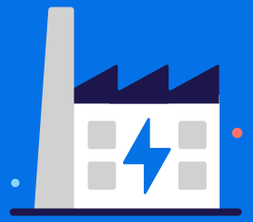
2024
Climate-related Financial Disclosures



Approved for distribution by ANZ's Ethics, Environment, Social & Governance Committee

Our five year Climate and Environment Strategy, approved by the Board in October 2024, sets out our objective to be a trusted partner for our customers, supporting them to adapt and become more resilient, to a changing environment and economy. In particular, we aim to be a leading bank in supporting an effective and orderly transition for our large business customers.

Our vision is:



Financing a sustainable transition

To achieve our Climate and Environment Strategy, we have established three core ambitions:



Building our capability to help customers understand climate and nature risks



Transitioning our lending portfolio to net-zero financed emissions



Supporting our customers' transition and resilience

Acknowledgement of Country and Traditional Owners

ANZ acknowledges the Traditional Custodians of Country throughout Australia and recognises their continuing connection to lands, skies and waterways. We pay our respects to Aboriginal and Torres Strait Islander cultures, and to Elders past and present.

Whakatauākī, ANZ New Zealand'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 ā-Roto e With ripples of compassion and hope for all.

Contents

Overview
CEO's message 3
Our 2024 reporting suite 4
Disclaimer and important notices 7
ANZ progress towards net-zero 8
About our business 9
Our Climate and Environment Strategy 10
Transition planning 11

Governance 13

Strategy 19

Risk Management 41

Metrics and Targets 52
Our approach to sectoral pathways 54
Energy 57
Transport 67
Manufacturing 71
Buildings 78
Agribusiness data coverage cohort 82
Total Australian lending portfolio 83
Reducing our operational footprint 85

Appendices 87

Assurance opinion 117

Important Notice

Version	Date issued	Brief outline of change
1.0	8 Nov 2024	Version for publication
1.1	10 Nov 2025	Change: Clarified reference to 'energy customers' as outlined in footnote on pages 30 and 31.

CEO's message



Shayne Elliott
Chief Executive Officer

We aim to be a trusted partner for our customers, supporting them to adapt and become more resilient, to a changing environment and economy. In particular, we aim to be a leading bank in supporting an effective and orderly transition for our large business customers.

We have made good progress in 2024, having funded and facilitated $38.96 billion in social and environmental activities since April 2023, against our target of $100 billion by end of 2030, while elevating climate risk as a material risk and continuing to take steps to build capability to understand climate and nature risks.

We also continued to transition our lending portfolio to net-zero financed emissions by 2050, in line with the goals of the Paris Agreement, through our sectoral pathways and financed emissions reduction targets.

How we communicate with our customers is absolutely critical. This has been an area of focus since 2018, when we began to engage closely with our large emitting business customers, which has continued to provide us with deeper insights into their transition plans and the challenges they face.

This year, we have implemented a new phase of what we now call our Large Emitters Engagement Program (LEEP). LEEP is a multi-year, multi-cohort customer engagement program that builds on the experience we developed through the previous phase of our customer engagement.

We encourage and support our LEEP customers to continually improve their transition plans, recognising the journey to net-zero by 2050 is not 'set and forget' – every improvement matters.

Our progress against how we have been supporting our customers to date lays the foundation for us to deliver on our Climate and Environment Strategy in coming years, aiming to support an effective and orderly transition.

To achieve our Climate and Environment Strategy, we have established three core ambitions: Building our capability to help customers understand climate and nature risks; transitioning our lending portfolio to net-zero financed emissions; and supporting our customers' transition and resilience.

Execution is key and, while working together closely, each division of the Bank will have specific focus areas supported by prioritised divisional action plans that will be implemented commencing in 2025.

We expect the path to net-zero will look different for different sectors: some customers may experience increases in emissions while they invest in new operations or businesses to enable sustained decarbonisation. Understanding the complexities and challenges our customers face enables us to better engage with them and support them to transition.

Together with our customers, we aim to contribute to a sustainable transition while navigating the risks and opportunities presented by the rapidly changing landscape.



Shayne Elliott
Chief Executive Officer

Overview
CEO's message
Our 2024 reporting suite
Disclaimer and important notices
ANZ progress towards net-zero
About our business
Our Climate and Environment Strategy
Transition planning
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Our 2024 reporting suite

2024 Annual Report
anz.com/annualreport

2024 ESG Supplement
anz.com/esgreport

2024 ESG Data and Frameworks Pack
anz.com/esgreport

2024 Climate-related Financial Disclosures
anz.com/esgreport

Modern Slavery Statement
anz.com/esgreport

2024 Corporate Governance Statement
anz.com/annualreport

2024 Voluntary Tax Transparency Report
anz.com/annualreport

About this report

We produce a suite of reports to meet the needs and requirements of a wide range of stakeholders including shareholders, customers, employees, regulators, non-government organisations (NGOs) and the community.

Our **2024 Climate-related Financial Disclosures** complements our **2024 Annual Report** and **2024 ESG Supplement** and provides stakeholders with detailed information on ANZ Group Holdings Limited (ANZGHL) ABN 16 659 510 791 and its subsidiaries' (referred to as "ANZ" or "ANZ Group" or "the Group" or "our" or "we") progress towards implementing our Climate Change Commitment and how we have been supporting our customers to date. This lays the foundation for us to deliver on our five year Climate and Environment Strategy, approved in October 2024 to support an effective and orderly transition in coming years. See page 10 for further details.

ANZ has elevated three areas facing significant societal challenges aligned with our strategy and reach, including a commitment to supporting household, business and financial practices that improve environmental sustainability. The other two focus areas facing societal challenge, financial wellbeing and housing, are covered in detail in our **2024 ESG Supplement** available at **anz.com/esgreport**.

Important things to note when reading this report

Words that appear like 'this' are explained in the Glossary of terms on pages 113-115. The Disclaimer and Important Notices section on page 7 contains important information that should be read together with this report.

What is new in this report

- Our five year Climate and Environment Strategy – see page 10.
- Progress toward our transition plan, drawing on the Glasgow Financial Alliance for Net Zero (GFANZ) recommendations and guidance – see page 11.
- Our Large Emitters Engagement Program (LEEP) – see page 29.
- Foundational steps towards strengthening our approach to climate risk – see page 41.
- Disclosure of certain of our facilitated emissions in line with Net Zero Banking Alliance (NZBA) guidelines updated in March 2024 – see pages 57 to 79.

Boundaries

Data and commentary within this report relate to the financial year commencing on 1 October 2023 and ending 30 September 2024, referred to as "2024" throughout the report, except for:

- Operational emissions are reported from 1 July 2023 to 30 June 2024, in line with the requirements of the *National Greenhouse and Energy Reporting Act 2007 (Cth)*. Comparisons are for the twelve months ending 30 June 2023. See Appendix 6 for further details.
- Financed emissions and sector-level progress (excluding Australian residential home loans – see below) are calculated as at 30 June 2024. This is a change from prior years where financed emissions were calculated as at 30 September 2023. This change was implemented to enable time for processing and review of our financed emissions data due to the complex and manual nature of the calculations. See Appendix 4 for our Financed and Facilitated Emissions Methodology for further details.
- Australian residential home loans financed emissions are calculated at a point in time as at 31 May 2024 and comparisons are for the period ending 31 May 2023. This timeframe is utilised as it is the latest available data we can obtain from external sources to enable time for processing and review of our Australian residential home loan financed emissions data due to the complex and manual nature of the calculations.

The processes, approaches and policies described in this report may vary in application across ANZ's operations, for example, to reflect specific legal requirements of the jurisdictions in which ANZ operates. For further information on boundaries, sector specific boundaries, methodology and definitions, see Appendix 6 and 7.

Monetary amounts in this document are reported in Australian dollars, unless otherwise stated.

Throughout this report, the sum of parts within charts and commentary may not equal totals due to rounding.

On 31 July 2024, the Group acquired 100% of the shares in SBGH Limited, the immediate holding company of Suncorp Bank. The information reported for the year ending 30 September 2024, in this report, does not include Suncorp Bank for the period since acquisition date. Climate disclosures and data relating to Suncorp Bank will be included in our 2025 reporting.

Overview
CEO's message
Our 2024 reporting suite
Disclaimer and important notices
ANZ progress towards net-zero
About our business
Our Climate and Environment Strategy
Transition planning
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Frameworks

ANZ has prepared this report in accordance with the Task Force on Climate-related Financial Disclosures recommendations 2021 (TCFD).

Since 2017, we have disclosed our progress according to the TCFD recommendations. Our TCFD Index, that outlines our response to the recommendations, can be found on page 87.

ANZ joined the NZBA in 2021 and the information within this report sets out how we are taking action as part of this commitment. We have also drawn on the GFANZ requirements in developing our transition plan which is disclosed at page 11, and demonstrates our progress to seek to meet our targets and commitments to transition our lending portfolio to net-zero financed emissions by 2050 in line with the goals of the Paris Agreement.

We continue to draw on the Taskforce on Nature-related Financial Disclosures (TNFD) framework to help inform our disclosures in this report, building on our first steps taken last year following the release of the TNFD in September 2023. Our TNFD Index that outlines our response to the recommendations can be found on page 88.

Further detail on our approach to developing metrics, sector specific pathways and targets can be found in the Metrics and Targets section of this report (pages 52–86), Appendix 4 ANZ's Financed and Facilitated Emissions Methodology and in ANZ's Social and Environmental Sustainability Target Methodology available at **anz.com/esgreport.**

Evolving reporting frameworks

We have been monitoring developments in sustainability and climate reporting frameworks, including:

- the International Sustainability Standards Board's (ISSB) IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures;
- the Australian Accounting Standards Board's (AASB) Australian Sustainability Reporting Standards (ASRS) voluntary AASB S1 General requirements for disclosure of Sustainability-related financial information and mandatory AASB S2 Climate-related Disclosures, which are broadly consistent with the ISSB standards; and
- the *New Zealand Financial Markets Conduct Act 2013* (FMCA) and the Aotearoa New Zealand Climate Standards (NZ CS).

In Australia, climate-related disclosures were mandated through amendments to the *Corporations Act 2001* in September 2024. Under the new law, the Group is required to report in accordance with the regime from the financial year commencing 1 October 2025. The ASRS incorporates and builds on the framework of the TCFD. We expect our ESG (including climate) reporting approach to evolve with the implementation of the ASRS and we are currently reviewing existing technology, data, processes and capabilities to uplift our current reporting to seek to ensure compliance with these requirements.

Our overall focus in supporting and accelerating a transition of our lending portfolio to net-zero financed emissions by 2050 to date reflects where we can have the most significant impact: we estimate our lending to Institutional customers is approximately 2/3 of our total financed emissions. The requirements of mandatory climate reporting will increase the focus on our lending to our commercial and retail customers, where the remaining financed emissions arise. Refer to page 49 for further detail on how we are preparing.

The Group has current obligations in relation to mandatory publication of climate-related disclosures under the *New Zealand Financial Markets Conduct Act 2013 (FMCA).* ANZGHL[1], ANZBGL, ANZ Bank New Zealand Limited and ANZ New Zealand Investments Limited are Climate Reporting Entities (CREs) under the FMCA.

- ANZ Bank New Zealand will publish its first mandatory climate statement for the reporting period ended 30 September 2024, no later than 31 January 2025. ANZ Bank New Zealand published a voluntary climate report for the financial year ended 30 September 2023 available at **here**.
- ANZ New Zealand Investments Limited has published climate statements relating to four of its registered managed investment schemes in 2024, available at **here**. Climate statements relating to its fifth registered managed investment scheme are due for lodgement by 31 January 2025.

For further details on how we are preparing for mandatory climate disclosures, refer to page 49.

1. For the financial year ended 30 September 2024, ANZGHL is relying on the exemption in clause 6 of the Financial Markets Conduct (Climate-related Disclosures for Foreign Listed Issuers) Exemption Notice 2024.

Overview
CEO's message
Our 2024 reporting suite
Disclaimer and important notices
ANZ progress towards net-zero
About our business
Our Climate and Environment Strategy
Transition planning
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Assurance

KPMG has performed limited assurance with respect to disclosures in this report, in accordance with TCFD, the NZBA's Guidelines for Climate Target Setting (Version 2), ANZ's Financed and Facilitated Emissions Methodology (Appendix 4) and ANZ's Social and Environmental Sustainability Target Methodology. A copy of KPMG's limited assurance report is on pages 117-119. KPMG also performed reasonable assurance over global operational greenhouse gas emissions (scope 1 and 2) (location-based) and limited assurance over global operational scope 3 greenhouse gas emissions (location-based)[1] and global operational scope 1, 2 and 3 emissions (market-based).

Sustainable Development Goals

ANZ supports the United Nations Sustainable Development Goals (SDGs) and we believe that business has an important role to play in their achievement. Our current full suite of ESG targets strive to support all of the 17 SDGs. Our climate targets and pathways seek to make a positive impact on the following SDGs[1]:



In 2019, we became a founding signatory to the UN Principles for Responsible Banking (Principles). Under the Principles we are required to set at least two targets (located in our 2024 ESG Supplement and set out in our UN Principles for Responsible Banking Self-Assessment available at **anz.com.au/esgreport**) that address our most significant positive and negative impacts, aligned with the SDGs and the Paris Agreement.

We have reported our progress towards implementing the Principles using the Reporting and Self-assessment Index, available in our 2024 ESG Data and Frameworks pack.

Cautionary statement on inclusion

The SDGs are a collection of 17 non-legally binding, interlinked global goals produced by the UN for countries and governments. The SDGs are included to show how our strategy supports the SDGs. ANZ makes no representation, warranty, or assurance of any kind, express or implied and takes no responsibility or liability as to whether ANZ's strategy furthers the objectives or achieves the purpose of the indicated SDG.

Further information on the SDGs can be found at **un.org/sustainabledevelopment/**. The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States.

1. We have included relevant climate SDGs, noting that our $100 billion social and environmental sustainability target discussed in this report strives to support all 17 SDGs.

Overview
CEO's message
Our 2024 reporting suite
Disclaimer and important notices
ANZ progress towards net-zero
About our business
Our Climate and Environment Strategy
Transition planning
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Disclaimer and important notices

The material in this report contains general background information about the Group's activities current as at 7 November 2024. It is information given in summary form and does not purport to be complete. It has a sustainability focus and does not reflect the totality of the Group's business activities. For a more complete overview of the Group's business, see the ANZ Annual Report available at anz.com/shareholder/centre/.

It is not intended to be, and should not be relied upon, as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

Forward-looking statements

This report may contain forward-looking statements or opinions including statements regarding our intent, belief or current expectations with respect to the Group's business operations, market conditions, results of operations and financial condition, capital adequacy, sustainability objectives or targets, specific provisions and risk management practices. Those matters are subject to risks and uncertainties that could cause the actual results and financial position of the Group to differ materially from the information presented herein. When used in the report, the words 'forecast', 'estimate', 'goal', 'target', 'indicator', 'plan', 'pathway', 'ambition', 'modelling', 'project', 'intend', 'anticipate', 'believe', 'expect', 'may', 'probability', 'risk', 'will', 'seek', 'would', 'could', 'should' and similar expressions, as they relate to the Group and its management, are intended to identify forward-looking statements or opinions.

Those statements are usually predictive in character; or may be affected by inaccurate assumptions or unknown risks and uncertainties or may differ materially from results ultimately achieved. As such, these statements should not be relied upon when making investment decisions. There can be no assurance that actual outcomes will not differ materially from any forward-looking statements or opinions contained herein. Also see the important information in Appendix 4 Financed and Facilitated Emissions Methodology which may affect forward-looking statements relating to the Group's financed and facilitated emissions. These statements only speak as at the date of publication and no representation is made as to their correctness on or after this date. No member of the Group undertakes to publicly release the result of any revisions to these forward- looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

Climate-related information

This report may contain climate-related statements, including in relation to climate-related risks and opportunities, climate-related goals and ambitions, climate scenarios, emissions reduction pathways and climate projections. While the statements were prepared in good faith, climate-related statements are subject to significant uncertainty, challenges and risks that may affect their usefulness, accuracy and completeness, including:

1. *Availability and reliability of data* – emissions and climate-related data may be incomplete, inconsistent, unreliable or unavailable (including information from the Group's clients), and it may be necessary to rely on assumptions, estimates or proxies where that is the case.
2. *Uncertain methodologies and modelling* – methodologies, frameworks and standards used for calculations of climate-related metrics, modelling and climate data are not universally applied, are rapidly evolving and subject to change. This may impact the data modelling, approaches, and targets used in preparation of this report.
3. *Complexity of calculations and estimates* – Estimating financed or facilitated emissions (including allocating emissions to banking activities) and emissions reduction is complex and relies on assumptions and judgments, often made in respect of long periods of time.
4. *Changes to climate-related governing frameworks* – changes to climate-related policy, laws, regulations and market practices, standards and developments, including those resulting from legal proceedings and regulatory investigations.
5. *Lack of consistency in definitions and climate-science terminology subject to changes* – definitions and standards for climate-related data and assessment frameworks used across industries and jurisdictions may vary, and terminology and concepts relating to climate science and decarbonisation pathways may evolve and change over time. These inconsistencies and changes can also make comparisons between different organisations' climate targets and achievements difficult or inappropriate.
6. *Reliance on third parties for data or involvement* – the Group may need to rely on assistance, data or other information from external data and methodology providers or other third parties, which may also be subject to change and uncertainty. Additionally, action and continuing participation of third parties, such as stakeholders, may be required (including financial institutions and governmental and non-governmental organisations).

Due to these uncertainties, challenges and risks, statements, assumptions, judgments, calculations, estimates or proxies made or used by the Group may turn out to be incorrect, inaccurate or incomplete. Readers should conduct their own independent analysis and not rely on the information for investment decision-making.

The information in this notice should be read with the qualifications, limitations and guidance included throughout this report and in:

Appendix 4 ANZ Financed and Facilitated Emissions Methodology

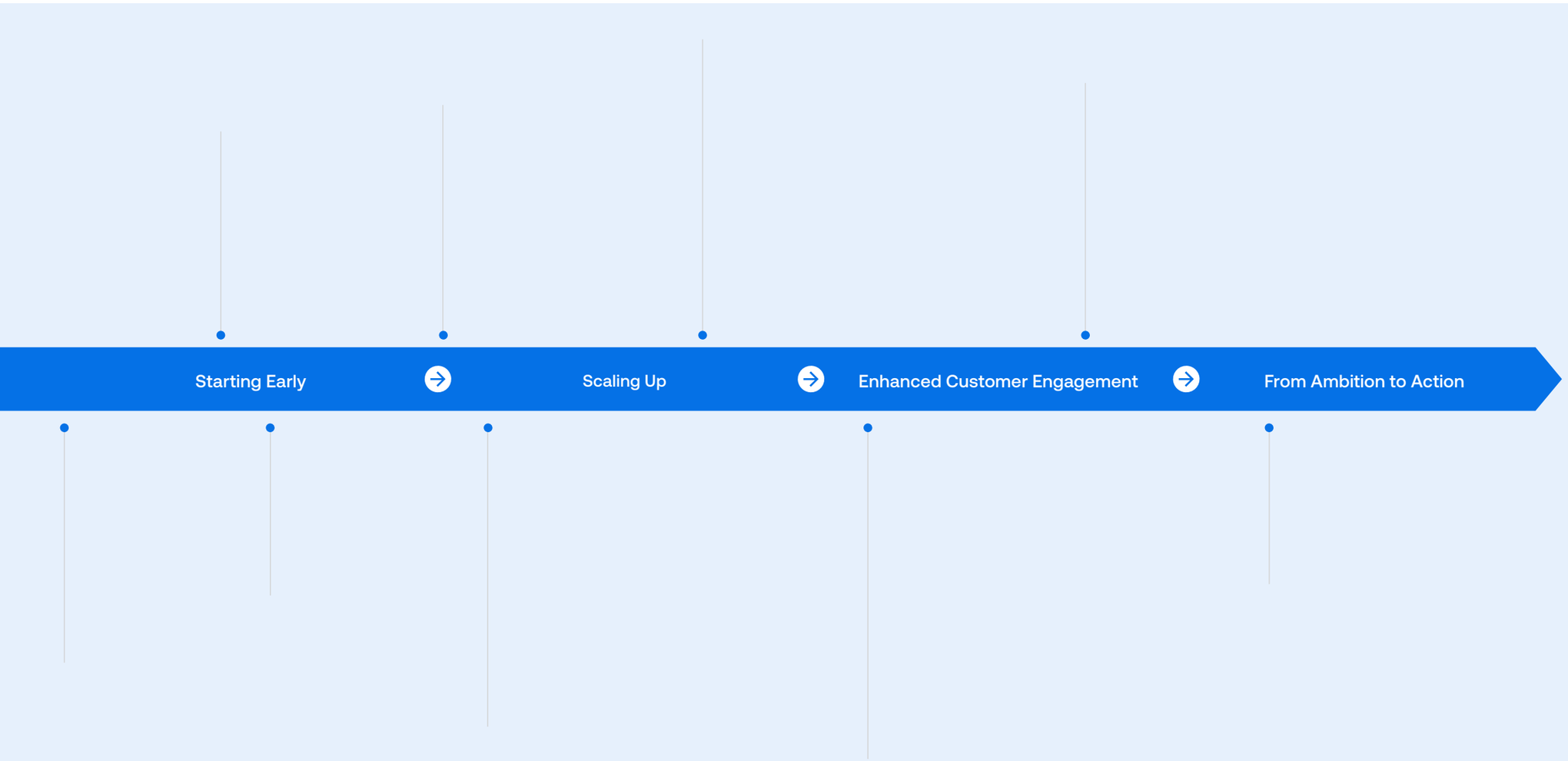
Appendix 6 ANZ Operational Greenhouse Gas Reporting and Carbon Offset Methodology

ANZ Social and Environmental Sustainability Target Methodology available at **anz.com/esgreport**

2024 ANZ Data and Frameworks Pack available at **anz.com/esgreport**

Overview
CEO's message
Our 2024 reporting suite
Disclaimer and important notices
ANZ progress towards net-zero
About our business
Our Climate and Environment Strategy
Transition planning
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

ANZ progress towards net-zero



1. See ANZ's 2022 ESG Supplement explanatory notes section for methodology at page 95 available here: **anz.com.au/esgreport**. **2.** Important information about eligibility requirements for the target is set out in the Social and Environmental Target Methodology available here: **anz.com.au/esgreport**.

Overview
CEO's message
Our 2024 reporting suite
Disclaimer and important notices
ANZ progress towards net-zero
About our business
Our Climate and Environment Strategy
Transition planning
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

About our business

We provide banking and financial products and services to over 8.5 million retail and business customers across 29 markets. Our expertise, products and services make us a bank. Our people, purpose, values and culture make us ANZ.

We operate across a diverse business structure

Australia Retail	Provides a range of banking products and services to Australian consumers.
Australia Commercial	Provides a range of banking products and financial services to small business owners, medium commercial customers, large commercial customers, and high net worth individuals and family groups.
Institutional	Services global institutional and corporate customers and governments across Australia, New Zealand and International (including Papua New Guinea (PNG)) via Transaction Banking, Corporate Finance and Markets business units.
New Zealand	Services retail and commercial banking customers in New Zealand and is one of the largest New Zealand companies.
Pacific	Provides banking products and services to retail and commercial customers (including multi-nationals) and to governments located in the Pacific region (excluding PNG which forms part of the Institutional division).
Suncorp Bank	On 31 July 2024, the Group acquired 100% of the shares in SBGH Limited, the immediate holding company of Suncorp Bank. The transaction was undertaken to accelerate the growth of the Group's retail and commercial businesses while also improving the geographic balance of its business in Australia. The ESG performance reported for the year ending 30 September 2024 does not include Suncorp Bank for the period since ownership, unless otherwise stated. Disclosures and data relating to Suncorp Bank will be included in our 2025 ESG reporting.
Group Centre	Provides support to the operating divisions, including technology, property, risk management, financial management, treasury, strategy, marketing, human resources, corporate affairs, and shareholder functions. It also includes minority investments in Asia and interests in the ANZ Non-Bank Group.

Our purpose and strategy

Through our purpose we have elevated three areas facing significant societal challenges aligned with our strategy and our reach, which include commitments to:

- Improving the financial wellbeing of our people, customers and communities by helping them make the most of their money throughout their lives;
- Supporting household, business and financial practices that improve environmental sustainability; and
- Improving the availability of suitable and affordable housing options for all Australians and New Zealanders.

