

13 November 2023

Market Announcements Office
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

ANZ 2023 Climate-related Financial Disclosures

ANZ Group Holdings Limited (ANZ) today released its 2023 Climate-related Financial Disclosures.

It has been approved for distribution by ANZ's Ethics, Environment, Social & Governance Committee.

Yours faithfully,

Simon Pordage
Company Secretary
ANZ Group Holdings Limited

personal use only

2023

CLIMATE-RELATED FINANCIAL DISCLOSURES

Approved for distribution by ANZ's Ethics, Environment, Social & Governance Committee



**SHAPING A WORLD
WHERE PEOPLE AND
COMMUNITIES THRIVE**

More than ever, ANZ has shaped itself as a bank that supports our customers across 29 markets.

And today, from individuals to businesses, we continue to build a bank that helps them achieve sustainable financial wellbeing.

It's an uncompromising purpose that helps our customers make the most of their world, every day.



CONTENTS

About this report	4
2023 Climate snapshot	6
ANZ Climate approach	7
Governance	8
Strategy	12
Risk Management	34
Metrics and Targets	43
Our approach to sectoral pathways	46
Energy	51
Transport	57
Manufacturing	63
Buildings	69
Large Institutional Agribusiness Customers	75
Total Lending Portfolio	76
Appendices	78
Assurance opinion	88



Acknowledgement of Country and Traditional Owners

ANZ acknowledges the Traditional Custodians of Country throughout Australia and recognises the continuing connection to lands, skies and waterways. We pay our respects to Aboriginal and Torres Strait Islander cultures, and to Elders past and present.

Whakatauākī, ANZ New Zealand’s Proverb

Tākiri-ā-Rangi The expansive universe above
Tākiri-ā-Nuku The beauty of the proceeding lands below
Tākiri Te Awatea A new dawn beckons
Kia Puawai Ki Te Ao A blossoming to the world
Te Kare A Roto E With ripples of compassion and hope for all.

ABOUT
THIS REPORT



Through our purpose to shape a world where people and communities thrive – we have elevated three areas facing significant societal challenges aligned with our strategy and reach. This includes supporting households, business and financial practices that improve **Environmental Sustainability**.

On 3 January 2023, Australia and New Zealand Banking Group Limited (ANZBGL) established by a scheme of arrangement, a non-operating holding company, ANZ Group Holdings Limited (ANZGHL), as the new listed parent holding company of the ANZ Group and implemented a restructure to separate ANZ's banking and certain non-banking businesses into the ANZ Bank Group and ANZ Non-Bank Group

Supporting Sustainable Development

We are committed to the United Nations Sustainable Development Goals (SDGs) and believe that business has an important role to play in their achievement. Our current ESG targets strive to support all of the 17 SDGs.

In 2019 we became a founding signatory to the UN Principles for Responsible Banking. Under the Principles we are required to set at least two targets that address our most significant (potential) positive and negative impacts, aligned with the SDGs and the Paris Climate Agreement.

We have reported our progress towards implementing the Principles using the Reporting and Self-assessment Index, available in our ESG Data

(Restructure). The ANZ Bank Group comprises the majority of the businesses and subsidiaries that were held in ANZBGL prior to the Restructure. The ANZ Non-Bank Group comprises banking-adjacent businesses developed or acquired by the ANZ Group to focus on bringing new technology and banking-adjacent services to the ANZ Group's customers, and a separate service company.

This report describes ANZGHL and its subsidiaries (referred to as "ANZ" or "the Group" or "our") progress towards implementing our Climate Change Commitment and Environmental Sustainability Strategy.

The other two focus areas facing societal challenge, Financial Wellbeing and Housing, are covered in detail in our ESG Supplement available at anz.com/esgreport.

and Frameworks pack at anz.com/esgreport. This year KPMG have also provided limited assurance over our Self-assessment Index.



Frameworks

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 Annex). Our TCFD Index can be found on page 78. Since 2017, we have disclosed our progress according to TCFD Recommendations with a summary in our Annual Report and detail within a standalone report.

ANZ joined the Net-Zero Banking Alliance (NZBA) in 2021 and the information within this report sets out how we are taking action in line with this commitment. We have also considered aspects of the Glasgow Financial Alliance for Net Zero (GFANZ) requirements.

With the release of the Taskforce on Nature-related Financial Disclosures (TNFD) framework in September 2023, we are taking steps towards the TNFD's recommendations to help inform our disclosures in this report. Our TNFD Index can be found on page 79.

While most of the information on how we are transitioning towards net zero is available throughout this report, we intend to publish a more detailed transition plan next year on how we plan to reach net zero.

Further detail about our approach to developing metrics, pathways and targets for our priority sectors, can be found in ANZ's Financed Emissions Methodology and in ANZ's Social and Environmental Sustainability Target Methodology available at anz.com/esgreport.

Boundaries

The report covers all operations over which we have control for the financial year commencing on 1 October 2022 and ending 30 September 2023,

referred to as "2023" throughout the report, unless otherwise stated. Monetary amounts in this document are reported in Australian dollars, unless otherwise stated.

Assurance

KPMG has performed limited assurance over the disclosures in this report, including the two methodology documents referenced above. A copy of KPMG's limited assurance report is on pages 88-89. KPMG has also performed reasonable assurance over Global GHG Emissions (Scope 1 and 2).

2023 Reporting Suite

We produce a suite of reports to meet the needs and requirements of a wide range of stakeholders including shareholders, customers, employees, regulators, non-government organisations (NGOs) and the community.

This Climate-related Financial Disclosures report complements our 2023 Annual Report available at anz.com/annualreport.

Our 2023 ESG Supplement provides stakeholders with detailed ESG disclosures, including performance against our ESG targets. Available at anz.com/esgreport.

Our 2023 Corporate Governance Statement discloses how we have complied with the Australian Securities Exchange (ASX) Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 4th edition' and is available at anz.com/corporategovernance.

We are continually seeking to improve our reporting suite and welcome feedback on this report. Please address any questions, comments or suggestions in relation to this report to corporate.sustainability@anz.com.

Overview

About this report

Disclaimer and important notices

2023 Climate snapshot

ANZ Climate approach

Governance

Strategy

Risk Management

Metrics and Targets

Appendix

Assurance opinion

DISCLAIMER & IMPORTANT NOTICES

The material in this report contains general background information about the Group's activities current as at 10 November 2023. It is information given in summary form and does not purport to be complete. It has a sustainability focus and does not reflect the totality of the Group's business activities. For a more complete overview of the Group's business, see the ANZ Annual Report available at anz.com/shareholder/centre/.

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.

Forward-looking statements

This report may contain forward-looking statements or opinions including statements regarding our intent, belief or current expectations with respect to the Group's business operations, market conditions, results of operations and financial condition, capital adequacy, sustainability objectives or targets, specific provisions and risk management practices. When used in the report, the words 'forecast', 'estimate', 'goal', 'target', 'indicator', 'plan', 'pathway', 'ambition', 'modelling', 'project', 'intend', 'anticipate', 'believe', 'expect', 'may', 'probability', 'risk', 'will', 'seek', 'would', 'could', 'should' and similar expressions, as they relate to the Group 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*. The Group 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 hereof to reflect the occurrence of unanticipated events.

Climate-related information

This report may contain climate-related statements, including in relation to climate-related risks and opportunities, climate-related goals and ambitions, climate scenarios, emissions reduction pathways and climate projections. While the Group has prepared the statements in good faith, climate-related statements are subject to significant uncertainty, challenges and risks that may affect their usefulness, accuracy and completeness, including:

- 1. **Availability and reliability of data** – emissions and climate-related data may be incomplete, inconsistent, unreliable or unavailable (including information from the Group's clients), and it may be necessary to rely on assumptions, estimates or proxies where that is the case.
- 2. **Uncertain methodologies and modelling** – methodologies, frameworks and standards used for calculations of climate-related metrics, modelling and climate data are not universally applied, are rapidly evolving and subject to change. This may impact the data modelling, approaches, and targets used in preparation of this report.
- 3. **Complexity of calculations and estimates** – Estimating financed emissions (including allocating emissions to financing activities) and emissions reduction is complex and relies on assumptions and judgments, often made in respect of long periods of time. For facilitated emissions, suitable standards to allow financial institutions to calculate facilitated emissions are still under development as at October 2023.
- 4. **Changes to climate-related governing frameworks** – changes to climate-related policy, laws, regulations and market practices, standards and developments, including those resulting from legal proceedings and regulatory investigations.
- 5. **Lack of consistency in definitions and climate-science terminology subject to changes** – definitions and standards for climate-related data and assessment frameworks used across industries and jurisdictions may vary, and terminology and concepts relating to climate science and decarbonisation pathways may evolve and change over time. These inconsistencies and changes can also make comparisons between different organisations' climate targets and achievements difficult or inappropriate.

- 6. **Reliance on third parties for data or involvement** – the Group may need to rely on assistance, data or other information from external data and methodology providers or other third parties, which may also be subject to change and uncertainty. Additionally, action and continuing participation of third parties, such as stakeholders, may be required (including financial institutions and governmental and non-governmental organisations).

Due to these uncertainties, challenges and risks, statements, assumptions, judgments, calculations, estimates or proxies made or used by the Group may turn out to be incorrect, inaccurate or incomplete. Readers should conduct their own independent analysis and not rely on the information for investment decision-making.

The information in this notice should be read with:

- The qualifications, limitations and guidance included throughout this report
- ANZ Financed Emissions Methodology available at anz.com/esgreport
- ANZ Greenhouse Gas Reporting and Carbon Offset Guidelines available at anz.com.au/about-us/esg/environmental-sustainability/environmental-footprint/
- ANZ Social and Environmental Sustainability Target Methodology available at anz.com/esgreport

Overview

- About this report
- Disclaimer and important notices
- 2023 Climate snapshot
- ANZ Climate approach

- Governance
- Strategy
- Risk Management
- Metrics and Targets
- Appendix
- Assurance opinion

2023
CLIMATE SNAPSHOT¹

Existing Sectoral Pathways		2030 Interim Target Reduction	Status
	Power Generation	50% (2020 baseline)	ON TRACK
	Oil and Gas	26% (2020 baseline)	ON TRACK
	Aluminium	30% (2021 baseline)	NOT ON TRACK
	Cement	20% (2021 baseline)	ON TRACK
	Steel	28% (2021 baseline)	CLOSE TO ON TRACK
	Large-scale Commercial Real Estate ⁴	60% (2019 baseline)	ON TRACK
New Sectoral Pathways			
	Thermal Coal	100% (2020 baseline)	ON TRACK
	Transport sub-sector: Aviation	30% (2019 baseline)	ON TRACK
	Transport sub-sector: Auto Manufacturing	28% (2022 baseline)	ON TRACK
	Transport sub-sector: Shipping	10% (2022 baseline)	ON TRACK

64
of 100 of our largest emitting business customers now have ‘well developed’ or ‘advanced’ transition plans versus 42 in September 2021²

Approximately
\$8.8 B
funded and facilitated in social and environmental outcomes³ since 1 April 2023

97%
of our project finance power generation portfolio is from renewables projects

80%
reduction in combined Scope 1 and 2 greenhouse gas emissions against a 2015 baseline

1. Refer to page 43 for further detail on our sectoral pathways. 2. Refer to pages 23-24 for further detail. 3. Refer to page 20 for further detail.
4. Actual Performance Against our Large-scale commercial real estate Target up to end 2022.

● >10% above pathway ● ≤10% above pathway ● On or below pathway

Overview

About this report

Disclaimer and important notices

2023 Climate snapshot

ANZ Climate approach

Governance

Strategy

Risk Management

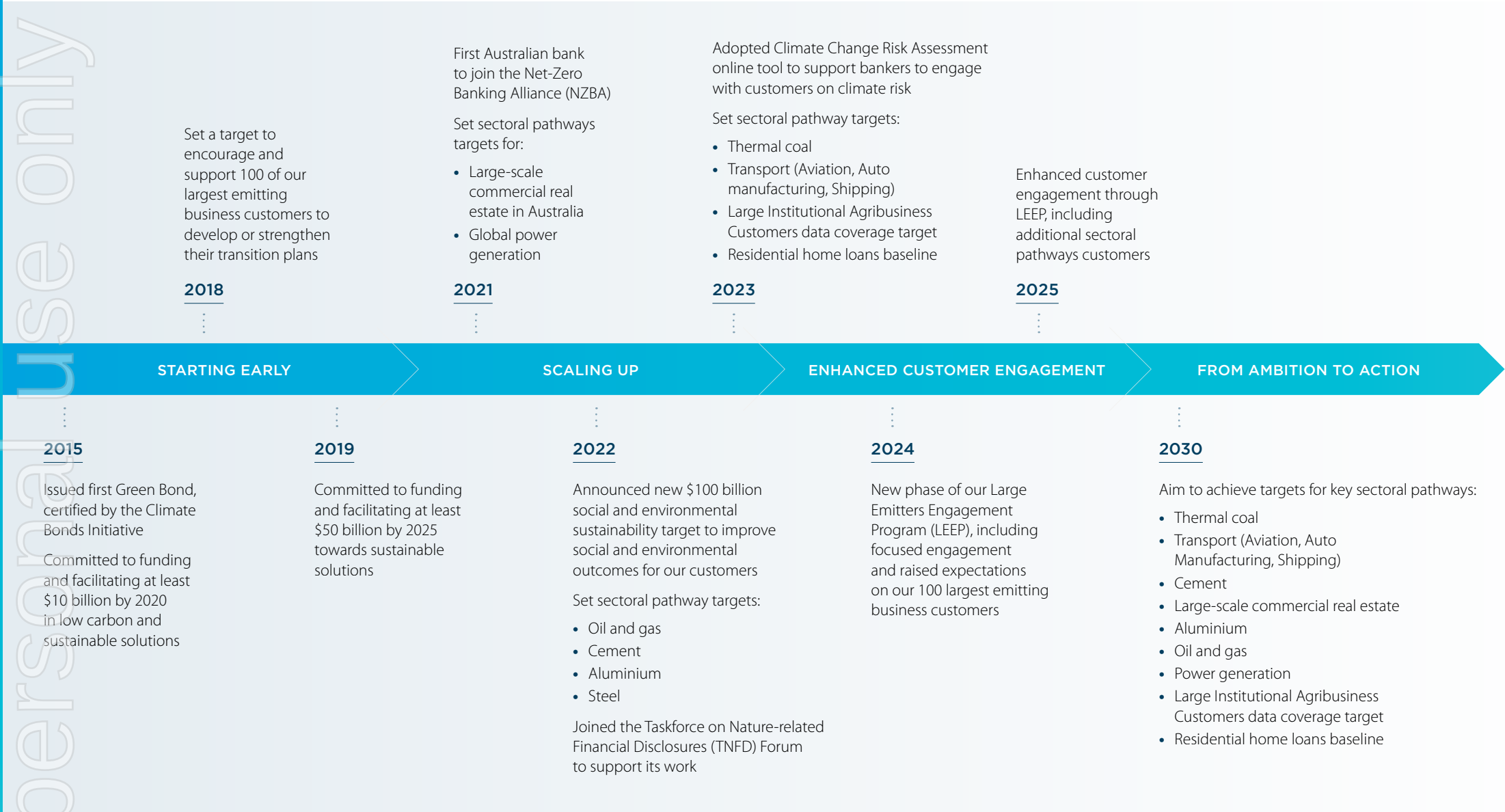
Metrics and Targets

Appendix

Assurance opinion

ANZ CLIMATE APPROACH
PROGRESS TOWARDS NET ZERO

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Overview

- About this report
- Disclaimer and important notices
- 2023 Climate snapshot
- ANZ Climate approach**

- Governance
- Strategy
- Risk Management
- Metrics and Targets
- Appendix
- Assurance opinion

GOVERNANCE



Board and Executive oversight

The ANZ Group Holdings Limited Board (Board) is responsible for oversight of the Group and its overall governance and performance, with specific duties as set out in its charter available at anz.com/corporategovernance.

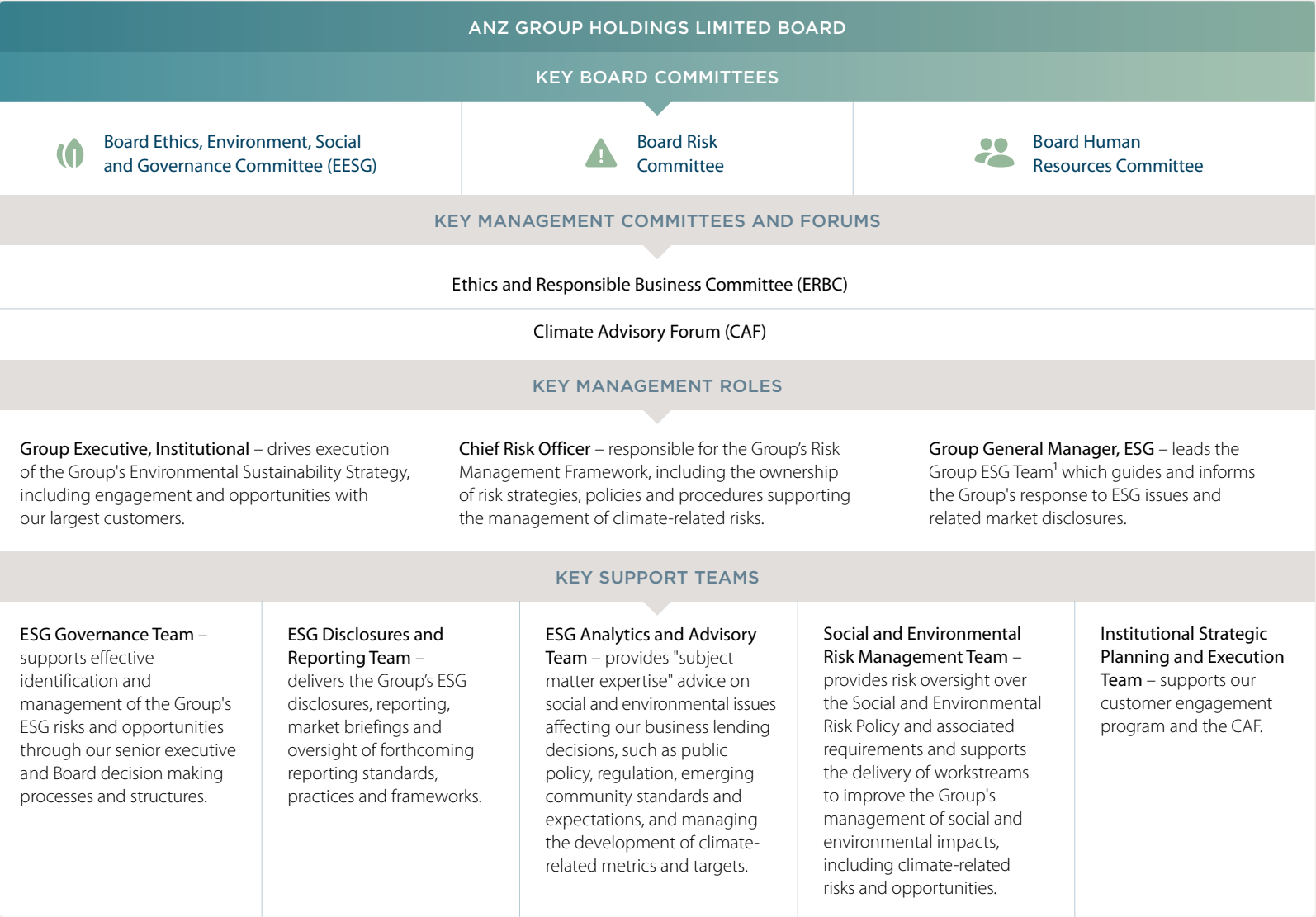
The Board, with the support of the Board Committees, is also responsible for oversight of ANZ's governance framework. The framework seeks to provide for effective and responsible decision making, assisting ANZ in delivering on its strategy and purpose.

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 outlines 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 approach, including how we manage our climate-related risks and opportunities, is primarily overseen by the Board and management through our Board EESG Committee and management Ethics and Responsible Business Committee (ERBC). Governance and oversight of risk management is the focus of committees and forums across the bank. See chart for our governance structure relevant to the oversight of climate-related risks and opportunities.

OUR GOVERNANCE FOR OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES



1. Group ESG Team includes key support teams: ESG Governance Team, ESG Disclosures and Reporting Team and ESG Analytics and Advisory Team.

Overview

Governance

- Board and executive oversight
- Board and Board committees
- Management committees
- Enhanced due diligence
- Executive remuneration

Strategy

- Risk Management
- Metrics and Targets

Appendix

- Assurance opinion

Board and Board Committees

ANZ's Board

The Board is responsible to shareholders for the governance of the Group and oversees its operations and financial performance.

The role of the Board is to promote the long-term interests of ANZ. To fulfil its role, the Board sets and monitors the long-term implementation of ANZ's strategies and financial objectives. The Board has a specific responsibility to oversee and assess management's performance in achieving strategies and budgets approved by the Board and in monitoring and managing risk across ANZ.

ANZ's strategy is to improve the financial wellbeing and sustainability of our customers. We are focused on integrating our purpose and ESG approach into our business strategy.

Through our purpose – we have elevated three areas facing significant societal challenges aligned with our strategy and reach, including supporting households, business and financial practices that improve Environmental Sustainability. The other two focus areas, Financial Wellbeing and Housing, are covered in detail in our ESG Supplement available at anz.com/esgreport.

Our purpose provides the context in which we make decisions and consider our overall strategy.

Further, specific updates on our Environmental Sustainability Strategy including the Group's environmental priorities and related targets are presented periodically to the Board.

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

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

In undertaking this role, the Board EESG Committee is responsible for oversight, review and approval of ANZ's ESG approach, objectives and performance, including climate-related targets.

The Board EESG Committee generally meets at least four times annually, meeting five times in 2023. Meetings typically open with an overview of the ESG operating environment, covering current and emerging issues, including regulatory and parliamentary inquiries, community sentiment, relevant international developments and our stakeholder engagement.

The Board EESG Committee also reviews ERBC meeting minutes and discusses 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) oversees the implementation and operation of the Group's Risk Management Framework, including new and emerging risks, such as risks which are climate-related. Climate is covered from time to time at the BRC, for example as part of the Chief Risk Officer's report, via sector reports and updates to ANZ's Risk Management Strategy.

The BRC meets at least four times annually, meeting eight times in 2023. The charter of the Board Risk Committee is available at anz.com/corporategovernance.

Board Human Resources Committee

The Human Resources (HR) Committee supports the Board on remuneration and other HR matters. It reviews the remuneration policies and practices of the Group, and monitors market practice and regulatory and compliance requirements in Australia and overseas.

The HR Committee has a strong focus on the relationship between business performance, risk management and remuneration, aligned with our business strategy.

A concurrent meeting of the HR, Risk and Audit Committees was held to review 2023 performance and variable remuneration recommendations at both the Group (i.e. assessment of the ANZ Group Performance Framework which included sustainability-related objectives), CEO and Disclosed Executive level. Refer to our Remuneration Report within our Annual Report available at anz.com/annualreport.

Board skills

The ANZ Board Skills Matrix, as set out in the 2023 Corporate Governance Statement, which is 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 Sustainability.

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, banking and agriculture. For further details on the 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, the Board seeks to ensure that the Directors operate as a team. The Board is focused on the long-term success of the Group. Each Director has an individual perspective which facilitates respectful and constructive challenge of management and each other and allows for robust debate that may be required when navigating complex issues.

The Skills Matrix is reviewed by the Nomination and Board Operations Committee on a regular basis.

Management Committees and Forums

Ethics and Responsible Business Committee (ERBC)

The ERBC, chaired by the CEO, comprises Senior Executives and members from business divisions and Group functions.

The ERBC is a leadership and decision-making body that exists to advance ANZ's purpose and seeks to ensure that ANZ operates responsibly and achieves fair, ethical and balanced stakeholder outcomes. The ERBC approves 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 (quarterly) against ANZ's ESG targets which include those related to climate change.

The ERBC considers the social and environmental impacts of the industries, customers and communities ANZ serves. The ERBC is responsible for overseeing the ERBC Sub-Committee for sensitive wholesale transactions.

Overview

Governance

- Board and executive oversight
- Board and Board committees
- Management committees
- Enhanced due diligence
- Executive remuneration

Strategy

Risk Management

Metrics and Targets

Appendix

Assurance opinion

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.

The ERBC meets at least four times annually, meeting five times in 2023.

Climate Advisory Forum

Our Climate Advisory Forum (CAF), chaired by our Group Executive Institutional, includes our Group Chief Risk Officer, Group General Manager ESG and other executives.

The CAF oversees implementation of ANZ's Climate Change Commitment – ensuring coordination between the various workstreams including our Environmental Sustainability (ES) Strategy and our sectoral pathways.

The CAF meets approximately monthly with the agenda structured to cover ES focus areas on a regular and timely basis. ES focus areas for the forum were established in October 2022. Some of the key ES focus areas discussed with the forum this year included:

capturing and managing ES-related data, rolling out ES education, considering nature and biodiversity, our customer engagement program, sectoral pathways progress and enhancing transparent reporting and disclosures. Actions and decisions are captured and progress of the ES focus areas are tracked. The CAF met nine times in 2023.

Other management committees

Other management committees play a role in the management of risks, including risks which are climate-related, such as the following:

- **Operational Risk Executive Committee (OREC)** is the primary senior executive management forum responsible for overseeing Operational Risk and Compliance Risk, risk profile, and the related Control Environment across the Group; and
- **Credit and Markets Risk Committee (CMRC)** is the senior executive management forum responsible for the oversight and control of credit, market, insurance and other material financial risks across the Group.

OREC and CMRC have responsibility for the overview of ANZ's management of new and emerging risks within their respective risk areas, which may include risks that are climate-related. This year, OREC and CMRC met eight and ten times respectively.

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

Stakeholder engagement

We run a regular program of CEO and Senior Executive meetings with civil society leaders including environmental non-governmental organisations, regulators and academics.

Further, our Group Chief Risk Officer and Group General Manager ESG visited Europe and the United Kingdom and met with around 20 financial institutions, regulators, corporate customers, and the Chair of the Taskforce for Nature-Related Financial Disclosures (TNFD) to obtain global insights into climate and biodiversity challenges and opportunities.

Areas of focus by the Board EESG Committee and management ERBC

Both Committees discuss the areas of 'how we bank' and 'who we bank'. Environmental Sustainability is one of ANZ's three ESG focus areas that is fundamental to our business and strategy. Climate is a standing item on both the Board EESG Committee and ERBC's agenda.

The climate paper is usually presented to the Committees by the Group Chief Risk Officer, Group Executive Institutional and Group General Manager ESG.

Based on allocated agenda time, this year these Committees jointly dedicated approximately 25 per cent of their time to climate-related topics. This included reviewing and approving our approach to climate-related objectives and targets.

This year the Committees have considered topics such as biodiversity, ANZ's carbon offsetting strategy and ANZ's customer engagement program with our largest emitting business customers, including receiving briefings from internal and external subject matter experts. These briefings and meetings provide opportunities to support knowledge building and capability in areas such as climate and biodiversity.

Overview

Governance

- Board and executive oversight
- Board and Board committees
- Management committees
- Enhanced due diligence
- Executive remuneration

Strategy

Risk Management

Metrics and Targets

Appendix

Assurance opinion

Climate-related sectoral pathways and ESG targets

Climate-related targets, within our suite of ESG targets (disclosed on pages 81-84, with the full ESG target suite available in our ESG Supplement at anz.com/esgreport), are developed under the guidance of the CAF, informed by the ESG Governance and ESG Analytics and Advisory teams in close consultation with relevant business units.

Our sectoral pathways (disclosed on pages 49-77) are developed by our ESG Analytics and Advisory team, working closely with the relevant business units and risk teams.

Proposed targets are reviewed by the Board EESG Committee and the ERBC and are ultimately approved by the Board EESG Committee. Progress of the ESG targets is monitored twice a year by the Board EESG Committee and quarterly by the ERBC, and an annual review is conducted to ensure targets remain relevant.

Our sectoral pathways are reviewed annually, in alignment with the frequency with which data (for example emissions data) is reported by our customers.

Biodiversity

Biodiversity has been considered by the Board EESG Committee and management ERBC as part of their responsibility to provide leadership to advance ANZ's purpose, involving consideration of certain social and environmental impacts. Recognising a need to build our understanding of, and capability in, emerging risks and opportunities to inform our direction – this year the Board EESG Committee and management ERBC received updates on biodiversity, including a progress update on the TNFD.

This year we have sought to draw on the TNFD framework in our disclosures. Refer to pages 25-29 for steps we are taking.

Enhanced due diligence for energy sector customers (including oil and gas)

We continue to apply an enhanced due diligence and decision-making process for relevant customers and transactions in the energy sector, including oil and gas companies.

Material energy transactions (material transactions) undergo additional screening. Material transactions in this context include those likely to have a significant impact on the size or carbon intensity of our energy sector portfolio or represent heightened reputational risk.

Material transactions are referred to senior subject matter experts for review having regard to ANZ's Climate Change Commitment prior to proceeding. In this respect, the process involves an evaluation of customer transition plans using the criteria

we apply in our engagement with our largest emitting business customers, outlined on page 24 of this report.

Where a customer or transaction does not meet our expectations (including those set out in our Climate Change Commitment), then we may decline lending.

In some instances, for example, where our initial assessment indicates the customer's transition plans are not yet well developed or if there are heightened reputation risks, senior subject matter experts escalate these transactions to three of our senior executives for decision on whether ANZ will support them. These senior executives are primarily the ones responsible for monitoring our climate progress – they are our Group Executive Institutional, Group Chief Risk Officer and Group General Manager ESG.

As part of this process our ethical decision-making principles are applied, including considering if the transaction will advance ANZ's strategic and commercial interests.

In 2023, 22 transactions were escalated to the senior executives with three declined and 19 approved or conditionally approved.

The rationale for each decision relating to the escalated transactions is provided to the ERBC for oversight and information.



Refer to page 39 for further details on other policies and tools in place relevant to considering ANZ's approach to doing business, having regard to ANZ's Climate Change Commitment.

Executive remuneration

ANZ's Remuneration Report within our Annual Report, available at anz.com/annualreport, details how remuneration outcomes are determined for our most senior employees. In general, remuneration outcomes for the CEO and Disclosed Executives take into consideration performance against ANZ's Group Performance Framework – which includes sustainability objectives and measures. For example the 2023 Group Performance Framework includes:

- Making meaningful progress on environmental sustainability strategies (e.g. fund and facilitate at least \$100 billion by end 2030).

Individual/Divisional performance scorecards also include sustainability measures as relevant to the particular business. It is important to note that Group/Division performance objectives are not designed to capture all of our ESG targets – however our senior leaders are accountable for ensuring we focus and achieve ANZ's Climate Change Commitment and policies, with regular review and oversight by the ERBC.

Overview

Governance

- Board and executive oversight
- Board and Board committees
- Management committees
- Enhanced due diligence
- Executive remuneration

Strategy

Risk Management

Metrics and Targets

Appendix

Assurance opinion

STRATEGY

Our purpose is to shape a world where people and communities thrive. It explains ‘why’ we exist and drives everything we do at ANZ, including the choices we make each day about those we serve and how we operate.

We bring our purpose to life through our strategy; to improve the financial wellbeing and sustainability of customers through excellent services, tools and insights that engage and retain them, and help positively change their behaviour.

Through our purpose we have elevated three areas facing significant societal challenges aligned with our strategy and our reach:

- Improving the financial wellbeing of our people, customers and communities by helping them make the most of their money throughout their lives;
- Supporting household, business and financial practices that improve environmental sustainability; and
- Improving the availability of suitable and affordable housing options for all Australians and New Zealanders.

Integrating our ESG approach into our strategy has created an opportunity for us to better serve our customers and generate long-term shareholder value.

This report describes our progress towards implementing our Climate Change Commitment and Environmental Sustainability Strategy.

Our purpose	TO SHAPE A WORLD WHERE PEOPLE AND COMMUNITIES THRIVE					
Our strategy	To improve the financial wellbeing and sustainability of customers					
Who we serve	 Help people save for, buy and own a sustainable, liveable and affordable home	 Help people start or buy and sustainably grow their business	 Help companies move capital and goods around the region and sustainably grow their business			
We will achieve our strategy through	Propositions our customers love... with easy-to-use services that evolve to meet their changing needs Flexible and resilient banking platforms ... powering our customers and made available for others to power the industry			Partnerships that unlock new value... with ecosystems that help customers further improve their financial wellbeing and sustainability Purpose and values-led people ... who drive value by caring about our customers and the outcomes we create		
ESG focus areas	Financial wellbeing	Environmental sustainability	Housing	Customer experience	Information security	Ethics, conduct and culture

Overview

Governance

Strategy

Our purpose and strategy

- Our climate ambition
- Supporting our customers to transition
- Financing sustainability
- \$100b target performance
- Building capability
- Customer engagement
- Biodiversity
- Partnerships and initiatives
- Reducing our environmental footprint

Risk Management

Metrics and Targets

Appendix

Assurance opinion

Our Climate Change Commitment

To meet the Paris Agreement goals, significant greenhouse gas emission reductions are required across all sectors of the economy. Trillions of dollars are needed to invest in new and existing technologies for clean energy and transport, sustainable food production and resilient infrastructure.¹

Our Climate Change Commitment provides the framework to achieve our strategy of transitioning our lending in line with the goals of the Paris Agreement. We joined the Net-Zero Banking Alliance (NZBA) in 2021, reflecting that commitment and setting pathways² to support customers' emissions reductions.

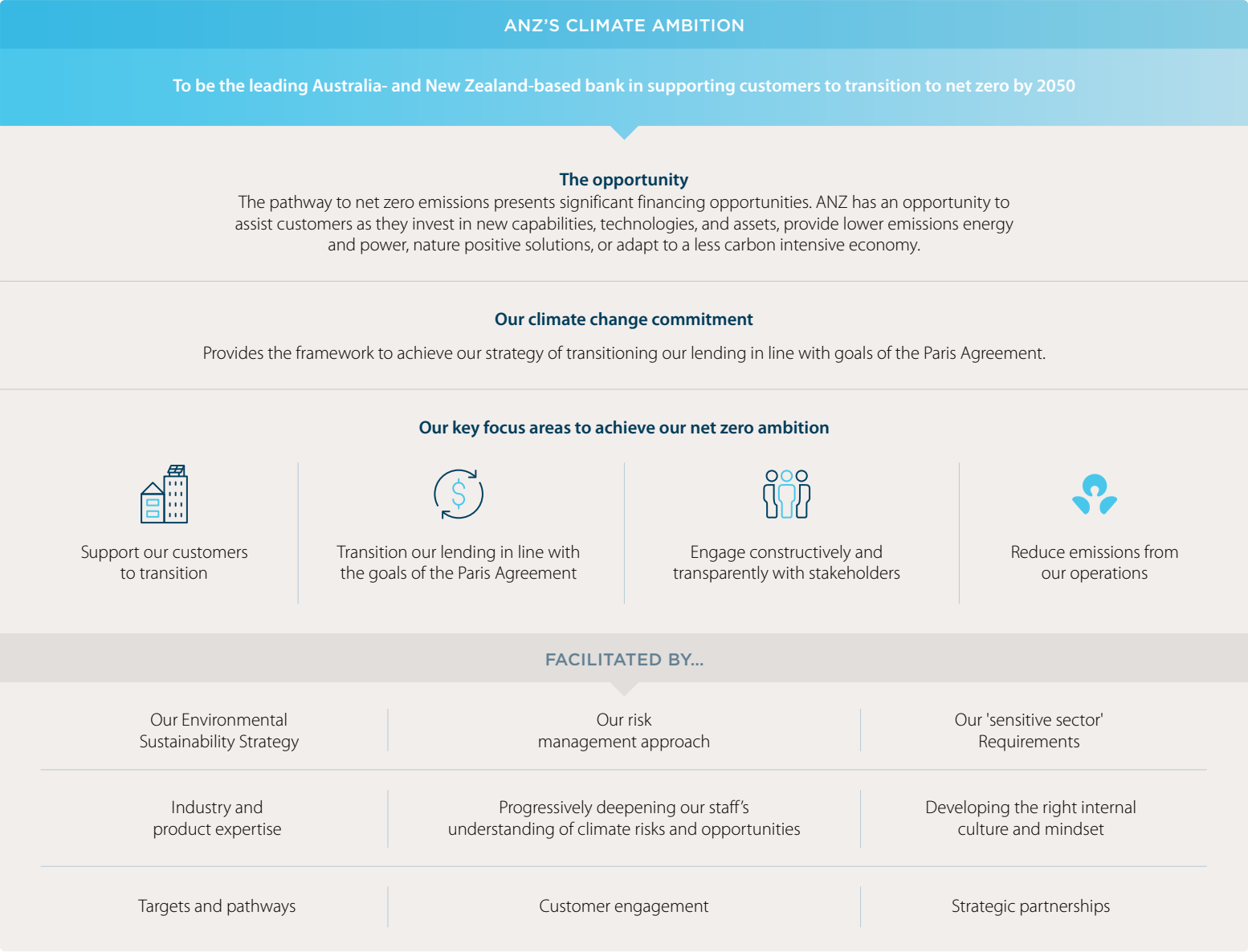
Our Environmental Sustainability Strategy identifies focus areas, technologies and financing opportunities to help achieve our climate ambition.

The most important role we can play in the transition to net zero is to support 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.

The following sections identify opportunities and report on progress against our key focus areas relating to our climate ambition.

 **Our full Climate Change Commitment is available here.**

1. The economic transformation: What would change in the net-zero transition, McKinsey & Company, January 2022. 2. Our sectoral pathways are how we are, over time, steering up to nine of our highest emitting sectors in our lending portfolio towards the Paris Agreement goals as part of our commitment to the NZBA.



Overview

Governance

Strategy

Our purpose and strategy

Our climate ambition

Supporting our customers to transition

Financing sustainability

\$100b target performance

Building capability

Customer engagement

Biodiversity

Partnerships and initiatives

Reducing our environmental footprint

Risk Management

Metrics and Targets

Appendix

Assurance opinion

SUPPORTING OUR CUSTOMERS TO TRANSITION

ANZ has chosen some key focus areas as part of our Environmental Sustainability Strategy:



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.

ANZ has an opportunity to assist customers as they invest in new capabilities, technologies and assets, provide lower emissions energy and power, nature positive solutions, or adapt to a less carbon intensive economy. Examples of how we are directing our finance into key focus areas this year include:

ANZ acted as a Mandated Lead Arranger in the US\$1 billion syndicated debt facilities for **Talison Lithium Pty Ltd's** Greenbushes lithium mine, located in Western Australia, in October 2022. Lithium is a critical ingredient for electric vehicle batteries and other battery storage solutions.

ANZ acted as Joint Sustainability Coordinator, Mandated Lead Arranger, Underwriter, Bookrunner, and Facility Agent for a \$340 million and US\$75 million syndicated sustainability-linked loan in February 2023 for a subsidiary of **Frasers Property Limited**, a Singapore headquartered multinational real estate company across five asset classes: commercial & business parks, hospitality, industrial & logistics, residential and retail. The sustainability-linked loan incorporates absolute greenhouse gas emissions reduction targets across Scopes 1, 2 and 3 emissions.

Van Lier Nurseries is a family-owned business in West Auckland, growing flowers and indoor plants in large glasshouses. In 2023 ANZ Bank New Zealand, through the Business Green Loan and along with other external finance providers, supported Van Lier's investment in a low carbon alternative to heating by replacing the gas heating system with an electric heat pump system. The customer expects that this will reduce emissions and operating costs for their business.

In June 2023 ANZ supported the **Western Australian Treasury Corporation** with the issuance of its first green bond, a \$1.9 billion ten-year transaction. The terms provide that the proceeds of the green bond will be used to fund eligible projects including: the expansion of the electrified public transport rail network, an increase in renewable energy generation (as part of the Western Australian Government's commitment to cease State owned coal-fired electricity generation by 2030), and delivery of a renewable-powered desalination plant.

