

An aerial photograph of a suburban street. The street is paved and has several cars parked along the sides. On either side of the street are houses with various roof types, some with solar panels. There are trees and greenery between the houses and the street. The overall scene is a typical suburban neighborhood.

WE'RE CONTINUING TO
SHAPE A WORLD WHERE PEOPLE
AND COMMUNITIES THRIVE

Our 2022 reporting suite



2022 Annual Report
anz.com/annualreport



2022 ESG Supplement
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2022 Climate-related Financial Disclosures
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2022 Corporate Governance Statement
anz.com/corporategovernance



2022 ESG Data Pack
anz.com/annualreport



2022 Voluntary Tax Transparency Report
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About this report

This report describes Australia and New Zealand Banking Group Limited's progress towards implementing our Climate Change Commitment and Environmental Sustainability Strategy.

This report has been prepared in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations 2017. We have sought to incorporate the additional recommendations of the TCFD (2021 Annexe). ANZ joined the Net Zero Banking Alliance (NZBA) in 2021 and have prepared this report in accordance with this commitment. We have also drawn on aspects of the Glasgow Financial Alliance for Net Zero (GFANZ) requirements.

The report covers all operations over which, unless otherwise stated, we have control for the financial year commencing on 1 October 2021 and ending 30 September 2022. Monetary amounts in this document are reported in Australian dollars, unless otherwise stated.

We have disclosed our Scope 1 and 2 emissions and climate-related matters for many years. Since 2017, we have disclosed our progress according to TCFD Recommendations with a summary in our Annual Report and detail within a stand alone report. Our TCFD Index can be found on page 48.

Further detail about our approach to developing metrics, pathways and targets for our priority sectors, can be found in ANZ's Financed Emissions Methodology available [here](#).

KPMG has performed limited assurance over the disclosures in this report. A copy of KPMG's limited assurance report is on page 49.

DISCLAIMER & IMPORTANT NOTICE:

The material in the Climate-related Financial Disclosures report contains general background information about the Bank's activities current as at 24 November 2022. It is information given in summary form and does not purport to be complete. It is not intended to be and should not be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate. The Climate-related Financial Disclosures may contain forward-looking statements or opinions including statements regarding our intent, belief or current expectations with respect to ANZ's business operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices. When used in Climate-related Financial Disclosures, the words 'forecast', 'estimate', 'project', 'intend', 'anticipate', 'believe', 'expect', 'may', 'probability', 'risk', 'will', 'seek', 'would', 'could', 'should' and similar expressions, as they relate to ANZ and its management, are intended to identify forward-looking statements or opinions. Those statements are usually predictive in character; or may be affected by inaccurate assumptions or unknown risks and uncertainties; or may differ materially from results ultimately achieved. As such, these statements should not be relied upon when making investment decisions. These statements only speak as at the date of publication and no representation is made as to their correctness on or after this date. Forward-looking statements constitute 'forward-looking statements' for the purposes of the *United States Private Securities Litigation Reform Act of 1995*. ANZ does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date here of to reflect the occurrence of unanticipated events.

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IMPORTANT NOTICE

Version	Date issued	Brief outline of change
1.0	25 Nov 2022	Version for publication
1.1	10 Nov 2025	Change: Clarified reference to 'energy customers' as outlined on pages 8, 25 and 34.

2022 Climate snapshot¹

Net zero aligned pathways set for six sectors

Target reduction¹

>		POWER GENERATION	50%
>		OIL AND GAS	26%
>		ALUMINIUM	30%
>		CEMENT	20%
>		STEEL	28%
>		LARGE-SCALE COMMERCIAL REAL ESTATE	60%

61

of our 100 largest emitting business customers now have 'well developed' or 'advanced' transition plans versus 42 in September 2021²

\$40.04B

funded and facilitated in sustainable solutions³

Completed

127

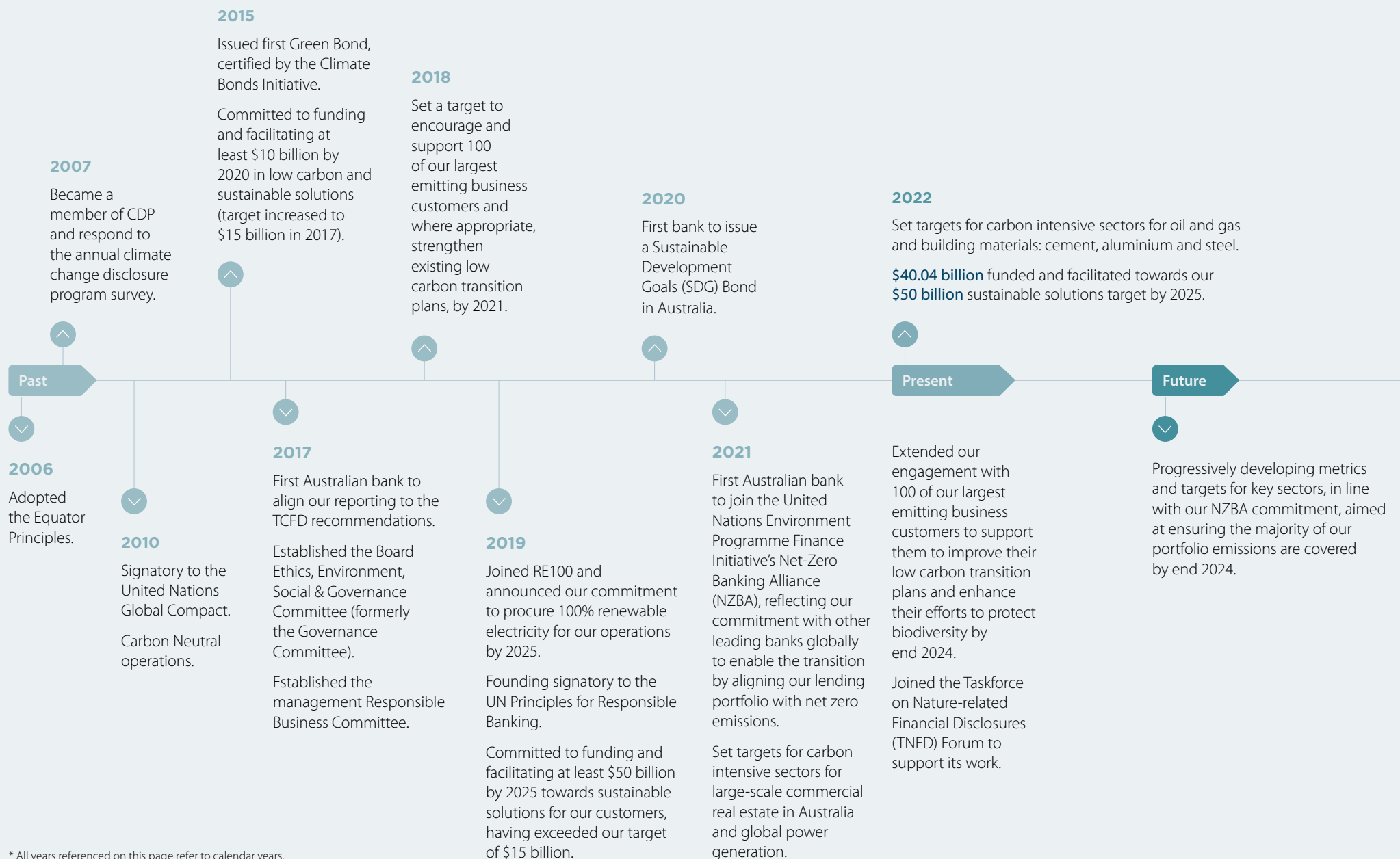
sustainable finance deals

90%

of our project finance portfolio consists of renewables projects

¹. See page 27 for further detail. ². As part of our target to encourage 100 of our largest emitting business customers them to strengthen their low carbon transition plans so that more customers achieve a 'well developed' or 'advanced' rating. ³. Since 2019.

ANZ Climate Approach – progress snapshot



Governance



Board and Executive oversight of ANZ's climate strategy

Our governance framework provides the structure for effective and responsible decision-making within the bank.

The Board is responsible for the oversight of the bank, and its sound and prudent management, with specific duties as set out in its charter available at anz.com/corporategovernance.

We have defined a clear governance structure to oversee our ESG approach, including how we manage our climate risks and opportunities.

There are six principal Board Committees: the Ethics, Environment, Social and Governance (EESG) Committee; the Audit Committee; the Risk Committee; the Human Resources Committee; the Digital Business and Technology Committee; and the Nomination and Board Operations Committee. Each Committee has its own charter setting out its roles and responsibilities.

At management level, the Group Executive Committee comprises ANZ's most senior executives. A delegations of authority framework clearly outlines those matters delegated to our Chief Executive Officer (CEO) and other members of senior management. In addition, a number of formally established management committees deal with particular ongoing issues. Our ESG governance processes are overseen by the Board and management through our Board EESG Committee and executive Ethics and Responsible Business Committee (ERBC).

BOARD OF DIRECTORS

Principal Board Committees



Audit Committee



Ethics, Environment, Social and Governance Committee



Risk Committee



Digital Business and Technology Committee



Nomination and Board Operations Committee



Human Resources Committee

Executive Committee

ANZ's most senior executives meet regularly to discuss performance and review shared initiatives.

Group Performance Execution Committee

ANZ's key Management Committee charged with oversight of the Group's overall operational performance and position and execution of the operating plan.

Enterprise Accountability Group

KEY MANAGEMENT COMMITTEES

Group



Credit and Market Risk Committee

Operational Risk Executive Committee

Ethics and Responsible Business Committee

Group Executive People Committee

Climate Advisory Forum

KEY SUPPORT TEAMS

ESG Governance Team – supports effective identification and management of our material ESG risks and opportunities through our senior executive and Board decision making processes and structures

ESG Disclosures and Reporting Team – delivers the Group's ESG disclosures, reporting, ESG market briefings and oversight of forthcoming reporting standards, practices and frameworks

ESG Analytics and Advisory Team – provide "subject matter expertise" advice on social and environmental issues affecting our business lending decisions, such as public policy, regulation, emerging community standards and expectations, and managing the development of carbon metrics and targets

Social and Environmental Risk Management Team provides risk oversight over the Social & Environmental Risk Policy and associated requirements and supports the delivery of workstreams to improve our management of climate change risks

Institutional Strategic Planning and Execution team – supports our customer engagement program and the Climate Advisory Forum (CAF)

Board Committees

Board Ethics, Environment, Social and Governance (EESG) Committee

The Board EESG Committee, chaired by ANZ's Chairman, is responsible for assisting the Board by overseeing measures to advance ANZ's purpose, focusing on ethical and ESG matters.

This includes the oversight, review and approval of sustainability (including climate-related) objectives and performance, including goals and targets to support action on climate change.

The Board EESG Committee generally meets four times annually and more frequently if deemed necessary. Meetings typically open with an overview of the ESG operating environment, covering current and emerging issues, including regulatory and parliamentary inquiries, community sentiment, competitor activity, relevant international developments and our stakeholder engagement activities.

The Board EESG Committee also provides oversight of ANZ's ERBC, including receiving the minutes of that body and discussing material matters referred to the Committee from that body. The charter of the Board EESG Committee is available at anz.com/corporategovernance.

Board Risk Committee

The Board Risk Committee (BRC) has responsibility for the overview of ANZ's management of new and emerging risks, including climate-related risks. Climate is covered regularly at the BRC via the Chief Risk Officer's report and, for example, via sector and country specific updates.

The BRC meets at least quarterly and more frequently if deemed necessary. The charter of the Board Risk Committee is available at anz.com/corporategovernance.

Board skills

The ANZ Board Skills Matrix, available at anz.com/corporategovernance, outlines the key skills and experience the ANZ Board is looking to achieve in its membership and the number of Directors with each skill/experience. Included in the skills matrix is: corporate governance, risk management/compliance and/or sustainability experience.

Our Directors collectively bring a broad range of skills, and current and prior experience which includes having held roles across sectors such as infrastructure, energy, mining and banking. For further details on experience of our directors refer to anz.com/annualreport.

In addition to having individuals on the Board with a variety of technical skills and experiences listed in the skills matrix available, the ANZ Board seeks to ensure that its own membership will operate as a team, focused on the long-term

success of the business and comprising different personalities and viewpoints, who will respectfully challenge management and each other, and participate in robust debate to work together to arrive at new solutions.

The ANZ Board Skills Matrix composition criteria and the process for non-executive director selection and appointment are reviewed by the Nominated and Board Operations on a regular basis.

Management Committees

Ethics and Responsible Business Committee (ERBC)

The ERBC, chaired by the CEO, comprises Senior Executives and members from business divisions and Group functions. Independent ethics adviser Dr Simon Longstaff participates as an observer every second meeting.

The Committee is a leadership and decision-making body to advance ANZ's purpose and ensure ANZ operates responsibly and achieves fair, ethical and balanced stakeholder outcomes. The ERBC sets relevant ANZ policies, such as those policies identified in ANZ's Climate Change Commitment. The ERBC provides leadership on our ESG risks and opportunities, monitoring progress against targets, including those related to climate change.

The Committee considers the social and environmental impacts of the industries, customers and communities ANZ serves,

overseeing the ERBC Sub-Committee for Sensitive Wholesale transactions. It also considers our products and services and how they are provided, as well as stakeholder and community expectations.

The ERBC is accountable to the Board EESG Committee in the effective discharge of its responsibilities. It operationalises Board objectives and makes decisions on issues and policies. It also approves the bank's ESG targets (for recommendation to the Board EESG Committee) and monitors performance against them quarterly. The ERBC meets at least quarterly and more frequently if deemed necessary.

Two other management committees play important roles in the management of key material risks and potential sensitive matters for ANZ:

- Operational Risk Executive Committee**, which addresses current and emerging operational and compliance risks; and
- Credit Markets Risk Committee**, which approves credit and market risk management frameworks and associated risk appetite parameters.

Activities undertaken by the ERBC will at times overlap, and inform, topics raised in Operational Risk Executive Committee and Credit Markets Risk Committee as part of the executive oversight and risk management required to deliver on ANZ's purpose and strategy.

Climate Advisory Forum

Our Climate Advisory Forum, chaired by our Group Executive Institutional, includes our Chief Risk Officer, Group General Manager ESG and other executives. The forum oversees implementation of ANZ's Climate Change Commitment – ensuring coordination between the various workstreams including our Environmental Sustainability Strategy and our sectoral decarbonisation pathways. The Forum meets approximately monthly.

Enhanced due diligence for energy sector customers

This year we have implemented an enhanced due diligence and new decision-making process to seek to ensure that customers and transactions we support in the energy sector, including oil and gas companies, are consistent with ANZ's Climate Change Commitment.

All new material energy sector transactions are required to go through an 'escalation evaluation process'. This includes customers and transactions likely to have an impact on the size or carbon intensity of our energy sector portfolio, or that represent heightened reputational risk.

The 'escalation evaluation process' considers the transactions' alignment with our Climate Change Commitment and evaluates transition plans using criteria we apply in our engagement with 100 of our largest emitting business customers, outlined on page 15 of this report.

All 'material' energy transactions are referred to senior subject matter experts to review alignment with ANZ's Climate Change Commitment prior to proceeding.

A small number of transactions require escalation to three of our senior executives for decision on whether to support. These executives are primarily responsible for monitoring our climate progress – they are our Group Executive Institutional, Chief Risk Officer and Group General Manager ESG.

In 2022, seven transactions were escalated to the above group. Four were declined and three were approved after considering, among other things, alignment with our Climate Change Commitment.

Our energy portfolio will be reshaped over the coming years as we learn more about our customers' transition plans and their alignment with the strengthened commitments we announced over the last two years.

Refer to page 25 for further details on other policies and tools in place to ensure that customers and transactions we support in the energy sector, including oil and gas companies, are consistent with ANZ's Climate Change Commitment.

Executive remuneration

Management incentives for delivering our Climate Change Commitment are in place at the most senior levels of the organisation, including our Group Executive Committee. Our Group Performance Framework incorporates whether we have strengthened our position as a leading sustainability bank in the region, and our performance against the S&P Global corporate sustainability assessment. Refer to page 79 of our 2022 Annual Report for further details, available at anz.com/annualreport.

In addition, ANZ's CEO has ultimate responsibility for all key climate change statements and policies. These include policies aimed at reducing our financed emissions and our facility 'footprint' reduction targets. The CEO also has ultimate responsibility for meeting ANZ's 6-year target of funding and facilitating at least \$50 billion by 2025 towards sustainable solutions for our customers.

> Areas of focus by the Board EESG and management ERBC committees

Both committees discuss the areas of 'how we bank' and 'who we bank'. Climate is a standing item on both the EESG Board Committee and ERBC management committee's agenda. These committees dedicate approximately 20% of their time to reviewing and approving our approach to climate-related objectives and performance, including goals and targets to support action on climate

change. This includes receiving briefings from internal and external subject matter experts.

We also run a regular program of CEO and Senior Executive meetings with civil society leaders including environmental Non-Government Organisations, representatives of carbon intensive sectors, regulators and academics.

NEXT STEPS AND FUTURE PRIORITIES

Enhance alignment with:

- Australian Prudential Regulation Authority (APRA) CPG 229 guidance on Climate Change Financial Risks; and
- *The New Zealand Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021*.

Strategy

The diagram below outlines the opportunities and risks that climate change represents. We are responding to these challenges and opportunities in four key areas described below. These four areas are expanded in our Climate Change Commitment.



We want to be the leading Australia- and New Zealand – based bank in supporting customers' transition to net zero emissions by 2050.

Our **Climate Change Commitment** provides the framework to achieve our strategy of enabling the transition, by aligning our lending portfolio with net zero emissions by 2050. We recognise historic levels of investment and lending will be needed from business, governments and financial institutions to support the Paris Agreement goals. Our Environmental Sustainability strategy identifies priority sectors, technologies and financing opportunities.