Our aspiration is to build a simpler, better, more purpose-driven bank, through:

- purpose-led propositions and partnerships that improve financial wellbeing, access to housing and sustainability for our target segments
- automated business-services supported by modern, cloud-based technology that is more open, efficient, resilient and compliant
- an agile operating model that encourages innovation and makes it easier for our people to deliver value for our customers quickly
- disciplined allocation of resources, enhanced delivery capabilities, and an alignment of systems and incentives.

We bring our purpose to life through our strategy: to improve the financial wellbeing and sustainability of customers through excellent services, tools and insights that engage and retain them, and help positively change their behaviour.

In particular, we want to help customers:

- Save for, buy and own a liveable home
- Start or buy and sustainably grow their business
- Move capital and goods around the region and sustainably grow their business

For information on our Strategy and Business Model, refer to the Annual Report, available at **anz.com.au/annualreport**

Overview
CEO's message
Our 2024 reporting suite
Disclaimer and important notices
ANZ progress towards net-zero
About our business
Our Climate and Environment Strategy
Transition planning
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Our Climate and Environment Strategy

Through our purpose, we have elevated three areas facing significant societal challenges, aligned with our strategy and our reach. One of these areas includes our commitment to supporting household, business and financial practices that improve environmental sustainability.

To support our purpose, our five year Climate and Environment Strategy was approved by the Board in October 2024. It sets out our objective to be a trusted partner for our customers, supporting them to adapt and become more resilient, to a changing environment and economy. In particular, we aim to be a leading bank in supporting an effective and orderly transition for our large business customers.

Refer to Strategy section for more information at page 19.

Purpose	Supporting household, business and financial practices that improve environmental sustainability			
Objective	To be a trusted partner for our customers, supporting them to adapt and become more resilient, to a changing environment and economy. In particular, we aim to be a leading bank in supporting an effective and orderly transition for our large business customers			
Vision	Financing a sustainable transition			
Ambition	Building our capability to help customers understand climate and nature risks	Transitioning our lending portfolio to net-zero financed emissions	Supporting our customers' transition and resilience	
Divisional focus areas	**Institutional** Being a leading bank in supporting customers to transition, and growing our low-emissions and nature related opportunities	**Commercial** Delivering insights and propositions to support customers to understand and navigate the transition	**Retail** Delivering targeted education and propositions to support customers to adapt to climate impacts	**New Zealand** Supporting Aotearoa New Zealand's transition to a low-emissions, climate resilient economy
Action pillars	Understanding risks and opportunities	Building capability and capacity	Driving customer engagement and propositions	Collaborating with stakeholders to support an economy wide transition
Core enablers	Governance and Reporting	Data and Systems	People and Culture	

Overview
CEO's message
Our 2024 reporting suite
Disclaimer and important notices
ANZ progress towards net-zero
About our business
Our Climate and Environment Strategy
Transition planning
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Transition planning

In 2024, we have taken further steps to develop our transition plan, supporting our commitment to transition our lending portfolio to net-zero financed emissions by 2050 in line with the Paris Agreement.

The components of our transition planning are informed by the GFANZ Transition Plan Guidance Framework as illustrated in the table.

We acknowledge that ongoing work is required to achieve a robust and well-developed transition plan.

Our disclosures do not purport to be comprehensive or to satisfy all aspects of GFANZ. Our five year Climate and Environment Strategy approved by the Board in October 2024, sets out our objective to be a trusted partner for our customers, supporting them to adapt and become more resilient, to a changing environment and economy. In particular, we aim to be a leading bank in supporting an effective and orderly transition for our large business customers.

We intend to further disclose our progress within our 2025 disclosures.

See page 12 for how we are transitioning our lending portfolio for our higher emitting sectors to net-zero financed emissions.

GFANZ Alignment Index

GFANZ Component	GFANZ Recommendation[1]	Page Reference
Foundations		
Objectives and priorities	Define objectives to achieve net-zero by 2050 or sooner aligned with science-based pathways to limit warming to 1.5 degrees	Pages 8, 10, 12
	Set interim and long-term targets	Page 12, ESG Targets – see our ESG Supplement located at **anz.com/esgreport**
	Identify priority financing strategies for emissions reduction	Pages 19-27
Implementation strategy		
Products and services	Utilise products and services to support customers' transition	Pages 21-32
	Accelerate and scale the net-zero transition in the real economy	Pages 36-37
	Offer education, guidance, and support for portfolio decarbonization	
Activities and decision-making	Integrate and apply (top-down and bottom-up) net-zero objectives and priorities into evaluation and decision-making tools and processes	Pages 13-18, 41-51
Policies and conditions	Implement policies and conditions for priority sectors e.g. thermal coal, oil and gas, and deforestation	Pages 33-35, 61-66
Engagement strategy		
Clients and portfolio companies	Provide feedback and support to clients	Pages 29-32 Pages 36-40
Industry	Engage with industry peers	Pages 38-40
	Represent cohesive financial sector views to external stakeholders	
Government and public sector	Ensure lobbying and public-sector engagement supports an orderly net-zero transition and align customers efforts with ANZ's net-zero objectives	Pages 29-32, 38-40, ESG Targets – see our ESG Supplement located at **anz.com/esgreport**
Metrics and targets		
Metrics and target	Establish metrics and targets to drive execution of the net-zero transition plan and monitor progress	Pages 52-86, ESG Targets – see our ESG Supplement located at **anz.com/esgreport**
Governance		
Roles, responsibilities, and remuneration	Define roles for the Board or oversight body and senior management	Pages 13-14
	Assign appropriate individuals and teams to all aspects of both design and delivery of the transition plan	Pages 14-17
	Regularly review the plan	Page 18
Skills and culture	Provide training and development for teams and individuals	Pages 36-37
	Implement a change management program to embed the transition plan into the organisation	

1. Glasgow Financial Alliance for Net Zero (GFANZ) ***Financial Institution Net-zero Transition Plans – Fundamentals, Recommendations, and Guidance (2022)***.

Overview
CEO's message
Our 2024 reporting suite
Disclaimer and important notices
ANZ progress towards net-zero
About our business
Our Climate and Environment Strategy
Transition planning
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

How we are transitioning our lending portfolio to net zero financed emissions

Sectors[1]	2030 Interim Target Reduction	Status	Category
Power generation	50% (2020 baseline)	ON TRACK	
Oil and gas	26% (2020 baseline)	ON TRACK	
Thermal coal	100% (2020 baseline)	ON TRACK	
Auto manufacturing	28% (2022 baseline)	ON TRACK	
Shipping	10% (2022 baseline)	CLOSE TO ON TRACK	
Aluminium	30% (2021 baseline)	NOT ON TRACK	
Cement	20% (2021 baseline)	CLOSE TO ON TRACK	
Steel	28% (2021 baseline)	CLOSE TO ON TRACK	
Australian large-scale commercial real estate	60% (2019 baseline)	ON TRACK	

1. Refer to page 54 for ANZ's rationale for not disclosing a sectoral pathway target in 2024 for the Australian residential home-loans, Institutional agribusiness, and Aviation sectors.

Specific policies in place to steer our lending decisions

Customer engagement via our LEEP

Prioritisation of customers with lower emissions assets, stronger emissions reduction targets and/or diversification strategies

- >10% above pathway
- <=10% above pathway
- On or below pathway

Refer to our sectoral pathways on pages 57 to 79 for further information.

Overview
CEO's message
Our 2024 reporting suite
Disclaimer and important notices
ANZ progress towards net-zero
About our business
Our Climate and Environment Strategy
Transition planning
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

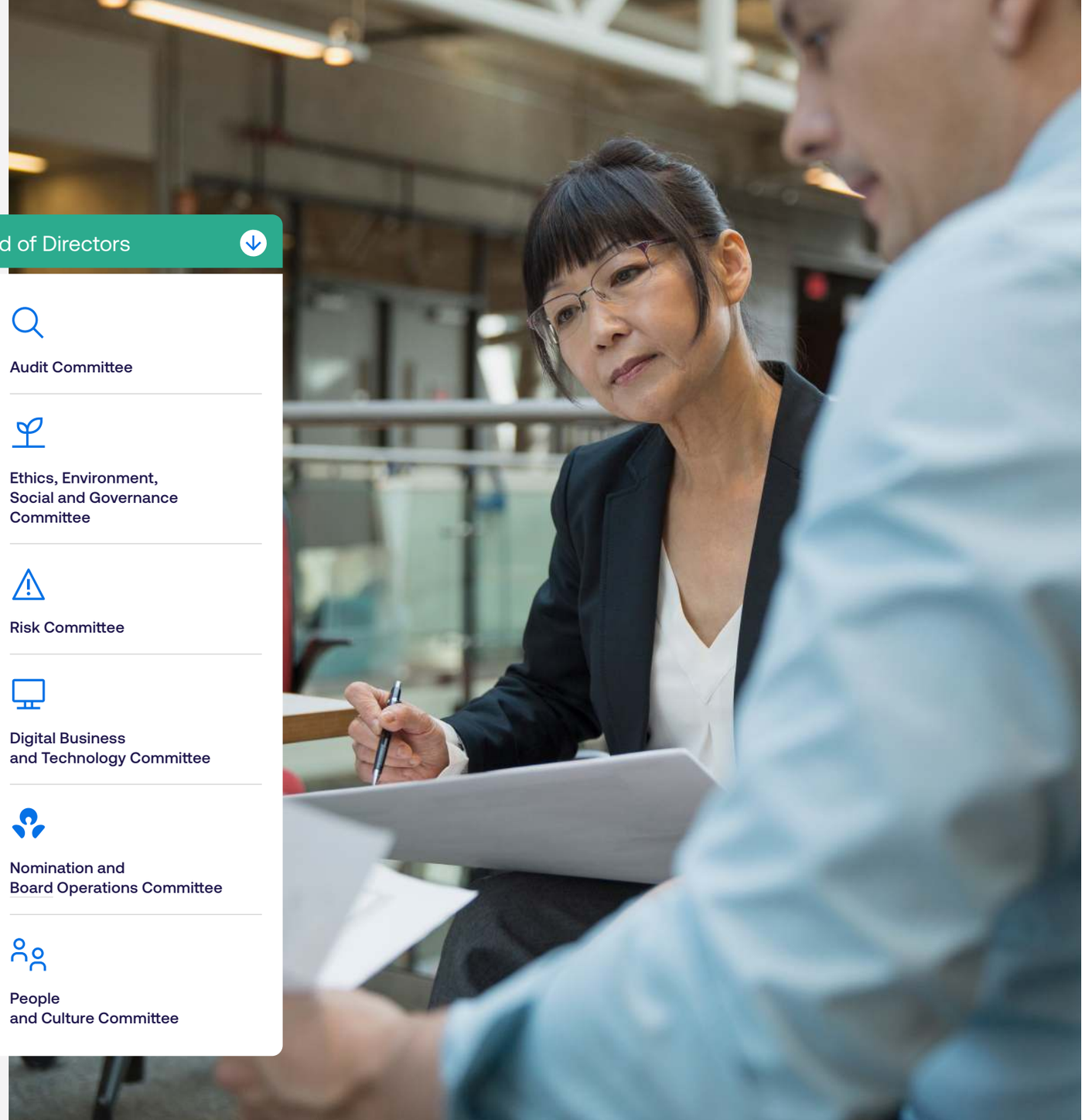
Governance

Board and Executive oversight

The ANZ Group Holdings Limited Board (Board) is responsible for oversight of the Group and its overall governance and performance, with specific duties as set out in its charter available at **anz.com/corporategovernance**.

The Board, with the support of six principal Board Committees (refer chart to the right), is also responsible for oversight of ANZ's governance framework. The framework seeks to provide effective and responsible decision making, assisting ANZ in delivering on its strategy and purpose. Each Board Committee has its own charter setting out its roles and responsibilities available at **anz.com/corporategovernance**.

At management level, the Group Executive Committee (ExCo) comprises ANZ's most senior executives. A delegations of authority framework outlines matters delegated from the Board to our Chief Executive Officer (CEO) and other members of senior management. In addition, a number of formally established management committees deal with particular sets of ongoing issues.



Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

The Board and its committees oversee our ESG approach, including how we manage our climate risks and opportunities. See the chart below for the committees, forums and key management roles that represent our governance structure for the oversight of climate risks and opportunities for 2024.

ANZ Group Holdings Limited Board

Key Board committees

Board Ethics, Environment, Social and Governance Committee (EESG)	**Board Risk Committee (BRC)**	**Board People and Culture Committee**

Key management committees and forums

Ethics and Responsible Business Committee (ERBC)	**Operational Risk Executive Committee (OREC)**
Climate Advisory Forum (CAF)	**Credit and Markets Risk Committee (CMRC)**

Key management roles

Group Executive, Institutional – drives implementation of the Group's Climate and Environment Strategy, working closely with CRO and GGM Climate and divisional Group executives. Responsible for executing environmental sustainability activity within the Institutional division.	**Chief Risk Officer (CRO)** – responsible for the Group's Risk Management Framework (RMF), including policies, systems and processes for identifying, assessing and managing climate risk.	**Group General Manager, Climate (GGM Climate)** – responsible for leading, guiding and informing the Group's policy response to climate change, working closely with Risk and the Institutional division, including supporting implementation of the LEEP and setting sectoral pathway targets.	**Group General Manager, Corporate Communications and ESG** – responsible for ESG disclosures and reporting and ESG governance.

Key support teams[1]

Institutional Strategic Planning and Execution Team – supports the CAF and implementation of the LEEP along with coordination of reviews of Group-wide Environmental Sustainability governance and the Climate and Environment Strategy.	**Climate Risk Team** – reports into the CRO, Institutional, who is the material risk owner for climate risk. Responsible for the integration and management of climate risk within the Group's RMF.	**ESG Analytics and Advisory Team** – provides subject matter expertise advice on social and environmental issues affecting our business lending decisions, such as public policy, regulation, emerging community standards and expectations, and managing the development and monitoring performance of climate-related metrics and targets.	**ESG Governance Team** – supports effective identification and management of the Group's ESG risks and opportunities through our senior executive and Board decision making processes and structures.	**ESG Disclosures and Reporting Team** – delivers the Group's ESG disclosures, reporting, market briefings and oversight of forthcoming reporting standards, practices and frameworks.

1. Key teams across the Group support our customers' to shift to low carbon business models and operations, including through labelled and other financing products and services. Refer to page 22 for further information on how we are financing sustainability.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Board and Board Committees

ANZ's Board

The Board is responsible for the oversight and strategic direction of the Group.

As part of its role, the Board sets and monitors the long-term implementation of ANZ's strategies and financial objectives. The Board has a specific responsibility to oversee and assess management's performance in achieving strategies and budgets approved by the Board as well as monitoring the management of risk across ANZ.

ANZ's strategy is to improve the financial wellbeing and sustainability of customers through excellent services, tools, and insights that engage and retain them, and help positively change their behaviour. We are focused on integrating our purpose and ESG approach into our business strategy.

Our purpose to shape a world where people and communities thrive, provides the context in which we make decisions and consider our overall strategy. Through our purpose, we have elevated three areas facing significant societal challenges aligned with our strategy and reach, including a commitment to supporting household, business and financial practices that improve environmental sustainability. The other two focus areas, financial wellbeing and housing, are covered in detail in our ESG Supplement available at **anz.com/esgreport**.

Further, climate risks and opportunities inform the Board's thinking in relation to our overall operating and strategic plan.

Board Committees

Board Ethics, Environment, Social and Governance (EESG) Committee

The Board EESG Committee is responsible for assisting the Board by providing oversight of measures to advance ANZ's purpose, focusing on ethical and ESG matters, including climate-related matters.

In undertaking this role, the Board EESG Committee is responsible for oversight, review and approval of ANZ's ESG approach, objectives and performance, and public disclosures including ESG and climate-related targets. Refer to page 18 for more information on setting and approving climate-related targets.

The Board EESG Committee meetings typically open with an overview of the ESG operating environment, covering current and emerging issues, including regulatory and parliamentary inquiries, community sentiment, relevant international developments and our stakeholder engagement. Key climate-related topics that were considered in 2024 are outlined on page 17.

The Board EESG Committee also reviews ERBC meeting minutes and discusses material matters referred to it from that body.

Board Risk Committee (BRC)

The BRC oversees the implementation and operation of the Group's RMF, including climate risk, which was elevated to a material risk in November 2023. In undertaking this role, the BRC is responsible for endorsing the Risk Appetite Statement (RAS). RAS sets out the Board's expectations regarding the degree of risk (including climate risk) that the Group is prepared to accept in pursuit of its strategic objectives and business plan.

Climate risk is considered at the BRC, for example in updates as part of the CRO's report, via sector reports and updates to ANZ's Risk Management Strategy (RMS). Key climate-related topics that were considered in 2024 are outlined on page 17.

Board People and Culture Committee

The Board is ultimately responsible for and oversees ANZ Group's Performance and Remuneration Framework and its effective application throughout the ANZ Group. The People and Culture Committee's role is to assist the Board in its oversight of the effective operation of the Performance and Remuneration Framework and other Talent and Culture matters.

The People and Culture Committee has a strong focus on the relationship between business performance, risk management and remuneration, aligned with our business strategy.

A joint meeting of the People and Culture, Risk and Audit Committees is held annually to review performance and variable remuneration recommendations at both the Group, and CEO/Disclosed Executive level (i.e. assessment of the ANZ Group Scorecard and Divisional Scorecards for the current financial year and setting the preliminary ANZ Group Scorecard and Divisional Scorecards for the next financial year). The Committees then submit their recommendations to the Board for approval. Refer to our Remuneration Report within our Annual Report available at **anz.com/annualreport**.

Board skills

The ANZ Board Skills Matrix, as set out in the 2024 Corporate Governance Statement, which is available at **anz.com/corporategovernance**, outlines the key skills and experience the ANZ Board is looking to achieve in its membership. Included in the skills matrix is sustainability.

Our directors collectively bring a broad range of skills and current and prior experience which includes having held roles across sectors such as infrastructure, energy, mining, banking and agriculture. For further details on the experience of our directors refer to **anz.com/annualreport**.

In addition to having individuals on the Board with a variety of technical skills and experiences, the Board seeks to ensure that the directors operate as a team. The Board is focused on the long-term success of the Group. Each director has an individual perspective which facilitates respectful and constructive challenge of management and each other, allowing for robust debate when navigating complex issues.

The Skills Matrix is reviewed by the Nomination and Board Operations Committee on a regular basis.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Management Committees and Forums

Ethics and Responsible Business Committee (ERBC)

The ERBC, chaired by the CEO, comprises Group Executives and senior executives from business divisions and Group functions.

The ERBC is a leadership and decision-making body that exists to advance ANZ's purpose and seeks to ensure that ANZ operates responsibly and achieves fair, ethical and balanced stakeholder outcomes. The ERBC provides leadership on our ESG risks and opportunities, monitoring progress quarterly against ANZ's ESG targets, which include those related to climate.

This year, we have undertaken a review of the ERBC to ensure the Committee continues to effectively fulfil its role. In August 2024, the ERBC charter was updated to reflect:

- Adjustments to the Committee's key responsibilities to align with restated objectives, including relating to financial wellbeing, affordable housing and ethical and ESG risks and opportunities; and
- Renewed Committee membership, for example, inclusion of Group Executives from four of ANZ's divisions (Australia Commercial, Institutional, New Zealand and Australia Retail).

The ERBC considers the key social and environmental impacts of various industries, customers and communities ANZ serves. The ERBC is responsible for overseeing the ERBC Sub-Committee for sensitive wholesale transactions. It also receives updates on decisions relating to the enhanced due diligence and decision-making process for relevant customers and transactions in the energy sector, including oil and gas companies. Refer to page 48 for more information.

The ERBC is accountable to the Board EESG Committee in the effective discharge of its responsibilities. It operationalises Board objectives and makes decisions on issues and policies, including climate-related matters.

Climate Advisory Forum (CAF)

The CAF chaired by our Group Executive Institutional, includes our Group CRO, GGM Climate and other business and risk executives.

The CAF has visibility of the progress in implementing ANZ's Climate Change Commitment and our Climate and Environment Strategy which replaces our previous Environmental Sustainability Strategy, ensuring coordination between all parts of the Group to deliver the various workstreams including our sectoral pathways and LEEP.

The CAF was established in October 2022. It meets approximately every second month, with the agenda structured to cover focus areas. Some of the key topics discussed at the forum in 2024 included: enhancing Environmental Sustainability (ES) related governance, capturing and managing ES-related data, ES capability implementation and progress considering nature, our LEEP and enhancing transparent reporting and disclosures, including sectoral pathways implementation and progress. Actions and decisions are captured and progress of the focus areas are tracked. The CAF met five times in 2024.

As we look ahead to 2025, we will update our climate governance structures, and commence implementation of our Climate and Environment Strategy outlined on page 19.

We have recently set up a Climate Program to uplift our Group wide climate-related activity, capability and associated reporting to meet the forthcoming mandatory climate reporting under the ASRS – see page 49 for more information on how ANZ is preparing.

Other management committees

Other management committees play a role in the management of risks, including climate risk and risks which are climate-related, such as the following:

- Operational Risk Executive Committee (OREC) is the primary senior executive management forum responsible for overseeing the non-financial risk profile and the related control environment across the Group. This includes relevant climate-related non-financial risks; and
- Credit and Markets Risk Committee (CMRC) is the primary senior executive management forum responsible for the oversight and control of credit, market, insurance and other material financial risks across the Group. This includes relevant climate-related financial risks.

The purpose of these committees is to assist the BRC in the effective discharge of its responsibilities.

OREC and CMRC have responsibility (shared with ERBC) for oversight of climate risk. OREC and CMRC also have responsibility for the oversight of ANZ's management of new and emerging risks within their respective risk areas.

Activities undertaken by OREC and CMRC will at times overlap with topics raised in ERBC (and vice versa) as part of the executive oversight and risk management required to deliver on ANZ's purpose and strategy.

Energy Transaction Escalation Process

We apply an enhanced due diligence process for material energy transactions which are referred to senior subject matter experts for review. Our experts evaluate the Institutional energy customer's transition plan using the LEEP assessment framework, regardless of whether the energy customer is part of LEEP, see page 29 for further details.

In some instances, material energy transactions are escalated for consideration by our Group Executive Institutional, Group CRO and GGM, Climate. Reasons for escalation vary and may include consideration of larger transactions, more significant impacts to financed emissions pathways, reputational risk, or where a customer's transition plan is not yet in the mature phase. In 2024, 6 transactions were escalated to the senior executives, as mentioned above, with 1 declined and 5 approved or conditionally approved.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Areas of focus by the Board EESG Committee and management ERBC

Both committees discuss the areas of 'how we bank' and 'who we bank'. Environmental sustainability is one of ANZ's three ESG focus areas that is fundamental to our business and strategy. Climate is a standing item on both the Board EESG Committee and ERBC's agenda, usually presented by the Group CRO, Group Executive Institutional and GGM Climate.

Climate-related topics covered as part of the standing agenda item in 2024 included the following:

- Strategy;
- Policy;
- Targets; and
- Customer engagement.

Based on allocated agenda time, this year these committees jointly dedicated approximately 37 per cent of their time to climate-related topics.

Table 1.1 Frequency by which the Board EESG Committee and ERBC were informed about climate-related risks and opportunities

	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24
Board Ethics, Environment, Social and Governance Committee (EESG) 5 meetings during the year		●			●		●				●	●
Ethics and Responsible Business Committee (ERBC) 5 meetings during the year		●			●			●		●	●	

Areas of focus by the Board Risk Committee (BRC) and other risk management committees

During the year, the BRC and other risk management committees (OREC and CMRC) received updates or items of note for climate-related risks. These included for example, the following agenda items:

- Climate risk as a material risk;
- Climate Change Risk Assessment tool integration update;
- Group Risk Appetite Statement; and
- Risk Management Strategy.

Table 1.2 Frequency by which the Board Risk Committee and other risk management committees received updates or items of note relating to climate-related risks

	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24
Board Risk Committee (BRC) 8 meetings during the year		●			●			●			●	●
Operational Risk Executive Committee (OREC) 8 meetings during the year		●						●				
Credit and Markets Risk Committee (CMRC) 10 meetings during the year	●	●							●			

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Knowledge building

We run a regular program of CEO and senior executive meetings with civil society leaders including environmental non-government organisations, government, regulators and academics to build knowledge of our senior executives across ESG topics.

During the year, the Board EESG Committee and ERBC received briefings from internal and external subject matter experts. These briefings and meetings provide opportunities to support knowledge building and capability in areas such as climate and nature.