Eligible projects are governed by the issuer's Sustainability Bond Framework which supports the Western Australian Government's commitment to delivering its environmental and social objectives. ANZ acted as Joint Lead Manager and Joint Sustainability Bond Coordinator.

Tilt Renewables, one of Australia's largest renewable energy generator, refinanced and increased their syndicated debt facility to \$2.6 billion. The refinancing included the accession of Coopers Gap Wind Farm into the Tilt Renewables portfolio. Coopers Gap Wind Farm has 123 turbines and is one of the largest operational wind farms in Australia with a nameplate capacity of 453MW. ANZ acted as a Joint Mandated Lead Arranger.

ANZ provided a \$40 million secured loan facility to a subsidiary of listed transport provider and tourism operator, the **Kelsian Group Limited** in August 2023 for the procurement of zero emission electric buses. The buses support Kelsian's contribution to NSW's zero emissions bus commitment, which is expected to see the public bus network for Greater Sydney fully transitioned by 2035 and outer metropolitan regions by 2040.

Overview
Governance
Strategy
Our purpose and strategy
Our climate ambition
Supporting our customers to transition
Financing sustainability
\$100b target performance
Building capability
Customer engagement
Biodiversity
Partnerships and initiatives
Reducing our environmental footprint
Risk Management
Metrics and Targets
Appendix
Assurance opinion

SUPPORTING OUR CUSTOMERS TO SHIFT TO
LOW CARBON BUSINESS MODELS AND OPERATIONS

ANZ is supporting our customers' transition to net zero and nature positive outcomes, including through the following labelled and other financing products and services:



Our Institutional **Sustainable Finance** team is helping our customers by encouraging them to identify climate and nature-related risks (including biodiversity loss) and opportunities. The team is financing and facilitating the deployment of capital into green, social and sustainability initiatives, for example where borrowers are required to use the proceeds of a loan to invest in eligible green and/or social assets

 [Refer to page 16](#)



We are supporting our Commercial customers to invest in improvements in their energy efficiency through our Energy Efficient Asset Finance Program provided jointly with the **Clean Energy Finance Corporation (CEFC)**

 [Refer to page 18](#)



Our New Zealand business is supporting smaller **business and retail customers** to implement sustainable initiatives

 [Refer to page 19](#)



We also support our customers' sustainability ambitions through unlabelled financing products and services, such as relationship lending, project and export finance, asset finance, loan syndication, advisory and markets solutions

 [Refer to page 17](#)



Our **Environmental Markets** team is building capability to help customers by facilitating access to the carbon credit ecosystem, connecting demand, supply and trading of carbon credits

 [Refer to page 18](#)

Overview

Governance

Strategy

Our purpose and strategy

Our climate ambition

Supporting our customers to transition

Financing sustainability

\$100b target performance

Building capability

Customer engagement

Biodiversity

Partnerships and initiatives

Reducing our environmental footprint

Risk Management

Metrics and Targets

Appendix

Assurance opinion

FINANCING
SUSTAINABILITY

Sustainable Finance

ANZ’s Sustainable Finance team in Institutional is helping our customers by: encouraging them to identify climate and nature-related risks (including biodiversity loss) and opportunities, and financing their transition plans and sustainability strategies.

Customer demand for labelled sustainable finance¹ products and services remained sound this year. Our customers continue to seek labelled sustainable finance which aligns with their sustainability objectives as they shift to low-carbon business models and direct capital into measures aimed at responding to environmental and social issues. Nevertheless, sustainable finance has not been immune to the slowing of the global economy as central banks raised interest rates.

As the sustainable finance market evolves and the market’s initial focus on climate broadens to encompass other themes, there is further development in financing formats. Following the establishment of the Orange Bond Principles, ANZ led the market’s inaugural, orange-labelled bond aimed to mobilise gender-lens investing;² evidencing the continued innovation in the sustainable finance market.

1. Labelled sustainable finance is existing banking products with a specific sustainability related label. 2. Refer to the **Orange Bond Principles** for further information. 3. Of the 111 sustainable finance deals we participated in, \$7.9 billion was attributed to ANZ via our distribution capability, and \$8.2 billion via on-balance sheet loans and other credit lines. 4. Numbers do not add to \$144 billion due to rounding.

During 2023

We participated in 111 sustainable finance deals with a total deal size of \$144 billion,³ compared to 127 deals with a total deal size of \$155 billion in 2022:

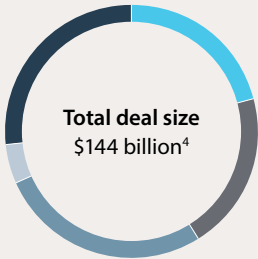
\$112 B (53 deals) from **International**



\$22 B (35 deals) from **Australia**

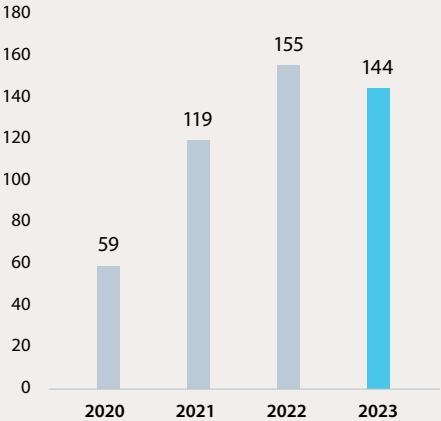


\$10 B (23 deals) from **New Zealand**



- \$30 billion (25 deals) from Diversified Industries
- \$29 billion (11 deals) from Food, Beverages and Agriculture
- \$39 billion (38 deals) from Financial Institutions Group
- \$7 billion (16 deals) from Property and Health
- \$38 billion (21 deals) from Resources, Energy and Infrastructure

Sustainable finance total deal size over time (\$b)



- Overview
- Governance
- Strategy
 - Our purpose and strategy
 - Our climate ambition
 - Supporting our customers to transition
 - Financing sustainability**
 - \$100b target performance
 - Building capability
 - Customer engagement
 - Biodiversity
 - Partnerships and initiatives
 - Reducing our environmental footprint
- Risk Management
- Metrics and Targets
- Appendix
- Assurance opinion

We are focused on continuing to identify opportunities to support our customers’ path to net zero emissions and enhance their resilience to a changing climate. Some examples of labelled products we provide include:

Green, Social and Sustainability Loans

Lending to deploy capital into green, social and sustainability initiatives, where borrowers are required to use the proceeds of the loan to invest in qualifying green and/or social assets.

HIGHLIGHT

SK Battery America Incorporated

In June 2023, ANZ participated in a US\$280 million syndicated green loan for SK Battery America Inc. Proceeds of the loan will be used for refinancing and capital expenditure for the borrower’s electric vehicle battery plant. The borrower is part of South Korean group SK On, which is focused on manufacturing electric vehicle batteries, energy storage systems and battery-as-a-service capacity. ANZ acted as Sole Mandated Lead Arranger and Bookrunner, Green Structuring Advisor and Administrative Agent.

Sustainability-Linked Loans

Lending which incentivises the borrower’s achievement of ambitious, predetermined sustainability-related performance targets.

HIGHLIGHT

Wellington International Airport Limited

Wellington International Airport Limited (“WIAL”) announced the successful conversion of NZ\$100 million of existing bank facilities into sustainability-linked loans in March 2023, creating direct financial incentives by aligning lower interest rates with meeting agreed sustainability targets. This is the first step in WIAL’s sustainable finance journey, and one of the first sustainability-linked loans for the airport sector in New Zealand. ANZ acted as lender and Sustainability Coordinator.

HIGHLIGHT

KMD Brands Limited

KMD Group refinanced its syndicated debt facilities into NZ\$310 million equivalent sustainability-linked facilities, including guarantee lines in May 2023. The facilities featured updated sustainability targets of the KMD Group including reducing greenhouse gas emissions, continued B Corp certification, and improving transparency within its supply chain. ANZ acted as Sole Sustainability Coordinator, Sole Mandated Lead Arranger & Bookrunner, Facility Agent, and Security Trustee.

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.

HIGHLIGHT

Meridian

In March 2023, ANZ acted as Sole Green Bond Coordinator, Joint Arranger and Joint Lead Manager for Meridian’s inaugural NZ\$200m green bond issue. The proceeds of the bond will be allocated to finance or refinance sustainable projects and assets such as new or existing renewable energy projects or assets.

HIGHLIGHT

Impact Investment Exchange IIX

In December 2022, ANZ led the inaugural US\$50 million four-year Women’s Livelihood Bond for Impact Investment Exchange (IIX), the world’s first sustainable debt issued under the Orange Bond Principles which aims to mobilise gender-lens investing under an orange-labelled asset class.

The structure securitises a portfolio of loans to enterprises that are deemed to have a positive impact on women’s livelihood and may not have access to international capital markets. The Bond’s proceeds are intended to support approximately 280,000-300,000 women across Asia and Africa to transition to more sustainable, climate-resilient livelihoods.

The Women’s Livelihood Bond Series leverages innovative financial instruments to advance gender equality at scale. ANZ has been involved in all five bond issuances totalling more than US\$120 million.

Supporting customers’ sustainability ambitions

We also support our customers’ sustainability ambitions through unlabelled financing products and services.

‘Unlabelled’ refers to our existing banking products and services where no specific sustainability related label is applied. In our Institutional business, some examples of ways in which we support our customers are: providing relationship or structured lending or other banking solutions to customers to finance or facilitate things like green buildings, renewable energy, energy efficiency, or sustainable infrastructure.

Recent examples of unlabelled transactions include:

HIGHLIGHT

CIMIC Group Limited

In March 2023, ANZ acted as joint mandated lead arranger in the construction financing for the Glenrowan Solar Farm – the first renewables project sponsored by Pacific Partnerships, a subsidiary of CIMIC Group Limited.

The solar farm is located in the township of Glenrowan in Victoria’s Central North Renewable Energy Zone. The project has a long-term, 10-year power purchase agreement with the Victorian Government, which will assist the State in achieving its legislated renewable energy targets of 40 per cent by 2025 and 50 per cent by 2030.

Supporting transactions like this aligns with our Environmental Sustainability Strategy and contributes towards our \$100 billion social and environmental sustainability target.

Overview
Governance
Strategy
Our purpose and strategy
Our climate ambition
Supporting our customers to transition
Financing sustainability
\$100b target performance
Building capability
Customer engagement
Biodiversity
Partnerships and initiatives
Reducing our environmental footprint
Risk Management
Metrics and Targets
Appendix
Assurance opinion

HIGHLIGHT

Schroders Greencoat LLP

ANZ acted as Sole Arranger and lender for Greencoat UK Wind PLC, a renewable infrastructure fund invested in UK wind farms, managed by Schroders Greencoat LLP, with a structured financing solution of GBP 150 million 3 and 5-year term facilities and associated interest rate hedging.

As at August 2023 Greencoat UK Wind’s portfolio comprises interests in approximately 48 operating wind farms located across England, Scotland, Northern Ireland and Wales. The company provides investors with the opportunity to participate directly in the UK’s energy transition across a diversified operational portfolio.

HIGHLIGHT

Longroad Energy Holdings LLC

In December 2022, ANZ acted as Joint Lead Arranger in a US\$680 million Clubbed Financing Package for the development of Longroad Energy’s, 215MW Solar PV and 215MW Battery Storage Project located in Arizona, United States of America.

Longroad Energy is a U.S based renewable energy company and majority owned by ANZ customers Infratil and NZ Super. The group is focused on development, ownership, and management of wind, solar and storage projects throughout North America, with over 4GW of renewable capacity developed and acquired since inception.

Environmental Markets

There is increasing demand for carbon credits to help mitigate hard-to-abate emissions. Concurrently, there is an increasing demand from customers for guidance navigating emerging issues, such as nature, including biodiversity.

ANZ acknowledges the pivotal role banks can serve in these markets. Responding to this, in mid 2022, ANZ introduced the Environmental Markets line of business – a joint initiative between our Corporate Finance and Markets businesses.

Presently, the Environmental Markets team is building our capability to support customers, with an emphasis on carbon markets.

The Environmental Markets team is working to help relevant stakeholders bring high quality carbon credits to market and streamline carbon trading. The team is also supporting customers to devise innovative carbon credit acquisition strategies. Drawing upon ANZ’s broad expertise, the team is collaborating with conventional product sectors, such as Loans, Trade and Markets, as well as Corporate Advisory, Digital Assets and ANZ’s own equity investment capabilities.

Our partner Pollination worked in close collaboration with our Environmental Markets team in providing advice and support on the end-to-end business development opportunity across environmental markets, carbon credits and nature-based projects. The work also included delivering a series of internal training sessions for Institutional staff on nature, environmental markets, and carbon credits.

HIGHLIGHT

Grollo

This year the Environmental Markets team partnered with Grollo Carbon Ventures (GCV) to successfully trade tokenised Australian Carbon Credit Units (ACCUs).¹ The transaction was concluded in collaboration with ANZ’s Digital Assets Services team as part of the Central Bank Digital Currency pilot run by the Reserve Bank of Australia and the Digital Finance Cooperative Research Centre. As part of the transaction, ANZ tokenised existing ACCUs and issued its stablecoin, A\$DC, enabling GCV to purchase tokenised ACCUs with settlement occurring in near real-time via ANZ smart contracts on a public, permissionless blockchain.

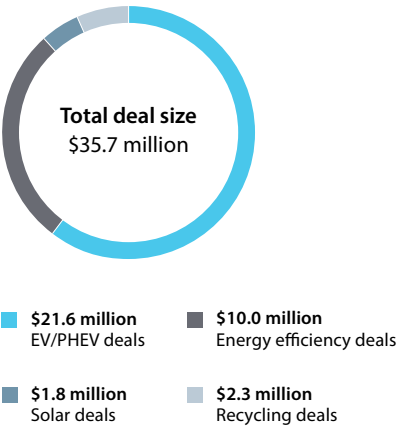
ANZ/Clean Energy Finance Corporation (CEFC) Energy Efficient Asset Finance Program

For over five years ANZ has been working with the CEFC to support Australian businesses to invest in emission reducing infrastructure that will be resilient to a changing climate. Under the program, ANZ and the CEFC each contribute 0.25 per cent towards a 0.5 per cent interest rate discount to eligible customers for loans up to \$5 million to invest in a broad range of activities or assets that meet the program criteria, for example renewable energy to energy efficient and precision agricultural equipment, recycling technologies and electric vehicles.

The program enables customers to use discounted clean energy finance to reduce their costs at the same time as meeting community expectations around improving sustainability.

Since its launch in 2017, this program has helped finance more than \$279 million of investment in 1,240 clean energy technology deals for our Commercial and Agribusiness customers.

2023: 216 deals, \$35.7M volume



HIGHLIGHT

Tandy Group

Tandy Group is a customer involved in a diverse range of operations including concrete manufacturing, transport and the supply of potable water in Queensland. The Group has benefitted from a loan under the ANZ/CEFC loan discount program, which enabled them to upgrade equipment at their aggregate concrete crushing site to both improve productivity and reduce fuel consumption from 2.5 litres to 0.7 litres per tonne.

“Sustainability can generate a profit by doing the right things with the environment and with your people.” Tandy Group’s Chief Executive Officer Mitchell Flor said. “Sustainability also drives innovation, and innovation is one of the keys to sustainability.”

Overview
Governance
Strategy
Our purpose and strategy
Our climate ambition
Supporting our customers to transition
Financing sustainability
\$100b target performance
Building capability
Customer engagement
Biodiversity
Partnerships and initiatives
Reducing our environmental footprint
Risk Management
Metrics and Targets
Appendix
Assurance opinion

1. Australian Carbon Credit Units (ACCUs) are issued by the Australian Government’s Clean Energy Regulator to projects compliant with approved methodologies for emissions avoidance, reduction or removal.

Smaller Business and Retail Products (New Zealand)

ANZ Bank New Zealand Limited (ANZ Bank New Zealand) has seen growth in the number of New Zealand customers using business and retail lending products to reduce their carbon footprint and improve their home's health and energy efficiency:

- Our **Good Energy Home Loan** top up is available to existing eligible¹ home loan customers to upgrade their homes with solar panels, heating and insulation, double glazing, ventilation systems or rainwater tanks. It can also be used for electric and hybrid vehicles, electric bikes, and electric vehicle chargers. It allows customers to borrow up to NZ\$80,000 at a 3-year fixed interest rate of 1 per cent per annum.
- Our **Healthy Home Loan Package** offers interest rate discounts and fee savings for eligible² customers who are buying, building, renovating or already own a home with a 6 Homestar rating or higher.

Across the two products since October 2020, 8,091 households drew down the loans, for an aggregate amount of NZ\$372.7 million.³

- Our **Business Green Loan** is available for eligible⁴ business customers to finance (or refinance) renewable energy initiatives, green buildings, native planting or sustainable land and water use to make a positive environmental impact. Launched in late August 2022, eligible businesses are able to borrow up to NZ\$3 million at a discounted rate. This year, we extended the Loan to include clean transportation and pollution prevention and control. In 2023, 96 Business and Agriculture customers accessed more than NZ\$30.3 million to reduce emissions or improve sustainability.
- In July this year we also launched a new low-interest **ANZ Business Regrowth Loan** in New Zealand aimed at those in need of finance following extreme weather events. Customers can use the loan for recovery costs to help with repairing or replacing damaged assets and property, or to improve their business' resilience to future events. An initial NZ\$250 million has been allocated and as at 30 September 2023, NZ\$18.8 million had been lent to 98 eligible customers. Initially available for those impacted by the 2023 North Island weather events, the loan will be extended to support existing ANZ business and agriculture customers impacted by future climate-related events such as cyclones, flooding and droughts.

1. ANZ Good Energy Home Loan. 2. ANZ Healthy Home Loan Package. 3. Funds under management. 4. ANZ Business Green Loan.

Overview

Governance

Strategy

Our purpose and strategy

Our climate ambition

Supporting our customers to transition

Financing sustainability

\$100b target performance

Building capability

Customer engagement

Biodiversity

Partnerships and initiatives

Reducing our environmental footprint

Risk Management

Metrics and Targets

Appendix

Assurance opinion

New \$100 billion social and environmental sustainability target

On 31 March 2023 ANZ concluded its \$50 billion by 2025 sustainable solutions target. We had funded and facilitated close to \$47.0 billion¹ across 387 transactions and were forecast to meet our \$50 billion target well in advance of 2025. Refer to Appendix 6 on page 85 for details.

Therefore, on 1 April 2023 ANZ commenced a new social and environmental sustainability target to fund and facilitate at least \$100 billion by the end of 2030 in social and environmental outcomes through customer activities and direct investments by ANZ. The target applies to the ANZ Group and includes initiatives that help lower carbon emissions, protect nature and biodiversity, increase access to affordable housing and promote financial wellbeing.

Under this target, we have funded and facilitated approximately \$8.8 billion across 54 transactions. This includes green, social, sustainability and sustainability-linked loans and bonds, and energy and affordable housing transactions. Of these, \$4.1 billion of transactions are on-balance sheet loans and other credit lines provided to borrowers by ANZ, while close to \$4.7 billion has been facilitated – almost entirely through ESG-format bonds.

The majority of transactions included in the new social and environmental sustainability target to date were funding for sustainability-linked facilities, energy, affordable housing and green buildings (66%, 13%, 10% and 5% of funded transactions respectively) and facilitation of ESG-format bond issuances.

Since 2015, we have achieved \$74.9 billion in sustainable funding and facilitation over three sustainability targets. ANZ achieved \$19.13 billion

on our \$15 billion target, close to \$47.0 billion on our \$50 billion target and approximately \$8.8 billion on our \$100 billion target so far.

We include both customer transactions and direct investments by ANZ towards the \$100 billion social and environmental sustainability target. Customer transactions can be either unlabelled social and environmental sustainability activities or labelled sustainable finance transactions that are aligned with any of the 17 United Nations Sustainable Development Goals (SDGs). This recognises the importance of supporting sustainability and increasing demand from customers across more SDGs including those covering social issues, nature and biodiversity. Our detailed Social and Environmental Sustainability Target Methodology is available at anz.com/esgreport.

HIGHLIGHT

ANZ’s SDG bond program

ANZ Group Treasury’s capital and funding strategy includes SDG bond issuance which support our ambition to finance our customers’ green, social and sustainability initiatives. ANZ’s SDG Bond Framework sets out a wide range of eligible loans that support specified use of proceeds in alignment to selected United Nations’ SDGs. The ANZ SDG Bond Framework is in line with the International Capital Market Association (ICMA) Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, at the time the framework was released.

An amount equal to the proceeds raised from the SDG bonds is used to finance or refinance a pool of ANZ loans and expenditures that promote the applicable SDGs. Since inception, the eligible asset pool has increased from \$1.5 billion to \$9.2 billion,⁴ highlighting ANZ’s ongoing effort to fund and facilitate lending aligned to the SDGs.

Since ANZ’s inaugural SDG bond in February 2018, ANZ has issued five SDG Bonds totalling approximately \$6.8 billion equivalent.

Consistent with our purpose, ANZ’s intent is to issue SDG bonds as part of its capital and funding strategy, subject to market conditions. This is to satisfy investor demand and maintain access to a diverse investor base across global capital markets. access to global capital markets.

 **Refer to ANZ’s SDG Bond Use of Proceeds and Impact Reports for further details, available on our Debt Investor website anz.com/debtinvestors/centre/green-sustainability-bonds/**

Progress towards our \$100b social and environmental sustainability target



1. This number is a restatement from our 2023 Half Year unaudited disclosures made on 5 May 2023 when the \$50 billion target was closed after reaching \$47.09 billion; the closing audited balance has since been confirmed as \$46.99 billion. 2. For more information on funded categories see ANZ’s Social and Environmental Sustainability Target Methodology. Numbers do not add to \$4.1 billion due to rounding. 3. For more information on facilitated categories see ANZ’s Social and Environmental Sustainability Target Methodology. Numbers do not add to \$4.7 billion due to rounding. 4. Eligible asset pool as at 31 March 2023.

- Overview
- Governance
- Strategy
 - Our purpose and strategy
 - Our climate ambition
 - Supporting our customers to transition
 - Financing sustainability
 - \$100b target performance**
 - Building capability
 - Customer engagement
 - Biodiversity
 - Partnerships and initiatives
 - Reducing our environmental footprint
- Risk Management
- Metrics and Targets
- Appendix
- Assurance opinion

BUILDING
CAPABILITY

Mindset 2030

We are putting programs in place to allow our employees to build their capabilities.

Launched in 2021, Mindset 2030 is offered as an optional program which provides employees access to a pathway and a central hub with learning opportunities. Its initial focus was on providing information on our Environmental Sustainability Strategy and ways in which we are helping our customers to shift to low carbon business models and operations. The information is supported by research and industry insights.

In 2023 we re-designed and updated the learning program to: 'ESG@ANZ – Mindset 2030' to cover broader ESG topics. The updated program comprises 10 learning modules, with seven released this year. More than 4,300 people have commenced the learning program, with more than 8,800 modules completed.

HIGHLIGHT

ESG@ANZ Mindset 2030 modules released this year:

- ANZ's Purpose, Strategy and Approach to ESG
- The 'E' in ESG – What Environmental Sustainability means at ANZ
- The 'S' in ESG – What Social means at ANZ
- The 'G' in ESG – What Governance means at ANZ
- Greenwashing
- ESG Governance and Risk Management
- Community and Customer Transition to Net Zero

In addition to the formal learning program, 25 speaker events have been held throughout 2023, focusing on topics such as biodiversity, carbon markets and climate.

We also provide other opportunities for staff to learn about ESG issues. Our ESG@ANZ Mindset 2030 insights hub provides information on ANZ's ESG approach, webinars, and links to our strategy and external resources. As part of ESG@ANZ, an ESG Executive Leadership Series is planned for early 2024 for our Executive Leadership team.

Supporting our bankers

We are also seeking to equip certain of our employees with a deeper understanding of climate-related risks and opportunities, focusing on our bankers in key priority sectors such as resources, energy and those who support our large agribusiness customers.

This year:

- We continued to seek to equip relevant 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 how we engage with customers. See page 22 for further details on our engagement with our largest emitting business customers.
- We continued to educate relevant employees about our Social and Environmental Risk Policy ('the Policy') and accompanying Requirements for 'sensitive sectors'. Educating relevant employees on our policies and standards and how they are applied in practice is important for the effective management of the social and environmental

risks associated with lending to our large business customers.¹ Our training focuses on the Policy, Requirements for sensitive sectors and our approach to human rights. This training is mandatory for new employees authorised to make credit decisions relating to large business customer transactions. See page 37 for further details on our Social and Environmental Risk Policy.

- Training sessions have been provided to bankers required to complete the newly digitised Climate Change Risk Assessment (CCRA). Training our bankers on the CCRA tool is critical to embedding it and driving effective customer engagement and analysis. Refer to page 39 for more information on our CCRA tool.
- Our Commercial agribusiness team developed a training module in conjunction with the Carbon Market Institute on carbon farming in Australia – which seeks to increase the understanding and awareness of the risks and opportunities involved with on-farm carbon projects. This training is available to all ANZ staff.
- We began building the capability of our Institutional frontline staff on nature including biodiversity which we consider critical to supporting their engagement with customers on managing biodiversity risks and opportunities. See page 27 for further details on how we are building the capabilities of our bankers on biodiversity.

Overview
Governance
Strategy
Our purpose and strategy
Our climate ambition
Supporting our customers to transition
Financing sustainability
\$100b target performance
Building capability
Customer engagement
Biodiversity
Partnerships and initiatives
Reducing our environmental footprint
Risk Management
Metrics and Targets
Appendix
Assurance opinion

1. Transactions involving our Institutional and Corporate customers.

ENGAGING WITH OUR LARGEST EMITTING BUSINESS CUSTOMERS

Customer engagement

We will begin a new phase of engagement with our largest emitting business customers in **2024**. Triggered in part by the Safeguard Mechanism¹ reforms in Australia (SGM), this new phase means upgrading and expanding the scope of our existing work through a new Large Emitters Engagement Program (LEEP). LEEP will see us:

- Focusing on our absolute 100 largest emitting business customers.² Our target is that by the end of 2025, compared with their starting point, more customers achieve a ‘well developed’ or ‘advanced’ rating for their low carbon transition plans.
- Upgrading our assessment of progress by applying a more challenging framework.
- Extending the use of our Climate Change Risk Assessment (CCRA) methodology to guide our bankers and assist their discussions with customers, so that by the end of 2024, it has been used to support our engagement with the 100 largest emitting business customers cohort.

Our engagement is focused on exploring ways in which our customers can improve their transition plans, which may be facilitated by our financing solutions, including via our \$100 billion social and environmental sustainability target discussed on page 20.

Setting higher standards for our customers’ plans

We are setting higher standards for our customers’ plans, by applying a more challenging assessment framework. Our upgraded framework includes:

- increased focus on our customers’ progress delivering their transition plan targets, including whether customers are ‘on track’ (or ‘almost on track’)³ with their emissions targets; and
- encouraging customers to obtain at least limited third-party assurance of emissions performance and targets.

We continue to seek TCFD aligned disclosures from these customers.

See page 24 for more detail about our upgraded customer transition plan assessment framework.

Expanding our engagement over time

In **2025**, we intend to capture in our engagement program the remaining large emitters in sectors for which we have pathways (listed on page 43), focusing on the most material exposures⁴ and any remaining material corporate exposures⁴ in higher emitting sectors such as large agribusiness, or chemical manufacturers.

We anticipate that by the end of 2025 we will have undertaken enhanced customer engagement with customers responsible for around 60% of our estimated Institutional credit customer portfolio emissions.⁵

Continuing to manage our exposures to customers with less developed plans

We will also continue to seek improved plans from ‘Category C’ and ‘Category D’ customers by the end of 2025 or we will likely reduce our exposure to them. Any customers rated ‘C’ or ‘D’ in 2024 that are included for the first time as part of our new phase of engagement will need to improve their plans by the end of 2026. Refer to table on page 24 for transition plan categories.

Upgraded climate risk tool

We are also extending the use of our upgraded CCRA tool to a wider customer cohort as shown in the diagram below. The CCRA includes an assessment of our customers’ exposure to potential physical risks and transition risks and the maturity of the customer in developing a transition plan. It also assists us in understanding how our customers are managing and disclosing their nature-related risks, including biodiversity loss, see page 39 for more detail on the CCRA.



1. The Safeguard Mechanism. In Australia, the Federal Government has reformed the Safeguard Mechanism legislation so that for financial years commencing on or after 1 July 2023, designated “Safeguard facilities” (large carbon emitters) are required to reduce their emissions on a trajectory consistent with Australia’s climate targets. **2.** Our 100 largest emitting business customers were identified from: (a) a list of customers who were part of the previous phase of our engagement program, had operational control over or a major financial stake in any Safeguard Mechanism facility or were included in our sectoral pathway targets; plus (b) those customers that ANZ has otherwise identified as large emitters for the purpose of our customer engagement. We also assessed whether the customer met specific credit limit thresholds and had an ongoing relationship with ANZ. Subsequently, the customers on this list were ranked by emissions from highest to lowest, encompassing Scope 1 and 2 emissions for all customers and Scope 3 emissions for Coal, Oil & Gas, and Mining Infrastructure customers. The top 100 customers with the highest emissions were identified as our 100 largest emitting business customers for our new phase of engagement. Note the determination of our 100 largest emitting business customers was based on the data and information as at the time of the analysis in August 2023. ANZ expects that this group of customers will comprise the LEEP group for the target period, noting that additional customers may be added if a customer in this group ceases its relationship with ANZ or if engagement for some other reason is not practical. **3.** References CDP’s definitions for determining target tracking performance: On track: Actual emissions in the most recent reporting year are below expected emissions under the stated target on a linear reduction path. Almost on track: Actual emissions in the most recent reporting year are at most one year behind the emissions reduction under a linear reduction path. **4.** Determined primarily by assessing the size of Scope 1 and 2 emissions for all customers and Scope 3 for Coal, Oil & Gas and Mining Infrastructure customers. Our assessment of which customers to include will also consider whether the customer meets specific credit limit thresholds and had an ongoing relationship with ANZ. **5.** Includes Scope 1 and 2 (location based) of ANZ’s Institutional credit customers who are ultimate group parents (where possible) with a material credit limit (either through group or subsidiary level). We excluded customers within Project Finance, Financial Institutions, Public Sector, and other customer segments such as services and education, which typically have lower emissions. **6.** Climate Change Risk Assessment (CCRA) is an online tool that is used to help guide customer engagement and assess and manage climate-related risks of certain customers in Institutional, including our 100 largest emitting business customers. **7.** Additional Safeguard Mechanism customers where ANZ is not currently engaging on their transition plans (excluding those to whom ANZ’s exposure is considered immaterial). **8.** Remaining large emitters in sectors for which we have pathways, focusing on the most material exposures. **9.** Any remaining material corporate exposures in carbon-intensive sectors such as large agribusiness, or chemical manufacturers.

Overview
Governance
Strategy
Our purpose and strategy
Our climate ambition
Supporting our customers to transition
Financing sustainability
\$100b target performance
Building capability
Customer engagement
Biodiversity
Partnerships and initiatives
Reducing our environmental footprint
Risk Management
Metrics and Targets
Appendix
Assurance opinion

Our progress with 100 of our largest emitting business customers under our previous phase of engagement (2018 to 2023)

In 2021 we set a target 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 by the end of 2024. While we are now ‘closing off’ this phase of engagement, in 2023 we continued to group transition plans for these customers into four levels of maturity – advanced, well developed, underdeveloped/starting out, and no public plans. Low-carbon transition plans are typically re-assessed by ANZ annually, with engagement occurring throughout the year.

Over the course of our engagement with 100 of our largest emitters since the 2018 calendar year, customers continued to value our engagement and perspectives on this topic. This included several customers outside of the cohort who sought to engage with us, seeking clarity on our expectations, or requesting suggestions to improve their approach. For those customers starting out, we provide insights into enhanced customer practices we have observed through our customer engagement.

Where customers are further advanced, we encourage them to find ways to strengthen their approach and provide options for how we could potentially assist. This included, where appropriate, 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 when we started grouping plans into ‘A to D’

categories, we observed that many customers have improved their governance, strategies and targets or disclosures, which we consider is leading to an improved level of transition planning.

This is a positive step change over the period since 2021, as our customers continue to build their transition capacity. For example, while many customers already had targets in place, based on our assessment framework, we have observed a ‘strengthening’ in approach, including a rise in the intention to develop ‘Paris-aligned’ or ‘science-based’ targets and in those intending to report under the TCFD framework or taking steps towards improving disclosure. However, in the past 12 months there has been mostly incremental progress on company ambition and long-term targets. From ANZ’s perspective, this means that, based on our assessment framework, no further customers have been upgraded to an ‘A’ in 2023. We have also observed companies in some cases making insufficient progress on short term targets, diversification strategies and capital allocation. This is why we are focusing more closely on whether customers are ‘on track’ with their targets in 2024 and 2025.

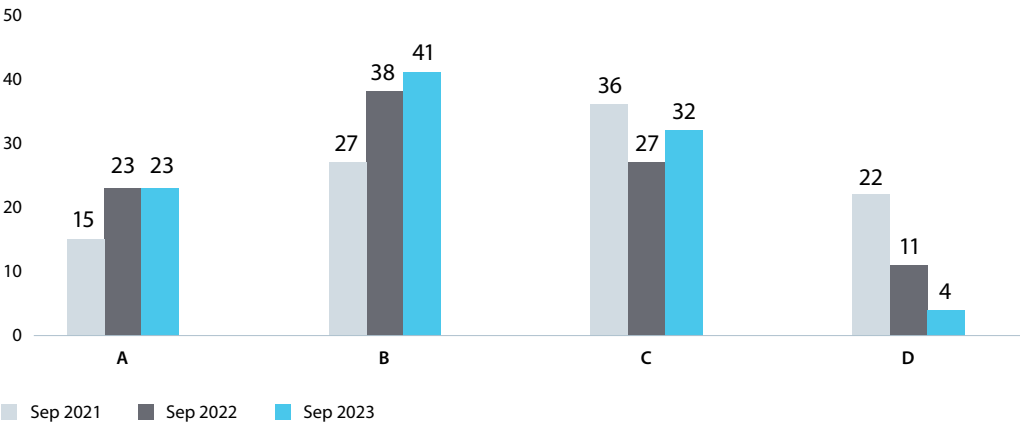
Our discussions in this context are typically led by our bankers and can include senior executives from ANZ and our customers. Where a customer remains in the ‘no public plan’ category, or in situations where there is a continued misalignment in approach compared with ANZ’s expectations, we will consider the most appropriate actions on a customer-by-customer basis. In 2023 there was an encouraging response from several ‘Category D’ customers, with seven customers upgraded to a ‘C’ after taking steps to improve elements of governance, targets or emissions reduction plans, or disclosure.

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 with our expectations. These decisions were made having regard to our Climate Change Commitment and Social and Environmental Risk Policy.

Overall, our engagement with 100 of our largest emitting business customers has progressed well this year – we have completed discussions with all 100 on their progress in enhancing their low carbon transition plans and efforts to protect biodiversity.

64% of customers now have transition plans that we consider to be well developed or advanced versus 42% in September 2021. This means we were on track to meet our public target for more customers to achieve this level of maturity in their plans by the end of 2024 from our 2021 baseline. In this context, along with rising investor expectations and regulatory focus, in addition to the Safeguard Mechanism reforms, it is timely to intensify our focus on our absolute 100 largest emitters where we consider we are likely to have our most significant impact.

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



Customer transition plan categories: A – Advanced B – Well developed C – Underdeveloped/starting out D – No public plans

Overview

Governance

Strategy

Our purpose and strategy

Our climate ambition

Supporting our customers to transition

Financing sustainability

\$100b target performance

Building capability

Customer engagement

Biodiversity

Partnerships and initiatives

Reducing our environmental footprint

Risk Management

Metrics and Targets

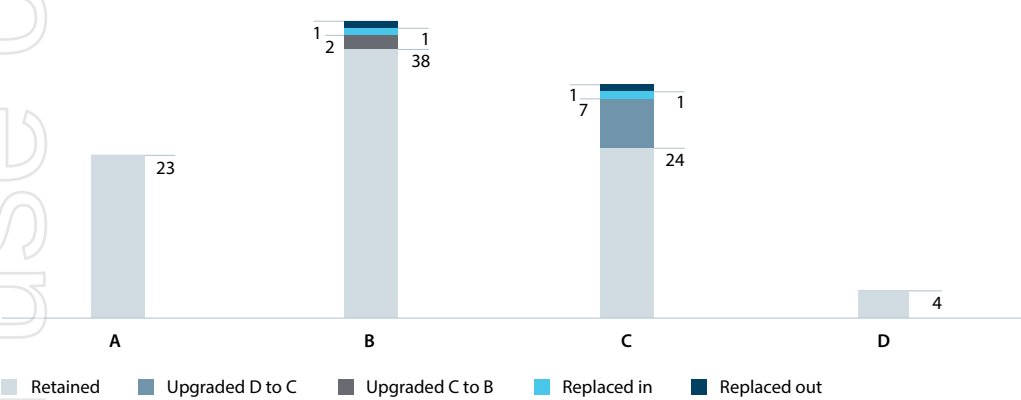
Appendix

Assurance opinion

Customer ratings movements in 2023

In 2023 we upgraded our assessment of nine customers – seven from 'D' to 'C' and two from 'C' to 'B'. We also replaced two customers in the cohort during the year, one replacing a 'B' rated customer and one at a 'C'. When we completed our assessment of the 'new' customers' plans in 2023 we rated them at the same level as the customer they replaced.

The chart below shows the number of customers in each category and the movements from 2022 to 2023.



We consider a robust low carbon transition plan has three key elements:¹

Governance	A 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 which typically run up to 2030 that are "Paris-aligned" and cover the highest emitting parts of their business. 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).

¹ The descriptions in the above table are illustrative only. For details about the type of information we expect to see in our customer transition plans in each category (A, B, C and D), please refer to the table to the right on this page.

We have four transition plan categories under our upgraded assessment framework to be applied from 2024:

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

	Category A	Category B	Category C	Category D
Governance	✔ Strong governance in place to manage climate risk ✔ Acknowledges climate risk is a material risk and opportunity	✔ Public climate change commitment	✔ Sustainability and climate risk discussed with senior leaders	→ Acknowledges the need to develop a transition plan
Targets	✔ Decarbonisation trajectory is on track for Scope 1 and 2 "Paris-aligned" targets ✔ Disclose material Scope 3 emissions ✔ Incorporates climate change performance into executive remuneration	✔ "Paris-aligned" 2030 emissions reductions targets for scope 1 & 2 Note: Energy customers will need to achieve at least a 'B' by end 2025 and also disclose: - Material scope 3 emissions and any progress towards reducing those emissions - How company strategy, targets and planned capital expenditure is aligned with the Paris goals	✔ Has targets to reduce 'emissions intensity' across some of its operations	No public targets or other plans to reduce emissions → Developing sustainability projects → Developing sustainability framework
Disclosures	✔ TCFD-aligned reporting	✔ TCFD-aligned reporting	→ Moving towards TCFD-aligned reporting	Has not reported against TCFD

✔ In place/met → In progress

Overview

Governance

Strategy

Our purpose and strategy

Our climate ambition

Supporting our customers to transition

Financing sustainability

\$100b target performance

Building capability

Customer engagement

Biodiversity

Partnerships and initiatives

Reducing our environmental footprint

Risk Management

Metrics and Targets

Appendix

Assurance opinion

BIODIVERSITY

A key target of the Kunming-Montreal Global Biodiversity Framework is the ‘30 by 30’ target, which is to ensure the effective conservation and management of at least 30 per cent of the world’s lands, inland waters, coastal areas, and oceans by 2030.

The release of the Australian Government’s 5-yearly State of the Environment report, released in 2021, confirmed the general outlook for our environment is deteriorating with biodiversity in decline and an increase in Australia’s number of threatened species. In this context, the introduction of the Nature Repair Market Bill, under the Nature Positive Plan, is designed to make it easier for companies and other businesses to invest in and drive nature repair across Australia.