The most important role we can play in meeting the Paris Agreement goals is to help our customers reduce emissions and enhance their resilience to a changing climate. We support an orderly transition that recognises and responds to social impacts. This aligns with our purpose to shape a world where people and communities thrive. Supporting household, business and financial practices that improve environmental sustainability is a key part of our purpose.



Supporting our customers and industries to transition

- Executing our Environmental Sustainability strategy
- Funding and facilitating at least \$50 billion by 2025 to support our customers to achieve improved environmental outcomes, including the reduction of their greenhouse gas emissions
- Equipping Institutional bankers in key customer segments such as resources, energy and agribusiness with a deeper understanding of climate risks and opportunities

1. References to 'energy customers' are to those that ANZ considers material in this context.
2. Self-generated renewable electricity, direct procurement from offsite grid-connected generators e.g. Power Purchase Agreement (PPA) and default delivered renewable electricity from the grid, supported by credible attributes in accordance with RE100 technical guidelines.



Aligning our lending decisions to the Paris Agreement goals

- Continuing to improve the management of climate change risks within our risk management framework. This includes factoring climate change into lending decisions for large business customers
- Expect our existing business customers in higher-emitting sectors such as energy, building products and transport to integrate climate change risk into their company strategies
- Expect existing energy customers¹ to integrate climate change risk into their business strategy and new business customers or projects to disclose Paris-aligned business plans



Engaging constructively and transparently with stakeholders

- Continuing to engage with 100 of our largest emitting business customers to encourage them to strengthen their low carbon transition plans to achieve a 'well developed' or 'advanced' rating and efforts to protect biodiversity by 2024
- Engaging with stakeholders on climate change and increase our transparency
- Public reporting, aligned with TCFD standards
- Disclosing metrics on the emissions impact of our financing and setting targets to reduce this impact



Reducing emissions from our operations

- Sourcing 100% of the electricity needed for our business operations from renewables by 2025²
- Lowering our Scope 1 and 2 emissions by 85% by 2025 and 90% by 2030, against a 2015 baseline
- Seeking to empower our employees to live and work more sustainably



Our full Climate Change Commitment is available [here](#).

Climate related opportunities

The pathway to net zero emissions presents significant financing opportunities.

ANZ has an opportunity to assist customers as they invest in new capabilities, technologies and assets, provide lower emissions energy and power, or adapt to a less carbon intensive economy.

Our Environmental Sustainability (ES) strategy identifies priority sectors, technologies and financing opportunities to help support our customers' transition to net zero emissions by 2050.



Supporting our customers to transition to net zero

Key priority areas and sectors we'll pursue:



Examples of how we are directing our finance into key priority areas and sectors of opportunity this year include:

- Participating in a new \$1.45 billion Green Loan for the Intellihub Group to fund the rollout of smart meters across Australia and New Zealand.
- Financing the first-ever EV battery manufacturing plant in South-East Asia for HLI Green Power, a joint venture bringing together the Hyundai Mobis, Hyundai Motor Company, Kia Coporation and LG Energy Solutions in Korea, demonstrating the value of our regional network, which is the broadest and deepest of the Australian banks.
- Piloting the trading of tokenised carbon credits, using ANZ's Australian-dollar stable coin. The transaction was successfully executed with long-term customer, Victor Smorgon Group.

- Finally, we have a memorandum of understanding to develop a carbon farming and biodiversity project that combines native reforestation and biomass harvesting. This project has potential to support our customers by contributing to supply and distribution capabilities for high-quality carbon credits. The project is expected to provide opportunities for rural landowners in the Wheatbelt community in Western Australia, developed together with major corporate customers INPEX and Qantas.

The diverse nature of these examples show the breadth and growth in our environmental sustainability capabilities across our portfolio.

To successfully deliver this strategy we are:

- continuing to expand our financial products, services and solutions to support investment in our environmental priority growth areas; and
- building and strengthening core capabilities across the bank including, for example, ES culture and mindset, data, insights and technology and risk.

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.

Our progress funding and facilitating the transition

The sustainable finance market represents a significant opportunity for ANZ, as demand for sustainable finance products and services continues to increase. Our Sustainable Finance team works closely with customers, to help fund and facilitate their transition.

Sustainable finance 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 to respond to relevant social and environmental sustainability risks.

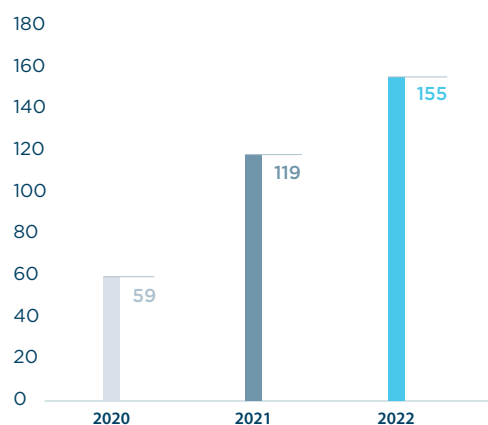
The sustainable finance market is driving incremental revenues, and strengthening relationships with our borrower and investor client base who are seeking our expertise. Increasing demand for these and other similar products is assisting us to re-orientate our balance sheet towards customers who are implementing credible transition strategies.

Customer demand for sustainable finance products and services continued to grow this year, in both transaction volume and financing format. Sustainability-linked loan volumes increased significantly, while green, social, sustainability and sustainability-linked bond issuance volumes were impacted due to prevailing challenges in capital markets globally. Following the expansion of our sustainable solutions product suite, we provided the bank's inaugural green and sustainability-linked guarantees, and sustainability-linked derivatives for customers.

We participated in 127 sustainable finance deals with a total deal size of \$155 billion, compared to 81 deals with a total deal size of \$119 billion in 2021.

Sustainable finance growth over time

Sustainable finance total deal size – growth \$b



> During 2022

We participated in 127 sustainable finance deals with a total deal size of \$155 billion¹, compared to 81 deals with a total deal size of \$119 billion in 2021:

\$112B (64 deals) from **International**



\$33B (41 deals) from **Australia**



\$10B (22 deals) from **New Zealand**



■ **\$24 billion** (25 deals) from Financial Institutions Group

■ **\$71 billion** (38 deals) from Diversified Industries

■ **\$22 billion** (15 deals) from Food, Beverages and Agriculture

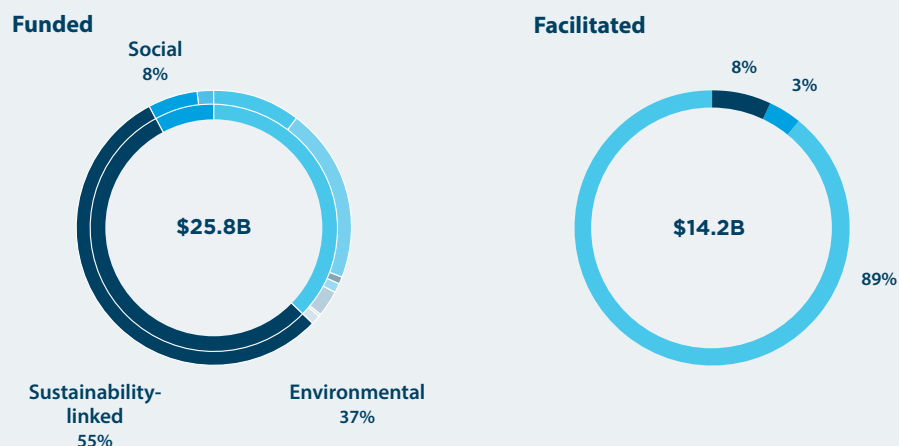
■ **\$28 billion** (27 deals) from Resources, Energy and Infrastructure

■ **\$10 billion** (22 deals) from Property and Health

¹ Of the 127 sustainable finance deals we participated in, \$4.4 billion was attributed to ANZ via our distribution capability, and \$13 billion via on balance sheet loans and other credit lines.

Progress against our sustainable solutions target

We have committed to fund and facilitate at least \$50 billion by 2025 towards sustainable solutions for our customers, including initiatives that help improve environmental sustainability, increase access to affordable housing and promote financial wellbeing.



ENVIRONMENTAL

- \$2.7 billion Energy¹
- \$5.3 billion Green Building
- \$0.2 billion Waste
- \$0.3 billion Water
- \$0.8 billion Transport²
- \$0.03 billion Environmental Markets³
- \$0.3 billion Information & Communication Technology⁴

SUSTAINABILITY-LINKED

- \$14.2 billion Sustainability-linked Facilities⁵
- \$1.5 billion Affordable Housing
- \$0.5 billion Other Social⁶

SOCIAL

- \$12.6 billion ESG-format Bonds⁷

- \$1.1 billion Green Buildings/Renewable Loan Distribution⁸

- \$0.5 billion Advisory

Since October 2019 we have funded and facilitated \$40.04 billion across 332 transactions. This includes green, social, sustainability, sustainability-linked and transition loans and bonds, energy and affordable housing. \$25.8 billion of transactions are on balance sheet loans and other credit lines provided to borrowers by ANZ, while \$14.2 billion has been facilitated – including through advisory services; ESG-format bonds; and loans initially underwritten by ANZ- and subsequently sold on to other lenders.

The majority of transactions included in our progress towards our target provide funding for sustainability-linked facilities, green buildings, energy and affordable housing (55%, 21%, 11% and 6% of funded transactions respectively), and facilitate ESG-format bond issuance (89% of facilitated transactions).

1. Includes Wind/Solar/Battery/Transmission Infrastructure/Energy Transition/Energy Efficiency. **2.** Low carbon transportation projects such as light rail, electric vehicle manufacturing. **3.** Corporate loans for businesses in environmental/carbon project development which facilitate the transition to net zero or create nature positive outcomes. **4.** Networks, management and communication tools which facilitate the transition to net zero, e.g. power management, broadband. **5.** 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. **6.** Includes credit lines to global development banks and agencies providing support to emerging economies, and social component of Sustainability Loans. **7.** Green, Social, Sustainable, Sustainability-Linked and Transition Bonds and other ESG-related bonds within the sustainable finance market. **8.** Loans initially underwritten by ANZ and subsequently sold on to other lenders, e.g. other banks, fund managers and super funds.

Providing the products and services required for transition to a low carbon economy

We are focused on identifying opportunities to support our customers' path to net zero emissions and enhance their resilience to a changing climate.

Examples of products we provide include:

Sustainable products	Purpose
Green, Social and Sustainability Loans	Lending to deploy capital into green, social and sustainability initiatives, where borrowers are required to use the proceeds of a loan to invest in qualifying green and/or social assets
Sustainability-Linked Loans	Lending which incentivises the borrower's achievement of ambitious, predetermined sustainability performance targets
Green and Sustainable Infrastructure (Project) Finance	Project financing to support the development of long-term sustainable infrastructure, e.g. renewable energy, schools and transport
ESG-format bonds	Distribution of capital into green, social and sustainability initiatives, e.g. green buildings, renewable energy or where bond terms are linked to improved performance against predetermined sustainability performance targets
Green and Sustainability Linked Guarantees	- Green Guarantees secure contractual obligations and link them to the use of proceeds from environmentally sustainable projects - Sustainability-linked guarantees include a pricing component tied to sustainability performance targets
Sustainability-Linked Derivatives	Derivatives which include a pricing component tied to the sustainability targets of an underlying sustainability-linked bond or loan. This includes swaps, forwards, cross currency swaps, interest rate and foreign exchange options executed alongside sustainability-linked bonds or sustainability-linked loans
Corporate Finance Advisory Services for Renewables	Advisory services relating to buying, selling and raising capital for renewable energy projects
ANZ/Clean Energy Finance Corporation (CEFC) Energy Efficient Asset Finance (EEAF) Program	Financing to incentivise Australian Commercial and Agribusiness customers to invest in energy efficient and renewable energy technologies to reduce energy costs and carbon emissions
Good Energy Home Loan¹ top up	Available for New Zealand retail customers to upgrade homes with solar panels, heating and insulation, double glazing, ventilation systems and rainwater tanks. It can also be used for electric and hybrid vehicles, and electric vehicle chargers
Healthy Home Loan Package	Offers discounts on home loan interest rates and other benefits for energy efficient homes. New Zealand customers can apply for the package if they are buying, building, renovating, or already own a home with a 6 Homestar rating or higher
Business Green Loan	Available for New Zealand business customers to finance (or refinance) renewable energy and energy efficiency initiatives, green buildings, sustainable land, water and wastewater projects that make a positive environmental impact. Launched in early September 2022, businesses are able to borrow up to NZ\$3 million at a special floating interest rate

1. This product requires customers to have an ANZ Home Loan to qualify.



For further information on how ANZ is funding and financing the transition, refer to page 22-24 of our ESG Supplement available at anz.com/annualreport

Building capability to recognise and assess climate risk and opportunity

This year we launched our Mindset 2030 Program to build the knowledge and skills of our employees, to help our staff better understand our own and our customers' environmental sustainability risks and opportunities.

Mindset 2030 includes an employee portal with information about our environmental sustainability strategy, research and publications, and how we are financing customers to shift to low carbon business models and operations that put them on a path to net zero emissions. To date, 935 people have accessed the Mindset 2030 learning program with a total of 1,955 modules completed.

In New Zealand we provided a 'Carbon 101' education series to over 500 New Zealand business bankers with insights into why environmental sustainability and carbon emissions management have the potential to be an important part of every business' strategy.

In addition, we continue to equip our staff with the skills and knowledge to undertake assessments of 100 of our largest emitting business customers' transition plans. The training outlines example case studies and provides guidance on what success looks like from a customer engagement perspective.

Aligning our lending decision to the Paris Agreement Goals

To reduce our portfolio emissions, we commit to aligning our lending with the goals of the Paris Agreement. We are applying emerging tools used by peer banks to measure and compare our efforts in reducing emissions, including how we can report on the impact of our lending decisions.

As a Net Zero Banking Alliance (NZBA) signatory, ANZ is committed to transition all operational and financed¹ emissions from our lending portfolios to align with pathways to net zero by mid-century, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100.



Refer to pages 24 to 26 for more information on how we are integrating climate change risk into policy and process.



¹. Scope 3 emissions attributable to lending.

Engaging constructively and transparently with our stakeholders

Engaging with 100 of our largest emitting large business customers

We committed to engage with 100 of our largest emitting business customers, to encourage them to strengthen their low carbon transition plans and enhance their efforts to protect biodiversity.

Last year, transition plans for 100 of our largest emitting business customers were grouped into levels of maturity – advanced, well developed, underdeveloped/starting out, and no public plans. Low-carbon transition plans are typically re-assessed annually, with engagement occurring throughout the year. As part of this engagement we expect more customers to further improve their plans to a ‘well developed, or ‘advanced’ stage.

Customers continue to value our engagement on this topic, and our perspectives. Several customers outside of the 100 have sought to engage with us, seeking clarity on our expectations, or requesting suggestions to improve their approach. For those customers starting out, we provide support in the form of insights into enhanced customer practices we have observed through our engagements.

Where customers are further advanced, we encourage them 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 in the form of sustainability-linked lending.

Within each industry, our customers have different starting points. Since the initial maturity assessment in 2021, many customers have improved their governance, strategies and targets or disclosures, leading to an improved level of transition planning.

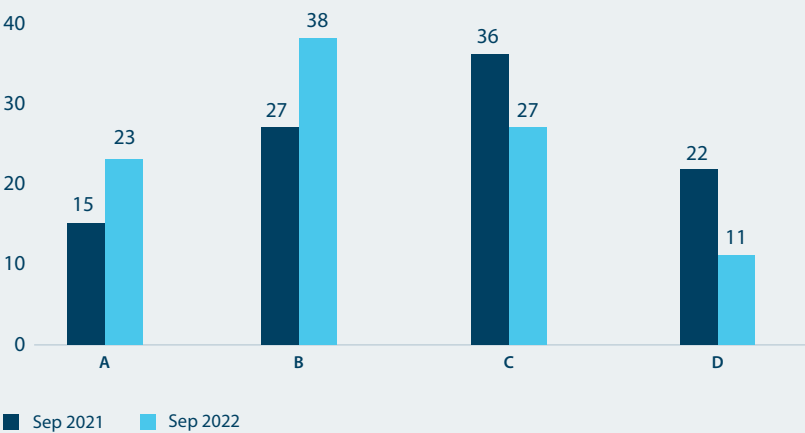
This is a positive step change over a 12-month period, as our customers continue to build their capacity to transition. For example, while many customers already had targets in place, we have observed a ‘strengthening’ in approach with a rise in the intention to develop ‘Paris-aligned’ or ‘science-based’ targets and in those intending to report under the TCFD framework.

Discussions are typically led by our Relationship Managers and can include discussions with the Institutional Group Executive, Chief Risk Officer and senior executives from our customers. Where a customer remains in the ‘no public plan’ category, or in situations where there is a continued misalignment in approach, we will consider the most appropriate actions on a customer-by-customer basis.

Over the course of our engagement with our customers, there have been instances where we declined finance or have reduced limits to customers that have less developed plans or a misalignment in approach. These decisions were made in line with our Climate Change Commitment and Social and Environmental Risk Policy.

Overall, our engagement with our largest emitting customers has progressed well this year – we’ve completed discussions with 99 customers on their progress in enhancing their low carbon transition plans and efforts to protect biodiversity. 61% of customers now have well developed or advanced transition plans versus 42% in September 2021. This keeps us on track to meet our public target for more customers to achieve this level of maturity in their plans by end 2024.

100 of our largest emitting business customers – by transition plan category¹



Customer transition plan categories

A – Advanced B – Well developed C – Underdeveloped/starting out D – No public plans

Since September 2021 we have upgraded our assessment of 29 customers:

- > 7 from B to A
- > 13 from C to B
- > 5 from D to C
- > 1 from C to A
- > 3 from D to B

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.

