ANZ BANK NEW ZEALAND LIMITED CLIMATE REPORT 2023

PŪRONGO ĀHUARANGI

CONTENTS

ANZ entities included in this report

ANZ New Zealand is Aotearoa New Zealand's leading banking and financial services group.

We're also part of the wider ANZ Group that operates across 29 markets, with representation in Australia, New Zealand, Asia, Pacific, Europe, America, and the Middle East.

To reflect the different ANZ legal entities, in this Climate Report:

- **ANZ** means ANZ Bank New Zealand Limited.
- **ANZ New Zealand, ANZ NZ, we,** or **our** means ANZ Bank New Zealand Limited and its subsidiaries. Please see the appendix at page 47 for a list of subsidiaries and the nature of their business; ANZ Bank New Zealand Limited is the only entity in ANZ NZ which lends to customers.
- **ANZ Group** means ANZ Group Holdings Limited (**ANZGHL**), the ultimate parent company of ANZ NZ, and its subsidiaries. ANZGHL replaced Australia and New Zealand Banking Group Limited (**ANZBGL**) as the ultimate parent company of the ANZ Group under a scheme of arrangement on 3 January 2023. ANZBGL is now a subsidiary of ANZGHL.
- **ANZ Investments** means ANZ New Zealand Investments Limited, which is part of ANZ NZ. Our report doesn't cover ANZ Investments in its role as a fund manager. ANZ Investments has a separate responsible investment framework, given it must be independent when making investment decisions. ANZ Investments will publish climate statements under the Financial Markets Conduct Act 2013 (**FMCA**) and the Aotearoa New Zealand Climate Standards (**NZ CS**) from 2024 for its registered managed investment schemes.

ABOUT THIS REPORT

This document is ANZ NZ's first climate report.

We've prepared this report to provide a picture of our climate-related risks and opportunities, and our strategic approach to management of these risks and opportunities.

ANZ NZ has been included in ANZ Group's climate reporting

The ANZ Group's climate-related disclosures have covered some of ANZ NZ's activities since 2017.

Those disclosures reflect the Task Force on Climate-related Financial Disclosures' recommendations and you can find them at https://www.anz.com.au/about-us/esg/reporting/.

You can also access the ANZ Group's climate-related disclosure for 2023, issued on 10 November 2023.

ANZ NZ has produced this report voluntarily

ANZ NZ has produced this report voluntarily for FY23 (1 October 2022 – 30 September 2023).

From 1 October 2023, ANZ will be a climate reporting entity, and required to produce group climate statements under the Financial Markets Conduct Act (FMCA) that comply with the New Zealand Climate Standards (NZ CS). ANZ's first mandatory reporting period under the FMCA will be FY24 (1 October 2023 – 30 September 2024). While we've sought to align with some of the key incoming NZ CS requirements, we don't represent that this report complies with them.

Assurance over this report

KPMG has performed:

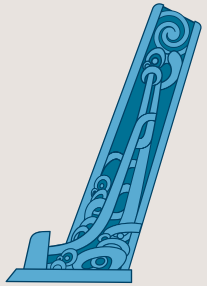
- reasonable assurance over the New Zealand Greenhouse Gas ("GHG") Scope 1 and Scope 2 emissions – location based included in this report,
- reasonable assurance over Scope 1 and 2 GHG emissions – market based, and
- limited assurance over Scope 3 GHG emissions (excluding financed emissions).

KPMG's Independent Assurance Report on the 2023 Greenhouse Gas Inventory is at page 49. KPMG's assurance does not cover the other disclosures in this report in relation to Governance, Strategy, Risk Management or other Metrics & Targets.

WHAKATAUĀKĪ

ANZ'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 Puāwai Ki Te Ao	A blossoming to the world
Te Kare A Roto E	With ripples of compassion and hope for all.



ANZ 2023 – CLIMATE SNAPSHOT

Contributed approximately **$570m** to the ANZ Group target to fund and facilitate social and environmental outcomes since 1 April 2023.

Engaged with **50** institutional customers to support climate transition planning.

Supported more than **6400** households into healthier homes or low carbon vehicles.

$3m pledged to support Cyclone Gabrielle recovery.

96 Business Green Loans supporting improved sustainability for small to medium businesses.

$250m earmarked for Business Regrowth Loan.

Reduced Scope 1 and 2 GHG emissions by **61%** since 2015.

Assessed financed emissions for **98%** of ANZ's lending.

More than **2400** staff took part in ESG@ANZ Mindset 2030 climate change training.

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

Toitū Envirocare net carbonzero certified.

IMPORTANT INFORMATION

This report contains general information about ANZ NZ's activities as at 30 September 2023.

This report is a summary only, and records ANZ NZ's initial work preparing for mandatory climate-related disclosures from FY24. As such, the report is not a complete picture of ANZ NZ's climate-related risks and opportunities and is not intended to be advice to existing or potential investors, lenders or other creditors (generally referred to as 'investors').

This report is not an offer document and does not constitute an offer or invitation or investment recommendation to distribute or purchase securities, shares, or other interests.

The information contained in this report doesn't reflect any particular investor's objectives, needs, or financial situation and you should seek professional advice before deciding to invest in ANZ NZ.

We do not accept any liability whatsoever for any loss arising directly or indirectly from any use of the information contained in this report.

Unless stated otherwise, the report covers the FY23 financial year ended 30 September 2023 (noting that our operational GHG emissions are reported for the year ended 30 June 2023). Monetary amounts are in New Zealand dollars unless stated otherwise.

We make forward-looking statements in this report

This report includes forward-looking statements and opinions, including statements about:

- climate-related risks, opportunities, goals and ambitions
- climate scenarios
- emissions reduction pathways and emissions estimates, and
- climate projections.

This report also contains forward-looking statements about what we intend, believe, or expect to happen with respect to:

- our business operations
- market conditions
- our sustainability objectives or targets, and
- our risk management practices.

We use this type of language to signal those forward-looking statements and opinions:

Aim	Expect	May	Should
Anticipate	Forecast	Pathway	Target
Believe	Goal	Plan	Will
Could	Intend	Project	Would
Estimate	Likelihood	Seek	

We caution reliance being placed on forward-looking statements and opinions that are necessarily subject to significant risks, uncertainties and/or assumptions. Readers should not rely on forward-looking statements and opinions as a guarantee of what will happen, as these are often predictions based on information available at the time, which may be affected by mistaken assumptions, unknown risks, or other uncertainties (many of which are outside ANZ's control). Those statements and opinions may differ materially from results we eventually achieve.

We base those statements and opinions on reasonable information we know now. We don't:

- represent those statements and opinions won't change or will remain correct after publishing this report, or
- promise to revise or update those statements and opinions if events or circumstances change or unanticipated events happen after publishing this report.

Climate-related information

Statements in this report are subject to significant uncertainty, challenges, and limitations that may affect how useful, accurate, or complete they are. These uncertainties, challenges, and limitations include:

- **Availability and reliability of data**
  There are significant challenges and limitations to the climate-related data we currently use that may affect how useful, accurate, and/or complete our understanding of climate-related risks, opportunities, and impacts is. Emissions and climate-related data, including from our customers, may be incomplete, inconsistent, unreliable, or unavailable, meaning we have relied on assumptions, estimates, or proxies instead. See further information on pages 38–46. We are working to improve our data in this field, from both internal and external sources.
- **Uncertain methods and modelling**
  Climate models and scenarios for future events or conditions are inherently uncertain, relying on assumptions we can't verify. Those models and scenarios may not reliably suggest future events.
- **Lack of universal standards**
  The lack of, or rapid changes to, universal frameworks and standards to calculate or model climate-related metrics and climate data may impact data modelling, approaches, and targets used to prepare this report.
- **Complex calculations and estimates**
  Estimating financed emissions and other data (including how we assign emissions to financing activities) is complex and relies on assumptions and judgements. When we estimate over long periods of time, accuracy may reduce further.
- **Changing climate-related frameworks**
  Changes to climate-related policy, laws, and regulation may impact our assessment of risk. Changing market practices and standards, and developments like those from legal proceedings and regulatory investigations may also impact our risk.
- **Inconsistent definitions and climate science terminology**
  Definitions and standards for climate-related data and assessment frameworks used across industries and jurisdictions may vary. Terms and concepts relating to climate science and pathways to decarbonise, may change. These inconsistencies and changes can make comparisons between organisations' climate targets and achievements difficult or inappropriate.
- **Third party data or involvement**
  We may rely on external data and providers given calculation complexities. External data or information may change or be uncertain. How those third parties and others (including financial institutions and governmental and non-governmental organisations) act or take part impacts ANZ NZ and our customers.

These challenges and uncertainties mean some statements, assumptions, judgements, calculations, estimates, or proxies we've made or used may turn out to be wrong or incomplete.

Please read the information in this section with:

- the important information in the Appendices in this report, and
- specific information relating to uncertainties, limitations and assumptions at pages 15,19 and 36.

OUR CLIMATE CHANGE PROGRESS

2018

Launched the interest-free Insulation Loan (ceased offering July 2022).

- Signed the Climate Leaders Coalition statement of ambition to speed business action on climate change.
- The ANZ Group set a target to encourage and support 100 of the Group's largest emitting business customers to develop or strengthen low carbon transition plans.

2019

Partnered with the New Zealand Green Building Council and launched the Healthy Home Loan Package.

- Joined The Aotearoa Circle, an initiative where government and private sector leaders work together to restore natural capital for future generations.
- Facilitated Aotearoa New Zealand's first corporate green bond for Argosy Property Limited.
- Led on Aotearoa New Zealand's first sustainability-linked loan, to Synlait Milk Limited.

2020

Set up ANZ's Sustainable Finance team.

2021

Became a founding member of the Toitū Tahua Centre for Sustainable Finance, set up by The Aotearoa Circle.

- Created the ANZ Climate and Environmental Sustainability Programme.
- ANZBGL becomes the first Australian bank to join the Net-Zero Banking Alliance (commitment now maintained by ANZGHL).

2022

Facilitated Aotearoa New Zealand's first sustainability- linked bond for Spark Finance Limited.

- Launched the Good Energy Home Loan top-up.
- Launched the Business Green Loan, aligned to internationally recognised green loan principles.

2023

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

Achieved Toitū net carbonzero certification for ANZ operations.

- Launched the Business Regrowth Loan, to support recovery and resilience after climate-related events.
- Assessed flooding risk to ANZ residential mortgages and used scenarios as a first step to identifying transition risks to our business lending.
- Set Aotearoa New Zealand target to expand our customer engagement and work with 100 Institutional customers on their climate transition planning in FY24.

ANZ's governance framework aims to ensure effective and responsible decision-making, including on environmental, social and governance (ESG) matters, and climate related risks and opportunities.

Board oversight

The ANZ Board has responsibility for overseeing how we carry out our strategies and objectives, including our strategic response to climate-related risks. The Board is supported in particular in its oversight of climate risk by the Board Risk Committee.

In June 2023, the ANZ Board discussed ANZ's approach to this first voluntary climate-related disclosure. In October 2023, the ANZ Board completed its annual review of Board committee Charters, updating its governance of ESG issues including climate-related risks and opportunities.

Board Committees

We have four ANZ Board committees, with separate charters, roles, and responsibilities:

- Board Risk Committee
- Board Audit Committee
- Board Human Resources Committee
- Board Conduct and Culture Committee (renamed the Ethics, Environment, Social and Governance Committee in October 2023).

Some or all ANZ directors are members of each committee.

The Board Risk committee:

- advises the ANZ Board on ANZ's risk appetite
- oversees how ANZ carries out risk management strategies, including climate risk
- oversees how ANZ complies with our regulatory duties, and
- receives regular updates on our programme of work for managing climate-related risk.

That Committee met five times in FY23 and discussed climate risk and ANZ's progress under its Climate and Environmental Sustainability Programme (Climate Programme) at each meeting.

See pages 30-32 for details on ANZ NZ's approach to managing climate-related risks.

The Board Audit Committee approves engagements with ANZ's external auditor, including assurance engagements in relation to climate-related disclosures.

Our Board's climate-related expertise

In seeking to ensure the ANZ Board has the skill and competency to oversee climate-related risks and opportunities, in FY23 it took the following steps:

- **Board Governance and Functional Skills Matrix**
  Directors use the matrix to self-assess their necessary key skills and experience.

  The key skills in the matrix include corporate governance (including ESG principles) and managing financial and non-financial risks.

  All directors, including two directors who joined the Board in FY23, self-assessed their skills in ESG principles.
- **Board Education**
  During FY23 the ANZ Board expanded its climate-related capabilities through director education and training, including on financed emissions and scenario analysis.

Strategic interactions

ANZ directors may guide management on climate change topics outside the ordinary cycle of Board and Committee meetings. For example, this year directors took part in one-on-one interviews to help define material ESG and climate-related issues for ANZ. Directors reaffirmed the role ANZ should play in Aotearoa New Zealand by supporting our customers to reduce emissions and improve their resilience to a changing climate.

ANZ Group climate-related governance forums

ANZ takes part in several ANZ Group governance and advisory forums with a climate or ESG focus. Our participation enables ANZ to leverage work carried out at ANZ Group level, supporting awareness and alignment on ESG matters across ANZ Group.

Table 1: ANZ takes part in several governance bodies overseeing climate issues at ANZ Group level

ANZ Group Governance Body	Purpose	ANZ NZ representation
ANZ Group Board: Ethics, Environmental, Social and Governance Committee.	Oversees measures to advance ANZ Group's purpose, focusing on ethical and ESG matters, including climate.	Chair of the ANZ Board attends as a director of ANZ Group Holdings Limited
ANZ Group Management: Ethics and Responsible Business Committee.	Provides leadership and decision-making on ESG risks and opportunities, monitoring progress against ANZ Group targets, including those related to climate.	ANZ Managing Director, Business and Agri ANZ Head of ESG (observer)
ANZ Group Executive: Climate Advisory Forum.	Senior leaders' forum to coordinate climate policy, disclosures, and related matters (non-decision-making).	ANZ CEO

Performance framework

At the start of each year, the ANZ Board approves ANZ's performance objectives and measures in the ANZ NZ Performance Framework.

The FY23 ANZ NZ Performance Framework includes a sustainability-related objective to 'Continue to make meaningful progress on environmental sustainability strategies, including supporting customers' transition plans to net zero emissions by 2050.' This objective applies to our CEO and the individual performance scorecards of five members of the New Zealand Leadership Team. ANZ's Managing Director, Institutional has an extra sustainability-related objective and measure.

Climate-change focus in other forums

Climate change risks and opportunities are also considered regularly by specialist forums and subject matter experts.

Meeting monthly, the Climate and Environmental Sustainability Programme's Steering Committee is chaired by ANZ's Chief Risk Officer.

A key decision forum of senior managers and subject matter experts supports the steering committee and meets fortnightly.

The Net Zero Emissions Forum oversees how we engage with large, high-emitting institutional customers, and progress on customer transition plans. The Head of Institutional Relationships and Corporate Finance NZ chairs, and the forum meets monthly.

We intend to set up a Transition Forum in FY24, to guide and coordinate our progress towards climate transition planning across the business.

ANZ climate governance framework
as at 30 September 2023

ANZ BOARD OF DIRECTORS

BOARD COMMITTEES

Audit Committee

Risk Committee

NZ LEADERSHIP TEAM

MANAGEMENT COMMITTEES

Conduct, Culture, Environmental, Social and Governance Management Committee

Credit Risk Management Committee

New Zealand Investment Committee

New Zealand Product Management Committee

Other Forums:

Climate and Environmental Sustainability Programme Steering Committee and Key Decision Forum

Net Zero Emissions Forum (Institutional customer engagement and transition planning)

KEY SUPPORT

ANZ's management of climate change is supported by specialist teams throughout ANZ, including:

- ESG Centre of Excellence (Corporate Affairs)
- Data Insights (Business and Agri)
- Climate Risk (Risk)
- Sustainable Finance (Institutional)

Staff with climate-related responsibilities are embedded in other areas of ANZ including Business and Agri, Personal Banking Product; and Property Management.

Management responsibility

ANZ's management is responsible for effectively managing ANZ's climate-related work.

Conduct, Culture, Environmental, Social and Governance Management Committee (renamed the Ethics, Environmental, Social and Governance Management Committee in December 2023)
Co-chaired by the Chief Risk Officer and the General Manager, Talent and Culture.

ANZ management reviewed its ESG and climate change governance in FY23 and decided to expand the scope of the Conduct and Culture Management Committee to include ESG, revising its title and charter from July 2023.

The committee's expanded scope covers oversight and responsibility for strategic ESG which includes climate-related matters. This complements the roles of other management committees which consider climate-related matters as part of regular business.

This committee oversees ANZ's ethical, environmental, social, governance, conduct and culture matters, including how ANZ provides products and services to its customers and climate-related work under ANZ's strategic ESG programme.

- In July 2023, the committee discussed a proposed ESG Framework including strategic climate initiatives.
- In September 2023, the committee approved creating a Climate Transition Forum to guide ANZ's development of its Climate Transition Plan.

Credit Risk Management Committee
Chaired by the Chief Risk Officer.

This committee aims to ensure ANZ has systems to identify credit-related risks early and suitably manage them.

This year the committee considered climate-related matters at each of its five meetings, through updates on ANZ's Climate Programme and climate risk management initiatives. The committee also received updates on the impact of Cyclone Gabrielle and ANZ's customer support response, and updates regarding ANZ's Business & Agri lending appetite annual review. These updates included strengthening climate change considerations and approvals for some industries.

New Zealand Investment Committee
Chaired by the General Manager, Strategic Execution.

This committee oversees and governs investment which funds ANZ's medium and long-term strategy through major projects and programmes.

The committee sets investment priorities and assigns funding to projects and initiatives, including ANZ's Climate Programme.

New Zealand Product Management Committee
Chaired by the Managing Director, Personal Banking.

This committee aims to ensure we effectively govern and manage risk across ANZ's products, including design and delivery. The committee approves all new products, including lending products that support customers to respond to climate risk or opportunity such as ANZ's Good Energy Home Loan and Business Green Loan.

How our strategy addresses climate change

ANZ NZ's purpose is to 'shape a world where people and communities thrive' – 'kia hanga i te ao e ora ai, e tupu ai te tāngata me te kainga'.

Our purpose includes supporting Aotearoa New Zealand's transition to a low-emissions, climate-resilient economy.

To shape a world where people and communities thrive

Our Strategic Goals	Great customer outcomes	Resilient operations and platforms	People and culture	Risk discipline
	Focus on financial wellbeing, sustainability and customer experience.	Delivering sustainable growth and operational improvements.	Diverse teams are optimised for success.	Focus on customer and regulatory outcomes, strengthen ANZ NZ's reputation.
Our climate change approach	Products that help our customers to reduce emissions and build climate resilience. Engaging customers and other stakeholders to help drive climate action and awareness.	Tools and insights that support customers to address climate-related risk and opportunity. Simpler, smarter tools to help ANZ NZ understand and respond to climate-related risk and opportunity.	Continually building the climate skills and capability ANZ NZ needs.	Evolving our understanding of climate risk; embedding this into business processes. Reducing climate impact in ANZ NZ's own operations.
FY23 activities	Provided sustainable finance for large businesses p.20 and smaller businesses p.22. Provided lending to homeowners to help reduce climate impact p.23. Engaged 50 of our largest emitting business customers on climate transition planning p.24. Continued industry engagement and advocacy on climate p.27.	Expanded our ESG Information System to support customer insights for agri customers p.25. Piloted digitised tool to gain a clearer view of customers' climate risk and opportunities p.25.	Established ESG Centre of Excellence p.29. Rolled out online climate training (Mindset 2030) p.29. Continued work of sustainability champions in Business & Agri p.29.	Assessed physical risk in residential mortgage portfolio p.14. Used scenarios to begin identifying risk to Business lending p.16. Strengthened lending policies for some customers in high-emitting sectors p.32. Continued to reduce operational emissions in line with the target; gained Toitū net carbonzero certification p.28, 33.