Biodiversity or Nature?

Currently ‘biodiversity’ and ‘nature’ terminology is often used interchangeably by policy makers, regulators and market participants. The TNFD,¹ considers ‘nature’ as the natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment. The TNFD defines ‘biodiversity’ as the variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

Further the Taskforce for Nature-related Financial Disclosures (TNFD) released their final recommendations in September this year – which we are taking steps towards in this report – see page 79 for our TNFD Index which demonstrates this.

Our role

Historic levels of investment and lending will be needed from business, governments and financial institutions to deliver on the changes needed to halt and reverse the loss of nature, including biodiversity. This creates significant opportunities for ANZ to help support our customers to achieve nature-positive solutions.

ANZ considers biodiversity a key pillar of how broader impacts on nature are managed. We consider nature to cover living and non-living aspects such as climate, air, water, soil, minerals, plants, animals (including people), biodiversity and the interaction between each of these aspects. As the understanding of biodiversity and nature matures externally and internally, we will consider alignment with the TNFD definitions of nature and biodiversity across our policies and frameworks.

Understanding nature risks and opportunities, including biodiversity loss, will enable the Group over time to better understand, measure and manage its exposure to nature risks and provide support to customers wanting to adopt nature-positive solutions.

We acknowledge the need to protect and restore biodiversity 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 business operations and how they manage their impacts.

We recognise that we are at an early stage of understanding nature-related risks, including biodiversity loss, on the Group and our customers. We have had certain sensitive sector policies in place for some time such as Water (see page 37 of our Risk section). However, we recognise that ‘nature’ and its associated risks, is complex and multi-faceted. For example, no two ecosystems, areas of habitat or species populations are alike. For this reason, there is no single metric for measuring nature related risks. It is a multi-disciplinary area, requiring a new type of capability.

We have identified four key focus areas in relation to nature risks including biodiversity loss and opportunities at ANZ:

- > policies and processes;
- > customer engagement;
- > upskilling our staff; and
- > portfolio analysis.

Policies and processes

We acknowledge nature risks including biodiversity are closely linked to climate-related risks.

Nature risks are recognised in our Climate Change Commitment and are considered an emerging risk under our Risk Management Framework (RMF). ANZ seeks to understand emerging risks as they evolve and assess potential impacts to the Group. This year we are continuing to take steps to better understand ANZ’s nature risks. Refer to page 37 for further detail on the policies and processes we have in place to understand nature risks.

Overview
Governance
Strategy
Our purpose and strategy
Our climate ambition
Supporting our customers to transition
Financing sustainability
\$100b target performance
Building capability
Customer engagement
Biodiversity
Partnerships and initiatives
Reducing our environmental footprint
Risk Management
Metrics and Targets
Appendix
Assurance opinion

1. Taskforce on Nature-Related Financial Disclosures – Glossary, September 2023.

Customer engagement

In October 2021, we broadened our engagement with 100 of our largest emitting business customers to include a focus on biodiversity; encouraging them to identify and manage their potential impacts and dependencies. We have engaged with each of these 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 100 of our largest emitting business customers on biodiversity has been positive. We are continuing to see increased customer awareness of biodiversity and an increasing willingness to improve holistic management approaches, for example by putting in place related governance and strengthening how they measure their impacts on nature. Currently, 80 of these customers have governance in place on biodiversity, to support their compliance with existing environmental laws and regulations. In our experience, Australian resource sector customers are generally well placed partly due to their focus on related regulatory compliance for more than two decades. In general, they have progressively strengthened their commitments to what they will not do, for example, restricting exploration or extraction of resources to protect high value biodiversity areas.

We look to understand both the impacts of a customer on biodiversity, and the impacts that biodiversity-loss may have on the customer.

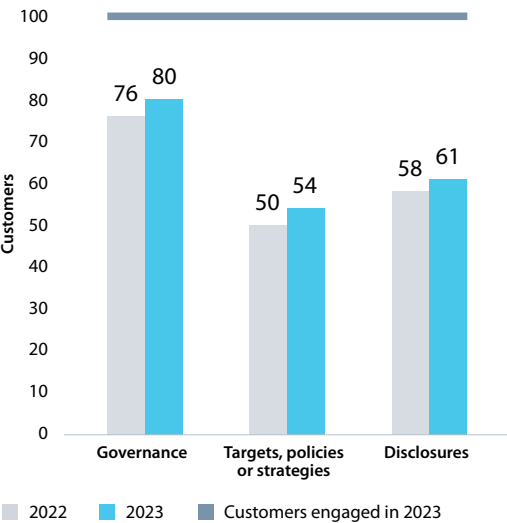
Currently these customers are less progressed in setting targets and disclosure around biodiversity compared with their progress in developing low carbon transition plans, though we expect progress to continue following the release of the TNFD's recommendations. Currently, 54 of these customers have targets, policies or strategies in place to protect biodiversity, with 61 making disclosures of their efforts to protect biodiversity using recognised indicators or metrics.

Customer engagement to date indicates a group of leaders – some with 'no net loss' and others with 'positive impact' commitments. One customer in this cohort has identified biodiversity as a key dependency within their sector, transport, and has plans to build out their strategy to better focus on the areas where they can have the highest impact. Another customer acknowledges the importance of biodiversity for their group and in response has developed a technology solution drawing on third party databases, to increase monitoring and reporting of impacts and dependencies.

We seek to apply what we learn from this engagement to help refine our screening, improve our knowledge and enhance our capacity to engage with other large business customers that are likely to have significant impacts and/or dependencies on biodiversity. Further information about our relevant screening tools and processes is available on page 39.

We are considering how we may apply what we learn from our customer engagement to identify and engage with other large business customers that are likely to have significant impacts and/or dependencies on biodiversity. We will continue to engage on biodiversity as part of our new phase of engagement with our largest emitting business customers, discussed on page 22.

100 of our largest emitting business customers biodiversity status



We are also seeking to support our customers to understand their biodiversity and nature opportunities. While connecting sustainable finance directly to the protection and restoration of nature in the financial market has not been common to date, we are starting to work with customers who are integrating biodiversity KPIs in sustainability-linked loans. See page 16 for further information on how we are financing sustainability. In addition, our new social and environmental sustainability target, to fund and facilitate at least \$100 billion by end 2030 in social and environmental outcomes through customer activities and direct investments by ANZ, includes activities to protect nature and biodiversity. See page 20 for further details and ANZ's Social and Environmental Sustainability Target Methodology available at anz.com/esgreport

We are continuing to see increased customer awareness of biodiversity and an increasing willingness to improve holistic management approaches.

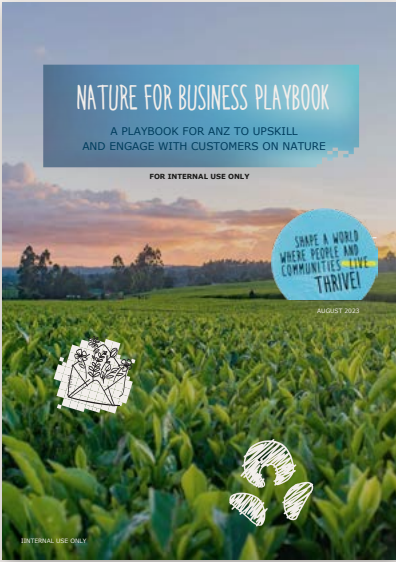
- Overview
- Governance
- Strategy
 - Our purpose and strategy
 - Our climate ambition
 - Supporting our customers to transition
 - Financing sustainability
 - \$100b target performance
 - Building capability
 - Customer engagement
 - Biodiversity**
 - Partnerships and initiatives
 - Reducing our environmental footprint
- Risk Management
- Metrics and Targets
- Appendix
- Assurance opinion

Upskilling our staff

Building the capability of our frontline staff on biodiversity is critical to supporting their engagement with customers on managing biodiversity risks and opportunities.

Recognising a multi-disciplinary approach is required to upskill our staff on nature, this year, we have worked with Pollination, ANZ's strategic partner in environmental sustainability, to develop a 'Nature for Business Playbook'. The sector agnostic Playbook was designed to build our Institutional bankers' capability and understanding of nature to support their engagement with customers on nature-related risks and opportunities. It includes an overview of emerging nature-related regulatory and industry trends, and outlines certain nature-related risks and opportunities.

Sector-specific Playbooks have also been developed for food, beverage and agribusiness, real estate, energy and metals and mining sectors and are being progressively rolled out across relevant parts of the business.



See page 21 for details on how we're building the capabilities of our staff.

Portfolio analysis: assessing our impacts and dependencies on biodiversity

Biodiversity risks and opportunities are inherently sector and location specific. As a result, risks and opportunities are difficult to identify, making it not conducive to a single portfolio wide metric or target.

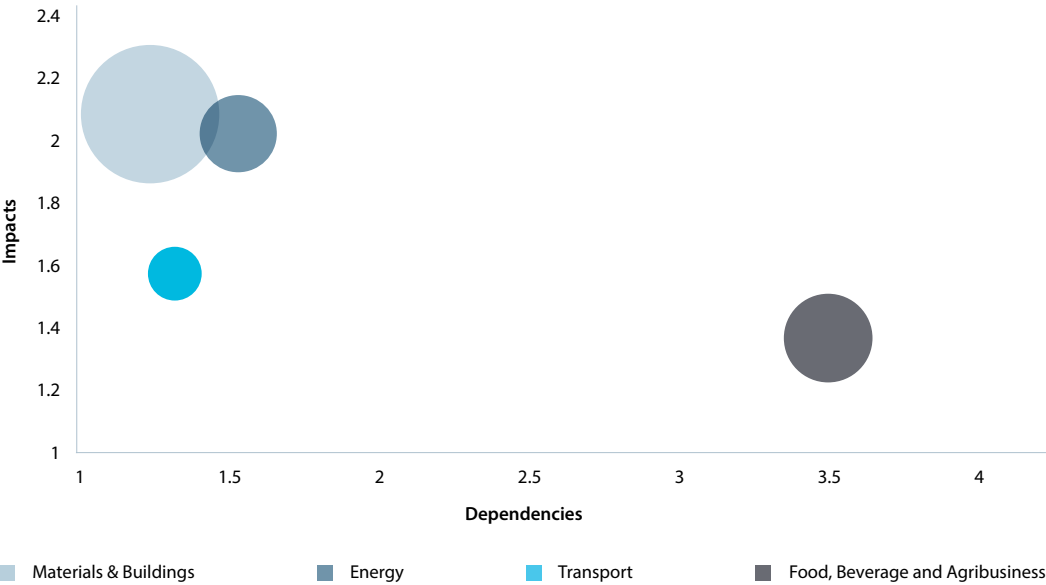
This year we utilised the Exploring Natural Capital Opportunities Risks and Exposure (ENCORE)¹ tool to take initial steps to identify priority sectors and assess our potential sector level biodiversity impacts and dependencies.

The portfolio level analysis demonstrated the impacts and dependencies on nature by sector, highlighting energy, and materials and buildings, as sectors with higher impacts on nature, whilst

highlighting food, beverage and agribusiness as a sector highly dependent on nature.²

This analysis has helped inform our approach and confirmed the sectors we have been focused on for our customer engagement program with 100 of our largest emitting business customers. To some extent, this focus aligns with the sectors we have identified with higher biodiversity impacts or dependencies, confirming our understanding that biodiversity risks are closely linked to climate-related risks. However, we also acknowledge that there is not complete alignment between our engagement program and analysis via the ENCORE tool. We are considering our approach to prioritising customers for engagement, including having regard to the September 2023 release of the Nature Action 100 companies.³

ENCORE impact and dependencies by sector⁴



The size of the bubble represents exposure at default (EAD) as at September 2023.

- Overview
- Governance
- Strategy
 - Our purpose and strategy
 - Our climate ambition
 - Supporting our customers to transition
 - Financing sustainability
 - \$100b target performance
 - Building capability
 - Customer engagement
 - Biodiversity**
 - Partnerships and initiatives
 - Reducing our environmental footprint
- Risk Management
- Metrics and Targets
- Appendix
- Assurance opinion

1. The ENCORE tool consolidates international and national data from public databases. It is widely used by other banking institutions and recognised as a robust tool. The ENCORE tool was developed by the Natural Capital Finance Alliance (the NCFA) and the World Conservation Monitoring Centre (the UNEP-WCMC). 2. Mapping the high and very high impacts and dependencies of each sector. 3. Nature Action 100 – Companies. 4. Impacts and dependency ratings were sourced from ENCORE. A score was applied in order to convert ENCORE's qualitative assessment to a quantitative analysis and scores were aggregated.

Impacts on nature by sector¹

Within the sectors assessed, water use and terrestrial ecosystem use are categorised as having the most material potential nature-related impacts that our customers have. Identifying sector-level impacts and dependencies enables us to engage in more meaningful conversations with these customers to better understand how we can support them as they seek to manage, mitigate and set targets in line with their impacts and dependencies.

The analysis identified that the metals and mining sector has ‘very high’ impact across water use, and terrestrial ecosystem use. While there are varying levels of progress, compliance with regulatory obligations has seen biodiversity outcomes as a focus for the mining sector for more than two decades. In general, some customers have progressively strengthened their commitments to what they will not do (e.g. restricting exploration or extraction of resources to protect high value biodiversity areas) and we have seen an increase in the transparency of disclosures around key impacts such as water use.

1. Impact and Dependency rating data sourced from **ENCORE**. Impact rating from very high to very low has been assigned to each sub sector across each nature related issue. Exposure at default (EAD) represents the Group's exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a proportion of off-balance sheet exposures as specified by APRA). 2. EAD for sectors identified by the TCFD to be most exposed to climate-related risks. 3. Numbers do not add to 100 due to rounding. 4. Greenhouse gas emissions.

				IMPACTS					DEPENDENCIES				
		EAD as at September 2023 (\$bn) ²	EAD as a % ³	GHG Emissions ⁴	Water pollutants	Water Use	Terrestrial ecosystem use	Soil Pollutants	Climate regulation	Flood and storm protection	Ground water	Mass stabilisation and erosion control	Surface water
> Food, Beverage and Agribusiness	Agriculture	31.5	16%	H	H	VH	VH	H	VH	H	VH	VH	VH
	Beverages	4.0	2%	H	H	H		H		M	VH	L	VH
	Paper and Forest Products	1.0	1%	H	H	VH	VH	H	VH	VH	VH	VH	VH
	Packaged Foods and Meats	7.6	4%	H	M	H		M	VH	VH	VH	VH	VH
> Energy	Coal	0.9	0%	H	H	VH	VH	H	H		H	M	H
	Electric Utilities	13.5	7%	H	H	VH	VH	H	VH	VH	M	H	VH
	Oil and Gas	15.5	8%	H	H	VH	VH	H	M	H	VH	H	H
> Transport	Air Freight	3.1	2%	H	L			L	H	M		M	
	Automobiles	4.4	2%	H	H	H		H	VL	M	H	L	H
	Maritime Transportation	1.4	1%	H	H			H	H	M	M	M	M
	Passenger Air	0.3	0%	H	H	H		H	M	H	M	M	M
	Rail Transportation	1.8	1%	H	L			L	H	H	M	H	M
	Trucking Services	4.9	3%	H	H	H		H	VL	M	M	VL	M
> Materials and Buildings	Capital Goods	21.2	11%	H	H	VH	VH	H	M	L	M	M	M
	Chemicals	3.5	2%	H	H	VH	H	H	L	M	H	L	H
	Construction Materials	1.3	1%	H	M	H	VH		VL	M	VH		VH
	Metals and Mining	8.0	4%	H	H	VH	VH	H	H		H	M	H
	Real Estate Management and Development	69.9	36%	H	M		VH	M	H	M	VH	M	VH
		193.8											

No impact or dependency

VL – Very low

L – Low

M – Medium

H – High

VH – Very high

Overview

Governance

Strategy

- Our purpose and strategy
- Our climate ambition
- Supporting our customers to transition
- Financing sustainability
- \$100b target performance
- Building capability
- Customer engagement
- Biodiversity**
- Partnerships and initiatives
- Reducing our environmental footprint

Risk Management

Metrics and Targets

Appendix

Assurance opinion

Participation with industry groups to build our understanding

This year we participated in a pilot study of the TNFD framework’s application – focused on a particular sector – and provided feedback on the learnings and existing barriers to adopting and implementing the TNFD Framework in the Australian context.¹ This work supported the Australian Government in providing feedback to the TNFD that was relevant for Australia. Our New Zealand business has also participated in a TNFD pilot to explore the framework. Collectively, piloting the Locate, Evaluate, Assess and Prepare (LEAP) approach enabled ANZ to develop an understanding of how nature-related risks and opportunities are expected to be identified, assessed and disclosed in line with TNFD. It has also assisted us to better understand the uplift that will be required regarding data, tools, systems and capabilities. Participation has helped us to mature our approach to customer conversations and we are considering the extent to which the pilot approach is ‘scalable’ to other sectors.

‘LEAP’ provides an approach for organisations to:

- > **locate** interface with nature
- > **evaluate** dependencies and impacts
- > **assess** risks and opportunities
- > **prepare** to respond

HIGHLIGHT

We have also joined the United Nations Principles for Responsible Banking (PRB) – Nature Target Setting Working Group – which is developing guidelines on nature target setting and considering how banks can contribute to the Global Biodiversity Framework. The aim is to create clear methodologies and approaches to assist PRB signatories in setting science-based biodiversity and nature targets, starting with piloting of interim targets in 2024. We hope the guidance will be useful for ANZ and other banks to use in developing their first targets following the release of the TNFD’s recommendations.

We welcome the establishment of the TNFD and have joined the TNFD Forum to support its work. We recognise their important role in driving widespread and improved disclosures of biodiversity impacts and dependencies. The TNFD’s recommendations were released in September 2023, including additional guidance for financial institutions, such as proposed metrics that we are considering. We are taking steps towards the TNFD’s recommendations to help inform our disclosures in this report and plan to continue to build on this in future years. See page 79 for our TNFD Index.



- Overview
- Governance
- Strategy**
 - Our purpose and strategy
 - Our climate ambition
 - Supporting our customers to transition
 - Financing sustainability
 - \$100b target performance
 - Building capability
 - Customer engagement
- Biodiversity**
 - Partnerships and initiatives
 - Reducing our environmental footprint
- Risk Management
- Metrics and Targets
- Appendix
- Assurance opinion

1. We acknowledge the Department of Climate Change, Energy, the Environment and Water for sponsoring the pilot study, which was facilitated by EY.

PARTNERSHIPS
AND INITIATIVES

We play a role in sharing research and insights, enabling cross-industry collaboration and supporting development and implementation of sustainable finance industry standards.

Australian Sustainable Finance Institute

ANZ is a founding member of the Australian Sustainable Finance Institute (ASFI), which 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.

During 2023 the Australian Government committed to co-funding ASFI’s development of an Australian Sustainable Finance Taxonomy. The taxonomy will provide a common standard for green and transition finance in Australia, aimed at providing credibility and transparency to support capital flows into activities contributing to Australia’s transition. ASFI will provide strategic direction over, input into and endorsement of a taxonomy for consideration by the Australian government.

Toitū Tahua – Centre for Sustainable Finance

ANZ Bank New Zealand is a founding member of Toitū Tahua – the Centre for Sustainable Finance, established in July 2021 as an independently governed charitable trust to advance progress towards the Sustainable Finance Forum’s 2030 Roadmap for an equitable, inclusive and sustainable financial system. Throughout 2023,

ANZ Bank New Zealand has continued to engage with key government, regulatory and industry stakeholders as part of our Toitū Tahua partnership, including through key roundtables and working groups on: the Sustainable Agriculture Finance Initiative (SAFI); financing climate and adaptation and long-term resilience; sustainable finance taxonomies; Emissions Trading Scheme; climate transition planning; informing inter-Governmental dialogues; and mobilising institutional investment into private assets.

In June 2023, the inaugural Australia–New Zealand Climate & Finance Summit was held to support Trans-Tasman collaboration on sustainable finance and enable both countries to transition to low-emissions, climate-resilient economies. Toitū Tahua is working closely with the New Zealand government, the ASFI along with other partners including Responsible Investment Association Australasia (RIAA) and the Investor Group on Climate Change (IGCC) in taking this forward.

The Aotearoa Circle

ANZ Bank New Zealand is also a leading partner of The Aotearoa Circle, a voluntary initiative bringing together leaders from the public and private sectors to investigate the state of Aotearoa New Zealand’s natural resources, and to commit to priority actions that will restore Aotearoa’s natural capital for future generations.

In 2023, ANZ Bank New Zealand took part in a cross-sector ‘bootcamp’ run by The Aotearoa Circle to explore the TNFD framework. A young ANZ leader also joined The Aotearoa Circle’s Rangatahi Advisory Panel (the RAP).

The RAP has three main objectives:

- to hold to account The Aotearoa Circle’s Guardians and the Leadership Groups of its workstreams,
- to provide learning and development for rangatahi (youth) employees of leading partners, and
- to advise leading partners on a key piece of their work each year.

Pollination

In 2022, ANZ and climate and nature advisory and investment firm Pollination announced a strategic partnership. ANZ and Pollination intend to deliver innovative solutions and opportunities for customers in their efforts to transition to net zero and to improve nature outcomes. The partnership brings together ANZ’s capabilities across Institutional Banking with Pollination’s expertise in climate and nature to deliver financing solutions for our customers.

Amongst initiatives delivered this year, Pollination and ANZ developed a program to build Institutional banker capacity in nature and natural capital. This included growing their understanding of nature-related risks and opportunities and developing tools to support bankers in engaging with customers on nature. See page 27 for more information.

Thought leadership

Putting energy efficiency to work

This year ANZ and the Energy Efficiency Council (EEC)¹ released *Putting energy efficiency to work*, a report highlighting the significant contribution energy efficiency and electrification can make to cutting energy bills and decarbonising the Australian economy. The report modelled how energy efficiency could deliver up to 18.5 per cent of Australia’s 2030 emissions reduction targets. The modelling also suggests that energy efficiency and electrification, combined, could deliver almost 40 per cent of Australia’s 2050 net zero target.

Energy efficiency and electrification are important to support improved social and environmental outcomes, and can also improve the financial wellbeing of Australians through reduced energy bills for households and businesses.

The longstanding partnership between ANZ and the EEC aims to support customers and the community through the energy transition.

“When you consider the bank’s purpose and what we care about most, it’s financial wellbeing and helping households and businesses move towards more sustainable practices. Energy efficiency ticks all of these boxes,” said Christina Tonkin, Corporate Finance Managing Director.

Climate insights for business

This year ANZ Bank New Zealand extended its suite of sustainability insights papers, with two reports for the food and beverage sector. These explored trends in consumer preferences, and guidance for businesses in publicising their sustainability journey. ANZ Bank New Zealand also held three webinars for business customers on topics including reducing emissions, green buildings, and options for agriculture customers to reduce emissions.

Overview

Governance

Strategy

Our purpose and strategy

Our climate ambition

Supporting our customers to transition

Financing sustainability

\$100b target performance

Building capability

Customer engagement

Biodiversity

Partnerships and initiatives

Reducing our environmental footprint

Risk Management

Metrics and Targets

Appendix

Assurance opinion

1. The EEC is the peak body for Australia’s energy management sector.

REDUCING OUR ENVIRONMENTAL FOOTPRINT

ANZ has set ambitious targets for 2025 and 2030 to reduce our environmental footprint and increase our sustainability ambition in line with our purpose. Our operational reduction targets for greenhouse gas emissions, water, waste and paper take into account future remote working arrangements, proposed efficiency projects, property portfolio footprint efficiencies and an increase in renewable electricity usage.

In 2023, our operational emissions began to normalise towards pre-pandemic levels due to staff returning to our workplaces and an increase in business travel. Our focus remains on continuing to investigate opportunities to counterbalance these increases in emissions through best practice office and retail design, using renewable electricity, green leasing, staff education and supplier engagement.

Managing our residual emissions

Our aim is to reduce emissions where possible, however, remaining operational emissions are offset using carbon credits to achieve our net zero carbon commitments.¹

In 2023, our Australian operations will apply to maintain our carbon-neutral certification under the Climate Action Carbon Neutral Standard



Our New Zealand operations have been certified under a net Carbonzero certification through Toitū Envirocare for the first time.



Improving our data collection of operational scope 3 emissions

New Scope 3 Emissions sources

In 2023, we undertook a Scope 3 operational emissions assessment and peer review to evaluate best practice greenhouse gas (GHG) reporting and gain a deeper understanding of emerging trends in disclosures. Suppliers were then engaged to understand the availability of emissions data for services supplied to ANZ. The outcomes include the addition of seven new Scope 3 emissions sources to our operational GHG inventory this year, including expanding our working from home emissions reporting to include New Zealand staff, adding to the 21 Scope 3 emissions sources already reported on in our GHG inventory:

- Cloud Data Storage (Global)
- Embodied Carbon – Retail Branch fit-outs (Australia)
- Embodied Carbon – IT Equipment (New Zealand)
- Freight (Global)
- Postage and Mailing (Australia and New Zealand)
- Refrigerants (Australia)
- Working from home (New Zealand)



See page 42 for the physical risk assessment analysis we conducted on our own operations. Sustainable Staff Initiatives.

Green Ambassador Program

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

Over the month of August, we hosted the third Green Ambassador Summit, focusing on the intersection between creating a sustainable and cost-efficient lifestyle. Employees were invited to consider issues such as their consumption habits and how to create a more energy efficient home. More than 320 participants attended a series of virtual panels and workshops featuring industry experts.

Additional Green Ambassador initiatives include:

- Green Ambassadors in Manila launched the Brown Bag initiative, encouraging employees to bring their used paper bags into an office collection point. Since April, more than 144kgs of brown bags have been diverted from landfill and collected by the team, donated to the Silent Beads Paper Bag Movement, Project Propel and other local vendors for re-use.
- Australian Green Ambassadors extended their volunteering partnership with the Australian Microplastic Assessment Project/Earthwatch for another three years, after a successful pilot trained more than 300 ANZ employees across the country as ‘citizen scientists’. Volunteers removed more than 3,700 pieces of micro and macro plastic waste from our waterways in the first year and contributed to microplastic research being led by Macquarie University.
- ANZ Vietnam employees, along with their family and friends, planted 500 trees in the Vin Cuu district.

Overview
Governance
Strategy
Our purpose and strategy
Our climate ambition
Supporting our customers to transition
Financing sustainability
\$100b target performance
Building capability
Customer engagement
Biodiversity
Partnerships and initiatives
Reducing our environmental footprint
Risk Management
Metrics and Targets
Appendix
Assurance opinion

1. Further details regarding our boundary inclusions and exclusions for Scope 1, 2 and selected Scope 3 emissions can be found on the Climate Active and Toitū websites.

PERFORMANCE AGAINST OUR ENVIRONMENTAL FOOTPRINT TARGETS¹

OUR OPERATIONAL FOOTPRINT TARGETS

Reduce the direct impact of our business activities on the environment by:

- Reducing combined scope 1 and 2 emissions² **85%** by 2025 and **90%** by 2030 (against 2015 baseline);
- Increasing renewable electricity to **100%** by 2025;
- Reducing water consumption by **40%** by 2025 (against 2017 baseline);
- Reducing waste to landfill by **40%** by 2025 (against 2017 baseline);
- Reducing paper consumption (both office and ANZ originated customer paper use) by **70%** by 2025 (against 2015 baseline).

The below provides an overview of how we are performing against these targets.

GHG EMISSIONS

Combined scope 1 and 2 emissions have decreased by **80%** against a 2015 baseline, on track to meet our 2025 and 2030 targets.



Our global emissions footprint decreased due to:

- 49% of electricity consumed being from renewable sources.
- Flexible working arrangements.
- Commercial Property Footprint Efficiencies Project.
- Energy efficiency projects including:
 - Ongoing data centre server optimisation project.
 - LED lighting upgrades in commercial buildings across the jurisdictions we operate in.
 - Relocation of Vietnam office to an energy efficient A grade, LEED-certified building.

RENEWABLE ENERGY

In 2023, **49%** of our electricity consumption came from renewable sources.



- 42,500 megawatt hours (MWh) of renewable energy was supplied to Australian operations through the ANZ Murra Warra wind farm and 577 MWh of rooftop solar at our global headquarters in Melbourne, Victorian data centres and as a result of the Retail Solar PPA Trial.
- 8,631 MWh of renewable energy was sourced for our global operations via a Renewable Energy Contract in New Zealand, solar leasing agreement in Fiji, and a Power Purchase Agreement (PPA) in India.

WATER

Our global water consumption has decreased by **61%** against a 2017 baseline, on track to meet our 2025 target.



- Although we are currently exceeding our 2025 target, this year we have seen normalisation of our water consumption towards pre-pandemic levels. We expect water consumption to increase in the coming year, due to an increase in staff returning to our workplaces.
- To mitigate this increase we continue to undertake water saving projects such as:
 - Installation of low flow shower heads in End of Trip facilities.
 - Installation of handwashing sensors in Bengaluru, with expected savings of 30,000 litres of water annually.

WASTE

Waste to landfill generated by global operations has reduced by **71%** since 2017, on track to meet our 2025 target.



- Although we are currently exceeding our 2025 target, waste to landfill generation increased by 4% since last year. This change was due to an increase in staff returning to our workplaces, which we expect to continue over the coming year.
- ReturnR Reusable container program developed at our global headquarters in Melbourne has reduced single use coffee cup usage by 41% since implementation.
- Donation of excess furniture from the Optimisation program to Habitat for Humanity.

PAPER

Paper consumption has reduced by **71%** since 2015, on track to meet our 2025 target.



- Although we are currently exceeding our 2025 target and have seen a 2% reduction in our paper consumption year on year, we do expect paper consumption to increase in the coming year, due to an increase in staff returning to our workplaces.
- Continued digital communication transformation project resulting in 88% of customers electing to receive statements and notices electronically only during 2023.
- Electronic Document Signature (eSign) transactions increased by 59% in 2023, saving an estimated 4,400,000 sheets of paper.
- In NZ, Project Whakamamati is continuing and focuses on proactively reducing the number of paper statements that we send to our customers.

Overview

Governance

Strategy

Our purpose and strategy

Our climate ambition

Supporting our customers to transition

Financing sustainability

\$100b target performance

Building capability

Customer engagement

Biodiversity

Partnerships and initiatives

Reducing our environmental footprint

Risk Management

Metrics and Targets

Appendix

Assurance opinion

1. Environmental reporting year is 1 July to 30 June, in line with the National Greenhouse and Reporting Act (NGERs) administered by the Australian Clean Energy Regulator. 2. Scope 1 emissions include natural gas used to fuel boilers, a trigeneration plant and cooking in commercial buildings, refrigerants from our commercial chillers, diesel used in back-up generators, a waste water treatment plant in our global headquarters in Melbourne, and fuels used for ANZ's fleet and rental vehicles. Scope 2 emissions include electricity used to operate facilities and services including lighting, IT, heating, ventilation and air conditioning (HVAC) equipment and appliances (such as ATM's, kitchen appliances) across our commercial, data centre and retail buildings.

Case studies

Retail Solar Power Purchase Agreement (PPA) Program

In 2023, we developed a program to install solar to selected leased retail branches. ANZ executed PPAs with Upstream Energy, which installed and will maintain the solar arrays with no direct up-front cost to ANZ or our landlords.

ANZ purchased the renewable electricity from the solar array for the term of the lease, while landlords execute a 10-year roof licence agreement, after which time the solar array ownership is transferred to the landlord.

The key benefits were:

- Increased onsite renewable energy into the network;
- Progress on our renewable energy commitment;
- No direct upfront cost of solar installations;
- Improved short-term cash flow;
- Fixed inflation protected electricity costs (under the PPA) for the term of the lease; and
- No ongoing operations and maintenance costs.

The trial concluded in July, resulting in 11 landlords signing up to the program, and 247KW of solar power installed on our selected retail branches. The recommendation is to expand the program across other suitable sites within our Australian retail branch network in future years.

ReturnR reusable container program

Aligned with our waste to landfill reduction target and following the announcement of a ban on single-use plastics in Victoria, we developed a Reusable Container Program in partnership with ReturnR at our head office in Docklands, Australia in June 2022.

We engaged with our retailers, cleaners, facility managers and staff to provide reusable products (coffee cups and food containers) for staff at the point of sale. We set up a central retailer storage hub for retailers to collect the products each morning and educated staff on how the program worked. Engagement of our cleaners to support cleaning and transportation of the products from kitchens back to the central storage hub, was key to the program's success.

Since the program began in June 2022, we have seen a 41%¹ reduction in single use coffee cups used by staff.

Climate Resilient Retail Branch Concept

Our Lismore branch has been significantly impacted by floods in recent years, requiring two refurbishments. Partnering with JLL and Lendlease, we developed a strategy to improve the resilience of the branch to flooding by increasing the use of water-resistant materials.

Innovations developed include:

- The use of flood damage resistant materials such as marine ply joinery and modular panels, epoxy flooring, powder coated metal planter boxes, painted masonry, and raised steel grille doors.
- Reduced usage of flood-vulnerable materials such as carpet and plasterboard.
- Electrical Services, including switchboards and IT servers, positioned above 2 metres to minimise electrical works required following a flood.
- Revised furniture selection to utilise powder coated steel and solid timber.

Overview
Governance
Strategy
Our purpose and strategy
Our climate ambition
Supporting our customers to transition
Financing sustainability
\$100b target performance
Building capability
Customer engagement
Biodiversity
Partnerships and initiatives
Reducing our environmental footprint
Risk Management
Metrics and Targets
Appendix
Assurance opinion

1. Calculation based on average single use coffee cup recycled through the Simply Cups program vs average FTE in ANZ Centre between 1 July 2022 and 30 June 2023.

RISK
MANAGEMENT

Our understanding of climate-related and nature-related risks, including biodiversity loss, continues to evolve and mature.

On 9 November 2023 our Board Risk Committee approved that ‘climate risk’ will be elevated to a Key Material Risk. This means going forward that we are further strengthening our enterprise-wide approach to managing climate risk. We are working to embed this change and expect to disclose our progress in our 2024 reporting. This section of the report discloses how climate-related risk has been managed and monitored during our 2023 financial year.

How is ANZ exposed to climate-related risk?

The Group’s most material climate-related risks arise from lending to business and retail customers, which contributes to credit risk. Customers may be affected **directly** by physical and transition climate-related risks such as: the effect of extreme weather events on a customer’s business or property, including impacts to the cost and availability of insurance and insurance exclusions; changes to the regulatory and policy environment in which the customer operates; disruption from new technology; and changes in demand towards low carbon products and services.

Climate-related risks may also **indirectly** affect a customer through impacts to its supply chain and customer base.

If realised, these risks may affect the ability of customers to repay debt; result in an increased probability of default; result in ‘stranded assets’ and impact the amount the Group is able to recover due to the value or liquidity of collateral held as security being impaired. The Group may also face legal proceedings and suffer reputational damage, for example, if it acts or is perceived to act inconsistently with public commitments in relation to climate change. Failure to manage these risks may adversely affect the Group’s position.

Refer to pages 44-45 for our credit metrics and climate exposed sub-industry sector exposures at default and page 80 for our portfolio financed emissions pathways and targets.¹

Climate-related transition and physical risks that may potentially impact our performance include:

Transition Risk	Physical Risks
Policy Risk	Acute (eg. customer exposure to heatwaves, floods, bushfires and cyclones)
Market Risk	
Legal Risk	Chronic (eg. customer exposure to rising sea levels, rising average temperatures and ocean acidification)
Technology Risk	
Reputational Risk	

Policy risk

Policy uncertainty or future government policy changes may affect the operating costs of customers in a range of sectors, particularly those in higher-emitting sectors. 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.

A potential risk also exists, for example, should prudential regulators implement measures such as capital overlays on exposures to higher-emitting sectors in recognition of their increased transition risk. Such developments may increase the cost of funding which could in turn reduce our ability to provide finance to certain customers in higher-emitting sectors, typically in the Institutional customer portfolio, which aims to help them transition.

Timeframe:² S M L

Legal risk

Increased regulation 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’ is the practice of misrepresenting the extent to which an entity, product or strategy is environmentally friendly, sustainable or ethical. For example, greenwashing risk may arise where an entity is alleged to have misrepresented 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 seek to manage this risk through transparent disclosure of our climate-related financial risks and through our risk management policies and processes. We also 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 Institutional and Corporate customers’ exposure to legal risk, which may manifest as potential credit and reputational risks to ANZ, through our Social & Environmental Risk Screening process and credit process, for Institutional and Corporate customers identified by ANZ to be subject to heightened climate-related scrutiny.

Timeframe: S M L

Overview

Governance

Strategy

Risk Management

Climate-related risk

Risk management framework

Policies and processes

Integrating climate risk

Physical risk

Metrics and Targets

Appendix

Assurance opinion

1. Set in alignment with our Net-Zero Banking Alliance commitment. 2. ANZ classifies risk timeframes/horizons (i.e. short, medium and long-term), aligning with our classification of limits. Short-term: 0 to 1 (years), Medium-term: 1 to 5 (years) and Long-term: 5 to 30 (years).

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, bringing forward decommissioning costs. The adoption of new technologies and processes may also increase operating costs for customers.

This risk may result in credit losses to ANZ, 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 customers facing difficulties and managing our exposure to customers that we identify may be impacted by technological developments, working with relevant customers, typically those in the Institutional customer portfolio.

Timeframe: S M L

Market risk

The market risk category of transition risks arise from lending to companies with large exposures to higher-emitting assets. If these companies experience a decline in demand for their products or services, this may affect their ability to repay loans. The impact may also extend to companies who are exposed to higher-emitting assets through their supply chain, which could lead to an increase in operating costs.

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

We seek to manage this risk through a combination of engagement, with relevant customers, typically those in the Institutional customer portfolio 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 or perceived 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.

We seek to manage this risk through our Social and Environmental Risk Policy, which sets out the principles and standards to be taken into account by our bankers when considering large business transactions.¹ We also continue to apply an enhanced due diligence and decision-making process for relevant customers and transactions in the energy sector, including companies with operations in the oil and gas sector, see page 11 for further details.

Where customer practices may not be consistent with ANZ’s policies and processes, we aim to work with them to understand their circumstances and, where necessary, encourage them to identify specific and time-bound improvement plans. If prospective or existing customers are unwilling to adapt their practices in an appropriate timeframe, we may decline financing or exit the relationship.

We also engage in public policy discussion on climate change, where appropriate, and seek to increase the transparency of our approach to climate change by disclosing our membership of key industry bodies.

Timeframe: S M L

Acute physical risk

Customers’ exposure to acute climate-related events may adversely affect collateral we hold to secure credit facilities extended to those customers. To manage this risk, for example, ANZ requires property over which it holds a residential home loan to be appropriately insured for the period of that home loan.

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 that with the magnitude or frequency of the climatic events such as drought or flood, they may experience reduced income, impacted asset values and issues regarding the cost and availability of insurance, potentially affecting their ability to repay loans. The economic impact of these events may also extend beyond primary producers to other customers, including suppliers to the agricultural sector, and to those who reside in, and operate businesses within, affected communities.

We recognise the need to understand how customers manage their land and natural environment, including our customers’ plans for a changing climate.

Timeframe: M L

How is ANZ exposed to nature-related risk, including biodiversity loss?

Nature-related risk, including biodiversity loss, for example as a result of species extinction or decline, or ecosystem degradation and nature loss, is an emerging risk that the Group is seeking to understand further.

Biodiversity risks are closely linked to climate-related risks and for ANZ are likely to arise primarily through our exposure to customers that have material dependencies and/or whose actions may have negative impacts on nature, including 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 extinction and land degradation.

These changes may affect the Group directly, but the greater impact is likely to be through the impact of these changes on some of the Group’s customers.

We are seeking to understand how our customers are managing and disclosing their impacts and dependencies on nature, for example, through our customer engagement program (see pages 22-24).

