prevention and control, (vi) Renewable energy, (vii) Energy efficiency, (viii) Green buildings, (ix) Affordable housing, (x) Clean transport, (xi) Climate change adaptation, (xii) Environmentally sustainable management of living natural resources and land use, and (xiii) Terrestrial and aquatic biodiversity conservation.

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Sustainalytics has determined that the ANZ SDG Bond Framework aligns to the four pillars of the Sustainability Bond Guidelines 2018. For detailed information please refer to Appendix 1: Green Bond Programme External Review Form.

Assessing transparency of the ANZ SDG Bond Framework with respect to linking to the SDGs

Sustainalytics understands the importance of the SDGs for investors in (i) defining a common language for reporting on impact, and (ii) acting as a benchmark for assessing progress towards a just and sustainable world. While recognizing that there is no existing market norm for assessing alignment of sustainability bonds with the SDGs, Sustainalytics is of the opinion that transparently linking use of proceeds and reporting of a sustainability bond to the SDGs facilitates the abovementioned two uses of the SDGs.

In this respect, Sustainalytics is of the opinion that the ANZ SDG Bond Framework creates a strong level of disclosure that:

- transparently links the eligibility criteria and sample eligible projects to the appropriate SDG goal and target,
- transparently links each SDG goal to the eligible GBP and SBP project categories,
- ANZ has mapped the use of proceeds to the SDGs on the level of individual assets, which is considered to be market best-practice.
- ANZ is committed to report transparently on the social and environmental impact of the use of proceeds.

Overall, Sustainalytics is of the opinion that the ANZ SDG Bond Framework is credible and transparent as: (i) it aligns with the Sustainability Bond Guidelines 2018, (ii) it transparently links example projects, eligibility criteria, as well as assets to the SDGs, and (iii) ANZ commits to report transparently on social and environmental impact, and progress towards the SDGs annually throughout the term of the bond.

Section 2: Sustainability Strategy of the Issuer

Well positioned to issue a SDG Bond

According to Sustainalytics' independent Environmental, Social, and Governance (ESG) research, ANZ has strong environmental and social management. The organization: (i) has executive management level responsibility for sustainability and social issues, (ii) has relevant policies for investment activities that take environmental and social impacts into account and exclude certain investments, in particular their Social and Environmental Risk Policy, and (iii) communicates externally on progress towards environmental and social targets. ANZ's sustainability strategy is built on the three pillars of Fair and Responsible Banking, Social and Economic Participation, and Sustainable Growth. ANZ's CEO signed a public CEO Statement of Support for the SDGs and the company is signatory of the Climate Disclosure Standards Board (CDSB)⁵ Statement. Moreover, the company set quantitative targets to fund and facilitate at least AUD 15 billion in low-carbon and sustainable solutions by 2020 and reduce its own operational environmental footprint.⁶

Given (i) Sustainalytics' positive assessment of ANZ's general environmental and social management, and (ii) ANZ's commitments with respect to supporting sustainable development in its lending activities, Sustainalytics is of the opinion that ANZ is well positioned to issue a SDG bond.

Contribution of proceeds to ANZ's lending activities

⁵ "The Climate Disclosure Standards Board is an international consortium of business and environmental NGOs, committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital. We do this by offering companies a framework for reporting, but also through consultations and knowledge leadership. We are primarily concerned with ensuring sustainability is an integral part of business reporting practice." Source: <https://sustainabledevelopment.un.org/partnership/?p=11784>

⁶ ANZ Sustainability Review 2017, http://shareholder.anz.com/sites/default/files/anz_2018_corporate_sustainability_review.pdf

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Sustainalytics believes that the bond will contribute to the company's goal to finance at least AUD 15 billion in low-carbon and sustainable solutions by 2020. The bank has a Sustainable Finance team with a mandate to capture emerging sustainable finance sector opportunities. The company's policies such as, its Social and Environmental Risk Policy⁷ covers the following sectors: Energy, Extractives, Forestry and Forests, Hydropower, Military Equipment and Water. In addition, it has public standards in Human Rights, and Slavery and Human Trafficking. These policies:

- Support customers that demonstrate a balanced approach to social, environmental and developmental impacts;
- Support and encourage customers to adopt management practices to continuously improve their social and environmental performance;
- Support customers that use internationally accepted industry management practices to manage social, environmental and economic impacts (including effects on human rights, biodiversity, cultural heritage, indigenous rights, health and safety, governance and environmental sustainability);
- Seek ethical outcomes which are fair to customers and in line with the principles in ANZ policies.