We consider three key elements constitute a robust low carbon transition plan:

**Good
Governance**



A clear framework outlining Board and senior management accountability and oversight of management of climate change risks and opportunities.

**Targets &
Policies**



Public greenhouse gas emission reduction targets to support government policies up to 2030 in key markets of operation, ie. at a minimum aligning with country-specific Nationally Determined Contributions (NDCs).

Company policies or statements setting out long-term goals, including whether they support or commit to achieving net zero emissions by 2050.

**Public
Disclosures**



Public reporting aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, or comparable framework(s), to enable stakeholders to assess the robustness of their business plans against a range of climate scenarios, preferably including a “well below” 2-degree scenario or 1.5 degree-aligned scenario.

We have four transition plan categories:

A – Advanced B – Well developed C – Underdeveloped/starting out D – No public plans

Illustrative examples of characteristics of customers within these categories are shown below

> Examples of characteristics of customers within categories:

Energy company – Category A

- ✓ Governance
- ✓ Targets
- ✓ Disclosures

CUSTOMER

- 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)
- Climate resilience is a key pillar of its sustainability strategy
- Public goal of net zero emissions by 2050 across its portfolios
- Strong governance in place to manage climate risk
- TCFD-aligned reporting

✓ In place/met → In progress

Diversified industrial company – Category B

- ✓ Governance
- ✓ Targets
- ✓ Disclosures

CUSTOMER

- At a well developed stage with well developed plans and actions
- Public climate change commitment; climate issues are considered by Sustainability Management Committee that report to their Board
- 2030 emissions reductions targets in place
- A long-term vision of striving for net zero by 2050
- Reports using the TCFD guidelines, scope to improve

Large commodities company – Category C

- ✓ Governance
- ✓ Targets
- Disclosures

CUSTOMER

- At an underdeveloped/starting out stage: acknowledgement, but with limited plans and/or actions
- Sustainability and climate risk discussed with Board Risk Committee at regular intervals; Chairman and CEO oversee their climate approach
- Has targets to reduce 'emissions intensity' across some of its operations
- Moving towards TCFD-aligned reporting; has a 'TCFD index' in its reporting¹

Large retailer – Category D

- Governance
- Targets
- Disclosures

CUSTOMER

- No public plans evident; however, is establishing an Executive Sustainability Committee which will provide greater oversight
- Developing sustainability projects at a business and franchisee level
- Has engaged an external consultant to help develop a sustainability framework
- Acknowledges the need to develop a transition plan, though unclear at this stage whether it will be made public
- Has not reported against TCFD

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

Biodiversity

We acknowledge the need to protect, restore and mitigate biodiversity loss including as a result of species extinction or decline, ecosystem degradation and nature loss. We seek to understand the impacts – positive and negative – our large business customers can have on biodiversity and the impacts that biodiversity loss may have on the customer. We recognise the contribution we can make by working with our customers to understand risks and opportunities posed by their operations and to manage their impacts. We are committed to working with customers that support social and environmental sustainability in their approach.

We acknowledge biodiversity risks are closely linked to climate-related risks. In relation to biodiversity, risks can arise from lending to customers that are significantly dependent on biodiversity and ecosystem services, or who may have negative impacts on biodiversity. In addition to physical risks associated with biodiversity loss, risks can also arise from changing societal preferences and regulatory or policy changes (including potential reforms to halt and reverse forest loss, species extinctions and land degradation). These changes may impact the bank directly, but the greater impact is likely to be through the impact of these changes on some of the bank's customers. We understand that failure to manage these risks may lead to financial and non-financial risks and adverse impacts to the Group's position.

In line with our Social and Environmental Risk Policy, we expect our business customers to use internationally accepted industry practices

to manage social, environmental and economic impacts, including potential impacts on biodiversity.

Our Land Acquisition Statement acknowledges we will not knowingly support customer activities that significantly impact on culturally or environmentally sensitive areas, including: World Heritage Areas, wetlands on the Ramsar list, designated national parks and conservation areas, activities that threaten species listed in CITES, the IUCN Red List or relevant national legislation, activities that result in the broad-scale conversion of intact native forests and High Conservation Value Areas, or activities which are in breach of agreed international treaties and agreements.

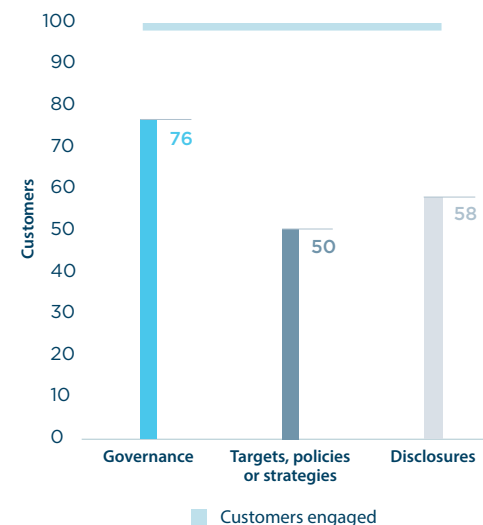
This year we broadened our engagement with 100 of our largest emitting business customers to include a focus on biodiversity, encouraging and supporting them to identify and manage their potential impacts and dependencies on biodiversity – so far, we've engaged with 99 customers with this in mind. We encourage them to establish or strengthen their approach to biodiversity through effective Board governance, policies and strategies, and disclosures using recognised indicators or metrics.

Our engagement with our largest emitting business customers on biodiversity has been positive. We are seeing increased customer awareness of biodiversity and an increasing willingness to improve holistic management approaches, for example by putting in place governance and strengthening how they measure their impacts on nature. Currently, 76 customers have robust governance in

place on biodiversity, to support their management of existing environmental laws and regulations. For example, customers in the mining sectors are subject to environmental regulations encompassing biodiversity.

We look to understand the impacts of a customer on biodiversity, and the impacts that biodiversity-loss may have on the customer. Currently customers are less progressed in setting targets and disclosure around biodiversity compared with their progress in developing low carbon transition plans, though we expect progress to continue in line with developments in the Taskforce on Nature-related Financial Disclosures (TNFD). Currently, 50 customers have targets, policies or strategies in place to protect biodiversity, with 58 making disclosures on their efforts to protect biodiversity using recognised indicators or metrics.

100 of our largest emitting business customers biodiversity status



Customer engagement to date indicates a group of leaders – some with 'no net loss' and others with 'positive impact' commitments. One customer in our largest emitting customer group is identifying and understanding the material biodiversity issues at their operations, including deforestation management, and is conducting an audit of wildlife sightings to ensure more robust measurement.

We are considering how we might apply what we learn from our customer engagement to identify and engage with other large business customers likely to have significant impacts on biodiversity.

We welcome the establishment of the TNFD and have joined the TNFD Forum to support their work. We recognise their important role in driving widespread and improved disclosures of biodiversity impacts.

Partnerships and initiatives

We are implementing partnerships to support our environmental sustainability strategy, some examples include:

Australian Sustainable Finance Institute

ANZ is a founding member of the Australian Sustainable Finance Institute (ASFI), which has developed a roadmap to re-align Australia's financial system to enable the transition to a more resilient and sustainable economy. The roadmap sets out 37 recommendations tackling a broad suite of challenges including climate change, biodiversity loss and economic inequality. In calendar year 2022, the Institute made ongoing progress towards implementing priority recommendations. This includes establishing the Taxonomy Technical Advisory Group and the Taxonomy Steering Committee to begin development of the Australian Sustainable Finance Taxonomy. The Institute also supports and contributes to a well-informed Australian voice in the development and implementation of the Taskforce for Nature-related Financial Disclosures (TNFD).

ASFI members have participated in several workshops organised by the Australian Government designed to educate and raise awareness on development of the TNFD.

Pollination

In February 2022, ANZ entered a strategic partnership with climate advisory and investment firm Pollination to deliver innovative solutions and opportunities to customers, and helping to drive the transition to net zero and support biodiversity. The strategic partnership will focus on the transition needs of ANZ's customers globally in the areas of Sustainable Finance, Project & Export Finance, Carbon Markets and Corporate Advisory, including mergers and acquisitions.

Toitū Tahua Centre for Sustainable Finance

ANZ New Zealand is a founding member of the Toitū Tahua Centre for Sustainable Finance (CSF), established in July 2021 as a charitable trust under the umbrella of the Aotearoa Circle. The Aotearoa Circle is a partnership of public and private sector leaders, committed to the pursuit of sustainable prosperity and reversing the decline of New Zealand's natural resources. In calendar year 2022, the CSF began implementing the Aotearoa Circle Roadmap for Sustainable Finance, focusing on three key areas: changing mindsets, transforming the finance system and financing the transformation. It aims to support the stakeholder engagement process that underpins CSF. One of the most recent gatherings was the Toitū Tahua Inclusion Summit, held in July 2022, attended by Māori/Iwi organisations, corporates, community organisations and government/regulators to collectively consider new models for increasing accessibility of services to communities and formulate ideas for action.

Thought leadership

Toitū Envirocare

This year, ANZ New Zealand released a series of insight papers and webinars in partnership with climate advisory and carbon certification firm Toitū Envirocare to help small and medium sized businesses understand their emissions, set reduction targets and identify initiatives to achieve them. We are also growing the knowledge and expertise of our staff through this partnership.

The ANZ Hydrogen Handbook

Last year ANZ became a member of the Australian Hydrogen Council (AHC), the peak body for the Australian Hydrogen Industry, as part of our commitment to the emerging hydrogen economy. The bank's membership has allowed ANZ to draw on the collective expertise of the council and better understand customer needs in financing hydrogen projects. For hydrogen to help in the energy transition to net zero, it must be produced with renewable energy. Green hydrogen is produced by using wind or solar power to split water to form hydrogen and oxygen.

We want to help our customers develop new technologies, products and services to facilitate this growth. To assist our customers we launched "The ANZ Hydrogen Handbook – AH2" – the publication consists of numerous research papers with up to date and practical information on this developing opportunity.

Regulator and policy engagement

The risks associated with climate change are subject to increasing regulatory, political and societal focus domestically and internationally. Recent developments in our home markets include:

- In Australia, the Australian Prudential Regulation Authority (APRA) released a prudential practice guide CPG 229 in November 2021 that is designed to assist regulated entities (including the Group) in managing climate-related risks and opportunities as part of their existing risk management and governance frameworks.

This year we participated in APRA's Prudential Practice Guide CPG 229 Climate Change Financial Risks self-assessment survey, along with 63 other APRA-regulated entities in March. The voluntary survey was designed to provide insights into the alignment of climate risk practices by APRA-regulated institutions with the expectations set out in CPG 229.

The findings recently published show that an area for improvement for entities is metrics and targets, with forward looking exposure to physical and transition risk disclosures being limited. However, APRA recognised that climate risk is an emerging discipline compared with other traditional risk areas and assessing and managing climate risk is complex and resource-intensive. Sophisticated risk analysis will require strategic effort and investment.

We will use the findings of the survey to consider any potential enhancements to our approach in applying CPG 229.

Earlier this year we participated in APRA's Climate Vulnerability assessment. See page 26 for more information.

- In New Zealand – the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 will require 'climate reporting entities' to annually prepare, seek independent assurance for and make public disclosures on the management and effects of climate change to their business. First disclosures will be due for the financial year ending 30 September 2024. ANZ New Zealand has been actively engaging in the development of the climate-related disclosure standards via the External Reporting Board (XRB). ANZ New Zealand joined 17 New Zealand banks collaborating to design climate scenarios to create better informed climate scenario analysis in the New Zealand finance sector.
- ANZ is also a member of a number of industry associations. We seek to contribute constructively to public policy formation and understand the perspectives of our community's elected representatives, policymakers and regulators. We contribute to policy on business, economic, social and environmental issues. This year we participated in the Australian Banking Association (ABA) Climate Risk working group which aims to develop an industry position on the practical response to climate change. In addition, ANZ participated in an ABA industry response on the draft International Sustainability Standards Board standards.

We have begun a process of periodically reviewing our membership of key associations and will publicly disclose outcomes and any material change to our position. In 2020 we conducted a review of the alignment of ANZ's policy position on climate change with those of our industry associations. The outcomes of the review can be found in our Industry Association review (October 2020) available at anz.com.au/about-us/esg.

We continue to engage constructively with stakeholders on our approach through ESG and carbon market briefings, investor roundtables, civil society engagement and other avenues.



Reducing our own emissions

In our own operations, emissions reductions continued this year due to property consolidation and ongoing flexible working arrangements for our non-branch staff. Our aspiration is to limit consumption to less than pre-pandemic levels on a per-capita basis as staff gradually return to the office.

The COVID-19 pandemic has unquestionably changed the way ANZ does business, making it necessary to reset our 2025 and 2030 environmental sustainability footprint targets to align with more flexible working arrangements for employees. See page 28 for performance against our current targets and page 30 for the new targets we have set. For further details see our 2022 ESG Supplement available at anz.com/annualreport.

¹ Self-generated renewable electricity, direct procurement from offsite grid connected generators e.g. Power Purchase Agreement (PPA) and default delivered renewable electricity from the grid, supported by credible attributes in accordance with RE100 technical guidelines.

> Use of lower-emissions sources of energy:

We joined the RE100 initiative in 2019, which commits us to 100%¹ renewable electricity by 2025 across our operations. We will achieve this target through solar installations, solar leasing and power purchase agreements (PPA) and purchasing renewable energy

certificates (International Renewable Energy Certificate (I-RECs), New Zealand Energy Certificate System (NZECS) etc) in countries where solar and PPAs are not appropriate. This year, our operations were powered by 39% renewable energy, avoiding approximately 55,400 tonnes of greenhouse gas emissions.



Australian operations continue to be certified as carbon-neutral under the Climate Active certification.

> Sustainable staff initiatives

Carbon footprint calculator

Beyond our centralised operational footprint, we also looked to reduce emissions by engaging our people to reduce their personal emissions while working flexibly. A personal carbon footprint calculator was developed in partnership with external provider, Trace, and has been used by almost 500 staff at ANZ.

Green Ambassador Summit

Our Green Ambassador program, launched in 2018, empowers our people to live sustainably through education and by providing pathways to act.

This year, we held our second Green Ambassador Summit, a professional learning and development opportunity for employees to build sustainable

capabilities, mindsets and culture. Over the month of August, more than 1,500 participants attended virtual panel discussions, workshops and in-person tours, and heard from business and community leaders on the latest sustainability insights.

Sustainable Coastlines

In partnership with Sustainable Coastlines, staff volunteered in annual planting activities across New Zealand. The program includes education and awareness raising of environmental issues and helps staff and communities understand the importance of biodiversity.



For further initiatives see our 2022 ESG Supplement available at anz.com/annualreport

NEXT STEPS AND FUTURE PRIORITIES

- > Continue to engage with 100 of our largest emitting business customers to support them to, by end 2024:
 - implement and strengthen their low carbon transition plans and
 - enhance their efforts to protect biodiversity
- > Continue to enhance banker capability to identify climate risks and opportunities
- > Extend transition plan engagement with other large emitting business customers into our regular customer assessments
- > Pilot the Taskforce on Nature-related Financial Disclosures (TNFD)

Risk management

Risk management at ANZ

We have disclosed our most material economic, social and environmental risks in our 2022 Annual Report (available at anz.com/annualreport) in accordance with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 4th edition'. We include climate change as one of our Principal Risks and Uncertainties (available at anz.com/shareholder/centre).

Our most material climate-related risks 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, or impacting the value and liquidity of collateral. Under our Risk Management Framework, our material risk category of Credit Risk considers the risks associated with lending to customers that could be impacted by climate change, including physical and transition risks. While climate change risk primarily manifests as financial risks, it may also result in additional market, operational or other risks. We manage climate-related impacts in accordance with the risk management strategies associated with the applicable key material risks.

Climate change risk is an emerging discipline compared with other traditional areas of risk – and our understanding of the impacts continues to evolve and mature. We are taking steps to further embed climate risk into our Risk Management Framework, in order to adapt our operations and business strategy to consider both the risks and opportunities posed by climate change and the transition to a low carbon economy.

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 ongoing engagement with customers about managing the risks and opportunities associated with climate change, assisting us to progress our engagement with our largest emitting business customers on their transition plans.

Climate-related risk

Climate change risks include both physical risk (the effects of changes to the frequency or magnitude of different extreme weather events such as bushfires, floods, severe storms and drought) and transition risk (the impact of changes to domestic or international policy and regulation, technological or market changes).

The risk to the Group from credit-related issues with customers could result directly from climate-related events, and indirectly from changes to laws, regulations, or other policies such as carbon pricing and climate risk adaptation or mitigation policies, which may impact the customer's supply chain.

ANZ classifies risk time horizons as follows, aligning with our classification of limits.

	From (years)	To (years)
Short-term	0	1
Medium-term	1	5
Long-term	5	30

Climate related risks that may potentially impact our performance include:

Policy risk:

Policy risk exists in a range of climate exposed sectors. For example, the global energy sector is in a state of rapid transition. Across ANZ's key markets, jurisdictions are pursuing various energy policies to meet their respective carbon emissions targets. In Australia, energy policy uncertainty has contributed to constrained energy market developments. This year, Australia's energy market saw extreme energy volatility, contributing to closure of several small retailers. There is broad agreement from energy regulators for large scale investment to ensure energy market stability.

Future policy changes or uncertainty may affect the operating costs of customers in a range of carbon intensive industries. For example, through more aggressive emissions reductions targets, a mandated shift to lower carbon processes or policies to allocate or levy costs associated with carbon emissions. We manage this risk through a combination of customer engagement and by assessing relevant publicly available information, recognising that the levels of risk exposure and potential impacts vary across industry sectors and individual businesses.

A potential risk also exists should prudential regulators implement measures such as capital overlays on high carbon assets in recognition of their increased transition risk. Should this eventuate, it may increase the cost of funding and reduce our ability to support customers in carbon-intensive sectors to transition.