Overview

Governance

Strategy

Risk Management

Climate-related risk

Risk management framework

Policies and processes

Integrating climate risk

Physical risk

Metrics and Targets

Appendix

Assurance opinion

1. Transactions involving our Institutional and Corporate customers.

Our approach to climate-related and biodiversity risks

ANZ’s approach to identifying, measuring, evaluating, monitoring and reporting risk, including climate-related risk and biodiversity, is set out in our Risk Management Framework (RMF), which describes how the Group manages all risk types.

Further detail on our risk types is available in the Risk Management section of our 2023 Annual Report available at anz.com/annualreport.

Climate change risk is managed and monitored as part of ANZ’s business, strategic and capital management processes.

While for ANZ climate change risk primarily manifests as a financial risk, especially credit risk, it may also result in additional market, operational or other risks. Our key material risk category of Credit Risk considers the risks associated with lending to customers that could be impacted by climate change, including by physical and transition risks. We continue to seek to manage climate-related impacts in accordance with the risk management strategies associated with the applicable key material risks.

Our approach to nature-related risk including biodiversity loss

Biodiversity risk is considered an emerging risk under our RMF compared with other areas of risk and is recognised in our Climate Change Commitment. ANZ seeks to understand emerging risks as they evolve and assess potential impacts on the Group.

Our risk management framework

The following provides an overview of the role that our RMF plays in ANZ’s overall risk management approach and includes detail on how climate-related risk is being integrated into this approach.

The Board is ultimately responsible for establishing and overseeing the Group’s RMF which is supported by the Group’s underlying systems, structures, policies, procedures, processes and people. The Board has delegated authority to the Board Risk Committee (BRC) to develop and monitor compliance with the Group’s risk management policies.

The Committee reports regularly to the Board on its activities. The key pillars of the Group RMF include:

- The **Risk Management Strategy (RMS)**, which describes the approach for managing risk arising from the Group’s purpose and strategy. The RMS is reviewed and reset annually at a minimum. The RMS includes:
 - an explanation as to how the risk function is structured to support the Group’s purpose and strategy, and the execution of the Group Chief Risk Officer’s prescribed responsibilities as an Accountable Person for the Group under the Banking Executive Accountability Regime;
 - the values, attitudes and behaviours required of employees in delivering on strategic priorities;
 - a description of each of the key material risks; and
 - an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures.

It also includes information on how the Group identifies, measures, evaluates, monitors, reports and then either controls or mitigates material risks and the oversight mechanism and/or committees in place.

- The **Risk Appetite Statement (RAS)**, sets out the Board’s expectations regarding, for each material risk, the maximum level of risk that the Group is willing to accept in pursuing its strategic objectives and its operating plans considering its shareholders’, depositors’ and customers’ interests. The RAS is reviewed annually at a minimum. The RAS acknowledges that climate-related risks primarily manifest through credit risk.
- The **Risk Culture principles** are a subset of the Group’s organisational culture and an intrinsic part of the Group’s RMF.

The Group operates a Three Lines-of-Defence Model in regard to risk management, helping to embed a culture where risk is considered everyone’s responsibility. See our 2023 Annual Report for further details available at anz.com/annualreport.

The governance and oversight of risk management, while embedded in day-to-day activities, is also the focus of committees and regular forums across the Group. The committees and forums discuss and monitor known and emerging risks, review management plans and monitor progress to address known issues. See our Annual Report for further details available at anz.com/annualreport. For governance structure relevant to the oversight of climate-related risks and opportunities, refer to page 8.

Overview
Governance
Strategy
Risk Management
Climate-related risk
Risk management framework
Policies and processes
Integrating climate risk
Physical risk
Metrics and Targets
Appendix
Assurance opinion

Overview of how Social and Environmental Risks (including climate and nature-related risks) are incorporated into our policies and procedures

Policy

We regularly review our lending practices and policies, in light of current and emerging social and environmental issues.

These potential social and environmental issues associated with lending to customers are also typically considered by our management Ethics and Responsible Business Committee (ERBC) and Board Ethics, Environment, Social and Governance (EESG) Committee. See page 8 for further details on our governance structures.

We seek to assess and manage the impacts of our lending decisions through the application of our Social and Environmental Risk Policy (the Policy) and accompanying requirements including for ‘sensitive sectors’:

ENERGY	
EXTRACTIVE INDUSTRIES	
FORESTRY AND FORESTS	
HYDROELECTRIC POWER	
MILITARY EQUIPMENT	
WATER	

The Policy outlines the social and environmental factors to be taken into account by our bankers when considering large business¹ transactions. It incorporates our approach to human rights, including our ‘zero tolerance’ for land acquisition and involuntary resettlement that we consider improper, as well as labour rights issues such as modern slavery.

We review the Policy at least every three years, with oversight from our ERBC to ensure it remains fit-for-purpose. The review takes into account changes to customer practices, international standards, emerging social and environmental issues, and stakeholder feedback.

In 2023, we improved our credit risk assessment process via our Online Customer Profile platform by integrating our Social and Environmental Risk screening tool for large business customers. This allows us to improve our identification of financial and non-financial risks (including reputational risk) we may face through our customer activities, both at an individual customer level and across our portfolio. This year we have expanded our Climate Change Risk Assessment – see highlight box on page 39 for further details.

Due diligence

Prior to entering into a relationship with a large business customer or entering into any new material transaction, bankers are expected to consider the customer’s management of its material social and environmental issues and any associated potential impacts. Bankers must also consider the customer’s history of, and approach to dealing with, any potential (or historical) impacts.

Under our credit policy we review our large business customers at least annually. This includes the consideration of issues specified in our Social and Environmental Risk Policy and, where relevant, sensitive sector requirements. We expect our customers in all sectors to implement appropriate stakeholder engagement strategies and plans, and we have included this consideration in the Social and Environmental Risk screening tool.

The ERBC considers the social and environmental impacts of the industries, customers and communities ANZ serves. The ERBC is responsible for overseeing the ERBC Sub-Committee for sensitive wholesale transactions. The rationale for each decision relating to any escalated transactions is provided to the ERBC for oversight and information.

Further, we seek to apply enhanced due diligence and decision-making processes to customers and transactions in the energy sector via our Energy Transactions Escalation Process, see page 11 for further detail.

In line with our Social and Environmental Risk Policy we expect large business customers to use, or migrate towards, internationally accepted industry practices to manage social and environmental impacts, including potential impacts on nature including biodiversity. The Policy has accompanying requirements, including our Forestry and Forests and Water policies.

Through the application of our Forestry and Forests and Water policies, we seek to support customers who are improving their forestry and water management practices.

Our Land Acquisition Statement states that 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 Conservation of International Trade in Endangered Species of Wild Fauna and Flora (CITES), the International Union for Conservation of Nature (ICUN) Red List of Threatened Species 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.

Overview
Governance
Strategy
Risk Management
Climate-related risk
Risk management framework
Policies and processes
Integrating climate risk
Physical risk
Metrics and Targets
Appendix
Assurance opinion

1. Transactions involving our Institutional and Corporate customers.

Our Approach to the Energy sector, including Oil and Gas customers in extractive industries

We expect our existing business customers in higher-emitting sectors such as energy – which plays a key role in the transition, with around 75% of global emissions attributed to energy use¹ – to integrate climate change risk into their company strategies.

Specifically, for the energy sector (including integrated oil and gas companies involved in exploration, development and refining as well as low carbon energy solutions, thermal coal mining, and integrated power utility companies such as renewable energy and coal):

- 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 end 2025 we expect our energy customers to:
 - Establish specific, time bound, public transition plans and diversification strategies that are Paris-aligned.
 - 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 temperature 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 Principles².
- 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.

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

We are changing the mix of our energy financing portfolio, as we support our customers’ expansion into low- or zero-emission technologies.

We acknowledge oil and gas are still needed as we transition, especially gas as ‘firming’ for renewable energy and in industrial use – considering the intermittent generation of renewables, gas will continue to play a balancing role. We continue to assess the role of oil and gas within the context

of the broader energy market, public policy developments and stakeholder and shareholder expectations.

Our exposure to thermal coal will continue to decline in line with our new target to reduce absolute financed emissions from our lending directly to thermal coal by 100% by 2030, and our existing commitments, which includes no longer onboarding any new business customers with material thermal coal exposures, or directly financing new thermal coal mines or power plants.³

2030 oil and gas target absolute financed emissions reduction target and policy for oil and gas extraction

We have set a 2030 target to reduce the absolute financed emissions from our oil and gas portfolio by 26% from a 2020 baseline.

See page 53 for an update on our 2023 performance against the target and further details on key design choices we used to calculate our absolute financed emission reduction target, including actions to achieve it.

From 2024 we are enhancing our oil and gas policy for relevant customers in the extractive industries. Please see our Extractive Industries Policy on [anz.com](https://www.anz.com) for further details.

Overview
Governance
Strategy
Risk Management
Climate-related risk
Risk management framework
Policies and processes
Integrating climate risk
Physical risk
Metrics and Targets
Appendix
Assurance opinion

1. Energy use includes transport in addition to the power generation sector. The percentage of global emissions from energy use is sourced from the International Energy Agency (IEA), Net Zero by 2050: A Roadmap for the Global Energy Sector, October 2021. 2. Methane Guiding Principles. 3. 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.

Tools and Processes

The Social and Environmental Risk Policy (referred to on page 37) is supported by the application of tools and processes which apply to large business customers and transactions¹ (unless otherwise noted)

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 large business customers and transactions. Our policy requires the screening process is applied to all: • new customers; • material new transactions of existing customers; and • annual reviews. It should also be applied in the event of any serious credible allegations on social or environmental issues that involve our large business customers and transactions.
Reputation Risk Radar	A service which monitors certain reports of social and environmental, and significant governance incidents and allegations against existing and prospective ANZ customers. Notable incidents and allegations are referred, where appropriate, to our risk management forums in which social, environmental and credit risks are considered.
Climate Change Risk Assessment	Facilitates qualitative risk assessment of customers’ exposure to potential physical and transition risks, the maturity of a customer’s transition plan and understanding how our customers are managing and disclosing nature-related risks, including biodiversity loss. It also seeks to understand and quantify potential financial impacts of climate risks. Refer highlight box for further detail about how we are expanding the CCRA and the customer groups it applies to.
Enhanced Due diligence for energy sector customers (including Oil and Gas)	Facilitates identification of relevant transactions to be referred to senior subject matter experts to review alignment with ANZ’s Climate Change Commitment. Where required, this includes escalation to senior executives for consideration. Refer page 11 for further detail.

Review and assessment of our Large Emitters Engagement Program	Facilitates engagement with our customers who are part of our Large Emitters Engagement Program. This involves an assessment of customers’ transition planning. Refer page 22 for further detail.
Equator Principles	A risk management framework for determining, assessing and managing social and environmental risks in major projects such as mines, windfarms and pipelines for which we provide project finance. Refer to our ESG Supplement and ESG Data and Frameworks pack for further detail available at anz.com/esgreport

HIGHLIGHT

Climate Change Risk Assessment (CCRA)

The CCRA is an internal risk management tool used to help guide our engagement with customers. The CCRA includes an assessment of customers’ exposure to potential physical risks and transition risks and the maturity of the customer in developing a transition plan. It also assists us in understanding how our customers are managing and disclosing their nature-related risks, including biodiversity loss.

It is acknowledged that customers’ nature-related risks, including biodiversity loss, are increasing and it is expected that this element of ANZ’s CCRA will continue to expand and evolve over time.

This year, the CCRA has been digitised and integrated into our credit risk assessment process via our Online Customer Profile platform, alongside our Social & Environmental Risk screening tool. Outcomes of the assessment are included in the credit process and help inform credit decisions.

The CCRA is being expanded beyond our Project Finance business starting with Institutional energy sector customers subject to the enhanced due diligence process and customers in our Large Emitters Engagement Program – refer to pages 81-84 for the 2023 ESG target update.

Overview
Governance
Strategy
Risk Management
Climate-related risk
Risk management framework
Policies and processes
Integrating climate risk
Physical risk
Metrics and Targets
Appendix
Assurance opinion

1. Transactions involving our Institutional and Corporate customers.

Monitoring climate regulation

ANZ operates in 29 markets, and one of our priorities is to ensure that we comply with climate regulation in the jurisdictions in which we operate.

This year we engaged an external provider to undertake an assessment comparing regulatory expectations across seven jurisdictions in which we operate: Australia, New Zealand, Singapore, Hong Kong, the United Kingdom, Europe and the USA. The assessment will help inform the integration of climate risk standards and obligations into our Non-Financial Risk Framework (NFRF) commencing from 2024. See the Risk section of our 2023 Annual Report for further details on the NFRF available at anz.com/annualreport.

The Australian Treasury has been consulting on the Federal Government’s proposed mandatory climate-related financial disclosure regime. The regime is due to commence from 1 July 2024 and, under the current proposal, ANZGHL’s first mandatory reporting period would be the financial year commencing 1 October 2024. ANZ is reviewing current processes, capabilities and structures to map and execute a roadmap for compliance with the regime across the Group.

In New Zealand, ANZ’s Climate and Environmental Sustainability Programme continued this year to prepare for compliance with New Zealand’s mandatory climate-related disclosure regime.

Both ANZ Bank New Zealand Limited and ANZ New Zealand Investments Limited are climate reporting entities (CRE) under the Financial Markets Conduct Act 2013 (FMCA).¹ Each entity has climate-related disclosure obligations under Part 7A of the FMCA and the Aotearoa New Zealand Climate Standards (NZ CS). ANZ Bank New Zealand Limited’s first mandatory reporting period is the financial year ending 30 September 2024, and it intends to publish a voluntary climate report for the financial year ending 30 September 2023. ANZ New Zealand Investments Limited will publish climate statements commencing in 2024 in relation to its registered managed investment schemes.

Policy engagement

We play a role in sharing research and insights, enabling cross-industry collaboration and support, to help the economy to transition to net zero.

We contribute to the dialogue via the Treasurer’s Investor Roundtable established in October 2022, which brings together some of Australia’s largest superannuation funds, the major banks and global asset managers, to identify and overcome barriers to investment. The most recent Roundtable focused on aligning efforts to deliver cleaner, cheaper energy.

Refer to page 30 for detail of ANZ’s involvement with the following organisations: Australian Sustainable Finance Institute, Toitū Tahua – Centre for Sustainable Finance, The Aotearoa Circle; and the partnership between ANZ and the Energy Efficiency Council.

ANZ Group is 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, policy makers and regulators. We contribute to policy on business, economic, social and environmental issues.

ANZ participates in working groups for example via the Australian Banking Association on climate, nature and climate scenario analysis and via ANZ UK we participate in the UK Financial Conduct Authority’s Climate Financial Risk Forum, Climate Resilience working group. We have also made submissions to the Australian Treasury consultation on the Federal Government’s proposed regime for mandatory climate disclosure.

We understand our stakeholders are interested in the position we take on issues such as climate and we periodically review our membership of industry associations that develop policies and undertake advocacy on these and other issues. Refer to our ESG Supplement at anz.com/annualreport for disclosure of our membership of key industry associations.

Integrating Climate Risk into Risk Appetite Statements

Risk appetite is informed by the requirements of our Social and Environmental Risk Policy² and ANZ’s ERBC Sub-Committee for sensitive wholesale transactions, which provides oversight in relation to customer selection and lending decisions having regard to ANZ’s purpose and Climate Change Commitment.

ANZ’s Climate Change Commitment informs risk appetite for certain priority sectors in Institutional, which is reflected in sector-level lending criteria, including for resources, energy and large-scale commercial real estate sectors. 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.

Building on steps taken in previous years to refine our Risk Appetite Statements across the Group, we aim to introduce certain targeted metrics in 2024 which we expect will enhance monitoring of key areas of climate-related risk.

Overview
Governance
Strategy
Risk Management
Climate-related risk
Risk management framework
Policies and processes
Integrating climate risk
Physical risk
Metrics and Targets
Appendix
Assurance opinion

¹. ANZBGL is considered a CRE in respect of its New Zealand business under Part 7A of the FMCA and is almost entirely covered by ANZ Bank New Zealand’s climate statements. ANZBGL climate statements will include considerations for other assets not covered by ANZ Bank New Zealand’s climate statements. ANZGHL is also considered a CRE, however the Financial Markets Authority (FMA) has agreed in principle to grant a class exemption for five years which applies to ANZGHL; this partial relief means ANZGHL will need to comply with reporting, assurance and record keeping obligations in respect of its New Zealand business operations or investments only, and only to the extent that it is not otherwise reported on by ANZBGL or ANZ Bank New Zealand. ². Institutional, including Corporate customers and see page 37 for further details.

Data and Analytics – to support integration of climate-related risk

ANZ is participating in regulatory scenario assessments and stress tests, analysing the impact of certain climate risks to specific portfolios within the bank. ANZ is also engaging with industry bodies, consultants and third-party vendors to better understand data that could be used to assess and understand ANZ's and our customers' potential exposure to physical and transition risks.

The quality and availability of climate and nature-related data remains a challenge. This year ANZ developed an Environmental Sustainability (ES) data strategy to inform our approach to sourcing and integrating climate data in priority use cases.

We expect that the data strategy will help us to:

- develop a more coordinated, centralised approach to climate data that can be shared across divisions and jurisdictions in which we operate;
- understand our current data requirements, gaps and inter-dependencies across priority use cases;
- start to identify and build our ES data capability including climate-related risk capability;
- start to build and uplift ES capability in our processes and systems; and
- support informed decision making in relation to the assessment of certain customers'1 ES risks, such as climate-related risks.

A data forum has been established to identify and prioritise ES data use cases across the Group. See pages 81-84 for further detail regarding our 2023 ESG Target update.

Informing our risk assessments

ANZ recognises that scenario analysis is a strategic tool that can help us to further identify, understand, assess, and manage potential climate-related risks, impacts and opportunities of physical and transition risk to the Group and our customers. Scenario analysis can also help us to understand sector and portfolio- vulnerabilities and inform risk assessments, strategic planning and decision making.

Our focus has been on participating in regulatory led scenario assessments and stress tests to build capability and to develop our understanding of the data requirements we need.

In 2021-2022 ANZ participated in the APRA Climate Vulnerability Assessment (CVA),2 which assessed the potential impact of physical and transition risks to parts of our Australian mortgages, agriculture 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.

Data was provided by APRA to support the completion of the CVA. The approach included physical and transition risk impacts arising from two climate scenarios and included both portfolio and counterparty assessments.

The CVA used two future climate scenarios as the foundation for assessing potential physical and transition risk impacts, which were aligned to the internationally recognised scenarios developed by the Network for Greening the Financial System (NGFS): a Current Policies Scenario and Delayed Transition Scenario. The Current Policies Scenario assumed that only currently implemented policies are preserved, leading to global warming of more than 3°C with emissions continuing to be elevated beyond 2050. The Delayed Transition Scenario assumed delayed policy action on climate change, followed by a rapid reduction in emissions after 2030, consistent with limiting global warming to below 2°C.

APRA published the results of the CVA in November 2022. The CVA Information Paper which reports the results in more detail states that climate-related lending "... would be impacted under the climate scenarios that were evaluated. However, in the absence of a severe deterioration in macroeconomic conditions, these losses are unlikely to rise to a level that would result in severe stress for the banks."3

The CVA Information Paper notes that the results "indicate that the impacts would be different for each of the two climate scenarios. In addition, the results also varied by bank, by region and sector, and over time. The results provided by the banks for the counterparty assessments suggest that counterparty credit ratings can be negatively impacted under each of the climate scenarios."4 This was "more prominent" under the Delayed Transition Scenario for counterparties in emissions intensive sectors (e.g. fossil fuel extraction and related businesses, mining and certain utilities).5

Across 2022 and 2023, ANZ Bank New Zealand participated in the Reserve Bank of New Zealand's first climate sensitivity analysis, identifying areas of vulnerability exposed to physical and transition climate risks, specifically for the residential and agriculture credit portfolios.

This year, ANZ Bank New Zealand was also one of five banks that participated in the Reserve Bank of New Zealand's 2023 Climate Stress Test. ANZ Bank New Zealand will seek to integrate learnings and insights from these programs into their risk management processes.

We are participating in the 2023-2024 Hong Kong Climate Risk Stress Test developed by the regulator, Hong Kong Monetary Authority. Our focus in this stress test is on a short-term scenario, which features both climate-related shocks and a macroeconomic downturn.

Given ANZ operates across 29 markets, we expect the number of stress test exercises we participate in will increase over time. ANZ considers that participation in these stress tests will help to inform an approach to scenario analysis that can be applied by the Group and adjusted at a country-level.

ANZ is also prioritising scenario analysis within our ES data strategy.

Overview

Governance

Strategy

Risk Management

Climate-related risk

Risk management framework

Policies and processes

Integrating climate risk

Physical risk

Metrics and Targets

Appendix

Assurance opinion

1. Institutional, including Corporate customers. 2. The CVA was carried out by Australia's five largest banks. 3. APRA – Information Paper – Climate Vulnerability Assessment Results, November 2022, page 8. 4. APRA – Information Paper – Climate Vulnerability Assessment Results, November 2022, page 8. 5. APRA – Information Paper – Climate Vulnerability Assessment Results, November 2022, page 33.

Initial steps we are taking to consider physical risk to residential and agricultural sectors

Residential home loans – Australia

During this financial year, some customers in Australia were affected by floods and severe storms. While homes were unfortunately lost, most customers were protected by an insurance policy (in accordance with their home loan contract) which limited losses to the Group. As at 30 September 2023, these events had not resulted in material credit related impacts in our retail home loans portfolio.

ANZ is engaging with external vendors to continue to explore climate-related physical risk data, tools and solutions to help identify, assess and manage potential physical risks to the residential home loans portfolio and to develop geospatial assessment capability.

Residential home loans – New Zealand

Climate can be expected to have varying levels of impact on our customers’ properties and financial resilience. This year ANZ Bank New Zealand assessed the risk to New Zealand residential properties secured with an ANZ home loan from two different types of flooding – coastal and inland.

The ANZ Bank New Zealand assessment used third-party data from New Zealand’s National Institute of Water and Atmospheric Research

and Moody’s RMS¹ to understand the potential risk across different climate scenarios and flooding severities.

Having completed this analysis in 2023, ANZ Bank New Zealand is now seeking to better understand where financial vulnerabilities may exist, and how it can respond to these risks and support customers.

Results from this assessment will be reported by ANZ Bank New Zealand in its 2023 climate-related disclosure.

Agricultural sector – Australia

Agriculture is an important part of our business.

We expect some customers have faced and will continue to face challenges attributable to the impacts of climate change. For example during extended drought, farmers may have a reduced ability to repay their loans due to disruptions to business and economic activity and/or impacts on income and asset values and thus represent a credit risk to ANZ.

Climate variability assessments are part of agriculture credit writing procedures for new customers, existing customers buying additional property, and any customer in a region identified by ANZ as affected by drought. We work with our Agriculture customers to seek to limit the occurrence of financial stress caused by climate variability (acknowledging that climate-related risk is likely to change over time). In Australia, we use Australian Bureau of Meteorology (BoM) data to determine the short-term (under 12 months) weather outlook. We examine variability in average annual rainfall in recent decades to see

how climate change may affect the suitability and volatility of farming in given regions. This process helps inform ANZ’s strategic decision making, as well as credit risk appetite.

Customers identified by ANZ as potentially being less resilient to climate change 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.

We recognise the need to understand how customers manage their land and natural environment, including our customers’ plans for a changing climate.

Refer to the Metrics and Targets section of the report at page 75 where we have this year set a data coverage target for our Large Institutional Agribusiness Customers to encourage and support the provision of high quality and comparable emissions data across the sector.

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, such as those that occurred in 2022-23 resulting in flooding along the eastern seaboard of Australia and Cyclone Gabrielle in New Zealand. While on occasion these events can cause damage to ANZ property and infrastructure, our Business Continuity and Disaster Recovery Plans are in place to support alternative banking arrangements for the communities 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.

This year, ANZ conducted a climate risk assessment, with a primary focus on evaluating the climate physical risks associated with our Group-wide property network. Our goal was to gain a deeper understanding of the potential risks and challenges posed by the physical impacts of climate change on our data centres, retail branches and commercial centres.

To guide our assessment, we used climate projections from the latest Intergovernmental Panel on Climate Change (IPCC) assessment report. These projections helped us to identify how climate variables are changing and the potential impact on our business operations by the years 2030 and 2050.

Having gained valuable insights, such as a better understanding of the potential physical climate risks and impacts to our property portfolio, we have commenced a process to evaluate the effectiveness of the existing controls for how we manage physical climate risks within our network.

By undertaking this initiative, our objective is to safeguard the ongoing resilience of our property network into the future.

Overview

Governance

Strategy

Risk Management

Climate-related risk

Risk management framework

Policies and processes

Integrating climate risk

Physical risk

Metrics and Targets

Appendix

Assurance opinion

1. A global provider of climate hazard data and insurance risk modelling.

METRICS
AND TARGETS

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



For ESG targets, including operational footprint, see page 81-84.

- >10% above pathway
- <=10% above pathway
- On or below pathway

1. See sectoral pathways (pages 49 to 77) and page 80 for further information. 2. Actual Performance Against our Large-scale commercial real estate Target up to end 2022.

ANZ’s Sectoral Metrics and Targets¹

	Sectors	2030 Interim Target Reduction	Status	Page
Energy	1. Power generation	50% (2020 baseline)	ON TRACK	51
	2. Oil and gas	26% (2020 baseline)	ON TRACK	53
	3. Thermal coal (new)	100% (2020 baseline)	ON TRACK	55
Transport (new)	4a. Auto manufacturing	28% (2022 baseline)	ON TRACK	57
	4b. Aviation	30% (2019 baseline)	ON TRACK	59
	4c. Shipping	10% (2022 baseline)	ON TRACK	61
Manufacturing	5. Aluminium	30% (2021 baseline)	NOT ON TRACK	63
	6. Cement	20% (2021 baseline)	ON TRACK	65
	7. Steel	28% (2021 baseline)	CLOSE TO ON TRACK	67
Buildings	8a. Large-scale commercial real estate ²	60% (2019 baseline)	ON TRACK	69
	8b. Residential home loans (new)		N/A: BASELINE	71
Other	9. Large Institutional Agribusiness Customers (new)	100% of LIAC customers	N/A: NEWLY INCLUDED	75
	Total portfolio (new)		N/A: COMPLEMENTARY METRIC	76

- Overview
- Governance
- Strategy
- Risk Management

Metrics and Targets

- Sectoral metrics and targets
- Sector exposures
- Our approach to sectoral pathways
- Pathways performance dashboard
- Energy sector
- Transport sector
- Manufacturing sector
- Buildings sector
- Large Institutional Agribusiness Customers
- Total lending portfolio

- Appendix
- Assurance opinion

TCFD-RELATED METRICS AND INDUSTRY EXPOSURES

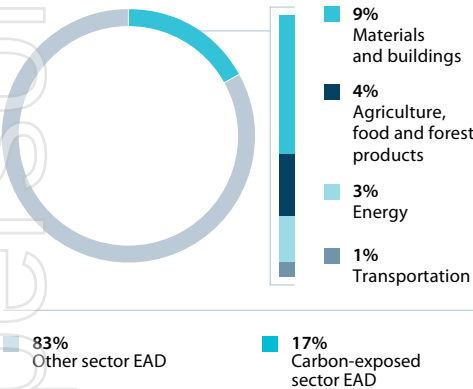
We continue to disclose our credit metrics and exposure to various sub-industries in four key sectors identified by the TCFD to be most exposed to climate-related risks:

- Energy;
- Transportation;
- Materials and Buildings; 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.

Our overall exposure to these four sectors is around 17% of the Group exposure at default (EAD)¹, down from approximately 18% in 2022 (approximately 16% in 2021). The remaining Group EAD is financing sectors outside the four identified by the TCFD.

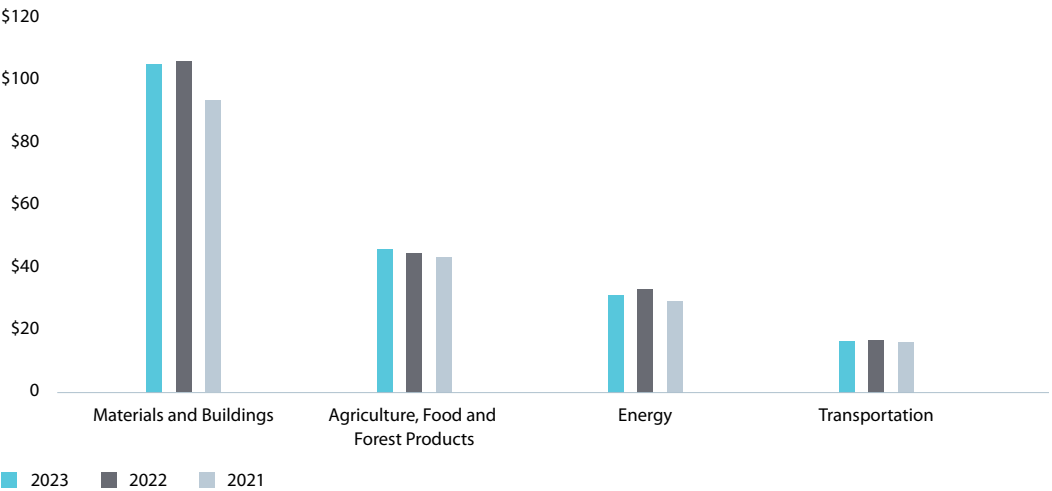
EAD breakdown for carbon exposed sectors – 2023 (\$bn/%)



The decrease in exposure was driven by the Energy and Materials and Buildings sectors, which were partially offset by an increased exposure to Agriculture. The decrease in Energy sector this year was due to lower exposures to the electricity and oil and gas sectors. A small uptick in exposure to coal was driven partly by the APRA capital reforms during the year, and was not a result of any new lending to thermal coal. Since 2015, we have reduced our direct lending to thermal coal mining by around 85% – it is now around 0.02% of our Group EAD – while our direct lending to renewables projects has increased by around 49% during the year. See sectoral pathways on pages 49-77 for details around the key drivers impacting our exposures. Decreases in Materials and Buildings and Energy was driven in large part by APRA capital reforms; see page 47 for an explanation of the impact of APRA's capital reforms. The movement in Agriculture is largely driven by an increase in lending to our customers in this sector; compounded by changes in foreign exchange rates to our NZ portfolio.

In terms of credit metrics, there was a small decrease in the percentage of exposures rated as investment grade with 57% of our exposures across the four sectors achieving this benchmark in 2023 compared to 58% in 2022 (52% in 2021). Our non-performing loans across the four sectors was the same as last year with 0.5% of sector EAD overall. 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 losses for ANZ.

EAD trends for climate exposed sectors (\$bn)



Industry groups and credit quality ²	Exposure at Default (\$bn)			Non-performing Loans (% of sector EAD) ³			Investment Grade (% of sector EAD)		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Agriculture, Food and Forest Products	44.1	42.9	41.7	0.9	1.1	1.4	44.1	43.8	36.5
Energy	29.9	31.7	27.9	0.1	0.1	0.1	90.3	89.3	85.1
Transportation	15.9	16.1	15.5	0.3	0.4	1.7	72.8	66.7	67.2
Materials and Buildings	103.9	104.7	92.3	0.5	0.4	0.5	50.0	52.5	47.2
Total	193.8	195.4	177.4	0.5	0.5	0.7	56.7	57.8	52.4

1. EAD excludes amounts for 'Securitisation', and for 'Other assets' prior to March 2023 (included from March 2023 due to the implementation of APRA's new capital framework), whereas CRWA is inclusive of these asset classes, as per APS 330. EAD data provided is on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. 2. Values may not add to totals due to rounding. 3. Non-performing loans have been restated to align with APS 220.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

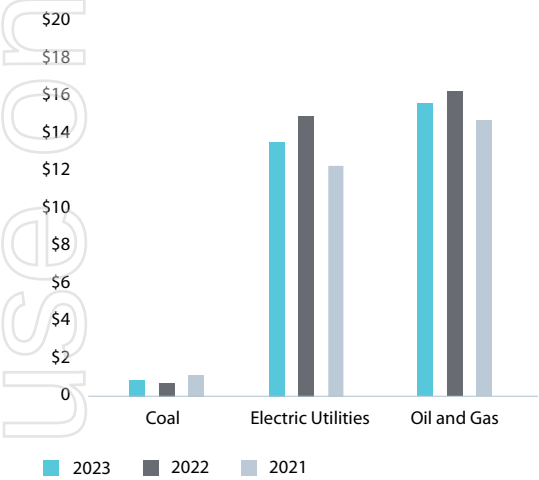
Total lending portfolio

Appendix

Assurance opinion

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.

Subsector trends in EAD – Energy (\$bn)



1. Coal mining includes exposures to metallurgical (coking) coal used for steel making \$0.65bn and thermal coal used for energy generation \$0.26bn. Rehabilitation bonds will continue to be provided to existing customers with some thermal coal exposure to ensure their responsibilities with exiting mine sites are fulfilled. The purpose of a rehabilitation bond is related to environmental remediation and not financing of the coal mining activity itself. As at 30 September 2023, rehabilitation bonds were \$169m, which equates to 64.7% of our exposure to thermal coal mining under ANZSIC code 1102. Australian and New Zealand Standard Industrial Classification (ANZSIC) has been developed for use in the compilation and analysis of industry statistics in Australia and New Zealand. The Australian Bureau of Statistics and Statistics New Zealand jointly developed this classification to improve the comparability of industry statistics between the two countries and with the rest of the world. 2. 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. 3. Exposure to oil and gas includes all of the oil and gas value chain such as exploration, extraction, transport, refining and retail. 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.

Climate exposed sub-industry	Exposure at default (\$bn)		
	2023	2022	2021
Agriculture, Food and Forest Products	\$44.1	\$42.9	\$41.7
Agriculture	\$31.5	\$30.2	\$30.6
Beverages	\$4.0	\$3.5	\$3.3
Paper and Forest Products	\$1.0	\$0.8	\$0.8
Packaged Foods and Meats	\$7.6	\$8.4	\$7.0
Energy	\$29.9	\$31.7	\$27.9
Coal ¹	\$0.9	\$0.7	\$1.1
Electric Utilities ²	\$13.5	\$14.9	\$12.3
Oil and Gas ³	\$15.5	\$16.1	\$14.6
Transportation	\$15.9	\$16.1	\$15.5
Air Freight	\$3.1	\$3.0	\$3.0
Automobiles	\$4.4	\$5.4	\$4.5
Maritime Transportation	\$1.4	\$1.6	\$1.5
Passenger Air	\$0.3	\$0.1	\$0.2
Rail Transportation	\$1.8	\$1.7	\$1.8
Trucking Services	\$4.9	\$4.3	\$4.5
Materials and Buildings	\$103.9	\$104.7	\$92.3
Capital Goods	\$21.2	\$21.4	\$17.3
Chemicals	\$3.5	\$2.8	\$2.1
Construction Materials	\$1.3	\$1.3	\$1.3
Metals and Mining	\$8.0	\$8.6	\$7.2
Real Estate Management and Development	\$69.9	\$70.6	\$64.4
Grand Total	\$193.8	\$195.4	\$177.4

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

Appendix

Assurance opinion

OUR APPROACH TO
SECTORAL PATHWAYS

Financed portfolio emissions

This section explains how our financing¹ is responding to the impacts of climate change. It includes our progress towards transitioning nine of our highest emitting sectors in line with the goals of the Paris Agreement, how we engage with customers to help them in their transition towards net zero, and our work to assess and manage climate risks.

This year, we are disclosing our progress against our existing pathways in six key sectors and setting four new pathways and targets in two more sectors: the thermal coal sector and for the transport sector, within three sub-sectors: auto manufacturing, aviation and shipping.

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

Actions to achieve our targets

We discuss our sectoral pathways customers' progress as part of our large emitters engagement program, outlined on pages 22-24 of this report. The achievement of our targets will partly depend on our success in engaging with these customers to seek improved transition plans, including seeking "Paris-aligned" targets and whether they are on track to meet these targets.

We acknowledge that in some cases, supporting customers' transition plans may mean the emissions intensity of our portfolio goes up for a period. We consider this is the appropriate step for us to take to support real-world reductions in emissions over the longer term, provided those customers have, or are in the process of developing, robust and credible transition plans which we aim to progressively assess for customers within those pathways.

As our customers gradually electrify, retrofit or bring online lower emissions production assets, and switch to alternate fuels, we expect to see the emissions intensity of our portfolios (for relevant targets) decline towards our 2030 targets. In Australia, the Government's Safeguard Mechanism is intended to assist in the decarbonisation of higher emitting

sectors, however for some of our sectors such as steel, our customers' facilities are geographically distributed in Asia as well as Australia. Further, we note concerns in some industries, such as cement that the Safeguard Mechanism may incentivise emissions leakage to occur via a shift to imported materials.

Finally, each sector will have different challenges and opportunities, which we have outlined in more detail in the 'actions to achieve targets' of each of the sectors below.

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 (IEA) 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 on the following pages). While we have used the IEA's 2021 data as a benchmark, we are aware the NZE 2050 was updated in late September 2023. Given we intend to review each pathway at least every five years in line with NZBA guidance, we will consider any updates to the NZE 2050 or other industry scenarios as part of that review, which we anticipate would be completed by end 2025 given we set our first targets in 2021.

We are also 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.

- Overview
- Governance
- Strategy
- Risk Management

Metrics and Targets

- Sectoral metrics and targets
- Sector exposures
- Our approach to sectoral pathways
- Pathways performance dashboard
- Energy sector
- Transport sector
- Manufacturing sector
- Buildings sector
- Large Institutional
- Agribusiness Customers
- Total lending portfolio

- Appendix
- Assurance opinion

1. Our pathways are based on our lending portfolio, which does not include facilitated emissions eg. debt capital markets facilitation. As at October 2023, suitable standards to allow financial institutions to calculate facilitated emissions are still under development.

Decision useful metrics

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. These pathways are providing an important input to our decision making as we seek to meet our interim 2030 targets.

Our choice of an emissions intensity target recognises that for relevant sectors, such as aluminium, cement and steel they are likely to be key materials that will be used in technologies essential for the transition to net zero emissions.

For some sectors, we have disclosed additional, or complementary metrics, that we consider 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 PCAF, and have provided data quality scores for absolute emissions of relevant sectors, including 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.

Use of Exposure at Default (EAD)

ANZ has taken a conservative approach in calculating our financed emissions by using EAD instead of the outstanding amount of loans and investments. EAD represents the Group's exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a proportion of off-balance sheet exposures as specified by APRA).

This is a departure from the PCAF recommended approach, which recommends including the outstanding amount of loans and investments ie. excluding undrawn amounts.

While this approach means that we are attributing a higher proportion of our customers' emissions, we consider this provides a more accurate representation of our support to our customers and the transition risks that we are potentially exposed to. The choice of the committed loan amount, rather than the outstanding amount, also helps minimise the risk of volatility in customer drawdowns that may impact the achievement of our targets.

APRA's capital reforms

In January 2023, ANZ implemented the Australian Prudential Regulatory Authority's (APRA) Basel IV rules for the calculation of capital. The implementation of these rule changes the way EAD is calculated. The actual impact will vary from sector to sector depending on product mix. For example, for the power generation portfolio the impact has been a decrease in EAD. The actual impact on the power generation emissions intensity metric is however negligible, given it is derived from a portfolio-weighted average, and not an absolute emissions measure. This means even though our portfolio EAD has decreased, the relativity of exposures across generation assets / companies with different emissions intensities has not changed materially.

In general the explanation above about the materiality of the rule changes on EAD is applicable to the sectors in respect of which we have set emissions intensity metrics. For our oil and gas sector there are specific impacts from APRA's capital reforms, which are explained in more detail on page 54.