Objectives underpinning our strategy:

- **Integrate and support the goals of Tākiri-ā-Rangi, our 2040 Te Ao Māori strategy**
- **Embed sustainability across our strategic priorities, delivering on our aim to support Aotearoa New Zealand's transition to a low-emissions, climate-resilient economy.**

We are guided by, and contribute to, the ANZ Group Climate Change commitment[1] through:	Supporting our customers to reduce emissions and enhance their resilience to a changing climate	Transitioning our lending to support a low-emissions, climate-resilient Aotearoa	Engaging constructively and transparently with stakeholders	Reducing emissions from our own operations, and building our climate expertise

1 - The ANZ Group Climate Change Commitment can be viewed at: https://www.anz.com.au/content/dam/anzcomau/about-us/anz-climate-change-commitment-nov-2023.pdf

Our business model

ANZ NZ's business model primarily consists of raising funds through customer deposits and the wholesale debt markets and lending those funds to customers.

This is mostly personal lending (home loans, credit cards, personal loans and overdrafts), and lending to business, agricultural, corporate and institutional customers. ANZ runs a Markets business which earns revenue from sales, trading, and risk management activities. We also provide payments and clearing solutions.

ANZ NZ also has a funds management business.

ANZ NZ mainly earns income from:

- net interest — the difference between the interest we earn from lending and the interest we pay on customer deposits and wholesale funding
- net fee and commission — fee income we earn on lending and non-lending products and services, including net funds management income, and
- other income from sales, trading, and risk management in the Markets business, net foreign exchange earnings, and gains and losses from economic, revenue, and expense hedges.

Our strategic objectives

Our FY23 strategic objectives included focussing on:

- growing ANZ NZ's ESG capability; and
- our Tākiri-ā-Rangi strategy.

In FY23 we started work to refresh ANZ NZ's approach to ESG and climate change, with the aim of integrating sustainability across our strategic priorities.

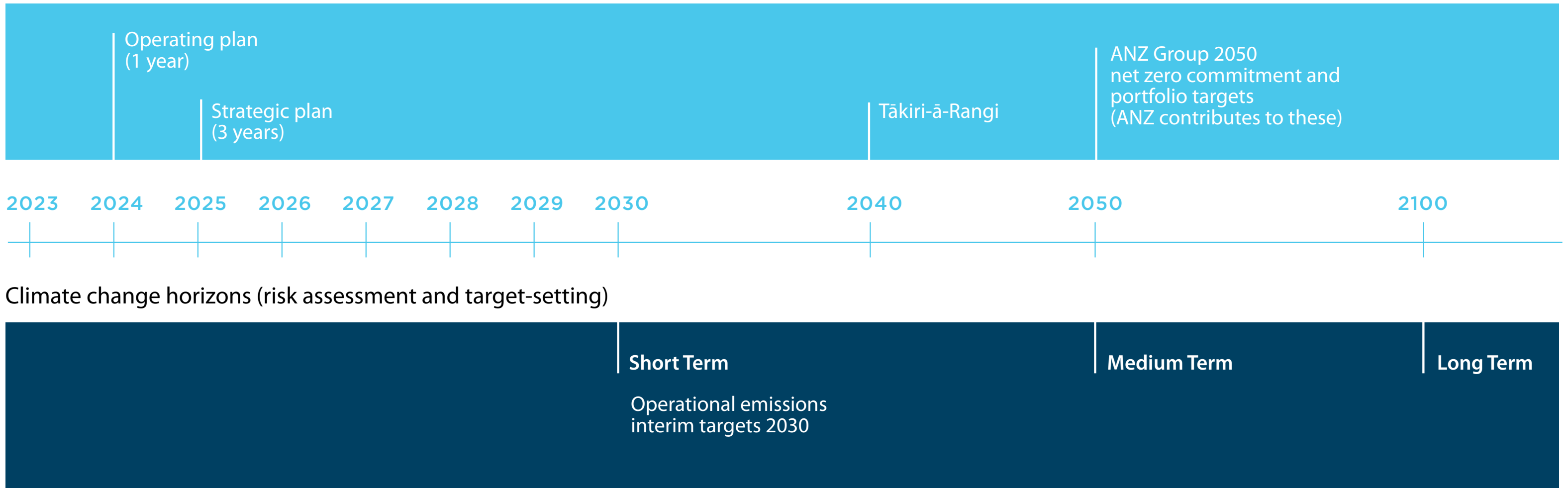
In FY24, we plan to launch a new ESG Framework for ANZ NZ. Once established, our new Transition Forum will progress ANZ NZ's approach to our own climate transition planning, taking account of emerging guidance, as appropriate.

Tākiri-ā-Rangi is ANZ NZ's Te Ao Māori strategy, which launched in late FY22. In FY23, we've worked to progress its goals across our staff, customers, and community. A recent economic study shows that Māori may be more vulnerable to the transition and physical impacts of climate change[2], but businesses in the Māori economy could also leverage the opportunities of a transition to a low-emission economy.

We consider Tākiri-ā-Rangi an important part of our broader climate change plans, as it can help support an inclusive, equitable transition in Aotearoa New Zealand.

Our strategic planning and climate risk horizons

ANZ NZ strategic planning horizons



Our selection of short-, medium- and long-term time horizons for climate risk assessment broadly aligns with the time horizons in the New Zealand Banking Association report Climate scenario narratives for the banking sector (see page 30 for more on how we are assessing climate risk).

2 - The Treasury and Ministry for the Environment. (2023). Ngā Kōrero Āhuarangi me te Ōhanga: Climate Economic and Fiscal Assessment 2023. Ngā Kōrero Āhuarangi Me Te Ōhanga: Climate Economic and Fiscal Assessment 2023 (treasury.govt.nz)

Our commitments

ANZ is a signatory to the Climate Leaders Coalition (CLC) and its 2022 Statement of Ambition. This commitment includes setting objectives or targets to reduce our climate risk and maximise opportunities, and to publicly disclose these; and to embed plans across our business to accelerate climate mitigation, adaptation and transition, incorporating a Te Ao Māori perspective.

This extended our original 2018 CLC commitment to set science-aligned targets for operational GHG emissions and enable staff and suppliers to reduce emissions.

ANZ's ultimate parent company, ANZ Group Holdings Limited, is a member of the United Nations Environment Programme Finance Initiative's Net Zero Banking Alliance. As a member of the Net Zero Banking Alliance, the ANZ Group commits to transition its lending in key sectors to net zero emissions by 2050. As part of the ANZ Group, ANZ NZ is included in this commitment and contributes to the ANZ Group's climate targets. ANZ NZ is therefore not a Net Zero Banking Alliance signatory in our own right and does not have an independent net zero by 2050 commitment. ANZ Group's approach is set out in its Climate Change Commitment which can be viewed at anz.com.au/about-us/esg/environmental-sustainability/climate-change/

In accordance with its Net Zero Banking Alliance commitment, ANZ Group has set sectoral pathways and targets for eight industry sectors[3]. Some ANZ NZ customer exposures are included in those pathways.

In FY23, we have assessed financed emissions across ANZ lending portfolios in Aotearoa New Zealand. This is the first step in setting sectoral pathways and portfolio decarbonisation targets for ANZ (see page 37). We have initiated work to set our first sectoral decarbonisation pathways and targets for two sectors specific to ANZ, and we aim to complete this work during FY24.

Tākiri-ā-Rangi principles

- Commit to developing strong relationships with Māori, hapū, and iwi across Aotearoa New Zealand, as part of our purpose:
- 'To shape a world where people and communities thrive — kia hanga i te ao e ora ai, e tupu ai te tāngata me te kainga'
- Seek to improve the financial wellbeing and sustainability of all our customers — kia whakamanahia te oranga o tatou,
- Seek to strengthen our understanding of Te Ao Māori as we grow as a company and as a nation.

You can find out more about Tākiri-ā-Rangi at anz.co.nz/about-us/corporate-responsibility/maori-strategy/expression-of-anzs-purpose/

3 - Industry sectors included in the ANZ Group sectoral pathways: Power generation, Oil & Gas, Aluminium, Cement, Steel, Large -scale commercial real estate (two sub-sectors), Transport, (three sub sectors), and Thermal coal.

CURRENT PHYSICAL IMPACTS

Early 2023 brought devastating floods[4] and cyclones[5] to many North Island regions.

The impacts of the extreme weather included property damage and disruption to ANZ customers; operational disruption for ANZ; and impacts for the broader community and local economy.

Table 2: Immediate customer impact and ANZ response

Impact on ANZ customers	ANZ response	FY23 impact (at 30 September 2023)
ANZ personal and business customers were impacted by the flooding or cyclone through damage to property or other assets, and / or business disruption.	Fee waivers on 12 personal and business products.	$1.3m waived in fees equates to <1% of total fee & commission income.
	Temporary interest-free overdrafts (home loan and other personal customers).	187 customers $505k (total approved limit) equates to <1% of home & personal lending.
	Temporary interest free overdrafts (Business & Agri customers).	283 customers $11.81m (total approved limit) equates to <1% of Business & Agri lending.
	Hardship assistance including loan repayment break and KiwiSaver withdrawals.	Customers demonstrating financial hardship due to the weather events had access to additional support, including loan repayment breaks and fast-tracked access to withdraw funds from KiwiSaver accounts.

Table 3: Ongoing customer impacts and ANZ response

Impact on ANZ customers	ANZ response	FY23 impact (at 30 September 2023)
ANZ customers own properties rated Category 3 under the Government's Future of Severely Affected Land programme (meaning properties have an unacceptable level of future risk and cannot be made safe).	We're contacting ANZ customers as local authorities make information available and will work with affected customers through the buyout process.	21 customers (we expect this number to increase as more information becomes available).
ANZ business customers' property, including agricultural land, has been damaged or destroyed. These customers require funding to restore their business and return to normal operations.	ANZ launched the Business Regrowth Loan and allocated $250 million in low-interest lending. The loan aims to create a more enduring solution for businesses 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 business resilience.	$18.8m lent (vs $250m allocation in place).
	ANZ is participating in the Government's North Island Weather Events (NIWE) loan guarantee scheme. Under the scheme, the Crown carries 80% of the credit risk on covered loans and will underwrite loans of up to five years, up to $10 million to help the impacted business recover. ANZ will assess customers and, where applicable, move a portion of existing debt onto the scheme, with a discounted interest rate.	Yet to be implemented.

The credit-risk related financial impacts of the extreme weather events in FY23 fall within ANZ NZ's current level of expected credit losses (acknowledging the uncertainty as customers continue to assess their situation).

4 - NIWA. (2023, February 2). Auckland suffers wettest month in history. https://niwa.co.nz/news/auckland-suffers-wettest-month-in-history
5 - NIWA. (2023, June 20). In the wake of Gabrielle. https://niwa.co.nz/publications/water-and-atmosphere/water-atmosphere-29-june-2023/in-the-wake-of-gabrielle

Table 4: Operational impacts

Impact on ANZ	ANZ response
The floods and cyclone impacted our local branches and systems, disrupting ANZ operations	The impacts exposed some vulnerabilities, assessed as not unique to ANZ. We've reviewed our business continuity planning to reflect localised weather events, including: • how we communicate with affected staff; • how we make cash available to customers (both to dispense and enable deposits); • how we transport physical goods like generators, satellite phones, satellite Internet hardware to the affected areas. We've provided training for staff across the country on dealing with increased levels of customer stress in these situations.

Community and industry

ANZ NZ pledged $3m to support impacted communities and developed a new model to direct funds to partner organisations working on the ground. By 30 September 2023, we had given $2.6m of the $3m we'd pledged. ANZ NZ's ongoing activity in response to the North Island Weather Events includes:

- contributing to the Cyclone Gabrielle Recovery Taskforce, which advises government on supporting the recovery of impacted regions, and
- working with the New Zealand Banking Association (NZBA) and Reserve Bank of New Zealand (RBNZ) to develop an industry plan to support delivery of basic banking services following extreme weather events.
- continuing to distribute the remaining donation funds to organisations working in affected communities.

Supporting seasonal workers from the Pacific

Every year in January and February, seasonal workers from the Pacific arrive to work in the Hawke's Bay. At this time of year ANZ typically opens around 300-400 new bank accounts for seasonal workers each week. After Cyclone Gabrielle, ANZ opened our Hastings branch during the weekends and flew in temporary EFTPOS cards to ensure recently arrived workers could set up accounts and access their wages.

CURRENT TRANSITION IMPACTS

Moving to a lower-emissions, climate-resilient economy creates transition-related risks and opportunities. Transition-related risks and opportunities may already be impacting ANZ NZ and our customers, or we may anticipate that they will impact us in future.

As the table shows, ANZ NZ is already experiencing transition impacts across our business.

We'll work towards greater quantification of these risks and opportunities on our business as we work further to understand them.

Table 5: ANZ NZ's current transition impacts

Policy and regulatory impacts	Market, products and services	Technology and data	Resource efficiency
ANZ NZ set up our Climate Programme in 2021, which covers ANZ NZ and ANZ Investments and is funded through ANZ NZ's annual strategic investment. At 30 September 2023, the programme had 13 full-time staff from ANZ's Delivery Practice supported by the Risk, Finance, ESG, and Data and Analytics teams. Dedicated governance (a key decision forum and steering committee) oversees programme delivery. This programme includes the work required to comply with mandatory climate reporting from FY24. We've sourced external legal, technical, sustainability, and audit expertise to support this work. In FY23, we took part in the RBNZ's 2022 Agri Climate Change Risk Assessment, and 2023 Climate Stress Test.	Aotearoa New Zealand's transition to a lower-emissions economy is driving customer demand for new products and services. In FY23, we continued to provide ANZ lending products to help customers improve their environmental impact. We also: • led our first sustainability-linked guarantee in Institutional Banking • expanded the Good Energy Home Loan Top-Up and ANZ Business Green Loan to include new lending purposes. We launched the Business Regrowth Loan to support customers impacted by extreme weather events. These products have helped grow ANZ's lending portfolio and customer base. Providing the products also means reducing or foregoing margin on lending when we provide discounted interest rates as an incentive. ANZ offers home insurance through our general insurance partner Vero. In FY23 we worked with Vero to reduce our commission on policy renewals by a third, with the benefit passed directly to customers. This was a response to premium increases that are driven in part by climate impacts.	This year we extended our ESG Information System platform to improve how we assess climate risk and enable us to provide customer insights. We bought and integrated climate risk data from NIWA and Moody's RMS into our platform. This year we implemented a digitised update to our Social and Environmental Risk Screening tool and Climate Change Risk Assessment for Institutional customers.	We've delivered efficiencies and reduced our operational climate impact since our base year of 2015 through actions like reducing ANZ NZ's electricity and fleet fuel consumption (refer to metrics and targets section on pages 33-34). We launched Project Whakamamati, a project to reduce paper use and emissions associated with postage, by increasing digital communications with customers. At 30 September 2023, we had enabled online statements for 80,000 credit card accounts and 400,000 transaction and loan accounts.

PHYSICAL RISK IN OUR RESIDENTIAL MORTGAGE PORTFOLIO

Different climate futures can be expected to have varying levels of impact on our customers' properties and financial resilience.

In FY23, we assessed the risk to ANZ's residential mortgage portfolio from coastal and inland flooding using third-party data. This assessment looked at the risks to residential properties that secure ANZ lending.[6] This is mainly home loans, but includes a small portion of business lending.

Coastal flooding risk to residential properties

In Table 6 we estimate the percentage of residential properties with an ANZ mortgage that may be at risk of coastal flooding in three scenarios.

Those scenarios align to the 'Orderly', 'Too Little, Too Late', and 'Hothouse' scenarios in the NZBA's *Climate Scenario Narratives for the Banking Sector*, which ANZ used to explore climate-related risks and opportunities (see pages 16-19).

We chose time horizons that are relevant to our business and which broadly align with the NZBA Scenario Narratives (noting that the NZBA Scenarios define Long term as 2080+).

Time horizons we used in our assessment

Time horizon	Year	Link to strategic planning horizons
Short term	2030	Aligns to interim emission reduction targets and broadly aligns to the term of many of ANZ's current business loans.
Medium term	2050	Aligns with global emissions reduction targets and the term of many of ANZ's current home loans.
Long term	2100	Helps us understand how physical risks might change for future generations.

We used coastal flooding data from NIWA and defined a property as 'at risk' where flooding touches any part of the property, regardless of the impact to buildings.

How we define coastal flooding

As shown in Figure 1 below, we define coastal flooding as the following combined:

- the tidal, storm, and wave effects above current mean sea level in a 1-in-100-year event[8] (storm-tide and wave set-up), and
- permanent increases to mean sea level caused by climate change.

Coastal and ocean processes contributing to coastal flooding[7]

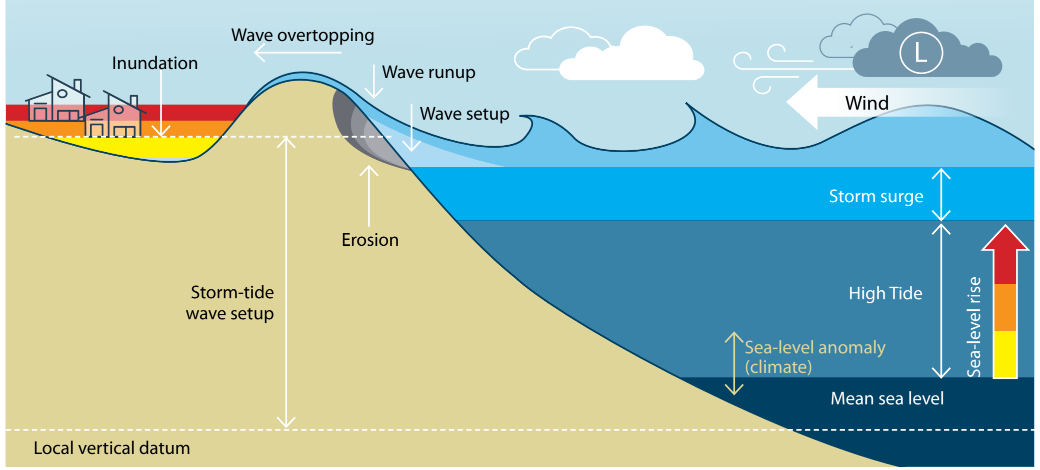


Figure 1: Coastal and ocean processes contributing to coastal flooding[6]

Table 6: Percentage of ANZ's residential mortgage portfolio at risk of coastal flooding

Scenario	Current	2030	2050	2100
Orderly RCP[9] 2.6	1.8%	1.8%	2.0%	2.9%
Too Little Too Late RCP 4.5	1.8%	1.8%	2.4%	3.4%
Hothouse RCP 8.5	1.8%	2.0%	2.4%	4.0%

Analysis is based on properties that have valid matches between ANZ and Valocity data sets. 2.35% of ANZ residential mortgage securities are unable to be matched and are not shown in the table above.

6 - This assessment excludes a small percentage (2.35%) of properties that were unable to be matched with physical --risk data.
7 - Andrews, C. (2023). Coastal inundation and sea level rise assessment for the Hutt City District. NIWA.
8 - A '1-in-100-year' event means that there is a 1% likelihood that a flood will occur in any given year at that location.
9 - Representative Concentration Pathways (RCPs) refer to greenhouse gas concentration trajectories from the Intergovernmental Panel on Climate Change (IPCC).

Inland flooding risk to residential properties

We assessed the expected damage to our residential mortgage securities from inland flooding due to extreme rainfall or the overflow of rivers or streams.

We sourced data from Moody's RMS, which uses proprietary methods to model expected damage to properties in Aotearoa New Zealand from flooding of different intensities. Flood risk scores represent the expected damage against a building's total insurable value (the present-day cost of replacing the building).