Although ANZ still has investments in fossil fuels, the company states in its Energy policy that it aims to encourage ANZ staff to proactively identify less emissions-intensive opportunities in the energy sector, and the banks excludes investments in coal-fired power plants that will have an emissions intensity above 0.8t CO₂/MWh. The company also includes a due diligence process in its financing to foster a low-carbon economy, including the request of climate change policies, investments in lower-carbon technologies and the inclusion of climate risks into future investments. Given (i) that the Eligibility Categories in the ANZ SDG Bond Framework do not include fossil fuel energy generation, (ii) the company's efforts to encourage low-carbon opportunities and (iii) the fact that the ANZ SDG Bond Framework supports new lending in addition to refinancing, Sustainalytics believes that ANZ's SDG Bonds will contribute to ANZ's commitments to contribute to a low-carbon and more sustainable economy.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the proceeds from the SDG Bonds will be directed towards Eligible Categories that are recognized by market norms (GBP and SBP) to have positive impact, Sustainalytics notes that some businesses and projects can also render negative environmental and social impacts in other respects. The potential risks associated with the financing of some eligible projects are environmental and community impact of infrastructure projects, increasing social disparities by restricting access to basic services to vulnerable populations, environmental impacts of large energy projects and community impact. ANZ actively seeks to manage these potential risks through the application of its Social and Environmental Risk Policy as explained above.

ANZ is signatory of the Equator Principles⁸, and has committed to not providing project finance or project-related corporate loans to projects where the customer will not, or is unable to, comply with the Equator Principles. In addition, ANZ applies a screening approach to assess reputational, social, environmental and governance issues for lending, consider stakeholder concerns, and assess the capacity of management and risk mitigation strategies.

Given the abovementioned considerations, Sustainalytics is of the opinion that ANZ is well positioned to manage common environmental and social risks associated with eligible projects.

Section 3: Impact of Use of Proceeds

The ANZ SDG Bond Framework sets out the following Eligible Categories for inclusion in its future SDG bond issuances:

- construction and equipment of hospital, healthcare and aged care facilities,
- projects financing training & educational schemes etc.
- drinking water, sanitation, and water efficiency
- financing of renewable energy projects, smart grids or high-capacity batteries,
- green buildings,

⁷ <http://www.anz.com/about-us/corporate-sustainability/customers/responsible-business-lending/policies/>

⁸ <http://www.anz.com/about-us/corporate-sustainability/customers/responsible-business-lending/screening-customers/equator-principles/>

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- rail, electric and hybrid public infrastructure,
- social and student housing,
- waste management, recycling and composting facilities
- climate adaptation

As per the framework, the abovementioned Eligible Categories advance SDGs 3 (Good Health and Well Being), 4 (Quality Education), 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 8 (Industry, Innovation, and Infrastructure), 10 (Reduced Inequalities), 11 (Sustainable Cities and Communities), 12 (Responsible Consumption and Production), and 13 (Climate Action).

Sustainalytics has conducted an analysis of these and is of the opinion that they are all aligned to and considered as impactful project categories by ICMA's GBP 2018, SBP 2018 and the Sustainability Bond Guidelines 2018.

Eligible Categories intended to be included in the first issuance

Importance of electric rail infrastructure in Australia

Current statistics indicate that car ownership tripled in Australia during the 1955 to 2013 period,⁹ while around 80% of Australians opted to commute by car in 2015,¹⁰ a mobility pattern which the Australian government calculated would increase avoidable social costs to around AUD 30 billion in 2030. Moreover, the Australian government reported that the country has the eight highest national transport emissions in the OECD, with its projected transport GHG emissions anticipated to further increase by 25% by 2030 due to current mobility patterns. However, the Australian government expects that public transportation usage will accelerate by 32% across all capital cities by 2030¹¹ primarily due to population growth, a modal shift reflecting larger global trends. Sustainalytics is of the opinion that current and projected mobility patterns in Australia offer ANZ the opportunity to exercise its societal responsibility in assisting Australian cities to decouple their overreliance on car use and support projects which extend public transport network capacity, quality and timeliness. As such, it is Sustainalytics opinion that ANZ's financing of such projects will improve passenger transport and contribute to downscale road influx, thus also assisting Australia in meeting its Paris Climate Agreement commitments.¹² Separately, Sustainalytics notes that the financing of such mass rapid transit systems entails substantial social benefits (such as social inclusion and enhanced access to quality jobs) primarily supporting the most vulnerable communities currently lacking access to mobility services.¹³

Targeted nature of social investments (hospitals and aged care facilities)

According to the latest OECD report on the healthcare quality in Australia, the country has the 6th highest life expectancy rate of all the OECD countries, with an average life expectancy of 82.2,¹⁴ and an overall ageing population currently challenging the public's access to high quality health care. It is therefore Sustainalytics' opinion that ANZ's projects targeting the modernization and capacity extensions of private health care facilities will positively contribute to better accommodate Australia's ageing population' needs and provide meaningful improvement to the overall healthcare ecosystem. Moreover, ANZ clarified to Sustainalytics that, according to the Australian Aged Care Act and the Australian Subsidy Principles 2014, all aged care facilities are required to provide financially supported places for low-income residents ('supported or concessional residents' earning a minimum annual amount of AUD 47,500) in a range between 16% to 40% of the facility's capacity, depending on the facility's operating location. Sustainalytics considers that ANZ's proposed financing projects will therefore target large segments of the most financially vulnerable communities in Australia, thus positively contributing to reduce social disparities and facilitate access to quality aged care.