- Overview
- Governance
- Strategy
- Risk Management

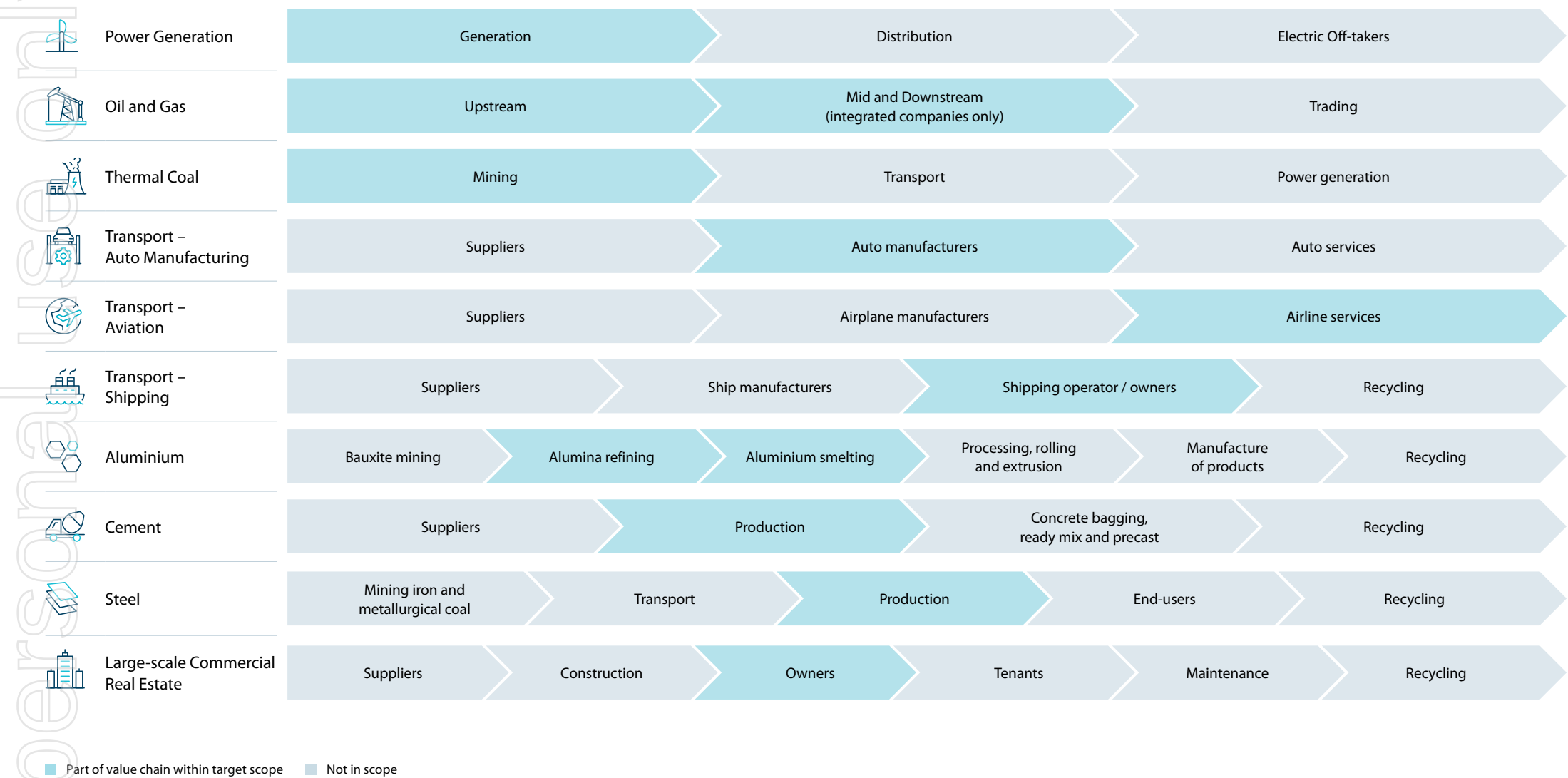
Metrics and Targets

- Sectoral metrics and targets
- Sector exposures
- Our approach to sectoral pathways
- Pathways performance dashboard
- Energy sector
- Transport sector
- Manufacturing sector
- Buildings sector
- Large Institutional
- Agribusiness Customers
- Total lending portfolio

- Appendix
- Assurance opinion

Sectoral value chain activity coverage

Our sectoral pathways and targets cover eight sectors, including three sub sectors, in the chart below, which also highlights the part of each sector's value chain on which we focus.



- Overview
- Governance
- Strategy
- Risk Management

Metrics and Targets

- Sectoral metrics and targets
- Sector exposures
- Our approach to sectoral pathways**
- Pathways performance dashboard
- Energy sector
- Transport sector
- Manufacturing sector
- Buildings sector
- Large Institutional
- Agribusiness Customers
- Total lending portfolio

- Appendix
- Assurance opinion

PORTFOLIO EMISSIONS PATHWAYS
PERFORMANCE DASHBOARD

Energy

Power generation

Go to page 51

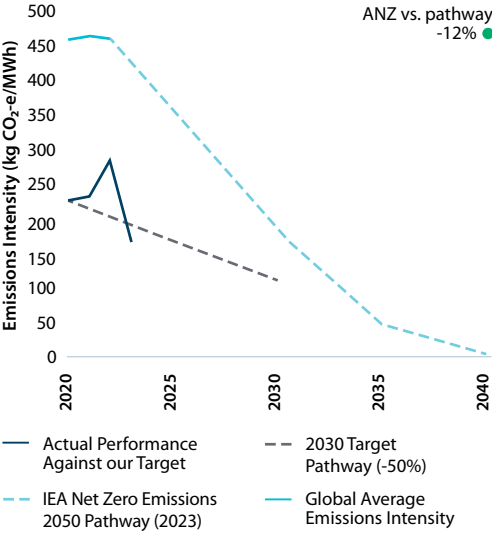
Oil and gas

Go to page 53

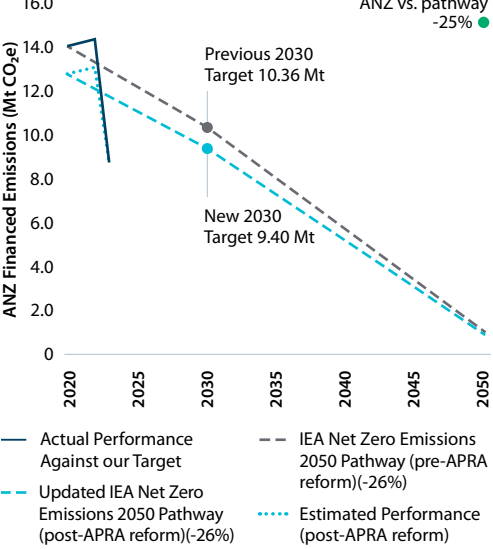
Thermal coal

Go to page 55

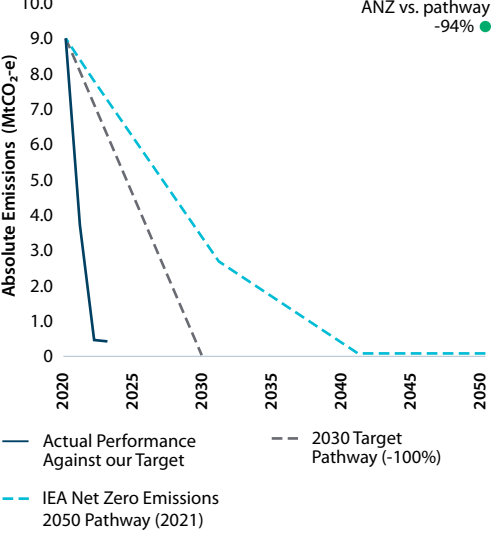
Power generation



Oil and gas



Thermal coal



Transport

Auto manufacturing

Go to page 57

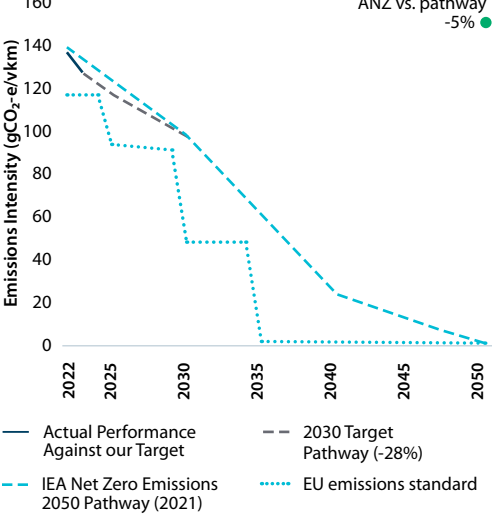
Aviation

Go to page 59

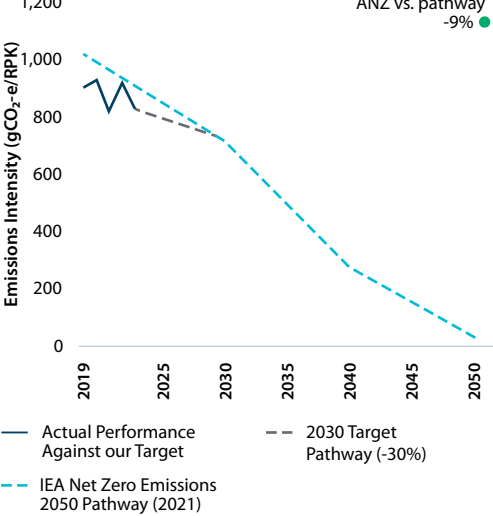
Shipping

Go to page 61

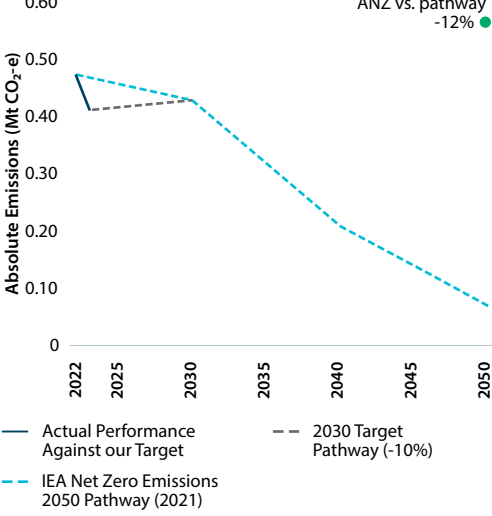
Auto manufacturing



Aviation



Shipping



Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

Appendix

Assurance opinion

Manufacturing

Aluminium

Go to page 63

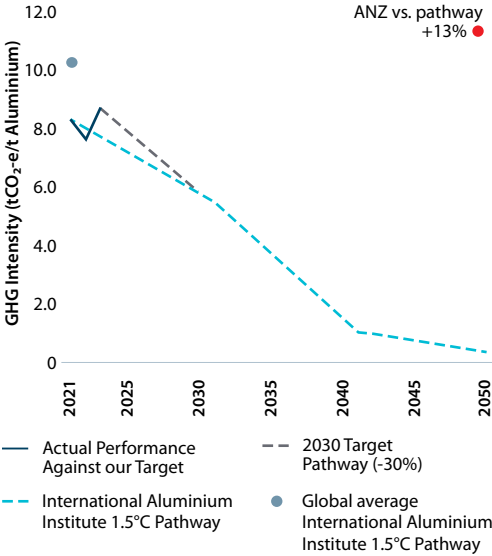
Cement

Go to page 65

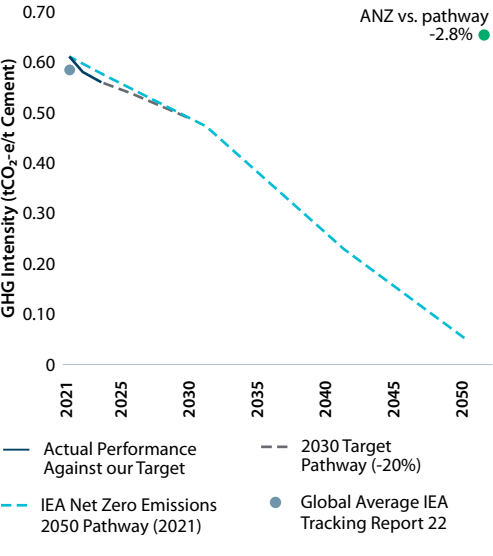
Steel

Go to page 67

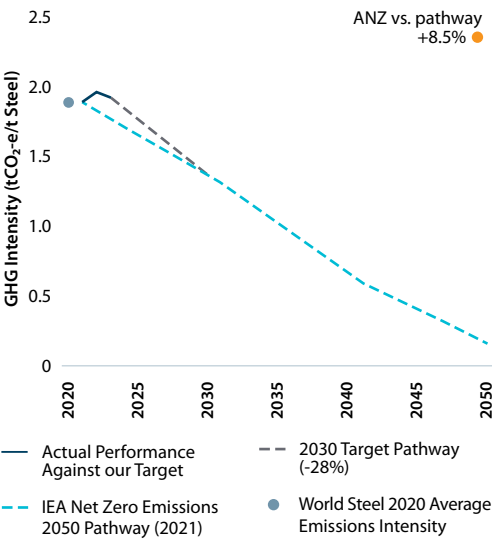
Aluminium



Cement



Steel



Buildings

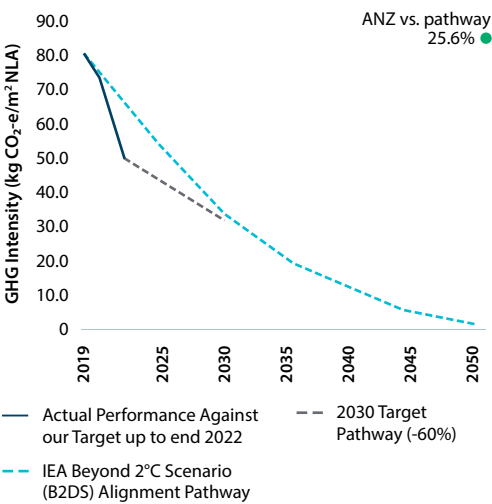
Large-scale commercial real estate – office buildings

Go to page 69

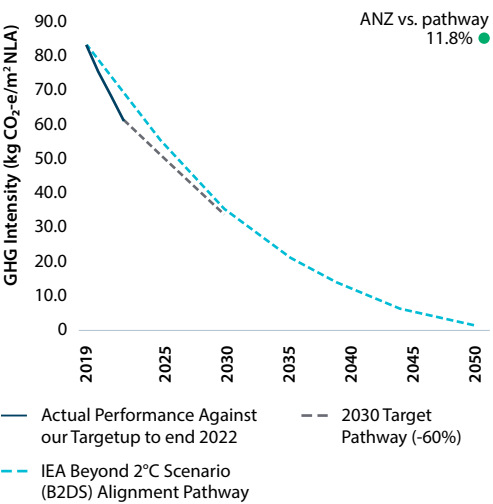
Large-scale commercial real estate – shopping centres

Go to page 69

Large-scale commercial real estate – office buildings



Large-scale commercial real estate – shopping centres



Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

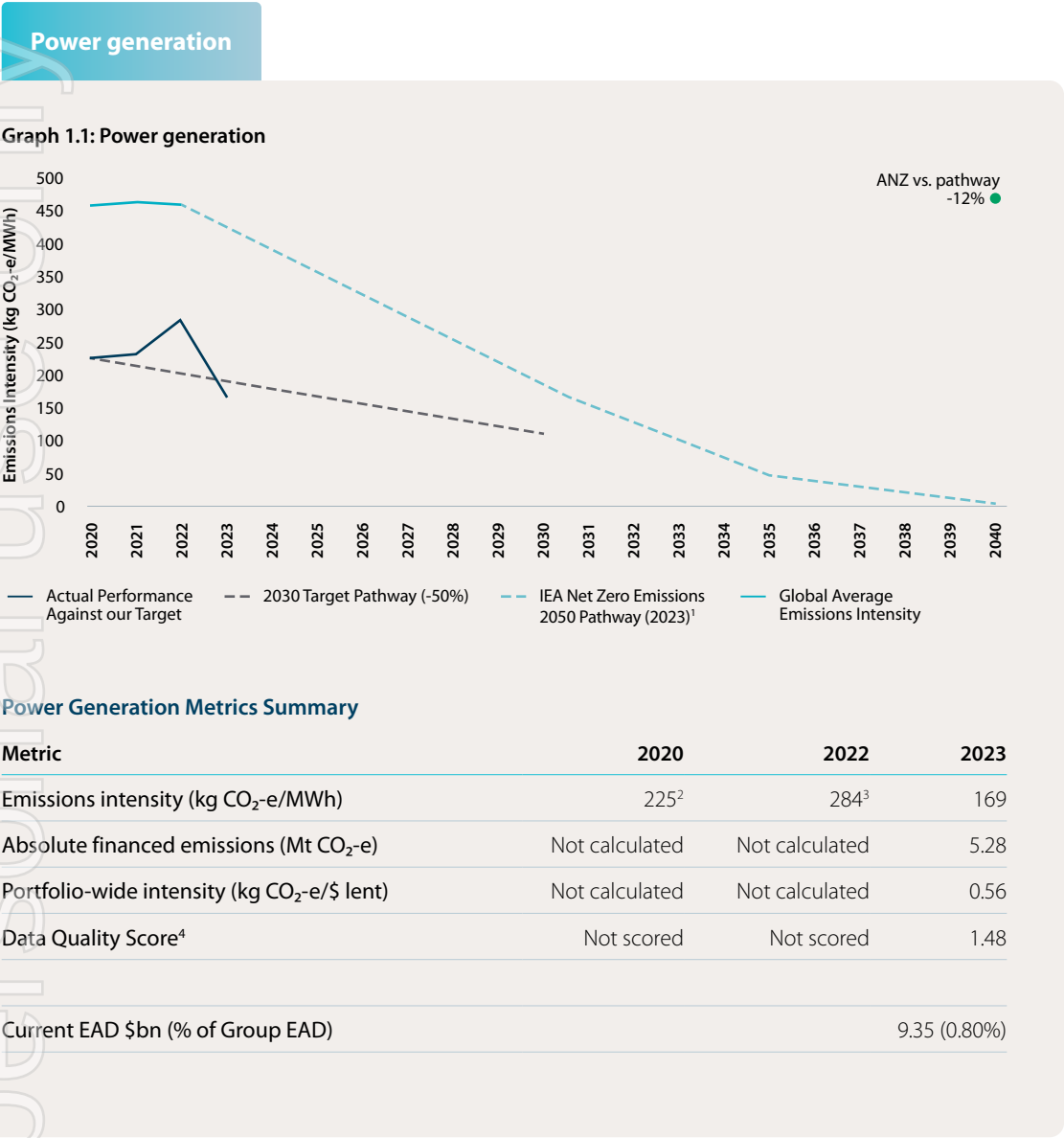
Agribusiness Customers

Total lending portfolio

Appendix

Assurance opinion

ENERGY



The key design choices we used to calculate our 2030 power generation emissions intensity target are summarised in Table 1 below.

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

2030 Target	50% reduction in emissions intensity from 2020 baseline
ANZ Customers Included	Companies that own or operate one or more electricity generation facilities that dispatch electricity into transmission grids, and that we have more than \$1m exposure at default (EAD) at the end of our financial reporting year (September 30)⁵
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 represents the Group's exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a proportion of off-balance sheet exposures as specified by APRA)
Attribution Approach	Portfolio-weighted approach (based on the ratio of ANZ's financing to individual 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) (2021)
Key External Data Sources	- Customer disclosures - Australian Clean Energy Regulator - International Energy Agency - Asset Impact⁶



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1. International Energy Agency, *World Energy Outlook 2023*. 2. This is a restatement of the 2020 baseline we reported in 2022 of 237 kgCO₂-e per MWh. 3. This is restatement of the 2022 performance figure we reported in 2022 of 314 kgCO₂-e per MWh. 4. 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 – Part A* (available [here](#)). 5. Excludes captive power generation facilities that are not connected to an electricity grid. 6. [Asset Impact](#).

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

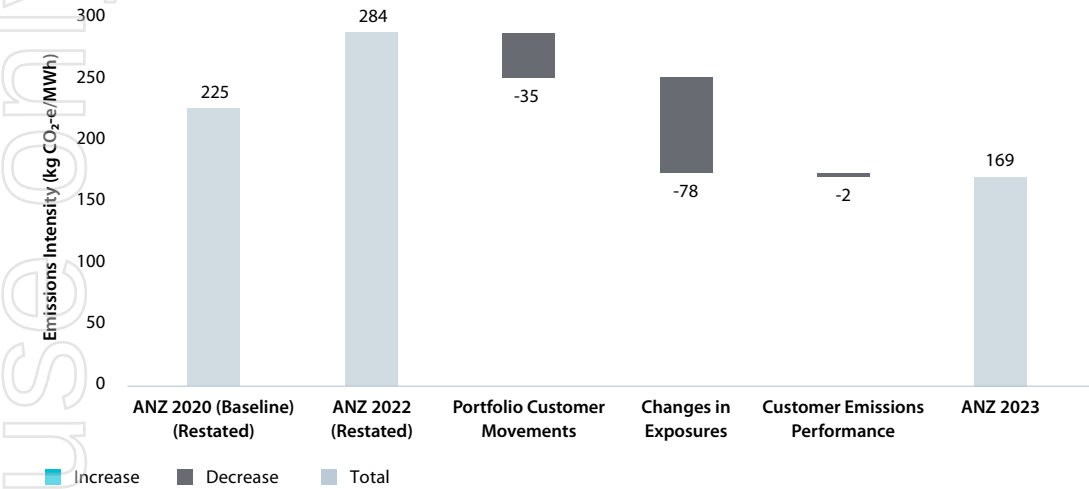
Appendix

Assurance opinion

POWER GENERATION (CONTINUED)

Performance against target

Graph 1.2 – Power generation portfolio emissions intensity movements



The emissions intensity of our power generation portfolio has declined substantially over the past year – from 284kgCO₂ per MWh in 2022¹ to 169 kgCO₂ per MWh – a 41% reduction. This is 25% below our 2020 baseline of 225kgCO₂ per MWh² and 12% below our target pathway, putting us back on track to meet our target of halving the emissions intensity of our portfolio by 2030. Our portfolio remains well below the global average emissions intensity of 460 kgCO₂/MWh,³ which needs to reach net zero emissions by 2040 to stay aligned with the 1.5°C temperature ambition of the Paris Agreement.

There are several reasons for the decrease in emissions intensity of our portfolio during 2023:

- The largest contributing factor was the repayment of short-term facilities we provided to customers in 2022 to help them manage unprecedented volatility in Australia's National Electricity Market. It was this support of existing customers that was the primary cause of the large spike in emissions intensity of our portfolio during 2022.
- We have also continued to steer our portfolio towards more sustainable energy sources in 2023 with 2.3GW of new renewables capacity coming online during 2023 that we helped to finance –

1. This is restatement of the 2022 performance figure we reported in 2022 of 314 kgCO₂-e per MWh. 2. This is a restatement of the 2020 baseline we reported in 2022 of 237 kgCO₂-e per MWh, however we have retained our 50% reduction target meaning that our 2030 target has now declined to 113 kgCO₂-e per MWh. 3. International Energy Agency, World Energy Outlook 2023 (p281). 4. IEA, World Energy Outlook 2023. 5. <https://www.iea.org/energy-system/electricity>. 6. IEA, World Energy Outlook 2023. 7. IEA, World Energy Outlook 2023.

including 1GW in Australia. This brings to 42%, the proportion of our power generation portfolio that is fully dedicated to renewable projects or companies whose generation facilities were entirely composed of renewable technologies (% of total exposure).

- We are also continuing to support customers demonstrating a strong commitment to transition their portfolios to sustainable energy sources and away from fossil fuels which is critical to achieving real-world reductions in emissions over the longer term.

Actions to achieve 2030 target

Since 2018, ANZ has been engaging with its 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, and we have seen a number of customers improve their plans over this period. While improvements in our customers' emissions performance made a small contribution to the overall decline in the emissions intensity of our portfolio during 2023, we expect larger declines to come in future as our customers gradually bring online new clean generation capacity and retire their existing fossil fuel assets. More information about our engagement approach is available on pages 22-24.

We are actively managing our power generation portfolio in a way that will support the achievement of our 2030 target. To assist with this portfolio steering towards lower emitting projects and customers, we apply 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 \$100 billion by 2030

in social and environmental outcomes through customer activities and direct investments by ANZ, includes activities to protect nature and biodiversity. See page 20 for more detail.

Opportunities for emissions reduction and challenges

Power generation is currently the largest source of CO₂ emissions globally, accounting for almost 40% of all energy related CO₂ emissions.⁴ While installation of wind and solar PV continues to grow strongly, emissions from the power sector reached an all-time high in 2022 and are not currently on track to reach net zero milestones.⁵

A global tripling of renewable energy capacity by 2030⁶ has therefore been identified as the most important contributor to emissions reductions that would put the energy sector on a pathway to limit warming to 1.5°C. This needs to be supported by a ramping up of electrification and a doubling in the pace of energy efficiency improvements that will all be important contributors in driving down fossil fuel demand.

To support the delivery of these key milestones, the IEA has identified the need for significant scaling up of investment in clean energy by 2030, with the ratio of investment in fossil fuels to investment in clean energy technologies rising from 1:1.8 in 2023 to 1:10 by 2030 under its Net Zero Emissions Scenario.⁷

Our choice of an emissions intensity reduction target recognises that under 1.5°C aligned scenarios, there is a need for substantially more electricity to be generated in 2050 compared with today. The additional demand is met mainly by low emissions sources of electricity while the share of unabated fossil fuels declines sharply. Because the power sector is critical to decarbonise other sectors of the economy, like transport, industry and buildings, it needs to be the first to reach net zero emissions, before 2045.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional Agribusiness Customers

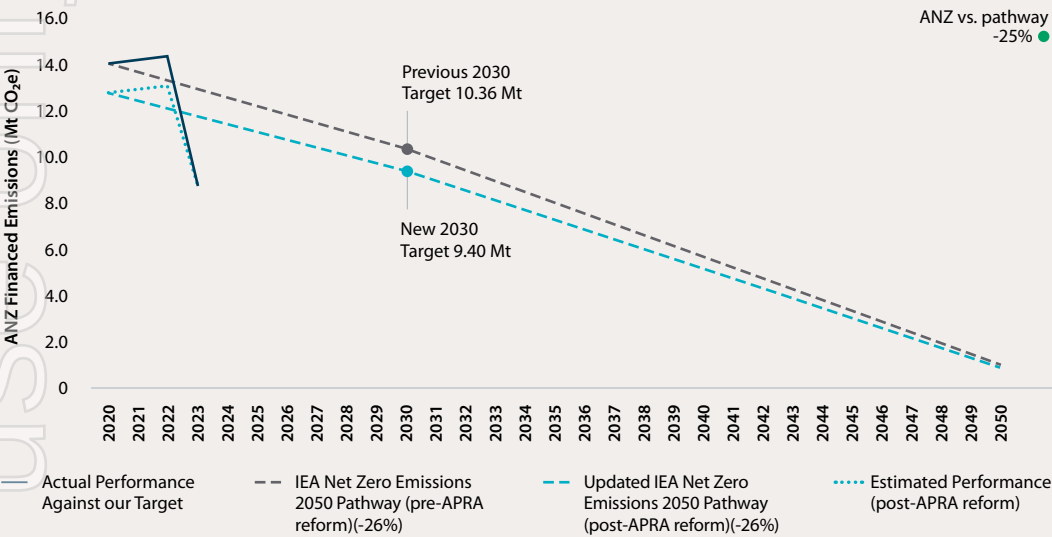
Total lending portfolio

Appendix

Assurance opinion

Oil and gas

Graph 2.1: Oil and gas



Oil and Gas Metrics Summary

Metric	2020	2022	2023
Absolute financed emissions (Mt CO ₂ -e) ¹	14.0	14.4	8.9
Physical emissions intensity (kg CO ₂ -e/GJ produced)	70.8	70.9	69.4
Portfolio-wide intensity (kg CO ₂ -e/\$ lent)	1.33	1.50	1.33
Data Quality Score ²			
• Scope 1 & 2	• Not scored	• 1.45	• 1.55
• Scope 3	• Not scored	• 3.00	• 3.00
Current EAD \$bn (% of Group EAD)			6.67 (0.57%)

1. We have restated our 2020 and 2022 results to reflect changes in data sources that we have relied on to calculate Scope 3 emissions for some of our customers. These restatements also build in the changes brought about by more precise attribution of our finance to the activities of two customers in our portfolio and correction of minor data issues. 2. 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 – Part A* (available [here](#)). 3. Our 26% reduction target is now from an adjusted 2020 baseline, with the rationale for this change, described in detail in the 'Target Adjustment' section below. Note we have also set a 40% EAD reduction target by 2025 from a 2020 baseline, which complements our financed emissions target.

The key design choices we used to calculate our 2030 oil and gas target are summarised in Table 2 below.

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

2030 Target	• 26% reduction ³ in absolute financed emissions from 2020 baseline
ANZ Customers Included	• Exploration and production (includes dedicated upstream companies, and LNG producers) • Integrated oil and gas producers • Customers above are included where ANZ's exposure is at least \$10 million
Emissions Included	• Scopes 1, 2 and 3 (Category 11, product use) for all companies included in scope, preferably on an equity-based accounting approach where that data is available from customers
Metric	• Absolute emissions (in million tonnes CO ₂ -e) (Mt CO ₂ -e)
Financing Activities Included	• Exposure at default: represents the Group's exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a proportion of off-balance sheet exposures as specified by APRA)
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 (2021)
Key External Data Sources	• Customer disclosures • Wood Mackenzie • Rystad • International Energy Agency • American Petroleum Institute • Intergovernmental Panel on Climate Change



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Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

Appendix

Assurance opinion

OIL AND GAS (CONTINUED)

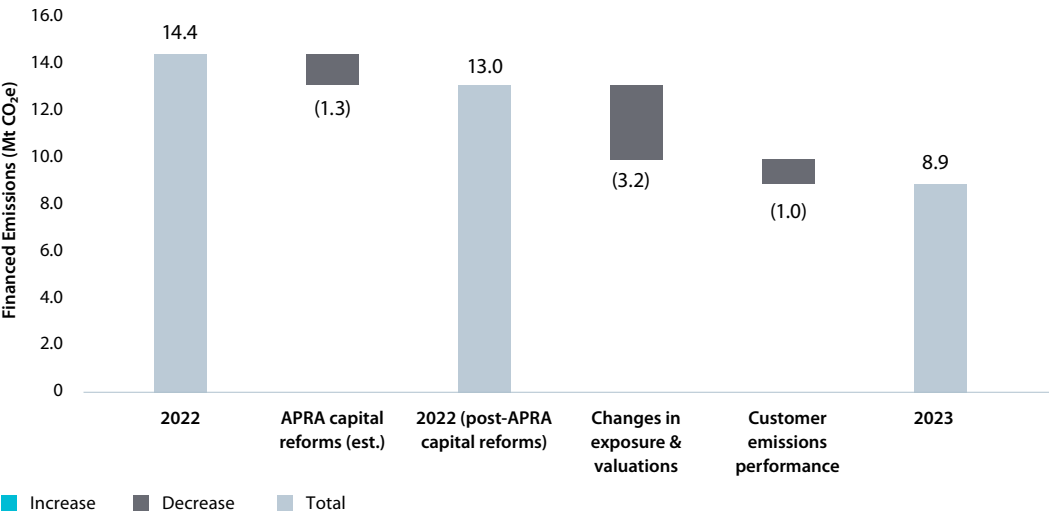
Target Adjustment

While maintaining our target to reduce absolute financed emissions by 26% by 2030, during 2023 ANZ adjusted downwards the 2020 baseline for the target. This will result in a lower level of target absolute emissions by 2030. We have done this following the introduction of new APRA Basel IV rules that alter the way EAD is calculated. For our oil and gas portfolio, the aggregate impact of this change has been a material reduction in EAD, which means a lower proportion of our customers' Scope 1, 2 & 3 emissions is attributed to us.¹

Our adjusted 2020 baseline (used only for the purposes of calculating a 26% emissions reduction target) has been estimated at 12.7Mt, leading to a revised 2030 target of 9.4Mt.

Performance against target

Graph 2.2 – Oil and gas portfolio emissions intensity movements



Our 2023 financed emissions of 8.9 Mt CO₂-e is 30% below our updated 2020 baseline of 12.7Mt and 25% below our target pathway. This decline was due to a combination of factors, which are summarised below:

- Higher energy prices translated into higher company valuations, meaning providers of debt capital – like ANZ – are attributed a smaller proportion of our customers' emissions
- Decrease in EAD from loan amortisation and active portfolio management
- Improved emissions performance by our customers.

To complement our financed emissions target we are also setting a 40% EAD reduction target by end 2025.

Given that financed emissions are calculated from a combination of factors that are both within and outside of ANZ's control, we encourage stakeholders to take a longer-term view of our progress and the 'trend' in our financed emissions, rather than focusing on year-on-year outcomes.

Actions to achieve 2030 target

We recognise that achieving our 2030 target will require a re-weighting of our portfolio towards customers with stronger emissions reduction targets and diversification strategies.

To help achieve this portfolio re-weighting, we will continue engaging with our customers in our oil and gas portfolio, seeking transition plans by end 2025 in line with our Climate Change Commitment and Extractive Industries Policy. This engagement is important so that we can identify which customers need to improve their plans, which will be factored into our lending decisions.

Opportunities for emissions reduction and challenges

Our choice of an absolute emissions 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.

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 generated from the burning of oil and gas products, a reduction will depend on the combined actions of businesses, governments and consumers. These Scope 3 emissions typically account for 80–90% of emissions for the sector.

- Overview
- Governance
- Strategy
- Risk Management

Metrics and Targets

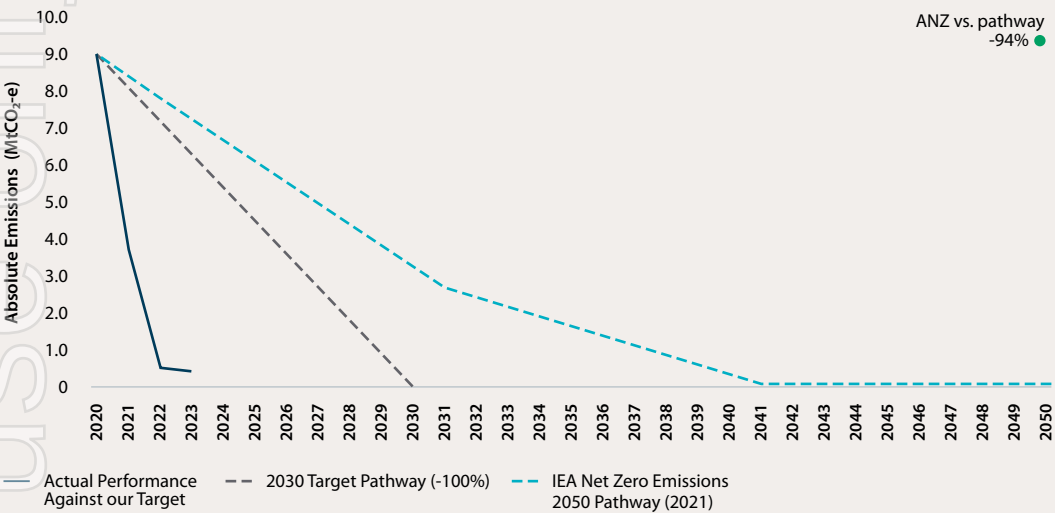
- Sectoral metrics and targets
- Sector exposures
- Our approach to sectoral pathways
- Pathways performance dashboard
- Energy sector
 - Transport sector
 - Manufacturing sector
 - Buildings sector
- Large Institutional Agribusiness Customers
- Total lending portfolio

- Appendix
- Assurance opinion

¹ While these APRA capital reforms only came into effect from 1 January 2023, we see it as important to benchmark our current and future performance against a consistent set of rules, hence the reason why we have estimated what our financed emissions for the 2020 year would have been using the APRA Basel IV rules (approximately 9.3% downward revision). We have also estimated our 2022 financed emissions using the new APRA Basel IV rules.

Thermal Coal

Graph 3.1: Thermal Coal



Thermal Coal Metrics Summary

Metric	2020	2023
Absolute financed emissions Mt CO ₂ -e	9.10	0.39
Physical intensity kgCO ₂ e/t produced	41.09	3.18
Portfolio-wide Intensity kgCO ₂ -e/\$ lent	20.99	4.65
Data Quality Score ¹		
• Scope 1 & 2	• 2.25	• 1.83
• Scope 3	• 3.00	• 3.00
Current EAD \$bn (% of Group EAD)		0.08 (0.01%)

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](#), December 2022. 2. ANZSIC has been developed for use in the compilation and analysis of industry statistics in Australia and New Zealand. The Australian Bureau of Statistics and Statistics New Zealand jointly developed this classification to improve the comparability of industry statistics between the two countries and with the rest of the world. 3. Includes emissions from thermal coal production only. Emissions from metallurgical coal production are not included in the scope of this target. 4. 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. The purpose of a rehabilitation bond is related to environmental remediation and not financing of the coal mining activity itself. As at 30 September 2023, rehabilitation bonds were \$169m, which equates to 64.7% of our exposure to thermal coal mining under ANZSIC code 1102.

The key design choices we used to calculate our absolute financed emissions reduction target for our thermal coal financing activities are summarised in Table 3 below.

Table 3.1 – Key design choices in calculating 2030 thermal coal financed emissions target

2030 Target	• 100% reduction in absolute financed emissions from 2020 baseline
ANZ Customers Included	• Australian and New Zealand Standard Industrial Classification (ANZSIC) ² code 1102, i.e. those customers for whom thermal coal mining is their predominant activity ³ • Customers above are included where ANZ's exposure is at least \$1 million
Emissions Included	• Scope 1, 2 and 3 (category 11, product use) for all companies included in scope ⁴
Metric	• Absolute emissions (in million tonnes CO ₂ -e) (Mt CO ₂ -e)
Financing Activities Included	• Exposure at default. This represents the Group's exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a proportion of off-balance sheet exposures as specified by APRA • Rehabilitation bonds and transaction banking are not included ⁴
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 (2021)
Key External Data Sources	• Customer disclosures • Wood Mackenzie • AME • International Energy Agency • 2006 IPCC Guidelines for National Greenhouse Gas Inventories



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Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

Appendix

Assurance opinion

THERMAL COAL (CONTINUED)

Performance against target

Financed scope 1, 2 and 3 emissions included in this pathway have declined by 96% over the last three years. Since 2015, we have reduced lending provided directly to thermal coal mining by around 85% – it is now around 0.02% of our Group EAD.¹ Our active portfolio management in line with our Extractives Industry Policy outlined in our Climate Change Commitment has contributed to our progress to date.

Target considerations

The NZBA ‘Guidelines for Climate Target Setting for Banks’ states that any client with more than 5% of their revenues coming directly from thermal coal mining shall be included in the scope of targets and specifies that metallurgical coal is considered within the value chain of the iron and steel sector.² ANZ’s thermal coal target includes ANZSIC code 1102, i.e. those customers for whom thermal coal mining is their predominant activity³. The target does not include diversified miners or metallurgical coal miners that produce thermal coal as a by-product (i.e. customers who are not classified as ANZSIC code 1102).

Analysis of this 5% revenue threshold found that diversified miners and metallurgical coal miners that produce thermal coal as a by-product, would fall in and out of the target boundary on any given year in line with commodity prices. This creates challenges in both reporting and setting a target for these customers at this stage.

Given our active portfolio management in line with our Extractives Industry Policy outlined in our Climate Change Commitment, our thermal coal exposures are now primarily within our metallurgical coal miners that produce thermal coal as a by-product and diversified mining customers’ portfolio’s (through corporate lending facilities). The breakdown of our financed emissions from each customer type is shown in the pie chart below. In 2024, we will conduct further analysis and engage with the NZBA and our customers to understand how we might achieve closer alignment to the NZBA’s guidelines whilst managing the real-world implications of fluctuating commodity prices and variations in production volumes. This is important given that many of our diversified mining customers are some of the world’s largest producers of transition metals and minerals.