Results

Between 1.8% and 2.0% of residential properties in our mortgage portfolio are at risk of coastal flooding by 2030 across the three scenarios. That risk rises to 2.9%-4.0% by the end of the century.

Inland flooding analysis shows that 17.6% of residential properties in our mortgage portfolio may experience 1-in-100-year flooding. Of these, 16.9% of properties could expect damage of less than 0.5% of total insurable value; while 0.18% of properties could expect damage of 10% or more of total insurable value in 1-in-100-year flooding (i.e. a flood risk score of moderate or higher).

Natural hazard risks affect a property's value and whether it can be insured — impacting homeowners and ANZ. This may put a homeowner's equity at risk, impacting their ability to repay lending.

That risk increases if a home has become uninsured. If extreme weather or other natural hazards damage an uninsured property, homeowners may be unable to:

- afford to rebuild or repair their homes, or
- repay lending fully.

Table 7: Moody's RMS flood risk scores for ANZ's residential mortgage portfolio

Flood risk score (Moody's RMS definition)	Modelling indicates flooding	Mean damage ratio (level of damage as a % of total insurable value)	% of ANZ residential mortgage securities at risk (current climate)		
			1-in-100-year flooding	1-in-250-year flooding	1-in-500-year flooding
Extremely Low Risk	No	0%	82.42%	76.84%	61.27%
	Yes	0-0.5%	16.92%	19.96%	31.35%
Very Low Risk - Low Risk	Yes	0.5-5%	0.39%	1.62%	4.37%
Low to Moderate Risk	Yes	5-10%	0.09%	0.47%	0.79%
Moderate Risk	Yes	10-15%	0.04%	0.28%	0.42%
Moderate to High Risk	Yes	15-20%	0.03%	0.20%	0.31%
High Risk to Extremely High Risk	Yes	20-100%	0.11%	0.63%	1.50%

Analysis is based on properties that have valid matches between ANZ, Valocity and Moody's RMS data sets. 2.5% of ANZ mortgage securities are unable to be matched and are not shown in the table above.

Assumptions and Limitations

Climate risk analysis has inherent limitations and uncertainties as it relies on modelling and assumptions about the future. Some uncertainties and limitations are outlined below; see pages 45-46 for more.

Coastal flooding

- We assume our portfolio won't change and customers won't mitigate flood risk.
- We define a property as 'at risk' where flooding touches any part of the property, which may not reflect damage to buildings.
- We haven't considered our customers' resilience, e.g. their ability to manage flood impacts.

Inland flooding

- We haven't considered how these risks may change over time.
- We consider building characteristics like number of storeys, construction material, and year built, where this is known; and use weighted averages where it's not.
- We have considered existing flood mitigations where these are known, but have not considered our customers' resilience e.g. their ability to manage flood impacts.

Next steps

The analysis shows the proportion of our portfolio that may be exposed to coastal or inland flooding. We are looking further at the cohort of at-risk properties to better understand where financial vulnerabilities may exist, and how ANZ can respond to these risks and support customers.

Climate adaptation is an evolving area. Policy is being developed at a local and national level, and work is also underway by government agencies and local authorities to make useful climate hazard information publicly available. ANZ will continue to play a role with industry and other stakeholders to support policy development in this area.

We are also committed to continuing support for customers when they are impacted by extreme weather events (as outlined in Current Impacts, pages 11-12).

In FY24 we plan to:

- Source updated NIWA climate datasets, once published, and incorporate these into our analysis for FY25.
- Explore how inland flooding risks may change over time, as the climate changes
- Begin to integrate our understanding of these risks into our business practices
- Consider metrics to monitor ANZ's exposure to these risks, and work towards quantifying current and anticipated financial impacts
- Continue to review our products and services as customer needs evolve.

USING SCENARIOS TO CONSIDER CLIMATE RISK

Scenario analysis is a strategic tool to understand and explore how different futures may unfold and is particularly useful in the context of the uncertainties that climate change will bring.

In FY23, ANZ used scenarios to explore potential climate-related risk and opportunities for customers in the sectors we lend to, across different time horizons.

Banking sector scenarios

ANZ contributed to the NZBA report *Climate scenario narratives for the banking sector*, which aimed to develop consistent narratives for use by banks in their internal climate scenario analysis.

These narratives describe three potential climate futures: an 'Orderly' scenario, a 'Too Little, Too Late' scenario, and a 'Hothouse' scenario. The report also identifies high-level climate-related credit and organisational risks banks may face under those scenarios. It evaluates how climate may impact banks' credit risk for seven sectors: agriculture, transport, energy, manufacturing, construction, and commercial and residential property, which account for around 85% of ANZ's lending[10].

Our use of scenarios

In July 2023, we used the scenarios and risks identified by the NZBA as a starting point for further assessment. We held workshops with ANZ experts to explore the scenarios in more depth and understand potential risk and opportunity for the sectors our customers operate in. Specific sessions were held focusing on agriculture, property (including residential), and other business lending.

We critically assessed the likelihood of identified risks arising, expanded our exploration to cover all ANZ lending, and assigned risk 'likelihoods' to these.

We explored:

- each risk's relative impact on each sector from the three scenarios, and
- possible sector opportunities within each scenario.

We sought to identify the key climate-related risks and opportunities to ANZ in the three scenarios:

Table 8: Climate scenarios

	'Orderly' 1.5°C	'Too Little Too Late' >2°C	'Hothouse' >3°C
Global climate and socio-economic parameters	Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathway 1-1.9	IPCC Shared Socioeconomic Pathway 2-4.5	IPCC Shared Socioeconomic Pathway 5-8.5
Global energy and emissions pathway and parameters	Network for Greening the Financial System (NGFS) Net Zero 2050 International Energy Agency (IEA) Net Zero Emissions by 2050	NGFS Nationally Determined Contributions IEA Announced Pledges	NGFS Current Policies IEA Stated Policies
New Zealand-specific parameters	NIWA Representative Concentration Pathway (RCP) 2.6	NIWA RCP 4.5	NIWA RCP 8.5
New Zealand-specific transition pathway parameters	Climate Change Commission 'Tailwinds'	Climate Change Commission 'Headwinds'	Climate Change Commission 'Current Policy Reference
Description	Aotearoa New Zealand achieves net zero long-lived emissions in 2040. The rest of the world follows around 2050. Policy and carbon-prices incentivise low-emission technologies. Transition risks increase in the short to medium term, then reduce as we shift to a low carbon economy. The worst physical impacts of climate change are prevented.	Aotearoa New Zealand achieves net-zero by 2050. Globally, fossil-fuelled development continues to 2050. From the medium term, global efforts to address climate change may exceed those in Aotearoa New Zealand. Large carbon price increases drive rapid uptake in low emissions technology. Change comes too late to prevent wide ranging physical impacts.	Worst-case emissions trajectory and global state of unprecedented climate volatility. Widespread increase in severe weather events. Social, political, and economic structures destabilise. Emissions-intensive industries continue to expand.

10 - Exposure at default, excluding ANZ Treasury balance sheet and liquidity management portfolio and unclassifiable exposures, at 30 September 2023. Exposure at default is ANZ's assumed loss if a customer defaults on a loan.

Different risks may arise at different times

Table 9 shows the combined relative likelihoods and impacts of transition and physical risks for each sector explored. This is a qualitative assessment that indicates the relative risk peak across each scenario.

Different risks peak at different times across each scenario. For example, transition risks are likely to occur in the first half of the century then reduce as businesses adapt, where physical risks are likely to increase over time.

Each scenario brings transition and physical risks, but the trajectory and time over which those risks occur differs. We show how risks interconnect in Figure 2.

Figure 2: Transition and physical risks in the three scenarios. Source: New Zealand Banking Association, *Climate scenario narratives for the banking sector*

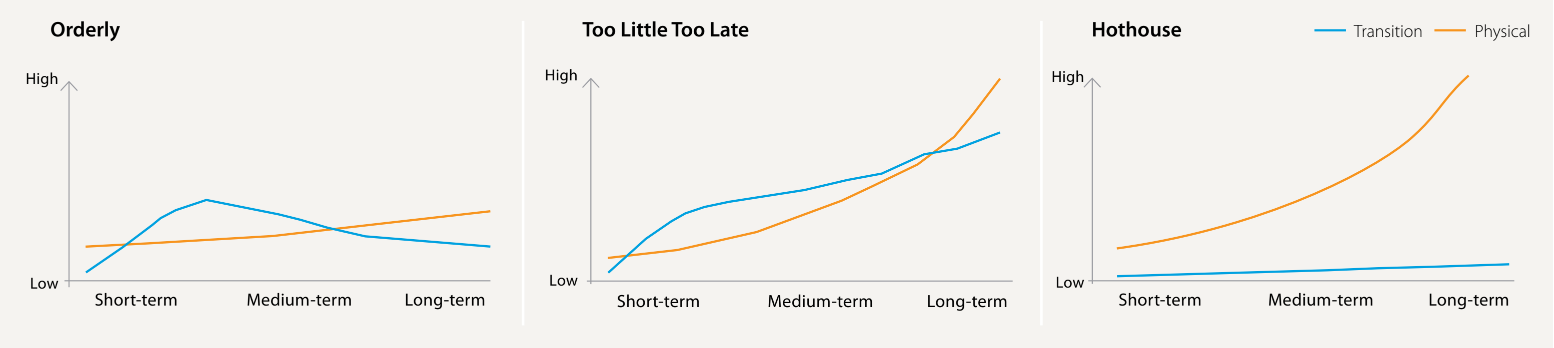


Table 9: Transition risk and acute physical and chronic physical risks associated with each sub-sector

		Transition risk			Acute physical risk			Chronic physical risk		
Sub-sector*	**EAD^ $m 30 Sep-23**	**Orderly**	**Too Little Too Late**	**Hothouse**	**Orderly**	**Too Little Too Late**	**Hothouse**	**Orderly**	**Too Little Too Late**	**Hothouse**
Sheep & beef										
Dairy										
Horticulture										
Total	**18,056**									
Forestry, wood & paper										
Fishing										
Other farming & agri services										
Total	**2,119**									
Transport & shipping	1,587									
Energy generation	1,821									
Coal, oil & gas extraction	277									
Manufacturing	2,250									
Construction	2,820									
Commercial real estate	13,677									
Residential property	114,207									
Consumer services & trade	13,531									
Finance, insurance & government	7,916									
Business & professional services	2,860									
Healthcare	1,440									
Total	**182,562**									

* Industry sub sector classification shown is based on groupings of Australian and New Zealand Standard Industrial Classification (ANZSIC) codes, following a downstream value chain approach.
^ EAD values in this table have been prepared on an ANZ Group APRA reporting basis for ANZ NZ's lending book. This table excludes non-classified ANZSICs and the 'Balance Sheet and Liquidity Management' portfolios."

The detailed risks reflected in Table 9 are the following:

Transition risk	Acute physical risk	Chronic physical risk
Customer behaviour change Emerging technologies Emissions pricing Emissions reduction requirements Increased cost of raw materials Litigation risk Lower emission substitutes Regulatory impacts Reputation	Drought Flooding Heatwave Storm	Biodiversity loss Rainfall change Sea level rise Temperature change

An 'Orderly' scenario is high in transition risk, but low in physical risk for most subsectors, where the 'Hothouse' scenario shows low transition risk but high physical risk. The 'Too little, too late' scenario has both high transition and physical risks.

Exploring climate scenarios has helped us expand and refine our understanding of climate risk and opportunity in the sectors we lend to. We've used this understanding to help plan and set priorities for our climate change work programme for FY24.

We outline key transition risks, opportunities, and potential impacts to ANZ below for selected sectors with high transition risk and significant lending exposure. This draws on analysis from the NZBA scenarios report, He Pou a Rangi Climate Change Commission analysis, and internal workshops.

Table 10: Climate risks and opportunities

Sector	Risks / Opportunities	Customer Impact	Impact for ANZ
Agriculture	**Risks** Customer behaviour change Regulatory impacts Emissions reduction requirements Emissions pricing Reputation	Climate regulation, pricing of agricultural emissions, or the introduction of emission reduction requirements may increase operating costs, reduce revenue, and result in changes in land use. This may impact producers' productivity and profitability. As Aotearoa New Zealand is an exporter of primary sector products, changing regulations and expectations in other countries may impact farming practices and demand for New Zealand products.	Customers may become unable to service interest or repay loans, leading to defaults, lending losses or 'stranded assets'. The value of collateral may reduce.
	Opportunities Customer behaviour change Lower emission substitutes Emerging technologies	Growing global demand for low-emission and sustainably farmed produce may create competitive opportunities for customers. New technologies and farming innovations may reduce on-farm emissions and environmental impact – e.g., change in farming practice, feed and fertiliser inputs, biogenic methane inhibitors or vaccines, or low emission stock variants. Opportunities for new revenue streams as environmental markets develop, through diversified land use, adopting regenerative practices.	Potential for lending growth to sectors that are innovating and demonstrating improved climate impact; funding of capital projects to improve on-farm sustainability, supporting farmers to diversify income streams through planting of alternative crops.
Construction and commercial real estate	**Risks** Customer behaviour change Increased cost of raw materials Regulatory impacts	Regulation may require commercial properties to meet higher energy efficiency or building sustainability standards, driving up operational and construction costs for customers. Less buyer and tenant demand for high-emission properties; risk of stranded assets. Emissions regulation may increase costs associated with construction materials. Offshore regulation may affect businesses through their supply chains.	Risk of loan default or lending losses if customer business viability impacted. Reduced revenue opportunities for ANZ if increased costs compress developer margins and make developments unviable to fund.
	Opportunities Lower emission substitutes Emerging technologies	Increased market demand for quality climate-resilient, low-emissions commercial buildings, including reducing embodied emissions in new builds and operational emissions in new and existing buildings. Growth in lower emissions building design and materials; circular economy practices to reduce construction waste, energy and resource efficiency measures, and distributed renewable energy generation.	Opportunity to fund retrofit upgrades of existing properties, financially support developers and construction companies that are early adopters of low-emission, climate-resilient design, materials, and practices.
Energy	**Risks** Customer behaviour change Regulatory impacts Emissions reduction requirements Litigation risk Emissions pricing Reputation	Fossil fuel-reliant businesses face high transition risk. Changing regulation and rising emissions pricing may result in increased cost and reduced demand for fossil fuels. Reputation and litigation risks may materialise as climate change impacts grow and public concern increases. A rise in home solar and EV charging installation could require structural changes to the electricity market. Rising demand for electricity may put pressure on the national grid, impacting reliability of supply, and requiring investment.	Customers reliant on fossil fuels may become unable to service or repay loans, which may result in stranded assets. ANZ may face risks to its own reputation, and of litigation or activist focus if it is perceived as financing fossil fuel businesses in a way that conflicts with our public climate change goals. Credit ratings of electricity providers may be downgraded, increasing capital requirements on lenders. This may also bring funding opportunities for infrastructure investment, however.
	Opportunities Lower emission substitutes Emerging technologies	Development and growth of renewable energy, biogas, green hydrogen, waste heat recovery systems as well as distributed generation and electricity storage, including pumped-hydro and grid-sized batteries.	Opportunities to fund capital projects and infrastructure in renewable energy, waste heat recovery, and energy storage systems. Innovative partnerships to meet increased consumer demand for renewables (e.g. home solar).
Consumer services and trade[11]	**Risks** Customer behaviour change Increased cost of raw materials Regulatory impacts Lower emission substitutes Emerging technologies	Reduced consumer demand for high emissions products. Emissions reduction requirements or pricing may increase costs to be passed onto customers, driving demand for lower carbon alternatives. Businesses who lag competitors in decarbonising supply chains may risk losing sales to low-emission alternatives. Regulatory requirements in Aotearoa New Zealand and offshore, may increase compliance costs or phase out some fossil fuel-reliant products, impacting supply chains.	Companies may face margin compression if input costs rise and cannot be passed on to end consumers. Some customers may be unable to service interest or repay loans, resulting in defaults or lending losses to ANZ.
	Opportunities Lower emission substitutes	Development of low-emission products that meet consumer needs, with climate-resilient supply chains.	Opportunities to financially support businesses who move early to decarbonise their operations and supply chains.

11 - Businesses, and their upstream wholesalers, selling goods and services to individual consumers; this includes ANZ consumer lending other than housing.

Limitations and uncertainties in our use of climate scenarios

Climate scenarios include assumptions, estimates, and projections that aren't exact. While scenarios describe a potential future, these aren't a prediction or signal of future conditions or events.

The NZBA notes the limits of its climate scenario narratives[12], including that publicly available source scenarios and data used to shape the narratives could become out of date.

Different methods and assumptions in source narratives may create inconsistency across results. For example, figures used for Gross Domestic Product (GDP) are inherently uncertain and exclude the impacts from acute physical risk like extreme weather events. Climate risk drivers are also uncertain and tipping points may aggravate uncertainty.

See page 3 for further information about uncertainties and limitations.

Next steps in our use of scenarios

This year is our first use of climate scenarios. We believe these scenarios are valuable tools to help assess and understand risk, but we have more work to do to integrate scenarios into our strategic planning.

In FY24, we'll create ANZ-specific climate scenario narratives and include scenario analysis in our strategic planning.

We are evolving our strategy to respond to climate-related risks and opportunities. We are:

- providing lending products and services that support customers to better understand and address their climate-related risks and opportunities
- developing our understanding and assessment of climate-related risks at a portfolio and customer level and beginning to assess how we incorporate this into our customer engagement
- engaging with customers to broaden understanding of climate and sustainability impacts, and to grow the capability to address these
- engaging with stakeholders to support policy development and help grow industry expertise
- reducing our own climate impact
- supporting our people to build climate awareness and skill.

We outline our work to date and future plans in the next section, 'How ANZ supports transition'.

12 - New Zealand Banking Association Te Rangapū Pēke. (2023). Climate scenario narratives for the banking sector. NZBA-Climate-Scenario-Narratives-for-the-Banking-Sector-Final-report.pdf

HOW ANZ SUPPORTS TRANSITION

We outline in this section our work and future priorities across our climate change focus areas:

- Transitioning our lending to support a low-emissions, climate-resilient Aotearoa New Zealand
- Supporting our customers to reduce emissions and enhance their resilience to a changing climate
- Engaging constructively and transparently with stakeholders
- Reducing the impact of our own operations and building our climate capability.

Transitioning our lending to support a low-emissions, climate-resilient Aotearoa New Zealand

Finance for large business customers

As Aotearoa New Zealand's largest bank, ANZ can make an impact and influence transition to a low-emissions future by supporting access to finance to help reduce emissions and drive other environmental outcomes. In FY23, we have supported our customers' transition through funding and facilitating access to sustainable finance.

- We participated[13] in sustainable finance deals which included initiatives to reduce emissions and promote financial wellbeing.
- Overall, we participated in 23 labelled sustainable finance deals[14], with a total deal size of $11,132m, an increase on FY22.

Transactions for financial institutions made up the largest share of the deals we participated in. We also saw strong demand for labelled sustainable finance products and services from customers in the resources, energy, and infrastructure sectors, with six transactions and a total deal size of $1,830m.

Sustainable finance products we offer

ANZ's labelled sustainable finance products include loans, bonds, guarantees, and sustainable supply chain finance.

As the sustainable finance market grows, so does innovation in financing formats. For example, this year we issued what we believe to be Aotearoa New Zealand's first sustainability-linked guarantee for KMD Brands Limited[16]. Sustainability-linked guarantees include pricing linked to the customer achieving agreed sustainability performance targets.