In May 2024, our Group CRO, Group Executive Institutional and GGM Climate met with around 20 financial institutions, regulators and corporate customers in Europe and the United Kingdom to obtain perspectives on climate and nature challenges and opportunities. Discussions included organisations' approach to customer engagement, how they are resourcing teams and data considerations to keep pace with customer transition activities and increasing regulatory requirements.

Targets – approval processes

ESG targets including climate-related targets

Each year we set public targets that reflect our ESG focus areas, support the delivery of our business strategy and respond to our most material ESG issues. Progress against our ESG targets is monitored quarterly by the ERBC and twice a year by the Board EESG Committee.

Climate-related targets, within our suite of ESG targets[1], are developed under the guidance of the CAF and informed by the ESG Governance and ESG Analytics and Advisory teams in close consultation with relevant business units.

Proposed targets are reviewed by the ERBC and the Board EESG Committee and approved by the Board EESG Committee. An annual review of these targets is conducted to ensure they remain relevant.

Sectoral pathways

Our sectoral pathways (disclosed on pages 57-79) are developed by our ESG Analytics and Advisory team, working closely with the relevant business units and risk teams.

Proposed targets are reviewed by CAF, ERBC and the Board EESG Committee and are approved by the Board EESG Committee. Progress towards our sectoral pathway targets is updated annually, reflecting the frequency with which data (for example, emissions data) is reported by our customers.

Nature considerations by Board EESG Committee and ERBC

Nature has been considered by the Board EESG Committee and ERBC as part of their responsibility to provide leadership to advance ANZ's purpose, involving consideration of certain social and environmental impacts. Recognising a need to continue to develop our understanding of, and capability in, emerging risks and opportunities to inform our direction, this year the Board EESG Committee and ERBC reviewed our updated workplan, with our nature activities in 2024 summarised on pages 33-35. This year we continue to draw on the Taskforce on Nature-Related Financial Disclosures (TNFD) framework to help inform our disclosures. Refer to pages 88 for our TNFD index.

Executive remuneration

ANZ's Remuneration Report within our Annual Report, available at **anz.com/annualreport**, details how performance and remuneration outcomes are determined for our most senior leaders.

The CEO's Short Term Variable Remuneration (STVR) is assessed 100% on the ANZ Group Scorecard, adjusted by the CEO Leadership Modifier, which takes into consideration the CEO's leadership of: key strategic priorities aligned with ANZ's strategy; ANZ's values/behaviours; and ANZ's risk and compliance standards.

Performance objectives are set for Disclosed Executives through Divisional Scorecards, aligned with the ANZ Group Scorecard. STVR outcomes for Disclosed Executives reflect both the overall performance of the Group and the performance of each individual Disclosed Executive and their relevant division.

ANZ's Group Scorecard includes relevant objectives and measures. For example the 2024 Group Scorecard includes delivery against Environmental, Social and Governance (ESG) targets, such as the:

- funding and facilitation of at least $100 billion by the end of 2030 in social and environmental activities,
- management of climate risks via our Large Emitters Engagement Program, and
- reducing the direct impact of our business activities on the environment.

Divisional Scorecards also include objectives and measures as relevant to the particular business. Group/Divisional Scorecards are not designed to capture all of our ESG targets – however our senior leaders are accountable for ensuring we focus on and seek to adhere to our commitments and policies, with regular review and oversight by the CAF, ERBC, and EESG.

Next steps

To date we have focused on the area where we can have the most significant impact, namely our Institutional portfolio which accounts for approximately 2/3 of our total financed emissions. Recognising the need to have a group-wide approach, we will commence implementation of our Climate and Environment Strategy approved by the Board in October 2024. Refer to page 19 for further detail.

1. Our full ESG target suite is available in our ESG Supplement at **anz.com/esgreport**.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Strategy

Through our purpose, we have elevated three areas facing significant societal challenges, aligned with our strategy and our reach. One of these areas includes our commitment to supporting household, business and financial practices that improve environmental sustainability.

To support our purpose, our five year Climate and Environment Strategy was approved by the Board in October 2024. It sets out our objective to be a trusted partner for our customers, supporting them to adapt and become more resilient, to a changing environment and economy. In particular, we aim to be a leading bank in supporting an effective and orderly transition for our large business customers.

To achieve our Climate and Environment Strategy we have established three core ambitions:

- Building our capability to help customers understand climate and nature risks
- Transitioning our lending portfolio to net-zero financed emissions
- Supporting our customers' transition and resilience

These ambitions will be supported by each division having specific focus areas, and prioritised divisional action plans that we plan to implement commencing 2025. In this year's report, we set out how we have been supporting our customers to date. This lays the foundation for us to deliver on our objective and support an effective and orderly transition in coming years.

Our Climate Change Commitment supports our Climate and Environment Strategy ambition and will be available **here** prior to our AGM.

Climate and Environment Strategy

Purpose	Supporting household, business and financial practices that improve environmental sustainability			
Objective	To be a trusted partner for our customers, supporting them to adapt and become more resilient, to a changing environment and economy. In particular, we aim to be a leading bank in supporting an effective and orderly transition for our large business customers			
Vision	Financing a sustainable transition			
Ambition	Building our capability to help customers understand climate and nature risks	Transitioning our lending portfolio to net-zero financed emissions	Supporting our customers' transition and resilience	
Divisional focus areas	**Institutional** Being a leading bank in supporting customers to transition, and growing our low-emissions and nature related opportunities	**Commercial** Delivering insights and propositions to support customers to understand and navigate the transition	**Retail** Delivering targeted education and propositions to support customers to adapt to climate impacts	**New Zealand** Supporting Aotearoa New Zealand's transition to a low-emissions, climate resilient economy
Action pillars	Understanding risks and opportunities	Building capability and capacity	Driving customer engagement and propositions	Collaborating with stakeholders to support an economy wide transition
Core enablers	Governance and Reporting	Data and Systems	People and Culture	

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

How we are driving our ambition

The action pillars of our Climate and Environment Strategy are designed to drive and deliver upon our five year vision and ambition. The below initiatives, processes and activities are highlights of how we have progressed our climate approach in 2024, and how they connect to our action pillars. This lays the foundation for us to deliver on our Climate and Environment Strategy action plan in coming years to support an effective and orderly transition.

Action Pillars

- Understanding risks and opportunities
- Building capability and capacity
- Driving customer engagement and propositions
- Collaborating with stakeholders to support an economy wide transition

Funding and facilitating social and environmental activities through our $100 billion target

For further information, refer to page 21.

Supporting our customers' transition through financing

For further information, refer to page 22.

Implementing our Large Emitters Engagement Program (LEEP)

For further information, refer to page 29.

Taking steps to build capability to understand nature risks

For further information, refer to page 33.

Building our capability and assisting our customers

For further information, refer to page 36.

Engaging and collaborating with stakeholders

For further information, refer to page 38.

Elevating climate risk as a material risk

For further information, refer to Risk Management page 41.

Implementing our sectoral pathways to transition our lending to net-zero financed emissions

For further information, refer to Metrics and Targets page 52.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

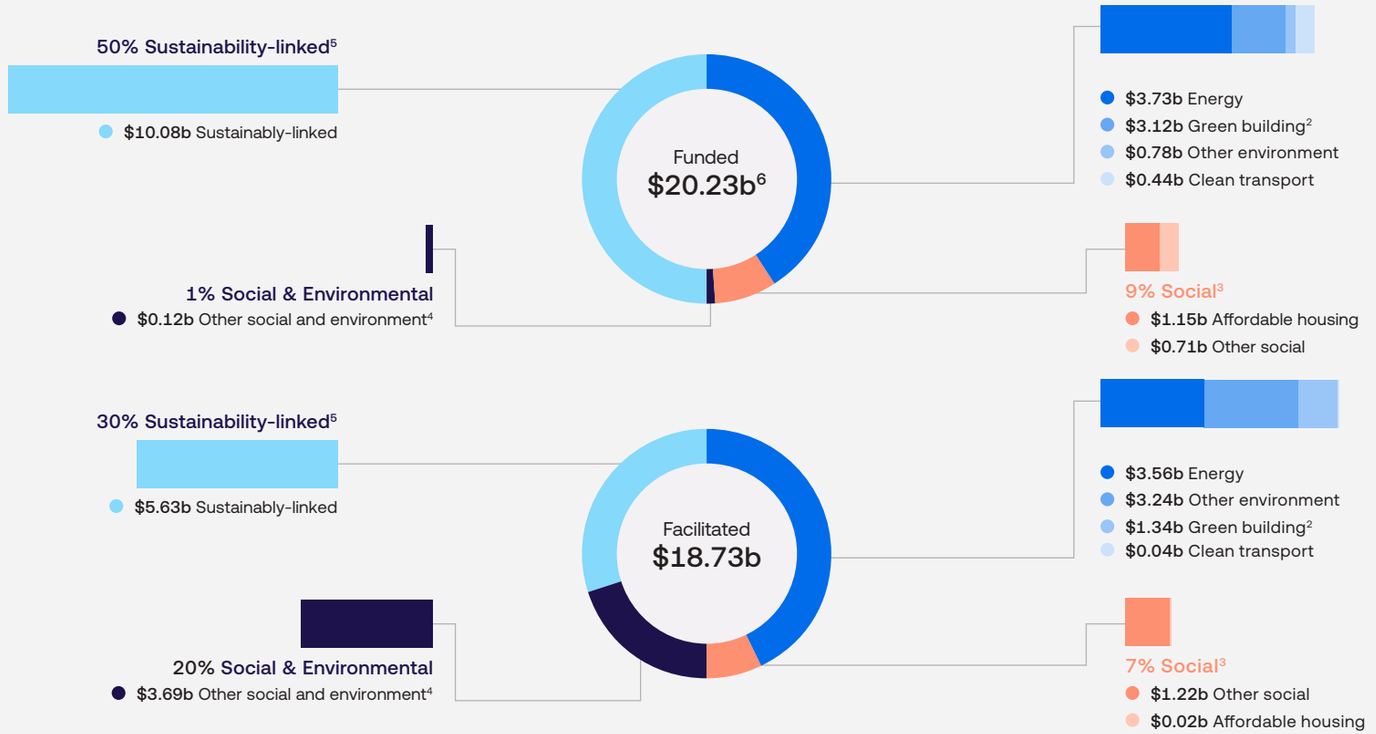
Funding and facilitating social and environmental activities through our $100 billion target

This year, we made good progress towards our target to fund and facilitate at least $100 billion by end 2030 in social and environmental activities through customer transactions and direct investments by ANZ.

By the end of 2024, we have funded and facilitated $38.96 billion across 226 transactions since the target commenced on 1 April 2023. This includes initiatives that aim to help lower carbon emissions, protect or restore nature, increase access to affordable housing and promote financial wellbeing.

- Our goal for 2024 was to contribute at least $15 billion towards our target. We exceeded this with funding and facilitation of $30.17 billion across 172 transactions,[1] of which $16.09 billion was attributed to ANZ via on-balance sheet loans and other credit lines, while close to $14.08 billion was facilitated by ANZ.
- Transactions eligible for inclusion towards the $100 billion target include labelled sustainable finance, other unlabelled banking activities and ANZ direct investments, but only where they are assessed as meeting the eligible banking activities and eligible social and/or environmental activities criteria specified for the target. As a result, not all labelled sustainable finance and unlabelled transactions referred to in the following pages will be included in the target.
- For further detail on ANZ's approach for assessing the eligibility of transactions for inclusion towards the target, refer to the ANZ Social and Environmental Sustainability Target Methodology available at **anz.com/esgreport**.
- The Board EESG Committee approved changes to the Target Methodology in October 2024.

Progress towards our $100 billion social and environmental sustainability target – 1 April 2023 to 30 September 2024



1. Includes renewable energy, energy efficiency, clean transportation, green buildings, and other environmental activities. Other environmental activities include activities which cover multiple environmental categories and/or activities such as waste, sustainable water and waste water management, and climate change adaptation. **2.** Includes construction or operation of buildings or portfolios of buildings that deliver positive environmental outcomes, which meet, or renovation or retrofitting of buildings, so that they can meet regional, national or internationally recognised standards or certifications (e.g. under the Australian NABERS rating system). **3.** Includes affordable housing and other social activities. Other social activities include activities which cover multiple social categories and/or activities such as socioeconomic advancement and empowerment. **4.** Includes activities which cover both environmental and social categories. **5.** Note that for the purposes of this reporting, sustainability-linked transactions (ie where the economic characteristics (e.g. pricing outcomes) of the financial instrument are linked to sustainability performance targets) are reported as a separate category. **6.** Funded $20.23 billion includes deals in "Waste" and "Water" which have deal values less than $0.10 billion.

1. 2024 includes transactions validated as eligible for inclusion in the target from 23/09/2023. Fourth quarter 2024 progress included transactions allocated towards the target validated as eligible up to 21/09/2024. A small number of transactions lodged after 21/09/2024 and before 30/09/2024 were also validated and included.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Supporting our customers' transition through financing

ANZ is financing a sustainable transition by strategically mobilising and deploying capital. This effort supports our Climate and Environment Strategy by providing financing solutions which enable our customers to deliver on their transition plans. Refer pages 23-28 for examples as to how we have been supporting our customers to date.

Supporting our customers' sustainability ambitions

ANZ's Sustainable Finance team in Institutional is helping our customers by encouraging them to identify climate and nature-related risks and opportunities and how to link their financing needs to their sustainability strategies, through the use of labelled (eg. Green, Social, Sustainability and Sustainability-Linked) loans, bonds and trade products. Customer demand for these labelled sustainable finance products and services has been strong this year, as our customers continue to align their sustainability objectives with directing capital into measures aimed at responding to environmental and social challenges. In parallel, we are observing increased market and regulatory scrutiny of sustainable finance products which is influencing customers' timelines when undertaking labelled transactions.

During 2024, we participated in 145 sustainable finance deals with a total deal size of $184 billion, compared to 111 deals with a total deal size of $144 billion in 2023. The amount attributed to ANZ in 2024 was $19.2 billion. Of the $19.2 billion, $14.6 billion was attributed to ANZ via on-balance sheet loans and other credit lines, and $4.6 billion via our distribution capability.

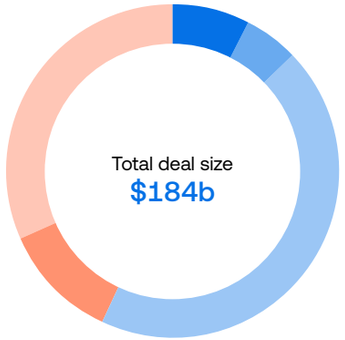
$151b (83 deals) from **International**

⊕

$30b (53 deals) from **Australia**

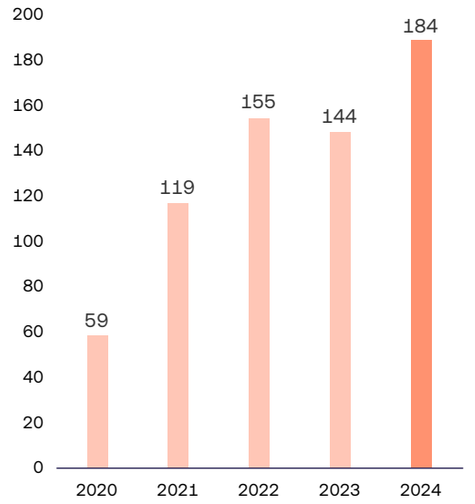
⊕

$3b (9 deals) from **New Zealand**



- **$14b** (27 deals) from Diversified Industries
- **$10b** (11 deals) from Food, Beverages and Agriculture
- **$81b** (43 deals) from Financial Institutions Group
- **$21b** (26 deals) from Property and Health
- **$58b** (38 deals) from Resources, Energy and Infrastructure

Sustainable finance total deal size over time ($b)



Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Some examples of labelled transactions we have completed in 2024 include:

Green, Social and Sustainability Loans

Lending to deploy capital into green, social and sustainability initiatives, where borrowers are required to use the proceeds of the loan to invest in qualifying green and/or social assets (e.g., green buildings, renewable energy).

Highlight

Clearway Energy

ANZ acted as Sole Green Loan Coordinator and Joint Lead Arranger for five green project financing deals for Clearway Energy Group LCC:

1. 140MW Rosamond South Solar and 117MW Battery Storage project located in California;
2. 114MW Daggett 1 Battery Storage project located in California;
3. 200MW Luna Valley Solar project located in California;
4. 55MW Dan's Mountain Windfarm project located in Maryland; and
5. 300MW Pine Forest Solar and 200MW Battery Storage project located in Texas.

Clearway owns and operates a portfolio of wind, solar and energy storage installations, producing ~6.5GW of generated energy.

Highlight

ACEN (Ayala Group)

ACEN Corporation is the listed energy platform of Ayala Group, one of the largest conglomerates in the Philippines. In February 2024 ANZ provided a $75 million, 4 year Green Loan to the subsidiary, ACEN Australia, for funding of renewable energy projects in Australia.

Sustainability-Linked Loans

Lending which incentivises the borrower's achievement of predetermined sustainability-related performance targets.

Highlight

WM New Zealand

WM New Zealand Limited (WMNZ) announced the successful conversion of its syndicated debt financing into a NZ$1.1 billion sustainability-linked loan (SLL) in April 2024.

WMNZ is the leading materials recovery and waste management provider in Aotearoa New Zealand. The SLL is linked to key performance indicators reflecting WMNZ's strategy *WM Porohita* (to be circular) including emissions reduction, supporting the circular economy and upskilling employees on climate change and the circular economy. ANZ acted as Facility Agent and lead Joint Sustainability Coordinator.

Highlight

Inghams Group Limited

In June 2024, Inghams Group Limited successfully converted $545 million of syndicated debt facilities into a Sustainability-Linked Loan (SLL) with ANZ supporting in the role of Sole Sustainability Coordinator. The transaction is understood to be the first of its kind for an Australian poultry supplier and included the establishment of a Sustainable Finance Framework. The SLL incorporates three sustainability performance targets which incentivise greenhouse gas emissions intensity reductions, water intensity reductions and landfill intensity reductions.

Highlight

Tata Communications

In April 2024, ANZ participated in a US$250 million sustainability-linked loan facility made available to Tata Communications, a leading global communications technology company.

The sustainability-linked loan included two sustainability performance targets for the reduction of scope 1, 2 and 3 emissions. ANZ acted as Lead Sustainability Coordinator, Arranger, Primary Hedging Bank and Facility Agent.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

ESG-format bonds

Distribution of capital into green, social and sustainability initiatives where borrowers are required to use the proceeds of the bond to invest in qualifying green and/or social assets (e.g. green buildings, renewable energy), or where bond terms are linked to improved performance against predetermined sustainability performance targets.

Highlight

SA Power Networks

In May 2024, SA Power Networks successfully issued a $495 million 3 year and 8.5 year green bond transaction, becoming the first Australian electricity distributor to issue a certified green bond.

The proceeds from its financing instruments will be utilised to finance or refinance new or existing distribution assets that support South Australia's transition to a distributed and decarbonised energy system.

ANZ acted as sole Sustainability Coordinator for the Sustainable Financing Framework, which is aligned to supporting our customers in their transition to net-zero.

Highlight

FleetPartners

In May 2024, ANZ supported vehicle leasing group FleetPartners with a $400 million asset-backed securitisation including $75 million which was allocated to a green tranche. ANZ played a key role in the transaction, acting as joint green bond co-ordinator, co-arranger, joint lead manager, and joint bookrunner. The green tranche of this latest deal will exclusively fund leases for electric vehicles and has been certified as a "Climate Bond" by the Climate Bonds Initiative. This deal contributes to the growing body of work by ANZ helping fund reductions in transport emissions.

Supporting customers' decarbonisation

We also support our customers' transition through unlabelled financing products and services. 'Unlabelled' refers to our existing banking products and services where no specific sustainability related label is applied. In our Institutional business, these include relationship lending, structured lending (such as project finance or loan syndication) or other banking solutions to customers to finance or facilitate initiatives that contribute to decarbonisation, such as buildings and infrastructure, renewable energy or energy efficiency.

Recent examples of unlabelled transactions include:

Highlight

Talison Lithium (Greenbushes Lithium Mine)

ANZ acted as Mandated Lead Arranger and Bookrunner in an upsized Syndicated Debt Facility for the Talison Lithium joint venture for US$1.55 billion. The deal which closed in June 2024 supports the Talison Lithium joint venture's capital expenditure plans for the Greenbushes Mine in Western Australia. The mine plays a crucial role in meeting the growing demand for lithium, a vital component for electric vehicle batteries and other battery storage solutions. The deal extends ANZ's funding relationship with Talison Lithium which dates back to October 2022.

Highlight

Ventient Energy (now part of Nadara)

Ventient Energy (now part of Nadara, an independent power producer in Europe) was a renewable energy generator in Europe with 146 wind farms generating approximately 5.7TWh of clean electricity, which is estimated to be enough to power more than 1.5 million homes.

ANZ acted as Mandated Lead Arranger and Hedging Provider, on a EUR2.6 billion refinancing for the diversified, pan-European renewable energy platform.

Highlight

Silicon Ranch Corporation (SRC)

In September 2024, ANZ acted as Coordinating Lead Arranger (CLA) for Silicon Ranch Corporation's Lambert 1 project, a 100 MW solar photovoltaic energy project that is under construction in South Carolina.

This US$218 million facility represents ANZ's second transaction with SRC, with the first completed in May 2024, where ANZ acted as CLA for SRC's US$410 million 250MW Toombs Solar Project in Georgia. SRC is an independent power producer in the United States with an operating portfolio of more than 3GW of solar and battery storage systems.

Environmental Markets

The Australian carbon market operates under the Australian Carbon Credit Unit (ACCU) Scheme that incentivises the development and operation of eligible activities that reduce emissions or store carbon.[1] The carbon market is anticipated to play an increasing role in supporting Australia's transition to net-zero as a result of reforms to the Safeguard Mechanism[2] in 2023. These reforms seek to align the emissions baselines of many of Australia's largest emitting industrial facilities to national decarbonisation targets[3]. This requires the businesses that control those facilities to reduce emissions at site or mitigate them through the use of carbon credits.

Established in 2022, ANZ continues to build out its Environmental Markets capability to provide insights and develop financing and market-related solutions for customers that are increasingly interested in understanding the risks and opportunities of entering the carbon market, both on the demand and supply side. This includes customers subject to the Safeguard Mechanism and those seeking to participate in the carbon market on a voluntary basis.

During the year, the team has been integrated within our Sustainable Finance team to enhance collaboration with relationship teams and product specialists in Markets and Trade.

Additionally, to support our employees to understand the why, the what and the how of carbon markets and engage with customers on carbon market solutions, this year we launched a specialised Carbon and Environmental Markets module under the ESG@ANZ – Mindset 2030 learning program. Refer to page 36 for more on how we are building the capability and capacity of our employees.

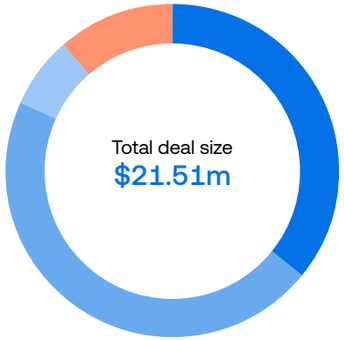
ANZ/Clean Energy Finance Corporation (CEFC) Energy Efficient Asset Finance Program

ANZ has been working with the CEFC since 2017, to support Australian businesses to invest in emission reducing infrastructure that will be resilient to a changing climate. Under the program, ANZ and the CEFC each contribute 0.25% towards a 0.5% interest rate discount to eligible customers for loans up to $5 million to invest in a broad range of activities or assets that meet the program criteria, for example renewable energy to energy efficient and precision agricultural equipment, recycling technologies and electric vehicles[4].

The program enables those customers to use discounted clean energy finance to reduce their costs at the same time as meeting community expectations around improving sustainability.

Since its launch in 2017, this program has helped finance more than $300 million of investment in 1,369 clean energy technology deals for some of our Australian Commercial and Agribusiness customers.

2024: 133 deals, $21.51m volume



- **$7.72m** EV deals
- **$9.87m** Energy efficiency deals
- **$1.49m** Solar deals
- **$2.43m** Recycling deals

Highlight

Carbon Logica

Carbon Logica provides carbon emissions abatement services to the resources industry.

Carbon Logica was granted a loan under the ANZ/CEFC loan discount program to build a power generation facility, which utilises waste coal mine gas from Fitzroy's Ironbark No. 1 metallurgical coal mine in Queensland, to generate electricity.