Table 3.2 – 2023 Total thermal coal financed emissions by customer type (MT CO₂-e)

Customer Category	Thermal Coal	
	2023	Target
Mining companies whose predominant activity is thermal coal production (ANZSIC code 1102)	0.39	Included
Metallurgical coal miners that produce thermal coal byproduct*	1.44	Not included
Diversified miners that produce thermal coal*	1.44	Not included

* Contributing 5% revenue or more

Actions to achieve 2030 target

Our lending provided directly to thermal coal is expected to continue to decline. In line with our policy measures on thermal coal outlined in our Climate Change Commitment and Extractive Industries Policy, our approach means that we will no longer onboard any new business customers with material thermal coal exposures⁴, or directly finance new thermal coal mines or power plants.⁵

In 2022, we implemented an enhanced due diligence process for energy sector customers. Under that process, new customers and transactions considered material under the screening criteria are referred to senior subject matter experts to review having regard to ANZ’s Climate Change Commitment prior to proceeding. For further details on our enhanced due diligence refer to page 11.

Opportunities for emissions reduction and challenges

Scope 3 emissions derived from combustion of thermal coal typically accounts for more than 95% of emissions of the sector

ANZ accounts for Scope 3 emissions included in our pathway using our customers’ equity-based production⁶ of thermal coal made available for sale in thermal coal mines. While this accounting approach helps to minimise the risk of double counting of emissions, we would note that some double counting of scope 3 emissions from thermal coal may occur given this may make up the Scope 1 emissions of coal-fired power generators in our power generation metric.

Our choice of an absolute emissions target recognises that there are limited opportunities to fully reduce the carbon intensity of fossil fuel products in all 1.5°C aligned scenarios.

Efforts can be made to reduce scope 1 and 2 emissions of coal mining for example through:

- reducing coal mine methane emissions;
- use of biofuels and electric powered alternatives to replace diesel use in mining equipment; and
- renewable energy investments.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

Appendix

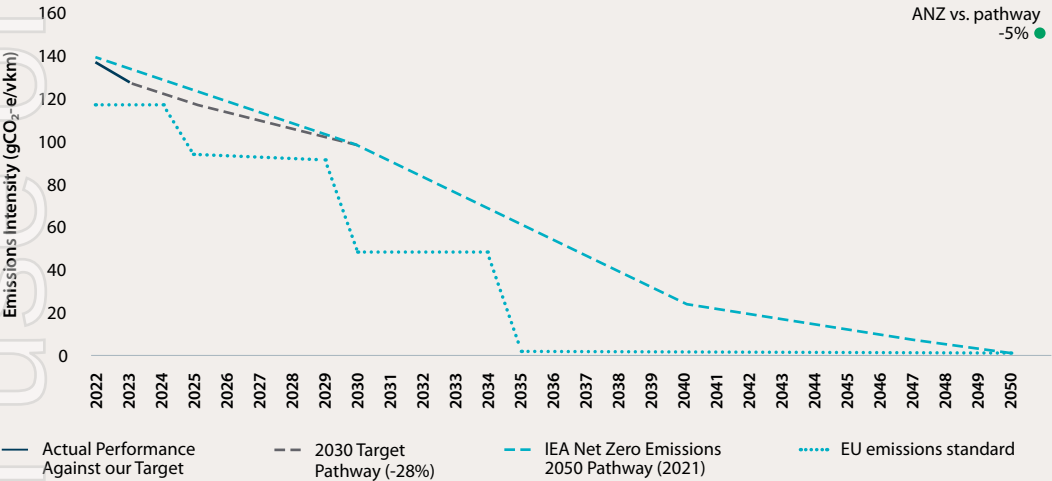
Assurance opinion

1. This exposure is to the ANZSIC code 1102, i.e. those customers for whom thermal coal mining is their predominant activity. It does not include other thermal coal mining exposure to diversified miners or metallurgical coal miners that produce thermal coal as a by-product (i.e. customers who are not classified as ANZSIC code 1102). 2. The NZBA ‘Guidelines for Climate Target Setting for Banks’. 3. Includes emissions from thermal coal production only. It does not include other thermal coal mining exposure to diversified miners, or metallurgical coal miners that produce thermal coal as a by-product (i.e. customers who are not classified as ANZSIC code 1102). Emissions from metallurgical coal production are not included in the scope of this target. 4. Where thermal coal accounts for more than 10% of revenue. 5. Our lending is informed by our evolving social, environmental and credit policies, which outlines our approach to thermal coal. Information on our policies is available here: <https://www.anz.com.au/about-us/esg-priorities/fair-responsible-banking/responsible-business-lending/>. 6. Proportion of thermal coal production in line with equity stake in the production facility.

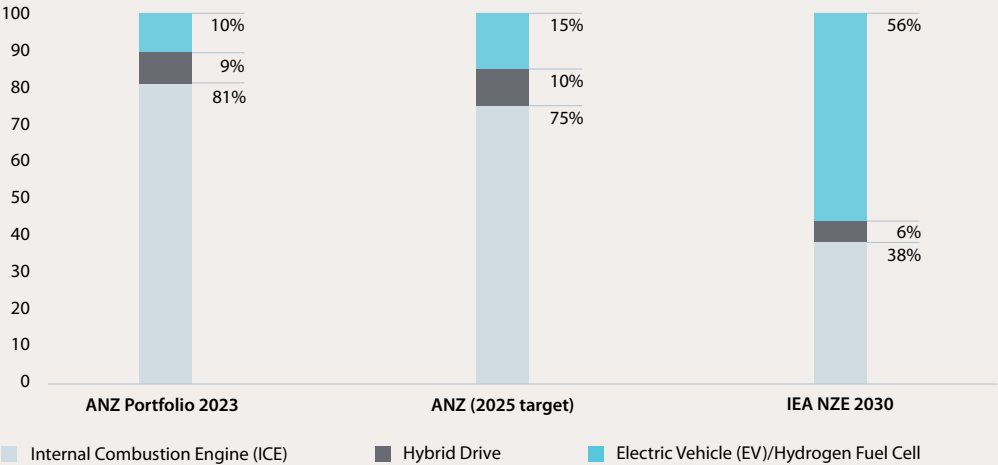
TRANSPORT

Auto manufacturing

Graph 4a.1 – Auto manufacturing



Graph 4a.2 – Automotive Powertrain Financing Mix



Auto manufacturing Metrics Summary

Metric	2022	2023
Emissions Intensity gCO ₂ -e/vkm	137	128
Absolute Emissions Mt CO ₂ -e	2.36	2.12
Portfolio-wide Intensity kgCO ₂ -e/\$ lent	0.94	1.11
Data Quality Score	1.96	1.93
Powertrain mix – hybrid and electric	N/A	19%
Current EAD \$bn (% of Group EAD)		1.91 (0.16%)

- Overview
- Governance
- Strategy
- Risk Management

Metrics and Targets

- Sectoral metrics and targets
- Sector exposures
- Our approach to sectoral pathways
- Pathways performance dashboard
- Energy sector
- Transport sector**
- Manufacturing sector
- Buildings sector
- Large Institutional
- Agribusiness Customers
- Total lending portfolio

- Appendix
- Assurance opinion

AUTO MANUFACTURING (CONTINUED)

The key design choices we used in calculating our emissions intensity reduction target for our auto manufacturing financing activities are summarised in Table 4a below.

Table 4a – Key design choices in calculating auto manufacturing production financed emissions reduction target

2030 target	28% reduction in emissions intensity from 2022 baseline
2025 target	Target portfolio to reflect 25% production of hybrid (including plug in hybrid) and battery electric vehicles (or hydrogen fuel cell)
ANZ customers included	Companies that own or operate one or more auto manufacturing facility (excludes vehicles other than cars, such as trucks, buses and motorbikes) and that we have at least \$10m exposure at default (EAD) at the end of our financial reporting year (September 30)
Emissions included	Scope 3 – tailpipe emissions of cars manufactured by ANZ customers included in the target during the year of assessment (excludes vehicles other than cars, such as trucks, buses and motorbikes)
Metrics	- Emissions intensity of newly manufactured cars (gCO₂-e/vkm) - The powertrain mix indicator showing the percentage per technology (internal combustion engines, hybrid (including plug in hybrid) and battery electric vehicles (or hydrogen fuel cell)) of our financed automotive portfolio
Financing activities included	Exposure at default. This represents the Group's exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a proportion of off-balance sheet exposures as specified by APRA)
Attribution approach	Portfolio-weighted approach (measures ANZ's financing to customers as a proportion of ANZ's total financing to the auto manufacturing sector)
Benchmarking Scenario	IEA's NZE 2050 Scenario
Key External Data Sources	- Customer disclosures - Transition Pathway Initiative

The information in this section should be read together with our disclaimer and important notices available [here](#) and our [Financed Emissions Methodology available here](#).

Performance against target

This is the first year ANZ has reported on the emissions intensity of our financed auto manufacturing scope 3 emissions as described above. Our 2022 portfolio baseline of 137g CO₂-e/vkm is marginally below the IEA NZE 2050 baseline of 140g CO₂-e/vkm.

Graph 4a.1 shows the emissions intensity of our auto manufacturing portfolio which has reduced by 7% to 128g CO₂-e/vkm from our 2022 baseline. We expect this decline to continue, given the shift towards zero emissions vehicles. Several of our customers have either set production targets to phase out internal combustion engines and/or net-zero commitments for cars they produce.

We are supporting customers in the auto manufacturing industry move toward zero emission vehicle production and our 2030 target of 99g CO₂-e/vkm.

However, currently supply chain risks remain in the industry, especially related to the supply of batteries for electric vehicles.¹ In this context, customer discussions to date have been positive, indicating that significant investment in research and development is underway to address supply chain issues including battery manufacturing and supply.

The hybrid and electric portion of the powertrain mix within ANZ's target portfolio was 19% in 2023, which is on-track to meet the 2025 target of 25%. Our absolute emissions have decreased year-on-year, in-line with the industry trend towards producing more hybrid and/or zero emissions cars.

Actions to achieve 2030 target

The automotive sector is one of the largest contributors to global² emissions with approximately 8% associated with light duty vehicles (passenger cars) and will play a critical role in the path to net zero emissions. We recognise there will be significant and growing opportunities to support our customers in their efforts to reduce the Scope 3 emissions of newly produced vehicles.

ANZ engages with auto manufacturing customers who are part of our Large Emitters Engagement Program, to support and encourage this cohort to strengthen their low carbon transition plans.

The achievement of our 2030 intermediate targets for the auto manufacturing sector will require continuing improvements in the carbon intensity of newly produced vehicles. In particular ongoing investment in the production of zero emissions vehicles is needed.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional Agribusiness Customers

Total lending portfolio

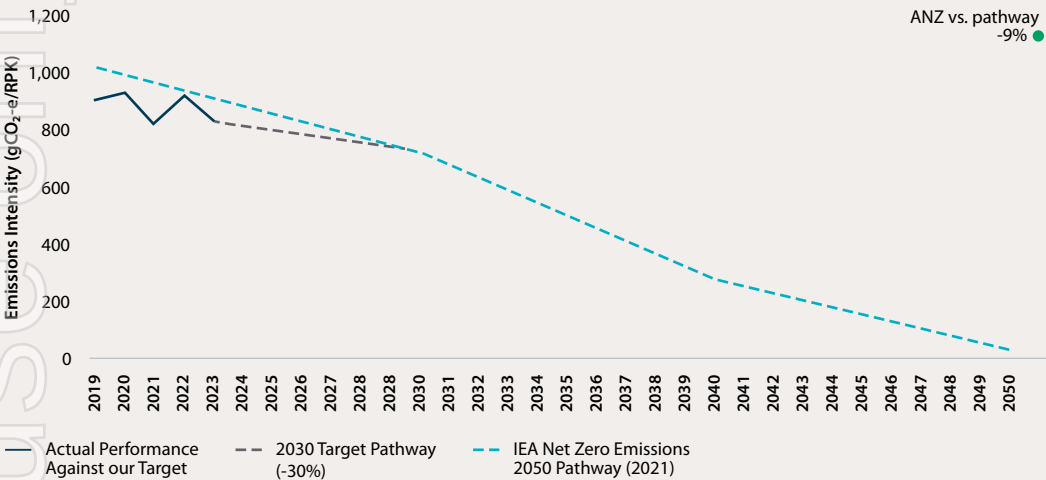
Appendix

Assurance opinion

1. Electric cars fend off supply challenges to more than double global sales – Analysis – IEA. 2. International Energy Agency (2021), **Net-Zero by 2050**, IEA, Paris.

Aviation

Graph 4b: Aviation



Aviation Metrics Summary

Metric	2019	2023
Emissions Intensity gCO ₂ -e/RTK	902	828
Absolute Emissions Mt CO ₂ -e	2.35	1.18
Portfolio-wide Intensity kgCO ₂ -e/\$ lent	0.91	0.58
Data Quality Score	1.07	1.09
Current EAD \$bn (% of Group EAD)		2.04 (0.18%)

The key design choices we used in calculating our emissions intensity reduction target for our aviation financing activities are summarised in Table 4b below.

Table 4b – Key design choices in calculating the aviation sector emissions intensity reduction target

2030 target	30% reduction in emissions intensity from 2019 baseline
ANZ Customers Included	Commercial airlines that own and/or operate passenger and cargo aircraft on domestic and/or international routes and that we have at least \$10m exposure at default (EAD) at the end of our financial reporting year (September 30)
Emissions Included	Scope 1 & 3 – jet fuel
Metric	Emissions per revenue tonne-kilometre of air travel (gCO₂-e/RTK)
Financing Activities Included	Exposure at default. This represents the Group's exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a proportion of off-balance sheet exposures as specified by APRA)
Attribution Approach	Portfolio-weighted approach (measures ANZ's financing to customers as a proportion of ANZ's total financing to the aviation sector)
Benchmarking Scenario	Science-Based Targets initiative (SBTi) 1.5°C scenario
Key External Data Sources	- Customer reports - Transition Pathway Initiative



The information in this section should be read together with our disclaimer and important notices available [here](#) and our [Financed Emissions Methodology](#) available [here](#).

- Overview
- Governance
- Strategy
- Risk Management

Metrics and Targets

- Sectoral metrics and targets
- Sector exposures
- Our approach to sectoral pathways
- Pathways performance dashboard
- Energy sector
- Transport sector**
- Manufacturing sector
- Buildings sector
- Large Institutional
- Agribusiness Customers
- Total lending portfolio

- Appendix
- Assurance opinion

AVIATION (CONTINUED)

Performance against target

This is the first year ANZ has reported on the emissions intensity of our aviation financing activities. Our 2019 portfolio baseline of 902g gCO₂-e/RTK is below the SBTi baseline of 1,023g gCO₂-e/RTK.

Graph 4b shows the emissions intensity of our aviation portfolio in 2023 has reduced by 8% to 828 gCO₂-e/RTK from our 2019 baseline.

We are seeking to support the aviation industry move toward net-zero emissions and our 2030 target of 720 gCO₂-e/RTK is in-line with the SBTi trajectory.

Actions to achieve 2030 target

In 2022 aviation accounted for 2% of global energy-related CO₂ emissions, having grown faster in recent decades than rail, road or shipping.¹ As international travel demand recovers following the Covid-19 pandemic, aviation emissions rose in 2022 to reach nearly 80% of their pre-pandemic peak in 2019.

Aviation is one of the hard-to-abate sectors that still requires concerted efforts to develop commercially viable alternative technologies and solutions that can be deployed at scale. To achieve Net Zero, it is estimated that the industry will have to reduce fuel-burn emissions from aircraft to zero, eliminating 21.2 Gt of CO₂ emissions between 2020 and 2050.²

The International Air Transport Association (IATA) Net Zero strategy estimates that 65% of the reduction will have to come from the adoption of sustainable aviation fuel (SAF), 13% from new aircraft

technologies such as alternative propulsion, including electric and hydrogen, 3% from continued improvement of operational efficiency and finally 19% from carbon capture or offsets.

ANZ engages with aviation customers on their low carbon transition plans, with the aim of realising incremental emission reductions in the sector. We are supporting and encouraging customers in this cohort to strengthen their low carbon transition plans.

We will continue to support aviation customers above this benchmark– 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. For example, to support our customers to invest in new technologies or research and development into low/zero carbon technologies. However, as our customers move towards lower emissions assets, we anticipate the emissions intensity of our portfolio declining towards our 2030 target. The achievement of our 2030 intermediate targets for the aviation sector will require continuing improvements in the carbon intensity of airlines.

If the uptake of sustainable aviation fuel and adoption of new aircraft technologies do not occur quickly enough, we recognise that achieving our targets may become unlikely. However, were this to occur, we anticipate that aviation scenarios would be adjusted to reflect a longer time horizon and we may update our pathway accordingly.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional Agribusiness Customers

Total lending portfolio

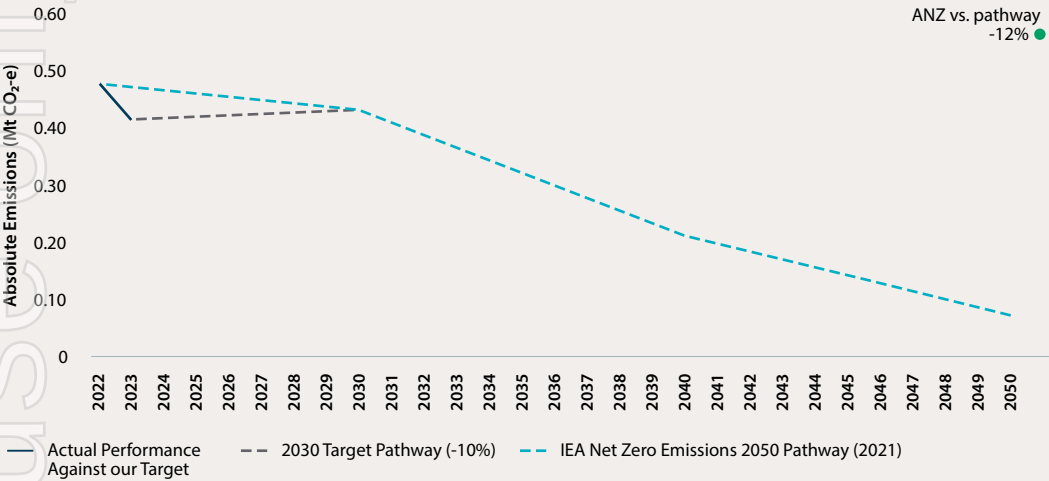
Appendix

Assurance opinion

1. Aviation – IEA. 2. IATA – Fly Net Zero.

Shipping

Graph 4c: Shipping



Shipping Metrics Summary

Metric	2022	2023
Absolute Emissions Mt CO ₂ -e	0.48	0.42
Portfolio-wide Intensity kg CO ₂ -e/\$ lent	0.33	0.29
Data Quality Score	1.01	1.02
Current EAD \$bn (% of Group EAD)		1.24 (0.11%)

The key design choices we used in calculating our absolute emissions reduction target for our shipping financing activities are summarised in Table 4c below.

Table 4c – Key design choices in calculating the shipping sector absolute emissions reduction target

2030 target	10% reduction in absolute financed emissions from 2022 baseline
ANZ Customers Included	Companies whose primary activity includes owning and operating domestic and/or international ocean-going vessels and that we have at least \$10m exposure at default (EAD) at the end of our financial reporting year (September 30)
Emissions Included	Scope 1 & 3 emissions (fuel production, distribution and combustion)
Metric	Absolute emissions of shipping (Mt CO₂-e)
Financing Activities Included	Exposure at default. This represents the Group's exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a proportion of off-balance sheet exposures as specified by APRA)
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 (NZE 2050) (May 2021)
Key External Data Sources	Customer disclosures



The information in this section should be read together with our disclaimer and important notices available [here](#) and our [Financed Emissions Methodology](#) available [here](#).

- Overview
- Governance
- Strategy
- Risk Management

Metrics and Targets

- Sectoral metrics and targets
- Sector exposures
- Our approach to sectoral pathways
- Pathways performance dashboard
- Energy sector
 - Transport sector
 - Manufacturing sector
 - Buildings sector
 - Large Institutional
 - Agribusiness Customers
 - Total lending portfolio

- Appendix
- Assurance opinion

SHIPPING (CONTINUED)

Performance against target

This is the first year ANZ has reported on the absolute emissions of our shipping financing activities. Our 2022 portfolio baseline of 0.481 Mt CO₂-e has been baselined against the IEA NZE 2050 trajectory.

Graph 4c shows that the absolute emissions of our shipping portfolio has reduced to 0.416 Mt CO₂-e from our 2022 baseline, which is below the IEA NZE 2050 trajectory of 0.475 Mt CO₂-e.

Actions to achieve 2030 target

Currently a small number of customers from the shipping sector make up a material part of the overall emissions of ANZ's shipping pathway. We have begun, and will continue, to engage with customers to understand their transition plans, emissions reduction targets and how we can assist these customers transition towards lower emissions.

The achievement of our 2030 intermediate targets for the shipping sector will require continuing improvements in the absolute emissions of our customers' shipping operations. However, as our customers work towards optimising operational efficiency, retrofitting existing assets, and switching to low-carbon fuels, we expect to see the emissions intensity of our portfolio decline consistent with our 2030 target.

Opportunities for emissions reduction and challenges

The shipping sector serves as a critical link in many global supply chains and as the foundation of intercontinental trade. In its 2022 Review of Maritime Transport, United Nations Conference on Trade and Development noted that more than 80% of global trade by volume is carried by sea.¹

However, shipping is responsible for around 2.5% of total energy sector emissions as per the International Energy Agency's Net Zero Emissions (NZE 2050) pathway². According to the NZE 2050 pathway, the shipping industry is one of the few transport modes that does not achieve net-zero emissions by 2050.

This is due to the long lifetime of vessels (typically 25-35 years) and lack of available low-carbon options commercially available today. Nevertheless, to align to the NZE 2050 pathway emissions are expected to decline each year in the shipping sector.²

In the short term, it appears that there is considerable potential for curbing fuel consumption in the shipping industry through measures to optimise operational efficiency and improve energy efficiency. Such approaches include slow steaming and the use of wind-assistance technologies².

In the medium to long term, significant emissions reductions are expected to be achieved in the NZE 2050 scenario by switching to low-carbon fuels such as biofuels, hydrogen, and ammonia².

If the uptake of fuel switching or adoption of other measures to optimise operational efficiency do not occur quickly enough, we recognise that achieving our targets may become unlikely. However, were this to occur, we anticipate that shipping scenarios would be adjusted to reflect a longer time horizon and we may update our pathway accordingly.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

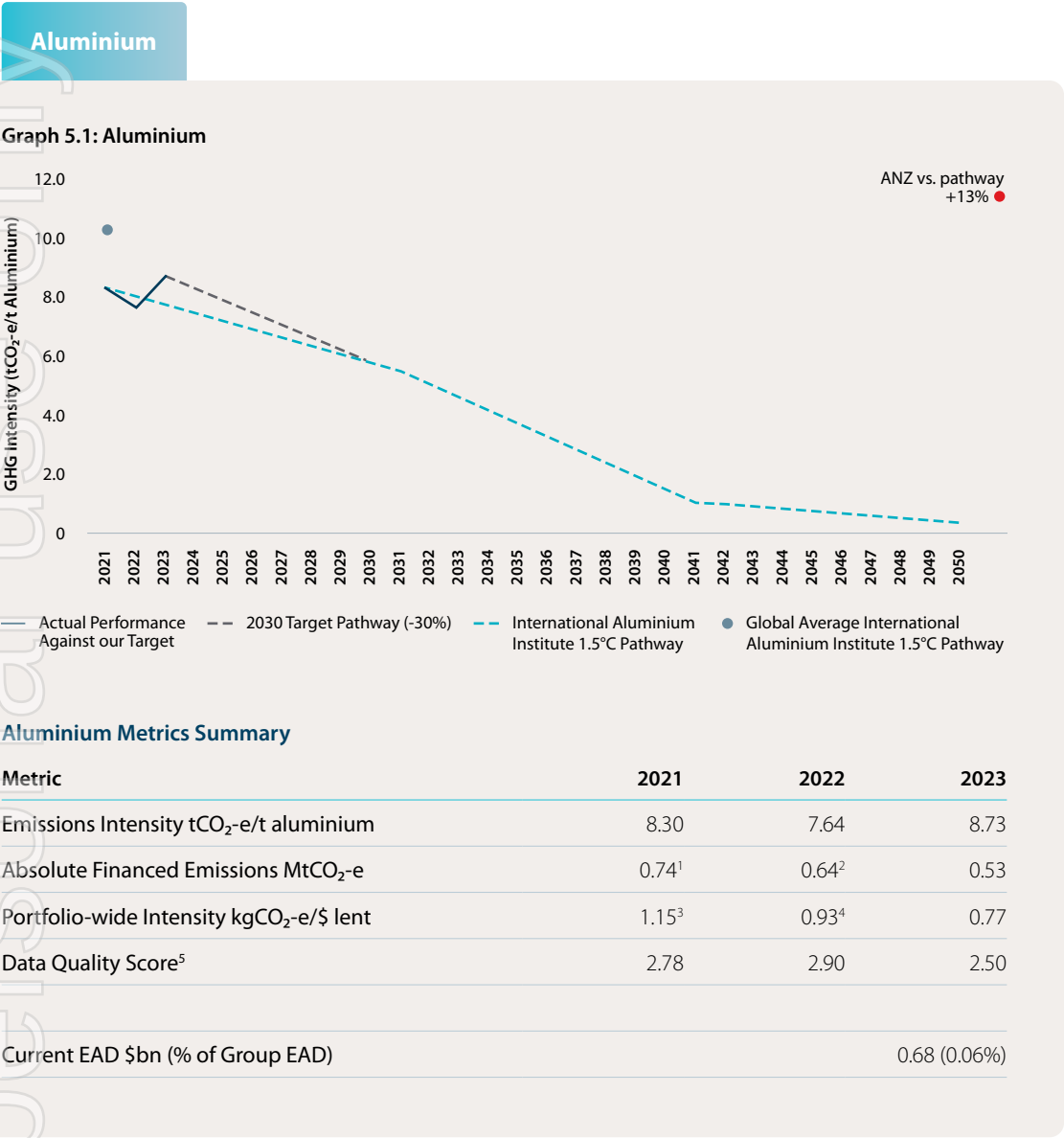
Total lending portfolio

Appendix

Assurance opinion

1. Review of Maritime Transport 2022 | UNCTAD. 2. Net Zero by 2050 – A Roadmap for the Global Energy Sector.

MANUFACTURING



The key design choices we used in calculating our emissions intensity reduction target for our aluminium production financing activities are summarised in Table 5 below.

Table 5 – Key design choices in calculating 2030 aluminium production financed emissions target

2030 Target	30% reduction in emissions intensity from 2021 baseline
ANZ Customers Included	- Companies that own or operate one or more alumina refineries or aluminium smelters⁶ - Customers above are included where ANZ's exposure is at least \$1 million
Emissions Included	Scope 1 & 2 emissions⁷
Metric	Emissions intensity of aluminium production (tCO₂-e/t aluminium)
Financing Activities Included	Exposure at default. This represents the Group's exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a proportion of off-balance sheet exposures as specified by APRA)
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 scenario⁸
Key External Data Sources	- Customer disclosures - Transition Pathways Initiative - Wood Mackenzie - International Aluminium Institute



The information in this section should be read together with our disclaimer and important notices available [here](#) and our Financed Emissions Methodology available [here](#).

1. This is a restatement of the 2021 Absolute Financed Emissions we reported in 2022 of 0.62 MtCO₂-e. 2. This is a restatement of the 2022 Absolute Financed Emissions we reported in 2022 of 0.74 MtCO₂-e. 3. This is a restatement of the 2021 Portfolio-wide Intensity we reported in 2022 of 0.95 kgCO₂-e/\$ lent. 4. This is a restatement of the 2022 Portfolio-wide Intensity we reported in 2022 of 1.07 kgCO₂-e/\$ lent. 5. 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*, December 2022. 6. Includes both primary and secondary production processes. Exposure to entities involved in the trade of raw inputs such as bauxite are not included in the scope of these metrics or targets. For our diversified customers, we look at what percentage of their revenue is derived from the sale of aluminium and then apportion our EAD to these activities using the same percentage. 7. Where customers purchase semi-finished products such as alumina, this is not included within our emissions intensity target as they are not included in the customers Scope 1 or 2 emissions. We will consider how to deal with Scope 3 emissions in future years. 8. In September 2023, the IEA released a 2023 update of its *Net Zero Roadmap*, in which it published a scenario for the aluminium sector for the first time. In time, we will review this scenario and assess its ambition in comparison with our existing benchmarking scenario.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

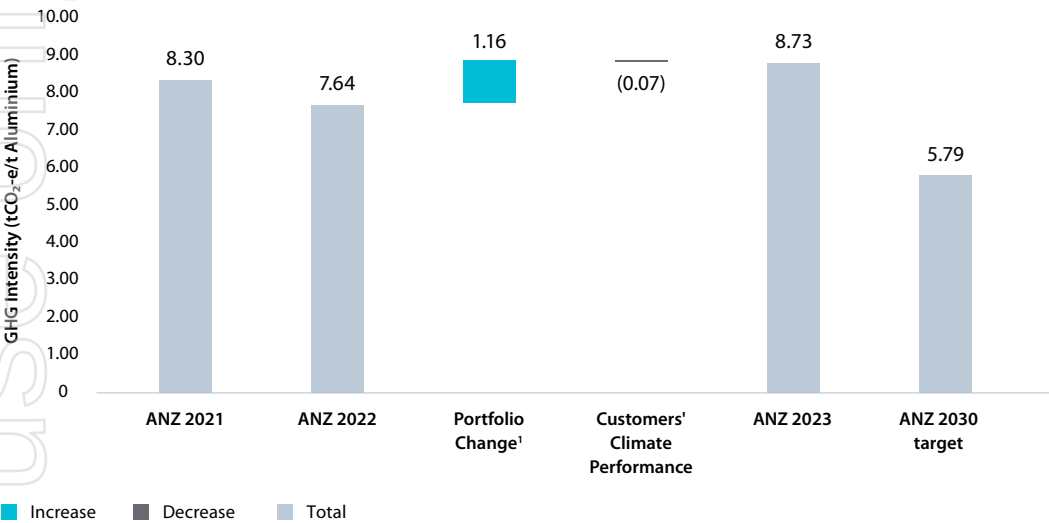
Appendix

Assurance opinion

ALUMINIUM (CONTINUED)

Performance against target

Graph 5.2 – Aluminium portfolio emissions intensity movements



1. Includes changes in exposure as well as APRA's new regulatory capital framework for Australian banks effective from 1 January 2023. This resulted in changes in the credit risk capital that ANZ is required to set aside in respect of different products and as a result, impacts the way Exposure at Default is calculated.

Our 2021 portfolio baseline of 8.30 tCO₂-e/t aluminium is below the 2021 global average of 10.29 tCO₂-e/t aluminium.¹

Our aluminium producing customers made strong, early progress to reduce the emissions intensity of production (Graph 5.1). However, in 2023 the

emissions intensity of our aluminium production portfolio increased by 5% from our 2021 baseline to 8.73 tCO₂-e/t aluminium.

Graph 5.2 highlights the drivers of this emissions intensity increase. The portfolio changed, with a decrease in exposure to a customer with a relatively

low emissions intensity, coupled with an increased exposure to a customer with a relatively high emissions intensity. Customers' climate performance did not significantly improve year-on-year.

Our aluminium absolute financed emissions and portfolio wide emissions intensity have decreased year on year due to reduced alumina and aluminium production and changes in the portion of customers emissions attributed to us based on customers' enterprise value or FX movements.

Actions to achieve 2030 target

A small number of customers (less than 10) make up a material portion of our exposure to this sector. As our emissions intensity target is based on a portfolio-weighted metric, we intend to prioritise financing projects and customers producing aluminium at an average intensity below our 2021 baseline portfolio average of 8.30 tCO₂-e/t aluminium to achieve our target, noting this 'average' will reduce over time.

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

Opportunities for emissions reduction and challenges

Aluminium is strong, light weight and recyclable, and accounts for approximately 2% of total global emissions.²

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. 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 by 2050.¹

Primary aluminium production is highly electricity intensive. Efforts to decarbonise the sector will be heavily reliant on decarbonisation of the electricity supply and several of our customers have either set, or have stated that they are committed to setting, targets or net zero commitments.

Secondary production of aluminium via electric arc furnace has a significantly lower emissions intensity than primary production, but is limited by scrap availability.

Limiting the use of aluminium in final products is a key step to reduce emissions from the sector for example through:

- 'light weighting' (design upgrades to manufacture components with the same performance standard using less material); and
- efficiency in design.

Investment in the commercialisation of currently expensive technologies such as carbon-free anodes,³ is important to eliminate the harder to abate emissions of the sector.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

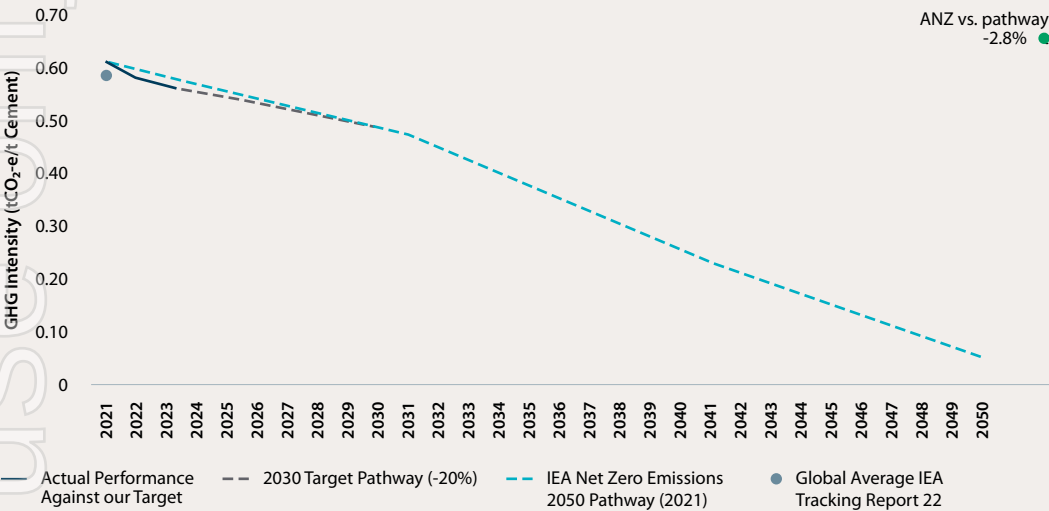
Appendix

Assurance opinion

1. International Aluminium Institute – **Aluminium Sector Greenhouse Gas Pathways to 2050**, September 2021. 2. Mission Possible Partnership – **Making Net-Zero Aluminium Possible**, April 2022. 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 6.1: Cement



Cement Metrics Summary

Metric	2021	2022	2023
Emissions Intensity tCO ₂ -e/t cement	0.61	0.58	0.57
Absolute Financed Emissions MtCO ₂ -e	2.16 ¹	1.65 ²	1.19
Portfolio-wide Intensity kgCO ₂ -e/\$ lent	5.22 ³	4.98 ⁴	3.84
Data Quality Score ⁵	1.87	1.76	1.98
Current EAD \$bn (% of Group EAD)	0.31 (0.03%)		

The key design choices we used in calculating our emissions intensity reduction target for our cement production financing activities are summarised in Table 6 below.

Table 6 – Key design choices in calculating 2030 cement financed emissions target

2030 Target	20% reduction in emissions intensity from 2021 baseline
ANZ Customers Included	- Companies that own or operate one or more cement plants that manufacture cement from raw inputs⁶ - Customers above are included where ANZ's exposure is at least \$1 million
Emissions Included	Scope 1 & 2 emissions⁷
Metric	Emissions intensity of cement production (tCO₂-e/t cement)
Financing Activities Included	Exposure at default. This represents the Group's exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a proportion of off-balance sheet exposures as specified by APRA)
Attribution Approach	Portfolio-weighted approach (measures ANZ's financing to customers relative to ANZ's total financing to the cement sector)
Benchmarking Scenario	International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario (2021)
Key External Data Sources	- Customer disclosures - Asset Resolution - International Energy Agency



The information in this section should be read together with our disclaimer and important notices available [here](#) and our Financed Emissions Methodology available [here](#).

1. This is a restatement of the 2021 Absolute Financed Emissions we reported in 2022 of 2.24 MtCO₂-e. 2. This is a restatement of the 2022 Absolute Financed Emissions we reported in 2022 of 1.64 MtCO₂-e. 3. This is a restatement of the 2021 Portfolio-wide Intensity we reported in 2022 of 5.37 kgCO₂-e/\$ lent. 4. This is a restatement of the 2022 Portfolio-wide Intensity we reported in 2022 of 4.85 kgCO₂-e/\$ lent. 5. 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*, December 2022. 6. For our diversified customers, we look at what percentage of their revenue is derived from the sale of cement and then apportion our EAD to these activities using the same percentage. 7. Where customers purchase semi-finished products such as clinker, this is not included within our emissions intensity target as they are not included in the customers Scope 1 or 2 emissions.

- Overview
- Governance
- Strategy
- Risk Management

Metrics and Targets

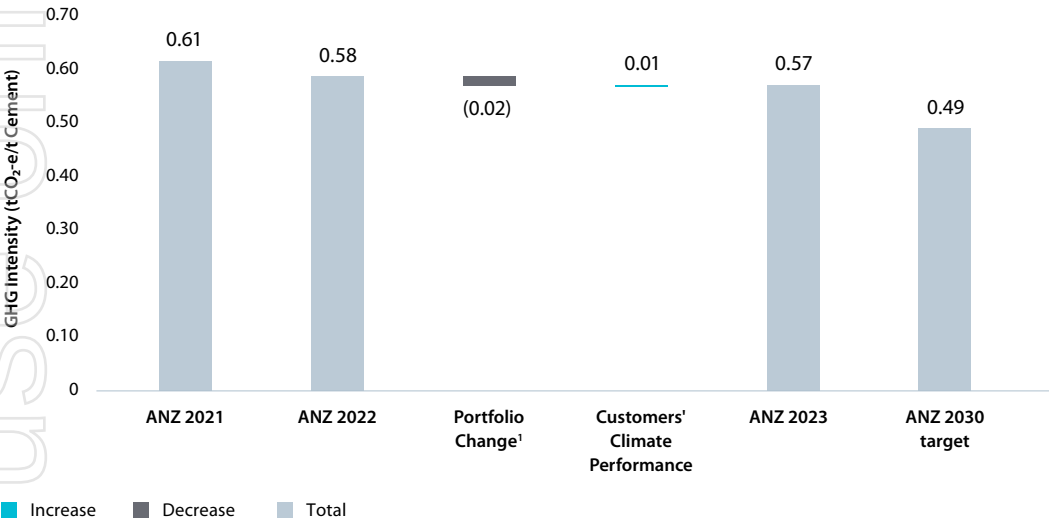
- Sectoral metrics and targets
- Sector exposures
- Our approach to sectoral pathways
- Pathways performance dashboard
- Energy sector
- Transport sector
- Manufacturing sector
- Buildings sector
- Large Institutional
- Agribusiness Customers
- Total lending portfolio

- Appendix
- Assurance opinion

CEMENT (CONTINUED)

Performance against target

Graph 6.2 – Cement portfolio emissions intensity movements



1. Includes changes in exposure as well as APRA's new regulatory capital framework for Australian banks effective from 1 January 2023. This resulted in changes in the credit risk capital that ANZ is required to set aside in respect of different products and as a result, impacts the way Exposure at Default is calculated.

Our 2021 portfolio baseline of 0.61 tCO₂-e/t cement was marginally above the 2021 global average of 0.59 tCO₂-e/t cement.¹ Graph 6.1 shows the emissions intensity of our cement production portfolio has reduced by 7% to 0.57 tCO₂-e/t cement from our 2021 baseline. The 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 with other sectors. However, customer discussions to date have been positive and indicated that significant investment in research and development is underway. Graph 6.2 highlights the reduction in emissions intensity was mainly driven by portfolio change. Our absolute financed emissions and Portfolio-wide Intensity have decreased year-on-year, in line with a reduction in exposure to the sector.

