CLIMATE CHANGE COMMITMENT

Supporting our customers in the net zero transition.

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, transport, and sustainable infrastructure.

The many financing opportunities linked to our business strategy will contribute to achieving the Paris Agreement goals and the transition to a net zero economy. The opportunities will also deliver appropriate returns for our shareholders.

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

Our environmental sustainability strategy identifies focus areas, technologies and financing opportunities to help achieve our ambition. ANZ is a member of the Net-Zero Banking Alliance (NZBA) reflecting our commitment with other leading banks globally of transitioning our lending in line with the goals of the Paris Agreement.

We support an orderly transition that recognises and responds to social, economic and environmental impacts of a net zero transition. This aligns with our purpose to shape a world in which people and communities thrive.

This commitment summarises our climate change approach and respective targets. Additional disclosures and policies are available at anz.com.au/about-us/esg/.

The opportunity

Society is responding to the shared task of creating a pathway to net zero emissions.[1] To achieve the Paris Agreement goals, historic levels of investment and lending will be needed from businesses, governments and financial institutions. This creates significant financing opportunities for ANZ.

By anticipating changes to financial markets and financial systems we seek to better manage climate-related risks and opportunities.

These changes include:

- regulatory expectations, including disclosure;
- customer, shareholder and civil society expectations; and
- how climate risk is assessed, managed and priced.

We are responding to these changes and opportunities in four key areas:

1. Supporting our customers to transition

The most important role we can play in the transition to net zero is to support our customers to reduce emissions and enhance their resilience to a changing climate.

To achieve this, we are:

- Executing our environmental sustainability strategy and providing finance, services and advice that support customers to shift to low carbon business models and operations that put them or the broader economy on a path to net zero emissions.
- Funding and facilitating at least A$100 billion by the end of 2030, 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.[2]
- Progressively deepening our employees' understanding of climate risks and opportunities, including the potential of emerging technologies, focusing on our institutional bankers in key customer segments such as resources, energy and agribusiness.

1. Net zero emissions in this statement relates to net zero human-made emissions. **2.** Refer to ANZ's Social and Environmental Sustainability Target Methodology for the basis of preparation available: anz.com/esgreport

This expertise will help us develop products and services to meet our customers' needs, for example in:

- Green, social and sustainability-linked loans and bonds
- Lending and advisory services to help our customers buy, sell and raise capital for renewable energy and other low-emissions projects
- Project finance to support the development of long-term sustainable infrastructure.

2. Transitioning our lending to net zero financed emissions by 2050 in line with the goals of the Paris Agreement

Our success in supporting and accelerating a net zero transition by 2050 will be driven by our ability to help our customers reduce their emissions.

To reduce our portfolio emissions, we commit to transitioning our lending in line with the goals of the Paris Agreement. Our work in this area is focused on developing metrics and interim targets[3] for key sectors by the end of 2024, in line with our NZBA commitment and the evolution of globally recognised standards and methodologies, noting there is no single method that covers all relevant sectors and asset classes.

To decrease our portfolio emissions, we are focusing our efforts on high-emitting sectors, such as the energy sector[4] which plays a key role in the transition, with around 75% of global emissions attributed to energy use.[5] This is especially the case for the power generation sector which is essential in decarbonising other high emitting sectors such as transportation and buildings.

To achieve this, we seek to:

- Continue to improve the management of climate-related risks within our risk management framework. This includes factoring climate-related risk into our lending for large business customers,[6,7] primarily by assessing their capacity to respond to climate change and the evolving regulatory landscape. We undertake customer due diligence through application of tools under our Social and Environmental Risk Policy (Policy) and Requirements for lending to 'sensitive sectors',[8] including the Climate Change Risk Assessment tool used to help guide our engagement with customers and assess and manage climate-related risks.
- Expect our existing large business customers in higher-emitting sectors such as energy, building products and transport to integrate climate change risk into their company strategies.

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

Energy sector customers or projects

For the energy sector we:

- Expect new customers or projects to disclose Paris-aligned business plans. This includes the extent to which their company strategy, emissions reduction targets and planned capital expenditure is aligned with the Paris goals.
- By end 2025 expect our existing 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 goals – preferably using the Task Force on Climate-related Financial Disclosures (TCFD) framework
  - Participate in industry initiatives that will contribute to reducing emissions, for example, in the oil and gas sector, capturing and storing methane in line with the Methane Guiding Principles[9]
  - 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.
- 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 uses.[10] 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 mining by 100% by 2030, and with 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.[11]

Our approach to oil and gas, including policy for customers in extractive industries (upstream)

In addition to our expectations for energy customers, from 2024 we are enhancing our policy for oil and gas (O&G) customers in extractive industries. See our Extractive Industries Policy[12] on our website for more details.

