

## INFORMATION ABOUT ANZ'S ENERGY POLICY

### OVERVIEW

ANZ understands the impact – positive and negative – our financing of the energy sector has on climate change. We want to support an orderly transition of the energy sector that recognises and responds to the social, economic and environmental impacts of a net zero transition.

We support the Paris Agreement's goal of transitioning to net zero emissions by 2050 and are committed to playing our part. 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, which we will realize together with our customers.

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 aligning our lending with the goals of the Paris Agreement and our initial focus in this regard will be on high-emitting sectors such as the energy sector which plays a key role in the transition. This is especially the case for the power generation sector which is essential in decarbonising other high emitting sectors such as transportation and buildings.

Our energy policy guides decision-making relating to energy transactions and encourages ANZ staff to proactively identify less emissions intensive opportunities in the energy sector.

### ANZ'S APPROACH

In financing energy generation and supply activities, ANZ decision-makers must have awareness of the material impacts of proposed transactions, projects and customer relationships, and specific knowledge of the customers' history and approach to dealing with these impacts.

We support the evolution of sectors and the development of new industries and innovative business models that underpin the transition. This will include supporting more diversified energy companies and increasing our lending to lower carbon energy. We will do this by:

- reducing the carbon intensity of our global electricity generation lending portfolio by 50% on 2020 levels by 2030. We will achieve this target through several measures:
  - only directly financing low carbon gas and renewable projects by 2030
  - not directly financing any new coal-fired power plants, including expansions. Existing direct lending will run off by 2030
  - engaging with existing customers who have more than 50% thermal coal exposure<sup>1</sup> to support existing diversification plans. Where these are not already in place, we will expect specific, time bound and public diversification strategies by 2025. We will cap limits to customers which do not meet this expectation and reduce our exposure over time<sup>2</sup>

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<sup>1</sup> We will progressively reduce the 50% threshold so that by 2030 we will seek a diversification strategy from mining, transport and power generating customers with more than 25% thermal coal exposures.

<sup>2</sup> We will continue to provide rehabilitation bonds for those existing customers with some thermal coal exposure to ensure their responsibilities with exiting mine sites are fulfilled. Transaction banking/markets 3-day settlement limits will be excluded from this cap.

- continuing to support diversified customers, which means we will no longer bank any new business customers<sup>3</sup> with material<sup>4</sup> thermal coal exposures.
- seeking new customers or projects in the energy sector 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

ANZ also has a public commitment to fund and facilitate \$50 billion by 2025 in sustainable solutions for our customers, including initiatives that help improve environmental sustainability, which includes lower carbon power generation (renewables and gas).

Our energy policy applies in all markets in which we operate and covers all products and services that we provide to our business customers. Implementation of our energy policy will enable ANZ to continue to support the energy sector while balancing environmental, social and economic impacts in different jurisdictions.

ANZ expects customers to implement appropriate stakeholder engagement strategies and plans to deal with environmental and social issues associated with their activities.

## **HELPING OUR CUSTOMERS TRANSITION TO CLEANER ENERGY**

We are encouraging our customers to move towards cleaner energy sources that reduce the carbon intensity of electricity generation. We will support our customers in making the transition to a low carbon intensity fuel mix through investment in energy efficiency and renewable generation.

We also expect our energy customers to identify their climate-related risks and opportunities, establish specific, time bound, public transition plans and report publicly on its implementation - preferably using the Task Force on Climate-related Financial Disclosures (TCFD) framework. This reporting will assist ANZ to better factor climate change risk into our lending for large business customers, primarily by assessing their capacity to respond to climate change and the evolving regulatory landscape.

## **CONCLUSION**

Through the application of our energy policy, our aim is to work closely with our customers to transition to a net zero emissions economy whilst also making secure and affordable sources of energy available in the markets in which we operate.

*Last updated: November 2021*

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<sup>3</sup> Entities or assets acquired from existing customers are not classified as new-to-bank customers. Applies to lending products only, ie excludes transaction banking, credit cards, performance guarantees, meaning that only lending products that will help customers 'fund' their activities in a material way would be excluded.

<sup>4</sup> More than 10% revenue, installed capacity or generation from thermal coal