FY23 labelled sustainable finance deals by sector

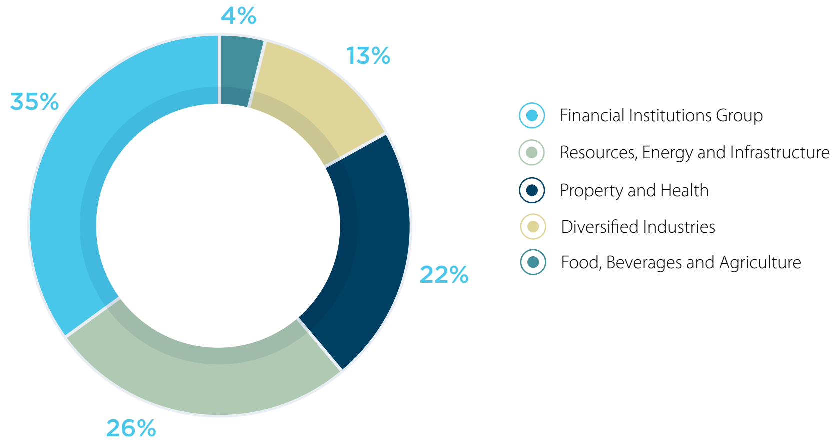


Table 11: ANZ-labelled sustainable finance deals FY21-FY23

	Number of deals			Sum of deal size [$m]			ANZ's share/hold[15] [$m]		
Sector	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
Diversified Industries	1	3	3	107	490	585	20	250	153
Financial Institutions Group	6	7	8	4,275	5,525	7,375	1,438	1,921	2,192
Property and Health	3	6	5	425	3,030	1,292	213	1,022	247
Resources, Energy and Infrastructure	4	6	6	415	1,717	1,830	265	721	415
Food, Beverages and Agriculture	0	0	1	0	0	50	0	0	50
Total*	14	22	23	5,222	10,762	11,132	1,935	3,914	3,056

*Values may not add to totals due to rounding.

13 - Participated means where ANZ has been mandated on a transaction and/or has funded or facilitated a banking activity.
14 - Labelled sustainable finance is existing banking products with a specific sustainability related label.
15 - During 2023, ANZ participated in 23 sustainable finance deals with a total deal value of $11,132 million of which our share or hold was $2,473 million, which was attributed to ANZ through its distribution capability and $583 million through on balance sheet loans and other credit lines.
16 - ANZ is unaware of any sustainability-linked guarantees in the Aotearoa New Zealand market before this transaction, but we accept there may be privately arranged transactions that we are not aware of.

Our contribution to ANZ Group targets - sustainable financing

Our sustainable financing activity in Aotearoa New Zealand contributes to ANZ Group targets.

On 31 March 2023, ANZ Group concluded its AUD$50 billion by 2025 'sustainable solutions target'. ANZ Group had funded and facilitated close to AUD$47.0 billion across 387 transactions and is forecast to meet the target well in advance of 2025.

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

In FY24, we intend to set a target for Aotearoa New Zealand within the wider ANZ Group target, which we'll report on separately.

ANZ contributed around $0.57bn (AUD$0.53bn) of ANZ Group's total of approximately AUD$8.8bn funded and facilitated in social and environmental sustainability outcomes through customer activities since 1 April 2023. Of ANZ's approximately $0.57bn contribution, $0.195bn was funded[17], and $0.375bn was facilitated[18]. ANZ Group details how it decides what financing it assigns towards the ANZ Group social and environmental sustainability target at https://www.anz.com.au/about-us/esg/reporting/.

ANZ NZ in the market

- Rated number one in the KangaNews' 'New Zealand Sustainable Bond cumulative league table'[19] as at 29 September 2023, with the most deals, largest cumulative deal volume, and largest market share.
- Recognised in research firm Peter Lee Associates' '2023 Large Corporate Relationship Survey New Zealand' as ESG / Sustainable Finance Bank of Choice for customers planning on executing a deal in the next 12 months. And #1 Sustainability Coordinator / Advisor as at August 2023 for existing and planned use. The firm also ranked ANZ #2 for the Lead Bank for ESG/ sustainable finance and #2 for the Market Leader for ESG/Sustainable Finance.

Customer case studies

KMD Brands Limited (KMD Group)

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

Image courtesy of KMD Brands Limited

Wellington International Airport Limited (WIAL)

WIAL announced the successful conversion of $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.

Meridian

In March 2023, ANZ acted as Sole Green Bond Coordinator, Joint Arranger and Joint Lead Manager for Meridian's inaugural $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.

17 - For more information on funded categories, refer to page 4 of ANZ Group's Social and Environmental Sustainability Target Methodology available via ANZ 2023 Social and Environmental Sustainability Target Methodology
18 - For more information on facilitated categories, refer to page 4 the ANZ Group's Social and Environmental Sustainability Target Methodology available via ANZ 2023 Social and Environmental Sustainability Target Methodology
19 - KangaNews. (2023, September 29). NZ Sustainable Bond Cumulative League Tables – All Issuers – Including Self-Led Deal. https://kanganews.com/league-tables/327-nzd-vanilla/new-zealand-sustainable-bond/11113-nz-sustainable-bond-cumulative-league-table-all-issuers-including-self-led-deals

Lending for smaller businesses

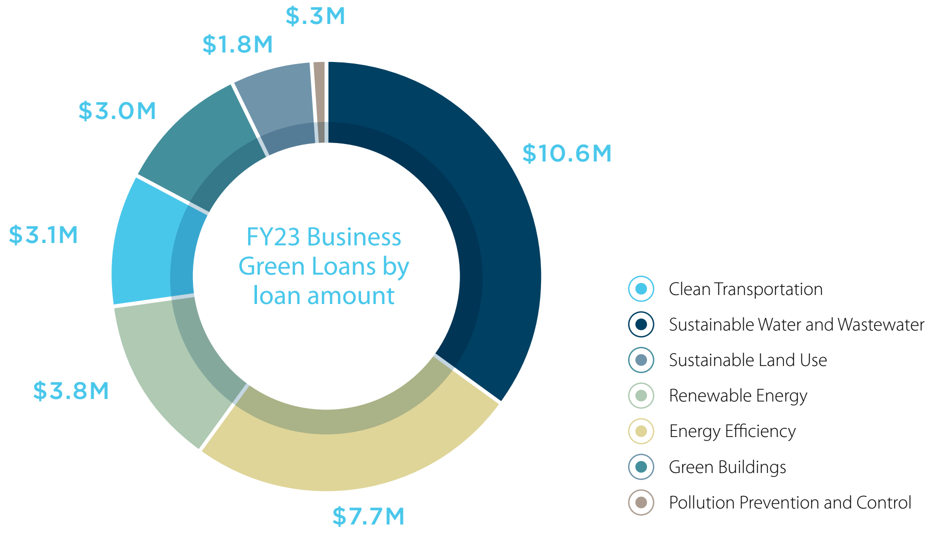
Launched in late FY22, ANZ's Business Green Loan aims to reduce the cost barrier for Aotearoa New Zealand's small to medium businesses needing capital to reduce emissions and improve environmental sustainability. As at 30 September 2023, we had issued 96 loans totalling $30.3m.

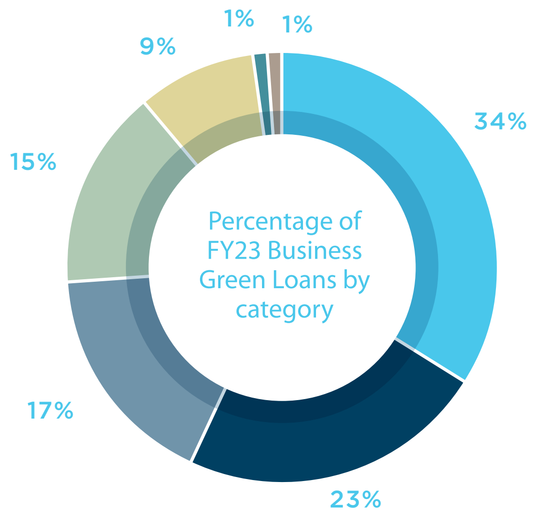
To qualify, customers must show the assets or projects they aim to fund will deliver clear environmental benefits. Customers may borrow up to $3m at a special floating interest rate for eligible initiatives including energy efficiency, renewable energy, sustainable land use, sustainable water and wastewater, or building, renovating or purchasing an independently certified green building. In FY23 we reviewed and extended the eligibility criteria to include clean transportation and pollution prevention and control.

The Business Green Loan has been independently reviewed for alignment to the Asia Pacific Loan Market Association Green Loan Principles. Importantly, if customers don't meet the sustainability terms, we may remove the pricing benefit.

As shown in the graphs, the most funding was directed to sustainable water/wastewater and energy efficiency uses, while clean transport was the most common use of the Business Green Loan (accounting for more than one-third of all loans).

In FY24, we aim to review the range of support we offer our small to medium business customers to reduce their climate impact.





Case study

Van Lier Nurseries' glasshouse heating

Van Lier Nurseries is a family-owned business in West Auckland, growing flowers and indoor plants in large glasshouses. In 2023 ANZ NZ, 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.

Lending for homeowners

This year ANZ grew the number of New Zealanders using our home loan products to reduce their carbon footprint or improve their home's health and energy efficiency.

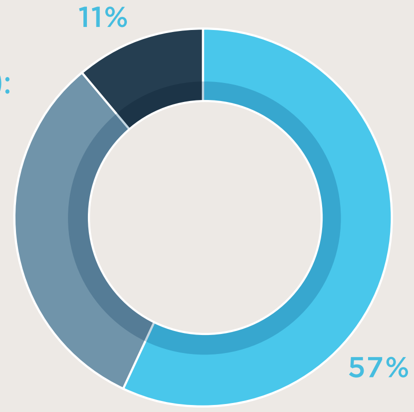
In FY23, we supported more than 6,400 households with $279m in lending through our Healthy Home Loan Package and our Good Energy Home Loan top up. This year we re-set our target, increasing the level of ambition for these loans. We aim to lend at least $670m through the Good Energy Home Loan top up or Healthy Home Package by the end of 2025, covering at least 16,000 households. Across the two products since October 2020, 8,091 households drew down the loans, for an aggregate amount of $373 million.

- ANZ's **Good Energy Home Loan** top up allows existing customers to borrow up to $80,000 at a fixed rate of 1% per annum for three years for energy efficiency, renewable energy, clean transport, and rainwater tanks. Customers can use the top-up to retrofit their existing home or improve the sustainability of new build projects. This year we expanded the loan to include e-bikes and water heating systems.
- Our **Healthy Home Loan Package** offers interest rate discounts and fee savings to customers buying, building, renovating, or who already own a home that meets a minimum 6 Homestar rating. Homestar is an independent tool that assesses and rates a home's performance and environmental impact.

In FY24, we plan to continue to review our offers and explore the type of support our customers find most effective.

How ANZ customers use their Good Energy Home Loan top-up (based on customer loan applications):

- **Clean transport upgrades** (electric and hybrid vehicles, electric vehicle chargers, electric bikes)
- **Energy efficiency home upgrades** (heat pumps, insulation, double and triple glazing, water heating)
- **Renewable energy upgrades** (solar panels and solar batteries)



SUPPORTING CUSTOMERS TO TRANSITION

Working with Institutional customers

During FY23, ANZ engaged with 50 Institutional customers to support their climate transition planning: 20 as part of an ANZ Group Programme, and a further 30 Aotearoa New Zealand customers. This work is outlined below.

Our contribution to ANZ Group engagement

Since 2020, ANZ has contributed to the ANZ Group programme to seek improved climate transition plans from the Group's largest emitting business customers.

Under the ANZ Group programme, 100 of ANZ Group's largest emitting business customers across multiple regions have been engaged to encourage stronger transition planning and emissions reduction. ANZ has worked closely with 20 Aotearoa New Zealand Institutional business customers in this group. We engage with these 20 customers throughout the year and reassess plans yearly.

We assess customers' transition plans on a scale including 'advanced', 'well developed', 'under developed or starting out', and 'no public plans'. We aim to encourage and support customers to reach a 'well developed' or 'advanced' level.

Since FY21, we have upgraded our assessment of five ANZ NZ customers' transition plans. Two have moved from 'no public plans' to 'starting out' and three have moved from 'starting out' to 'well developed'.

Broadening our customer engagement

Beyond the ANZ Group programme with 100 of their largest emitting customers, ANZ has progressively extended our customer engagement in Aotearoa New Zealand. This year we engaged with a further 30 Institutional customers to support their transition planning, bringing the total number of customers we have worked with to 50 customers.

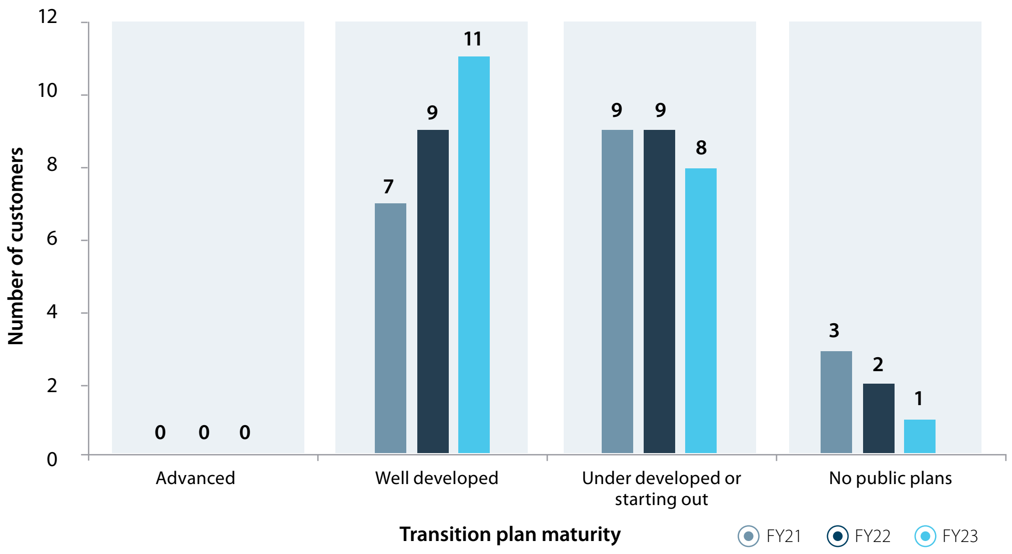
In FY24, we plan to expand our engagement and work with 100 Institutional business customers in Aotearoa New Zealand to support their climate transition plans. This will involve the 50 customers we have already engaged, and an additional 50 customers.

Our engagement with Aotearoa New Zealand customers will run in parallel with the ANZ Group programme.

ANZ Group is beginning a new phase of engagement with their largest emitting business customers in FY24 through a new Large Emitters Engagement Programme[20].

We'll continue to use ANZ Group transition plan guidance to engage our high-emitting customers, including using the strengthened Climate Change Risk Assessment tool (see page 32).

Twenty of ANZ NZ's largest emitting business customers - by transition plan category



Providing access to experts

In 2022, ANZ Group and climate and nature advisory and investment firm Pollination announced a strategic partnership. ANZ Group and Pollination intend to deliver innovative solutions and opportunities for customers in their efforts to transition to net zero and to improve nature outcomes. ANZ works locally with Pollination to deliver thought leadership on sustainability, climate action, and nature to some of our largest customers. This year Pollination supported two customer roundtables focused on nature and sustainability trends, and an internal capability building session for ANZ staff on the Taskforce on Nature-Related Financial Disclosures.

Within the Business & Agri division, a dedicated ESG specialist has responsibility for customer outreach, raising awareness and assisting capability-building on sustainability-related topics. During FY23, our ESG specialist attended more than 30 customer-focused events and around the same number of individual customer meetings.

20 - Refer to the ANZ Group 2023 Climate Disclosure for more information on the ANZ Group 100 largest emitting customer programme

Supporting our primary sector customers

Lending to the agriculture sector (mainly dairy, sheep and beef) accounts for around 64% of ANZ's overall financed emissions. Transition risk faced by agricultural producers was also identified through our use of scenarios to explore sector risk.

We recognise the challenges for Aotearoa New Zealand's farming sector in measuring, managing, and reducing emissions, alongside the importance of helping the sector to transition.

We're working to better understand the risk faced by our agriculture customers and develop products and services to help them transition and build resilience.

Data and customer insights for agri-customers

ANZ has developed ESG Information System (ESGIS), a geospatial platform that enables us to better understand our agricultural portfolio by combining physical, emissions, and financial data.

In FY23 we undertook research with ANZ staff and customers in different regions to test how ESGIS-generated data insights can provide value for farming customers. We plan to continue this work in FY24. For example, ESGIS enables ANZ to:

- develop data-driven insights of value to customers - for example, baseline environmental and financial performance.
- verify use of proceeds for the ANZ Business Green Loan using customer specific information such as emissions data, Farm Environment Plans and environmental certifications.

ANZ also uses ESGIS to assess climate risk, by overlaying environmental data with physical property information. We've sourced data from Manaaki Whenua Landcare Research, NIWA, Moody's RMS and property valuation provider Valocity.

Supporting large institutional agribusiness customers

In FY24, we plan to set a new engagement target with our large institutional agribusiness customers (some of whom we already engage with through our existing programmes). Customers engaged will include Primary sector producers and processors (including dairy, seafood, horticulture, meat, wine and other primary produce); and Farm input producers (e.g. fertilisers) and are headquartered in Aotearoa New Zealand.

These customers face specific transition challenges and may gain a potential competitive advantage when demonstrating reduced climate impact. This is due to increased demands from customers in key export markets.

We have undertaken initial analysis of our customers in this group, using publicly available information. As of 30 September 2023:

- around 50% report their Scope 1 and 2 GHG emissions;
- around 30% report having set "science-aligned" or "science-based targets"; and
- around 25% are climate reporting entities (CREs) under the NZ CS.

We acknowledge that our large institutional agribusiness customers have a range of drivers and ownership structures; some are already advanced in their transition planning for their own operations as well as actively engaging with small producer suppliers to encourage them to reduce emissions. We are already engaging with many of them on how ANZ can assist their transition efforts through finance and support.

We encourage our customers to engage with us on their transition plans and targets, to discuss how ANZ can assist.

Climate insights for business

In FY23, we published two sustainability insights papers for the food and beverage sector.

- 'Future-proof for success' explored trends in consumer preferences and how this may impact profitability, with examples of producers reducing their climate impact.
- 'Telling your story – maximising your sustainability investment' examined how food and beverage businesses could publicise their journey to resonate with target markets.

We also held four webinars for Business and Agri customers which covered how to set and achieve emissions reduction targets.

Supporting sustainability and resilience

We've designed the ANZ Business Green Loan with criteria specific to the primary sector, including:

- Sustainable land use – planting projects that include environmental outcomes, through afforestation, reforestation and / or preservation of natural landscapes. This excludes planting projects which change land use by more than 15%, or afforestation using permanent exotics not intended for harvest at maturity.
- Water and wastewater improvements – projects that deliver clear improvements in water quality, wastewater and effluent treatment.

Our ANZ Business Regrowth Loan supports agriculture and horticulture customers in North Island regions impacted by this year's extreme weather events, to rebuild and improve resilience. At 30 September 2023, the majority of this lending has been to agriculture customers.

Next steps

We plan to:

- use ESGIS to gain an understanding of physical climate risk in our agricultural portfolio
- expand our pilot to integrate more agricultural customer emissions data into ESGIS to improve the accuracy of how we measure our financed emissions over time
- work alongside industry to develop our approach to setting targets with a roadmap to achieve those, and
- broaden our support for customers to transition to a low emissions agriculture sector.

Supporting Māori business

Māori are significant owners of Aotearoa New Zealand's productive and natural assets, including fisheries, forestry and farming. The Productivity Commission Te Kōmihana Whai Hua o Aotearoa has highlighted that decisions made by Māori landowners will have a significant impact on Aotearoa New Zealand's transition to a low emissions economy[21].