3. Engaging constructively and transparently with stakeholders

We recognise it is vital to work collaboratively with our stakeholders to help support the transition to net zero emissions. That's why we are:

- Enhancing 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 with 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 each of our 100 largest emitting customers.

3. Our targets are in the metrics and targets section of our Climate-related Financial Disclosures, available here: anz.com/esgreport That report also contains important notices about forward-looking statements and about the uncertainties, challenges and risks associated with climate-related information. **4.** The energy sector includes 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. **5.** 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. **6.** Institutional, including Corporate, customers. **7.** Our lending is informed by our evolving social, environmental and credit policies, which includes commitments relating 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/ **8.** These include energy, extractive industries, forestry and forests, water and hydropower. **9.** https://www.ipieca.org/our-work/climate/emissions-management/ipieca-and-the-methane-guiding-principles/ **10.** Considering the intermittent generation of renewables, gas will continue to play a balancing role. **11.** See footnote 7. **12.** https://www.anz.com.au/about-us/esg/policies-practices/responsible-business-lending/

- Engaging with stakeholders on climate change and increasing our transparency on our approach through Environmental, Social and Governance (ESG) market briefings, investor roundtables and other avenues.[13]
- Disclose how we identify, assess and manage climate-related financial risks and opportunities informed by the TCFD and in line with climate reporting requirements as they develop across the jurisdictions in which we operate.
- Disclosing metrics on the emissions impact of our financing and setting targets to reduce this impact.
- Engaging with regulators, where appropriate, to enhance our alignment with regulatory expectations.
- Engaging, as appropriate, in public policy discussion on climate change and increasing transparency on our approach. This includes disclosing the key industry associations we are members of and reviewing alignment on key relevant policy positions.

4. Reducing emissions from our operations

We are also committed to reducing our operations' Scope 1, 2 and 3 emissions to manage our climate impact. That's why we are:

- Increasing renewable electricity for our business operations[14] to 100% by 2025.
- Reducing combined Scope 1 and 2 emissions by 85% by 2025 and 90% by 2030 (against a 2015 baseline).
- Seeking to empower our employees to live and work more sustainably by providing access to relevant information.

Nature, including biodiversity loss

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

In line with our Social and Environmental Risk Policy, we expect our large business customers to use, or migrate towards, internationally accepted industry practices to manage social, environmental and economic impacts, including potential results on nature, including biodiversity.

We are:

- Continuing our engagement with our largest emitting business customers to include a focus on biodiversity, encouraging them to establish or strengthen their approach to biodiversity through effective Board governance, policies, strategies and disclosures using recognised indicators or metrics.[15] 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.
- Collaborating with industry groups and customers to identify investment opportunities that have improved nature, including biodiversity outcomes and commercial benefits.

We support the work of the Taskforce on Nature-related Financial Disclosures (TNFD) and have joined the TNFD Forum. We recognise the TNFD's important role in driving widespread and improved disclosure of biodiversity impacts. We are taking steps towards the TNFD's recommendations to help inform our disclosures.

Human rights and social impacts of the transition

The transition will create significant employment and lending opportunities. However, the social costs of a net zero transition could be significant for workers in regions currently dependent on fossil fuels for employment.

We also recognise the physical impacts of climate change and potential threats to some vulnerable communities, particularly Indigenous, agricultural and coastal communities. We recognise Indigenous peoples' unique connection to the land, which includes management practices such as annual early burning and wildfire suppression activities in Australia that contribute to reducing emissions.

We expect customers to avoid or manage potential adverse human rights impacts and social costs, including by:

- Providing and disclosing management plans to engage with local communities and minimise impacts.[16]
- For customers with large coal-fired power plants – developing closure plans that provide at least three years advance notice of closures and engaging with all of their stakeholders to minimise the impact on their workers, local communities, and downstream energy users.

We are engaging with our largest emitting customers to better understand how they manage their actual and potential adverse human rights impacts – whether direct or indirect via their business relationships.

Last updated 10 November 2023

13. This includes an avenue for complaints that is available to stakeholders who have concerns about whether our business lending is consistent with our climate statement. Complaints can be made by contacting the Group General Manager, ESG or Chief Risk Officer. **14.** 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. **15.** For example, oil and gas sector guidance on reporting on biodiversity and sustainability: https://www.ipieca.org/resources/awareness-briefing/biodiversity-and-ecosystem-services-horizon-scanning-report-2021/ and https://www.ipieca.org/resources/sustainability-reporting-guidance **16.** For example, mining companies may operate large projects that could disturb sites with significant cultural heritage value. Our expectations of these customers are outlined in our sensitive sector requirements for energy and extractive industries and for other customers, in our Social and Environmental Risk Policy: https://www.anz.com.au/about-us/esg-priorities/fair-responsible-banking/responsible-business-lending/