The project is part of the mine's emissions reduction strategy and Carbon Logica describes it as an example of how they have the ability to tailor services for the resource industry.

Carbon Logica's Managing Director, Scott Barker, explains; "With the support of ANZ and CEFC, the development of the Ironbark Waste Coal Mine Gas Power Station showcases our team's ability to rapidly deploy scalable solutions that support environmental and economic outcomes."

1. Australian Carbon Credit Unit Scheme. 2. The Safeguard Mechanism. In Australia, the Federal Government reformed the Safeguard Mechanism legislation so that for financial years commencing on or after 1 July 2023, designated "Safeguard facilities"(large carbon emitters) are required to reduce their emissions on a trajectory consistent with Australia's climate targets. **3. Safeguard Mechanism. 4. Vehicle and Equipment Finance | ANZ.**

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Smaller Business and Retail Products and propositions (New Zealand)

ANZ Bank New Zealand offers lending products that may support households and businesses transition to lower emissions.
Other lending products are available to support customers impacted by weather-related events.

Product	Description of Product	Launched	New Lending (2024, NZ$m)	Outstanding Balance, Life to Date (NZ$m)
Lending that may support households and businesses transition to lower emissions			311	603
Good Energy Home Loan	Top up available to existing eligible[1] home loan customers to upgrade their homes with solar panels, heating and insulation, double glazing, ventilation systems and/or rainwater tanks. It can also be used for electric or hybrid vehicles, electric bikes, and electric vehicle chargers. It allows customers to borrow up to NZ$80,000 at a 3-year fixed interest rate of 1% per annum.	July 2022	255	474
Healthy Home Loan Package	Offers interest rate discounts and fee savings for eligible[2] customers who are buying, building, renovating or already own a home with a 6 Homestar rating or higher.	March 2019	13	61
Business Green Loan	Available for eligible[3] business and agriculture customers to borrow up to NZ$3 million at a discounted rate to finance (or refinance) assets or projects associated with energy efficiency, renewable energy, green buildings, plantings, sustainable water and wastewater, clean transportation, and pollution prevention and control.	September 2022	43	68
ANZ Agri Uplift Finance	ANZ Agri Uplift Finance has been created to incentivise and reward customers who have a clear environmental vision and are focused on improving farming practices and increasing business resilience. An interest rate discount is applied for up to three years on eligible floating ANZ Business Term Loans. Customers are eligible through: 1. Certification under an eligible industry assurance program or, 2. Meeting the criteria under the product's general pathway of climate change mitigation and adaptation, biodiversity, water quality and soil health.	October 2024	-	-

1. ANZ Good Energy Home Loan. **2.** ANZ Healthy Home Loan Package. **3.** ANZ Business Green Loan.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Product	Description of Product	Launched	New Lending (2024, NZ$m)	Outstanding Balance, Life to Date (NZ$m)
Lending to support customers impacted by weather-related events			458	461
Business Regrowth Loan	A low-interest loan aimed at those 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 their business' resilience to future events. Initially available for those impacted by the devastating flood and cyclone events to many North Island regions in 2023, the loan was extended to support existing ANZ Bank New Zealand business and agriculture customers impacted by future climate-related events such as cyclones, flooding and droughts.	July 2023	35	52
Support for customers with Category 3 properties	Since August 2023, ANZ Bank New Zealand has offered assistance to customers who had been designated as Category 3 under the New Zealand Government's Future of Severely Affected Land Programme (i.e. eligible for a Council buyout as it is unsafe due to unacceptable level of future risk to life). ANZ Bank New Zealand offers eligible Category 3 customers the ability to break current fixed rates (waiving early repayment recovery) for a discounted offer for up to one year as customers complete their Council buyout.	August 2023	42	25
North Island Weather Event Loan	ANZ Bank New Zealand participated in the Government's North Island Weather Events (NIWE) loan guarantee scheme between August 2023 and June 2024. Under the scheme, the Crown carries 80% of the credit risk on covered loans and will underwrite loans with a term of up to five years, and principal amount of up to NZ $10 million[4] to help significantly impacted businesses recover.	August 2023	381	384

4. Amounts above NZ$10m were provided subject to confirmation from the New Zealand Treasury.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion



Highlight

SDG Bond Program

ANZ Treasury's[1] capital and funding strategy includes SDG bond issuance which supports our commitment to transition ANZ's lending portfolio to net-zero financed emissions by 2050 in line with the goals of the Paris Agreement. ANZ's SDG Bond Framework has been developed to align with the International Capital Market Association's (ICMA) Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines that are current as at the date the SDG Bond Framework was released. ANZ recently extended and updated our SDG Framework (as of November 2024).

An amount equal to the net proceeds raised from the SDG bonds is used to finance or refinance a combination of new or existing assets and/or ANZ's own operating or capital expenditures, which align with one or more eligible categories that furthers one or more of the SDGs.

Since inception (to 31 March 2024), the eligible asset pool has increased from $1.5 billion to $11.1 billion, highlighting delivery of ANZ's strategy to improve the financial wellbeing and sustainability of our customers through our lending proposition. ANZ has issued five SDG bonds totalling approximately $6.8 billion (AUD equivalent), including ANZ's inaugural SDG bond issued in February 2018 that has since matured.

Consistent with our purpose, ANZ's intent is to issue SDG bonds as part of its capital and funding strategy, subject to market conditions. This also assists in maintaining access to a diverse investor base across global capital markets.

1. ANZ Bank Group.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Large emitters engagement program

Learning from the previous phase of customer engagement

Since 2018, our engagement with our large emitting business customers has continued to provide us with deeper insights into their transition plans, the opportunities available to them and the challenges they face.

Each customer's transition journey is unique. We expect the path to net-zero will be non-linear for many sectors, as some customers may be able to reach net-zero for their operational emissions in the next decade, whereas some may experience increases in emissions while they invest in new operations or businesses to enable deeper, long-term decarbonisation. This reflects the complex balance between maintaining operational viability and implementing a credible transition plan.

We have also observed that hard-to-abate sectors remain particularly challenged, for example, due to technological and commercial barriers. However, it is encouraging to see many customers in these industries disclosing clearer, long-term transition plans.

Energy security and affordability concerns can introduce another layer of complexity. Similarly, countries with developing economies are facing growing energy demand to accommodate economic growth. Our customers facing these challenges need to tackle meeting immediate energy needs while striving to lower their emissions. This can make setting and achieving their Paris-aligned targets more complicated.

Given these multifaceted challenges, achieving the goals of the Paris Agreement cannot be accomplished by our customers alone; it necessitates collective action from governments, industries, and financial institutions[1]. Understanding the complexities and challenges our customers face will enable us to better engage with and support their transition.

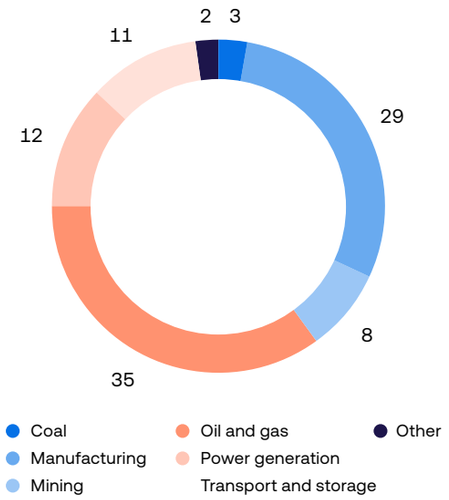
Implementing our new phase of engagement

At the beginning of this year, we commenced a new phase of engagement – LEEP. LEEP is a multi-year, multi-cohort customer engagement program that builds on the experience we developed through the previous phase of our customer engagement. We include customers from varied sectors in this program, but a large proportion are in energy and resources.[2]

Our bankers have initiated discussions with all of the current LEEP customers, supported by our Climate Change Risk Assessment (CCRA) tool. Refer to page 47 for more detail on our CCRA. We are exploring ways in which our customers' transition may be facilitated by our financing solutions, including via our $100 billion social and environmental sustainability target, discussed on page 21.



100 largest emitting business customers by sector



1. Intergovernmental Panel on Climate Change – ***Climate Change 2023: Mitigation of Climate Change. Sixth Assessment Report (2023)***.
2. The energy sector plays a key role in the transition, with around 75% of global emissions attributed to energy use (data sourced from the International Energy Agency (IEA) – ***Net Zero by 2050: A Roadmap for the Global Energy Sector (2021)***). This is especially the case for the power generation sector, which is essential in decarbonising other high emitting sectors such as transportation and buildings.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

We have also **set higher standards**. Our engagement seeks to support LEEP customers to continually improve their transition plans, recognising that the journey to net-zero by 2050 is not 'set and forget' – every improvement matters. This year, we introduced a more challenging assessment framework for considering our LEEP customers' transition plans. This includes:

- an increased focus on progress in achieving their intermediate emissions reduction targets[1]
- encouraging our LEEP customers to obtain at least limited third-party assurance of emissions performance and targets.

While we continue to review our LEEP customers' transition plans against our assessment framework, we recognise this only tells part of the story. The assessment shows where a customer is at a point in time but doesn't reflect the customer's trajectory in meeting our expectations – good now, does not mean good tomorrow. Conversely, a less mature plan today might not fully reflect improvements our customers have made or are planning for the future.

As a result, we have **evolved our approach** to disclosing where our LEEP customers are on their transition journey to reflect how we assess their *trajectory* relative to our expectations. We consider challenges facing the customer's sector or the region(s) in which they operate, the speed and scale of improvements already made or planned to its transition plans and our history of engagement. This approach allows us to acknowledge sector and region-specific challenges our LEEP customers face while leveraging our transition plan assessment framework to provide an indication of how we see customers progressing.

We have categorised transition plans this year in the following phases:

Summary phase description

Mature

Customers who have disclosed a well-developed or advanced transition plan, which includes Paris-aligned intermediate targets covering scope 1 and 2 emissions for the highest emitting part of their business[1] and committing to a net-zero target by 2050. They also have clear plans to achieve their targets with strong governance and 'TCFD aligned' climate disclosure. This includes customers who we consider as 'sector leaders'.

Progressing

Customers who are demonstrating sufficient improvement[3] by progressing their plans. These customers may fall short on having Paris-aligned intermediate targets, eg due to challenges in the sector or environment they operate in. These customers have at least adequate climate governance, actions to meet their targets, and may have or are moving towards TCFD-aligned disclosure.

Emerging

Customers who generally do not meet our expectations for 'Progressing' phase. Some of these customers may have or are moving towards TCFD-aligned reporting but need to significantly improve certain key components of their transition plan. Some may have internal plans, including governance structures and steps being taken to reduce emissions that are not yet disclosed.

We have publicly stated our expectations for Institutional energy customers[2] and still expect them to achieve a 'Mature' phase in their transition plans by end 2025[1] or improve sufficiently towards this[3] – otherwise we may reduce our support. This may mean that we decline to participate in new lending opportunities, reduce limits available to the customer or selldown existing exposures. Our enhanced due diligence process for material energy transactions considers Institutional energy customers' transition plans, and the effect of the proposed transactions on our financed emissions pathways. We have also increased our focus on how these customers are progressing in achieving their emissions reduction targets, as well as the trajectory of their transition journey relative to our expectations. This allows us to focus on where we can have the greatest impact by prioritising engagement with customers that have momentum and capacity to meet our expectations.

"While significant progress has been made in the nine years since the landmark Paris Agreement, the global energy transition is entering a new phase, marked by rising costs, complexity, and increased technology challenges. To successfully navigate this next phase and meet the Paris Agreement goals, urgent action will be needed and the pace of change must accelerate. The clean energy transition will also need to be balanced with affordability, energy system resiliency, and energy security in an increasingly uncertain macroeconomic environment."

Source:
Global Energy Perspective 2024 | McKinsey

1. In addition to meeting our expectations of LEEP customers' transition plans, Institutional energy customers also need to, by end 2025, disclose (1) Material scope 3 emissions and any progress towards reducing those emissions and (2) How company strategy, targets and planned capital expenditure is aligned with the Paris goals. **2.** References to 'Institutional energy customers' are to those that ANZ considers material in this context.
3. We assess the customer's improvement which includes evaluating their public disclosures and engagement with us.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Expanding our engagement over time

In 2025, we will extend our engagement to the next cohort of our LEEP customers, which are customers included in our sectoral pathway targets and other large emitters, both as identified through LEEP customer selection.

We anticipate that by the end of 2025, through LEEP, we will have undertaken enhanced customer engagement with customers responsible for an estimated 60% of emissions of our Institutional customer emissions.[1]

How our customers are placed in 2024

100 largest emitting business customers grouped by transition phase for 2024



This year, among our 100 largest emitting business customers, we consider 42 are in the 'Mature' phase. For the remaining customers, a smaller proportion are 'Progressing' while the remainder are 'Emerging.'

We observed that most customers recognise climate as a financial risk and have assigned Board responsibility to manage it. While around 80% have set net-zero 2050 targets for their scope 1 and 2 emissions, only around 50% have Paris-aligned intermediate targets for scope 1 and 2. This is partially due to the lack of commercially and technically available decarbonisation technologies for some customers. Scope 3 emissions remain a challenge for many customers, particularly in setting targets, as they have less direct control over these emissions. Nonetheless, we are seeing stronger disclosures related to decarbonisation strategies that are supported by capital expenditure and investment.

We continue to hold high expectations of our 100 largest emitting business customers. We will continue engaging with them, including those in the 'Mature' phase, to encourage further improvements to their transition plans or to discuss examples of good practice. Some of these customers in the 'Mature' phase are large, listed companies whose progress will be particularly important to support achievement of the Paris Agreement goals.

We also support our customers in their transition journey through our broader engagement as well as financing activities. Our target is that by the end of 2025, compared with their starting point, more customers will be in the 'Mature' phase for their transition plans. Some of these customers do not yet have regulatory obligations to disclose publicly, but we are gaining insights and some visibility of their transition plans through our engagement.

For those customers in the 'Emerging' phase for their transition plans, we may reduce our support if they have not sufficiently improved their plans following 2 years of engagement.

Additionally, we have set higher expectations for our Institutional energy customers[2]. This will be detailed in our **Energy Customer Approach**, available **here** prior to our AGM.

This year's engagement also provided us with valuable insights into our Safeguard Mechanism customers. While it was encouraging to find that around half of those reviewed are positioned in the 'Mature' phase, these customers are facing greater challenges in meeting regulatory requirements, in addition to reducing their emissions at a pace aligned with Australia's decarbonisation goals. Our Environmental Markets team has been discussing with several of these customers how they might navigate the risks and opportunities related to procuring carbon credits to meet their Safeguard Mechanism obligations.

1. Based on analysis conducted in 2023. The analysis identified the ultimate parent company of ANZ's Institutional credit customers (ie, excluding non-lending customers) and estimated the customer's scope 1 and 2 (location-based) emissions, based on publicly disclosed data or having regard to sector specific emissions intensity estimates. We excluded Project Finance as the emissions from projects are attributed to the relevant customer segment. We also excluded customer segments which typically have lower emissions such as Financial Institutions, Public Sector, and services and education. **2.** References to 'Institutional energy customers' are to those that ANZ considers material in this context.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Uplifting our governance process

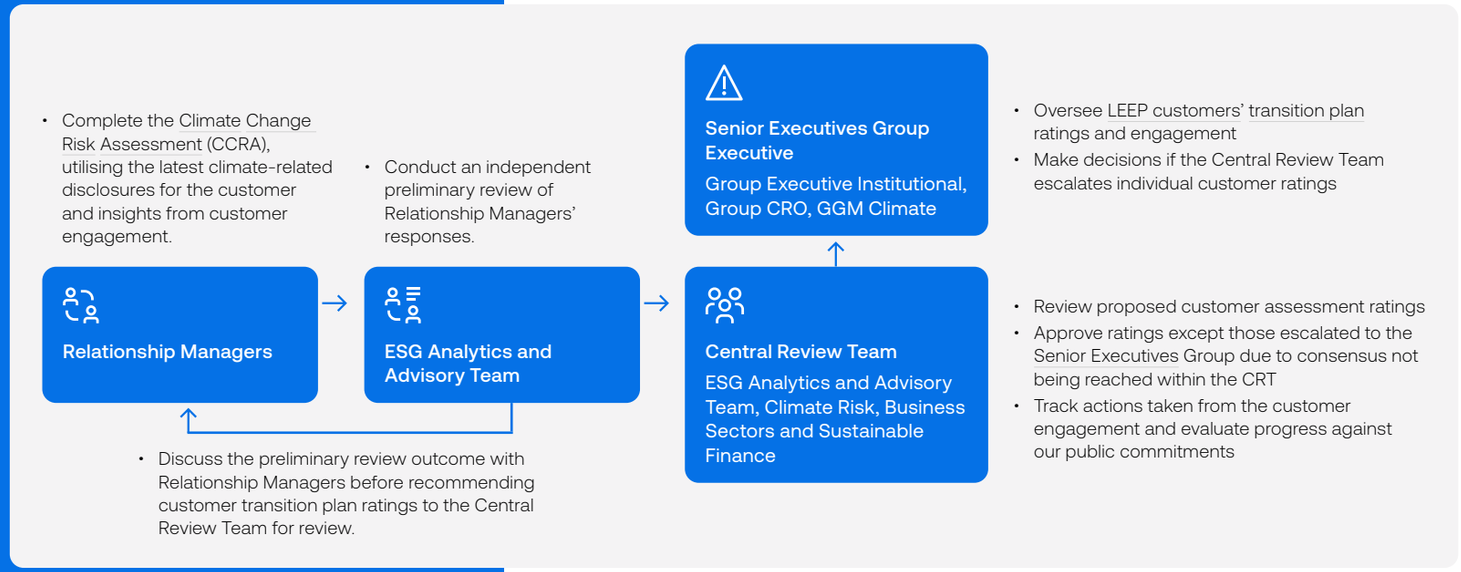
This year, we established the Central Review Team (CRT) as the decision-making body that reviews the application of the customer transition plan assessment framework to customer ratings.

The CRT is co-chaired by representatives from our Climate Risk and ESG Analytics and Advisory team, and includes representatives from the Institutional division, including Sustainable Finance and relevant Business Sectors.

One of the CRT's main responsibilities is to review and approve customer transition plan ratings based on the customer transition plan assessment framework.

Our transition plan assessment framework

Expectations for credible climate transition plans are evolving. We aim to review our internal customer transition plan assessment framework every year with a view to reflecting evolving market developments. Any such review is led by our internal ESG subject matter experts with oversight from the CRT, and leverages guidance from reputable third-party frameworks such as Transition Plan Initiative, Climate Action 100+ and the Science Based Target Initiative. If we make material changes to our framework, we will explain how they impact upon our assessment ratings in the relevant year.



Case study

ANZ engagement contributing to uplift in a customer's transition plan

ANZ declined an opportunity to participate in a transaction for an energy customer in 2023, in part based on their transition plan being less advanced than our expectations.

Since then, our customer has actively and constructively engaged with ANZ across multiple areas and levels of the business including seeking confidential feedback before publicly releasing its first climate action plan.

The release of the customer's climate action plan represented a marked improvement, including disclosure of a net-zero 2050 target (for scope 1 and 2 emissions), a commitment to scope 3 reporting and the linking of executive remuneration to climate targets. These improvements were important factors in ANZ's decision to participate in another transaction with this customer this year.

Our customer has committed to further improving its transition plan. We will continue to monitor this customer's progress.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Taking steps to build capability to understand nature

Our Climate and Environment Strategy highlights our acknowledgment of the importance of, and links between, climate and nature. Our approach is guided by our ambition to build our capability to help customers understand both climate and nature risks.

ANZ and our customers' operate in many diverse and ecologically important locations. We acknowledge the contribution we can make by working with our customers to understand nature risks and opportunities relevant to their business operations and how they manage their impacts. We have a role in protecting and restoring nature and mitigating biodiversity loss in the locations in which we operate. For more information on how we are reducing the impact of our operational footprint see page 85.

We recognise the vision of the Kunming-Montreal Global Biodiversity Framework which is "a world living in harmony with nature where by 2050, biodiversity is valued, conserved, restored and wisely used, maintaining ecosystem services, sustaining a healthy planet and delivering benefits essential for all people."[1]

We continue to draw on the TNFD framework to help inform our disclosures in this report, building on our first steps taken last year following the release of the TNFD in September 2023. Our TNFD Index outlining our response to the recommendations is on page 88.

This section sets out the initiatives, processes and activities as to how we have progressed our approach to nature in 2024. We consider that these steps lay the foundation for us to deliver on our Climate and Environment Strategy action plan over the next five years.

Nature or Biodiversity?

Currently 'nature' and 'biodiversity' terminology is often used interchangeably by policy makers, regulators and market participants.

The TNFD[2] considers 'nature' as the "natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment." The TNFD defines 'biodiversity' as "the variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems."

Steps taken this year to further our approach:

- **Included nature in the development of our Climate and Environment Strategy (see page 19)**
- **Reviewed our Social and Environmental Risk Policy, including consideration of the management of potential impacts on nature (see page 46)**
- **Broadened our discussions with customers on nature to include our Agribusiness data coverage cohort[3] (see page 34)**
- **Completed a desktop analysis evaluating a cohort of our customers' approach to managing nature related impacts and dependencies (see page 35), and**
- **Released a specialised Nature Mindset2030 learning module for ANZ employees (see page 37)**

Understanding risks and opportunities

Nature is classified as an emerging risk to ANZ under our RMS which we are seeking to understand further. This year we reviewed our Social and Environmental Risk Policy and Social and Environmental Risk Standard, including our specific requirements for sensitive sectors. As part of that review, we considered the potential impacts on nature from our large business customers' activities. For example, we intend to take a more holistic approach in seeking to understand how our customers balance competing demands on land and water, with potential impacts on nature and biodiversity. Further detail on how ANZ is exposed to, and manages, nature risks is available at page 43 and further detail on nature considerations in our Social and Environmental Risk Policy is available at page 46.

We are also seeking to be a leading bank in supporting our Institutional customers to transition, and grow our low-emissions and nature related opportunities, as part of our Climate and Environment Strategy, to be implemented over the next five years. Our sustainable finance team has commenced engaging with customers on linking nature strategies into financing needs alongside climate and other sustainability objectives more commonly seen in the market to date. We expect the market to develop in this regard over the short to medium term, as global sustainable finance taxonomies evolve, and nature impact and dependency frameworks together with guidance on associated metrics emerge. See page 22 for how we are seeking to finance a sustainable transition.

1. Convention on Biological Diversity – ***2050 Vision and 2030 Missions***. **2.** Taskforce on Nature-related Financial Disclosures – ***Glossary (September 2023)***. **3.** The Agribusiness data coverage cohort comprises large Institutional agribusiness customers with either significant operations in Australia or headquarters in Australia as at October 2023. See page 82 for more details.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Portfolio analysis

Nature risks and opportunities are inherently sector and location specific. As a result, identifying and applying a single portfolio wide metric or target is challenging.

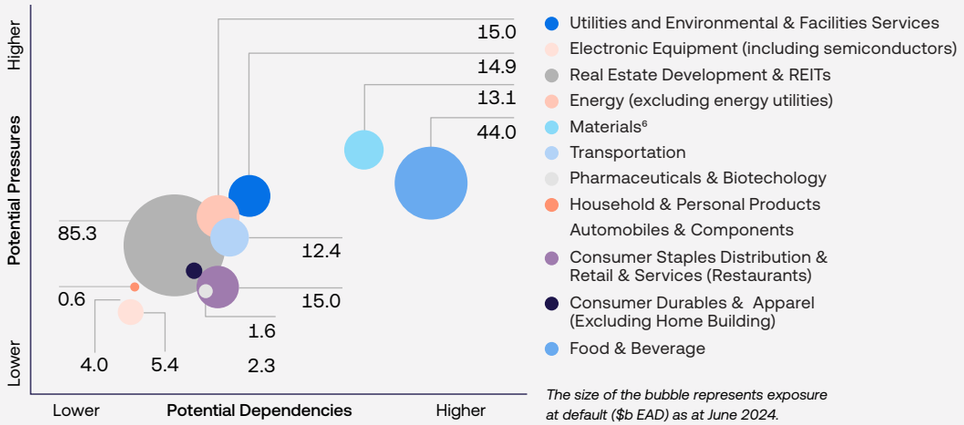
Building on our work in 2023, we continue to utilise the Exploring Natural Capital Opportunities Risks and Exposure (ENCORE)[1]. The tool identifies potential sector level nature pressures and dependencies. Having regard to the TNFD's Additional guidance for financial institutions[2], we have reported against one of the core disclosure metrics for financial institutions, 'Exposure to sectors'. This metric represents the exposure to a defined set of sectors considered to have material nature-related dependencies and impacts. The outcomes are reflected in the bubble chart below.