Read about Tākiri-Ā-Rangi at:
Our meeting house | Tākiri-ā-Rangi
Te Ao Māori Strategy | ANZ

Tākiri-Ā-Rangi, ANZ's 2040 Te Ao Māori strategy, represents a long-term commitment to support Māori to achieve economic equality, to change our organisation to embrace Te Ao Māori and work to advance Māori business and Māori personal financial wellbeing. This includes programmes to help Māori improve their agri holdings and returns and creating regular hui for facilitating ideas and capital to grow the Māori economy.

Te Kahui Rangatira is a forum convened by ANZ NZ's Chair and Chief Executive, who meet annually with Māori Business, Iwi and Hapu leaders from across Aotearoa. This is a 'chiefly conversation' that informs ANZ's approach on key financial opportunities and challenges for Māori. Last year we sought Rangatira feedback on Māori access to capital.

Work is underway to amend our credit processes to better support Māori freehold landowners to access capital, using jointly owned land as security.

In February 2023, we produced the 7th edition of our annual report, *Te Tirohanga Whānui - Iwi Investment Insights* which provides iwi with comparative performance metrics, to help assess investment outcomes, along with insights on funding structures, including sustainable finance.

Since 2019 we have held a regular Māori Investment Forum for leaders of Māori commercial entities. The October 2023 forum included discussion on climate risk due diligence and low carbon investment opportunities.

Next steps

- We will continue to progress our work to improve access to capital for Māori freehold landowners.
- Framed around Tākiri-Ā-Nuku, ANZ's symbolic whare, Takiri-a-Rangi presents ANZ's strategic phases as inter-connected Tukutuku Panels. By the end of FY24 ANZ will complete its first Tukutuku Panel of Te Pae Tawhiti Kia Hanga Te Whare; Build a culturally strong ANZ whare. This focuses on our internal capabilities including cultural competency; Te Reo; and supporting and growing our Māori staff.
- In FY25 ANZ will move to the second Tukutuku Panel of Te Pae Tawhiti Ngā Tupua – Transform How ANZ NZ Presents its Whare to Aotearoa New Zealand.

21 - New Zealand Productivity Commission Te Kōmihana Whai Hua o Aotearoa, 2023, "Low-emissions economy", accessed October 2023, Productivity-Commission_Low-emissions-economy_Final-Report.pdf.

ENGAGING OUR STAKEHOLDERS

ANZ is active in industry groups and forums which help build knowledge and promote Aotearoa New Zealand's transition to a low-emissions economy. We also contribute to developing climate-related policy and guidance.

We took part in the following industry efforts this year:

- **Ad Net Zero**
  We became a founding member of Ad Net Zero. This advertising industry initiative drives reducing and removing carbon when producing and publishing advertising. We're working with Integral Ad Science to measure the emissions from our digital campaigns, so in FY24 we can work towards setting targets.
- **The Aotearoa Circle**
  We became a Leading Partner of The Aotearoa Circle, taking part in a 'bootcamp' on the Task Force on Nature-Related Financial Disclosures led by the Circle and PwC New Zealand. One of our young leaders joined the Circle's Rangatahi Advisory Panel, which is designed to include tomorrow's leaders in today's decision making.
- **Climate Leaders Coalition**
  ANZ is a signatory to the Coalition's updated Statement of Ambition, which came into effect in September 2022. We contributed to Coalition policy work, including on the Government's second emissions reduction plan.
- **New Zealand Banking Association**
  We helped develop the NZBA's *'Climate scenario narratives for the banking sector'* with other banks and Ernst & Young.
- **New Zealand Green Building Council**
  We sat on the Leadership Group and Technical Working Group for the NZGBC's Climate Scenarios for the Property Sector developed with Beca. We're a founding partner of the NZGBC HomeFit tool and continue to promote this to our customers.
- **Toitū Tahua, the Centre for Sustainable Finance**
  ANZ is a founding partner. We continued support for the Sustainable Agriculture Finance Initiative (SAFI) and contributed to advocacy with government agencies and regulators on financing adaptation and resilience and climate transition planning.
- **Sustainability working groups**
  ANZ is currently chair of the Asia-Pacific Loan Market Association New Zealand Green and Sustainable Finance Working Group and the New Zealand Banking Association's Climate and Sustainability Working Group. We also sit on the Retirement Villages Association's sustainability committee.

Contributing to policy

In FY23, we've contributed to developing public policy or guidance on several climate-related topics.

We've engaged on the following Government consultations this year, either directly or through industry groups:

- External Reporting Board — Assurance Engagements over Greenhouse Gas Emissions Disclosures
- Financial Markets Authority Te Mana Tatai Hokohoko — Proposed guidance and expectations for keeping proper climate-related disclosure records
- He Pou a Rangi Climate Change Commission — Draft advice on the second emissions reduction plan 2026-2030
- Ministry for the Environment Te tātai utu o ngā tukunga ahuwhenua — Pricing agricultural emissions
- Ministry of Business, Innovation and Employment — Exposure Draft of the Financial Markets Conduct (Climate-related Disclosures) Amendment Regulations 2023
- Ministry of Business, Innovation, and Employment and Ministry for the Environment — Assurance over climate-related disclosures: occupational regulation and expanding the scope of assurance
- RBNZ — 'Managing Climate-related Risks' draft guidance and Climate-related Risk Management and Disclosure Survey 2023.

Partnering to boost home performance

This year ANZ partnered with researchers and home performance experts to understand how best to support homeowners to improve their home's energy efficiency.

Beacon Pathway, a society committed to transforming Aotearoa New Zealand's homes and neighbourhoods, leads the research. Partners include ANZ, Victoria University, and independent experts. Funding for the research comes from the 2022 Building Research Levy, which the Building Research Association of New Zealand manages.

The research project aims to guide solutions that can help New Zealanders who are building or renovating to drive better energy and performance results.

We designed a pilot to give ANZ customers the opportunity to receive free advice from an independent expert. Early research included interviews with new build customers, eco-design advisors, and ANZ home lending experts.

In FY24, we'll run the pilot with ANZ staff and customers to test the findings and potential solutions. We'll communicate results in partnership with BRANZ and Beacon Pathway, to help build understanding of practical ways the industry and homeowners can boost the environmental performance of our homes.

REDUCING OUR IMPACT

ANZ NZ works to measure, manage and reduce our operational climate impact.

Our approach to setting operational targets, and our performance against these is set out in the Metrics and Targets section.

Net carbonzero certification

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

In 2023, ANZ became Toitū net carbonzero certified.

Owned by Manaaki Whenua Landcare Research, Toitū provides internationally recognised environmental programmes.

Being Toitū net carbonzero certified means that we've accurately measured our operational emissions, put in place strategies to manage, and reduce our impacts, and offset our remaining emissions through verified carbon credits.

Our property impact

During 2023, our Property team began a strategy aligned to our commitment to Tākiri-ā-Rangi, which aims to future-proof our real estate footprint. Building 'Takiri-A-Nuku' — ANZ's wharenui — is at the heart of that strategy.

We've sold and leased back our Auckland data centres, creating a path to new Toitū net carbonzero certified data centres in the future.

Engaging with suppliers

Under the ANZ Group Supplier Code of Practice, we expect our suppliers to oversee and reduce their environmental impact, including GHG emissions from services they provide.

In 2023, we undertook a Scope 3 operational emissions assessment and peer review to evaluate best practice GHG emissions reporting and emerging trends. We engaged suppliers to understand the availability of emissions data for the services they provide. This enabled us to expand the Scope 3 emissions sources we measure and report.

We also worked with catering suppliers to reduce waste and began a full waste audit to understand the end-to-end process for waste from our facilities.

Advertising and media suppliers

Reflecting that ANZ's marketing through advertising and media is a large part of our yearly spending, ANZ became a founding member of Ad Net Zero in FY23. This is part of ANZ's work to extend measurement of our Scope 3 emissions across our supply chain.

Ad Net Zero is an advertising industry initiative to reduce or remove carbon when producing and publishing advertising.

To begin to better measure emissions from our advertising, we took part in a beta test with Integral Ad Science (IAS). IAS use the Life Cycle Analysis methodology to assess Scope 3 emissions in advertising. We plan to continue to this work in FY24 to measure emissions from our digital campaigns and work towards setting targets to reduce emissions associated with our advertising.

BUILDING OUR CLIMATE EXPERTISE

In FY23 we began work on a framework to deliver targeted climate capability uplift for ANZ staff. We also adapted the ANZ Group learning programme ESG@ANZ – Mindset 2030, to reflect Aotearoa New Zealand's context and challenges, and introduced it to a wider range of staff.

Green Ambassadors

ANZ Group's yearly, week-long, Green Ambassadors summit gives ANZ staff an opportunity to hear from sustainability experts and learn practical skills to reduce their personal environmental impact. This year's August summit included sessions on food waste, composting, sustainable fashion, and energy efficient homes.

Bank-wide climate learning

ANZ staff need different climate change expertise depending on their role.

To equip our staff with the right skills, we started work this year on a bank-wide ESG competency framework which will:

- have six climate themes, underpinned by Te Ao Māori
- map those themes to roles across all business units
- define knowledge uplift needed by role, and
- help identify gaps in existing or planned education.

Rolling out Mindset 2030

Mindset 2030 consists of 10 online learning modules covering ANZ's purpose, strategy and approach to ESG; climate-related risks and opportunities; supporting customers' transition to a low emissions economy; and ESG governance.

Staff from Personal banking received the first module, and it was included in the learning plan for Institutional banking staff. More than 2,400 ANZ staff completed module one. Next year the remaining modules will be updated for Aotearoa New Zealand and staff will be encouraged to complete all ten.

Learning is supported by our ESG@ANZ employee portal which includes access to webinars, links to our strategy and other information.

As part of ESG@ANZ, our Executive Leadership will take part in a Climate Executive Leadership series planned for early FY24.

Strengthening in-house ESG expertise

This year we established a new ESG Centre of Excellence for ANZ, with a remit to provide ANZ-wide co-ordination across our strategic ESG and climate-related activity. This includes developing an ESG Framework that sets our long-term objectives for climate transition and adaptation, and other sustainability goals.

ANZ's Business and Agri business unit has a network of around 40 sustainability 'champions' across Aotearoa New Zealand who share learning to support customer conversations on emissions reduction and other sustainability topics. A key focus for our champions in FY23 was delivery of our Business Green Loan, through information and advice to frontline bankers to support customer conversations. In FY24 we plan to build the role of our internal champions, with a strengthened mandate and formal climate-related key performance indicators (KPIs).

Next steps

We plan to:

- launch a refreshed ANZ NZ ESG framework
- strengthen the mandate of Business & Agri sustainability champions
- finish building the Aotearoa New Zealand Climate and ESG competency framework
- roll out a bank wide campaign to promote 'ESG@ANZ – Mindset 2030', and
- deliver the ESG@ANZ Climate Executive Leadership series.

At ANZ NZ, risk is everyone's responsibility.

We recognise it's important to incorporate climate change into our risk culture and how we manage risk to guide the right decisions for ANZ NZ, our customers, and communities.

ANZ NZ considers climate-related risk to be mainly a financial risk, but we acknowledge that climate-related risk may also increase other risks.

We continue to learn and develop our understanding of climate-related risk as we further integrate it into our business and risk culture.

We set out ANZ NZ's approach to identifying, assessing, and managing risk in our Risk Management Strategy, which describes how we manage all material risk types.

Our Risk Management Strategy acknowledges that climate change risk may manifest through our Key Material Risks, most notably through financial risks such as credit risk. Our most material climate change risk results from our lending to business and retail customers, including credit-related losses incurred through a customer being unable or unwilling to repay debt, or impacts to the value and liquidity of collateral. It may also result in additional market, operational or other risks. Climate-related impacts are managed in accordance with the risk management strategies associated with the applicable Key Material Risks.

While we expect climate-related risk to materialise mainly through credit risks, it may also heighten other risks, including:

- **Operational:** Climate risks may impact ANZ's business continuity by disrupting operations after severe weather events.
- **Compliance:** Climate-related regulation is complex and increasing, increasing the risk we don't comply.
- **Legal:** Stakeholders may employ tools to try to influence our behaviour, like activism, regulatory complaints, or strategic litigation.
- **Liquidity & Funding:** if we are unable to demonstrate that we manage climate-related risks appropriately ANZ could become less attractive for investors, which could impact our ability to replace maturing liabilities or make it harder or more expensive to raise wholesale funding.
- **Market:** Whilst there has not been material impact to foreign exchange and interest rate markets to date, there could be future changes to underlying commodity prices because of climate risk. ANZ NZ has limited direct exposure to commodity markets but, as ESG factors and their impacts on financial markets become better understood, this may lead to the creation of new products, derivatives, and markets to manage these market risks.

Where we've identified a risk as a key material risk for ANZ NZ, we manage any climate-related elements under the applicable management strategy.

Integrating climate-related risk into how we manage risk

We're in the process of integrating climate-related risk into our Risk Management Framework.

While we've made progress, we still have work to do to ensure that we appropriately consider climate-related risk in each component of our framework.

Our Risk Management Framework includes four key parts:

- **Risk Management Strategy**
  Our Risk Management Strategy describes how we identify, assess, and manage risk, including climate change risk and emerging risks, such as ESG, arising from our business strategy. We review this regularly.
- **Risk Appetite Statement**
  Our Risk Appetite Statement (RAS) outlines, for each Key Material Risk, the degree of risk that we will accept when following our strategic objectives and plans.

  We review the RAS at least yearly.

  The RAS reflects that climate-related risks arise mainly through credit risk. We monitor climate-related risk through credit risk metrics focusing on keeping a high standard of credit quality in our lending portfolios. In future, we intend to introduce more specific metrics or key risk indicators to improve our oversight of climate-related risk.
- **Our values and behaviours**
  Our values and behaviours at ANZ NZ set how we want our staff to act when delivering our business strategy.

  We include more in the 'Risk Culture' section on how we incorporate climate-related risk into our risk culture.
- **Key risk indicators**
  We manage how the Risk Management Framework is performing through regular oversight and key risk indicators, for example monitoring our Risk Appetite Statement metrics. ANZ's Board Risk Committee and Credit Risk Management Committee receive regular updates on our programme of work for managing climate-related risk.

Our risk culture

Risk culture is an intrinsic part of our Risk Management Framework, underpinning our staff's values, attitudes, and behaviours that drive the risk decisions we make.

We recognise it's important to incorporate climate-related risks into our risk culture. In FY23, we've:

- Supported customer-facing parts of ANZ NZ to start considering climate issues through strategy workshops and climate awareness training.
- Strengthened how we assess climate risk, including new risk appetite for energy sector customers of our Business and Agri Division, and improving our Climate Change Risk Assessment tool for certain Institutional customers.

Identifying and assessing climate-related risks

ANZ uses various tools and methods to identify and assess climate-related risk:

Table 12: An outline of the tools ANZ uses to identify climate-related risks

Tool	Risk process		Detail
	Identify	Assess	
Hazard mapping	√	√	We use location-specific physical hazard information to better understand possible hazard event scenarios. We use the ESGIS geospatial platform (see page 25 for more) to identify risks within our portfolios. In FY23, we analysed the risk of coastal inundation and inland flooding to our residential mortgage securities (see page 14).
Stress testing and sensitivity analysis	√	√	We complete climate stress testing under the RBNZ's stress testing programme. In 2022, ANZ took part in the RBNZ's first climate sensitivity analysis, exploring risks posed to the residential and agriculture credit portfolios by the effects of specific physical and transition risks. We're one of five banks taking part in the 2023 RBNZ Climate Stress Test. We'll seek to integrate lessons and insights into our risk management.
Horizon scanning	√		We identify climate-related risks by seeking external information to grow our understanding of the worldwide regulatory and macroeconomic landscape, for example, how it impacts our customers' supply chains. We review sectors in detail to understand their particular risks and opportunities.
Social and environmental screening	√	√	We screen all wholesale customers at the start of our relationship and aim to screen them at least yearly. Screening allows us to assess possible reputation, social, and environmental issues. If screening identifies potential issues, our staff must further explore those issues before lending. Customers operating in sectors we identify as higher risk must go through enhanced due diligence, with added screening questions. In 2023 we implemented a digitised screening tool for Institutional customers.

Scenario analysis can also help us to understand industry-based vulnerabilities and guide how we assess risk, and our strategic planning and decision making. In 2023, we reviewed our risk under three scenarios across our lending portfolios (see page 16).

Managing and integrating climate-related risks

Under ANZ's 'Credit Principles', 'Wholesale Judgemental Credit Policy and Requirements' we consider climate-related risks when lending to wholesale customers.

These credit principles and requirements define climate-related risks to help staff consider those risks in our credit assessment process for Business and Agri, and Institutional customers.

Retail lending decisioning is predominantly models based. We have not yet built climate-related considerations into our Retail decisioning models.

Our customer risk appetite

We set guardrails through strategies and policies around sectors and activities we have appetite for and the extent of that appetite. Examples of where we've introduced climate-related considerations into our appetite are set out below:

Energy sector customers – Business and Agri Banking[22]

We're increasingly building climate change into our credit risk assessments. In FY23 we introduced a new decision-making process applying to Business and Agri customers in the following high-emissions sectors:

- Coal, oil, or gas extraction and production, and other industries principally involved in servicing upstream fossil fuels
- Non-renewable electricity generation
- High process heat-using metal manufacturing.

A decision to onboard new customers in these industries must be escalated to senior decision makers within ANZ NZ, in addition to credit decision makers. We continue to support existing customers in these sectors, but will consider increased lending for customers in upstream coal, oil, and gas by exception only.

Our Institutional business includes a specialist team that manages larger customers in the energy sector. ANZ Institutional NZ's appetite approach is set out below.

Energy sector customers – Institutional Banking[23]

We expect new ANZ Institutional customers or projects in the energy sector to disclose Paris-aligned business plans by the end of FY25. This includes the extent to which their company strategy, emissions reduction targets, and planned capital expenditure are aligned with the international Paris Agreement goals[24].

This expectation aligns with the ANZ Group Social and Environmental Risk Policy which aims to ensure the energy portfolio across ANZ Group increasingly reflects the range of energy sources and new technologies that will support a global transition to net zero emissions by 2050.

We also apply an enhanced due diligence and decision-making process for Institutional 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 Group's Climate Change Commitment prior to proceeding. In this respect, the process includes 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 the ANZ Group Climate Change Commitment), then we may decline lending.

For more information about the ANZ Group Climate Change Commitment, approach to Energy Sector customers, and enhanced due diligence refer to the ANZ Group 2023 Climate related Financial Disclosures.

See pages 30-31 for more on ANZ's policies and tools which influence how ANZ does business.

How we assess climate change risk

We use a Climate Change Risk Assessment to help guide our engagement with some institutional customers. The CCRA is required for all Project Finance transactions, and assesses customers' exposure to potential physical risks and transition risks, and the customer's maturity in developing a transition plan.

The CCRA also helps us understand how customers are managing and disclosing their nature-related risks, including biodiversity loss. We acknowledge that customers' nature-related risks, including biodiversity loss, are increasing and we expect to expand and evolve this element of the CCRA over time.

This year, we implemented a digital version of the CCRA and integrated it into our credit risk assessment process for Institutional customers, alongside our Social & Environmental Risk screening tool. Outcomes of the assessment are included in the credit process and help inform credit decisions.

We are expanding the Climate Change Risk Assessment beyond our Project Finance business and, in FY24, we will use it for Institutional energy sector customers subject to the enhanced due diligence process, and to support our engagement with these customers on their climate transition planning (see page 24).

We are continually updating our tools and expertise to identify, assess, and manage climate-related risks. In FY24, we'll continue research and analysis to assess how climate-related risks may impact our customers across the economy.

Next steps

for managing climate-related risk

We aim to:

- extend physical risk analysis to Agriculture and Commercial Property lending
- build on our understanding of physical risk in the residential mortgage portfolio
- develop risk appetite metrics to allow us to track performance in key areas
- complete the 2023 RBNZ Climate Stress Test and consider lessons and insights to integrate into our risk management.