Timeframe: **S** **M** **L**

Legal risk

Increased regulatory oversight will require financial institutions to dedicate additional and ongoing resources to identify, assess, manage and disclose climate risks and opportunities, leading to increased operational costs.

'Greenwashing' risk may arise where an entity misrepresents its climate-related risks, business credentials or strategies. If ANZ is found to have engaged in 'greenwashing', this may lead to penalties and reputational impacts, which could lead to a decline in ANZ's future earnings. We manage this risk through disclosing transparently our climate-related financial risks and through our risk management policies and processes. We also closely monitor both our own legal risks (to the extent that they arise) and claims brought against other organisations to better understand emerging trends.

We also monitor our customers' exposure to legal risk which may manifest as potential credit and reputational risks through our Social & Environmental Risk Screening process and credit process, for those customers identified to be vulnerable to legal risks.

Timeframe: S M L

Technology risk

New technologies may disrupt the economics of certain products and services. For example, we are seeing emerging technologies being applied to renewable energy projects (both generation and storage), which may reduce demand for coal and gas fired electricity generation faster than expected and result in assets becoming stranded and bring forward decommissioning costs.

This risk may result in credit losses, which can occur when a customer becomes unable or unwilling to repay debt. We seek to minimise the risk of losses, through customer selection, working actively with those customers facing difficulties and actively managing our exposure towards lowest cost producers.

Timeframe: M L

Market risk

Market risks arise from lending to companies with large exposures to high carbon assets. If these companies experience a decline in demand for their products or services, this may affect their ability to repay loans.

Market demand, supply and prices for climate exposed sectors, such as energy generation, can be subject to a number of influences and may change unpredictably.

We manage this risk through a combination of customer engagement and by assessing relevant publicly available information, recognising that the levels of risk exposure and potential impacts vary across industry sectors and individual businesses.

Timeframe: S M L

Reputational risk

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.

We manage this risk through our Social and Environmental Risk Policy, which sets out the principles and standards we apply to all Institutional and Corporate banking customers to ensure consistent management and mitigation of social and environmental risks. Where customer practices are identified that may not be consistent with ANZ's policies, we work with the customer to understand the circumstances and, where necessary, identify specific and time-bound improvement plans. If prospective or existing customers do not meet our standards and they are not willing to adapt their practices in an appropriate time-frame, we may decline financing or exit the relationship.

Timeframe: S M

Acute physical risk

Customers exposed to acute climate-related events may adversely affect our collateral position in relation to credit facilities extended to those customers. Our largest exposures are associated with residential mortgages in Australia and New Zealand. To protect ANZ from these events, all property mortgaged by ANZ must be insured under a policy acceptable to ANZ and must be maintained for the period that ANZ holds the mortgage.

Timeframe: S M L

Chronic physical risk

We support a range of agribusinesses across Australia and New Zealand. Agriculture requires specific weather and soil conditions, and farmers congregate in locations that have historically provided the right environment. As the climate changes, some customers might find they are unable to cope with the magnitude or frequency of the climatic 'down periods' such as drought, that may reduce income and impact asset values, potentially affecting their ability to repay loans.

To help overcome this uncertainty we work with our agribusiness customers to understand any significant climatic changes in their region. See next page for further detail.

Timeframe: M L

> Physical risk to residential and agricultural sectors spotlight

Residential mortgages

Despite their severity and widespread geographical impact, the calendar year 2022 floods in New South Wales did not result in any material credit related impacts in our retail mortgages portfolio. While many homes were unfortunately lost in the floods, 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.

This year we have improved our identification and valuation of natural hazard risk in the Australian Home Loans portfolio. Where ANZ intends to hold a mortgage over a property as security against a loan, and the property is flagged in our Property Intelligence Hub as being in an extreme rated fire or flood risk and the application loan to value ratio is greater than 70%, then that property will be subject to full or kerbside valuation that contains detailed relevant information related to natural hazard risk. An automated valuation model or desktop valuation will not be used for these properties.

This updated approach is designed to provide adequate assessment of properties where flood and fire hazard present higher risk, for better risk assessment of potentially vulnerable securities.

Agricultural sector

Our Australian agricultural business has worked with external stakeholders such as United Nations Environment Programme for Financial Institutions (UNEP FI) to understand credit risk under various climate warming scenarios. While the impact of physical climate risks can be serious for individual customers or locations, to date, across its portfolio diversified by both commodity and geography, the bank has experienced a low level of credit loss due to events such as bushfire, flood and drought. Testing of customer's financial resilience to climatic events is embedded in our agricultural business, for example, 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.

Work is underway in New Zealand to test the resilience of dairy, sheep and beef farming customers to various drought scenarios and carbon prices as part of the Reserve Bank of New Zealand's (RBNZ's) climate sensitivity analysis program. This work will be completed in early 2023.

> Physical risk to ANZ's operations

ANZ operates across Australia, New Zealand, Asia Pacific, Europe and America. Countries in these regions are vulnerable to extreme weather events, including cyclones, storms and flooding that are increasing in frequency and severity as a result of climate change. We are also facing higher risk of extreme floods, such as those that occurred in 2020–21 and calendar year 2022 along the eastern-seaboard of Australia. While on occasion these events can cause damage to ANZ property and infrastructure resulting in branch closures,

our Business Continuity Plans and Disaster Recovery Plans have been tailored through experience to quickly establish alternative banking arrangements for the communities and people affected.

Physical risks associated with climate change, such as damage to ANZ's physical assets or business disruption due to the occurrence of natural disasters, are identified, assessed and managed through ongoing application of our Operational Risk Management Framework.

> How ANZ is integrating Climate Change Risk into our Risk Management

We continue to improve our management of climate change risks through Risk workstreams focused on regulatory monitoring, policy governance, risk appetite, data and analytics. The table below summarises some of the key focus areas in 2022:

Regulatory Monitoring	Reviewed and assessed current and emerging regulatory requirements across the jurisdictions in which we operate.
Risk Appetite	Refined our Risk Appetite Statements for Institutional and included climate risk in lending criteria documents in Australia Retail, Commercial and New Zealand portfolios. Implemented an additional screening process for energy transactions, which includes escalation requirements for material transactions.
Policy & Process	Piloted a Climate Change Risk Assessment (CCRA) for all Project Finance credit assessments (new transactions and Annual Reviews). The CCRA aims to identify and evaluate climate risks, including physical and transition risk. Outcomes of the assessment are included in and inform the credit decisions. Added a new climate risk topic within our Wholesale Judgemental Credit Requirements, which defines climate risks to help bankers consider these risks as part of customer credit assessments. Digitised our Social & Environmental Risk Screening tool, used to assess Institutional and Corporate customers. This work will be completed within the first quarter of next year, enabling us to better collect and analyse data through our customer screening.
Data & Analytics	Participated in the Australia Prudential Regulation Authority's (APRA) Climate Vulnerability Assessment. Engaged with industry bodies and consultants to better understand data that could be used to assess physical risks across our portfolio. Completed analysis of physical and financial risks of inland flooding (Auckland) for the Reserve Bank of New Zealand's climate sensitivity analysis (New Zealand).

Monitoring climate regulation

As ANZ operates in 32 markets, one of our priorities is to ensure we comply with climate regulation in the jurisdictions in which we operate. We have change management processes in place to help us identify, assess and manage new regulatory obligations when they come into effect.

In some jurisdictions, climate-related risks are being integrated into micro prudential supervision of banks, aligned with the TCFD recommendations. Regulators in our home markets of Australia and New Zealand have taken steps towards closer supervision of financial institutions regarding climate change risk.

In November 2021, APRA released its prudential practice guide CPG 229 on Climate Change Financial Risks. In early calendar year 2022, we participated in APRA's Climate Vulnerability Assessment with Australia's five largest banks – see page 26 for further details.

We also participated in the APRA Prudential Practice Guide CPG 229 Climate Change Financial Risks self-assessment survey, along with 63 other APRA-regulated entities in March 2022. See page 18 for further details.

In New Zealand, the government has introduced the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 – that makes climate risk reporting based on the TCFD framework mandatory for banks, asset managers and insurers by 2023.

Updates in climate change related regulation across ANZ's key markets are regularly provided to our executive ERBC and our Credit and Market Risk Committees. The updates are also discussed with the Board Risk and EESG Committees. These updates inform discussion on the adequacy of our risk management, and internal policies and processes in ensuring compliance with current laws and regulations and in being able to adapt to new laws and regulations.

Integrating Climate Change Risk into Risk Appetite Statements

This year we have taken steps to refine our Group and Institutional Risk Appetite Statements and include climate risk in lending criteria documents in the Australia Retail, Commercial and New Zealand portfolios.

In Institutional, risk appetite is guided by the requirements of our Social and Environmental Risk Policy and oversight from ANZ's Executive ERBC Committee in customer selection and lending decisions that align with ANZ's purpose and Climate Change Commitment.

ANZ's Climate Change Commitment informs risk appetite for certain priority carbon sensitive sectors, which are reflected in sector-level lending criteria documents, including for resources, energy and large-scale commercial real estate sectors in Institutional. New technologies and markets required to support the transition to net zero emissions may result in a change to our risk appetite across the Group, which we will continue to review and refine as appropriate.

Working with existing and new customers in high emitting sectors

Our approach to managing our financed emissions is to focus on priority high emitting sectors. We expect our existing business customers in higher-emitting sectors such as energy, building products and transport to integrate climate change risk into their company strategies.

Specifically, for the energy sector:

- We expect new customers or projects to disclose Paris-aligned business plans. This includes the extent to which their company strategy, emissions reduction targets and planned capital expenditure are aligned with the Paris goals.
- For existing customers or projects, by 2025 we expect our energy customers¹ to:
 - Establish specific, time bound, public transition plans and diversification strategies.
 - Report transparently on climate risks and opportunities outlining how their business will be resilient in a range of climate scenarios, including scenarios aligned with the Paris goals preferably using the Task Force on Climate-related Financial Disclosures (TCFD) framework.
 - Participate in industry initiatives that will contribute to reducing emissions, for example, in the oil and gas sector, capturing and storing methane in line with the Methane Guiding Principles.²
 - Measure and disclose the Scope 3 emissions from use of their products and any progress in reducing those emissions.

- Measure and disclose their progress in reducing emissions in their value chains – for example, by reducing emissions from shipping and distribution.

Integrating Climate Change Risk into Policy and Process

Policy

Our Social and Environmental Risk Policy aims to ensure globally consistent management and mitigation of social and environmental risks. The Policy has accompanying 'sensitive sector' requirements governing our **Responsible Business Lending**, including our approach with key sectors such as: **Energy (including our approach to financing coal), Extractive Industries, Forestry and Forests, Hydroelectric Power, Water and Military Equipment** which are publicly available at anz.com.au/about-us/esg.

The Social and Environmental Risk Policy and sensitive sector requirements are key to informing which customers and sectors we bank. Our largest exposure to carbon sensitive sectors is to our business customers in Institutional and Corporate, which is where we can have the greatest impact in supporting the transition to a low carbon economy.

Process

The Social and Environmental Risk Policy is supported by the application of tools and processes:

- **Social and Environmental Screening Tool:** facilitates qualitative risk assessment of potential reputational, social and environmental issues (including climate), considers stakeholder concerns and assesses the adequacy of management mitigation strategies for institutional customers.

- **Reputation Risk Radar:** monitors reports of environmental, social and governance incidents and allegations against existing and prospective ANZ customers. Reports are assessed for materiality based on the number and severity of allegation/incident and are referred to our risk management forums for review.
- **Climate Change Risk Assessment:** facilitates Institutional bankers to identify and evaluate climate risks, including physical and transition, for all Project Finance credit assessments.
- **Energy Sector Screening Process (including Oil and Gas):** facilitates identification of Institutional transactions to be referred to senior subject matter experts to review alignment with ANZ's Climate Change Commitment. Where required, this includes escalation to Executive level for approval. See page 7 for further detail.
- **Review and assessment of 100 of our largest emitting business customers:** facilitates engagement with 100 of our largest emitting business customers to encourage them to, by end 2024:
 - strengthen their low carbon transition plans so that more customers achieve a 'well developed' or 'advanced' rating; and
 - enhance their efforts to protect biodiversity.
- **Equator Principles:** a risk management framework for determining, assessing and managing social and environmental risks in major projects such as mines, windfarms and pipelines.

We may decline lending to projects and customers – new or existing – that do not meet our expectations.

Data and Analytics

ANZ is developing capability to quantitatively analyse climate risk, including scenario analysis and stress testing using science-aligned climate scenarios. This includes participating in regulatory scenario analysis assessments, analysing the impact of certain climate risks to specific portfolios within the bank and engaging with industry bodies and consultants to better understand data that could be used to assess physical and transition risks across our entire portfolio.

While the quality and availability of climate-related data remains a challenge, ANZ is developing a data strategy to identify and source reliable data that will better inform our science-based climate scenario development, stress testing and modelling. The outcome of this assessment will help us to quantify and manage climate-related risks and inform decision making, strategy and risk appetite.

1. References to 'energy customers' are to those that ANZ considers material in this context. 2. <https://www.ipieca.org/our-work/climate/emissions-management/ipieca-and-the-methane-guiding-principles/>

> APRA's Climate Vulnerability Assessment (CVA)

Earlier this year we participated in APRA's Climate Vulnerability Assessment (CVA), which assessed the potential impact of physical and transition risks to parts of our Australian mortgages and business lending portfolios.

The three key objectives of the CVA were to:

- assess potential financial exposure to climate risk;
- understand how banks may adjust business models and implement management actions in response to different scenarios; and
- foster improvement in climate risk management capabilities.

APRA's CVA comprised two stress tests, a counterparty assessment and data quality assessment. APRA intends to disclose the outcomes of the CVA in late calendar year 2022.

NEXT STEPS AND FUTURE PRIORITIES

- Prepare a set of climate risk standards, based on regulatory obligations to be applied across all jurisdictions where ANZ operates
- Extend our Climate Change Risk Assessment methodology beyond our Project Finance business, starting with Institutional customers in higher emitting sectors such as resources and energy
- Develop a data strategy to inform our approach to sourcing and integrating climate data into sectoral pathways, scenario analysis, stress testing and analytics. This will include learning from the New Zealand climate risk program
- Enhance risk assessment capability for our bankers through extending our Climate Change Risk Assessment
- Extend analysis of physical climate risks of fire and flood to segments of Australian retail customers
- Conduct scenario analysis for key New Zealand sectors
- Conduct analysis of drought vulnerability for our Agricultural portfolio (Australia and New Zealand) and the impacts of a change in carbon price (New Zealand)

> Reserve Bank of New Zealand's (RBNZ's) Climate Sensitivity Analysis

We have completed and submitted phase 1 of RBNZ's climate sensitivity analysis, encompassing inland flooding risk (Auckland) and various sea level rise and storm tide scenarios (nationwide) for our New Zealand residential mortgage book. The results of this analysis were released by RBNZ as a combined industry disclosure, in its November 2022 Financial Stability Report that is publicly available.

Metrics and targets



We are committed to transition all operational and financed carbon emissions from our portfolio to net zero by 2050.

ANZ's Climate targets

Portfolio financed emissions pathways and targets

	Targets		Metric	Performance						Exposure as at Sept 30 2022	
	Target reduction ¹	2030		Year	Baseline year performance	2022	% change from baseline	% change from pathway		EAD (\$bn)	% group EAD
Power generation	50%	119	Intensity	kgCO ₂ -e/MWh	2020	237	314	+32%	● +47%	9.70	0.84%
Oil and Gas	26%	11.1	Absolute	Mt CO ₂ -e	2020	15.0	15.2	+1.5%	● +7%	9.56	0.83%
Aluminium	30%	5.79	Intensity	tCO ₂ -e/t aluminium	2021	8.30	7.64	-8.0%	● -4.8%	0.69	0.06%
Cement	20%	0.49	Intensity	tCO ₂ -e/t cement ²	2021	0.61	0.58	-4.7%	● -2.5%	0.34	0.03%
Steel	28%	1.36	Intensity	tCO ₂ -e/t steel	2021	1.90	1.95	+2.6%	● +5.9%	0.97	0.08%
Large-scale commercial real estate	60%	Shopping centres: 35.90 Office Buildings: 32.09	Intensity	kgCO ₂ -e/NLA	2019	Shopping centres: 89.75 Office Buildings: 80.21	Shopping centres: 65.71 Office Buildings: 49.56	Shopping centres: -27% Office Buildings: -38%	● Shopping centres: -12% ● Office Buildings: -26%	Not Assessed ³	

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

¹. See sectoral pathways (pages 35 to 47) for further information. ². In line with the 2022 SBTi Cement Guidance when we refer to our intensity target in tCO₂-e/t cement, we have set an intensity target per tonne of 'cementitious product' rather than per tonne of 'cement', per the [Cement CO₂ and Energy Protocol](#). For further details refer to the cement section within this report. ³. Large-scale Commercial real estate data has not been apportioned in line with ANZ lending, this will be assessed in 2023.