The assessment highlighted the materials, and food and beverage sectors as those with higher potential pressures and dependencies on nature. Within the sectors assessed, water use and terrestrial (land-based) ecosystem use are categorised as having the most material potential nature-related pressures.

This analysis helped inform our review of our Social and Environmental Risk Policy, as well as our approach to customer engagement and the desktop analysis discussed on page 35.

We continued to build on what we have learnt from participating in pilot studies of the TNFD framework's LEAP[3] application – maturing our approach to discussions with customers and informing discussions on data, tools, systems and capabilities.

ENCORE potential pressures and dependencies by sector[5]



The size of the bubble represents exposure at default ($b EAD) as at June 2024.

1. The ENCORE tool previously referred to 'impacts' and 'dependencies', however the tool now refers to 'pressures' and 'dependencies'. **2.** Taskforce on Nature-related Financial Disclosures – ***Sector Guidance (June 2024)***. **3.** Locate, Evaluate, Assess and Prepare. **4.** The Agribusiness data coverage cohort comprises large Institutional agribusiness customers with either significant operations in Australia or headquarters in Australia as at October 2023. See page 82 for more details. **5.** Pressure and dependency ratings were sourced from ENCORE. A score was applied in order to convert ENCORE's qualitative assessment to a quantitative analysis and scores were aggregated. **6.** Including chemicals, construction materials, containers & packaging, metals & mining and paper & forest products.

Customer Engagement

We are continuing to build our knowledge on nature, which is a topic that has been part of our discussions with some of our largest emitting business customers since 2021. This year we included nature as a topic in discussions with our Agribusiness data coverage cohort[4], given the dependencies the agricultural sector has on nature.

We seek to understand whether customers are establishing or strengthening their approach to nature through Board governance, metrics and targets, and disclosures using recognised indicators or metrics. We are engaging with our customers to help us start to identify and consider their potential impacts and dependencies.

Our customer engagement on nature is integrated into our credit risk assessment process via our CCRA tool and our Social and Environmental Risk screening tool. It is expected that the nature element of our screening tools will continue to expand and evolve over time. For more information on the CCRA, refer to page 47. We seek to apply what we learn from our customer engagement to help refine our screening, improve our knowledge and enhance our capability and customer engagement capacity. Further information about our relevant screening tools and processes is available on page 47.

We are seeking to understand the impacts and dependencies nature can have on our customers. This includes how customers are managing and mitigating material risks and impacts. Customers are less progressed in setting targets and making disclosures around nature compared with their progress in developing low carbon transition plans, though we expect further progress over time.

Of our 100 largest emitting business customers plus our Agribusiness data coverage cohort[4], 27% have metrics and targets in place that assess and manage certain impacts and dependencies on nature and 47% disclose their impacts, dependencies, and associated risks and opportunities on nature.

2024 Nature-related customer engagement[7]

Analysis of our 100 largest emitting business customers and agribusiness data coverage cohort



7. Not to be compared to prior year disclosures due to coverage of a different customer cohort.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Additional analysis of customers' public disclosures on nature

We also complemented our customer engagement on nature through the LEEP with a more detailed desktop analysis of public disclosures of both our 100 largest emitting business customers, within LEEP, and the Agribusiness data coverage cohort. The purpose of the analysis was to baseline customers' disclosures as to their management of nature related impacts and dependencies, identifying customers that appear to be more advanced and to inform the focus of future customer engagement and deepen our knowledge and understanding.

The analysis (summarised below) highlighted that our customers are still in the early stages of setting specific policy commitments on nature. Some customers are more advanced, for example many customers in the Australian resource sector had more fulsome disclosures on the management of land and water. We understand this is likely due to their regulatory compliance requirements and membership of industry bodies. Some of these customers have commitments to protect high value biodiversity areas by restricting exploration and extraction of resources in these locations. Themes, such as water and deforestation were not a material impact or dependency for all sectors we analysed, indicating a need for more tailored sector-specific engagement.

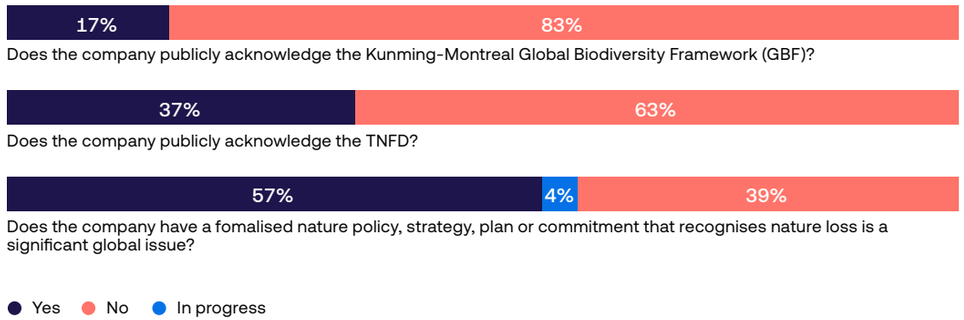
The analysis identified that although nature risks can be closely linked to climate risks, there is not complete alignment between our customers in our existing LEEP and Agribusiness Data Coverage Cohort engagement programs and those with higher nature impacts or dependencies. A number of customers, outside of existing engagement programs, have been identified within third-party initiatives such as Nature Action 100 (NA100) and Spring[1] as having a high potential impact on nature within key sectors deemed to be systemically important in reversing nature loss.

Next steps: The results of our customer engagement, desktop analysis and ANZ customers that are identified by third-party initiatives will inform the focus of future customer engagement on nature.

Informed by our 2023 ENCORE portfolio analysis, the desktop analysis considered themes such as:

- Acknowledgement of the Kunming Montreal Global Biodiversity Framework and/or recommendations of the TNFD
- Strategies, policies or commitments to manage nature replated impacts, dependencies, risks and opportunities including water, land, deforestation, riparian vegetation, rehabilitation and closure planning
- Water consumption, quality and efficiency measures
- Metrics and targets related to nature and water management

Key results of the additional nature desktop analysis



1. A UN PRI stewardship initiative for nature, convening investors to use their influence to halt and reverse global biodiversity loss by 2030.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Building our capability and assisting our customers

We continue to build the capability and capacity of our workforce to respond to the shifting regulatory requirements, economic and social pressures, expectations of stakeholders and to meet changing customer needs. This is key to our understanding of climate and nature risks and opportunities, as well as our ability to support our customers to build on their understanding of those risks and opportunities.

Building internal capability

This year we expanded our in-house purpose built ESG@ANZ – Mindset 2030 learning program to offer both foundational and specialised learning programs. This is an optional online program to support our employees to build their capabilities. The specialised learning program aims to support our frontline employees and product partners to be better equipped to have purpose-aligned, strategic discussions with our customers, to understand their needs and support their understanding of risks and opportunities.

The learning program is supplemented by ESG-related webinars, speaker events and an Insights Hub, a dedicated site for our employees to learn more about ESG, including climate risk, and ANZ's ESG approach. The Insights Hub includes dedicated tools and resources designed to better equip employees, for example, to engage in conversations with our customers.

A community of practice, a group of like-minded employees with an interest in ESG, has also been established. There are over 200 representatives across ANZ to champion the ESG@ANZ – Mindset 2030 learning program.

At the end of 2024, more than 7,000 employees have commenced the foundational learning program, ESG@ANZ, Mindset 2030. As at end of 2024, more than 3,800 employees have completed the entire foundational program which consists of 10 modules. In addition to the on-line learning program, 33 speaker events/webinars on specific ESG topics have been conducted in 2024.

The learning program was initially established to support our Institutional division with more than 40% of our Institutional team completing the foundational learning program in 2024.

As part of the Executive Leadership Series a program was also delivered to senior executives[1] across ANZ, **Delivering Value and Impact with ESG**, with 40% of the eligible cohort attending.

ESG@ANZ – Mindset 2030 – Foundational Program

- ANZ's Purpose, Strategy and Approach to ESG
- The 'E' in ESG – What Environmental Sustainability means at ANZ
- The 'S' in ESG – What Social means at ANZ
- The 'G' in ESG – What Governance means at ANZ
- Greenwashing
- ESG Governance and Risk Management
- Community and Customer Transition to Net Zero
- Financing sustainability; Products and Solutions (new in 2024)
- Taking action and resources (new in 2024)
- Learning Program Assessment (new in 2024)

ESG@ANZ – Mindset 2030 – Specialised Program (new in 2024)

- Customer Conversations
- Carbon and Environmental Markets
- Nature
- Human Rights and Modern Slavery

Delivering Value and Impact with ESG (new in 2024)

- Offered to our senior executives providing an overview of the bank's ESG approach and leadership's role as well as an overview of greenwashing and the opportunities and risks for the energy transition

1. Comprises persons holding roles within ANZ designated as Group 1 and Group 2.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Highlight

Spotlight on nature



Supporting our customers to understand nature risks is a core ambition of our Climate and Environment Strategy. Building the capability and capacity of our frontline employees is critical to supporting their engagement with customers on managing nature risks and opportunities. This year we released a specialised Nature Mindset2030 learning module to support our people in better understanding nature-related risks, opportunities and impacts.

Topics covered within the module, include:

- How does nature contribute to ESG?
- ANZ's approach to nature
- Why our customers should care about nature and biodiversity
- Nature-related sustainable finance
- Resources and tools

This specialised module is supported by the program to build Institutional banker capacity in nature and natural capital. This program includes growing their understanding of nature related risks and opportunities, developing tools to support bankers in engaging with customers on nature, and holding roundtable discussions with selected customer cohorts. Additionally, we continued roll out to relevant parts of the business of our existing 'Nature for Business Playbook', and four sector-specific Playbooks across food, beverage and agribusiness, real estate, energy, and metals and mining. These Playbooks were developed in conjunction with Pollination, ANZ's strategic partner in environmental sustainability.

Helping our bankers to support our customers

A range of learning is available to equip relevant employees with a deeper understanding of climate and nature related risks and opportunities to support effective customer engagement.

This year, we continued to:

- Deliver training sessions to relevant employees to improve the skills and knowledge required to apply the CCRA tool, including relationship managers who are engaging with our LEEP customer group. The training covers how climate risks and opportunities may manifest for our customers and what elements we expect to see in a transition plan, with reference to our expectations of our LEEP customers. These sessions also provide guidance for employees to engage in valuable customer conversations, to help assess customer climate risks. In 2024, CCRA training was delivered to a wider group of employees across our Institutional division, reflecting the broader users of the tool. See page 29 for further details on our LEEP and page 47 on the CCRA.
- Educate relevant employees about our Social and Environmental Risk Policy and the Social and Environmental Risk Standard, including specific requirements for 'sensitive sectors'. Educating relevant employees on our policies and standards, and how they are applied in practice, is important for the effective management of the social and environmental risks when considering our large business customers' transactions and relationships. This training is mandatory for new employees authorised to make credit decisions relating to large business customers. In addition to our internal education, we also provide briefings to customers on our social and environmental risk management and how our approach may impact the products and services we offer. See page 45 for further details on our Social and Environmental Risk Policy.
- Deliver carbon farming training in Australia, in conjunction with the Carbon Market Institute. This training is available to all employees and seeks to increase the understanding and awareness of the risks and opportunities involved with on-farm carbon projects.

In addition, Pollination and ANZ continued to roll-out a program to build Institutional banker capacity in relation to nature and natural capital. This program includes improving our bankers' understanding of nature-related risks and opportunities to support their engagement with customers, including through roundtable discussions with selected customer cohorts.

Green Ambassador Program

Our Green Ambassador program, created in 2018, is an employee engagement initiative active across our 29 markets and supports employees to live more sustainably by providing education and pathways to take action.

This year's Green Ambassador Summit invited ANZ staff to learn about zero waste and the circular economy, with online and in-person sessions covering topics across the different stages of resource use and waste management, such as hands on composting workshops and panel discussions on share libraries and recycling.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Engaging and collaborating with stakeholders

We collaborate on various international, national and industry initiatives to progress climate action and to contribute to standardised frameworks.

A collaborative and proactive approach to building and maintaining relationships with stakeholders will support us to deliver on our Climate and Environment Strategy.

Understanding risks and opportunities

Building capability and capacity

Driving customer engagement and propositions

Collaborating with stakeholders to support an economy wide transition

Industry associations

ANZ is a member of a number of industry associations. We work in a collaborative and open way as members of associations that have similar interests and approaches to ours. We understand that our stakeholders are interested in the position we adopt on issues related to climate change and nature. Stakeholders are also interested in ANZ's membership and engagement with industry associations, and how we contribute to advocacy and policy development surrounding these issues.

Through our memberships we:

- Participate in discussions about industry-wide issues and strategy
- Provide input into industry association responses to Parliamentary committee inquiries and government consultations
- Engage with consumer representatives to discuss issues affecting customers
- Participate in relevant Australian Banking Association (ABA) and New Zealand Banking Association (NZBA) working groups on climate matters. Through our operations in the United Kingdom, we participate in the UK Financial Conduct Authority's Climate Financial Risk Forum, and the Climate Resilience working group. ANZ United Kingdom also Chairs the Association of Foreign Bank's Climate Risk working group.

We periodically review our membership of industry associations to ensure they align with ANZ's position on policy and advocacy. Refer to our ESG Supplement at **anz.com/esgreport** for disclosure of our membership of key industry associations.

Policy engagement

We seek to contribute constructively to public policy formation and to understand the perspectives of our community's elected representatives, policy makers and regulators.

Australian Sustainable Finance Institute (ASFI)

As a founding member of **ASFI**, we continue to collaborate with peers within the financial services sector. During the year, ASFI continued to progress its 2023 work program including sustainable finance taxonomy development, policy engagement, as well as priority initiatives in natural capital, First Nations, finance sector leadership and sustainable finance solutions.

ASFI launched the initial public consultation on the development of an Australian sustainable finance taxonomy, in May 2024. This focused on the technical screening criteria for climate change mitigation across three priority sectors: electricity generation and supply; minerals, mining and metals; and construction and the built environment. ASFI has also formed working groups to develop technical screening criteria across three further sectors: manufacturing and industry; transport; agriculture, and land. ANZ participated in the consultation and is participating in each of these working groups. A second and final round of public consultation has now been released in October 2024 which we expect to contribute to.

We also joined the **Natural Capital Advisory Group**, convened by ASFI in partnership with Macdoch Foundation's Farming for the Future (FftF). This program aims to bring together Australia's agricultural producers and financial institutions to integrate natural capital into decision making of financial institutions using an evidence-based approach, and enabling tangible on-farm outcomes.

Toitu Tahua – Centre for Sustainable Finance

ANZ Bank New Zealand contributed to the several Toitū Tahua initiatives, including as a member of the Independent Technical Advisory Group. The Group prepared the report 'Developing a Sustainable Finance Taxonomy for Aotearoa New Zealand', setting out key design recommendations for the Government; and the 'Starter for Ten: 10 topics for SMEs to start sustainability reporting', guidance which aims to support New Zealand's SMEs with simplified sustainability reporting.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Policy engagement (cont'd)

Government and Regulators

We listen to, and seek to engage constructively, with government, regulators, and policy makers. This includes participation where appropriate in government consultations and parliamentary inquiries. We continue to meet with members of Parliament, public officials and regulators and participate in submissions to, and appearances before, Parliamentary committee inquiries and government and regulatory consultations.

This year, matters raised in Australia included environment and energy, mandatory climate related financial disclosures, the regulation of 'greenwashing', and support for sustainable financing.

In New Zealand, matters raised included climate resilience and climate-related disclosures.

We also contributed to dialogue via the Australian Treasurer's Investor Roundtable that was established in October 2022. The roundtable brings together some of Australia's largest superannuation funds, the major banks and global asset managers, to identify and overcome barriers to investment. The most recent **roundtable** was centred around modernising the Australian economy and maximising advantages. Topics discussed included the net-zero transformation and the Net Zero Economy Authority's role, principles to guide sector decarbonisation plans, the Sovereign Green Bond Framework, and the Sustainable Finance Taxonomy.

We continue to participate in scenario assessments and stress tests across a range of geographies, including Hong Kong. For further detail, refer to page 49 of Risk Management.

Partnerships

We partner with groups and organisations that reflect our values and that will support us to deliver on our Climate and Environment Strategy.

Pollination

In 2022, ANZ and climate and nature advisory and investment firm **Pollination** announced a strategic partnership. The partnership brings together ANZ's capabilities across Institutional Banking with Pollination's expertise in climate and nature in an effort to develop and deliver innovative solutions and opportunities for customers to support their transition to net-zero and to improve nature outcomes.

This year, Pollination and ANZ continued to roll-out a program to build Institutional banker capability in nature and natural capital discussed at page 37. ANZ also worked with Pollination to develop the group wide Climate and Environment Strategy.

Farming for the Future (FftF)

ANZ has recently announced it will partner with **FftF**, a not-for-profit research and change program that seeks to progress the agricultural industry's understanding of on-farm natural capital and its management. Our partnership with FftF seeks to help farm managers realise greater productivity and profitability in their core production enterprises by providing information about how different types of natural capital contribute to farm business performance. The partnership will also deliver bespoke training to our agricultural banking employees and support customers to participate in the FftF program commencing in 2025.

Aotearoa Circle

ANZ Bank New Zealand is a leading partner of **The Aotearoa Circle**, a voluntary initiative bringing together leaders from the public and private sectors to investigate the state of Aotearoa New Zealand's natural resources, and to commit to priority actions that will restore Aotearoa's natural capital for future generations.

Peak industry bodies and associations

We are members of or provide sponsorship to a selected group of peak industry bodies. The purpose of these memberships is three-fold.

- It allows us to engage with specific industries to understand existing and emerging perspectives, challenges, risks and opportunities for the sector, and also more broadly for the economy;
- It provides an opportunity for ANZ to assist in market development and innovation, including with the aim to increase bankability to accelerate investment; and
- It provides access to subject matter expertise that uplifts our own industry specific capability.

Some examples include Australian Water Association, Carbon Market Institute, Energy Efficiency Council, Infrastructure Sustainability Council, and Green Buildings Council of Australia.

Sustainable finance industry working groups
Through our membership of key industry associations, ANZ is also an active participant in a number of working groups that seek to develop and promote high standards of market practice and lay the foundations for the successful operation of sustainable finance markets globally. These associations typically focus on market conventions and responding on issues impacting material aspects of the sustainable finance market. Some examples include International Capital Markets Association Climate Transition Finance working group and Asia Pacific Loan Market Association Green and Sustainable Lending Committee.

United Nations Principles of Responsible Banking (UN PRB) – Nature Target Setting Working Group

We are a founding signatory of the **UN PRB** and contributed to the guidance on nature target setting released by the UNEP-FI in November 2023[1] – as part of our membership of the UNPRB – Nature Target Setting Working Group – which considers how banks can contribute to the Global Biodiversity Framework. The aim of this industry-first guidance is to help banks integrate nature considerations into their practices and processes to shift away from harmful activities while mobilising financial resources.

1. UN Environment Programme Finance Initiative – ***PRB Nature Target Setting Guidance (November 2023)***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Non-Government Organisations (NGOs)

We work cooperatively and engage in regular dialogue with NGOs and civil society on a range of topics that relate to climate and nature. This enables us to understand perspectives from external stakeholders and build our knowledge. Direct NGO engagement this year included regular meetings with some of the leading environmental NGO groups in Australia, and internationally, covering our climate policies, climate risks and opportunities and nature.

We also run a regular program of CEO and senior executive meetings with civil society leaders including environmental NGOs, government, regulators, and academics to build the knowledge of our senior executives across ESG topics.

Thought leadership

We also play a role in sharing research and insights, enabling cross-industry collaboration and support, to help the economy to transition to net zero.

Putting energy efficiency to work for Business

ANZ and the Energy Efficiency Council (EEC)[1] again collaborated to launch a second report in the *Forgotten Fuel* series *Putting energy efficiency to work* for Business in 2024, looking at the steps small and medium-sized enterprises (SMEs) can take to unlock the benefits of energy efficiency.

The *Forgotten Fuel* series is the result of a collaboration between ANZ and the EEC, to explore how businesses and households can benefit from using energy efficiency as a tool for emissions reduction.

Energy efficiency, electrification and renewables are the critical 'tools in the toolbox' for SMEs who want to lower their energy bills and their emissions. These solutions have a role to play in every sector, but different industries require different approaches when deploying these tools to save money and emissions.

For further information, please refer to *Putting energy efficiency to work for Business*.

ANZ Hydrogen Handbook 2.0

We want to help our customers develop new technologies, products, and services to support the emerging hydrogen economy. To assist our customers, we launched ANZ Hydrogen Handbook 2.0, which provides an update on the global market for hydrogen and its adoption as both an energy source and feedstock into industrial processes.

Released in March, the handbook provides a useful resource for understanding hydrogen and the opportunities it could provide businesses in the transition to net-zero emissions. ANZ is a member of the Australian Hydrogen Council (AHC), the peak body for the Australian Hydrogen Industry. The above publication follows the release of the **'The ANZ Hydrogen Handbook – AH2'** in 2022.

Climate insights for business

This year ANZ Bank New Zealand published a report in our Business Insights series, *The greening of commercial property in New Zealand*, which discusses the impact of climate transition on New Zealand's built environment and provides insights to help building owners assess the impacts of lower emission properties for their businesses.

Image source: Robyn Johnston, celebrating 50 years in Singapore customer event.



1. The EEC is the peak body for Australia's energy management sector.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Risk Management

In November 2023, the Board Risk Committee (BRC) approved climate risk as a material risk within ANZ Group's RMF. Climate risk is also considered to be a driver of other risks within our RMF.

The CRO, Institutional is the designated 'Material Risk Owner' of climate risk. Supported by a dedicated Climate Risk Team, we are working to integrate and embed climate risk in ANZ Group's RMF. It is anticipated that this will be a multi-year journey, recognising the complexities and challenges that arise from an evolving regulatory landscape, limitations on the availability of, and access to, reliable and consistent data, and the need to, uplift systems, tools, and capability across the Group.

This year we have been focused on delivering foundational risk initiatives, including:

Establishing a new Climate Risk Standard for identifying and managing climate risk (refer to page 45) and climate-related risk appetite metrics for monitoring climate risk (refer to page 44).

Embedding our Climate Change Risk Assessment (CCRA) within the credit process for certain higher emitting customers in our Institutional division, and exploring enhancements, such as the use of generative Artificial Intelligence (AI).

Preparing for mandatory climate disclosure (in relevant jurisdictions) (refer to page 49).

Leveraging learnings from ANZ Bank New Zealand to progress the development of Group-wide capability to undertake geospatial physical risk assessments for certain priority portfolios and sectors (refer to page 50).

How is ANZ exposed to climate risks?

ANZ Group is exposed to climate risk either directly through its operations or indirectly, for example, through lending to customers. Climate risk may also be a driver of other risks within our RMF. Our most material climate risks arise from lending to business and retail customers, which contributes to credit risk.

In 2024, we qualitatively assessed the potential impacts of climate risk across a subset of ANZ Group's material risk categories[1]. Examples of potential impacts to our most material risk categories[1], including how we manage this risk, have been outlined in table 2.1. We plan to expand on this assessment in 2025.

