

## INFORMATION ABOUT ANZ'S EXTRACTIVES INDUSTRY POLICY

### OVERVIEW

We have an important role to play in managing social and environmental risk of extractive industries across our diverse customer base and varied geographies. This includes risks and opportunities related to climate change.

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.

ANZ has a public target to fund and facilitate at least A\$100 billion by the end of 2030 towards improving 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.

We understand that the transformation of the energy sector must be managed responsibly and over time to maintain a reliable and affordable energy supply. We will change 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. 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.

When financing oil and gas, we differentiate between the exploration for and extraction of oil and gas from the ground (upstream), transportation (midstream), and conversion into fuels (downstream). This year we are expanding our targets for upstream – as outlined in this policy – noting the upstream part of the value chain has the largest emissions footprint. At the same time, we continue to engage with all of our oil and gas customers seeking updates on their transition plans and encouraging improvements where we think appropriate, noting that our expectations of energy customers are applied to all relevant customers across the value chain.

Our Extractive Industries policy guides decision-making relating to transactions that impact on natural resources and communities. The policy is aimed at meeting our objectives of being a responsible business and to support and encourage our customers to improve their social and environmental performance.

### ANZ'S APPROACH

In financing extractive industry activities, our 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.

Our extractive industries policy adopts a principles-based risk framework. The principles inform our approach to the extractive industries sector and drive our engagement with customers. These principles are:

- *ANZ supports extractive industries customers that demonstrate a balanced approach to social, environmental and developmental impacts*

- *ANZ supports and encourages customers to adopt management practices to continuously improve their social and environmental performance*
- *ANZ supports extractive industries customers that use internationally accepted industry management practices to manage social, environmental and economic impacts (including effects on human rights, biodiversity, cultural heritage, Indigenous rights, health and safety, governance and environmental sustainability)*

### **Our approach to the broader energy sector, including extractive industries 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 decrease our portfolio emissions, we are focusing our efforts on high-emitting sectors, such as the energy sector:<sup>1</sup> which plays a key role in the transition, with around 75% of global emissions attributed to energy use. To achieve this we:

- 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
- expect 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
- expect our existing energy customers, by end 2025 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 Taskforce 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
  - 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

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<sup>1</sup> 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

## **Our oil and gas 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. This includes complementing our existing target of a 26% reduction in absolute financed emissions by end 2030 in our upstream O&G portfolio, with a new, additional target to reduce our upstream oil and gas exposure at default (EAD) by 40% by the end of 2025 (based on 2020 exposure). Consistent with these targets, we will also be prioritising the following:

- Evaluating each customer against our strengthened transition planning assessment so they must attain at least a 'well developed' transition plan (including Paris-aligned targets for scope 1 and 2 emissions reduction and disclosure of scope 3 emissions and any progress towards reducing these emissions) by the end of 2025 ("O&G Customer Expectations")
- Re-weighting our portfolio towards customers with stronger emissions targets and diversification strategies

Support for our O&G customers will be based upon them meeting or improving sufficiently towards our O&G Customer Expectations.

## **Thermal coal policy**

To ensure that our exposures to thermal coal mining continues to decline, we will:

- engage with existing customers who have more than 50% thermal coal exposure<sup>2</sup> to support existing diversification plans. Where these are not already in place, we will expect specific, time bound and public diversification strategies by end 2025. We will cap limits to customers which do not meet this expectation and reduce our exposure over time<sup>3</sup>
- not provide new-to-bank lending to customers<sup>4</sup> whose thermal coal activities exceed 10% of revenues
- not directly finance any new thermal coal mines (ie mines with production or reserves greater than 35% thermal coal), expansions of existing mines or extensions to operating life. Existing lending will run off by end 2030.

ANZ will also not support any new mining or mineral processing activities with riverine tailings/waste disposal.

Our extractives 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 extractives policy will enable ANZ to continue to support the mining and extractives sector while balancing environmental, social and economic impacts in different jurisdictions. ANZ expects customers to implement appropriate stakeholder engagement

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<sup>2</sup> We will progressively reduce the 50% threshold so that by end 2030 we will seek a diversification strategy from mining, transport and power generating customers with more than 25% thermal coal exposures

<sup>3</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

<sup>4</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.

strategies and plans to deal with environmental and social issues associated with their activities.

## **HELPING OUR CUSTOMERS WITH RESPONSIBLE RESOURCE MANAGEMENT**

In the first instance we will work to ensure our customers are compliant with all relevant host country laws, regulations and permits that pertain to environmental and social issues. We will also work with our customers to ensure:

- An environmental and social impact assessment is undertaken to inform the operational, environmental and social management requirements.
- A comprehensive analysis of the health and safety aspects of the operation on both employees and the surrounding community has been prepared and health and safety management plans have been developed.
- Operation closure planning and funding mechanisms have been incorporated in project planning.

The policy also applies more stringent requirements and demonstration of appropriate practices for particular high impact activities or where specific adverse issues have the potential to arise. This will include commissioning our own independent assessment of the operation.

## **CONCLUSION**

Through the application of our Extractive Industries policy, our aim is to work closely with our customers in seeking to ensure they meet or have a time bound plan to transition towards best practice recognising this will deliver environmental, economic and social benefits to their businesses and also to the communities in which they operate.

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