All Australian citizens and residents receive free healthcare coverage through the Medicare system administered by the Australian Federal Government.¹⁵ Moreover, currently ranking as the second best performing OECD country for the overall healthcare performance,¹⁶ Australia holds the fourth place in terms

⁹ Australian Bureau of Statistics, document available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Main+Features40July+2013>

¹⁰ https://infrastructure.gov.au/infrastructure/publications/files/Trends_to_2040.pdf

¹¹ https://infrastructure.gov.au/infrastructure/publications/files/Trends_to_2040.pdf

¹² <http://www.environment.gov.au/climate-change/publications/factsheet-australias-2030-climate-change-target>

¹³ Australian Institute of Family Studies, document available at: <https://aifs.gov.au/cfca/publications/relationship-between-transport-and-disadvantage-austr>

¹⁴ <http://www.oecd.org/australia/oecd-reviews-of-health-care-quality-australia-2015-9789264233836-en.htm>

¹⁵ <https://www.budgetdirect.com.au/blog/public-versus-private-health-care-in-australia.html>

¹⁶ <http://www.commonwealthfund.org/interactives/2017/july/mirror-mirror/>

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of access and affordability and the first place for the overall healthcare outcomes. Sustainalytics considers that the overall exceptional quality, effectiveness and affordability of the Australian Medicare system ensures a strong and inclusive healthcare safety net that includes access to underserved populations.

Moreover, Sustainalytics views positively ANZ's selection of private not-for-profit healthcare providers in the framework, given that such private health services providers also deliver Medicare-covered social services for vulnerable people (e.g. people living with physical or neurological disabilities, or pregnant and young mothers living under homelessness risk).

For residential-aged care providers, the Australian Government has set a minimum ratio (varying from 16% to a maximum of 40%) of places allocated to supported residents, who receive Government assistance with their accommodation costs.¹⁷

Impact of Financial Programs: Saver Plus and Money Minded Programs

Saver Plus is a matched savings program co-owned by ANZ and Brotherhood of St Laurence. Saver Plus aims to support change of financial and savings behaviour in lower incomes individuals and families. MoneyMinded is ANZ's financial education program that helps people to build their money management skills, knowledge and confidence.

Sustainalytics conducted an evaluation of ANZ's Saver Plus and Money Minded programs and considers that their eligibility criteria (individuals holding a Centrelink Health Card or Pensioner Concession Card issued by the Australian Department of Human Services) is in line with the prescription of SBPs 2018 due to a selection process specifically targeting individuals with disabilities, youth, women, migrants or people under sickness allowance mechanisms etc., which Sustainalytics designates as vulnerable groups for OECD countries.

Saver Plus requires participants to open a free ANZ Progress Saver account, select a savings goal and make regular and consistent deposits over a 10-month period during which a Saver Plus Coordinator provides targeted financial support. Sustainalytics estimates that the program's 10-month professional savings support ensures a strong framework for participants to positively adjust their financial and savings behaviour.

Moreover, Sustainalytics estimates that ANZ's financial education programs will support participants development of money management and financial decision-making skills so as to become more financially independent (opportunity to access finance or to afford basic educational services) and reduce their social disadvantages (risk to retire with low savings levels).

Conclusion

ANZ has developed a Sustainable Development Goals Bond Framework (SDG) in accordance with which it intends to issue SDG bonds. An SDG bond is a type of sustainability bond that aligns the funded social and environmentally impactful projects with the Sustainable Development Goals.¹⁸ As such, proceeds of the SDG bonds may be directed towards projects from ANZ's lending activities and will be used to finance and refinance, in whole or in part, future and existing projects and businesses, including ANZ's own operating or capital expenditures (Eligible Projects) that contribute to the achievement of the SDGs.

Sustainalytics has reviewed the ANZ SDG Bond Framework with respect to its alignment with the ICMAGBP 2018, the SBP 2018, and the Sustainability Bond Guidelines 2018, and with respect to how transparently the ANZ SDG Bond Framework links explicitly to the SDGs. Overall, Sustainalytics is of the opinion that the ANZ SDG Bond Framework is credible and transparent as: (i) it aligns with the 2018 Sustainability Bond Guidelines, (ii) it transparently links example projects and eligibility criteria to the SDGs, and (iii) it commits ANZ to report transparently on social and environmental impact metrics, and progress towards the SDGs throughout the term of the bond.