Other quantitative and qualitative targets – 2022 performance summary

Metric category	Metric	Target	Status	Further information
Capital deployment toward climate-related opportunities:	AUD funded and/or facilitated	Fund and facilitate at least \$50 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	→	Page 11
Risk Management	Number of customers with 'well developed' or 'advanced' ratings, within group of our 100 largest emitting business customers	Engage with 100 of our largest emitting business customers to encourage them to, by end 2024: - strengthen their low carbon transition plans so that more customers achieve a 'well developed' or 'advanced' rating; and - enhance their efforts to protect biodiversity.	→	Pages 14–16
Reduce the direct impact of our business activities on the environment by ¹ :	- GHG emissions Scope 1&2: tonnes CO₂ equivalent - Renewable electricity: MWh consumed - Water consumption: Kilotres - Waste to Landfill: Tonnes - Paper use: Tonnes	The COVID-19 pandemic has unquestionably changed the way we do business, making it necessary to refine our 2025 and 2030 environmental sustainability footprint targets to align with more flexible working arrangements for employees. Below outlines our performance against our Environmental footprint targets until 30 June 2022.		Refer to our 2022 ESG Supplement for further details available at anz.com/annualreport
		• Reducing Scope 1 and 2 emissions by 24% by 2025 and by 35% by 2030 (against a 2015 baseline);	51% reduction	
		• Increasing renewable energy use to 100% by 2025; ²	39% reduction	
		• Reducing water consumption by 25% by 2025 (against 2017 baseline);	61% reduction	
		• Reducing waste to landfill by 30% by 2025 (against 2017 baseline); and	75% reduction	
		• Reducing paper consumption (both office and customer paper use) by 60% by 2025 (against 2015 baseline).	69% reduction	

Other quantitative and qualitative targets – 2022 performance summary – Continued

Metric category	Metric	Target	Status	Further information
Risk management	Completion of risk management initiatives	Develop an enhanced climate risk management framework that strengthens our governance and is responsive to climate change, by end 2022: We have continued to improve our management of climate risks within our risk management framework through workstreams focused on regulatory monitoring, policy and processes, risk appetite, data and analytics through: • Reviewing and assessing current and emerging regulatory requirements across the jurisdictions in which we operate; • Refining our Risk Appetite Statements for Institutional and including climate risk in lending criteria documents in the Australia Retail, Commercial and New Zealand portfolios; and • Participating in the Australia Prudential Regulation Authority (APRA) Climate Vulnerability Assessment, which assessed the potential impact of physical and transition risks to parts of our Australian mortgages and business lending portfolios. While progress has been made against this target, climate risk management is an emerging component of risk. Throughout 2022 we have identified further steps that we can undertake to improve the management of climate risk. See page 30 for our refined target.		Refer <i>Risk</i> section for further detail on pages 24–25



Partially achieved
or in progress



Refined
target set

Refined targets for 2023

The following targets will be introduced to extend our work underway in key focus areas.

Metric category	Metric	Target	Further information
Risk Management	Completion of risk management initiatives	Improve the management of climate change risks through the following activities by end 2023: • preparing a set of risk standards based on regulatory obligations, to be applied across all countries and territories where ANZ operates; • extending our Climate Change Risk Assessment methodology beyond our Project Finance business starting with Institutional customers in higher emitting sectors such as resources and energy; and • developing a data strategy to inform our approach to sourcing and integrating climate data into sectoral transition pathways, scenario analysis, stress testing and analytics. This will include learning from the New Zealand climate risk program.	Refer to page 29 for performance against our 2022 target and the Risk section for further detail on page 21
Reduce the direct impact of our business activities on the environment by ¹ :	• GHG emissions Scope 1&2: tonnes CO₂ equivalent • Renewable electricity: MWh consumed • Water consumption: Kilolitres • Waste to Landfill: Tonnes • Paper use: Tonnes	The below refined targets commencing 1 July 2022 increase our environmental sustainability footprint ambitions and performance in line with our purpose, while balancing the expected 'normalisation' of consumption associated with staff returning to workplaces. • Reducing Scope 1 and 2 emissions 85% by 2025 and 90% by 2030 (against 2015 baseline); • Increasing renewable energy use to 100% by 2025;² • Reducing water consumption by 40% by 2025 (against 2017 baseline); • Reducing waste to landfill by 40% by 2025 (against 2017 baseline); and • Reducing paper consumption (both office and customer paper use) by 70% by 2025 (against 2015 baseline).	Refer to our 2022 ESG Supplement for further details available at anz.com/annualreport

¹. Environmental footprint reporting year is 1 July to 30 June, in line with the Australian regulatory reporting year. ². Self-generated renewable electricity, direct procurement from offsite grid connected generators e.g. Power Purchase Agreement (PPA) and default delivered renewable electricity from the grid, supported by credible attributes in accordance with RE100 technical guidelines. Set in 2019, no change from 2021 target.

TCFD-related metrics and industry exposures

We continue to disclose our credit metrics and exposure to various sub-industries in four key sectors identified by the TCFD to be most exposed to climate-related risks:

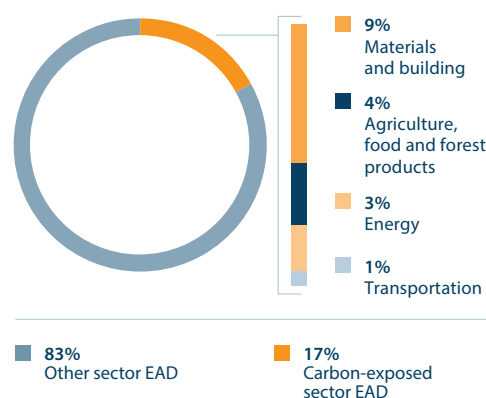
- > energy;
- > transportation;
- > materials and building; and
- > agriculture, food and forest products.

This is in response to the TCFD recommendations that "banks should describe significant concentrations of credit exposure to carbon related assets" and provide a breakdown of this data by industry, geography, credit quality and average tenor.

We want to support an orderly transition of these carbon exposed sectors that recognises and responds to the social, economic and environmental impacts of achieving net zero. Our success in supporting and accelerating a net zero transition by 2050 will be driven by our ability to help our customers reduce their emissions. We support the evolution of sectors and the development of new industries and innovative business models that underpin the transition. Our approach is to manage financed emissions in climate exposed portfolios. See pages 35–47 for more detail on this.

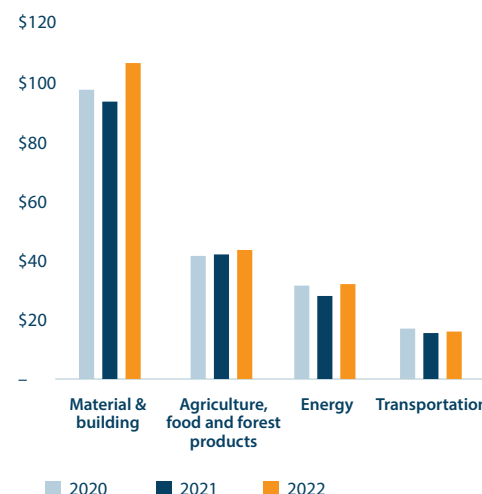
Our overall exposure to these four sectors is around 18% of the Group exposure at default (EAD), up from ~16% in 2021 (~19% in 2020). The remaining Group EAD is financing sectors outside the four identified by the TCFD.

EAD breakdown for carbon exposed sectors – 2022 (\$bn/%)



Our increase in exposure this year has been driven by the Materials and Building sector, which is dominated by lending to real estate management and property development. We also saw an increase in lending to the energy sector this year, driven in large part by record high wholesale electricity prices, causing some companies to face unusually high margin calls on their existing hedge contracts – requiring them to post cash collateral to margin accounts to cover these positions – including some existing ANZ customers. You can read more about this on page 36.

EAD trends for carbon exposed sectors (\$bn)



In terms of credit metrics, we have observed an increase in the percentage of exposures rated as investment grade with 58% of our exposures across the four sectors achieving this benchmark in 2022 compared to 52% in 2021. Our non-performing loans were re-baselined to align with APRA's revised Prudential Standard APS 220 Credit Risk Management (APS 220). This revision in reporting methodology has generally resulted in slightly higher overall percentages of non-performing loans reported in financial years 2020, 2021 and 2022, however the overall trend of low and decreasing rates of non-performing loans remains evident across the four sectors. The consistently low levels of non-performing loans across the four sectors identified by the TCFD indicate that transition and physical risks of climate change have not yet manifested as material credit risks for ANZ.

Industry Groups and Credit Quality ¹	Exposure at Default (\$bn)			Non performing Loans (% of sector EAD) ²			Investment Grade (% of Sector EAD)		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Agriculture, Food and Forest Products	\$42.9	\$41.7	\$41.2	1.1%	1.4%	2.5%	43.8%	36.5%	32.6%
Energy	\$31.7	\$27.9	\$31.2	0.1%	0.1%	0.1%	89.3%	85.1%	80.1%
Transportation	\$16.1	\$15.5	\$16.9	0.4%	1.7%	2.1%	66.7%	67.2%	62.2%
Materials and Building	\$104.7	\$92.3	\$96.2	0.4%	0.5%	0.6%	52.5%	47.2%	45.9%
Total	\$195.4	\$177.4	\$185.6	0.5%	0.7%	1.1%	57.8%	52.4%	50.2%

1. Values may not add to totals due to rounding. 2. Non-performing loans have been restated to align with APS 220.

This year, we continue to disclose a more detailed industry and sub-industry breakdown of our exposures to the four sectors identified by the TCFD.

In the energy sector, along with our increased exposure to the electricity sector (see page 36) we also saw an uptick in exposure to oil and gas extraction driven by a change in client exposure in the portfolio, and compounded by changes in foreign exchange rates and energy prices.

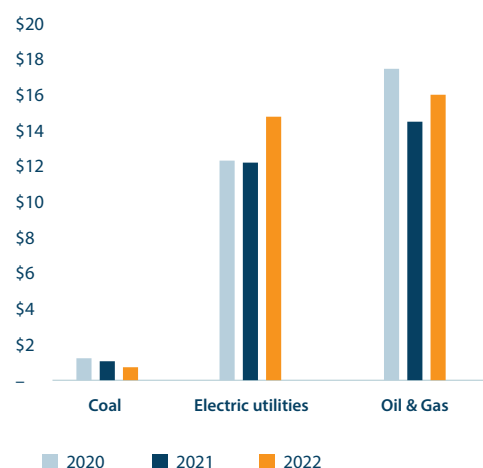
Since 2015, we have reduced our direct lending to thermal coal mining by around 83% – it is now less than 0.02% of our Group EAD. At the same time, our direct lending to renewables projects has gone up by around 63%.

As part of our energy policy we are:

- not directly financing any new coal-fired power plants, including expansions. Existing direct lending will run off by 2030.
- engaging with existing customers that have more than 50% thermal coal exposure¹ 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 that do not meet this expectation and reduce our exposure over time.²

Subsector trends in EAD – Energy (\$bn)



Climate exposed sub-industry exposure (\$bn)

	2020	2021	2022
Agriculture	\$41.20	\$41.70	\$42.90
Agriculture	\$30.20	\$30.60	\$30.20
Beverages	\$3.40	\$3.30	\$3.50
Paper and Forest Products	\$0.90	\$0.80	\$0.80
Packaged Foods and Meats	\$6.70	\$7.00	\$8.40
Energy	\$31.20	\$27.90	\$31.70
Coal ³	\$1.20	\$1.10	\$0.70
Electric Utilities ⁴	\$12.40	\$12.30	\$14.90
Oil & Gas ⁵	\$17.60	\$14.60	\$16.10
Transportation	\$16.90	\$15.50	\$16.10
Air Freight	\$3.70	\$3.00	\$3.00
Automobiles	\$5.20	\$4.50	\$5.40
Maritime Transportation	\$1.80	\$1.50	\$1.60
Passenger Air	\$0.00	\$0.20	\$0.10
Rail Transportation	\$1.90	\$1.80	\$1.70
Trucking Services	\$4.30	\$4.50	\$4.30
Materials and Buildings	\$96.20	\$92.30	\$104.70
Capital Goods	\$18.20	\$17.30	\$21.40
Chemicals	\$2.80	\$2.10	\$2.80
Construction Materials	\$1.70	\$1.30	\$1.30
Metals and Mining	\$8.80	\$7.20	\$8.60
Real Estate Management & Development	\$64.70	\$64.40	\$70.60
Grand Total	\$185.60	\$177.40	\$195.40

1. 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. 2. 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. 3. Coal mining includes exposures to metallurgical (coking) coal used for steel making (\$0.5b) and thermal coal used for energy generation (\$0.2b). 4. 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. 5. Exposure to oil and gas includes all of the oil and gas value chain such as exploration, extraction, transport, refining and retail. Page 73 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.

Performance against our targets

Financed Portfolio emissions

As we transition to a low carbon economy, essential goods and services will continue to be required in the global economy. In some sectors, replacing high-emitting technologies with lower-emitting alternatives is required, so that the carbon intensity of these sectors is reduced. The drivers, and timing of this transition are referred to as a “pathway.”

As part of our commitment to transition to net zero emissions by 2050, we were the first Australian bank to join the Net-Zero Banking Alliance (NZBA) in 2021. As part of that commitment, we developed and disclosed two new pathways and associated targets for our lending to the power generation and large-scale commercial real estate sectors in Australia (shopping centres and large office buildings), to illustrate how we plan to support these sectors towards achieving the Paris Goals. We chose to start with these two sectors as electricity generation is responsible for around one third of Australia's national emissions, with the non-residential buildings sector among the largest end users of electricity.

Supporting our customers' efforts to reduce carbon emissions from their electricity supply and reduce the energy needs of large-scale commercial real estate will be a key focus for ANZ over the coming decades. While they cover a relatively small part of our overall loan book at this stage, they are ‘material’ sectors to help reduce emissions in the economy.

The targets we set in 2021 are aimed at providing greater transparency about how our financing is aligned with climate scenarios.

This year, we are disclosing our progress against these two targets, as well as new pathways and associated targets for the oil and gas sector, and the materials and building products sector, with specific pathways and targets disclosed for aluminium, cement and steel.

We will progressively expand our coverage of key sectors up to 2024, in line with our NZBA commitment and the evolution of globally recognised standards and methodologies. We expect that by 2024 we will have established pathways and targets for sectors representing at least 75% of our financed emissions.

Key elements of our approach to sectoral pathways

In building our approach to our portfolio financed emissions, and their associated targets and pathways, we considered the following important key elements:

- Science-based targets
- Decision useful metrics
- Best available data

Science-based targets

In setting our sectoral pathways and targets, we have referenced the International Energy Agency's Net Zero Emissions by 2050 World Scenario (NZE 2050) for power generation, oil and gas, steel and cement, along with other relevant sector-specific, science-based scenarios in other sectors (details provided in the discussion of individual sectoral targets and pathways below). We are guided by the *Global GHG Accounting and Reporting Standard for the Financial Industry* published by the Partnership for Carbon Accounting Financials (PCAF) to assess data quality, and for calculation methods. The use of science-based scenarios and methodologies ensures our targets are, at a minimum, aligned with the goals of the Paris Agreement.

Decision useful metrics

ANZ's role in supporting the transition to a net zero economy is through our lending and financing decisions and through facilitating our clients' transition.

For each sector, we have defined a relevant metric and set specific targets and pathways, disclosed below. These targets and pathways will help provide guidance for our business teams who make decisions on how we finance customers in these sectors. We expect these pathways will provide an important input to our decision making as we seek to meet our interim 2030 targets over the coming years.

For some sectors, we have disclosed additional, or complementary metrics, which have also been useful to inform our decision making.

Best available data

Developing and reporting metrics is a new and evolving practice, which depends on good quality data. We aim to source the highest quality data available, recognising that data limitations exist even in sectors with well-established reporting protocols. To maximise the quality of the data we used to calculate our financed emissions, we are guided by the *Global GHG Accounting and Reporting Standard for the Financial Industry* published by the Partnership for Carbon Accounting Financials (PCAF), and have provided data quality scores for absolute emissions of steel, aluminium, cement, and oil and gas. We continue to develop our methodologies to improve data quality where required, as better quality data becomes available.

How we support change in key sectors

We undertake the following key activities to meet our transition plans and deliver financed emissions reductions in line with our sectoral pathways and targets:

Actions	Power Generation	Large-scale Commercial Real Estate	Oil & Gas (upstream)	Aluminium	Steel	Cement
Engagement with our largest emitting business customers in these sectors to support and influence them to encourage them to strengthen their low carbon transition plans and enhance their efforts to protect biodiversity	✓	✓	✓	✓	✓	✓
Reallocation within sectors to tilt a portfolio towards less emissions intensive companies within each sector	✓	✓	✓	✓	✓	✓
Policy measures apply to some sectors, such as to no longer onboarding any new business customers ¹ with material ² thermal coal exposures	✓	✓	✓*			
Reducing lending to high-emitting companies that lack credible transition plans	✓		✓			
Climate solution financing to activities such as renewable energy or green infrastructure (companies and projects which reduce energy demand, such as improvements to building efficiency)	✓	✓				

*We will no longer onboard new energy customers unless they have a Paris-aligned transition plan, existing customers (that ANZ considers material in this context) are also expected to have a Paris-aligned transition plan in place by 2025. The aim of our approach is to support our customers to transition to net zero emissions. This means providing transition finance to the companies that require this capital to decarbonise their business models and thereby reduce real-world emissions.



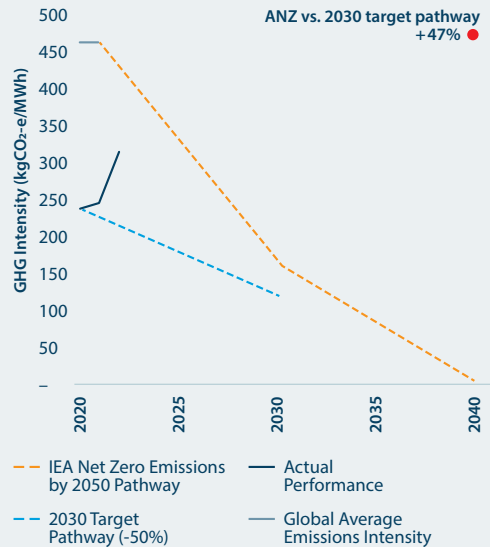
For further detail on our approach to developing metrics, pathways and targets for our priority sectors, please refer to ANZ's Financed Emissions Methodology available [here](#).