1. Further detail on our risk types is available in the Risk Management section of our 2024 Annual Report available at **anz.com/annualreport**.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Table 2.1: Potential impacts of climate risk across a subset of ANZ Group's material risk categories

	Material risk	Description	Examples of potential impacts	Managing the risk
Financial Risk	**Credit Risk**	Risk of financial loss resulting from a counterparty failing to fulfil its credit obligations, or from a decrease in credit quality of a counterparty resulting in a loss in value.	Customers may be affected by direct climate risks, such as: • the effect of extreme weather events on a customer's business or property, including impacts to the cost and availability of insurance and insurance exclusions; • changes to the regulatory and policy environment in which the customer operates; • disruption from new technology; and • changes in demand towards low carbon products and services. Climate risks may also indirectly affect a customer through impacts to its supply chain and customer base. If realised, these risks may affect the ability of customers to repay debt; which may result in an increased probability of default; in 'stranded assets' and/or impact the amount ANZ is able to recover due to the value or liquidity of collateral held as security being impaired.	We manage climate-related credit risks to our customers, including potential legal and reputational risks, through the application of certain policies, tools and processes within the credit process. For further detail, refer to page 47.
Non-Financial Risk	**Non-Financial Risk:** **Regulatory Risk and Statutory Reporting and Tax Risk**[1]	Risk of failure to act in accordance with laws, regulations and regulatory expectations, including statutory reporting and tax filing/reporting requirements in the jurisdictions in which we operate.	Climate-related legislation and regulatory change is evolving at pace and one of our priorities is to ensure that we maintain compliance in the 29 markets in which we operate. In Australia, climate-related disclosures were mandated through amendments to the *Corporations Act 2001* in September 2024. Under the new law, ANZ Group is required to report in accordance with the regime from the financial year commencing 1 October 2025. Further ANZ Bank New Zealand and ANZ New Zealand Investments Limited are Climate Reporting Entities (CRE) under the *Financial Markets Conduct Act 2013 (FMCA)*[2]. Non-compliance with relevant climate and environmental risk regulations and legislation could lead to penalties, increased regulatory oversight, capital overlays and reputational impacts.	ANZ Group has built a Group-wide Non-Financial Risk Framework and the assessment, identification and management of climate risk has been integrated into the framework. We are working with teams in other jurisdictions, in which we operate, that are affected by emerging and maturing regulations, to oversee and support them in developing their approach to compliance. In 2024, ANZ Group established a Group-wide Climate Program to help us meet our mandatory climate disclosure requirements. For more details refer to page 49. ANZ Bank New Zealand Climate and Environmental Sustainability Programme (CESP's) Steering Committee and key stakeholders, are facilitating New Zealand's mandatory Climate Statement program delivery.

1. Regulatory Risk and Statutory Reporting and Tax Risk are risk themes under our material risk category of Non-Financial Risk. **2.** See page 4 About this report section for further detail.

	Material risk	Description	Examples of potential impacts	Managing the risk
Non-Financial Risk	**Non-Financial RIsk:** **Conduct Risk[1]**	Risk of loss or damage arising from the failure of ANZ Group, its employees or agents to act in accordance with customers' best interest, fair market practices and ANZ's code of conduct.	ANZ Group could be exposed to conduct risk as a result of greenwashing, which is the practice of misrepresenting the extent to which an entity, product or strategy is environmentally friendly, sustainable or ethical. This also includes where an entity is alleged to have misrepresented its climate risks, business credentials or strategies. If we are found to have engaged in 'greenwashing', this may lead to legal proceedings, penalties and reputational impacts, which could lead to a decline in our future earnings.	We seek to manage this risk through transparent disclosure of our climate-related financial risks, and through our risk management policies and processes. Our Conduct Risk Framework and Conduct Risk taxonomy also facilitates a clear and consistent way of managing and monitoring the risk. Further, we seek to manage the potential for conduct risk in this context by monitoring both our own legal risks and claims brought against other organisations to better understand emerging trends.
	Non-Financial Risk: **Operational Resilience Risk and Physical Security Risk[1]**	Risk of not being able to service our customers and operate our processes when a disruption occurs, including failure of the business continuity management framework or damage to assets owned or maintained by ANZ Group.	ANZ Group operates in 29 markets across Australia, New Zealand, Asia Pacific, Europe and America. Countries in these regions can be vulnerable to extreme weather events such as flooding, cyclones or bushfires. The occurrence of physical risk events, including natural disasters, may result in damage to ANZ Group's physical assets or impact our ability to service our customers and operate our processes.	Physical risks to our operations are identified, assessed, and managed through ongoing application of our Non-Financial Risk Framework (NFR). ANZ Group's Business Continuity and Disaster Recovery Plans are also in place to support alternative banking arrangements for the communities affected.

1. Conduct Risk, Operational Resilience Risk and Physical Security Risk are risk themes under our material risk category of Non-Financial Risk.

How ANZ is exposed to, and manages, nature risks

Nature is classified as an emerging risk to ANZ under our RMS. We acknowledge the need to protect and restore nature and mitigate biodiversity loss including as a result of species extinction or decline, or ecosystem degradation and nature loss (see pages 33-35).

We consider that our most material nature risks can arise from lending to customers that have material impacts or dependencies on nature. These risks can also arise from legal and regulatory changes, which may impact ANZ Group directly or indirectly through our customers. Failure to manage these risks may lead to financial and non-financial risks to us.

We manage nature-related credit risks to our customers, including potential legal and reputational risks, through the application of certain policies, tools and processes within the credit process on page 47.

For information on how we manage nature risk within our Social and Environmental Risk Policy, refer to page 46.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Risk Management Approach

Our Risk Management Framework (RMF)

ANZ Group has a robust RMF to help identify, measure, evaluate, monitor, report, and control or mitigate its material risks. With Climate Risk now recognised as a material risk, its management is embedded within our RMF. ANZ's Risk Management Strategy (RMS), Risk Appetite Statement (RAS) and the Risk Principles, guide our strategy, governance, oversight and monitoring of climate risk.

The RMS has been updated to include a description of climate risk, how its governed and our approach to managing and overseeing it.

The RAS has also been updated to include climate risk and conveys the maximum level of risk that ANZ Group is willing to accept. The RAS now includes a high level qualitative statement as well as quantitative metrics and tolerances. Two new climate risk appetite metrics have been established reflecting our policy position for lending to certain thermal coal mining and upstream oil and gas customers. We will seek to continue to enhance our risk appetite metrics as we evolve our work on climate risk or as the external risk environment evolves.

In addition, we have identified two climate risk indicator metrics to help us monitor alignment with our public target to fund and facilitate at least $100 billion in social and environmental activities through customer transactions and direct investments by ANZ Group[1], and our approach to seek improved customer transition plan ratings for customers in our LEEP.

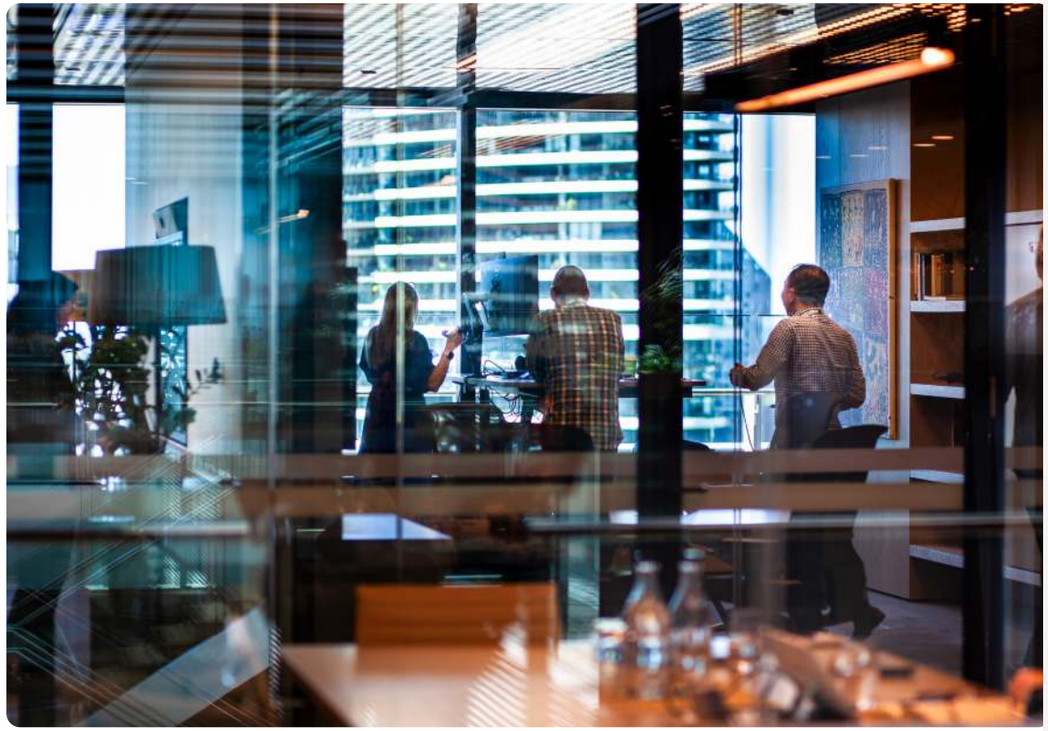
In our Institutional division, our risk appetite is informed by ANZ Group's Climate Change Commitment for certain priority sectors, which is reflected in the relevant sector-level lending criteria documents.

Our Risk Principles support the RMF and outline behaviours and practices that are expected to be applied to guide management of our material risks (including Climate Risk) and instil an appropriate risk culture across ANZ Group.

> Further detail on our RMF is available in the Risk Management section our 2024 Annual Report available at **anz.com/annualreport**

Enhancing our approach to monitoring climate regulation

Building on work undertaken in 2023 to assess regulatory expectations across key jurisdictions in which we operate, we have developed a set of non-financial risk control objectives, which has been integrated into our NFR framework to help support our management of climate risk.



1. Important information about eligibility requirements for the target is set out in the Social and Environmental Target Methodology available here: **anz.com.au/esgreport**

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Enhancing our Policy Framework

The following provides an overview of how Social and Environmental Risks (including climate and nature-related risks) are incorporated into our Policies and Procedures

Social and Environmental Risk Policy

We regularly review our existing lending practices and policies to ensure there is adequate consideration of current and emerging social and environmental issues. The ERBC considers the key social and environmental issues that affect the various industries, customers and communities ANZ Group serves. The Board EESG Committee is responsible for assisting the Board by providing oversight of measures to advance ANZ's purpose, focusing on ethical and ESG matters, including climate-related matters. For further detail on ANZ Group's governance structures, please see our Corporate Governance Statement available at **anz.com/annualreport** and page 13 for our governance approach to climate risk and opportunities.

ANZ Bank Group assesses and manages potential social and environmental impacts of our lending decisions through the application of our Social and Environmental Risk Policy and Social and Environmental Risk Standard, including specific requirements for 'sensitive sectors' (Standard)[1]. The Social and Environmental Risk Policy and Standards apply to ANZ Bank Group.

The Social and Environmental Risk Policy and Standard outlines the social and environmental factors to be taken into account by our bankers in relation to large business customers. They incorporate our approach to human rights, including our 'zero tolerance' for land acquisition and involuntary resettlement that we consider improper, the protection of cultural and environmental sensitive areas, and our approach to managing climate risks.

In 2024, we conducted a review of the Social and Environmental Risk Policy and Standard, which included consultation with external and internal stakeholders, and benchmarking against industry peers and international and national good practice. One of the outcomes of the review was the establishment of a Climate Risk Standard and consolidation of some of our 'sensitive sectors' to reflect a more holistic approach to the management of potential impacts on nature. An overview of the key changes to our 'sensitive sectors' are tabled on page 46. These changes and the new Climate Risk Standard were approved by the ERBC and will be implemented in 2025.

Current State	ANZ Policy Framework	Revised State	
Social and Environmental Risk Policy	**Policy** *Principles- based*	**Social and Environmental Risk Policy** *Capturing social and environment matters, including nature and climate risks*	
Social and Environment Risk Requirements **9 Core Requirements** Focused on protecting human rights, fair and ethical outcomes, cultural and environmental assessments and good governance **6 Sensitive Sectors** • Energy • Extractive Industries • Forest and Forestry • Water • Hydroelectric Power • Military Equipment	**Standards** *Requirements and expectations*	**Updated Social and Environmental Risk Standard** Continued focus on 9 core requirements, including updates to reflect a more holistic approach to the management of potential impacts on nature **Consolidation to 5 Sensitive Sectors** • Energy • Extractive Industries • Land and Forest Management • Water Management • Military Equipment	**New Climate Risk Standard** Principles based approach to provide a consistent approach to identifying, assessing and managing climate risk
	Supporting Processes and Tools	• Social and Environment Screening Tool • Reputation Risk Radar • Equator Principles[2]	• Climate Change Risk Assessment • Energy Transaction Escalation Process • Agri Viability Tool • Climate Variability Analysis • ESG Information System

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

1. Summaries available here: **anz.com.au/social-and-environmental-risk-management**. **2.** A financial industry benchmark for determining, assessing and managing environmental and social risk in projects (**Equator Principles website**).

Sensitive Sectors – Revised State

Previous sensitive sectors	Updated sensitive sectors	Main changes to sensitive sectors
Energy	**Energy**	• Embedding expectations of Institutional Energy Customers. • Expanding our engagement with existing relevant customers whose thermal coal revenues, installed capacity or generation, exceed 35% (previously a 50% threshold) to support their diversification plans. Our Energy Customer Approach will be available **here** prior to our AGM.
Extractive Industries	**Extractive Industries**	• Expanding our engagement with existing relevant customers whose thermal coal revenues exceed 35% (previously a 50% threshold) to support their diversification plans. • Incorporates our updated policy position for lending to upstream oil and gas customers, including no direct financing to new or expansion of upstream oil and gas projects (subject to potential exceptions arising from national energy security issues in Australia or New Zealand).
Forestry and Forests	**Land and Forest Management**	Expanding beyond forests to broader land management approach by including the provisions of our previous Land Acquisition Statement. This provides more guidance for bankers to engage with customers on positive land management activities, such as reforestation, improving grazing, soil and water management, and suitable fertiliser use.
Hydroelectric Power **Water**	**Water Management**	Merging the requirements from the previous Water and Hydroelectric Power sectors, with an increasing focus on water cycle management, water quality and availability, demands and scarcity.
Military Equipment	**Military Equipment**	Maintaining a conservative approach – seeking to minimise association with certain types of military equipment and services, except for the benefit of the Australian or New Zealand Governments.

The new Climate Risk Standard is a principles-based policy that seeks to provide a consistent approach to identifying, assessing, and managing climate risk. The key principles relate to:

i) Acting in accordance with our Purpose, Code of Conduct and Climate Change Commitment

ii) Identifying and managing climate risks in our lending portfolios, and

iii) Monitoring and reporting of potential climate risks and impacts to relevant forums and committees (Refer to page 15).

Nature considerations in our revised Social and Environmental Risk Policy

ANZ Bank Group seeks to build our capability to help customers understand their nature risks. ANZ Bank Group also seeks to support large business customers' land management activities that avoid and reduce negative impacts and restore and regenerate ecosystems, particularly those that demonstrate appropriate land management in accordance with industry regulation and local good practice.

ANZ Bank Group will take steps to understand whether large business customer activities significantly impact culturally or environmentally sensitive areas or issues and will not knowingly support customer activities that do so. Specific matters of consideration include large business customer activities that threaten or significantly impact upon:

- UNESCO World Heritage areas;
- wetlands on the Ramsar list;
- designated national parks and conservation areas;
- places or objects of Indigenous cultural heritage without proper consent;
- activities that threaten species listed in Conservation of International Trade in Endangered Species of Wild Fauna and Flora (CITES), and the International Union for Conservation of Nature (ICUN) Red List of Threatened Species or relevant national legislation;
- activities that result in broad-scale conversion of intact native forests and High Conservation Value Areas; and
- activities which are in breach of agreed relevant international treaties and agreements.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Identifying and assessing climate risks

We are continuing to improve the way in which we identify, assess, and manage climate risks, including through our climate data and analytics capability. The table below outlines the range of tools and processes that are utilised across different customer cohorts to support our Social and Environmental Policy and Standards, and to support ANZ Bank Group to identify, assess and manage climate risks.

Tools		Customer Cohort
Social and Environmental Screening Tool	A tool used to facilitate qualitative risk assessments of social and environmental risks, including climate change, that may result in potential financial and non-financial risks from our customers' activities. It also assists bankers in the application of the Social and Environmental Policy and the Social and Environmental Risk Standard. This assessment is integrated into the credit process and is ordinarily performed when conducting due diligence on new-to-bank customers, when reviewing existing customers (at least annually), or prior to a material transaction, or when ANZ Bank Group becomes aware of material change to the customer's activities, or a material impact has occurred.	Customers within ANZ Bank Group's Institutional division (our large business customers)
Reputation Risk Radar	A service which captures certain reports and findings of social, environmental, and significant governance incidents and allegations against existing and prospective customers. Notable incidents and allegations are referred, where appropriate or relevant, to applicable risk management forums in which social, environmental, governance, and credit risks are considered.	Customers within ANZ Bank Group's Institutional division (our large business customers)
Climate Change Risk Assessment (CCRA)	A tool used to help guide customer engagement and assess and manage climate-related risks. The CCRA includes an assessment of our customers' exposure to potential physical risks and transition risks and the maturity of the customers' transition plan, as aligned to our customer transition plan assessment framework. The assessment is integrated into the credit process and is ordinarily performed when conducting due diligence on new-to-bank customers, when reviewing existing customers (annually), or prior to a material transaction. We are exploring further enhancements to the CCRA, including the use of generative AI.	Select higher emitting customers of ANZ Bank Group's Institutional division, including Project Finance, Institutional Energy customers and customers in LEEP 50 of ANZ Bank New Zealand's Institutional customers (39 additional to those captured as part of the LEEP)
Agri Viability Tool	A screening tool used to assist bankers with their understanding of agricultural transactions including certain ESG-related risks, when assessing agricultural loan applications that are less than $1.5 million.	Small to Medium Enterprise customers within ANZ Bank Group's Australian Commercial division
Climate Variability Analysis	A form of due diligence to understand how customers manage seasonal variability and mitigate climate risks. We utilise Australian Bureau of Meteorology (BoM) data to determine the short-term (under 12 months) weather outlook, including examining variability in annual rainfall against farm productivity results in recent years to understand if rainfall variability may affect the suitability and volatility of farming in selected regions. The analysis helps inform ANZ's strategic decision making and risk appetite. The analysis is part of the credit process for new customers, existing customers buying additional property, and any customer in a region identified by ANZ as affected by serious rainfall deficiency.	Agricultural customers within ANZ Bank Group's Australian Commercial division
ESG Information System (ESGIS)	A tool that enables the assessment of physical and transition climate risks of our customers, as well as capturing emissions data and analytics. It also supports the development of insights for ANZ Bank New Zealand Business and Agri customers. ANZ Group is leveraging the learnings from ANZ Bank New Zealand to uplift ESGIS to create Group-wide capability to geospatially assess physical climate risks of our customers, starting with certain priority portfolios and sectors in Australia.	Business and Agri customers within ANZ Group's New Zealand division

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Processes		Customer Cohort
Review and assessment of our LEEP customer transition plans	This is our signature customer engagement program, which provides the framework for encouraging and supporting these customers on their transition plans. For further information on the LEEP framework, refer to page 29.	LEEP customers
Energy Transaction Escalation Process	We apply an enhanced due diligence for material energy transactions which are referred to senior subject matter experts for review. Our experts evaluate the Institutional energy customer's transition plan using the customer transition plan assessment framework, regardless of whether the energy customer is part of LEEP.	Institutional Energy customers
Equator Principles	A risk management framework that determines, assesses, and manages social and environmental risks when financing projects. It focuses on major infrastructure and industrial projects, such as mines, windfarms, and pipelines, for which ANZ Group provides finance. For further information on the Equator Principles, refer to our ESG Supplement.	Project Finance customers of ANZ Group's Institutional division

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Preparing for mandatory climate disclosures

In 2024, ANZ Group established a Group-wide Climate Program to help us to meet our Group mandatory climate disclosure obligations in Australia. Under the new Australian climate law, the Treasury Laws Amendment *(Financial Market Infrastructure and Other Measures) Act 2024*, ANZ Group is required to report in accordance with the regime from the financial year commencing 1 October 2025. The Climate Program seeks to uplift our climate-related activity, capability, and associated reporting. An initial gap assessment, based on the **ASRS** disclosure requirements, has been completed, to help identify and inform actions to be taken. Oversight and delivery of the actions to achieve compliance is being managed and monitored by the Climate Program Steering Committee that was recently established.

During 2024 we have been continuing to take steps towards preparedness, focusing on:

Improving portfolio analytics and scenario analysis

We have focused this year on refining and improving our approach to identifying, assessing, and managing climate risk, and are seeking to execute this through key, foundational deliverables that can be integrated across ANZ Group.

We continue to participate in scenario assessments and stress tests across a range of geographies, time-horizons and scenarios, which help to build capability and understanding across ANZ Group (see table below). In 2024, our key focus has been on developing entity specific scenario analysis for ANZ Bank New Zealand in preparation of their first mandatory climate statement for the year ended 30 September 2024 (see page 50 for further detail). We are endeavouring to leverage learnings of ANZ Bank New Zealand and to more closely align with evolving industry practice to support scenario analysis.

Scenario Assessment / Stress Test	Description	Region	Time Horizon	Year Completed
ANZ Bank New Zealand scenarios: Net Zero 2050 (1.5°C) Fragmented World (2.5°C) Current Policies (3.0°C)	ANZ Bank New Zealand specific scenarios (development guided by New Zealand External Reporting Board (XRB) recommended approach).	New Zealand	Short Term Medium Term Long Term	2024
ANZ Group Property: Intergovernmental Panel on Climate Change Sixth assessment report – the "worst case" climate scenario	Climate risk assessment focused on evaluating the physical climate risks associated within ANZ Group-wide property network, including data centres, retail branches and commercial centres.	Global	Medium Term Long Term	2024
Climate Risk stress test: Scenario developed by Hong Kong Monetary Authority	Participated in the climate risk stress test to assess the potential impacts arising from simultaneous climate-related shocks and a macroeconomic downturn.	Hong Kong	Short Term	2024
New Zealand Banking Association scenarios: Orderly (1.5°C) Too Little Too Late (<2.0°C) Hot House World (>3.0°C)	Participated in the New Zealand Banking Association sector scenario process and used the scenario narratives for risk identification purposes.	New Zealand	Short Term Medium Term Long term	2023
Climate stress test: Reserve Bank of New Zealand scenario: Too Little Too Late (2.5°C – 3°C)	ANZ New Zealand took part in the Reserve Bank of New Zealand Climate stress test with the main purpose to test banks' abilities to withstand the impacts of severe but plausible long-term climate related risks and to uplift bank capability in managing climate related risks.	New Zealand	Long Term	2023

Note: For the purpose of the table above, scenario assessment or stress testing exercises were conducted over varying time-horizons; for example, broadly: short term (1-5 years), medium term (6-10 years) and long term (10+ years)

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

ANZ Bank New Zealand scenario analysis approach

In 2024, ANZ Bank New Zealand undertook entity-specific scenario analysis. This process started with ANZ Bank New Zealand's engagement in the development of the New Zealand Banking Association's Climate Scenario Narratives for the Banking Sector and ANZ Bank New Zealand's initial use of these scenarios in 2023 for risk identification purposes. Incorporating their learnings from the 2023 process, the ANZ Bank New Zealand-specific scenarios were subsequently developed independently in 2024 to enable a more tailored assessment of ANZ Bank New Zealand resilience to climate risks and opportunities over time.

ANZ Bank New Zealand's 2024 process was guided by the XRB's recommended six step approach to scenario analysis. The pathways ANZ Bank New Zealand selected for its scenarios explored its key driving forces and enabled it to test its resilience against a wide range of trends and outcomes considered most relevant to ANZ Bank New Zealand.

This process was undertaken by a working group comprising internal subject matter experts.

The chosen scenarios pose a full spectrum of transition risk and physical risk challenges and include:

- A Net Zero 2050 (1.5°C-aligned) scenario characterised by high short-term transition risk with rapid, radical progress towards a low-emissions, climate-resilient economy;
- A Fragmented World Scenario where climate transition actions globally increase sharply from 2030 with different countries following different emission reduction trajectories and New Zealand taking a leadership role. Average global temperatures are on a path to increase 2.5°C above pre-industrial levels by 2100; and
- A Current Policies scenario where current activities continue and average global temperature are on a path to increase to 3°C above pre-industrial levels by 2100, characterised by low transition risk and more severe physical impacts.

For further information on ANZ Bank New Zealand's approach to scenario analysis, refer to the ANZ Bank New Zealand's first mandatory Climate Statement for the year ended 30 September 2024, which will be available **here** no later than 31 January 2025.

Continuing to improve our climate data and analytics capability

To support our scenario analysis, risk management and stress testing approach, this year we continued to progress our Environmental Sustainability (ES) data strategy developed in 2023. The availability, quality and consistency of climate data continues to be challenging – and our ES data strategy is informing our approach to sourcing and integrating climate data.

We established a data prioritisation forum in 2023 to help us identify and prioritise ES data use cases across the ANZ Group. An example of one of the priority use cases is ESG Information System (ESGIS), which is a tool developed by ANZ Bank New Zealand to understand and respond to climate-related risks and opportunities, including capability to geospatially assess physical risk. We are leveraging learnings from ANZ Bank New Zealand to uplift ESGIS to create Group-wide capability to improve our climate data and analytics capability, starting with certain priority portfolios and sectors.