¹⁷ Aged Care Legislation Australia. Source: <https://agedcare.health.gov.au/tools-and-resources/ageing-and-aged-care-research-and-statistics/residential-care/supported-resident-ratios>; <https://agedcare.health.gov.au/publications-and-articles/legislation>

¹⁸ <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

Appendices

Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

Issuer name: ANZ

Green Bond ISIN or Issuer Green Bond Framework
Name, if applicable: *[specify as appropriate]*

Review provider's name: Sustainalytics

Completion date of this form: October, 2019

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]* Updated version of a Second Party Opinion provided on February 2018

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to the ANZ Sustainable Development Goals (SDG) Framework, February 2018, available at and Second Opinion Document above.

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Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

ANZ intends to issue SDG bonds. An SDG bond is a type of sustainability bond that aligns the funded social and environmentally impactful projects with the Sustainable Development Goals. As such, proceeds of the SDG bonds may be directed towards projects from ANZ's lending activities and will be used to finance and refinance, in whole or in part, future and existing projects and businesses (Eligible Projects) that contribute to the achievement of the Sustainable Development Goals.

The ANZ SDG Bond Framework sets out Eligible Categories for inclusion in its future SDG Bond issuances as summarised as follows:

- (i) construction and equipment of hospital, healthcare and aged care facilities,
- (ii) projects financing training & educational schemes etc.,
- (iii) financing of renewable energy projects, smart grids or high-capacity batteries,
- (iv) green buildings,
- (v) rail, electric and hybrid public infrastructure,
- (vi) social and student housing,
- (vii) waste management, recycling and composting facilities.

As per the framework, the abovementioned Eligible Categories advance SDGs 3 (Good Health and Well Being), 4 (Quality Education), 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 8 (Industry, Innovation, and Infrastructure), 10 (Reduced Inequalities), 11 (Sustainable Cities and Communities), 12 (Responsible Consumption and Production), and 13 (Climate Action).

Use of proceeds categories as per GBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

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Overall comment on section (if applicable):

ANZ's Green Bond Working Group (GBWG), which was established in 2015 in line with ANZ's first Green Bond issuance, will hold ultimate responsibility and accountability for the ANZ SDG Bond Framework including all compliance, throughout the life of all ANZ SDG Bonds issued.

The GBWG is chaired (currently) by the Head of Sustainable Finance (SF) and membership consists of senior representatives from ANZ's Group Treasury, Capital Markets & Bond Syndicate and Sustainable Finance teams. It may be supplemented from time to time, or expanded, by representatives from other teams including Investor Relations and Corporate Sustainability.

For new issuances, SF will manage the Eligible Assets selection process, consulting with internal sustainability practitioners, making recommendations to and seeking confirmation from the GBWG prior to issuance where appropriate. For existing issuances, SF may unilaterally decide on Eligible Assets for substitution purposes providing the GBWG with updates via the monthly monitoring process described below.

Sustainalytics is of the opinion that this is in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

ANZ will track the receipt and use of proceeds via its internal reporting systems, ensuring all Eligible Assets in the SDG Bonds are appropriately identified with monthly monitoring reports provided to the GBWG.

In addition, to ensure appropriate earmarking for the purpose of internal monitoring and external reporting of proceeds, ANZ has established a register that contains all Eligible Assets in the SDG Bonds on issue and the drawn value of the Eligible Assets.

To the extent that any proceeds an SDG Bond issuance have not been, at issuance or, during the life of the bond, applied directly to finance or refinance Eligible Assets, those proceeds may be invested according to ANZ Group Treasury's liquidity management guidelines.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner

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- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

ANZ has committed to semi-annual Use of Proceeds reporting to investors on outstanding asset volume, eligible assets, as well as eligible asset removal and substitution. ANZ has also outlined an extensive list of impact metrics, is committed to impact reporting on an annual basis, including the alignment of assets with SDGs, which is considered market best practice. Sustainalytics is of the opinion that this is in line with market practice.

As well, ANZ has obtained pre-issuance assurance from EY to confirm that allocation of proceeds is done in accordance with the SDG Bond Framework. This is aligned with market best-practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|--|---|
| <input type="checkbox"/> Annual | <input checked="" type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

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Frequency:

- Annual
 Semi-annual
 Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings
 Energy Savings
 Decrease in water use
 Other ESG indicators (please specify): See ANZ SDG Bond Framework for a full list of indicators

Means of Disclosure

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

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

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

<http://debtinvestors.anz.com/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

Review provider(s):

Date of publication:

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- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.

ANZ Sustainable Development Goals (SDG) Bond

- iv. **Rating:** An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

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