¹ Entities or assets acquired from existing customers are not classified as new-to-bank customers. Applies to lending products only, ie excludes transaction banking, credit cards, performance guarantees, meaning that only lending products that will help customers 'fund' their activities in a material way would be excluded. ² More than 10% revenue, installed capacity or generation from thermal coal.

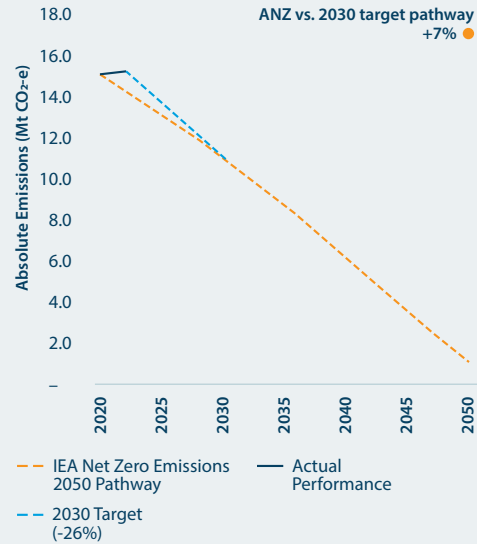


Portfolio emissions Pathways Performance Dashboard

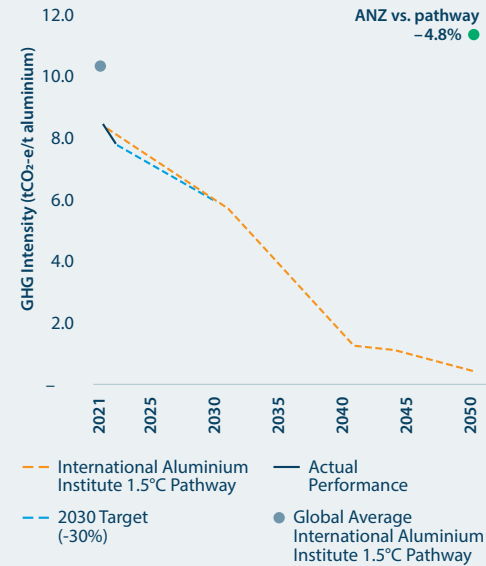
Power generation



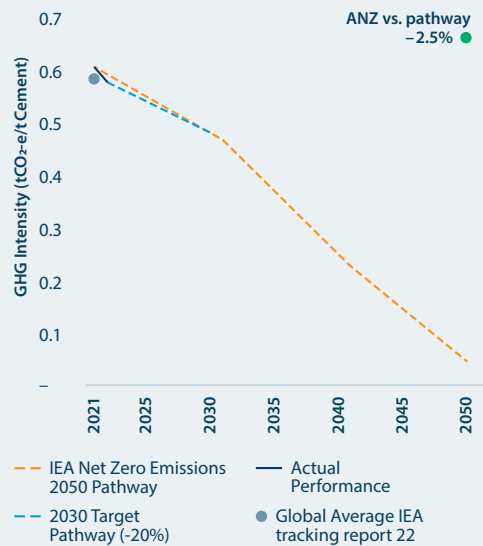
Oil and gas



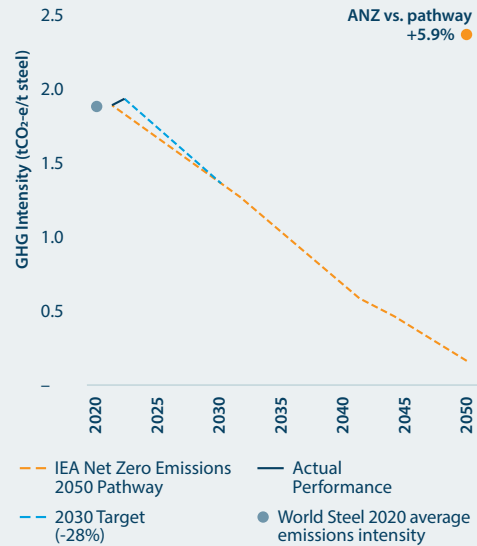
Aluminium



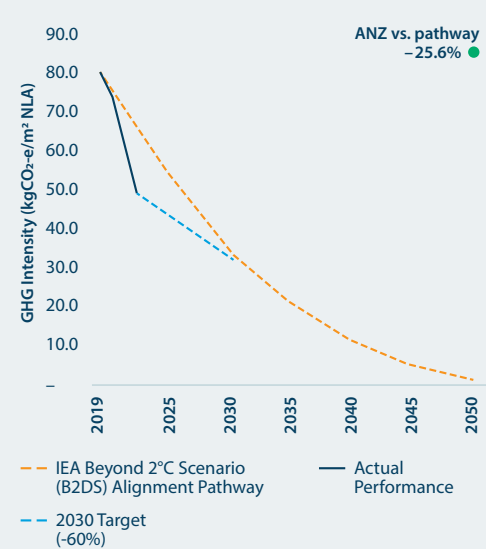
Cement



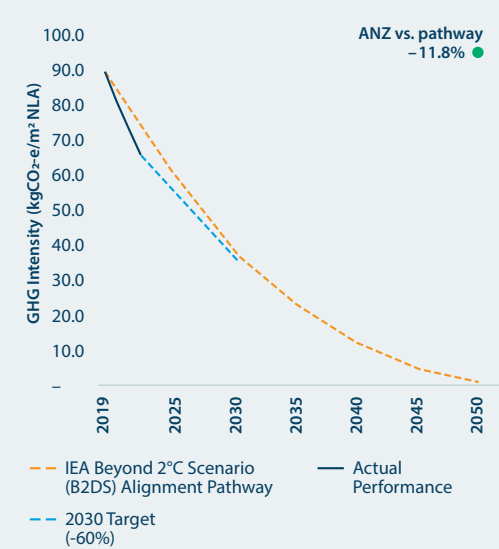
Steel



Commercial Real Estate – Office Buildings



Commercial Real Estate – Shopping Centres



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

> Power generation

At the end of 2021, ANZ set a 2030 target to reduce the emissions intensity of our power generation portfolio by 50% from a 2020 baseline. The metric we use to track the carbon intensity of our portfolio reflects the debt weighted carbon intensity of electricity generation (i.e. carbon emissions per unit of generation) for Institutional customers whose main business activity is the generation of power for transmission.

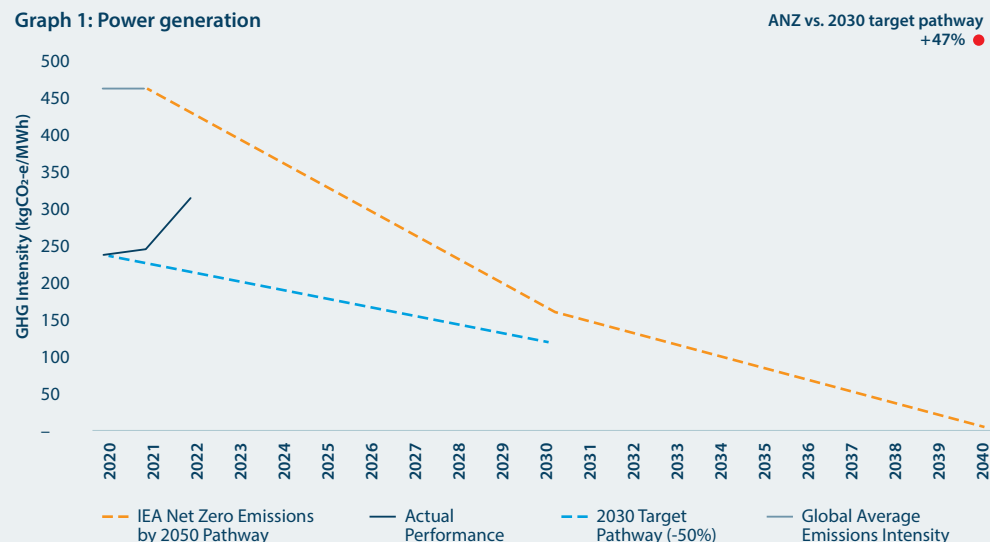
An emissions intensity reduction target recognises that 1.5°C aligned scenarios require substantially more electricity to be generated in 2050 than today. Almost all of that growth needs to come from renewables with the IEA's NZE 2050 scenario showing renewables increasing from around 29% of total global generation in 2020 to 88% of

generation by 2050. Renewable electricity generation is forecast to grow eightfold between 2020 and 2050, while generation from unabated fossil fuels – responsible for around 61% of global electricity generation in 2020 – shrinks to negligible levels.

Our emissions intensity metric and target for power generation will help us track the extent to which we are supporting the necessary transition.

While significant transformation of Australia's electricity industry still lies ahead, many of our customers have already taken major steps to reduce their emissions. Over the decade 2011–2021, Australia's annual electricity sector emissions have reduced by around 40 million tonnes.¹

Graph 1: Power generation



1. Quarterly Update of Australia's National Greenhouse Gas Inventory: March 2022. 2. Asset Resolution.
3. This is a restatement of the 2020 baseline we reported in 2021 of 258 kgCO₂-e per MWh.

Table 1 – Key design choices in calculating 2030 power generation target

2030 Target	50% reduction in emissions intensity from 2020 baseline
Activities Included	Companies that own or operate one or more electricity generation facilities that dispatch electricity into transmission grids
Company Emissions Included	Scope 1 (from electricity generation activities only)
Metric	Emissions intensity of electricity generation (kgCO₂-e/MWh)
Financing Activities Included	Exposure at Default. This reflects total committed loans (drawn plus undrawn amounts) and all trade and market based products
Attribution Approach	Portfolio-weighted approach (measures ANZ's financing to customers relative to ANZ's total financing to the power generation sector)
Benchmarking Scenario	International Energy Agency (IEA) Net Zero Emissions by 2050 World Scenario (NZE 2050)
Key External Data Sources	- Customer disclosures - Australian Clean Energy Regulator - International Energy Agency - Asset Resolution²

Performance against target

The emissions intensity of our Power Generation portfolio increased this year to 314 kgCO₂-e per MWh. This is 32% higher than our 2020 baseline of 237 kgCO₂-e per MWh³ and 47% above our target pathway. This was due to short-term financing of existing customers to help them manage through unprecedented volatility in Australia's National Electricity Market. This does not translate to an increase in 'real world' emissions, as they are existing customers and assets. This uneven trajectory towards our 2030 target may continue due to ongoing electricity price volatility.

We remain committed to our 2030 target pathway and remain well below the IEA NZE by 2050 Scenario pathway.

It's also important to note that we are restating our 2020 emissions baseline to 237 kgCO₂-e per MWh – down from 258 kgCO₂-e per MWh. We have retained our 50% reduction target, however, meaning that our 2030 target of 119 kgCO₂-e per MWh is also lower than what we reported last year. The restatement of our baseline and target is mainly due to improvements in our ability to link our financing to electricity generation assets that our integrated energy customers are increasingly moving towards.

Actions to achieve 2030 target

As our emissions intensity target is based on a debt-weighted metric, we will need to prioritise financing projects and customers generating electricity at an average emissions intensity below our 2020 baseline portfolio average of 237kg CO₂-e/MWh.

Since 2018, ANZ has been engaging with 100 of our largest emitting business customers, including 12 that own or operate power generation assets. Our engagement with these customers has been focused on encouraging them to strengthen their low carbon transition plans. You can read more about our engagement approach on pages 14–16.

Supporting our customers' transition plans may mean that the emissions intensity of our portfolio goes up for a period as we might increase exposure to these customers. However, as our customers gradually bring online new clean generation capacity and retire their existing fossil fuel assets, we expect to see the emissions intensity of our portfolio decline.

To support the reallocation of our portfolio towards lower emitting projects and customers, ANZ applies specific policy measures that are differentiated between existing and new customers, as detailed in our [energy policy](#).

ANZ continues to grow our direct lending to renewable energy projects as part of our drive to fund and facilitate at least \$50 billion by 2025 to support our customers to achieve improved environmental outcomes. You can read more on page 11.

ANZ's debt-weighted generation stack

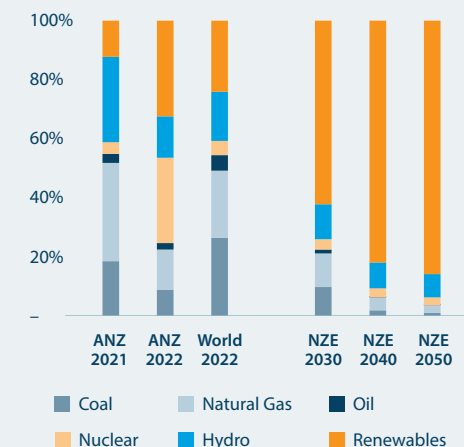
ANZ continues to report a complementary power generation metric that is aimed at providing enhanced transparency of how our finance is supporting the transition of the power generation sector. The metric shows the debt-weighted generation stack of our customers that is based on the PACTA for Banks methodology developed by the 2dii¹ in collaboration with global banks.

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 generation sector. 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

During 2022, there has been a marked shift in our support for companies whose portfolios are dominated by clean-generation assets. This was mostly brought about by our on boarding of two new customers that own significant clean generation capacity across Europe and the United States, resulting in a significant reweighting of our portfolio to clean generation assets.

Power Generation Financing Mix



Fossil fuels now comprise 25% of our debt-weighted power generation stack – down from 55% in 2021. This closely resembles the 2030 global generation mix modelled by the IEA under their NZE 2050 scenario where just 23% of global generation capacity is attributable to fossil fuels. Our commitment to support the clean electrification of the world's energy supply is reflected in renewables increasing from 12% to 32% of the total portfolio over the past year.

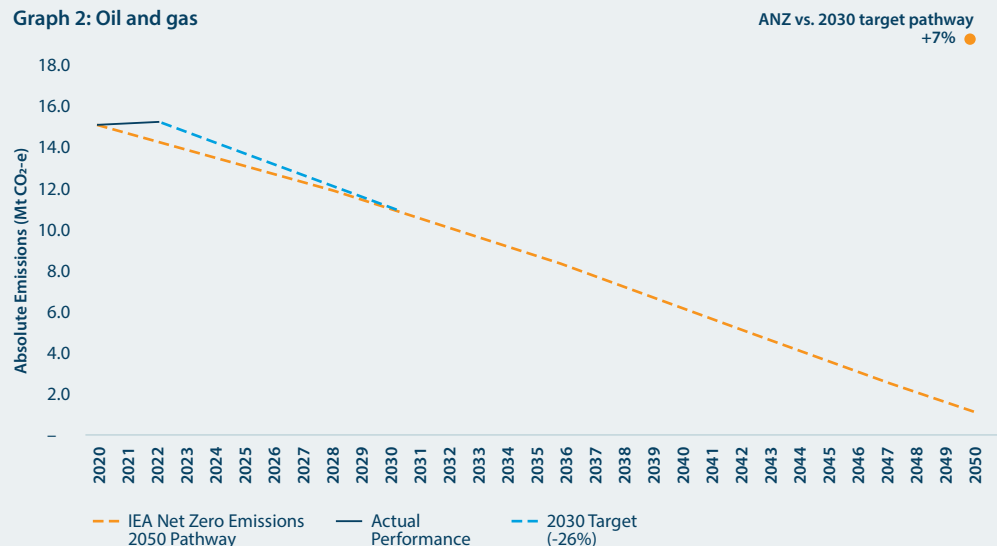
While we expect continuing volatility in this metric in the future, given that it skews results towards large generators, it does serve to highlight that financial flows from ANZ to the power generation sector are increasingly being allocated to cleaner generation sources.

1. A full description of the PACTA for Banks methodology that is applied to the power generation sector is available [here](#).



Oil and gas

Graph 2: Oil and gas



Oil and Gas Metrics Summary

Metric	2020	2022
Absolute financed emissions (Mt CO ₂ -e)	15.0	15.2
Physical Emissions Intensity (kgCO ₂ -e/GJ produced)	70.6	70.2
Economic Emissions Intensity (kgCO ₂ -e/\$ lent)	1.38	1.59
Data Quality Score ¹		
• Scope 1 & 2	• Not scored	• 1.41
• Scope 3	• Not scored	• 3.00

The key design choices we used to calculate our absolute financed emissions reduction target for our oil and gas financing activities are summarised in Table 1.2 below.

Table 2 – Key design choices in calculating 2030 oil and gas target

2030 Target	26% reduction in absolute financed emissions from 2020 baseline
Activities Included	- Exploration and production (includes dedicated upstream companies, and LNG producers) - Integrated oil and gas producers
Company Emissions Included	Scopes 1, 2 and 3 (Category 11, product use) for all companies included in scope
Metric	Absolute emissions (in million tonnes) (Mt)
Financing Activities Included	Exposure at Default. This reflects total committed loans (drawn plus undrawn amounts) and all trade and market based products
Attribution Approach	- ANZ financing to customers as a proportion of customer value. Customer values are based on the following definitions: Private company: Book value of debt and equity Public company: Enterprise value including cash (EVIC)
Benchmarking Scenario	International Energy Agency (IEA) Net Zero Emissions by 2050 World Scenario
Key External Data Sources	- Customer disclosures - Wood Mackenzie - Rystad - International Energy Agency

1. The data quality score was calculated in accordance with guidance made available by the Partnership for Carbon Accounting Financials (PCAF) in *The Global GHG Accounting and Reporting Standard for the Financial Industry* (available [here](#)).

ANZ has set a 2030 target to reduce the absolute financed emissions from our oil and gas portfolio by 26% from a 2020 baseline. Our target covers the Scope 1, 2 and 3 (product use) emissions of our customers involved in oil and gas exploration and production (upstream) as well as integrated oil and gas producers that operate across the oil and gas value chain.

Our reduction target recognises that there are limited opportunities to fully reduce the carbon intensity of fossil fuel product in all 1.5°C aligned scenarios. As seen on graph 2, a 26% reduction by 2030 aligns with the International Energy Agency (IEA) Net Zero Emissions by 2050 World Scenario.