Concurrently, we have been exploring external data sources we could leverage as we uplift ESGIS for the Group which we expect will further support our understanding of physical and transition climate risks. Geospatial information relating to our customers' physical property locations is critical to improving our understanding of customer concentration to locations identified with heightened physical risks and identifying the extent of climate risks and events relative to our portfolio.

Next steps for ANZ Group

We recognise the importance of investing in resources, data and systems to support the expansion of our scenario analysis capability to better understand the resilience of our business model and strategy against the relevant physical and transition risks of climate change. Scenario analysis can also help us to understand sector and portfolio vulnerabilities and inform risk assessments, strategic planning and decision making across different time horizons.

ANZ Group has engaged an external independent consultant to advise on our short- to medium-term approach to risk management uplift, including scenario analysis. We are establishing specialist capability within the climate risk team to lead the development of climate scenario analysis for ANZ Group. Strengthening our scenario analysis capability will be a key focus of the Climate Program to meet our Group mandatory climate disclosure requirements. We expect to disclose further progress in our 2025 reporting.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

How we are managing customers impacted by natural disasters

How ANZ is exposed to natural disasters

As the climate continues to change, the magnitude or frequency of the natural disasters, including climatic events such as severe storms, drought, bushfires, cyclones, floods, and rising sea levels. This may cause potential direct impacts to our customer's income asset values and the cost, availability and adequacy of insurance. This may result in a potential financial risk to ANZ Group, which increases if our customers are impacted by a natural disaster and are uninsured or underinsured.

While the impact of natural disasters can be serious for individual customers or locations, ANZ Group has historically experienced minimal losses related to these events. We recognise that this may change in the future due to the potential increase in magnitude and frequency of natural disasters and changes in insurers' risk appetite, which directly impacts the cost, availability, and adequacy of insurance coverage for our customers. For this reason, in 2024 we identified insurability risk as an emerging risk to ANZ Group and are seeking to further understand the potential risks and impacts to our customers, including through progressing capability to undertake physical risk assessments for certain priority portfolios and sectors in Australia and advocating for better industry access to data to assess and manage this risk.

Insurance affordability, availability and adequacy is an important policy issue. ANZ Group is participating in work led by the Australian Banking Association (ABA) to look at ways to support customers impacted by insurance unaffordability or underinsurance. In New Zealand we also engaged with the New Zealand Banking Association Climate and Sustainability Working Group, which discussed possible industry collaboration in relation to insurance climate risk data.

Our approach to supporting customers impacted by natural disasters

ANZ Bank Group seeks to support our customers when they are affected by natural disasters, which is supported by our Disaster Relief and Recovery Policy.

Relief packages for customers are tailored according to each ANZ entity. ANZ Bank Group's Disaster Relief Package is designed to support customers that have been impacted by natural disasters, providing several relief and support measures. This may include the following:

- Short-term payment relief on home loans, credit cards, personal loans and some business loans (we may still charge interest during that period)
- Restructuring home loans
- Waiving fees for restructuring business loans
- Waiving fees for accessing term deposits early
- Customers with ANZ Home and Contents Insurance may be eligible for emergency funds and temporary accommodation.

Our Disaster Relief and Recovery Policy guides an efficient, coordinated, and proportionate response to disasters. The Policy encompasses a range of measures including charitable donations, hardship assistance, financial advice, and employee volunteering to assist with community rebuilding.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Metrics and Targets

We are committed to transitioning our lending portfolio to net-zero financed emissions by 2050 in line with the goals of the Paris Agreement.

For ESG Targets, refer to our 2024 ESG Supplement located at **anz.com/esgreport**

For information on how we are reducing our operational footprint, refer to page 85.

Sectoral Pathways[1]

	Sectors	2030 Interim Target Reduction	Status	Page
Energy	1. Power generation	50% (2020 baseline)	ON TRACK	57
	2. Oil and gas	26% (2020 baseline)	ON TRACK	61
	3. Thermal coal	100% (2020 baseline)	ON TRACK	64
Transport	4a. Auto manufacturing	28% (2022 baseline)	ON TRACK	67
	4b. Shipping	10% (2022 baseline)	CLOSE TO ON TRACK	69
Manufacturing	5. Aluminium	30% (2021 baseline)	NOT ON TRACK	71
	6. Cement	20% (2021 baseline)	CLOSE TO ON TRACK	73
	7. Steel	28% (2021 baseline)	CLOSE TO ON TRACK	75
Buildings	8a. Australian large-scale commercial real estate	60% (2019 baseline)	ON TRACK	78

Other metrics

Sectors or portfolios	Page
8b. Australian residential home loans	80
9. Agribusiness data coverage cohort	82
Total Australian lending portfolio	83

- >10% above pathway
- <=10% above pathway
- On or below pathway

1. See sectoral pathways (pages 57 to 79) and page 89 for further information.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

TCFD-related metrics and industry exposures

In response to the TCFD recommendations that "banks should describe significant concentrations of credit exposure to carbon related assets", we continue to disclose our exposure to various sub-industries in four key sectors identified by the TCFD to be most exposed to climate-related risks:

- Energy
- Transportation
- Materials and Buildings
- Agriculture, Food and Forest Products

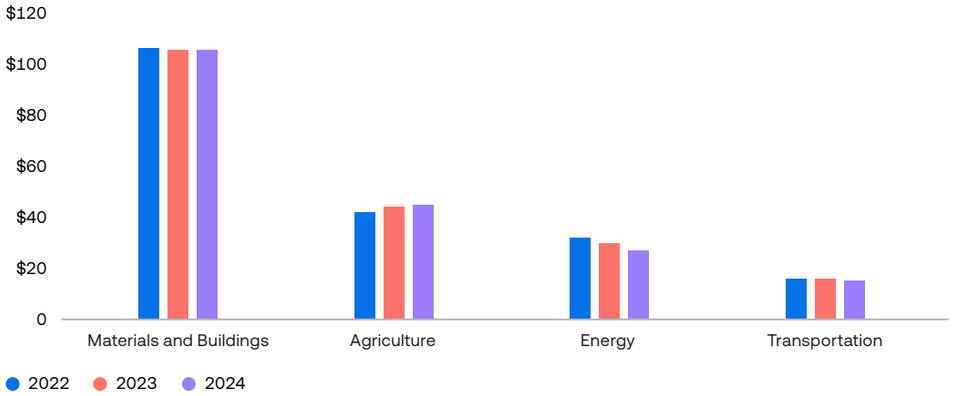
For consistency with the approach taken for our sectoral pathways, we are disclosing 2024 Exposure at default (EAD)[1] data below as at 30 June. Prior comparative 2022 and 2023 periods will remain as at 30 September. Refer to the Our approach to sectoral pathways section on page 54 for further information.

Our overall exposure to these four sectors is approximately 16% of the Group EAD, down from approximately 17% in 2023 and approximately 18% in 2022. The remaining Group EAD is financing sectors outside the four identified by the TCFD.

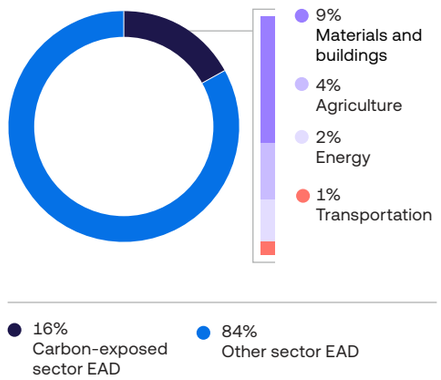
The decrease in exposure was driven by the Energy sector, due to lower exposure to the oil and gas sector and gas utilities. Exposure decreases in 2024 were driven by lower corporate loan balances, ongoing amortisation of project financings, exited customer relationships, and lower trade finance and market exposures. Our thermal coal mining exposure[2] also decreased in 2024 driven by residual loan amortisation.

See sectoral pathways on pages 57-84 for details around the key drivers impacting our exposures. For a breakdown of climate exposed sub-industries, refer to Appendix 5 page 107.

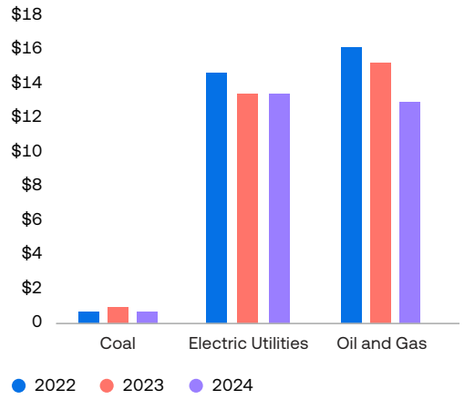
EAD trends for climate exposed sectors ($b)



EAD breakdown for carbon exposed sectors 2024 ($b/%)



Subsector trends in EAD ($b)



1. EAD excludes amounts for 'Securitisation' exposures, and for 'Other assets' as defined in APS 113 (2013 version) prior to March 2023 (included from March 2023 due to the implementation of APRA's new capital framework), whereas CRWA is inclusive of these asset classes, as per APS 330. EAD data provided is on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. **2.** This exposure is to the industry code 1102, ie those customers for whom thermal coal mining is their predominant activity. It does not include other thermal coal mining exposure to diversified or metallurgical coal miners, which will be captured under other industry codes.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Our approach to sectoral pathways

This section explains our progress:

- **towards transitioning our lending portfolio within eight of our higher emitting sectors (which includes two sub sectors in transport) to net-zero financed emissions by 2050 in line with the goals of the Paris Agreement, reflecting our NZBA commitment.**
- **in calculating emissions from certain facilitation activities.**

Financed emissions

This year, we are reporting pathways and targets for eight sectors, including two sub sectors. For reasons explained below, we have suspended our aviation sectoral pathway, in 2024. We have not yet extended our sectoral pathway coverage or emissions reduction targets to cover Australian residential home loans or agribusiness. We are continuing to explore ways to expand our coverage of key sectors as part of our NZBA commitment and having regard to the evolution of globally recognised standards and methodologies.

Australian residential home loans

ANZ has not yet committed to a target for the Australian residential home loan portfolio as we first want to improve our ability to directly support customers in reducing their emissions. We intend to explore and test the best way to do this in 2025, with a focus on exploring customer education programs or partnership opportunities.

Institutional agribusiness

In 2024 we re-assessed whether to set a financed emissions reduction target for our Institutional agribusiness sector or subsectors, and concluded that it remains premature. There is an absence of a widely accepted Paris-aligned pathway for Australian agriculture, complicated by the variety of agricultural commodities produced, each with a unique emissions profile. The availability and quality of emissions data remains a challenge and impacts our ability to accurately estimate financed emissions.

Aviation

We have suspended our aviation sub-sector pathway and target in 2024 as we have identified anomalies in the data. We have also formed the view that our baseline year of 2019 is no longer appropriate given air travel has largely normalised post-COVID and emissions profiles for the sector and our portfolio may look different compared to our existing 2019 baseline. For these reasons, we intend to set a new aviation pathway and target in 2025.

Facilitated emissions

In March 2024, the NZBA updated its guidance to require NZBA members to review their targets to include certain capital markets arranging and underwriting activities in their emissions reductions pathways by 1 November 2025. This year we have calculated our facilitated emissions which are reported separately to the financed emissions and sector level progress and are not included in our targets. We will review our existing – and any new pathways and targets to incorporate relevant facilitated emissions by November 2025.

Actions to achieve our targets

The achievement of our targets will partly depend on our success in engaging with our customers to seek improved transition plans, including seeking Paris-aligned targets, and whether they are on track to meet their targets.

We acknowledge that in some cases, the emissions intensity of our portfolio may increase for a period, in part, reflecting the transition plans of our customers. We consider this is appropriate in the circumstances as part of supporting real-world reductions in emissions over the longer term, provided those customers have, or are in the process of developing, robust and credible transition plans which we aim to progressively assess for customers within those pathways.

Finally, each sector will have different challenges and opportunities, which we have outlined in more detail in the 'transition plan' tables of each of the sectors below.

Key elements of our approach to sectoral pathways

Appendix 4 (pages 91-106) outlines our Financed and Facilitated Emissions Methodology which explains our approach to establishing sectoral pathways or metrics; and to measuring the emissions profile of the relevant portfolios and certain capital markets activities. It also describes our approach in setting 2030 sectoral pathway financed emissions reduction targets, and the scenarios that we have benchmarked these targets against.

For the purposes of our sectoral pathways on pages 57–84:

- Reference to 'in-scope' customers means those customers within the cohort for the relevant pathway. Refer to the Financed and Facilitated Emissions Methodology for detailed information relating to the scope of each sectoral pathway.
- Sum of parts within charts and commentary may not equal totals due to rounding.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

- Our 2024 financed emissions sector-level progress of our sectoral pathways is calculated for our in-scope customers to which we had specified minimum[1] exposures at default (EAD) at 30 June 2024. References made to '2024' or the current 'year' in this section of the report will be referring to this period unless otherwise stated. We use our in-scope customers' latest available public disclosures on emissions as the preferential data source. We have applied a 30 September 2024 cut off for reporting by our customers of their emission data as at 30 June. This is a change from prior years reporting. For example, in 2023, financed emissions were calculated using 30 September 2023 customer EAD and applying a 30 October 2023 cut off for reporting by our customers. This change was implemented to allow more time for processing and review of our financed emissions data which we considered appropriate due to the complex and manual nature of the calculations. References to years prior to 2024 in this section of the report reflect this later 30 October cut off for reporting by our customers of their emissions data and customer's EAD as at 30 September, unless otherwise stated.
- Our Australian residential home loans financed emissions have been calculated for the portfolio using an attribution factor equal to the outstanding loan amount at the time of greenhouse gas accounting (May 31 each year) to the property value at loan origination. This date is utilised due to the time intensive and complex tasks involved in matching location specific energy use data to hundreds of thousands of individual dwellings in our Australian home loans portfolio.
- Our total Australian lending portfolio metric has been calculated as at 30 September 2022 due to time lags involved in compiling national greenhouse gas emissions inventories.

Restatement approach

Refer to the Financed and Facilitated Emissions Methodology in Appendix 4 for detail on our approach to restatements.

Decision useful metrics

For eight of our higher emitting sectors (which includes two sub sectors in transport), we have defined a relevant metric and set specific targets and pathways, disclosed below. These targets and pathways help provide guidance for our business teams who make financing decisions about customers in these sectors. These pathways are an important input in our decision making.

Our choice of an emissions intensity target in some instances recognises that certain sectors, such as aluminium, cement and steel, are likely to be key materials that will be used in technologies essential for the transition to net-zero emissions.

For some sectors, we have disclosed additional, or complementary metrics, that we consider useful to inform our decision making.

Use of Exposure at Default (EAD)

We have taken a more conservative approach in calculating our financed emissions by using EAD instead of the outstanding amount of loans and investments. EAD represents the exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a proportion of off-balance sheet exposures as specified by APRA).

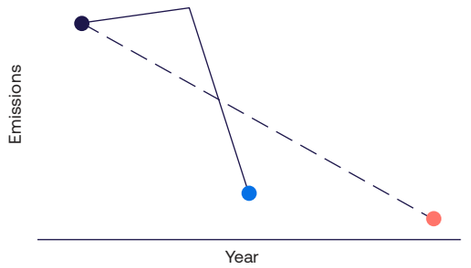
This is a departure from the Partnership for Carbon Accounting Financial (PCAF) approach, which recommends including the outstanding amount of loans and investments ie. excluding undrawn amounts.

While our approach means that we are attributing a higher proportion of our customers' emissions to ANZ, we consider this provides a more accurate representation of our support to our customers and the transition risks that we are potentially exposed to. The choice of the committed loan amount, rather than the outstanding amount, also helps reduce the risk of volatility in customer drawdowns that may impact the achievement of our targets.

Use of ANZ Industry Codes

ANZ applies an internal classification system to allocate customers to industry sectors. The industry codes are allocated in ANZ's system by customer-facing employees or customer on-boarding back-office functions. The allocation is intended to reflect the primary business activity of the customer in terms of revenue. The classification system is informed by the 1993 Australia and New Zealand Standard Industrial Classification (ANZSIC) codes, adapted where appropriate. As an example, for the purpose of our emissions reductions target, ANZ considers the end-use of coal and may allocate black coal customers to its classification for brown coal (which is typically thermal coal) if the black coal mined is used for power generation. Where a customer operates in more than one industry, ANZ uses the industry code of the industry that generates most of the revenue. Where the customer is a parent company of subsidiaries operating in more than one industry, ANZ uses the industry code of the industry that generates most of their revenue. Due to the manual nature of code application there is a possibility of error in assigning industry codes at the time of customer onboarding or due to changes in customer activities over time. Each customer allocated to the relevant industry codes is considered for the purpose of determining whether the customer is in scope of the relevant sectoral pathway. In some instances, we identify customers that are excluded from the relevant financed emissions sectoral pathway, for example, because the industry code does not accurately reflect the customer's operations or if they otherwise do not meet the pathway criteria.

Interpreting our sectoral pathway targets



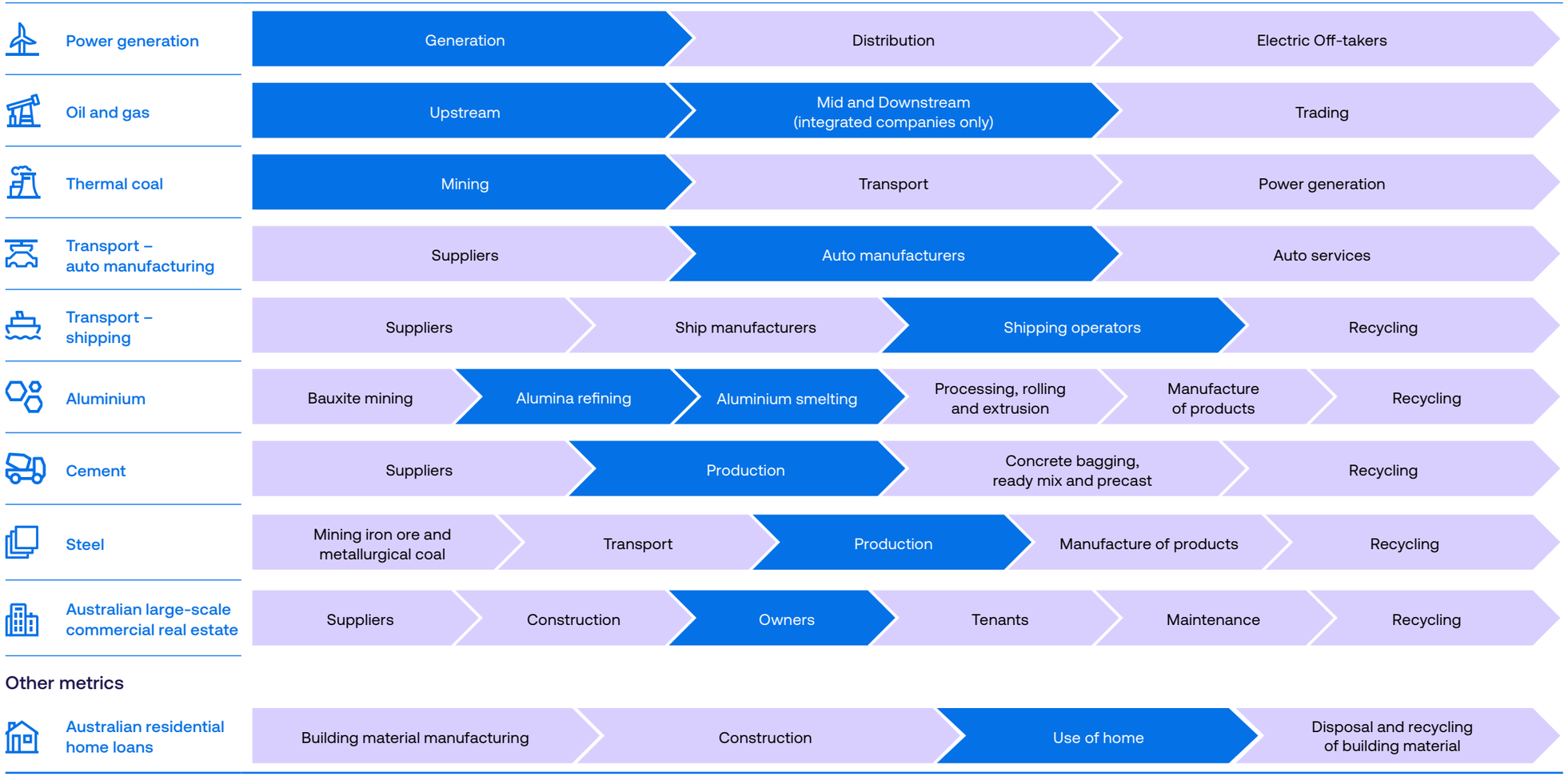
- -- ANZ 2030 target pathway
- — Actual performance since baseline, disclosed annually
- **Baseline** refers to the starting point from where progress toward the target is measured
- The **Target** represents ANZs specific interim 2030 ambition for the sector
- Performance in current year

1. As specified in the Financed and Facilitated Emissions Methodology.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Sectoral value chain activity coverage

Our sectoral pathways and targets cover eights sectors, including two sub sectors, in the chart below, which also highlights the part of each sector's value chain on which we focus.



Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Energy

Power Generation

2020 Baseline	Scope inclusion	Exposure at Default (EAD) at 30 June 2024	Status vs. pathway
225 kgCO_2-e/MWh	1 (from electricity generation activities only)	$9.36b	On track
2024 Performance	**Scenario**	**% Group EAD**	**Performance against pathway**
151 kgCO_2-e/MWh	IEA NZE 2050[1]	0.80%	-16%
2030 Target			**Performance against baseline**
113 kgCO_2-e/MWh			-33%

2030 Target

50% reduction in emissions intensity from 2020 baseline

The information in this section should be read together with our disclaimer and important notices available **here** and our Financed and Facilitated Emissions Methodology available in Appendix 4.

Refer to the 'Our approach to sectoral pathways' section of this report on page 54. This includes information about the cut off date applied for calculating our financed emissions, as well as changes made in 2024 to the reporting period we reference for the financed emissions and sector-level progress.

Sector overview

- A fully decarbonised electricity sector is a central foundation of a net-zero energy system.[1] It will be a critical part in decarbonising other sectors of the economy like transport and industry.
- Power generation contributes almost 40% of all energy-related CO_2 emissions in the world today and is the largest source of CO_2 emissions globally.[2]
- While electricity use makes up around 20% of final energy consumption in the world today, this will need to grow to around 50% by 2050 and the sector will need to be the first to reach net-zero emissions – before 2045 in order to reach the Paris Agreement goals.[2]
- This demand growth requires a tripling of global renewables capacity by 2030.[2]

1. International Energy Agency (IEA) Electricity – ***Tracking Electricity***. **2.** IEA – ***World Energy Outlook 2023***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Power generation (continued)

Transition Plan

ANZ Approach	Examples	Key industry transition strategies or opportunities for emissions reduction in the sector
Specific policies in place to steer our lending decisions	• ANZ has several lending policies in place to help ensure that our portfolio is progressively steered towards lower-emitting power producers. More specifically, we will: – not directly finance any new coal-fired power plants, or expansions of existing coal-fired power plants. Existing direct financing to coal-fired power generation will run off by 30 September 2030. – Continue to support existing diversified customers, but will not provide lending to new to bank customers that derive more than 10% revenue, installed capacity or generation from thermal coal.[1] – Engage with existing Institutional customers who have more than 35%[2] thermal coal exposure by revenue, installed capacity or generation to support diversification plans. Where these are not already in place, we will expect specific, time bound and public diversification strategies by 30 September 2025.	• Increase in renewable energy capacity • Investment in enabling infrastructure and technology, such as transmission/distribution networks and energy storage • Energy efficiency improvements
Customer engagement via our LEEP	• We work closely with customers from the power generation sector to communicate our expectations[3] and identify areas of their transition plans they may need to strengthen to seek to ensure ANZ's ongoing support. • There are 16 power generation customers that are part of our LEEP and that were collectively responsible for 79% of the emissions intensity of our power generation portfolio for the 12-months ending 30 September 2024. It is these customers that will have a significant influence on whether we can achieve our target of halving the emissions intensity of our portfolio by 2030.	
Prioritisation of customers with lower emissions assets, stronger emissions reduction targets and/or diversification strategies	• Graphs 1.2, 1.3 and 1.4 below show that since 2020, we have been steering our portfolio towards renewables and other lower-emitting sources of power generation. • This has been most pronounced in our project finance business where our exposure to renewables and energy storage projects has increased by more than $1.5 billion since September 2020. • We have also increased our exposure to companies that are producing power at an average emissions intensity below 200 $kgCO_2$-e/MWh by over $300m since September 2020. This is more than double the increase in our exposures to companies that produce power at an average that sits above 500 $kgCO_2$-e/MWh over the same period. • Overall, 70% of our in-scope customers[4] (by exposure) in the power generation sector have declared targets to reach net-zero emissions for their power generation activities by 2050 or earlier.	