1. International Energy Agency – *NZE 2050 Tracking Report*, July 2023. 2. Global Cement and Concrete Association – *Key Facts*. 3. International Energy Agency – *Net Zero Roadmap*, 2023. 4. *Decarbonisation Pathways for the Australian Cement and Concrete Sector*, 2022. 5. Global Cement and Concrete Association. 6. Fly ash is a waste product from coal-fired power generation that is used as a supplementary cementitious material. 7. International Energy Agency – *Net Zero Roadmap – 2023 Update*, 2023. 8. McKinsey & Company – *The Net Zero Transition Report*, January 2022. 9. WBCSD – *The Cement CO₂ and Energy Protocol*, May 2011.

Actions to achieve 2030 target

A small number of customers (less than 10) make up a material portion of our exposure to this sector. As our emissions intensity target is based on a portfolio-weighted metric, we intend to prioritise financing projects and customers producing cement at an average intensity below our 2021 baseline portfolio average of 0.61 tCO₂-e/t cement, noting this 'average' will reduce over time. 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.

Opportunities for emissions reduction and challenges

The global cement industry accounts for between 5% and 8% of total global emissions.² The overall global demand profile for cement under the 2023 update of the IEA's NZE 2050 scenario remains relatively flat;³ however, the demand profile differs between developed and developing countries. While the cement sector faces pressure to reduce emissions, this poses a 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.⁴ Opportunities for emissions reduction⁵ in this sector include:

- substituting clinker for supplementary cementitious materials (e.g. fly ash, granulated slag, limestone, and calcined clay);⁶
- 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.⁷ It is estimated that capital spending will need to almost double for the sector to reach net-zero emissions by 2050.⁸ Cement kilns have long average lifetimes (around 40 years). ANZ continues to engage with customers on how we may be able to support their decarbonisation.

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.⁹

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional Agribusiness Customers

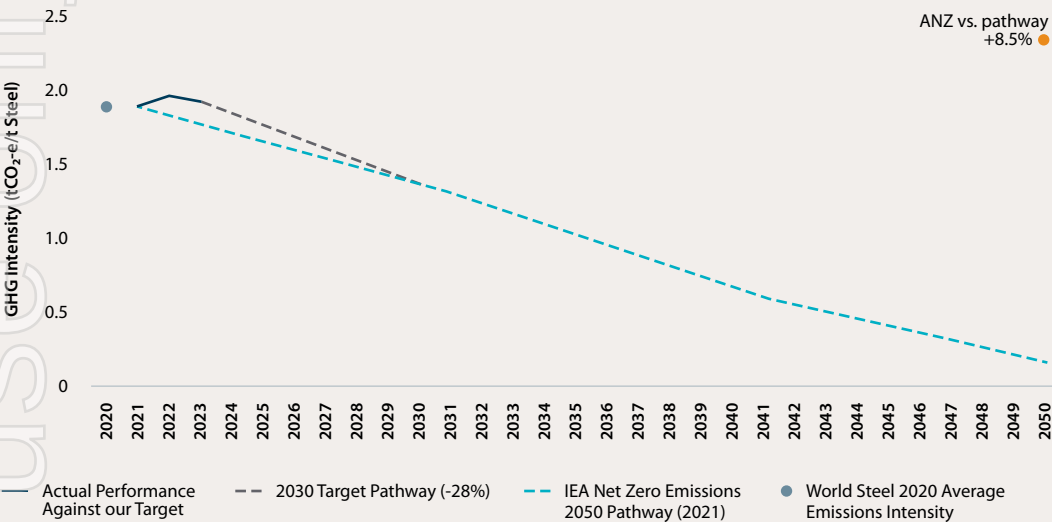
Total lending portfolio

Appendix

Assurance opinion

Steel

Graph 7.1: Steel



Steel Metrics Summary

Metric	2021	2022	2023
Emissions Intensity tCO ₂ -e/t steel	1.90	1.97 ¹	1.93
Absolute Financed Emissions MtCO ₂ -e	1.38 ²	1.47 ³	1.34
Portfolio-wide Intensity kgCO ₂ -e/\$ lent	1.27 ⁴	1.50 ⁵	1.10
Data Quality Score ⁶	1.39 ⁷	1.37 ⁸	1.20
Current EAD \$bn (% of Group EAD)	1.22 (0.10%)		

The key design choices we used in calculating our emissions intensity reduction target for our steel production financing activities are summarised in Table 7 below.

Table 7 – Key design choices in calculating 2030 steel production financed emissions target

2030 Target	• 28% reduction in emissions intensity from 2021 baseline	
ANZ Customers Included	• Companies that own and operate one or more steel production mill ⁹ • Customers above are included where ANZ's exposure is at least \$1 million	
Emissions Included	• Scope 1 & 2 emissions ¹⁰	
Metric	• Emissions intensity of steel production (tCO ₂ -e/t steel) ¹¹	
Financing Activities Included	• Exposure at default. This represents the Group's exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a proportion of off-balance sheet exposures as specified by APRA)	
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 (2021)	
Key External Data Sources	• Customer disclosures • Asset Resolution	• Woodmac • International Energy Agency



The information in this section should be read together with our disclaimer and important notices available [here](#) and our Financed Emissions Methodology available [here](#).

1. This is a restatement of the 2022 Emissions Intensity we reported in 2022 of 1.95 tCO₂-e/t steel. 2. This is a restatement of the 2021 Absolute Financed Emissions we reported in 2022 of 1.36 MtCO₂-e. 3. This is a restatement of the 2022 Absolute Financed Emissions we reported in 2022 of 1.43 MtCO₂-e. 4. This is a restatement of the 2021 Portfolio-wide Intensity we reported in 2022 of 1.32 kgCO₂-e/\$ lent. 5. This is a restatement of the 2022 Portfolio-wide Intensity we reported in 2022 of 1.47 kgCO₂-e/\$ lent. 6. 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](#), December 2022. 7. This is a restatement of the 2021 Data Quality Score we reported in 2022 of 1.44. 8. This is a restatement of the 2022 Data Quality Score we reported in 2022 of 1.42. 9. Includes both primary and secondary production processes. Exposure to entities involved in the trade of raw inputs such as metallurgical coal and iron ore are not included in the scope of these metrics or targets. For our diversified customers, we look at what percentage of their revenue is derived from the sale of steel and then apportion our EAD to these activities using the same percentage. 10. Where customers purchase semi-finished products such as crude iron, this is not included within our emissions intensity target as they are not included in the customers Scope 1 or 2 emissions. We will consider how to deal with Scope 3 emissions in future years. 11. Given the availability of crude steel data within customer public disclosures, we refer to crude steel within our emissions intensity metric. This differs from the [SBTi Steel Science-Based Target Setting Guidance](#) (July 2023), which specifies 'hot-rolled steel' as the denominator.

- Overview
- Governance
- Strategy
- Risk Management

Metrics and Targets

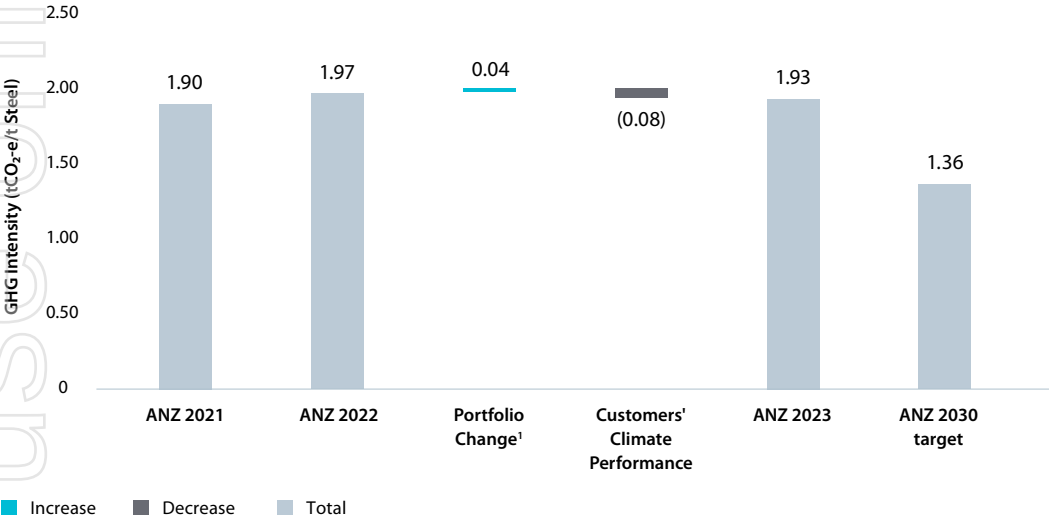
- Sectoral metrics and targets
- Sector exposures
- Our approach to sectoral pathways
- Pathways performance dashboard
- Energy sector
- Transport sector
- Manufacturing sector
- Buildings sector
- Large Institutional
- Agribusiness Customers
- Total lending portfolio

- Appendix
- Assurance opinion

STEEL (CONTINUED)

Performance against target

Graph 7.2 – Steel portfolio emissions intensity movements



1. Includes changes in exposure as well as APRA's new regulatory capital framework for Australian banks effective from 1 January 2023. This resulted in changes in the credit risk capital that ANZ is required to set aside in respect of different products and as a result, impacts the way Exposure at Default is calculated.

Our 2021 portfolio baseline of 1.90 tCO₂-e/t steel closely reflects the 2020 global average of 1.89 tCO₂-e/t steel.¹

The emissions intensity of our steel production portfolio has increased by 1.6% from our 2021 baseline to 1.93 tCO₂-e/tonne steel (Graph 7.1). 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. We are seeing efficiency measures being taken and investment into research and development in the steel sector.

The reduction in emissions intensity was mainly driven by improved customers' climate performance (Graph 7.2). Exposure to the sector has increased slightly year-on-year, however due to improved customers' climate performance, we saw a reduction in our absolute financed emissions and portfolio-wide intensity.

Actions to achieve 2030 target

A small number of customers (less than 10) make up the material portion of our exposure to this sector. As our emissions intensity target is based on a portfolio-weighted metric, we intend 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, noting this 'average' will reduce over time.

With the September 2023 release of the Sustainable Steel Principles,² we are working to better understand our customers' percentage of scrap steel used in production and their existing steel production technology mix.

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 transition towards lower emissions steel production.

Opportunities for emission reductions and challenges

The global steel industry accounts for approximately 6%-9% of total global emissions, with demand set to grow by up to 40% from current levels by 2050.³

Steel is primarily made through one of two methods:

- **Traditional blast furnace – basic oxygen furnace (BF-BOF):** the blast furnace converts iron ore to iron using coke (made from metallurgical coal) heated to high temperatures. Other impurities in the ore also melt, forming slag, which is separated out. The molten iron

is then transferred to a basic oxygen furnace where high temperature air is added to remove the remaining impurities (mainly carbon and silica), and steel is produced.

- **Electric arc furnaces (EAF):** are charged with scrap steel directly and can be powered by renewable energy, however there is currently not enough scrap steel available to convert steelmaking to EAF technology and satisfy global steel demand.⁴
- 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.

Opportunities for emission reductions are well defined:

- moderation of steel demand via end user efficiency; and
- retrofitting BF-BOFs.

However the majority of the technologies facilitating further reductions, while available, are not yet commercially viable. 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, are likely key to eliminating the 'hard-to-abate' emissions of the sector.

For example, direct reduced iron is an alternate to blast furnace iron production, in which hydrogen use is being explored as key technology in low or no emissions steel making.⁵

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional Agribusiness Customers

Total lending portfolio

Appendix

Assurance opinion

1. World Steel Association – Climate Change and the Production of Iron and Steel, 2021. 2. Sustainable Steel Principles. 3. International Energy Agency – Iron and Steel Technology Roadmap, 2020. 4. About steel – worldsteel.org. 5. World Steel Association – Hydrogen (H2)-Based Ironmaking Fact Sheet, June 2022.

BUILDINGS

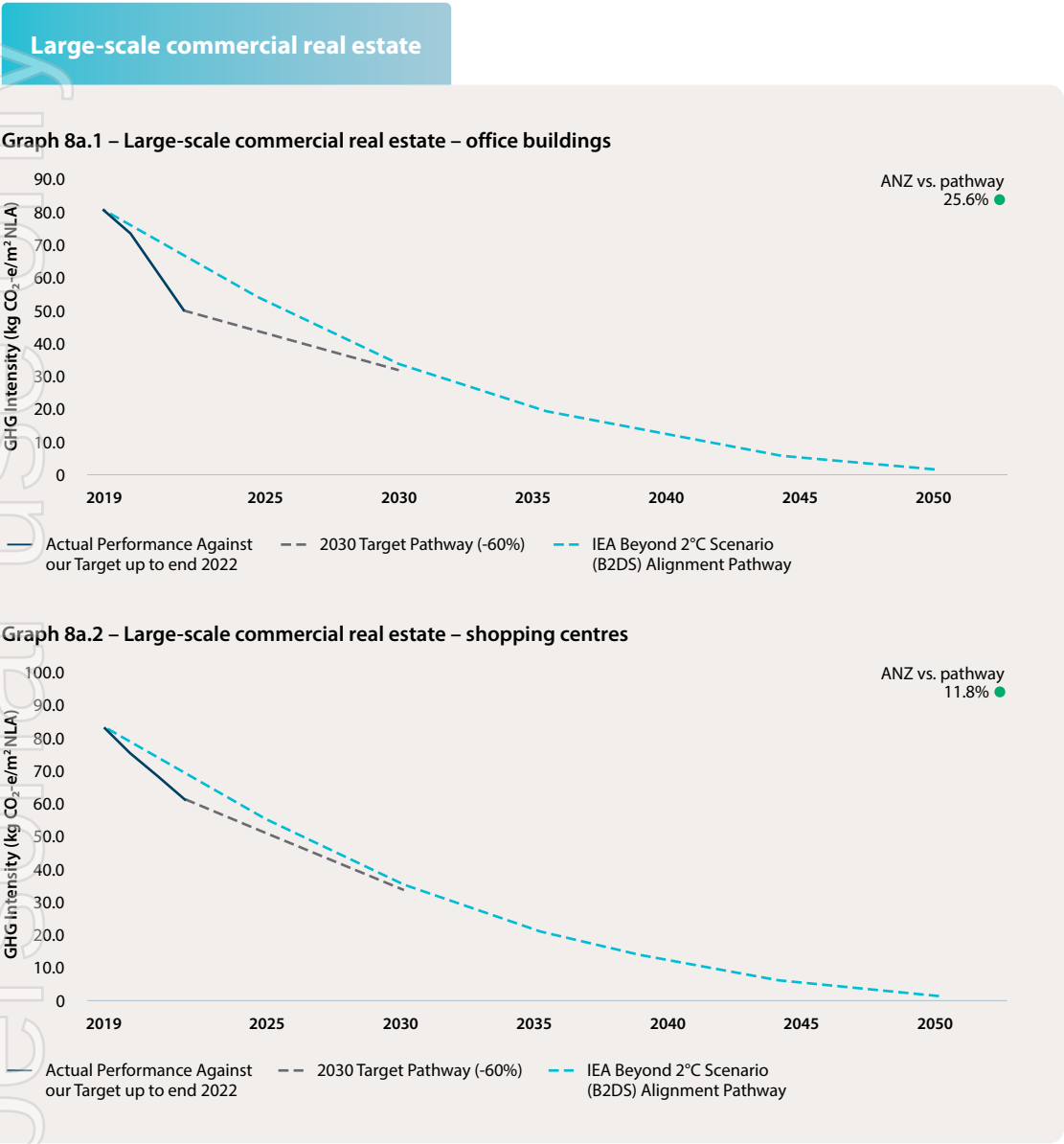


Table 8a – Key design choices in calculating 2030 large-scale real estate financed emissions target

2030 Target	60% reduction in emissions intensity from 2019 baseline – office buildings and shopping centres
ANZ Customers Included	Office buildings and shopping centres fully or partially owned by large Real Estate Investment Trusts (REIT) or property fund customers in our Australian Institutional loan book
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 relevant customers
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)



The information in this section should be read together with our disclaimer and important notices available [here](#) and our [Financed Emissions Methodology](#) available [here](#).

1. On most occasions this was associated with base building energy use, for which our customers elect to get their buildings rated.
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.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

Appendix

Assurance opinion

LARGE-SCALE COMMERCIAL REAL ESTATE (CONTINUED)

Performance against target
(not updated in 2023)

The carbon intensity of our Australian large-scale real estate portfolio has declined consistently since 2019. We understand that this is due in large part to the actions taken by our customers to reduce their energy consumption and the carbon intensity of their final energy use – especially through purchases of accredited green power.

We have chosen not to report a pathway update at this time due to a change in the key underlying data by a third party. We will seek to resolve this challenge and provide an update as soon as practicable. Graphs 8a.1 and 8a.2 show the performance against our target up to end 2022.

We set the pathway for this sector prior to joining the NZBA and we will review our pathway in 2024 to align more closely with their guidance. To that end, we are involved in a working group with some of our Australian banking peers that will seek to develop robust and comparable methodologies for measuring the financed emissions of commercial real estate portfolios, and that is expected to improve the ability to attribute financed emissions.

Actions to lower emissions of our
commercial real estate portfolios

ANZ engages with a number of large-scale commercial real-estate customers on their low-carbon transition plans, and this has been a key driver in realising opportunities in the sector for sustainable finance as outlined below.

In 2020, we updated our policy so that all new large-scale offices¹ financed by ANZ in the large-scale commercial real estate sector are required to have a 5-star NABERS² rating or above.

Opportunities for emissions reduction
and challenges

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.

Green buildings comprise a sizeable proportion of the assets we have funded under our previous \$50 billion sustainable solutions target and we anticipate will continue to have a significant role in helping to achieve our new \$100 billion social and environmental sustainability target. This includes around \$200m having already been funded or facilitated towards 'green buildings' as part of our new target, outlined on page 20 of this report.

Our activity in this respect 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 carbon targets that are expected to 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.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

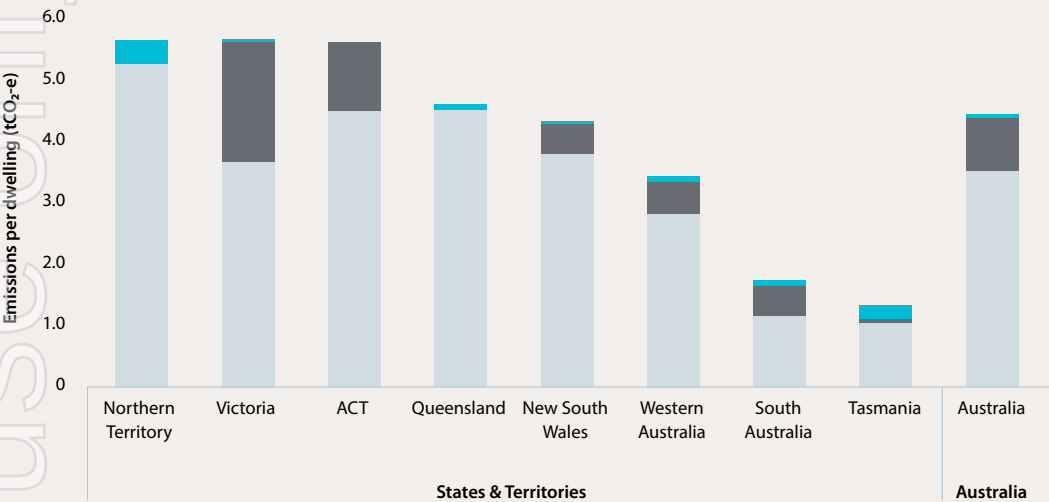
Appendix

Assurance opinion

1. A "large-scale office" is an office building with a Net Lettable Area >10,000 sqm located within a major CBD. 2. National Australian Built Environment Rating Scheme.

Australian Residential Home Loans

Graph 8b.1 – Australian Residential Home Loans

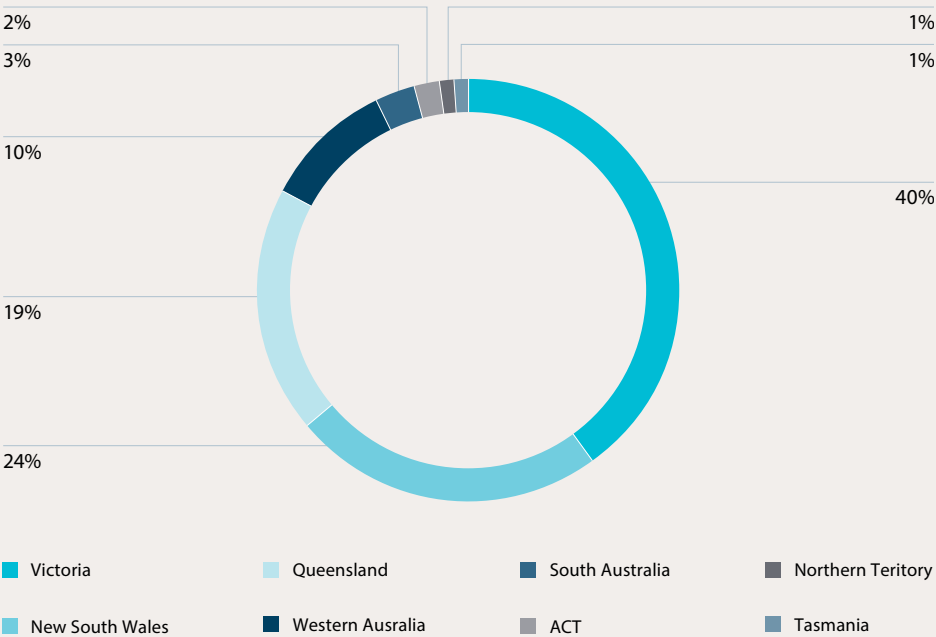


Electricity (Scope 2) (tCO₂-e) Gas (Scope 1) (tCO₂-e) LPG (Scope 1) (tCO₂-e)

Residential Home Loans Metrics Summary

Metric	2023
Emissions Intensity (t CO ₂ -e/dwelling)	4.44
Absolute financed emissions (Mt CO ₂ -e)	1.693
Portfolio-wide intensity (kg CO ₂ -e/\$ lent)	0.006
Data Quality Score ¹	5.0
Current loans outstanding \$bn ²	280.17

Graph 8b.2 – Financed emissions by State & Territory



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 – Part A* (available [here](#)). 2. This figure reflects the status of ANZ's Australian home loan book at May 31 each year and in cases where the value of the outstanding loan exceeds the value of the mortgaged home, the outstanding loan value is adjusted down to be equivalent to the value of the house.

- Overview
- Governance
- Strategy
- Risk Management

Metrics and Targets

- Sectoral metrics and targets
- Sector exposures
- Our approach to sectoral pathways
- Pathways performance dashboard
- Energy sector
- Transport sector
- Manufacturing sector
- Buildings sector**
- Large Institutional
- Agribusiness Customers
- Total lending portfolio

- Appendix
- Assurance opinion

AUSTRALIAN RESIDENTIAL HOME LOANS (CONTINUED)

The key design choices we used in calculating the average emissions per dwelling of our Australian residential home loan portfolio are summarised in Table 8b.

Table 8b – Key design choices in calculating the average emissions intensity of our Australian residential home loan portfolio

Activities Included	Energy-related emissions from the day-to-day running of ANZ residential home loan customers’ properties
Emissions Included	Scope 1 (Gas and Liquified Petroleum Gas (LPG)) and Scope 2 (electricity use sourced from local electricity grids)
Metric	Average emissions per dwelling (tCO₂-e)
Financing Activities Included	On-balance sheet loans for the purchase and refinance of residential properties, including individual homes and multi-family housing with a small number of units
Attribution Approach	Calculated for each individual home loan property and based on a loan-to-value approach where the outstanding amount of loans at the end of May each year is divided by the property value at loan origination (or latest financing event)
Benchmarking Scenario	Not applicable (no target set)
Key External Data Sources	- Gas and electricity distributors - State and national energy regulators - Australian Energy Statistics (Department of Climate Change, Energy, the Environment and Water)



The information in this section should be read together with our disclaimer and important notices available [here](#) and our [Financed Emissions Methodology](#) available [here](#).

Performance summary

The average emissions intensity of our Australian home loan customer’s homes in 2023 was 4.44 tCO₂-e per dwelling. These are the emissions resulting from our customer’s use of electricity, gas and LPG across more than 700,000 dwellings across Australia.

Electricity from local power grids is the largest source of residential emissions in each state and territory. Residential emissions are considerably lower in Tasmania and South Australia, because those states have the least carbon intensive electricity grids. In contrast, homes located in the warmer climate of the Northern Territory were the largest users of electricity in Australia, mostly used to cool their homes. This pattern of higher electricity consumption was replicated for our customers’ homes in Northern Queensland and North-Western Australia.

Gas is the next largest contributor to household emissions, although there are considerable differences in consumption between state and territories across Australia. Victoria and the ACT are the largest users of gas, which is a function of high penetration of gas connections across those jurisdictions (78% and 66% respectively) and high consumption per dwelling. In contrast, the warmer climate of Queensland has translated not only into low gas connection rates, but also low consumption per dwelling. LPG consumption is higher in states and territories that don’t have high gas consumption, especially in Tasmania and the Northern Territory, where the rates of connection to gas distribution networks are low or non-existent.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

Appendix

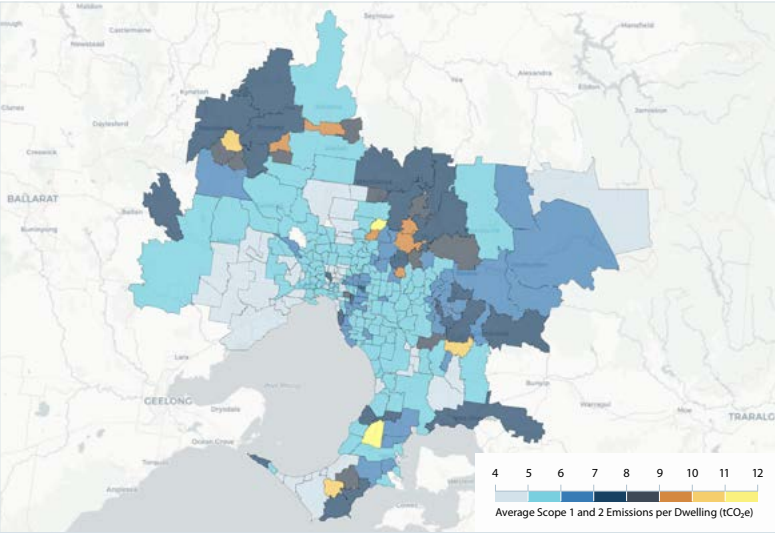
Assurance opinion

AUSTRALIAN RESIDENTIAL HOME LOANS (CONTINUED)

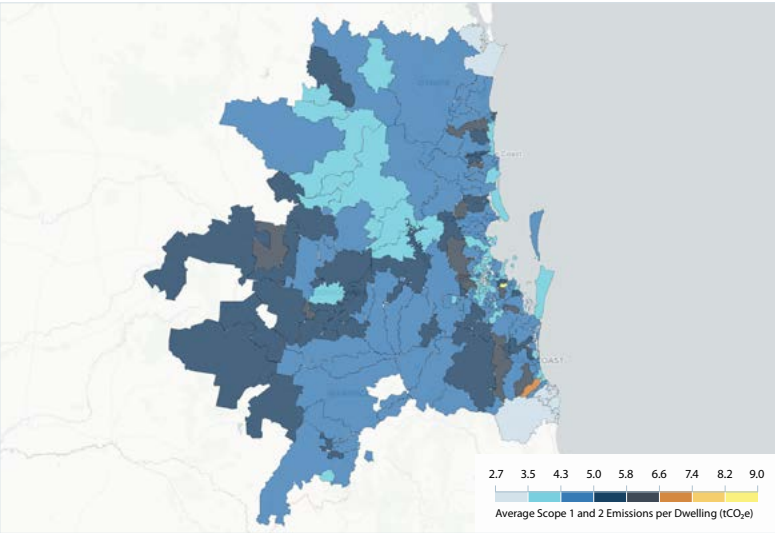
Differences in energy related emissions were found to exist not only across different states and territories of Australia, but also in dwellings within the same metropolitan area. The maps on the right show average emissions per dwelling for postcodes within metropolitan Melbourne, Sydney and Brisbane that are responsible for almost two thirds of our total financed emissions of around 1.7 million tonnes. There were some common energy usage patterns that emerged across all three metropolitan areas:

- lower energy-related emissions in high-density, inner-city areas with multi-storey apartments. The smaller living areas, and fewer occupants in these apartments has translated into lower overall energy consumption per dwelling
- higher emissions per dwelling in postcodes containing well established, larger homes built in the 20th century prior to the introduction of minimum performance standards for energy efficiency, and subsequently require larger amounts of energy to heat and cool
- lower emissions per dwelling in high growth postcodes where newer homes have had to achieve a minimum energy efficiency standard under the National Construction Code. The greater percentage of energy efficient homes in these fast-growing areas is evident, with lower energy-related emissions per dwelling compared to the older and more established suburbs of metropolitan cities

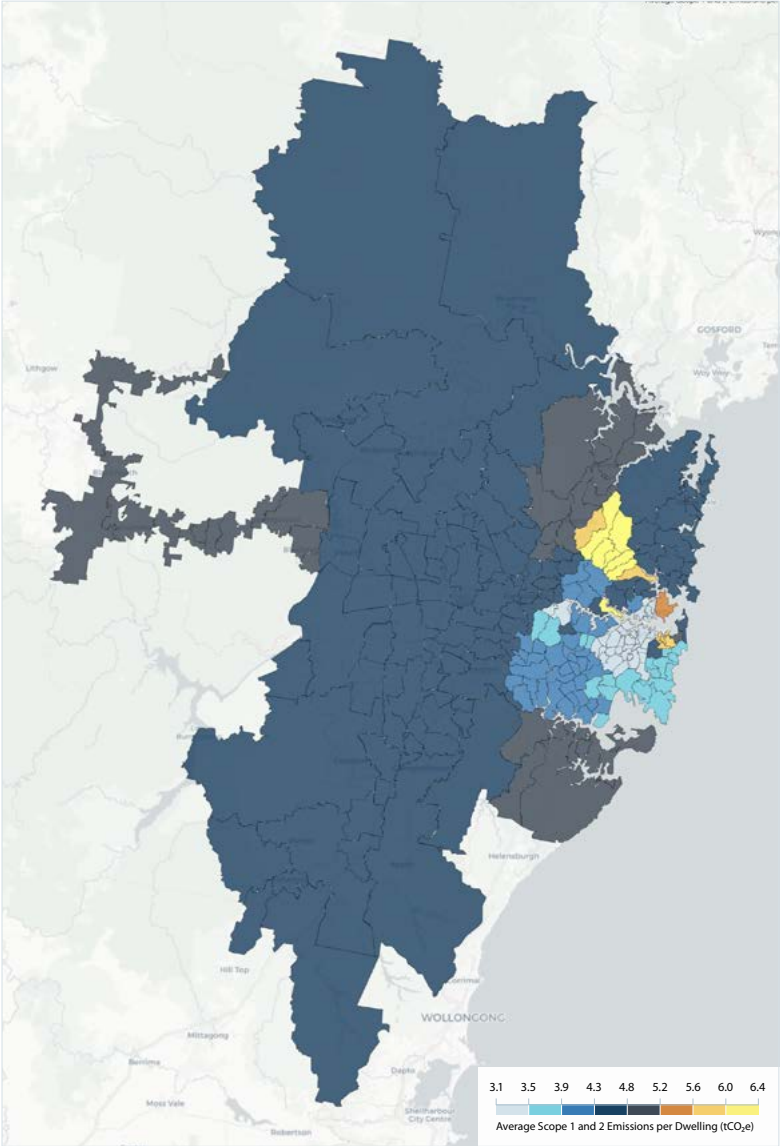
Graph 8b.3 – Melbourne metro



Graph 8b.5 – Brisbane metro



Graph 8b.4 – Sydney metro



Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

Appendix

Assurance opinion

AUSTRALIAN RESIDENTIAL HOME LOANS (CONTINUED)

Our customers in Victoria, New South Wales and Queensland are responsible for 84% of our total financed emissions. Around 40% of the total comes from our Victorian customers’ homes, where we have the highest number of residential home loan customers. Despite Victoria having lower electricity consumption per dwelling than other states and territories, this is largely offset by it having the most carbon intensive electricity grid and a higher reliance on distributed gas – especially during the colder winter months. In contrast, the large reliance of Queensland residents on electricity to run their homes, presents a significant opportunity for our customers in this state to achieve a faster path to net zero emissions, especially with the continued decarbonisation of the electricity grid and potential for increased energy self-reliance through high rates of rooftop solar installation.

Opportunities for emissions reduction and challenges

For ANZ’s home loan portfolio to reach net zero emissions, this will depend not only on the actions that our customers take, but also the combined actions of governments and regulatory and planning bodies that have a key role in decarbonising energy supply and improving the energy efficiency of homes and the sustainability of urban forms.

As financiers, our role in supporting the decarbonisation of Australian homes is multifaceted. Electricity is the largest source of emissions in Australian homes and ANZ is supporting the higher penetration of renewables into electricity grids that

supply our customers’ homes. We also recognise our role in providing finance to build new homes and retrofit existing homes so they require less energy to heat and cool, are powered by energy efficient appliances and use rooftop solar to offset as much of their remaining energy use as possible. We acknowledge we have an important role in helping our new and existing home loan customers to identify, understand and implement these opportunities.

While ANZ has not yet committed to a target for reducing the emissions from our Australian home loan customers’ homes, we recognise that any pathway to net zero emissions will require a concerted shift towards electrification of end-uses such as space heating and water heating and cooking. Taken together, gas and LPG are currently responsible for 21% of the energy-related emissions for the average home in our Australian home loan book. In our largest market of Victoria, it is 35%.

We note recent policy changes of the ACT and Victorian Governments – along with several other local government jurisdictions – to phase out gas connections in new homes starting from late-2023. Significant challenges remain however in electrifying existing homes and improving their overall energy efficiency. ANZ recognises we will have an important role to play in supporting that transition over the next 20-30 years and will continue to engage with relevant stakeholders over the coming years in seeking to ensure our contribution is well targeted and helps to deliver meaningful cuts in emissions, as well as cost savings for our home loan customers.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

Appendix

Assurance opinion

LARGE INSTITUTIONAL AGRIBUSINESS CUSTOMERS

In Australia, the agribusiness sector represents approximately 14%¹ of Australia’s emission profile with data availability an ongoing challenge across the sector.

ANZ has set a data coverage target for our Large Institutional Agribusiness Customers (LIAC)² to encourage and support the provision of high quality and comparable emissions data. The customers included in the target are all large companies, either multinationals with significant operations in Australia or companies headquartered in Australia.

Each of our customers handle one or more of the different agricultural commodities including: grain, dairy, rice, poultry, beef, viticulture, aquaculture and horticulture. Each of these commodities has a unique emissions profile and may require an industry specific pathway to transition to net zero. There is currently no widely accepted Paris-aligned pathway for the sector as a whole and there remain challenges with the quality and availability of data.

On that basis, ANZ believes it is premature to set an emissions reduction target. However, with the intention of improving our understanding of our LIACs and to encourage their efforts to improve disclosure in this area, we have developed a data coverage target, see Table 9.

Table 9 – Key design choices in setting the Data Coverage target:

Data	Seek the disclosure of Scope 1 and 2 emissions at a standard equivalent to the ‘Australian National Greenhouse Account Factors’ ³ by 100% of relevant LIAC’s ⁴ by the end of financial year 2027
ANZ Customers Included	Companies that own or operate companies across the entire value chain including: • Farm input providers (e.g., fertiliser) • Producers (e.g., beef, lamb, grain, poultry, aquaculture) • Processors (e.g., bulk-handlers, meat processors) • Retailers (e.g. supermarkets) • Quick-service restaurants (large fast food chains)
Key External Data Sources	• Customer public disclosure • National Greenhouse and Emission Reporting • National Greenhouse Account Factors

ANZ’s LIAC Data Coverage Target will support our customers as they prepare for the Australian Government’s proposed mandatory Climate-related Financial Disclosures regime.

We will support our customers through ongoing engagement to understand their transition plans, emissions reduction targets and how we can assist customers to transition to net zero. As of 30 September 2023, 72% of our Large Institutional Agribusiness Customers are disclosing Scope 1 and 2 emissions and 41% are doing so to the Australian Clean Energy Regulator (ACER).⁵ Those meeting the ACER standard will also meet this target.

Agriculture: The practice of cultivating the soil, growing crops, or raising livestock for human use, including the production of food, feed, fibre, fuel, or other useful products. Also known as farming.⁶

Agribusiness: Large-scale, industrialised agriculture controlled by corporations, which includes all of the operations involved in the production, storage, processing, distribution, and wholesale marketing of farm products.⁷



The information in this section should be read together with our disclaimer and important notices available [here](#) and our [Financed Emissions Methodology available here](#).

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional Agribusiness Customers

Total lending portfolio

Appendix

Assurance opinion

1. DAFF – Global Responses to Climate Change. 2. Consists of our Australian Institutional Food, Beverage and Agribusiness customers. 3. DCCEEW – Australian National Greenhouse Accounts Factors, 2023. 4. The customers covered by this target sit within ANZ’s Institutional portfolio and have a Group Relationship Point in Australia as of 01 October 2023. 5. Clean Energy Regulator. 6. Agriculture, The Oxford Reference. 7. Agribusiness, The Oxford Reference.

TOTAL LENDING PORTFOLIO

This year, we have conducted an initial analysis to understand the size of financed emissions¹ within our total lending portfolio in Australia.²

The analysis shows that from 2019 to 2021, our estimated total financed emissions in Australia decreased from 13.4 to 11.9 MtCO₂-e, despite a notable increase in 2020, primarily attributable to increased outstanding lending to the mining sector. A similar trend can be observed in the percentage of Australia’s national emissions that we financed, which remained below 3% over the period. In terms of financed emissions intensity, we observed a 14% decrease in 2021 compared with 2019, as a result of both the decarbonisation efforts of the Australian economy and changes in the composition of our total Australian lending portfolio.

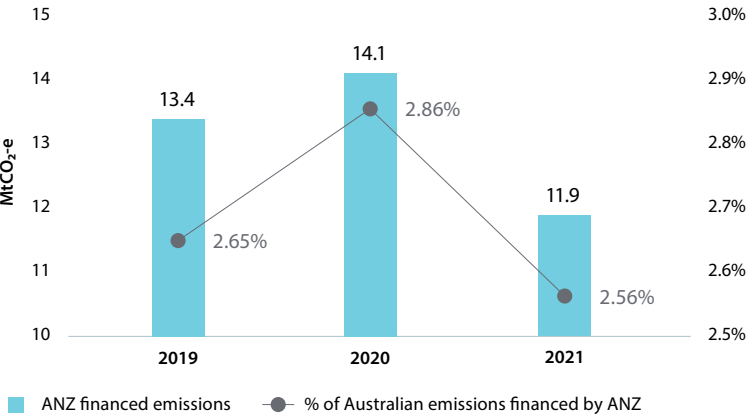
Time lags involved in compiling national greenhouse gas emissions inventories meant that the most recent data accessible at the time of analysis was from the year 2021, and so this is the most recent year for which we have calculated our total lending Portfolio emissions.