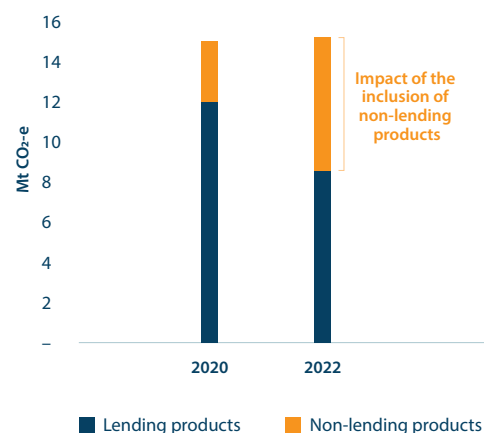
We observe that many energy companies are diversifying into cleaner energy sources such as renewables, hydrogen and biofuels. We will capture the benefits of this transition in emissions intensity metrics we develop for other sectors such as power generation, transport and other industrial sectors which will consume this cleaner energy.

Scope 3 emissions from burning oil and gas products typically account for 80–90% of emissions for the sector. ANZ accounts for these emissions using our customers' equity-based production of oil and gas made available for sale – to measure how our lending is supporting the real-world reduction in oil and gas emissions. It also helps minimise the risk of double counting of emissions.

Disclosure of our progress against the target ensures we remain accountable for supporting customers committed to reducing their operational emissions and acting on their transition plans.

Our choice to include all financial products¹ in our calculation of financed emissions from our oil and gas customers is recognition that we support our customers with a range of products and services. We believe this is a more transparent disclosure than reporting only on lending products. As shown on the graph below, where financed emissions due to lending is shown in blue, our financed emissions from lending products demonstrates a steady decline broadly matching the decline in gross emissions across our customer base. We believe our more transparent methodology provides a fuller picture of our suite of products, though this measure is materially influenced by prevailing foreign exchange (FX) rates. As such, fluctuations in annual results need to be considered in this context as well as progress over a longer period of time.

Estimated financed emissions



Performance against target

Scope 1, 2 and 3 emissions across our customer base declined by almost 9% over the last two years and our overall sectoral exposure in EAD terms have also decreased. Higher commodity prices and foreign exchange movements drove increased exposure to oil & gas majors. The increased exposure to these relatively higher emitting entities led to a greater attribution of their emissions to our finance, leading to a 1.5% increase in our financed emissions.

Actions to achieve 2030 target

Achieving our 2030 target means over time we re-weight our portfolio towards customers with stronger emissions reduction targets and diversification strategies. A variety of opportunities exist for the oil and gas sector to reduce emissions across the value chain.

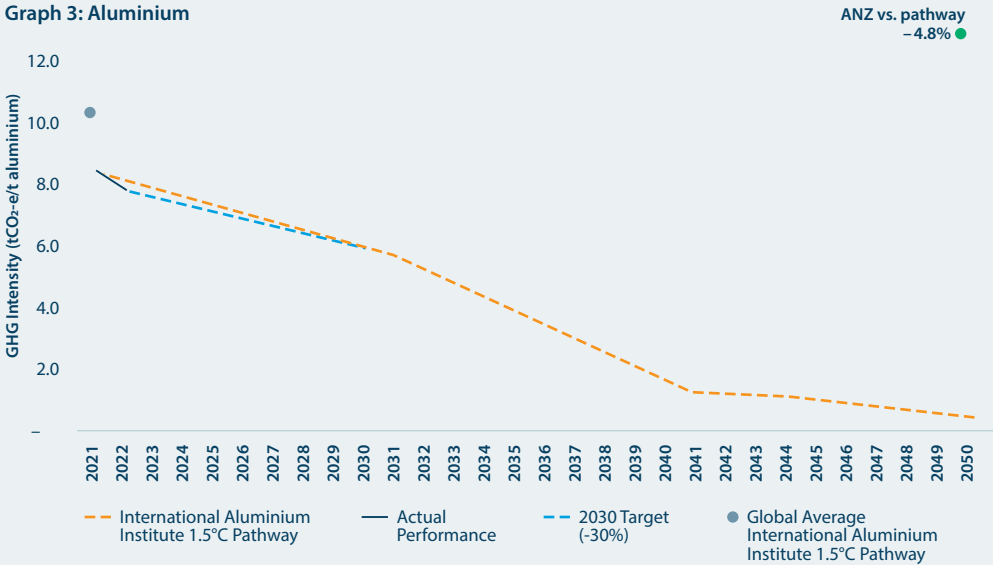
In relation to their own operations, a priority for oil and gas companies is to minimise methane leaks through a focus on leak detection and repair. Other important steps include avoidance of non-emergency flaring and venting along with significant electrification of upstream operations.

In relation to Scope 3 emissions, a reduction will depend on the combined actions of businesses, governments and consumers.

¹. As reflected in our Exposure at Default reporting, which includes trade finance and guarantees, and markets products to hedge interest rate, foreign exchange and commodity risks. The scope of products excludes any facilitated debt capital market issuances.

> Aluminium

Graph 3: Aluminium



	2021	2022
Emissions Intensity tCO ₂ -e/t aluminium	8.30	7.64
Absolute Emissions Mt CO ₂ -e	0.62	0.74
Portfolio-wide Intensity kgCO ₂ -e/\$ lent	0.95	1.07
Data Quality Score ¹	2.78	2.90

1. The data quality score was calculated in accordance with guidance made available by the Partnership for Carbon Accounting Financials (PCAF) in *The Global GHG Accounting and Reporting Standard for the Financial Industry* (available [here](#)).

The key design choices we used in calculating our emissions intensity reduction target for our aluminium production financing activities are summarised in Table 1.3 below.

Table 3 – Key design choices in calculating 2030 aluminium production target

2030 Target	30% reduction in emissions intensity from 2021 baseline
Activities Included	Companies that own or operate one or more alumina refineries or aluminium smelters
Company Emissions Included	Scope 1 & 2 emissions
Metric	Emissions intensity of aluminium production (tCO₂-e/t aluminium)
Financing Activities Included	Based on Exposure at Default. This reflects total committed loans (drawn plus undrawn amounts) and all trade finance and markets products
Attribution Approach	Portfolio-weighted approach (measures ANZ’s financing to customers relative to ANZ’s total financing to the aluminium sector)
Benchmarking Scenario	International Aluminium Institute (IAI) 1.5°C scenario
Key External Data Sources	- Customer disclosures - Wood Mackenzie - Transition Pathways Initiative - International Aluminium Institute (IAI)

This year, ANZ has set a 2030 target to reduce the financed emissions intensity from our global aluminium portfolio by 30% from a 2021 baseline. Our target covers the Scope 1 and 2 emissions arising from customers that own or operate alumina refineries or aluminium smelters.

Our choice of an emissions intensity target recognises that aluminium will be a key material used in technologies essential for the transition to net zero emissions. Aluminium is strong, light weight and recyclable, and accounts for ~2% of total global emissions.¹ Industry scenarios aligned with the Paris goals predict global demand for primary aluminium is expected to increase by up to 40% and secondary (recycled) production of aluminium will more than triple through to 2050.²

Primary aluminium production is highly electricity intensive. Efforts to decarbonise the sector will be heavily reliant on decarbonisation of the electricity supply through switching to renewables.

Secondary production of aluminium (recycling), has a significantly lower emissions intensity than primary production, but is limited by scrap availability. Limiting the use of aluminium in final products through light weighting (design upgrades to manufacture components with the same performance standard using less material) and efficiency in design are also key steps to reduce emissions from the sector. Investment into the commercialisation of promising but currently expensive technologies such as carbon-free anodes³, will be the key to eliminating the harder to abate emissions of the sector.

We are committed to supporting the aluminium industry's move toward low emissions aluminium production and our 2030 target of 5.79 tCO₂-e/tonne aluminium is in line with the decrease modelled by the International Aluminium Institute (IAI) in their 1.5°C scenario.

Performance against target

This is the first year ANZ has reported on the emissions intensity of our aluminium financing activities. Our 2021 portfolio baseline of 8.30 tCO₂-e/tonne aluminium is below the 2021 global average of 10.29 tCO₂-e/tonne aluminium.

Graph 3 shows that our aluminium producing customers have made strong, early progress to reduce the emissions intensity of production, with the emissions intensity of our aluminium production portfolio reducing by 8% from our 2021 baseline to 7.64 tCO₂-e/tonne aluminium. We expect this decline to continue in future, given the decarbonisation trend underway in the global electricity sector and the fact that several of our customers have either set, (or are committed to setting) targets or net zero commitments.

Our absolute financed emissions have increased year-on-year, in line with increased lending to the sector. However, as lending has increased to customers with a relatively low emissions intensity this has resulted in the reduction of our portfolio emissions intensity.

Actions to achieve 2030 target

It is important to note we have a small number of customers making up a material portion of exposure to this sector. As our emissions intensity target is based on a debt-weighted metric, we will need to prioritise financing projects and customers producing aluminium at an average intensity below our 2021 baseline portfolio average of 8.30 tCO₂-e/tonne aluminium, noting this 'average' will reduce over time.

We will continue to support customers that produce aluminium above this average – in fact, lending to support customers' transition plans may mean the emissions intensity of our portfolio goes up for a period as we may increase exposure to these customers. However, as our customers gradually switch to renewable energy, retrofit or bring online lower emissions production assets, we expect to see the emissions intensity of our portfolio decline towards our 2030 target.

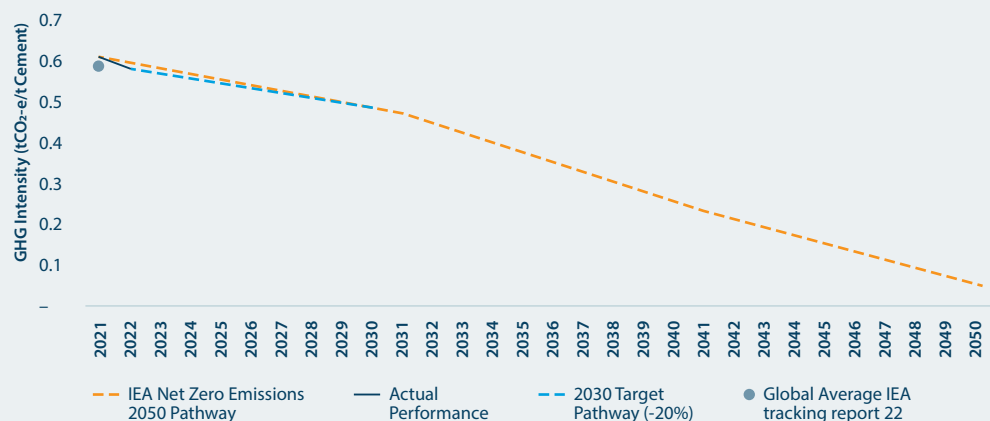
We have begun, and will continue, to engage with customers to understand their transition plans, emissions reduction targets and how we can assist in supporting these customers toward lower emissions aluminium production.

1. Making Net-Zero Aluminium Possible – Aluminium Transition Strategy / September 2022. **2. International Aluminium Institute Aluminium Sector Greenhouse Gas Pathways to 2050.** **3. Elysis** is a technology that replaces traditional carbon anodes (large carbon blocks which conduct electricity during aluminium smelting, producing significant greenhouse gas emissions) with carbon free anodes that produce only oxygen.



Cement

Graph 4: Cement

ANZ vs. pathway
-2.5% ●

	2021	2022
Emissions Intensity tCO ₂ -e/t cement*	0.61	0.58
Absolute Emissions Mt CO ₂ -e	2.24	1.64
Portfolio-wide Intensity kgCO ₂ -e/\$ lent	5.37	4.85
Data Quality Score ¹	1.87	1.76

*Refer to the 'Cementitious product' call out box on next page.

1. The data quality score was calculated in accordance with guidance made available by the Partnership for Carbon Accounting Financials (PCAF) in *The Global GHG Accounting and Reporting Standard for the Financial Industry* (available [here](#)).

The key design choices we used in calculating our emissions intensity reduction target for our cement production financing activities are summarised in Table 1.4 below.

Table 4 – Key design choices in calculating 2030 cement production target

2030 Target	20% reduction in emissions intensity from 2021 baseline
Activities Included	Companies that own or operate one or more cement plants
Company Emissions Included	Scope 1 & 2 emissions
Metric	Emissions intensity of production of cement (tCO₂-e/t cement)
Financing Activities Included	Based on Exposure at Default. This reflects total committed loans (drawn plus undrawn amounts) and all trade finance and markets products
Attribution Approach	Portfolio-weighted approach (measures ANZ's financing to customers relative to ANZ's total financing to the sector)
Benchmarking Scenario	International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario
Key External Data Sources	- Customer disclosures - Asset Resolution - International Energy Agency

ANZ has set a 2030 target to reduce the financed emissions intensity from our global cement portfolio by 20% off a 2021 baseline. Our target covers the gross Scope 1 and 2 emissions arising from customers that produce cement.

The global cement industry accounts for ~7% of total global emissions.¹ The overall global demand profile for cement under the IEA's NZE 2050 remains relatively flat² however the demand profile differs between developed and developing countries.

While the cement sector faces pressure to reduce emissions, this poses a major challenge. The key raw material for cement is limestone, which releases carbon dioxide as it is heated to produce clinker. These production emissions account for approximately 55% of the emissions from cement production.³

The Global Cement and Concrete Association considers the opportunity for decarbonisation for the cement sector will rely on substituting clinker for supplementary cementitious materials (e.g. fly ash)⁴, alternate fuels for kilns (e.g. biomass

instead of fossil fuels), decarbonisation of electricity and plant and end-user efficiencies. The cement industry will rely on carbon capture and utilisation/storage (CCUS) technologies becoming commercially and technically viable to capture the remaining 'hard-to-abate' emissions from the chemical reaction of heating limestone to achieve net zero by 2050 for the industry. Concrete⁵ naturally re-absorbs carbon from the atmosphere over its lifetime, but this is a fraction of the impact of its initial production.

Due to the long average lifetimes of cement kilns (around 40 years), ANZ will continue to engage with customers on how we can best support them with piloting important technologies as they become available, to support the sector to make its proportionate contribution to the achievement of net zero emissions by 2050.

Our 2030 target of 0.49 tCO₂-e/tonne cement is in line with the decrease modelled by the IEA NZE 2050 scenario.

Performance against target

This is the first year ANZ has reported on the emissions intensity of our cement financing activities. Our 2021 portfolio baseline of 0.61 tCO₂-e/tonne cement is marginally above the 2021 global average of 0.59 tCO₂-e/tonne cement.⁷

Graph 4 shows the emissions intensity of our cement production portfolio has reduced by 5% to 0.58 tCO₂-e/tonne cement from our 2021 baseline. The currently limited availability of cost-effective technologies to reduce the hard-to-abate process emissions of cement production, makes the pathway towards our target less clear in comparison to other sectors. However, customer discussions to date have been positive and revealed significant investment in research and development is underway.

Our absolute emissions have decreased year-on-year, in line with a reduction in lending to the sector and a number of our customers achieving emissions reductions.

Actions to achieve 2030 target

It is important to note we have a small number of customers making up a material portion of exposure to this sector. As our emissions intensity target is based on a debt-weighted metric, we will need to prioritise financing projects and customers producing cement at an average intensity below our 2021 baseline portfolio average of 0.61 tCO₂-e/tonne cement, noting this 'average' will reduce over time. This does not mean we will no longer support customers that produce cement above this average – in fact, lending to support customers' transition plans may mean the emissions intensity of our portfolio goes up for a period as we may have increased exposure. However, as our customers gradually switch to alternate fuels, increase supplementary cementitious products, retrofit kilns or bring online lower emissions production assets, we expect to see the emissions intensity of our portfolio decline.

We have begun, and will continue to engage with customers to understand their transition plans, emissions reduction targets and how we can assist in supporting these customers toward lower emissions cement production.



Cementitious product

In line with the 2022 SBTi Cement Guidance and our understanding of industry practices, when we refer to our intensity target in tCO₂-e/t cement, we have set an intensity target per tonne of 'cementitious product' rather than per tonne of 'cement'. This delineation is

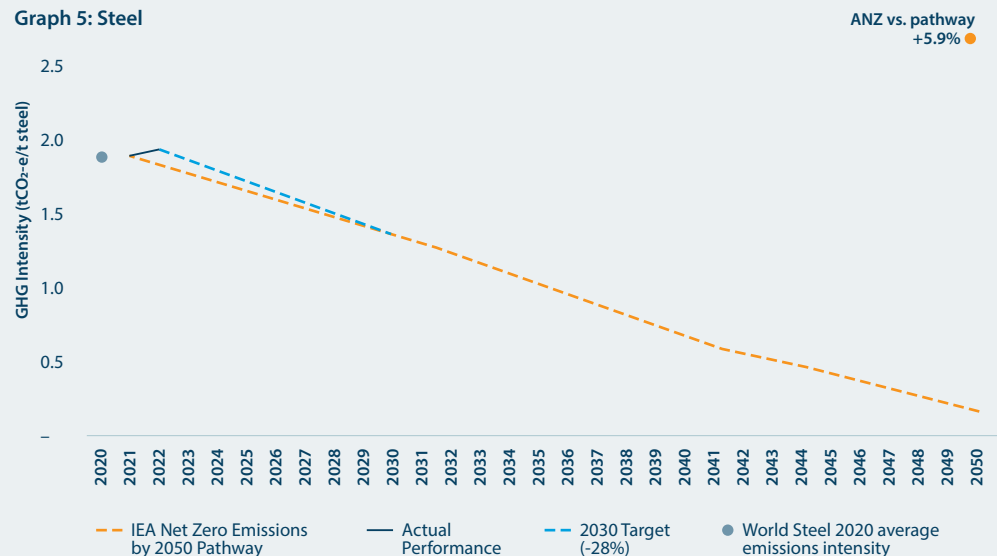
important as clinker substitutes – such as gypsum, limestone and cement kiln dust – are an important way to help decarbonise the cement sector. 'Cementitious product' consists of all clinker produced by our customers for sale, plus all clinker substitutes consumed for blending, plus all cement substitutes.⁶

1. Global Cement and Concrete Association. 2. IEA NZE by 2050 A roadmap for the Global Energy Sector, 2021. 3. Decarbonisation Pathways for the Australian Cement and Concrete Sector, 2022. 4. Fly ash is a waste product from coal-fired power generation that is used as a supplementary cementitious material. 5. Concrete is made of cement, sand, aggregates, water and admixtures. Cement is the 'glue' which binds the ingredients of concrete together. 6. The Cement CO₂ and Energy Protocol. 7. IEA NZE 2050 Tracking report, 2022.