22 - ANZ's Business & Agri division generally serves commercial and agriculture business customers, ranging from small businesses with lending from $5k through to larger businesses with a lending limit of up to $20m (or up to $10m in the case of commercial property companies). Most large agricultural customers are served by the Business & Agri division.

23 - ANZ's Institutional Banking division serves our largest, most complex customers that meet one or more specific criteria. For example, these include: • being a listed public company • having turnover of greater than $50m • having a lending limit greater than $20m (or $10m in the case of commercial property companies). Exemptions may apply, depending on the customer's banking needs.

24 - The Paris Agreement is a legally binding international treaty on climate change adopted in 2015. Refer to the Glossary for a full definition

MEASURING OUR OPERATIONAL EMISSIONS

ANZ NZ's measured operational emissions for the 12 months to 30 June 2023 was 12,452 tonnes of carbon dioxide equivalent (tCO_2e).

Of these, our combined Scope 1 and 2 emissions were 3,602 tCO_2e.

Our science-aligned target[25] is to reduce our combined Scope 1 and 2 emissions by 90% by 2030 against a 2015 base year. This is a market-based target, meaning it takes into account our purchase of Renewable Energy Certificates (RECs).

This year, we achieved a 67% reduction in combined Scope 1 and 2 emissions (taking a market-based approach), compared with 2015. This equates to a 61% reduction in combined Scope 1 and 2 emissions if taking a location-based approach, i.e. if our renewable energy certificates are not taken into account[26].

Figure 3 shows our combined Scope 1 and 2 emissions reduction, since 2015, against our 2030 (market-based) target.

In FY24, we plan to review and reset our operational emissions targets to be location-based (in line with the NZ CS). We also plan to align our emissions reporting and targets to our financial reporting period (the twelve months ending 30 September). Currently, ANZ NZ measures and reports its GHG emissions (excluding financed emissions) for the twelve months ending 30 June, as this approach aligns with ANZ Group's requirements under the Australian National Greenhouse and Energy Reporting initiative.

- Table 13 provides a breakdown of our 2023 measured operational emissions by Scope 1, 2 and 3.
- Figure 4 provides a breakdown of all operational Scope 3 emissions sources we have measured.

Figure 3: ANZ NZ's combined Scope 1 and 2 emissions, against our 2030 (market-based) emissions reduction target

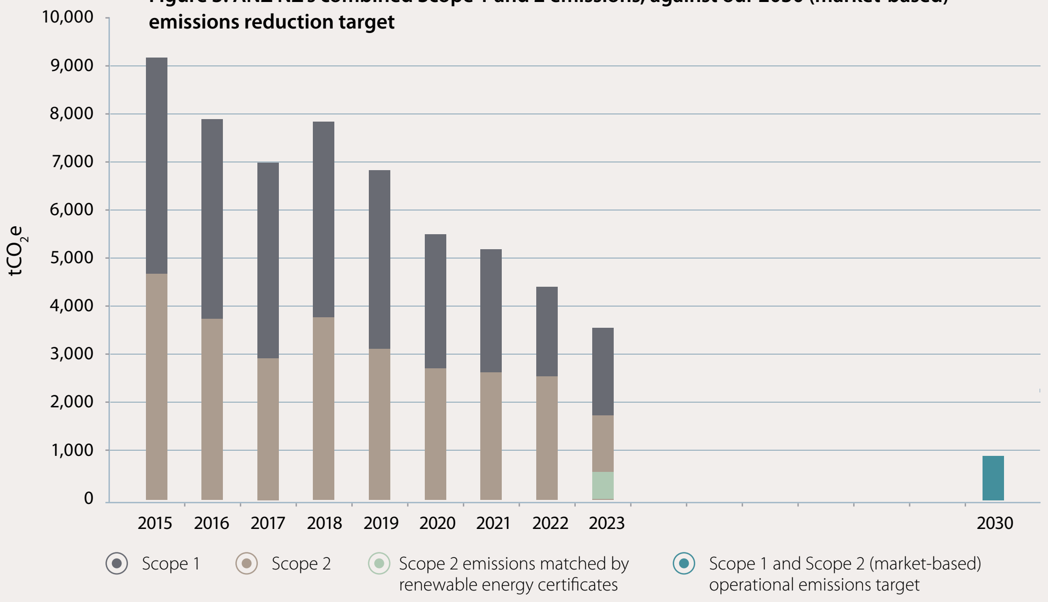


Table 13: Measured operational GHG emissions by Scope

Reporting period 1 July – 30 June	2015 (Base year)	2021	2022	2023
Scope 1	4,500	2,560	1,865	1,841
Scope 2	4,689	2,645	2,564	1,761 (1,200 market-based)
Scope 3	10,762	4,813	3,767	8,850
Total	19,951	10,018	8,196	12,452
Gross operational emissions per full time employee[27]	2.46	1.36	1.12	1.71

25 - We describe our emissions reduction target for our Scope 1 and 2 emissions as 'science-aligned', as we've used the Science-Based Targets Initiative methodology to set a target consistent with what climate science deems necessary to achieve the temperature goals of the Paris Agreement. We've not used the term 'science-based target' as our targets have not been validated by the Science-Based Targets Initiative.

26 - Scope 2 indirect GHG emissions from consumption of purchased electricity can be accounted for in two ways, using the location-based method or the market-based method. The location-based method reflects gross emissions calculated using the emissions intensity of the national electricity grid. The market-based method reflects net emissions from electricity that ANZ has purposefully chosen to purchase via renewable energy certificates.

27 - Not audited in 2023 by KPMG.

Indirect Scope 3 operational emissions sources

Our Scope 3 operational emissions are shown in Figure 4. An increase in some of our 2023 Scope 3 operational emissions reflects the end of COVID-19 restrictions. Employee commuting increased from 2022 as more employees returned to the office. Emissions from air travel increased by 159% from 2022 (though air travel emissions are around half the levels we saw before COVID-19).

In 2023, we began measuring added Scope 3 operational emissions:

- working from home
- Cloud emissions
- freight
- postage, and
- the embodied carbon from computer equipment we own.

Overall, our measured Scope 3 operational emissions increased 135% from the previous 12 months, with more than half of the increase due to the inclusion of new emission sources.

Our renewable energy certificates

ANZ has a target, aligned to the ANZ Group target, to purchase renewable electricity equivalent to 100% of our electricity consumption, by 2025. In the 2023 reporting period, we purchased Meridian-issued Renewable Energy Certificates, accounting for 27% of our electricity use[28].

How we offset our emissions

To meet the requirements for Toitū net carbonzero certification, in 2023 we offset 11,891 tCO_2e (our total operational emissions after buying renewable energy certificates) with verified carbon credits sourced from Aotearoa New Zealand and offshore.

We sourced 1,000 carbon credits from Spray Point, a native forest regeneration project in the upper Waihopai Valley in Marlborough[29]. We offset the rest of our emissions with credits sourced from the Inner Mongolia Shangdu Changshengliang Wind Farm Project in China[30].

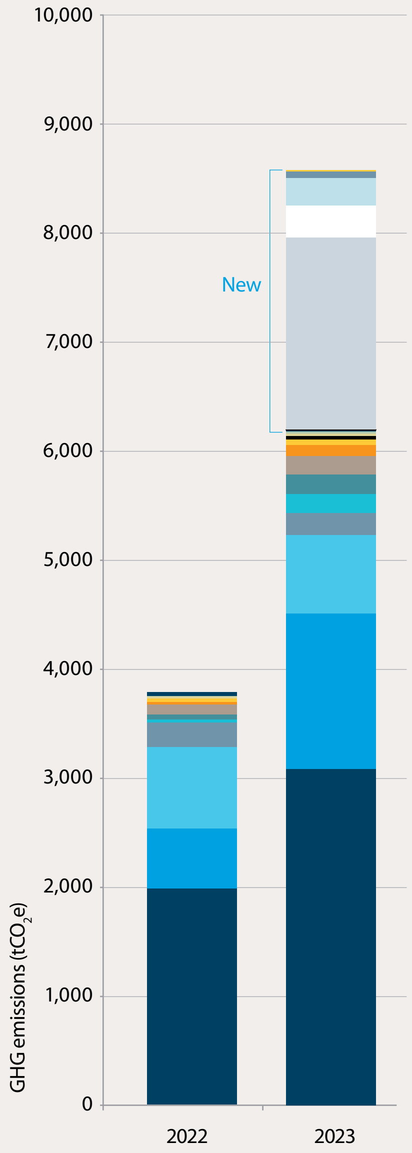
How we calculate operational emissions

We calculate our operational emissions using the GHG Protocol Corporate Accounting and Reporting Standard, applying the operational control consolidation approach.

Where available, we use Aotearoa New Zealand-specific emissions factors collated by the Ministry for the Environment. We used Global Warming Potentials from the Intergovernmental Panel on Climate Change fifth assessment report as our preferred global warming potential conversion.

See the appendix for more on how we calculate our emissions, and some of the assumptions, limitations and dependencies of our approach.

Figure 4: 2023 Scope 3 operational emissions



	2022	2023
Laptop & monitors embodied carbon		12
Freight		59
Working from home		252
Cloud emissions		292
Postage and mailing		1759
Office paper	0	0
Transport (rental) diesel	0	1
Transport (rental) gasoline	0	3
Stationary – Natural gas	34	11
Stationary – Diesel	4	19
Transport – Taxis	17	23
Water	3	34
Transport – Private vehicles	31	47
Accommodation	20	104
Landfilled Waste	92	168
Transport (fleet) – Gasoline	46	175
Transport (fleet) – Diesel	30	175
Electricity transmission & distribution	222	204
Customer paper	745	714
Air travel	550	1425
Transport - Employer commuting	1973	3074

28 - Meridian renewable energy certificates are validated as part of the NZ Energy Certificate System (NZECS) and certify that our renewable energy consumption is matched by renewable energy generation. More information is available on the Meridian website Certified Renewable Energy | Meridian Energy.
29 - Our New Zealand carbon credits are a permanent forest sink initiative (PSFI), registered with the New Zealand emissions trading register (NZETR).
30 - Our international credits are voluntary emission reduction (VER) credits, registered with the Australian national registry of emissions units (ANREU). All our credits have been assessed and approved as suitable for offsetting under the Toitū carbon programmes.

MEASURING OUR FINANCED EMISSIONS

In FY23, we calculated our financed emissions in our lending portfolios. The emissions from activities we finance through lending are the largest source of ANZ's Scope 3 GHG emissions.

We've based our approach on the Partnership for Carbon Accounting Financials (PCAF) standard. We calculated financed emissions across three asset classes under the PCAF standard:

- Residential Mortgages
- Business Loans and Unlisted Equity
- Commercial Real Estate.

Those classes are 98.2% of gross loans and advances[31] provided by ANZ at 30 September 2023. We refer to this as 'Assessed Lending'.

We calculated financed emissions in these classes as 4,921 kilotonnes of carbon dioxide equivalent (ktCO_2e).

Please see the Appendix at page 41 for more about our approach.

Financed emissions by sector

Lending to the agriculture sector represents 64% of our financed emissions and 11% of Assessed Lending at 30 September 2023.

Around 49.2% of Aotearoa New Zealand's national gross emissions are from agriculture[32].

We accept that opportunities for agriculture customers to reduce GHG emissions are still emerging. We plan to work in FY24 to improve the accuracy of how we measure financed emissions by collecting customer emissions data. And we aim to work with the sector to explore a road map to set targets to reduce emissions.

At 72%, residential mortgages are the largest sector by Assessed Lending, but only around 3% of our financed emissions.

We provide a breakdown of ANZ Assessed Lending by sector in Figure 5, a breakdown of ANZ's financed emissions across our Assessed Lending in Figure 6, and a more detailed breakdown of financed emissions for agriculture in Figure 7.

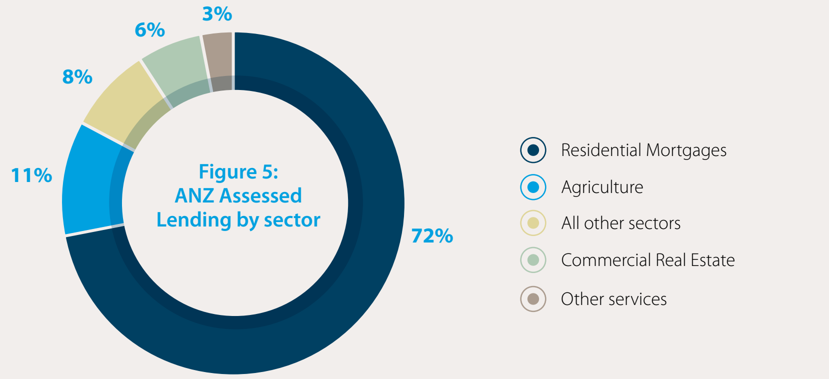


Figure 5: ANZ Assessed Lending by sector

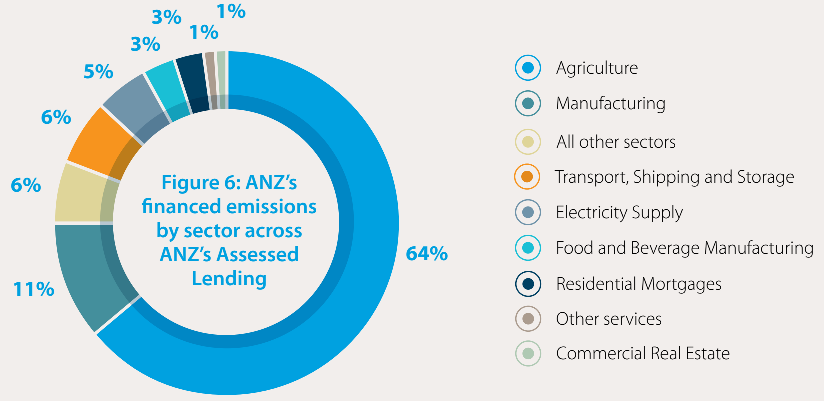


Figure 6: ANZ's financed emissions by sector across ANZ's Assessed Lending

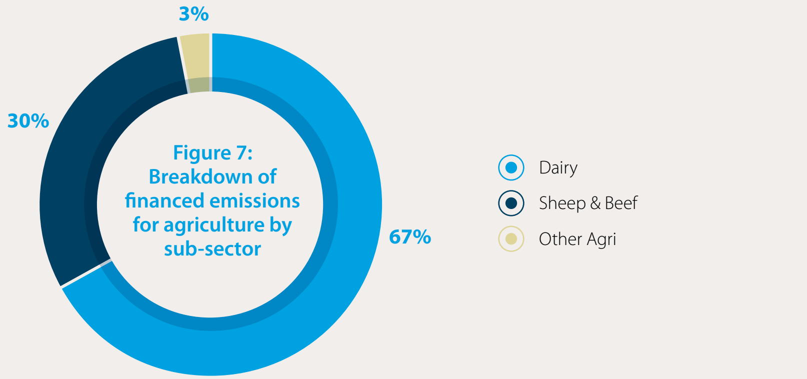


Figure 7: Breakdown of financed emissions for agriculture by sub-sector

31 - Gross loans and advances is made up of loans and advances, capitalised brokerage and other origination costs less unearned income.
32 - Ministry for the Environment. (2023). Te Rārangi Haurehu Kati Mahana a Aotearoa/New Zealand's Greenhouse Gas Inventory: Fulfilling reporting requirements under the United Nations Framework Convention on Climate Change and the Kyoto Protocol. New-Zealands-Greenhouse-Gas-Inventory-1990-2021-Chapters-1-15.pdf (environment.govt.nz)

About our data quality

The PCAF standard assigns data quality scores based on the accuracy of source data and emissions calculations. The data quality scale ranges from 1 (verified, actual emissions) to 5 (emissions calculations using an estimate of general economic activity).

We achieved a data quality score of 3.17 for our agriculture sector financed emissions. Our model used customer production and consumption data with financial data to calculate financed emissions more accurately.

The data quality score across the rest of the sectors we assessed ranged from 4.03 to 5.

The weighted average data quality score across all our FY23 portfolio financed emissions was 4.06.

Assumptions and limitations in our calculations

We've estimated our financed emissions primarily relying on assumptions. There are also limits in our method and the availability and quality of data. Our estimates of emissions may not reflect our customers' actual emissions.

We explain more in the appendix, page 41.

PCAF Data Quality Scores

CERTAIN

Score 1
Audited GHG emissions data or actual primary energy data

Score 2
Non-audited GHG emissions data, or other primary data

Score 3
Averaged data that is peer/(sub-)sector specific

Score 4
Proxy data on the basis of region or country

Score 5
Estimated data with very limited support

UNCERTAIN

Source: Partnership for Carbon Accounting Financials (PCAF)

Table 14: Assessed Lending, financed emissions and PCAF data quality scores by sector

2023					
Sector*	Assessed Lending as at 30 September 2023		Absolute combined Scope 1 & 2 financed emissions		Weighted PCAF data quality score
	%	$m	%	[$ktCO_2e$]	-
Agriculture	10.81	15,883	64.45	3,171	3.17
- Dairy			43.24	2,128	3.08
- Sheep & Beef			19.46	957	3.07
- Other Agri			1.75	86	3.63
Manufacturing	0.85	1,255	10.97	540	4.94
Transport, Shipping and Storage	0.78	1,150	5.69	280	5.00
Electricity Supply	0.30	437	4.76	234	4.99
Food and Beverage Manufacturing	0.84	1,234	3.29	162	4.53
Residential Mortgages	72.25	106,162	2.75	135	4.03
Other Utilities	0.15	221	2.42	119	5.00
Other Services	2.65	3,898	1.15	56	4.99
Construction	0.59	863	1.11	55	5.00
Commercial Real Estate	5.77	8,477	0.84	42	4.43
Mining	0.12	181	0.67	33	5.00
Oil and Gas			0.56	27	5.00
Other Mining			0.11	6	5.00
Other	4.88	7,178	1.89	93	4.97
TOTAL	**100.00**	**146,939**	**100.00**	**4,921**	**4.07**

* We note there are methodology and sector grouping differences between PCAF sector categories and Financial Disclosure industry sectors.

OUR CLIMATE-RELATED TARGETS

The following table sets out our key climate-related targets, and how we plan to measure progress against those targets over specified timeframes. ANZ's ability to meet the targets is dependent on a number of factors, including data availability, Government regulations and policy settings, and third-party input. For further information, please see the "About this report" section.