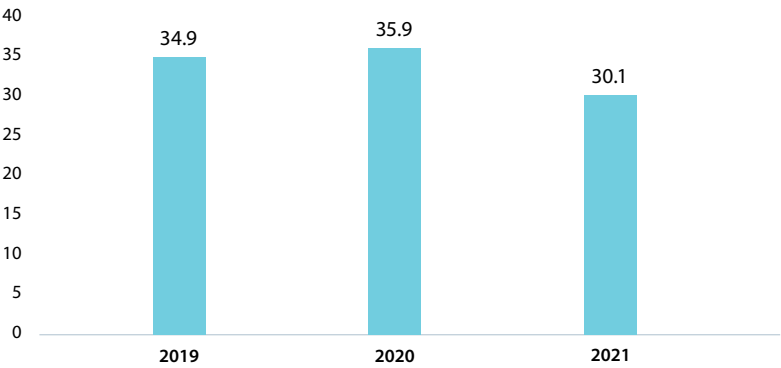
The information in this section should be read together with our disclaimer and important notices available [here](#) and our [Financed Emissions Methodology](#) available [here](#).

1. Includes Scope 1 only. 2. For the purpose of this metric, our total lending portfolio covers lending to the Australian economy, including industry and business, and residential sectors, as identified by the Reserve Bank of Australia. 3. Outstanding lending is the drawn amount of committed loans. Unlike EAD, it does not include the undrawn amount or off-balance sheet exposures.

Graph 10.1 – ANZ financed emissions in Australia



Graph 10.2 – ANZ financed emissions intensity in Australia (tCO₂-e/A\$m lent)



Sector	ANZ OUTSTANDING LENDING ³ (\$BN)			FINANCED EMISSIONS ABSOLUTE (MTCO ₂ -E)			% AUSTRALIA EMISSIONS			FINANCED EMISSIONS INTENSITY (TCO ₂ -E/\$M LENT)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Agriculture	10.4	11.6	12.6	1.1	1.2	1.0	1.3%	1.4%	1.4%	104.6	102.7	82.6
Mining	2.9	3.5	2.5	2.1	3.0	1.7	2.0%	2.8%	1.7%	723.3	835.7	684.2
Manufacturing	6.3	5.8	5.9	1.9	2.3	2.2	3.3%	4.1%	3.7%	309.3	402.5	364.8
Utilities	3.3	3.2	3.5	5.4	4.8	4.6	2.9%	2.7%	2.8%	1,641.2	1,478.2	1,306.0
Construction	4.1	4.1	4.0	0.2	0.2	0.2	1.4%	1.4%	1.4%	44.6	44.5	43.4
Commercial Services	104.0	100.1	100.0	0.5	0.3	0.2	4.3%	4.2%	4.0%	5.2	3.1	1.5
Transport and Storage	6.6	7.2	7.0	1.6	1.8	1.6	5.1%	6.1%	5.8%	247.2	254.3	229.8
Residential	246.4	257.2	260.4	0.5	0.5	0.4	3.7%	3.6%	2.9%	2.1	2.0	1.6
Total	383.9	392.8	396.1	13.4	14.1	11.9	2.7%	2.9%	2.6%	34.9	35.9	30.1

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Sectoral metrics and targets

Sector exposures

Our approach to sectoral pathways

Pathways performance dashboard

Energy sector

Transport sector

Manufacturing sector

Buildings sector

Large Institutional

Agribusiness Customers

Total lending portfolio

Appendix

Assurance opinion

TOTAL LENDING PORTFOLIO (CONTINUED)

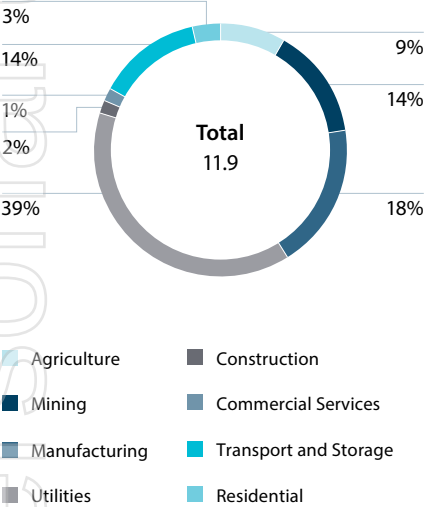
Our financed emissions in Australia are largely concentrated in four higher-emitting sectors: Utilities, Manufacturing, Transport and Storage, and Mining, which together account for 85% of our financed emissions in 2021. These four sectors made up about 5% of our total lending portfolio in Australia.

We recognise that the decarbonisation of these sectors is key to achieving our net zero. In line with our NZBA commitment, we are progressively setting Paris-aligned pathways and targets for these sectors – see page 43. Additionally, many of the larger emitters in the sectors for which

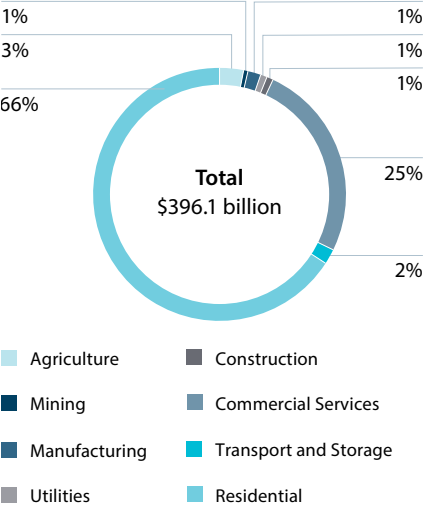
we have developed targets are covered in our large emitters engagement program, through which we encourage and expect them to strengthen their net zero transition plans – see pages 22-24.

The data used for this analysis was sourced from Australia’s National Greenhouse Accounts (ANGA), Reserve Bank of Australia (RBA), Australian Prudential Regulation Authority (APRA) as well as other external and internal sources. Due to data constraints, the basis for the calculation is ‘outstanding lending’¹ which is different from the Exposure at Default (EAD) calculation formula that we have used in our sectoral metrics and targets.

Graph 10.3 – 2021 ANZ financed emissions absolute (Scope 1) in Australia – MtCO₂-e



Graph 10.4 – ANZ outstanding lending in Australia (\$bn)



1. Outstanding lending is the drawn amount of committed loans. Unlike EAD, it does not include the undrawn amount or off-balance sheet exposures.

- Overview
- Governance
- Strategy
- Risk Management

Metrics and Targets

- Sectoral metrics and targets
- Sector exposures
- Our approach to sectoral pathways
- Pathways performance dashboard
- Energy sector
- Transport sector
- Manufacturing sector
- Buildings sector
- Large Institutional
- Agribusiness Customers
- Total lending portfolio

- Appendix
- Assurance opinion

APPENDIX 1
TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) INDEX

TCFD Category	TCFD Disclosure Recommendation	ANZ response – page
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 8-11
	b. Describe management’s role in assessing and managing climate-related risks and opportunities.	Pages 8-11
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 12-20, 22-24, 30, 34-35
	b. Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.	Pages 12-20, 22-24, 30, 34-42
	c. Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Working towards – initial steps outlined on pages 41-42
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 34-42
	b. Describe the organisation’s processes for managing climate-related risks.	Pages 36-42
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	Pages 36-42
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 43-77, 80-86
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Pages 31-32, 43-77, 80-86
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Pages 31-32, 43-77, 80-86

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Appendix

TCFD Index

TNFD Index

Portfolio financed emissions pathways and targets

Our ESG targets

Financing sustainability

Environmental footprint

Glossary of abbreviations

Assurance opinion

APPENDIX 2
TASKFORCE ON NATURE-RELATED FINANCIAL DISCLOSURES (TNFD) INDEX

With the release of the Taskforce on Nature-related Financial Disclosures (TNFD) framework in September 2023 – this year we are taking steps towards the TNFD’s recommendations to help inform our disclosures. We have included references to where these disclosures are located below. Our disclosures do not purport to be comprehensive or to satisfy all aspects of the TNFD’s recommended disclosures.

TNFD Category	TNFD Recommended Disclosures	ANZ response – page
Governance Disclose the organisation’s governance of nature-related dependencies, impacts, risks and opportunities.	a. Describe the board’s oversight of nature-related dependencies, impacts, risks and opportunities.	Page 11
	b. Describe management’s role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	Pages 11, 34-35 and 37
	c. Describe the organisation’s human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation’s assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	Working towards – see our Climate Change Commitment available at anz.com.au/about-us/esg/environmental-sustainability/climate-change/
Strategy Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation’s business model, strategy and financial planning where such information is material.	a. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	Working towards – see pages 25-26
	b. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation’s business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	Working towards – see our initial steps we are taking utilising the ENCORE tool on pages 27-28
	c. Describe the resilience of the organisation’s strategy to nature-related risks and opportunities, taking into consideration different scenarios.	Working towards – see our initial steps we are taking utilising the ENCORE tool on pages 27-28
	d. Disclose the locations of assets and/or activities in the organisation’s direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	We seek to disclose this in future
Risk Management Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.	a. (i) Describe the organisation’s processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	We seek to disclose this in future
	a. (ii) Describe the organisation’s processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s)	Working towards – initial steps outlined on pages 34-37
	b. Describe the organisation’s processes for managing nature-related dependencies, impacts, risks and opportunities.	Pages 34-35
	c. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation’s overall risk management processes.	Pages 34-35
Metrics and Targets Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.	a. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	We seek to disclose metrics in future
	b. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.	We seek to disclose metrics in future
	c. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	We seek to disclose further metrics in future – see page 26 for our current target which incorporates consideration of biodiversity

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Appendix

TCFD Index

TNFD Index

Portfolio financed emissions pathways and targets

Our ESG targets

Financing sustainability

Environmental footprint

Glossary of abbreviations

Assurance opinion

APPENDIX 3
ANZ’S CLIMATE TARGETS – PORTFOLIO FINANCED EMISSIONS PATHWAYS AND TARGETS

		Targets		Metric			Performance					Exposure as at Sept 30 2023	
		Target reduction ²	2030			Scope inclusion	Year	Baseline year performance	2023	% change from baseline	% change from pathway	EAD (\$bn)	% Group EAD
Energy	1. Power generation	50%	113	Intensity	kgCO ₂ -e /MWh	1	2020	225	169	-25%	-12%	9.35	0.80%
	2. Oil and gas	26%	9.4	Absolute	Mt CO ₂ -e	1, 2, 3	2020	12.7	8.9	-30%	-25%	6.67	0.57%
	3. Thermal coal (new)	100%	0	Absolute	Mt CO ₂ -e	1, 2, 3	2020	9.10	0.39	-96%	-94%	0.08	0.01%
Transport (new)	4a. Auto manufacturing	28%	99	Intensity	gCO ₂ -e /vkm	3	2022	137	128	-7%	-5%	1.91	0.16%
	4b. Aviation	30%	720	Intensity	gCO ₂ -e /RTK	1, 3	2019	902	828	-8%	-9%	2.04	0.18%
	4c. Shipping	10%	0.43	Absolute	Mt CO ₂ -e	1, 3	2022	0.48	0.42	-14%	-12%	1.24	0.11%
Manufacturing	5. Aluminium	30%	5.79	Intensity	tCO ₂ -e/t aluminium	1, 2	2021	8.30	8.73	+5%	+13%	0.68	0.06%
	6. Cement	20%	0.49	Intensity	tCO ₂ -e/t cement ³	1, 2	2021	0.61	0.57	-7%	-2.8%	0.31	0.03%
	7. Steel	28%	1.36	Intensity	tCO ₂ -e/t steel	1, 2	2021	1.90	1.93	+1.6%	+8.5%	1.22	0.10%
Buildings	8a. Large-scale commercial real estate ¹	60%	Shopping centres: 35.90 Office buildings: 32.09	Intensity	kgCO ₂ -e/NLA	1, 2, 3	2019	Shopping centres: 89.75 Office buildings: 80.21	Shopping centres: 65.71 Office buildings: 49.56	Shopping centres: -27% Office buildings: -38%	-12% -26%	Not Assessed ⁴	
	8b. Residential home loans (new)	Baseline set, no target		Intensity	tCO ₂ -e/dwelling	1, 2	2023	4.44	N/A	N/A	N/A	N/A	N/A
												Exposure as at Sept 30 2023	
		Coverage target	Date			Scope inclusion	Year	Baseline year performance				EAD (\$bn)	% Group EAD
Other	9. Large Institutional Agribusiness Customers (new)	100% of LIAC customers ⁵	30 Sept 2027	NGA standard or equivalent e.g. audited emissions disclosure		1, 2	2023	59%				4.59	0.39%

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

1. 2022 performance against target (not updated in 2023). Please refer to page 69 for further detail. 2. See sectoral pathways (pages 49 to 77) for further information. 3. 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. 4. Large-scale commercial real estate data has not been apportioned in line with ANZ lending, this will be reassessed in time. 5. See page 75 for definition of LIAC customers.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Appendix

TCFD Index

TNFD Index

Portfolio financed emissions pathways and targets

Our ESG targets

Financing sustainability

Environmental footprint

Glossary of abbreviations

Assurance opinion

APPENDIX 4
2023 ESG TARGETS THAT CONTRIBUTE TOWARDS CLIMATE OUTCOMES PERFORMANCE SUMMARY

For more information on our full suite of ESG targets, including performance and targets for 2024, see our 2023 ESG Supplement at anz.com/esgreport

Targets	Performance	Status	Related UN SDGs
Fund and facilitate at least \$100 billion by end of 2030 in social and environmental outcomes through customer activities and direct investments. This includes initiatives that help lower carbon emissions, protect nature and biodiversity, increase access to affordable housing and promote financial wellbeing.	Since 1 April 2023, we have funded and facilitated approximately \$8.8 billion, across 54 transactions, of which \$4.1 billion is funded and \$4.7 billion is facilitated. On 31 March 2023 ANZ concluded its \$50 billion by 2025 sustainable solutions target. We had funded and facilitated close to \$47.0¹ billion across 387 transactions and were forecast to meet our \$50 billion target well in advance of 2025.	→ Revised during 2023	1 NO POVERTY 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND
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.	- We re-engaged with all 100 customers on their low carbon transition plans and efforts to protect biodiversity this year. 64 customers now have 'well developed' or 'advanced' plans versus 42 in September 2021. - We prioritised engagement with 'underdeveloped / starting out' and 'no public plans' rated customers (those with less developed or no public plans) to seek improvements in their plans. Seven customers have improved from 'no public plans' to 'underdeveloped / starting out' in 2023. - For biodiversity, 54 customers have targets, policies or strategies in place to protect biodiversity, with 61 making disclosures of their efforts to protect biodiversity. - We are revising this target with a new phase of engagement with our largest emitting business customers commencing in 2024 triggered, in part, by the Safeguard Mechanism in Australia.	→ Revised for 2024	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND

1. This number is a restatement from our 2023 half year unaudited disclosures made on 5 May 2023. The \$50 billion target was closed after reaching \$47.09 billion; the closing audited balance has since been confirmed as \$46.99 billion.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Appendix

TCFD Index

TNFD Index

Portfolio financed emissions pathways and targets

Our ESG targets

Financing sustainability

Environmental footprint

Glossary of abbreviations

Assurance opinion

APPENDIX 4 – 2023 ESG TARGETS THAT CONTRIBUTE TOWARDS CLIMATE OUTCOMES PERFORMANCE SUMMARY (CONTINUED)

Targets	Performance	Status	Related UN SDGs
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 (CCRA) methodology beyond our Project Finance business, starting with Institutional customers in higher emitting sectors such as resources and energy; • 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 lessons learned from the New Zealand climate risk program.	• We engaged an external provider to undertake an assessment comparing regulatory expectations across seven of the jurisdictions in which we operate: Australia, New Zealand, Singapore, Hong Kong, the United Kingdom, Europe and the USA. The assessment will help inform the integration of climate risk standards and obligations into our Non-Financial Risk Framework commencing from 2024. • The CCRA has been digitised and integrated into our credit risk assessment process via our Online Customer Profile platform, alongside our Social & Environmental Risk screening tool. • The CCRA is being expanded beyond our Project Finance business starting with Institutional energy sector customers subject to the enhanced due diligence process and customers in our Large Emitters Engagement Program. • The CCRA will continue to be rolled out to Institutional customers in a phased approach across 2024 and 2025. • An Environmental Sustainability (ES) data strategy has been developed and endorsed by Data Prioritisation Forum members. • We expect the data strategy will help us to develop a more coordinated, centralised approach to climate data that can be shared across divisions and jurisdictions in which we operate.	✓	13CLIMATE ACTION
Reduce the direct impact of our business activities on the environment¹ by: • Reducing Scope 1 and 2 emissions by 85% by 2025 and 90% by 2030 (against 2015 baseline); • Increasing renewable electricity to 100% by 2025²; • Reducing water consumption by 40% by 2025 (against 2017 baseline); • Reducing waste to landfill by 40% by 2025 (against 2017 baseline); • Reducing paper consumption (both office and customer paper use) by 70% by 2025 (against 2015 baseline).	Scope 1 and 2 emissions have decreased by 80% since 2015 49% of electricity consumption associated with our operations came from renewable sources in 2023 Global water consumption has decreased by 61% against a 2017 baseline Waste to landfill generated by global operations has decreased by 71% since 2017 Paper consumption has decreased 71% since 2015	→ Revised for 2024	6CLEAN WATER AND SANITATION 7RENEWABLE AND CLEAN ENERGY 12RESPONSIBLE CONSUMPTION AND PRODUCTION 13CLIMATE ACTION

1. Environmental reporting year is 1 July – 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.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Appendix

TCFD Index

TNFD Index

Portfolio financed emissions pathways and targets

Our ESG targets

Financing sustainability

Environmental footprint

Glossary of abbreviations

Assurance opinion

APPENDIX 5
ESG TARGETS FOR 2024 THAT CONTRIBUTE TOWARDS CLIMATE OUTCOMES

Revised during
2023 and for 2024

TARGETS	MATERIAL ISSUES	RELATED UN SDGS
Fund and facilitate at least \$100 billion by end 2030, including \$15 billion by end 2024, in social and environmental outcomes through customer activities and direct investments by ANZ. This includes initiatives that help lower carbon emissions, protect nature and biodiversity, increase access to affordable housing and promote financial wellbeing.	  	                

- Overview
- Governance
- Strategy
- Risk Management
- Metrics and Targets

- Appendix
- TCFD Index
 - TNFD Index
 - Portfolio financed emissions pathways and targets
 - Our ESG targets**
 - Financing sustainability
 - Environmental footprint
 - Glossary of abbreviations

Assurance opinion

APPENDIX 5 - ESG TARGETS FOR 2024 THAT CONTRIBUTE TOWARDS CLIMATE OUTCOMES (CONTINUED)

TARGETS	MATERIAL ISSUES	RELATED UN SDGS
Revised for 2024 Enhance our management of climate risks and opportunities by intensifying our engagement with our largest emitting business customers. We will expect and encourage them to strengthen their low carbon transition plans, by: • focusing our engagement and raised expectations on our 100 largest emitting customers with the aim that by end 2025, compared to their starting point more customers achieve a 'well developed' or 'advanced' rating for their low carbon transition plans; • extending the use of our Climate Change Risk Assessment methodology so that by end 2024 it has been used to support our engagement with the revised list of our 100 largest emitting customers.		  
Reduce the direct impact of our business activities on the environment¹ by: • Reducing combined scope 1 and 2 emissions 85% by 2025 and 90% by 2030 (against 2015 baseline); • Increasing renewable electricity to 100% by 2025; • Reducing water consumption by 40% by 2025 (against 2017 baseline); • Reducing waste to landfill by 40% by 2025 (against 2017 baseline); • Reducing paper consumption (both office and ANZ originated customer paper use) by 70% by 2025 (against 2015 baseline)¹.		   
Helping New Zealand homeowners improve the sustainability of their homes and/or reduce their transport emissions through discounted lending of at least NZ\$670m in aggregate to at least 16,000 households by end 2025. (New Zealand)	 	 

1. Environmental reporting year is 1 July – 30 June, in line with the Australian regulatory reporting year.



Environmental sustainability



Financial wellbeing



Housing

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Appendix

TCFD Index

TNFD Index

Portfolio financed emissions pathways and targets

Our ESG targets

Financing sustainability

Environmental footprint

Glossary of abbreviations

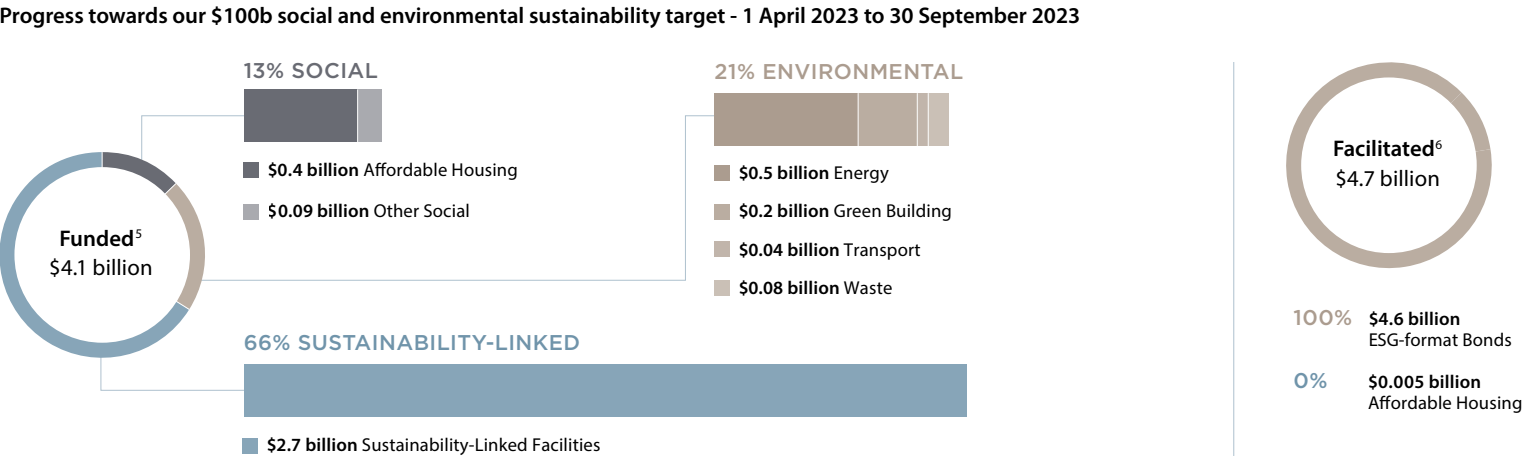
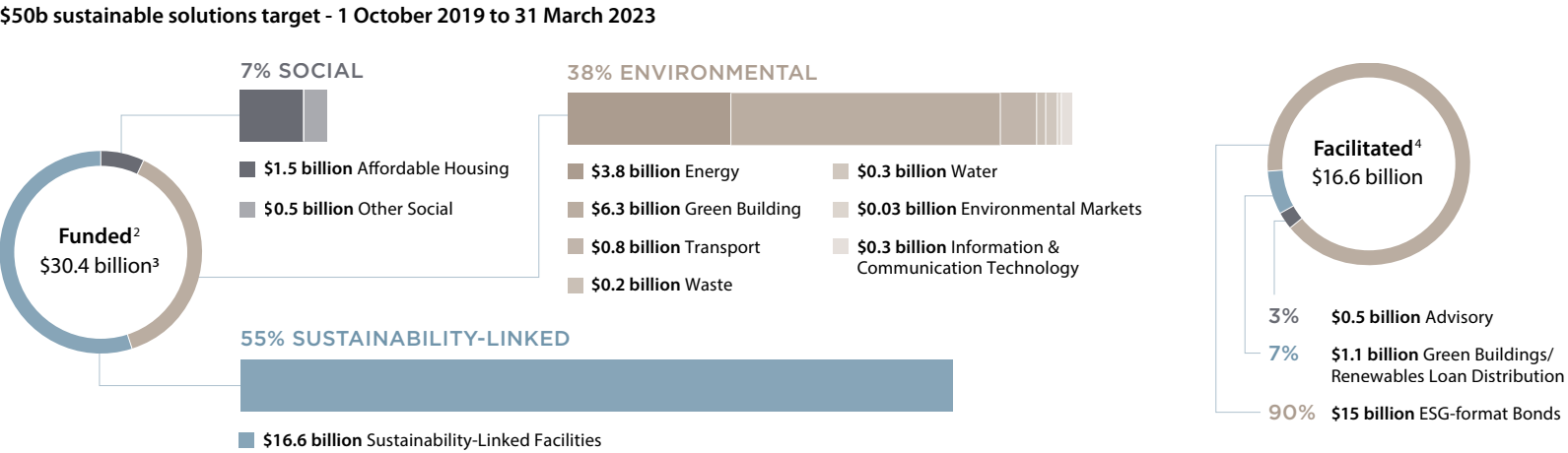
Assurance opinion

APPENDIX 6
FINANCING SUSTAINABILITY – \$50B SUSTAINABLE SOLUTIONS TARGET AND
\$100B SOCIAL AND ENVIRONMENTAL SUSTAINABILITY TARGET

On 31 March 2023 ANZ concluded its \$50 billion by 2025 sustainable solutions target. We had funded and facilitated close to \$47.0 billion.¹

Therefore, on 1 April 2023 ANZ commenced a new social and environmental sustainability target to fund and facilitate at least \$100 billion by the end of 2030 in social and environmental outcomes through customer activities and direct investments by ANZ.

See page 20 for more details.



1. This number is a restatement from our 2023 half year unaudited disclosures made on 5 May 2023 when the \$50 billion target was closed after reaching \$47.09 billion; the closing audited balance has since been confirmed as \$46.99 billion. 2. For more information on funded categories see ANZ's 2022 ESG Supplement. 3. Numbers do not add to total due to rounding. 4. For more information on facilitated categories see ANZ's 2022 ESG Supplement. 5. For more information on funded categories see ANZ's Social and Environmental Sustainability Target Methodology. 6. For more information on facilitated categories see ANZ's Social and Environmental Sustainability Target Methodology.

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Appendix

TCFD Index

TNFD Index

Portfolio financed emissions pathways and targets

Our ESG targets

Financing sustainability

Environmental footprint

Glossary of abbreviations

Assurance opinion

APPENDIX 7
ENVIRONMENTAL FOOTPRINT

Operational footprint¹

GHG emissions Scope 1 and 2 (tonnes CO ₂ -e)	2023	2022	2021	2020	2019
Australia	67,761	79,787	88,808	101,210	115,688
New Zealand	3,602	4,429	5,205	5,526	6,846
Asia Pacific, Europe and America	17,675	17,664	17,395	27,357	34,034
Total ²	89,038	101,879	111,409	134,093	156,568

Global GHG emissions Scope 1, 2 and 3 (tonnes CO ₂ -e)	2023	2022	2021	2020	2019
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SCOPE 1

Premises energy	2,668	2,229	1,931	1,811	3,091
Vehicle transport	3,448	3,566	4,476	9,832	13,018
Other ³	69	24	17	119	140

SCOPE 2

Premises energy	82,853	96,060	104,984	122,331	140,319
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SCOPE 3⁴

Premises energy	10,325	13,143	16,843	23,330	28,367
Vehicle transport	1,380	600	668	1,606	2,069
Travel – flights and accomodation	13,252	4,114	1,984	22,109	38,927
Employee commuting ⁵	10,905	5,348	5,438	15,546	19,400
Paper ⁶	1,945	2,315	2,826	5,013	2,720
Waste ⁶	1,113	1,135	1,564	1,770	2,511
Water ^{6, 7}	329	306	186	233	297
Work from home ⁸	11,370	11,673	12,780	N/A	N/A
Cloud services ⁹	3,209	N/A	N/A	N/A	N/A
Freight and postage ⁹	6,233	N/A	N/A	N/A	N/A
Capital goods ¹⁰	558	N/A	N/A	N/A	N/A
Total	149,658	140,514	153,697	203,700	250,857

Global GHG emissions Scope 1, 2 and 3 (tonnes CO ₂ -e) – Market-Based	2023	2022	2021	2020 ¹²
Scope 1	6,185	5,819	6,424	11,762
Scope 2	35,939	48,531	59,004	83,324
Scope 3	57,341	30,756	32,653	59,578
Total Market-Based	99,464	85,106	98,082	154,664
Carbon offsets retired ¹¹	99,464	85,106	98,082	154,664
Net GHG emissions	0	0	0	0

1. Environmental reporting year runs 1 July – 30 June to align to environmental regulatory reporting requirements. 2. Values may not add to totals due to rounding. 3. Indicates estimated emissions arising from the operation of a black water treatment plant at ANZ's Global Headquarters in Melbourne, Australia. 4. Scope 3 emissions from our lending ('portfolio emissions') are not included in the boundary of the carbon neutral assessment as this assessment scope is limited to ANZ's operations. To reduce our portfolio emissions, we are transitioning our lending in line with 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. 5. Represents employee commuting emissions from staff working in key commercial office locations in Australia and New Zealand. 6. Comparisons with previous years' figures must be viewed with caution due to different methodology. 7. From 2021 includes global water emissions values, 2018 – 2020 values include Australia only. 8. Emissions associated with increased home energy use from heating/cooling, lighting, equipment electricity and fuel use as a result of the shift of Australian and New Zealand staff from working out of offices, to working from home. This was calculated and externally assured for the first time in 2021. 9. Data available for the first time in 2023. 10. Capital goods include embodied carbon of new branch fit outs in Australia, and laptop purchases in New Zealand. Emissions from fit out embodied carbon have been extrapolated using an assessment of one Breathe designed retail branch. The stages of emissions calculated in this assessment are from the Raw Material Supply, Transport and Manufacturing (A1-A3) for one Breathe designed retail branch. Construction Phase (A4-A5) has not been calculated due to unreliable data sources. Currently New Zealand is the only country where ANZ purchase laptops for staff. In other countries, laptops and associated IT equipment are leased. 11. Carbon offsets for ANZ's global business operations have been retired in accordance with The Climate Active Carbon Neutral Standard and externally assured. 12. ANZ has retired carbon offsets for its business operations since 2010. 2020 was the first year ANZ adopted the market-based reporting method to account for purposefully purchased renewable energy attributes.



For more details on our environmental footprint data, see our 2023 ESG Data and Frameworks Pack, available at anz.com/esgreport.

- Overview
- Governance
- Strategy
- Risk Management
- Metrics and Targets

- Appendix
 - TCFD Index
 - TNFD Index
 - Portfolio financed emissions pathways and targets
 - Our ESG targets
 - Financing sustainability
 - Environmental footprint
 - Glossary of abbreviations

- Assurance opinion

APPENDIX 8
GLOSSARY OF ABBREVIATIONS

ABA	Australian Banking Association
ACCU	Australian Carbon Credit Units
ACER	Australian Clean Energy Regulator
ACT	Austalian Capital Territory
ANGA	Australia's National Greenhouse Accounts
ANZBGL	Australia and New Zealand Banking Group Limited
ANZGHL	ANZ Group Holdings Limited
ANZSIC	Australian and New Zealand Standard Industrial Classification
APRA	Australian Prudential Regulation Authority
ASFI	Australian Sustainable Finance Institute
ASX	Australian Securities Exchange
B2DS	Beyond 2°C Scenario
BF-BOF	Blast Furnace – Basic Oxygen Furnace
BoM	Austalian Bureau of Meteorology
BRC	Board Risk Committee
CAF	Climate Advisory Forum
CCRA	Climate Change Risk Assessment
CCUS	Carbon capture utilisation/storage
CEFC	Clean Energy Finance Corporation
CEO	Chief Executive Officer
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora

CMRC	Credit and Markets Risk Committee
CRE	Climate Reporting Entities
CVA	Climate Vulnerability Assessment
EAD	Exposure at Default
EAF	Electric Arc Furnaces
EEC	Energy Efficiency Council
EESG	Ethics, Environment, Social and Governance Committee
ENCORE	Exploring Natural Capital Opportunities, Risks and Exposures
ERBC	Ethics and Responsible Business Committee
ES	Environmental Sustainability
ESG	Environment, Social and Governance
EV	Electric vehicle
EVIC	Enterprise value including cash
FMCA	Financial Markets Conduct Act 2012 (New Zealand)
FX	Foreign Exchange
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse gas
HR	Human Resources
IAI	International Aluminium Institute
IATA	International Air Transport Association
ICMA	Interational Capital Market Association
IEA	International Energy Agency

IGCC	Investor Group on Climate Change
IIX	Impact Investment Exchange
IPCC	Intergovernmental Panel on Climate Change
IUCN	International Union for Conservation of Nature
LEAP	Locate, Evaluate, Assess and Prepare
LEED (certitfied)	Leadership in Energy and Environmental Design
LEEP	Large Emitters Engagement Program
LIAC	Large Institutional Agribusiness Customers
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MW	Megawatt
MWh	Megawatt hours
NABERS	National Australian Building Energy Rating Scheme
NFRF	Non-Financial Risk Framework
NGFS	Network for Greening the Financial System
NLA	Net lettable area
NZ CA	Aotearoa New Zealand Climate Standards
NZBA	Net-Zero Banking Alliance
NZE 2050	Net Zero Emissions by 2050 World Scenario
OREC	Operational Risk Executive Committee

PBR	United Nations Principles of Responsible Banking
PCAF	Partnership for Carbon Accounting Financials
PHEV	Plug-in Hybrid Electric Vehicle
PPA	Power Purchase Agreement
RAP	Rangatahi Advisory Panel
RAS	Risk Appetite Statement
RBA	Reserve Bank of Australia
RBNZ	Reserve Bank of New Zealand
REIT	Real Estate Investment Trust
RIAA	Responsible Investment Association Australiasia
RMF	Risk Management Framework
RMS	Risk Management Strategy
SAF	Sustainable Aviation Fuel
SAFI	Sustainable Agriculutre Finance Initiative
SBTi	Science Based Targets Initiative
SDG	Sustainable Development Goals
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Appendix

TCFD Index

TNFD Index

Portfolio financed emissions pathways and targets

Our ESG targets

Financing sustainability

Environmental footprint

Glossary of abbreviations

Assurance opinion

INDEPENDENT ASSURANCE REPORT TO
THE DIRECTORS OF ANZ GROUP HOLDINGS LIMITED

Conclusion

i) Climate-related Financial Disclosures – Limited Assurance

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the ANZ 2023 Climate-related Financial Disclosures report, which has been prepared by ANZ in accordance with the Criteria for the year ended 30 September 2023.

ii) GHG Emissions – Reasonable Assurance

In our opinion, in all material respects, ANZ’s reported Global Scope 1 and 2 GHG Emissions (location based) has been prepared in accordance with the Criteria for the year ended 30 June 2023.

iii) GHG Emissions – Limited Assurance

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in ANZ’s reported Global Scope 3 GHG Emissions (location based) or Global Scope 1, 2 and 3 emissions (market based), which has been prepared in accordance with the Criteria for the year ended 30 June 2023.

Information Subject to Assurance

ANZ Group Holdings Limited (ANZ) engaged KPMG to perform a limited assurance engagement in relation to the ANZ 2023 Climate-related Financial Disclosures report, which is attached to this assurance report.

KPMG’s scope of work comprised, as presented in the ANZ 2023 Climate-related Financial Disclosures report:

- i) limited assurance over all material narrative and data claims. This covers ANZ’s global operations for year ended 30 September 2023 unless otherwise indicated;
- ii) reasonable assurance over Global Scope 1 and 2 GHG emissions (location based) for the year ended 30 June 2023, being 89,038 tCO₂-e; and
- iii) limited assurance over Global Scope 3 GHG Emissions (location based), being 60,620 tCO₂-e, and Global Scope 1, 2 and Scope 3 GHG Emissions (market-based) being 99,464 tCO₂-e for the year-ended 30 June 2023.

Criteria Used as the Basis of Reporting

- i) The ANZ 2023 Climate-related Financial Disclosures report is prepared in accordance with the:
 - Financial Stability Board’s Task Force on Climate-related Disclosures (TCFD) Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures Annex 2017;
 - TCFD 2021 Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures Annex, where applicable;

- Net Zero Banking Alliance Guidelines for Climate Change Target Setting (NZBA) commitments;
 - ANZ’s Financed Emissions Methodology available at anz.com/esgreport; and
 - ANZ’s Social and Environmental Sustainability Target Methodology available at anz.com/esgreport.
- ii),iii) The Global Scope 1, 2 and 3 GHG Emissions, are prepared in accordance with the World Resources Institute / World Business Council for Sustainable Development (WRI / WBCSD), *The GHG Protocol Corporate Accounting and Reporting Standard*, and Management’s basis of reporting, being the **ANZ Greenhouse Gas Reporting and Carbon Offset Guidelines**.

Basis for Conclusions

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 2023 Climate-related Financial Disclosures report and, Global Scope 3 GHG emissions (location based) and Global Scope 1,2 and 3 emissions (market based), whether due to fraud or error;
- Used our professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the Global Scope 1 and 2 GHG Emissions (location based) are free from material misstatement, 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 assurance conclusion is based on the evidence obtained from performing the following procedures:

- i) **Climate-related Financial Disclosures – limited assurance:**
 - Enquiries with management responsible to understand the internal controls, governance structure and reporting process;
 - Interviews with management responsible for developing the content (narrative and data) within the ANZ 2023 Climate-related Financial Disclosures report to understand the approach for monitoring, collation and reporting;
 - Assessment of the suitability of the Criteria including ANZ’s application of the TCFD and NZBA frameworks, and ANZ’s Financed Emissions Methodology
 - Testing over ANZ’s environment targets and performance to date;
 - Review of supporting documentation to substantiate discussions with management in relation to ANZ’s 2023 Climate risk target being the development of climate-related risk standards based on regulatory obligations, extension of ANZ’s Climate Change Risk Assessment methodology and the development of a climate-related data strategy;

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Appendix

Assurance opinion

- Testing over the new NZBA sector decarbonisation targets (auto-manufacturing, aviation, shipping and thermal coal), and the existing pathways for cement, aluminium, steel, oil & gas, large scale commercial real estate and power generation sectors;
- Testing over the new Residential Home Loans financed emissions baseline
- Comparing narrative and data (on a sample basis) presented to underlying sources. This includes considering whether all material matters had been included or excluded; and
- An assessment that the information is presented in accordance with the Criteria;

ii) **Global Scope 1 and 2 GHG Emissions – reasonable assurance**

- Interviews with senior management and relevant staff
- Evaluation of the design and implementation of the key systems, processes and controls for collecting, and reporting the GHG emissions data
- Assessment of operational control and reporting boundaries
- Detailed data and analytical review of the GHG emissions focusing on source variances; site-level variances; absence of data testing; and same value testing
- Testing a sample of Scope 1 natural gas and transport fuels and Scope 2 electricity transactions back to underlying invoices; and
- Assessing emission factor sources and re-performing emission factor calculations

iii) **Global Scope 3 GHG Emissions – limited assurance:**

- Interviews with senior management and relevant staff
- Understanding the key systems, processes and controls for collecting, managing and reporting of Global GHG Emissions
- Walkthroughs of key data sets
- Detailed analytical procedures
- Agreeing Global GHG Emissions to relevant underlying sources on a sample basis; and
- Assessing emission factor sources and re-performing emission factor calculations

How the Standard Defines Limited Assurance, Reasonable Assurance and Material Misstatement

Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect a material misstatement when it exists.

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.

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 Group Holdings Limited for the purpose of providing an assurance conclusion on the ANZ 2023 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

Management are responsible for:

- determining that the Criteria is appropriate to meet their needs;
- preparing and presenting the ANZ 2023 Climate-related Financial Disclosures report in accordance with the Criteria; and
- establishing internal controls that enable the preparation and presentation of the ANZ 2023 Climate-related Financial Disclosures report that is free from material misstatement, whether due to fraud or error.

KPMG

KPMG

Our Responsibility

Our responsibility is to perform limited and reasonable assurance work in relation to the ANZ 2023 Climate-related Financial Disclosures report for the year ended 30 September 2023 and 30 June 2023, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Management

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 Management 1 to maintain a comprehensive system of quality management. We have also complied with ANZ’s Stakeholder Engagement Model for Relationship with External Auditor (available on anz.com).

Adrian V. King

Adrian King
Partner

KPMG Melbourne
10 November 2023

Overview

Governance

Strategy

Risk Management

Metrics and Targets

Appendix

Assurance opinion



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