

# ANZ CLIMATE CHANGE STATEMENT

We support the goal of governments around the world seeking to limit greenhouse gas emissions. We acknowledge the Paris Agreement aims of holding the increase in global average temperature to well below 2°C above pre-industrial levels and of pursuing efforts towards limiting it to 1.5°C. We also acknowledge the position of the Intergovernmental Panel on Climate Change (IPCC) that to achieve the full ambition of the Paris commitments will require a transition to net-zero emissions of greenhouse gases by mid-century.<sup>1</sup> ANZ as a responsible and sustainable business is playing its part to support the transition.

Since 2015 when we confirmed our support for the 2°C goal, we have reviewed our commitments to take account of market developments and government pledges to reduce emissions. We understand greater ambition must be balanced with the need for reliable and affordable energy. To encourage the investment necessary to accelerate the transition, stable policy settings and regulatory certainty are required in the markets in which we operate.

## UNDERSTANDING AND MANAGING CLIMATE CHANGE RISK

Climate change creates risks and opportunities for business and investment. Our communities and customers could be impacted by climate change directly through increasing severity of weather events ('physical risks'), or through legislative, regulatory or policy responses, such as carbon pricing and climate change adaptation or mitigation policies ('transition risks'). We factor these risks into our lending decisions primarily through an assessment of our customers' capacity to deal with climate change and changes to regulatory environments. In financing key sectors such as energy, transport, buildings and agriculture, we expect our business customers to build climate change mitigation and adaptation risk into their business strategies and to establish plans to support the transition.

Through our Social and Environmental Risk Policy and sensitive sector requirements for energy, extractive industries, forestry and forests, water, military equipment and hydropower, we support customers who adopt internationally accepted management practices, standards and technologies and strive to improve their social and environmental performance.

## OUR ACTIONS

We are taking the following actions to manage our long-term carbon risks and opportunities and to support the 2°C goal.

### Supporting our customers to transition to a low carbon economy

- Provide finance and advisory services for activities such as energy efficiency improvements, low carbon energy generation, resilient infrastructure and carbon abatement
- Contribute directly to investment in the development of low or zero emissions industries, technologies and practices through 'green' bonds
- Encourage the development of new industries and business models, and support innovative solutions from small and large business customers that will drive the changes needed to achieve a decarbonised economy

### Minimising our own carbon footprint

- Set public targets to hold ourselves accountable and lower our greenhouse gas emissions by 24% by 2025 and 35% by 2030 (against a 2015 baseline)
- Increase the use of renewable energy in our properties (by 13% by 2020 in Australia against a 2017 baseline) and retain our Carbon Neutral status
- Equipping our employees with knowledge and training to empower them to mitigate their environmental footprint and create environmental solutions and opportunities

<sup>1</sup> IPCC Special Report on Global Warming of 1.5°C – released 8 October 2018. 'Net' greenhouse gas emissions includes the impacts of activities that remove carbon dioxide from the atmosphere (such as carbon sequestration in forests or geological formations), and of international trade in credible emissions entitlements and offsets.

**Engaging constructively and transparently with stakeholders**

- Identify, assess and manage climate-related financial risks and provide clear, decision useful disclosures for our investors using the Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- Provide regular updates on our progress in our external reporting, including disclosing ANZ’s financing of sectors most exposed to the physical and transition risks of climate change
- Respond to the annual climate survey of the CDP to provide institutional investors with information about how we are identifying and managing climate-related risks and opportunities
- Participating in a pilot project on implementing the TCFD recommendations for banks, an initiative to develop methods to enable scenario-based, forward-looking assessment and disclosure of climate-related risks and opportunities. The initiative is led by the United Nations Environment Program Finance Initiative (UNEP FI)
- Engage, as appropriate, in public policy debate on climate change and increase transparency on our approach. This includes disclosing the industry associations we are members of and how we review the alignment of their advocacy position with our approach

**THE NEED FOR AN ORDERLY AND JUST TRANSITION**

We understand some of our stakeholders view our financing of fossil fuel industries as a material risk and in direct conflict with our stated position on the need to reduce greenhouse gas emissions. Today, around 37% of the world’s electricity comes from coal-fired power stations, and in Australia, many communities, particularly in regional areas, are reliant on the coal industry for employment. We believe that all stakeholders in the transition to lower emissions should give careful consideration to the impacts on affected communities. Power prices in Australia have increased significantly in recent years due to a range of factors. This has added to cost of living pressures faced by businesses and consumers. Employment opportunities have been created by the transition but some communities, particularly in regional areas reliant on the coal industry for employment, will suffer significant social and economic costs if the transition is not managed appropriately.

In seeking to support the shift to a low carbon economy, we intend to do so in a way that helps provide new economic opportunities and helps people and communities thrive.

This is one of the reasons why we are seeking long term, publicly available transition plans from our major emitting customers. This will help communities and governments anticipate and adjust to change over time. We expect our customers with large coal-fired power plants to provide at least three years’ advance notice of closures and engage with all their stakeholders to minimise the impact on their workers, local communities and downstream energy users.

**OUR RENEWED COMMITMENT TO TAKE ACTION ON CLIMATE CHANGE**

To facilitate a gradual and orderly transition, ANZ makes the following commitments:

- We will support and commit to our involvement in customer, community and government efforts to help ensure an orderly and just transition
- Fund and facilitate \$50 billion by 2025 to support our customers to transition to a low carbon economy, including initiatives that help improve environmental sustainability, increase access to affordable housing and promote financial wellbeing
- Encourage and support 100 of our largest emitting customers in the energy, transport, buildings and food, beverage and agricultural sectors to establish or where appropriate, strengthen existing low carbon transition plans, by 2021. This will be undertaken through a structured engagement process. We will also encourage customers that have coal-fired generation assets to work towards setting medium- and long-term emission reduction targets up to 2050 that contribute towards achieving a ‘less than 2°C target’
- Improve the quality and reduce the quantity of our exposure to thermal coal, including the following measures:
  - Focus on existing customers that produce higher quality coal
  - Only lend to new customers where their thermal coal operations are less than half their revenue, installed capacity or generation
- Provide incentives for customers to reduce emissions, such as facilitating, in partnership with government, concessional loans for corporate and agribusiness customers to buy energy-efficient equipment
- Only consider financing the construction of new large-scale office buildings which achieve or exceed a NABERS<sup>2</sup> 4.5 star standard (or equivalent international rating) ‘as designed’
- Only consider financing new coal-fired power plants if they use advanced technologies and higher quality thermal coal to significantly reduce emissions to 0.8 tCO<sub>2</sub>/MWh or less.<sup>3</sup> We will not finance any new build of conventional<sup>4</sup> coal fired power plants
- Continue to implement strengthened due diligence processes which govern our lending to thermal coal mining, transportation and power generation

*Last updated: 1 October 2019*

2 NABERS (National Australian Built Environment Rating System) is a rating system measuring the environmental performance of Australian buildings, tenancies and homes, eg energy efficiency, water usage, waste management and indoor environment quality.

3 For example, ultra-supercritical plants using advanced, commercially proven low-emissions technologies to reduce emissions by up to ~50% compared to some existing subcritical plants.

4 “Conventional” plants are those plants not utilising advanced, commercially proven technologies (such as supercritical or ultra-supercritical boilers, gasification or circulating fluidised boilers) to significantly reduce CO<sub>2</sub> emissions.