Target	by	Start	FY23 progress	FY24 planned actions
Helping Aotearoa New Zealand homeowners improve the sustainability of their homes and/or reduce their transport emissions through discounted lending of at least $670m in aggregate to at least 16,000 households by end 2025[33].	2025	2020	9,482 households since October 2020 have drawn down $379.09m In FY23 we extended Good Energy Home Loan top-up criteria to include e-bikes and water heating systems.	Ongoing.
Contribute to ANZ Group funding and facilitating at least A$100 billion by end 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.[34]	2030	2023	Since 1 April 2023, ANZ has funded and facilitated approximately $570m, of which $195m is funded and $375m is facilitated.	In FY24 we intend to set and report a 2030 social and environmental sustainability target for ANZ (that contributes to the ANZ Group target).
Establish sectoral decarbonisation pathways and targets for two Aotearoa New Zealand industry sectors.	2024	-	ANZ customers are included in some ANZ Group sectoral pathways.	In FY24, we will establish our first sectoral decarbonisation pathways and targets for our ANZ lending portfolios.
Engage 100 Institutional Banking customers in Aotearoa New Zealand to encourage and support their climate transition planning.	2024		We engaged 50 Institutional customers.	We intend to engage a further 50 customers and run ANZ NZ customer engagement parallel to the ANZ Group Large Emitters Engagement Programme.
Work to improve Partnership for Carbon Accounting Financials data quality score for financed emissions over time.[35]	2024	2023	4.07 weighted average data quality score.	In FY24, we intend to begin to collect more actual customer emissions data to support greater data accuracy over time.
Reduce combined Scope 1 and 2 emissions by 90% by 2030 against 2015 base year (using a market-based method for Scope 2 calculations).	2030	2015	We reduced Scope 1 and 2 emissions by 61% (location based) compared to base year and 67% (market based) compared to base year.	We intend to review and re-set our operational emissions targets to be location-based and to align with the ANZ financial year.
Maintain Toitū, or market equivalent, net carbonzero certification for our operational emissions.	Ongoing	2023	Toitū net carbonzero certified for 2023.	We intend to maintain Toitū or market equivalent net carbonzero certification.
Buy enough renewable electricity to match 100% of our annual electricity consumption by 2025 (assuming such certificates are available for purchase).	2025	n/a	Bought renewable energy certificates to cover 27% of our 2023 electricity use.	We intend to buy renewable energy certificates to match 100% of the electricity we purchase.
Develop climate competency framework for ANZ NZ.	2024		-	New for FY24. Under the framework, we intend to define climate-related expertise needed across all ANZ roles.
Work towards 5,000 ANZ staff completing module one of ESG@ANZ — Mindset 2030.			In FY23 2,439 ANZ staff completed 'Mindset 2030' climate change training.	In FY24 we plan to rollout a bank-wide ESG@ANZ Mindset 2030 communications campaign.
Extend physical risk analysis to agriculture and commercial property lending by end FY24.	End FY24	2023	Sourced data from internal and external sources.	In FY24 we intend to assess which physical risks to prioritise for agriculture and commercial property sectors and undertake analysis of these risks.

33 - The target consists of drawn lending, is cumulative, and includes these products that we've provided since 1 October 2020: Healthy Home Loan Package, Interest-free Insulation Loans (no longer available) and Good Energy Home Loan top ups. To meet this target, ANZ is dependent on market demand and the availability of qualifying products on the New Zealand market. These dependencies can be influenced by Government regulation and policies.

34 - To meet this target, ANZ is dependent on market demand which can be influenced by Government regulations and policies.

35 - To meet this target over time, ANZ is dependent on the willingness of customers to share their emissions data with us.

APPENDIX 1: HOW WE CALCULATE OUR OPERATIONAL GHG EMISSIONS

We measure our impact and emissions in accordance with the ANZ Greenhouse Gas Reporting and Carbon Offset Standards[36], which follows the GHG Protocol. Key details are shown in the table below:

Detail	Basis/Approach
Annual reporting cycle	We calculate our annual operational GHG emissions using a reporting period of 1 July to 30 June to align with Australian National Greenhouse and Energy Reporting requirements. We will align the reporting period to our financial reporting period of 1 October to 30 September from FY24.
Base year	Our base year for our combined Scope 1 and 2 emissions target is 1 July 2014 to 30 June 2015.
Standards used	We use the following standards to calculate our GHG emissions: • World Resource Institute/World Business Council Sustainable Development (2004) • The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard WRI/ WBCSD, Geneva • National Greenhouse
Gases included in inventory	Our annual GHG inventory includes all seven GHG listed under the Kyoto Protocol: • Carbon dioxide (CO_2) • Methane (CH_4) • Nitrous oxide (N_2O) • Hydrofluorocarbons (HFCs) • Perfluorocarbons (PFCs) • Sulphur Hexafluoride (SF_6) • Nitrogen Trifluoride (NF_3)
Consolidation approach	We use an operational control basis, as defined in the GHG Protocol Corporate Accounting and Reporting Standard.
Organisational boundary	Our corporate GHG inventory includes direct (Scope 1) and indirect (Scope 2) GHG emissions arising from activities undertaken at facilities under operational control for all or part of the reporting year. These facilities include: • Corporate offices • Retail branches and business centres • Data centres • ATMs We also include in our organisational boundary emissions arising from certain activities that are ancillary to the principal activity performed at another facility and which come under the 'overall control' of ANZ. An example of this is the emissions arising from 'tool-of-trade' vehicles driven by ANZ employees which is ancillary to activities performed by ANZ at a fixed location e.g. a retail branch or commercial office. ANZ also includes in its organisational boundary: • A number of indirect (Scope 3) emissions that occur as a consequence of the activities undertaken by ANZ, but arise from facilities outside the operational control of ANZ.

The tables below outline the Scope 1, 2, and 3 operational GHG emissions that ANZ NZ measures and reports, and the emissions factors we've used.

Scope 1 emissions

Direct GHG emissions that occur from sources ANZ owns or controls.

Emissions source	Description	Data source	Units	Key methodology details
Stationary natural gas	Emissions from consuming natural gas in ANZ properties.	Fuel use reports	GJ	No key methodology details.
Stationary diesel	Emissions from consuming diesel in ANZ properties, mostly to run backup generators.	Fuel use reports	L	No key methodology details.
Petrol used in fleet and rental cars[37]	Emissions from consuming petrol in our vehicle fleet and cars rented by our staff.	Fuel use Odometer readings Supplier report	L	Employees can use 'tool of trade' vehicles for personal use. We calculate emissions on the total km, without collecting personal use data.
Diesel used in fleet cars	Emissions from consuming diesel in our vehicle fleet.	Fuel use Odometer readings	L	

Note: We've excluded refrigerant leakage from Scope 1 emissions as we've assessed it as immaterial.

Scope 2 emissions

Indirect GHG emissions arising from the generation of electricity that ANZ buys and consumes.

Emissions source	Description	Data source	Units	Key methodology details
Electricity	Emissions from electricity used by our data centres, commercial and retail premises and ATMs at non-ANZ sites.	Invoices	kWh	We estimate electricity used by ATMs that aren't on ANZ sites using ATM model specifications.

36 - Available at ANZ Greenhouse Gas Reporting and Carbon Offset Guidelines.

37 - ANZ includes rental vehicle emissions in Category 1 in line with Australian National Greenhouse and Energy Reporting requirements. Staff must comply with ANZ's operating and OSH policies when hiring cars, and the emissions arising from the combustion of fuels are considered within ANZ's operational control.

Scope 3 emissions

Scope 3 emissions are indirect GHG emissions that are a result of ANZ activities but occur from sources not owned or controlled by ANZ. Financed emissions are category 15 emissions within Scope 3 and we discuss these below and also on page 35.

Emissions source	Description	Data source(s)	Units	Key methodology details
Transport - taxis	Emissions from consuming fuel in taxis used by our employees.	Employee spend	$	We use an emissions factor derived from ATIA (Australian Taxi Industry Association) average fare data and the Australian Government's Green Vehicle Guide. This process was implemented before specific MfE emissions factors were available for taxi travel and we will replace them with an MfE emissions factor for 2024.
Transport – business use of private vehicles	Emissions from consuming fuel when our employees use their own vehicle for business.	Employee reporting	km	We apply an emissions factor for a mid-sized petrol car.
Air travel	Emissions from consuming fuel in planes for business flights.	Travel provider flight details report	Person km	For domestic travel, we apply an average emissions factor (with radiative forcing multipliers). For international travel, we collect data on the length and class of travel. We apply emissions factors for short and long haul, and economy, premium economy, business, or first class travel. We use the United Kingdom's Department for Environment, Food, and Rural Affairs[38] emissions factors (with radiative forcing multipliers) for international flights so calculations across all ANZ geographies are consistent.
Employee commuting	Emissions from consuming fuel in the vehicles our employees use to commute to work.	FTE report NZ census	tCO_2e	We use swipe card data to calculate the number of employees who come into the office each day. We use NZ Census Means of Travel data to estimate the modes of transport employees use to travel to work.
Accommodation	Emissions from accommodation used by employees when they travel for business.	Travel provider accommodation report	Room nights	We use United Kingdom's Department for Environment, Food, and Rural Affairs emissions factors for international accommodation. Where no emissions factor was published in 2023 we used the last available emissions factor, or if no emissions factor was available, we used an average of factors for similarly developed countries.
Transmission and distribution losses	Emissions from the generation of electricity that is lost in transmission and distribution.	Scope 2 electricity use invoices	kWh	We applied a standard calculation.
Petrol lifecycle emissions	Upstream emissions of extraction, production and transport of the petrol used in our fleet vehicles and rental cars.	Scope 1 fuel use data	L	We used emissions factors published in the Australian Government's National Greenhouse and Energy Reporting (Measurement) Determination 2008 for stationary natural gas and diesel lifecycle emissions (there is no published New Zealand factor).
Diesel lifecycle emissions	Upstream emissions of extraction, production and transport of the diesel used in our fleet vehicles and rental cars.	Scope 1 fuel use data	L	
Office paper	Emissions from producing paper used in ANZ offices.	Supplier use report	t	N/A as our supplier is certified as carbon neutral[39].
Customer paper	Emissions from producing paper used for customer materials like statements, brochures and envelopes.	Supplier use reports	t	We relied on a monthly report provided by our supplier.
Landfilled waste	Emissions from decomposing waste that is sent to landfill.	Supplier waste weight report	t	Our waste contractor weighs our bins. We used the MfE emissions factor for general waste of unknown composition for our landfilled waste.
Water	Emissions from the provision of water to our sites and processing wastewater.	Invoices Office area	kL	Water is metered and invoiced directly for most of our sites. Where water is included in the lease and there is no visibility of use, we estimate water use based on the square metres of the site.
Working from home	Emissions associated with electricity consumption, and other emissions occurring from staff working in off-site locations.	FTE report	Employee days	We calculate this by subtracting the number of employees in the office each day (using turnstile data) from the total number of ANZ employees. We apply the MfE default emissions factor for working from home.
Freight	Emissions created by couriers and postage that ANZ pays for.	Supplier reports	tCO_2e	Our supplier provides a pre-calculated report of emissions associated with their service.
Postage and mailing	Emissions associated with postage, largely of statements and information to customers.	Supplier reports	tCO_2e	Our supplier provides a pre-calculated report of emissions associated with their service.
Laptop and monitor embodied carbon	Emissions associated with manufacture of the laptops and monitors we purchase.	Supplier product carbon footprint documents	tCO_2e	We've taken data directly from the manufacturers' own Product Carbon Footprint reports.
Cloud emissions	Emissions associated with the resources required to store data in the Cloud.	Supplier reports	tCO_2e	Our cloud storage providers supply pre-calculated reports of emissions associated with their services.

38 - The United Kingdom's Department for Environment, Food and Rural Affairs (DEFRA) publishes an extensive set of internationally recognised emissions factors.
39 - Our office paper supplier, NXP, offers a product range that is carbon neutral, certified to the Climate Active Carbon Neutral Standard (previously the National Carbon Offset Standard), a programme run in partnership with the Australian Government.

Scope 3 operational emissions sources

This table outlines the Scope 3 emissions sources we've included in our emissions inventory. We've excluded several Scope 3 categories because they're not applicable or are immaterial, or it's not technically feasible or cost effective to quantify them.

Scope 3 category		Included
1	**Purchased goods and services**	• Customer paper • Office paper • Cloud emissions (associated with our data storage) • Water
2	**Capital goods**	• Laptops' and monitors' embodied carbon
3	**Fuel and energy-related activities**	• Electricity transmission and distribution (to get the electricity used in Scope 2 to our sites) • Upstream emissions of the petrol and diesel we consume in our fleet and rental cars • Upstream emissions of the natural gas and diesel we consume on our premises
4	**Upstream transportation and distribution**	• Freight (DHL) • Postage/mailing (NZ Post)
5	**Waste generated in operations**	• Landfilled waste
6	**Business travel**	• Air travel • Taxis • Private vehicles used for business purposes • Accommodation
7	**Employee commuting**	• Employee commuting • Working from home
8	**Upstream leased assets**	Not applicable/Excluded
9	**Downstream transportation and distribution**	Not applicable/Excluded
10	**Processing of sold products**	Not applicable/Excluded
11	**Use of sold products**	Not applicable/Excluded
12	**End-of-life treatment of sold products**	Not applicable/Excluded
13	**Downstream leased assets**	Not applicable/Excluded
14	**Franchises**	Not applicable/Excluded
15	**Investments**	Financed emissions (reported separately – see below)

APPENDIX 2: FINANCED EMISSIONS

Our financed emissions reporting for FY23 covers ANZ NZ's activities, with the exclusions outlined below.

We've calculated financed emissions for on-balance sheet gross loans and advances ('lending') as at 30 September 2023, across three asset classes as defined in the Partnership for Carbon Accounting Financials standard:

- **Business Loans & Unlisted Equity**
  Loans and lines of credit drawn by businesses, non-profits, and other organisations that aren't traded on a market, and are for general corporate purposes.
- **Residential Mortgages**
  Loans to buy or refinance residential property, including individual homes and multi-family housing with few units.
- **Commercial Real Estate**
  Loans to buy or refinance commercial real estate, and on-balance sheet investments in commercial real estate when the financial institution has no control over the property.

We took the following steps:

- Estimated total emissions[40] of borrowers' Scope 1 and Scope 2 emissions sources.
- We excluded Scope 3 emissions from our customers from this year's reporting but may include in future years.
- Calculated share of each customer's asset base financed through ANZ lending ('attribution factor').
- Multiplied the estimated total emissions by the attribution factor.
- Totalled financed emissions estimates by industry sector, using Australian New Zealand Standard Industrial Classification codes.

Our method for business loans and unlisted equities

We used the default, agri, or actual emissions data methods to calculate financed emissions for business loans.

Default method

We used sector-specific debt-based emissions factors ($tCO_2e/\$$) multiplied by the outstanding loan balance.

To calculate debt-based emissions factors, we used:

- Statistics New Zealand's Greenhouse Gas Inventory
- The Energy Efficiency and Conservation Authority's Energy Usage
- The Ministry for the Environment Emission Factors, and
- RBNZ official lending data.

We calculated attribution factors at a sector level using combined annual customer financial information, then assigned attribution factors to each customer based on their Australian and New Zealand Standard Industrial Classification code.

If we could use customer specific data, we replaced the default method with the agri or actual emissions data method.

Agri method

We used an estimate of actual emissions where customers had complete annual financial information covering expenses and livestock.

We used financial data to estimate a customer's production and consumption figures and multiplied this by Ministry for the Environment emissions factors to estimate total emissions. We based:

- consumption estimates on commodity price data for vehicles, electricity, and fertiliser from external sources and
- production estimates on livestock units (heads).

We calculated attribution factors for each customer by dividing their outstanding loan balance by total assets.

Actual emissions data method

We used actual emissions results where available for some listed entities.

To calculate the attribution factor for each entity, we divided the outstanding loan balance by total company value, being enterprise value including cash.

Our method for residential mortgages

We calculated attribution factors using outstanding loan balances as a proportion of the property's value. Where mortgages secure lending across a group, we calculated the attribution factor at customer group level, combining all lending and all property values.

To calculate emissions, we applied the relevant emissions factor at property level. We used an emissions factor:

- per square metre where we know floor area, or an emissions factor per dwelling otherwise
- per dollar of debt where residential security wasn't directly linked to the lending.

We used the business loans method for any home loans for business purposes.

Our method for commercial real estate

We calculated the attribution factor using the outstanding loan balances as a proportion of the property's value. Where mortgages secure lending across a group, we calculated the attribution factor at customer group level, combining all lending and property values.

We used an emissions factor:

- per square metre where we know floor area, or an average floor area per building otherwise
- per dollar of debt where a commercial building wasn't directly linked to the lending
- Where a business owns premises under a non-property related Australian and New Zealand Standard Industrial Classification code, financed emissions for these loans are calculated by the business loan asset class.

40 - Total Emissions are equivalent to Absolute Emissions - Emissions attributed to a financial institution's lending and investing activity. Expressed in tonnes CO_2e. (Page 131 – The Global Greenhouse Gas Accounting and Reporting Standard Part A: Financed Emissions. Second Edition).

Some things to know about our financed emissions calculations

Timing differences in data used

We've used the most recent internal and external data we could get to estimate financed emissions (see page 35).

- Sometimes, the data source we've used doesn't align with our reporting period.
- We also haven't had external data independently verified.

We know there are timing differences of up to two years between our FY23 reporting period and the Statistics New Zealand, the Energy Efficiency and Conservation Authority, and RBNZ data used.

- Livestock units are taken at financial year end and don't reflect changes in herd sizes over the year.
- We don't account for unintentional residential property or commercial real estate emissions.

Other asset classes

We've included motor vehicle loans (~0.1% of overall lending) and Project Finance instruments (~0.8% of overall lending) in our business loans method due to data limitations.

Exclusions

Our financed emissions reporting solely includes Gross Loans and Advances - other financial assets are planned to be considered for inclusion in FY24 reporting. Exclusions from Gross Loans and Advances, based on the application of PCAF, include funding of construction, vacant land and non-residential mortgage lending to consumers.

ANZ is a licensed provider of a Discretionary Investment Management Service (DIMS). DIMS allows ANZ customers to invest into a diversified portfolio of investments managed at ANZ's discretion, based on an agreed strategy. ANZ Custodial Services New Zealand Limited, a wholly owned subsidiary of ANZ, holds investments on trust for DIMS investors.

DIMS portfolios are predominantly invested into unregistered managed investment schemes managed by ANZ Investments and, to a lesser extent, directly held securities. All DIMS portfolios are invested and managed in accordance with ANZ Investment's responsible investment framework, including its list of excluded companies.

Financed emissions from DIMS portfolios are not included in our estimate of financed emissions. ANZ does not consider that these emissions are attributable to ANZ's corporate activities as the investments are held on trust for clients, and do not represent assets or liabilities of ANZ.

From time to time some DIMS portfolios may invest into the ANZ International Property Fund within the ANZ Investments Single-Asset-Class Scheme[41] (SAC), a registered scheme managed by ANZ Investments. ANZ Investments will disclose the financed emissions from the ANZ International Property Fund in the SAC's FY24 climate statement.

We may overstate or understate emissions

Using several data sources and ways of calculating estimates of emissions may mean we've understated or overstated emissions across sectors or asset classes.

We've based:

- results on on-balance sheet amounts as at 30 September 2023, excluding lending that customers had not yet drawn
- customer annual financial information on the most recent financial data available at the reporting date, regardless of the customer's financial year end.
- expense line items for customers assuming they're a mix of products reflecting the generic consumption breakdown of Aotearoa New Zealand's Agri sector.

We've also assumed that:

- all actual emissions data we've been able to source aligns to the GHG Protocol or other industry standards, but the data may be unaudited, and
- we've identified our securities correctly, including whether properties are residential or commercial.

41 - This scheme is marketed as the OneAnswer Single-Asset-Class Funds.