Steel

Graph 5: Steel



	2021	2022
Emissions Intensity tCO ₂ -e/t steel	1.90	1.95
Absolute Emissions Mt CO ₂ -e	1.36	1.43
Portfolio-wide Intensity kgCO ₂ -e/\$ lent	1.32	1.47
Data Quality Score ¹	1.44	1.42

1. The data quality score was calculated in accordance with guidance made available by the Partnership for Carbon Accounting Financials (PCAF) in *The Global GHG Accounting and Reporting Standard for the Financial Industry* (available [here](#)).

The key design choices we used in calculating our emissions intensity reduction target for our steel production financing activities are summarised in Table 1.5 below.

Table 5 – Key design choices in calculating 2030 steel production target

2030 Target	28% reduction in emissions intensity from 2021 baseline
Activities Included	Companies that own or operate one or more steel production mills
Company Emissions Included	Scope 1 & 2 emissions
Metric	Emissions intensity of steel production (tCO₂-e/t steel)
Financing Activities Included	Based on Exposure at Default. This reflects total committed loans (drawn plus undrawn amounts) and all trade finance and markets products
Attribution Approach	Portfolio-weighted approach (measures ANZ's financing to customers relative to ANZ's total financing to the steel sector)
Benchmarking Scenario	International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario
Key External Data Sources	- Customer disclosures - Asset Resolution - International Energy Agency

ANZ has set a 2030 target to reduce the financed emissions intensity from our global steel portfolio by 28% from a 2021 baseline. Our target covers the Scope 1 and 2 emissions of customers that own or operate steel production mills.

The global steel industry accounts for ~6-9% of total global emissions, with demand set to grow by 40% from current levels by 2050.¹ Steel is primarily made through one of two methods: the traditional blast furnace or in electric arc furnaces. Blast furnace production relies on raw materials of iron ore and metallurgical coal, whereas electric arc furnaces melt scrap steel and can be powered by renewable energy. There is a continued need for blast furnace production to meet growing demand.² Impurities are removed from iron ore during the 'reduction' process, forming iron, then combined with carbon, recycled steel and other elements to form steel.²

The opportunities for carbon emission reductions for the steel sector are well defined, however the technologies facilitating these reductions are not yet commercially available. Viability of technologies such as carbon capture utilisation/storage (CCUS) and near-zero-emissions direct reduction of iron-ore using natural gas, green hydrogen and bioenergy, will be the key to eliminating the 'hard-to-abate' emissions of the sector. Secondary production of steel, via electric arc furnace, has a significantly lower emissions intensity, but is limited by scrap availability and challenges associated with producing high-quality steel from scrap.

We are committed to supporting the steel industry's move toward low emissions steel production and our 2030 target of 1.36 tCO₂-e/tonne steel is in line with the decrease modelled by the IEA's NZE 2050 scenario.

Performance against target

This is the first year ANZ has reported on the emissions intensity of our steel portfolio. Our 2021 portfolio baseline of 1.90 tCO₂-e/tonne steel is in line with the 2020 global average of 1.89 tCO₂-e/tonne steel.³

Graph 5 shows that we have increased the emissions intensity of our steel production portfolio by 3% from our 2021 baseline to 1.95 tCO₂-e/tonne steel. Given the significant technological advances required to enable commercialisation of low emissions steel making, the emissions intensity reduction pathway of the steel sector will likely be slow moving; however, we are already seeing efficiency measures being taken and investment into research and development. We remain optimistic this will support a reduction in emissions intensity post 2030 in line with the IEA NZE 2050 scenario.

Lending has remained stable year-on-year, however our absolute financed emissions have increased in line with an increase in the emissions intensity of our steel financing activities.

Actions to achieve 2030 target

It is important to note we have a small number of customers making up the material portion of our exposure to this sector. As our emissions intensity target is based on a debt-weighted metric, we will need to prioritise financing projects and customers producing steel at an average intensity below our 2021 baseline portfolio average of 1.90 tCO₂-e/tonne steel, nothing this 'average' will reduce over time. Lending to support customers' transition plans may mean the emissions intensity of our portfolio goes up for a period as we may have increased exposure. However, as our customers increase secondary production, retrofit or bring online lower emissions production assets, we expect to see the emissions intensity of our portfolio decline.

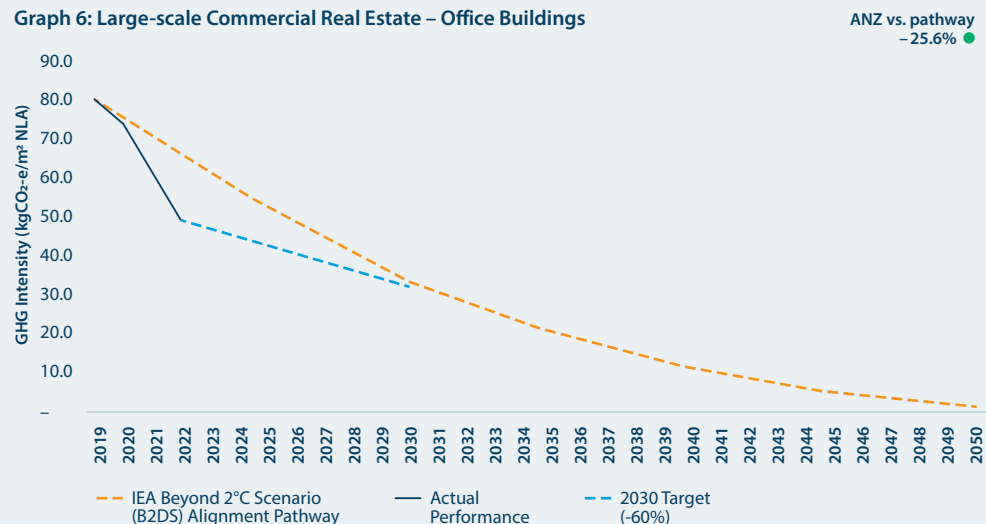
We will continue to engage with customers to understand their transition plans, emissions reduction targets and how we can assist in supporting these customers toward lower emissions steel production.

1. IEA Iron and Steel Technology Roadmap. 2. World Steel – About Steel.
3. World Steel – Climate change and the production of iron and steel.



Large-scale Commercial Real Estate

Graph 6: Large-scale Commercial Real Estate – Office Buildings



Graph 7: Large-scale Commercial Real Estate – Shopping Centres

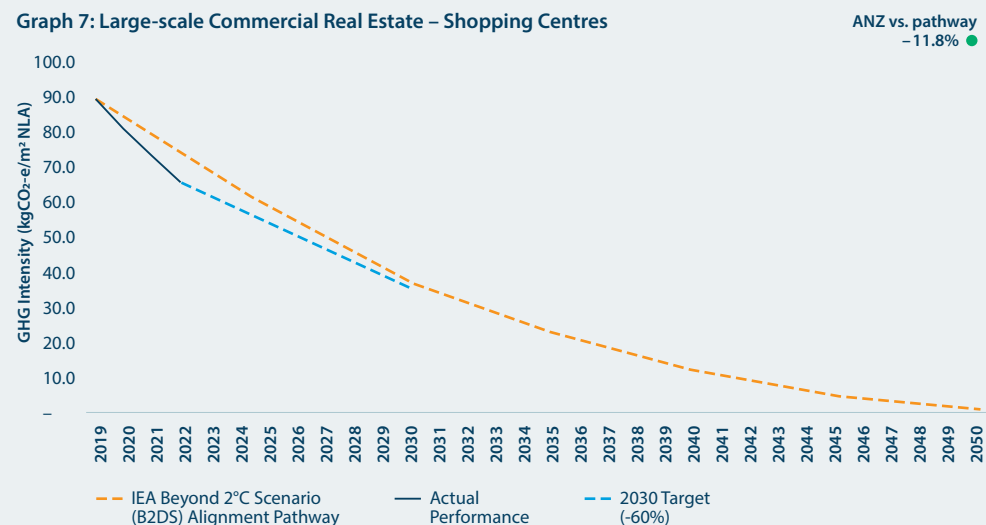


Table 6 – Key design choices in calculating 2030 power generation target

2030 Target	60% reduction in emissions intensity from 2019 baseline = office buildings and shopping centres
Activities Included	Office buildings and shopping centres fully or partially owned by large Real Estate Investment Trust (REIT) and property fund customers in our Australian Institutional loan book
Company Emissions Included	- Scope 1 and 2 emissions (from building operational energy use) - Scope 3 emissions (Category 3 – Fuel and energy related emissions)
Metric	Emissions from building energy use per square meter of net lettable area (kgCO₂-e/NLA)¹
Financing Activities Included	All lending to building owners with operational assets in Australia.
Attribution Approach	No financing attribution approach applied
Benchmarking Scenario	International Energy Agency (IEA) Beyond 2°C (B2D) scenario for service buildings presented in the 2017 Energy Technology Perspectives report²
Key External Data Sources	- National Australian Building Energy Rating Scheme (NABERS) energy rating certificates (Emissions Data) - Australian Government Building Energy Efficiency Register (NLA of office buildings)

1. On most occasions this was associated with base building energy use, which our customers elect to get their buildings rated for.
 2. The B2D scenario puts service buildings on a pathway to achieve net zero emissions by 2050, with most of these savings to be achieved before 2030. The 2050 convergence to net zero emissions for service buildings aligns closely with the Net Zero Emissions by 2050 scenario published by the IEA in May 2021.

At the end of 2021, ANZ set a 2030 target to reduce the emissions intensity of large-scale office buildings and shopping centres by 60% from a 2019 baseline. The buildings covered by the target are either fully or partially owned by large Real Estate Investment Trust (REIT) and property fund customers in our Australian Institutional loan book.

The target metric is calculated by adding up the carbon emissions (Scope 1, 2 & 3) 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 sector. The metric provides insight on the performance of office buildings and shopping centres we have helped our customers to construct or upgrade in prior years. The metric will also reflect any steps our customers take in the future to improve the environmental performance of their portfolio, which may be supported by lending from ANZ.

The emissions intensity metric is further supported by the IEA B2D reference scenario forecasting substantially more floor area in service buildings in 2050 than today, while the scenario forecasts absolute energy use to decline by more than 20% while emissions from energy use are entirely removed. The scenario presents an enormous challenge, but many of our customers in the large-scale commercial real estate sector are already making significant progress.

We have not yet attempted to attribute our customers' absolute emissions to our lending, however, we will seek to better understand this factor to ensure we are aligned with leading methodologies for the reporting of our portfolio emissions. We acknowledge our customers have multiple sources of capital and so we do not claim that any reported reductions in emissions intensity are entirely due to ANZ's financing.

Performance against target

The emissions intensity of our Australian large-scale commercial real estate portfolio continues to reduce and we remain well below the pathway to our 2030 targets. At the end of 2022, the office building portfolio was 38% below the 2019 baseline and the shopping centre portfolio 27% below. This reflects continuing efforts by our customers to reduce their energy consumption and the carbon intensity of their final energy use – especially through purchases of accredited green power.

Actions to achieve 2030 target

Non-residential buildings are one of the largest end users of electricity in Australia and will play a critical role in Australia's path to net zero emissions. We recognise there will be significant and growing opportunities to support our customers to reduce their energy use and the carbon intensity of the energy they use – both for new buildings and the retrofit of existing buildings.

Green buildings comprise a sizeable proportion of the assets we have funded under our \$50 billion sustainable finance target. This financing has supported the construction of new buildings and the retrofit of existing buildings so that they operate with lower carbon intensity. We see these opportunities continuing to grow in the future as building owners set their own ambitious carbon targets that will be achieved through a combination of measures including improved energy efficiency; greater electrification of final energy use; voluntary purchases of green electricity; and self-generation of electricity from solar PV installations.

ANZ engages with large-scale commercial real estate customers on their low carbon transition plans and this has been a key driver in realising the large opportunities in the sector for sustainable finance. There are currently six customers from the large-scale commercial real estate sector who are part of our 100 largest emitting business customers. Since 2018 we have been supporting and encouraging this cohort to strengthen their low carbon transition plans.

The achievement of our 2030 intermediate targets for the large-scale commercial real estate sector will require continuing improvements in the operational carbon intensity of existing buildings in our portfolio. New buildings that we finance will have to be capable of operating at a high-performance level from first occupation and

preferably zero carbon ready.¹ To support this outcome we announced an update to our policy in 2020 that all new large-scale offices financed by ANZ in the large-scale commercial real estate sector are required to have a 5-star NABERS² rating or above.

NEXT STEPS AND FUTURE PRIORITIES

- Expand our metrics, pathways and targets for 'financed emissions' to other key sectors
- Develop financed emissions reporting across majority of the New Zealand portfolio
- Consider the use of emerging metrics to track our progress in helping to minimise biodiversity loss

¹ The IEA's Net Zero by 2050 Roadmap report defines a zero carbon ready building as one that is highly energy efficient and either uses renewable energy directly or uses an energy supply that will be fully decarbonised by 2050, such as electricity. ² National Australian Built Environment Rating Scheme.

Task Force on Climate-related Financial Disclosures (TCFD) Index

TCFD Category	TCFD Recommendation	References / ANZ response
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the board's oversight of climate-related risks and opportunities.	Pages 5–7
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Pages 5–7
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Pages 21–23
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Pages 21–26
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Page 26
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	Pages 21–23
	b. Describe the organisation's processes for managing climate-related risks.	Pages 24–26
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Pages 24–26
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Pages 27–30
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Page 20
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Pages 8, 11, 14, 27–30 and 35–47

Independent Limited Assurance Report to the Directors of Australia and New Zealand Banking Group Limited

Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the ANZ 2022 Climate-related Financial Disclosures report, which has been prepared by ANZ in accordance with the Criteria for the year ending 30 September 2022.

Information Subject to Assurance

Australia and New Zealand Banking Group Limited (ANZ) engaged KPMG to perform a limited assurance engagement in relation to the ANZ 2022 Climate-related Financial Disclosures report, which is attached to this assurance report. KPMG's scope of work comprised limited assurance over all material text and data claims in the ANZ 2022 Climate-related Financial Disclosures report.

The ANZ 2022 Climate-related Financial Disclosures report covers ANZ's global operations for the year ended 30 September 2022 unless otherwise indicated.

Criteria

The ANZ 2022 Climate-related Financial Disclosures is prepared in accordance with the Financial Stability Board's Task Force on Climate-related Disclosures 2017 (TCFD) Framework and ANZ's Financed Emissions Methodology, and, where achievable, alignment to the TCFD 2021 Annexe and Net Zero Banking Alliance (NZBA) requirements ("the criteria").

A copy of ANZ's Financed Emissions Methodology is available at anz.com.au/about-us/esg/reporting/.

Basis of Our Conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 (Standard). In accordance with the Standard we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the ANZ 2022 Climate-related Financial Disclosure report, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Summary of Procedures Performed

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- interviews with management to understand ANZ's process for determining material climate risks and related disclosures, and ANZ's approach to developments in climate risk regulation;
- review of ANZ's climate change risk management framework;
- enquiries with management responsible for developing the content (text and data) within the ANZ 2022 Climate-related Financial Disclosures report to understand the approach for monitoring, collation, and reporting;
- testing over the new NZBA sector decarbonisation targets for cement, aluminium, steel and oil & gas sectors, and the existing pathways for large-scale commercial real estate and power generation sectors;
- a review of ANZ's disclosure gap analysis against the TCFD Framework (2017 version), TCFD 2021 Annexe, NZBA and Glasgow Financial Alliance for Net Zero (GFANZ) requirements.

- testing over ANZ's climate-related targets including the 100 largest emitters engagement target and the funding and facilitation of \$50 billion into sustainable solutions targets;
- comparing text and data (on a sample basis) presented to underlying sources. This included considering whether all material matters had been included or excluded; and
- an assessment that information presented was in accordance with the Criteria, and an assessment of the suitability of ANZ's Financial Emissions Methodology.

How the Standard Defines Limited Assurance and Material Misstatement

A limited assurance engagement is restricted primarily to enquiries and analytical procedures. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The Standard requires our report to be worded around what we have not found, rather than what we have found.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of ANZ.

Use of this Assurance Report

This report has been prepared for the Directors of ANZ Banking Group Limited for the purpose of providing an assurance conclusion on the ANZ 2022 Climate-related Financial Disclosures report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of ANZ, or for any other purpose than that for which it was prepared.

ANZ's Responsibility

- determining that the criteria is appropriate to meet their needs;
- preparing and presenting the ANZ 2022 Climate-related Financial Disclosures report in accordance with the criteria; and
- establishing internal controls that enable the preparation and presentation of the ANZ 2022 Climate-related Financial Disclosures report that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the ANZ 2022 Climate-related Financial Disclosures report for the year ended 30 September 2022, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control. We have also complied with ANZ's Stakeholder Engagement Model for Relationship with External Auditor (available on anz.com).



KPMG



Adrian King
Partner

KPMG Melbourne
24 November 2022



anz.com/cs