External data sources we used

As well as internal data sources, we've used the following to help estimate financed emissions:

Asset Class	Description	Data source(s)	Units	Name of Source (incl date of data, page number or section ref)
Mortgages	Total NZ dwelling count	Stats NZ	-	Estimated Private Dwellings, as at Q3 2023[42]
	Number of building consents	Stats NZ	-	Annual Building consents by territorial authority – as at 31 December 2022[43]
	Household GHG by region (Scope 1)	Stats NZ	ktCO_2e	Greenhouse gas emissions (industry and household), as at quarter ending 31 December 2022[44]
	Electricity consumption figures (Regional)	EMI – Electricity Authority	kWh	Residential consumption trends ending 31 August 2023[45]
	Electricity consumption figures (National)	EMI – Electricity Authority	kWh	Residential consumption trends ending 31 August 2023
	Emissions factor of Scope 2 (electricity) and Scope 1 (natural gas)	Ministry for the Environment	kgCO_2e/kWh	Measuring Emissions 2023 Emission Factors Flat File[46]
	Building type emissions	U.S. Energy Information Administration	BTU/dwelling	2020 Residential Energy Consumption Survey[47]
Mortgages / Commercial Real Estate	Dwelling type, floor area of house/building	Valocity	Various	Valocity NZ, September 2023[48]
Commercial Real Estate	Emissions factor of Scope 2 (electricity) and Scope 1 (natural gas)	Ministry for the Environment	kgCO_2e/kWh	Measuring Emissions 2023 Emission Factors Flat File[49]
	Average energy consumption of commercial buildings across NZ	Building Research Association of New Zealand	kWh/m^2/yr	Building Energy End-Use Study, 2014[50]
	Commercial building consents, floor area	Stats NZ	Number of consents/m^2	Building consents by territorial authority (Annual Report-September 2022)[51]
Business Loans & Unlisted Equities	Debt per industry	RBNZ	$	Banks: Assets – Loans and Repos by Industry (s34) – as at August 2023[52]
	Electricity used per industry	EECA	TJ	Energy End Use Database 2021[53]
	Emissions per industry	Stats NZ	tCO_2e/industry	Greenhouse gas emissions (industry and household): Year ended 2021[54]
Business Loans & Unlisted Equities - Agri	Emissions factors for different livestock types and for electricity, fuel, and fertiliser	Ministry for the Environment	kgCO_2e/unit	Measuring emissions: A guide for organisations: 2023 emission factors[55]
	Emissions prices for nitrogen fertiliser and lime	Ravensdown & Ballance	$/t	Prices are collected quarterly and averaged over a year[56]
	Fuel commodity pricing for petrol and diesel	MBIE	cents/L	MBIE weekly fuel price monitoring as at 29 September 2023[57]
	Electricity pricing	MBIE	$/kWh	MBIE Electricity Energy Prices for 2023[58]
Business Loans & Unlisted Equities – Listed Entities	Actual reported customer emissions	Bloomberg	ktCO_2e	Bloomberg

42 - Stats NZ Tatauranga Aotearoa InfoShare tool https://infoshare.stats.govt.nz/

43 - Stats NZ Tatauranga Aotearoa InfoShare tool https://infoshare.stats.govt.nz/

44 - Stats NZ Tatauranga Aotearoa. (2023, July 20). Greenhouse gas emissions (industry and household): December 2022 quarter. https://www.stats.govt.nz/information-releases/greenhouse-gas-emissions-industry-and-household-december-2022-quarter

45 - Electricity Authority Te Mana Hiko Residential consumption trends. www.emi.ea.govt.nz/r/ymbor

46 - Ministry for the Environment. (2023, August 7). Te ine tukunga: He tohutohu pakihi Measuring emissions: a guide for organisations: 2023 emission factors summary. https://environment.govt.nz/publications/measuring-emissions-a-guide-for-organisations-2023-emission-factors-summary/

47 - U.S. Energy Information Administration. Residential energy consumption survey (RECS). https://www.eia.gov/consumption/residential/

48 - Valocity portal. https://valocity.co.nz/

49 - Ministry for the Environment. (2023, August 7). Te ine tukunga: He tohutohu pakihi Measuring emissions: a guide for organisations: 2023 emission factors summary. https://environment.govt.nz/publications/measuring-emissions-a-guide-for-organisations-2023-emission-factors-summary/

50- Amitrano, L. (ed.). (2014). Study Report SR 297/1 [2014]: BEES Part 1: Final report: Building energy end-use study. https://d39d3mj7qio96p.cloudfront.net/media/documents/SR297.1_BEES_Part_1_Final_Report.pdf

51 - Stats NZ Tatauranga Aotearoa InfoShare tool https://infoshare.stats.govt.nz/

52 - Reserve Bank of New Zealand Te Pūtea Matua. (2023, October 31). Banks: Assets – Loans and repos by industry (S34). https://www.rbnz.govt.nz/statistics/series/registered-banks/banks-assets-loans-and-repos-by-industry

53 - Te Tari Tiaki Pūngao Energy Efficiency & Conservation Authority. Energy End Use Database. https://www.eeca.govt.nz/insights/data-tools/energy-end-use-database/

54 - Stats NZ Tatauranga Aotearoa. (2023, May 31). Greenhouse gas emissions (industry and household): Year ended 2021. https://www.stats.govt.nz/information-releases/greenhouse-gas-emissions-industry-and-household-year-ended-2021/

55 - Ministry for the Environment. (2023, August 7). Te ine tukunga: He tohutohu pakihi Measuring emissions: a guide for organisations: 2023 emission factors summary. https://environment.govt.nz/publications/measuring-emissions-a-guide-for-organisations-2023-emission-factors-summary/

56 - Ravensdown. (n.d.). Our Current Price Lists. https://www.ravensdown.co.nz/services/product-availability/price-list

57 - Ministry of Business, Innovation & Employment Hīkina Whakatutuki. (n.d.). Weekly fuel price monitoring. https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/weekly-fuel-price-monitoring/

58 - Ministry of Business, Innovation & Employment Hīkina Whakatutuki. (n.d.). Energy prices. https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/energy-prices/

Data quality scores

We've assigned data quality scores to each of the assessed asset classes using PCAF data quality guidance.

Table 15: PCAF data quality scores by calculation method

Asset class	Emission estimation method	PCAF data quality score	Percentage of asset class lending	Percentage of Assessed Lending
Business loans and unlisted equities	Default (debt-based)	5	54.1%	11.9%
	Agri	3	45.0%	9.9%
	Actuals	2	0.9%	0.2%
	Total	**4.07**	**100%**	**22.0%**
Commercial real estate	Floor areas known	4	45.8%	2.6%
	Floor areas unknown	5	47.0%	2.7%
	Debt-based	5	3.4%	0.2%
	Actuals	2	3.9%	0.2%
	Total	**4.43**	**100%**	**5.8%**
Residential mortgages	Floor areas known	4	96.6%	69.8%
	Floor areas unknown	5	<0.01%	<0.01%
	Debt-based	5	3.4%	2.5%
	Total	**4.03**	**100%**	**72.2%**
TOTAL		**4.07**		**100%**

APPENDIX 3: PHYSICAL RISK

We've mapped hazard data to ANZ's residential mortgage security portfolio by linking property identifiers in the flood hazard data sets to ANZ's Property Securities Register.

We've sourced data from these third parties:

Provider	Data
Valocity	Property location data
NIWA	Coastal flooding modelling
Moody's RMS	Inland flood modelling

Coastal flooding

NIWA's data maps the depth and extent above the land of flooding from mean sea level rise, with storm-tide and wave setup from a storm with a 100-year annual recurrence interval. Their datasets included permanent sea level rise in increments of 10cm (up to 2m) above current mean sea level rise.

ANZ worked with our data providers to map the datasets to Intergovernmental Panel on Climate Change Representative Concentration Pathways 2.6, 4.5, and 8.5.

We used the 2017 Ministry for the Environment guidance 'Coastal Hazards and Climate Change: guidance for local government'[59].

Representative Concentration Pathways (RCP) 2.6, 4.5 and 8.5 correspond to the 'Orderly', 'Too Little, Too Late' and 'Hothouse' scenarios the New Zealand Banking Association published, which ANZ NZ used to identify climate-related risk and opportunities (see page 18).

When selecting a sea level increment to use, we've rounded up to the nearest 10cm to avoid excluding properties that would fall in the modelled flooding zone otherwise.

Inland flooding

We sourced data from Moody's RMS who use a proprietary method to model anticipated damage to New Zealand properties from flooding caused by extreme rainfall or the overflow of rivers or streams.

Moody's RMS generates Flood Risk Scores using a physics-based flood model (also called catastrophe model) which insurance companies also use to predict potential damage and financial loss from major flood events.

The model explores probable and potential flood events, accounting for the effect of flood defences. The model reflects a property's vulnerability to a specific flood intensity, using location and building information. Where that information isn't available for a property, the model uses assumptions based on building inventory.

We've used Moody's RMS model for flood events of different severities, called Annual Exceedance Probabilities, reflecting the chance of flooding in any given year at the location of interest.

For example, for a 1-in-100-year event (or 1% Annual Exceedance Probability) the model assesses there is a 1% chance in any given year of the event happening at that location. An event that has a 1% chance of happening in any given year has a 26% chance of happening during the 30-year term of a home loan (calculated as 1- (1 - Annual Exceedance Probability) ^ years).

We've relied on third party data to assess physical risks

We've relied on third party data we believe suitable.

We assume that ANZ's security locations are correctly geolocated and the outlines of property titles are accurately identified.

For coastal flooding risk, we assume:

- the NIWA sea level rise data modelling accurately represents the flooding area.
- a property is 'at risk' when coastal flooding touches any part of the property, which may not reflect risk to buildings.

We also assess the risk of coastal flooding to properties classified by Valocity as 'residential' or 'lifestyle' only.

Year	RCP 2.6 M (median) [m]	Increment to use [m]	RCP4.5 M (median) [m]	Increment to use [m]	RCP8.5 M (median) [m]	Increment to use [m]
Baseline: 2005	0.00	0.0	0.00	0.0	0.00	0.0
2020	0.05	0.1	0.05	0.1	0.06	0.1
2025	0.08	0.1	0.08	0.1	0.09	0.1
2030	0.10	0.1	0.10	0.1	0.12	0.2
2050	0.20	0.2	0.21	0.3	0.25	0.3
2100	0.43	0.5	0.52	0.6	0.76	0.8

59 - Bell, R., Lawrence, J., Allan, S., Blackett, P. & Stephens, S. (2017). Costal Hazards and Climate Change. Ministry for the Environment. coastal-hazards-guide-final.pdf (environment.govt.nz). Note we've presented the tabulated sea level rise values as increases relative to the 2005 value along each sea level rise curve. We've taken that approach rather than presenting those sea level rise values being relative to the original 1986-2005 average baseline (centred on the year 1995) as presented in the guidance. We've done this so that the sea level rise curves zero to same baseline as the Intergovernmental Panel on Climate Change sixth assessment report projections (centred on 2005), meaning the base year better aligns with the historic period of NIWA's coastal flooding modelling.

We don't assess the financial risk to ANZ or to our customers, as we'd need to know:

- building characteristics such as floor height
- existing or potential mitigation measures
- how flooding interacts with the built environment
- the capacity of customers to adapt
- the property's insurability
- impact on property values, and
- how physical or transition risks, like erosion, may compound the financial risk.

Given data constraints, we use sea level rise projections rounded up to the nearest 10cm for each time point. We don't reflect increasing variability in the hazard data sets over time (time horizon uncertainty) or vertical land movement.

NIWA mapped and assigned areas as inundated using the 'bathtub method', so our assessment may not fully capture the processes of a coastal storm event. Results suggest areas of coastal flooding from static sea-levels or residual risk behind coastal defences such as stop banks.

For inland flooding risks:

- we rely on third party data that classes flooding risk under the proprietary method used by Moody's RMS assuming those models accurately represent watershed area and depths
- we don't consider inland flood risk under the climate scenarios in this report — given data constraints we assess the present-day risk of surface and river flooding of varying intensities only.

We've reported flood risk scores for properties classified as 'residential' or 'lifestyle'. Where known, we reflect a building's number of storeys, construction material, and year built. Where that data is unknown, the model uses building inventory to calculate weighted averages for missing characteristics.

We assume that Moody's RMS damage ratios fairly reflect the property type and likely proportional impact on total insurable value.

APPENDIX 4: ANZ SUBSIDIARIES

This table lists all the subsidiaries of ANZ.
All subsidiaries are 100% owned and incorporated in Aotearoa New Zealand unless stated otherwise.
None of ANZ's subsidiaries account for 10% or more of any of ANZ NZ's group consolidated investments, operating income or assets for FY23.

ANZ Bank New Zealand Limited	Nature of business
ANZ Custodial Services New Zealand Limited	Custodian and nominee
ANZ Investment Services (New Zealand) Limited	Funds management
ANZ National Staff Superannuation Limited	Staff superannuation scheme trustee
ANZ New Zealand (Int'l) Limited	Finance
ANZ New Zealand Investments Holdings Limited	Holding company
ANZ New Zealand Investments Limited	Funds management
ANZ New Zealand Investments Nominees Limited	Custodian and nominee
OneAnswer Nominees Limited	Wrap services provider
ANZNZ Covered Bond Trust[60]	Securitisation entity
Arawata Assets Limited	Property
Endeavour Finance Limited	Investment
Kingfisher NZ Trust 2008-1	Securitisation entity

60 - ANZ does not own ANZNZ Covered Bond Trust and Kingfisher NZ Trust 2008-1. However, these entities are considered subsidiaries for the purposes of ANZ NZ's consolidated financial statements as ANZ NZ retains substantially all of the risks and rewards of their operations.

Term	Definition
Attribution factor	The share of total greenhouse gas (GHG) emissions of the borrower or investee that are allocated to the loan or investments.
Assessed Lending	Our lending across the three following asset classes under the PCAF standard which we assessed to calculate our financed emissions: • Residential Mortgages • Business Loans and Unlisted Equity • Commercial Real Estate Those classes represent 98.2% of gross loans and advances provided by ANZ at 30 September 2023.
CCRA	ANZ's Climate Change Risk Assessment tool
CO_2e	Carbon dioxide equivalent. A measure used to compare the emissions from various greenhouse gases on the basis of their global-warming potential (GWP), by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming potential.
CRE	Climate reporting entity (as defined in s 461O of the FMCA)
EAD	Exposure at default. EAD is the predicted amount of loss a bank may be exposed to when a debtor defaults on a loan.
EECA	Energy Efficiency and Conservation Authority. A New Zealand government/Crown agency responsible for promoting energy efficiency and conservation.
ESG	Environmental, Social and Governance
ESGIS	ESG Information System
Financed Emissions	Greenhouse gas emissions linked to or resulting from lending activities. Our financed emissions are set out on pages 35-36 and 41-44.
FMCA	Financial Markets Conduct Act 2013
FY23	Financial year ending 30 September 2023
FY24	Financial year ending 30 September 2024
FY25	Financial year ending 30 September 2025
GHG	See **greenhouse gas**.
Greenhouse gas	The greenhouse gases listed in the Kyoto Protocol are carbon dioxide (CO_2); methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), nitrogen trifluoride (NF3), perfluorocarbons (PFCs), and sulphur hexafluoride (SF6).
IPCC	Intergovernmental Panel on Climate Change. The IPCC is an intergovernmental body of the United Nations. Its job is to advance scientific knowledge about climate change caused by human activities.
Location-based emissions	Gross Scope 2 emissions from purchased electricity calculated using the emissions intensity of the national grid.
Market-based emissions	Net Scope 2 emissions from purchased electricity after renewable energy certificates have been taken into account.

Term	Definition
MBIE	Ministry of Business, Innovation and Employment
MfE	Ministry for the Environment Manatū mō te Taiao
Moody's RMS	A global provider of climate hazard data and insurance risk modelling
NIWA	National Institute of Water and Atmospheric Research. NIWA is a Crown Research Institute established in 1992 to conduct environmental science.
NZBA or New Zealand Banking Association	New Zealand Banking Association Te Rangapū Pēke
NZ CS	Aotearoa New Zealand Climate Standards
Operational emissions	GHG emissions associated with the operating of the business, excluding financed emissions. Our operational emissions comprise our Scope 1 and 2 emissions, and certain categories of Scope 3 emissions, as set out on pages 33-34 and in Figure 4 on page 34.
Paris Agreement	A legally binding international treaty on climate change adopted at the UN Climate Change Conference (COP21) in Paris in 2015. Its goal is to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and pursue efforts "to limit the temperature increase to 1.5°C above pre-industrial levels".
PCAF	Partnership for Carbon Accounting Financials. PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas emissions associated with their loans and investments.
RBNZ	Reserve Bank of New Zealand Te Pūtea Matua
Renewable energy certificate	Renewable energy producers issue 'certificates' for each unit of power they produce, showing how and when the electricity was generated, and from where. The certificates can be purchased by energy consumers, reserving that unit of generation. By purchasing generation certificates from renewable energy facilities and matching them to their consumption via a process called 'redemption', a consumer can make clear statements about the type of electricity that they support. See The Certified Energy website for more information. Certified renewable energy | New Zealand (certifiedenergy.co.nz).
RCP	Representative Concentration Pathway - greenhouse gas concentration trajectories defined by the Intergovernmental Panel on Climate Change (IPCC).
Science-based targets / science aligned targets	We define 'science-based targets' as targets that have been validated by the Science-Based Targets Initiative. We describe our emissions reduction target for our Scope 1 and 2 emissions as 'science-aligned', as we've used the Science-Based Targets Initiative methodology to set a target consistent with what the best available climate science deems necessary to achieve the temperature goals of the Paris Agreement (limiting warming to 1.5 deg above pre-industrial levels). However, our targets have not been validated by the SBTI, so we do not refer to them as 'science-based'.
Scope 1	Direct GHG emissions from sources owned or controlled by ANZ.
Scope 2	Indirect GHG emissions from consumption of purchased electricity, heat or steam.
Scope 3	Other indirect GHG emissions not covered in Scope 1 or 2 that occur in ANZ's value chain.

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Independent Assurance Report to the Directors of ANZ Bank New Zealand Limited

Conclusions

a) New Zealand GHG Emissions (Scope 1 and 2) – reasonable assurance

In our opinion, in all material respects, ANZ Bank New Zealand Limited's reported Scope 1 and 2 GHG Emissions has been prepared in accordance with the criteria for the year end 30 June 2023.

b) New Zealand GHG Emissions (Scope 3) – limited assurance

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in ANZ Bank New Zealand Limited's reported Scope 3 GHG Emissions, which has been prepared in accordance with the criteria for the year end 30 June 2023.

Information Subject to Assurance

Assured New Zealand Greenhouse Gas ('GHG') Emissions, which has been prepared by ANZ Bank New Zealand Limited ('ANZ'), comprises the following:

Assured New Zealand GHG Emissions	Year end 30 June 2023	Level of assurance
a) New Zealand Scope 1 and 2 GHG Emissions – location based	3,602 tCO_2-e	Reasonable
New Zealand Scope 1 and 2 GHG Emissions – market based	3,041 tCO_2-e	
b) New Zealand Scope 3 GHG Emissions (excluding financed emissions)	8,850 tCO_2-e	Limited

The Assured New Zealand GHG Emissions are presented in the 2023 ANZ Bank New Zealand Limited Climate Report, which accompanies this assurance report.

Criteria used for Basis of Reporting

The criteria is 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 our Conclusion

We conducted our work in accordance with International Standard on Assurance Engagements ISAE 3000 and ISAE 3410 ('the Standards'). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with the Standards we have:

- used our professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the Assured New Zealand GHG Emissions Data is 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 possesses the appropriate knowledge, skills and professional competencies.

Summary of Reasonable and Limited Assurance Procedures Performed

a) New Zealand Scope 1 and Scope 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
- assessing emission factor sources and re-performing emission factor calculations

b) New Zealand GHG Scope 3 Emissions – limited assurance:

- interviews with senior management and relevant staff
- understanding the key systems, processes and controls for collecting, managing and reporting of New Zealand GHG Emissions
- walkthroughs of key data sets
- detailed analytical procedures
- agreeing New Zealand GHG Emissions to relevant underlying sources on a sample basis
- assessing emission factor sources and re-performing emission factor calculations

How the Standards Define Reasonable Assurance, Limited 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.
- 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 Bank New Zealand Limited for the purpose of providing an assurance conclusion on the Assured New Zealand GHG Emissions and Carbon 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 Bank New Zealand Limited, or for any other purpose than that for which it was prepared.

Management's Responsibility

Management are responsible for:

- determining that the criteria is appropriate to meet their needs;
- preparing and presenting the Assured New Zealand GHG Emissions Data in accordance with the criteria; and
- establishing internal controls that enable the preparation and presentation of the Assured New Zealand GHG Emissions Data that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to the Assured New Zealand GHG Emissions Data for the year end 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 issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Management 1 to design, implement and operate a system of quality management.

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Melbourne

15 February 2024

SENewman

Sarah Newman

Director