1. Applies to lending products only, i.e. excludes transaction banking, credit cards, performance guarantees, meaning that only lending products that will help customers 'fund' their activities would be excluded. **2.** In 2024 we reduced this threshold from 50% to 35%. We will progressively reduce the 35% threshold so that by 30 September 2030 we will seek a diversification strategy from mining, transport and power generating Institutional customers with more than 25% thermal coal exposures. **3.** ANZ Climate Change commitment will be available for further detail **here** prior to our AGM. **4.** Excluding project finance, given the majority of this exposure is to renewable assets that do not typically have net-zero emissions targets.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Power generation (continued)

Performance

Graph 1.1: Power generation

- The emissions intensity of our in-scope power generation customers has declined by 10% over the past year to 151 $kgCO_2$ per MWh.
- This is 33% below our 2020 baseline of 225 $kgCO_2$-e per MWh and 16% below our target pathway, putting us on track to meet our target of halving the emissions intensity of our pathway portfolio by 2030.
- Graph 1.2 shows that just over three quarters of the reduction in emissions intensity is attributable to changes in our portfolio (which includes financing new renewables projects) with the remainder caused by reductions in emissions intensity from our existing customer base.
- Our pathway portfolio remains well below the 2023 global average emissions intensity of electricity generation, which is 458 $kgCO_2$/-e MWh[1]. This needs to reach net-zero emissions before 2045 to align with the 1.5°C temperature ambition of the Paris Agreement.
- The absolute financed emissions and portfolio-wide emissions intensity have both decreased over the past year. We continue to reduce our direct financing to fossil fuel projects and are prioritising lending to customers with more mature transition plans that are implementing diversification strategies focused on expanded renewables production and with clear plans in place as to how they intend to phase out any coal-fired generation assets. Refer to the Financed emissions data table in Appendix 3 for further information.

Graph 1.2: Power generation pathway emissions intensity movements
Emissions intensity ($kgCO_2$-e/MWh)

Graph 1.3: ANZ exposure to electricity generation fuel types and technologies

Graph 1.4: Breakdown of ANZ's power generation exposures

1. International Energy Agency (IEA) – ***World Outlook 2024, Table A.5a: World economic and activity indicators***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Power generation (continued)

Performance

- The emissions intensity of our portfolio continues to reduce because of significant increases in lending to renewables[1] projects in Europe, the United States and Australia, combined with the actions of other customers to increase electricity generation from renewables.
- At 30 June 2024, 77% of our exposures to the power generation portfolio was directed to generation from renewables and other lower-emitting energy sources. This is a nine percentage point increase since 2020 with $7.2 billion of our exposures now directed to renewable and other lower-emitting energy production which includes nuclear and waste-to-energy projects.
- The net $1.9 billion growth in our power generation exposures since 2020 has been primarily directed to renewables and other lower-emitting energy sources.
- Our exposure to fossil fuel generation has reduced by more than $200m over the same time period.
- At 30 June 2024, 78% of our power generation portfolio is either directed to renewable and other lower-emitting energy projects or customers that generate power at an emissions intensity of less than 200 $kgCO_2$-e per MWh.

Facilitated emissions

- In addition to our lending activities to the power generation sector, ANZ was also active in capital markets over the past year (up to 30 June 2024). We acted as lead manager for 2 new bond issuances and we were a bookrunner for 5 syndicated loans to power generation companies where the use of proceeds was for a general purpose.
- The debt-weighted emissions intensity of those facilitation activities was 243 $kgCO_2$-e/MWh in 2024. While above our financed emissions intensity in 2024 of 151 $kgCO_2$-e/MWh, it is important to note that most of the funding for greenfield renewables projects occurs through project financing rather than the debt capital markets or syndicated corporate bank debt facilities. Our absolute facilitated emissions from the power generation portfolio in 2024 was 0.17 $MtCO_2$-e.

1. ANZ defines renewables as wind, solar photovoltaics (PV), concentrating solar power (CSP), hydropower, geothermal and marine (tide and wave) energy that is used for electricity and heat generation.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Oil and gas

2020 Baseline	Scope inclusion	Exposure at Default (EAD) at 30 June 2024	Status vs. pathway
12.73 $MtCO_2$-e	1, 2 & 3 (category 11, use of sold products)	$5.53b	On track
2024 Performance	**Scenario**	**% Group EAD**	**Performance against pathway**
7.37 $MtCO_2$-e	IEA NZE 2050[1]	0.47%	-35%
2030 Target			**Performance against baseline[2]**
9.40 $MtCO_2$-e			-42%

2030 Target

26% reduction in absolute emissions from 2020 baseline

The information in this section should be read together with our disclaimer and important notices available **here** and our Financed and Facilitated Emissions Methodology available in Appendix 4.

Refer to the 'Our approach to sectoral pathways' section of this report on page 54. This includes information about the cut off date applied for calculating our financed emissions, as well as changes made in 2024 to the reporting period we reference for the financed emissions and sector-level progress.

Sector overview

- As the largest domestic lender to Australia's energy sector, the most carbon intensive part of Australia's economy, we want to support the transition to net-zero emissions by 2050 through our financing.
- We acknowledge that in some cases, supporting customers' transition plans may mean our financed emissions go up for a period. We consider that supporting our Institutional energy customers that are seeking to make real-world reductions in emissions over the longer term is appropriate, provided those customers have, or are in the process of developing by 30 September 2025, robust and credible transition plans.
- The global consumption of oil and gas in 2022 resulted in just over 18 billion tonnes of CO_2 emissions – around half of total energy-related CO_2 emissions.[3]
- Although the world is on track to see peaks in oil and gas demand before 2030 under existing policies, the declines after these peaks are not expected to be steep enough to achieve the world's climate goals and so faster reductions in oil and gas are needed[3].
- Emissions from global oil and gas operations are another large source of emissions and are estimated to be responsible for just under 15% of total energy-related emissions.[3] Under their 1.5°C aligned scenario, the IEA has modelled that these operational emissions need to be cut by 60% by 2030 and near zero by the early 2040s.
- Our choice of an absolute emissions reduction target recognises that there are limited opportunities to fully reduce the carbon intensity of fossil fuel product in 1.5°C aligned scenarios.

Case study

To meet their long-term target of achieving net-zero emissions by 2050, several of ANZ's major oil and gas customers are increasing their investments in low carbon energy sources, including renewables. This often takes the form of our customers taking significant equity stakes in dedicated renewable energy companies that are involved in developing greenfield renewable energy projects across the world.

In the last two years, ANZ has been involved in multiple project finance deals with renewable energy companies that are majority owned by two of ANZ's oil and gas customers.

Through leveraging our existing relationships with oil and gas customers, ANZ is able to support our customers' transition and support the development of new wind, solar and energy storage installations.

These renewable energy investments are also helping our oil and gas customers to deliver on their intermediate clean energy targets and are a key part of their diversification strategies.

1. International Energy Agency (IEA)- ***Net Zero Emissions by 2050 World Scenario (2021)***. **2.** In the 12-months ending 30 September 2023, ANZ adjusted downwards the 2020 baseline for our 26% emissions reduction target. We did this following the introduction of the APRA Basel IV rules that altered the way EAD is calculated. For our oil and gas portfolio, the aggregate impact of this change has been a material reduction in EAD, which means a lower proportion of our in-scope customers' scope 1, 2 & 3 emissions is attributed to us **3.** IEA – ***The Oil and Gas Industry in Net Zero Transitions: World Energy Outlook Special Report (2023)***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Oil and gas (continued)

Transition Plan

ANZ Approach	Examples	Key industry transition strategies or opportunities for emissions reduction in the sector
Specific policies in place to steer our lending decisions	• ANZ has been clear that we believe gas plays a material and important part in meeting Australia's current energy needs, and will do so for the foreseeable future. • Gas helps firm renewables, assists the exit of thermal coal and is a critical feedstock for the industrial, manufacturing and agricultural sectors. • We continue to assess the role of gas within the context of the broader energy market, public policy developments, and stakeholder and shareholder expectations. At the same time, we have policies and have set targets with clear timebound commitments, to reshape our lending. These targets will see us: – decrease our exposure at default (EAD) to upstream oil and gas customers by 40% by 30 September 2025 from a 2020 baseline[1]; – not directly finance new or expansion upstream gas projects (including new LNG liquefaction plants, floating production storage and dedicated offloading infrastructure); and – not on board any new upstream oil and gas customers.	**Scope 1 & 2 emissions** • Minimise methane leaks through leak detection and repair programs and upgrading leaky equipment[2]. • Avoidance of non-emergency flaring and venting • Electrification of upstream operations. **Scope 3 emissions** • Reducing the amount of oil and gas sold. • Reweighting overall production to natural gas • Ensuring the end use of oil and gas is used with carbon capture, utilisation and storage (CCUS) • Ensuring oil and gas is used in non-combustion activities such as plastic production.
Customer engagement via our LEEP	• We work closely with customers with operations in the upstream oil and gas sector to communicate our expectations and identify areas of their transition plans that they may need to strengthen to seek to ensure ANZ's ongoing support. • ANZ has 15 upstream and integrated oil and gas customers that are part of our LEEP and that are included in our financed emissions reduction pathway. • These LEEP customers, including the projects they operate, were collectively responsible for 77% of our reported absolute financed emissions for this sectoral pathway for the 12-months ending 30 September 2024. Refer to page 29 for more details on the program.	
Prioritisation of customers with lower emissions assets, stronger emissions reduction targets and/or diversification strategies	• Graph 2.3 below shows that our exposure to customers covered by the oil and gas pathway has reduced by $5 billion since 2020. This reduction is due, in part, to actions we have taken to steer our portfolio away from customers who have less mature transition plans. • 90% of our in-scope exposures[3] to customers covered by the oil and gas pathway have now set targets or commitments to achieve net-zero emissions for their scope 1 and 2 emissions by 2050 or sooner. For scope 3 emissions (use of sold products), it is 58%.	

1. Subject to foreign exchange rates, given that a significant portion of our oil and gas exposures are determined in USD. **2.** International Energy Agency (IEA) – ***World Energy Outlook 2023***. **3.** Excluding project finance.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Oil and gas (continued)

Performance

Graph 2.1: Oil and gas

- Our exposure to in-scope oil and gas customers has declined by $1.15 billion since September 2023 and this was the main contributor to a 16% decrease in ANZ's absolute financed emissions. The remaining reduction came from our existing in-scope customers reporting lower emissions (see Graph 2.2).
- We are now 42% below our 2020 baseline and remain below our targeted 2030 absolute financed emissions reduction of 26% for the second consecutive year.
- We have also reduced our exposures (EAD) to upstream oil and gas customers by 51% at 30 September 2024, putting us on track to meet our target of a 40% reduction by 30 September 2025 from a 2020 baseline.
- There has been little movement in the physical emissions intensity and portfolio-wide emissions intensity of our in-scope oil and gas customers in the four years that we have been measuring these metrics. Refer to the Financed emissions data table in Appendix 3 for further information.
- This lack of movement highlights the challenges that oil and gas companies face in reducing the life cycle emissions of their sold energy products where the dominant share of life cycle emissions is the combustion of oil and gas by end-use consumers.[1]

Graph 2.2: Oil and gas pathway absolute emissions

Absolute emissions ($MtCO_2$-e)

Graph 2.3: Breakdown of ANZ's oil and gas exposures

- ANZ's exposure to customers covered by our oil and gas pathway has declined by $5.0 billion since 30 September 2020.
- Almost $3 billion of this decline was associated with independent oil and gas companies whose activities are focused on the upstream segment of the oil and gas value chain.
- Support for our upstream oil and gas customers will be based on them meeting or improving sufficiently towards our expectations as defined in our Energy Customer Approach, available **here** prior to our AGM.

Facilitated emissions

- In addition to our lending activities to the upstream oil and gas sector, ANZ acted as bookrunner for 2 loan syndications in 2024 where the proceeds were used by upstream oil and gas companies for general corporate purposes.
- Our absolute facilitated emissions from these syndicated loan deals were 0.13 $MtCO_2$-e in 2024. This is considerably lower than our financed emissions of 7.37 $MtCO_2$-e in 2024 but are not yet factored into our pathway for the oil and gas sector.

1. International Energy Agency (IEA) - ***The Oil and Gas Industry in Net Zero Transitions: World Energy Outlook Special Report (2023)***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Thermal coal

2020 Baseline[1]
9.12
$MtCO_2$-e

Scope inclusion
1, 2 and 3
(category 11, use of sold products)

Exposure at Default (EAD) at 30 June 2024
$0.08b

Status vs. pathway
On track

2024 Performance
0.32
$MtCO_2$-e

Scenario
IEA NZE 2050[2]

% Group EAD
0.01%

Performance against pathway
-94%

2030 Target
0
$MtCO_2$-e

Performance against baseline
-96%

2030 Target

100% reduction in absolute financed emissions from 2020 baseline

The information in this section should be read together with our disclaimer and important notices available **here** and our Financed and Facilitated Emissions Methodology available in Appendix 4.

Refer to the 'Our approach to sectoral pathways' section of this report on page 54. This includes information about the cut off date applied for calculating our financed emissions, as well as changes made in 2024 to the reporting period we reference for the financed emissions and sector-level progress.

Sector overview

- Thermal coal is a carbon-intensive fossil fuel, which has been a dominant source of fuel for electricity generation for many decades.
- This is steadily changing, which is evidenced in our home market of Australia, where coal's share of the Australian power generation mix has reduced from 79% to 47% over the period 2005-2023.[3]
- The final combustion of thermal coal in power stations – a source of scope 3 emissions for the thermal coal mining sector – typically accounts for more than 95% of emissions of the sector.[4]
- The demand profile for unabated coal-fired generation under the IEA's NZE 2050 scenario reduces by 55% by 2030, compared to 2022 levels, with a complete phase out by 2050.
- A small number of customers (fewer than 10) make up our exposures included in this pathway. These are customers that ANZ has allocated to industry code 1102, i.e.. thermal coal miners.
- ANZ is on track to exit our exposures[5] (subject to limited exceptions) to thermal coal miners ahead of our 2030 target. Our remaining direct exposures to thermal coal miners are largely mining rehabilitation bonds, which will continue to be provided to existing customers to enable them to fulfil their responsibilities relating to existing mine sites.[6]
- We continue to have other exposures to thermal coal, for example, through our customer relationships with metallurgical coal miners and diversified mining customers that produce thermal coal.
- In 2023, applying the same EAD criteria and threshold as our pathway, we quantified the breakdown of our financed emissions to each customer type, shown in Table 3.1.
- We will continue to provide finance to existing metallurgical coal miners and diversified miners that produce thermal coal, subject to our relevant policies.
- Some of these customers are amongst the world's largest producers of transition metals and minerals.
- Our choice of an absolute emissions reduction target recognises that there are limited opportunities to fully reduce the carbon intensity of fossil fuel products in 1.5°C aligned scenarios.

Table 3.1 – 2023 Total thermal coal financed emissions by customer type ($MtCO_2$-e)

Customer type	2023	Thermal coal target
Mining companies whose predominant activity is thermal coal production (Industry code 1102)	0.39	Included
Metallurgical coal miners that produce thermal coal by-product*	1.44	Not included
Diversified miners that produce thermal coal*	1.44	Not included

* Contributing 5% revenue or more

1. We have recalculated our 2020 baseline to correct an error. This has resulted in a restatement of our 2020 baseline, previously reported as 9.10 $MtCO_2$-e. **2.** International Energy Agency (IEA) – ***Net Zero Emissions by 2050 World Scenario (2021)***. **3.** Australian Energy Statistics – ***Table O Electricity generation by fuel type 2022-23 and 2023***. **4.** CDP Technical Note: ***Guidance methodology for estimation of Scope 3 category 11 emissions for coal mining companies***. **5.** In addition to rehabilitation bond exposures, 3-day settlement limits for Transaction Banking and Markets are excluded. **6.** The purpose of a rehabilitation bond is related to environmental remediation and not financing of the coal mining activity itself. As at 30 June 2024, rehabilitation bonds were $108.9m, which equates to 57.7% of our exposure to thermal coal mining under industry code 1102.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Thermal coal (continued)

Transition Plan

ANZ Approach	Examples	Key industry transition strategies or opportunities for emissions reduction in the sector
Customer engagement via our LEEP	• There is 1 thermal coal mining customer in our LEEP which was responsible for 9% of our reported absolute financed emissions for this sectoral pathway for the 12-months ending 30 September 2024. Refer to page 29 for more details on the program.	While our emissions reduction target is to reduce our financed emissions to thermal coal miners and projects by 100% by 2030 from a 2020 baseline, there are still actions that mining companies that produce coal can take to reduce their scope 1 and 2 emissions, including: • Reducing coal mine methane emissions • Use of biofuels and electric powered alternatives to replace diesel use in mining equipment • Renewable energy investments
Specific policies in place to steer our lending decisions	We will: • not provide lending to new to bank customers that derive more than 10% revenue from thermal coal mining. • not directly finance any new thermal coal mine, or expansions or extensions to the operating life of existing mines. In each case this refers to mines with production or reserves greater than 35% thermal coal. Existing lending will run off by 2030. • Engage with existing customers that have more than 35%[1] thermal coal exposure by revenue to support diversification plans. Where these are not already in place, we will expect specific, time bound and public diversification strategies by 30 September 2025. We will cap limits[2] to customers that do not meet this expectation and reduce our exposure over time.	

1. In 2024 we reduced this threshold from 50% to 35%. We will progressively reduce the 35% threshold so that by 30 September 2030, we will seek a diversification strategy from mining, transport and power generating customers with more than 25% thermal coal exposures. **2.** In addition to rehabilitation bond exposures, 3-day settlement limits for Transaction Banking and Markets are excluded.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Thermal coal (continued)

Performance

Graph 3.1: Thermal coal[1]

- The absolute financed emissions (scope 1, 2 and 3 (category 11 – use of sold products)) included in this pathway have decreased by 96% from our 2020 baseline to 0.32 $MtCO_2$-e.
- Our thermal coal physical financed emissions intensity and portfolio-wide emissions intensity have decreased year on year with active portfolio management in line with our relevant policies. policies. Refer to the Financed emissions data table in Appendix 3 for further information.

Graph 3.2: Thermal coal pathway absolute emissions movements
Absolute emissions ($MtCO_2$-e)

- Graph 3.2 illustrates that portfolio management in line with our relevant policies has been a significant factor in reducing ANZ's absolute financed emissions over the past year.

Facilitated emissions

- We had no role in arranging the new issuance of public debt through capital markets instruments in 2024 or in arranging syndicated loans for our in-scope thermal coal pathway customers.[2]

Target considerations

- ANZ engaged with the NZBA through the consultation period associated with the NZBA 'Guidelines for Climate Target Setting for Banks Version 2' ('Guidelines'). The Guidelines state that any client with more than 5% of their revenues coming directly from thermal coal mining shall be included in the scope of targets (including metallurgical coal mines that produce thermal coal as a by-product) and specifies that metallurgical coal is considered within the value chain of the iron and steel sector. Banks shall also provide a rationale for exclusions of any diversified miners that produce a thermal coal product from the boundary of their targets.[3]
- ANZ's thermal coal target includes customers classified by ANZ under industry code 1102, i.e. those customers for whom thermal coal mining is their predominant activity.[4] The target does not include diversified miners or metallurgical coal miners that produce thermal coal (i.e. customers that are not classified as industry code 1102).
- Analysis of this 5% revenue threshold found that diversified miners and metallurgical coal miners that produce thermal coal as a by-product would fall in and out of the target boundary on any given year in line with commodity prices. This creates challenges in both reporting and setting a target covering these customers.
- For these reasons, we have elected not to strictly follow the Guidelines in applying the 5% revenue threshold.

1. We have recalculated our 2020 baseline to correct an error. This has resulted in a restatement of our 2020 baseline, previously reported as 9.10 $MtCO_2$-e. **2.** Facilitated emissions from capital markets activities for customers outside of our thermal coal pathway are not included. In 2024, we acted as a lead manager for 2 bond deals and a bookrunner for 1 syndicated loan to diversified mining companies that produce thermal coal. Our facilitated emissions from these capital markets activities in 2024 were 0.42 $MtCO_2$-e. **3.** Net Zero Banking Alliance (NZBA) – ***Guidelines for Climate Target Setting for Banks Version 2 (March 2024)***. **4.** Includes emissions from thermal coal production only.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Transport

Auto manufacturing

2022 Baseline[1]	Scope inclusion	Exposure at Default (EAD) at 30 June 2024	Status vs. pathway
124.43 gCO_2-e/vkm	3 (category 11: Use of Sold Products)	$1.74b	On track
2024 Performance	**Scenario**	**% Group EAD**	**Performance against pathway**
102.09 gCO_2-e/vkm	IEA NZE 2050[2]	0.15%	-12%
2030 Target[1]			**Performance against baseline**
89.59 gCO_2-e/vkm			-18%

2030 Target

28% reduction in emissions intensity from 2022 baseline

2025 Target

Target portfolio to reflect 25% production of hybrid (including plug in hybrid) and battery electric vehicles (or hydrogen fuel cell)

The information in this section should be read together with our disclaimer and important notices available **here** and our Financed and Facilitated Emissions Methodology available in Appendix 4.

Refer to the 'Our approach to sectoral pathways' section of this report on page 54. This includes information about the cut off date applied for calculating our financed emissions, as well as changes made in 2024 to the reporting period we reference for the financed emissions and sector-level progress.

Sector overview

- Auto manufacturing is a significant contributor to global emissions, with private cars and vans responsible for around 10% of global energy-related CO_2 emissions in 2022.[3]
- The sector is undergoing a significant transition towards electrification and other low-emission technologies. Electric cars accounted for around 18% of all cars sold in 2023[4] and may account for nearly 20% of total road vehicle-kilometres by 2030.[5] However, growth in less efficient vehicles such as SUVs has slowed progress.[3]
- Paris-aligned scenarios[2] call for a rapid transition in the auto sector stating that by 2030, 60% of global car sales will need to be electric vehicles.
- Since 2023, we have reduced our exposure to auto manufacturers in our target cohort by 14.5%, now representing 0.15% of Group EAD as of June 2024.
- A small number of customers (approximately 10) make up our exposure in this pathway. It includes well-established manufacturers alongside rapidly growing companies from emerging markets. Several of these in-scope customers are some of the world's largest auto manufacturers of light duty vehicles.
- Our choice of an emissions intensity target aligns with global scenarios that project an increase in overall vehicle demand, particularly in developing economies, while simultaneously requiring a significant reduction in emissions per vehicle.[6]
- Our complementary 2025 target, focusing on the production mix of hybrid and battery electric vehicles (or hydrogen fuel cell), aims to support the core technological shift required in the sector.

Transition Plan

ANZ Approach	Examples	Key industry transition strategies or opportunities for emissions reduction in the sector
Customer engagement via our LEEP	• For the 12-months ending 30 September 2024, customers contributing ~48% of our exposures within the auto manufacturing pathway were captured within our LEEP. Refer to page 29 for more details on the program.	• Electrification of light duty vehicles through transition to battery electric vehicles (BEVs) and fuel cell electric vehicles (FCEVs)[6] • Power grid decarbonisation[6] • Improving fuel efficiency[3] • Exploring alternative fuels (biofuels, synthetic fuels)[3]
Prioritisation of customers with lower emissions assets, stronger emissions reduction targets and/or diversification strategies	• % EAD of in-scope auto manufacturing customers that have set interim emissions reduction targets: **89%** • % EAD of in-scope auto manufacturing customers that have publicly committed to net-zero 2050: **89%**	

1. We have recalculated our auto manufacturing 2022 baseline to use more accurate emissions intensity data and reflect changes in our allocation of EAD between entities. This has resulted in a restatement of our 2030 target and 2022 baseline, previously reported as 98.92 and 137.29 g CO_2-e/vkm respectively. In line with the way we treat restatements detailed in our Financed and Facilitated Emissions Methodology (refer to appendix 4), we will assess the appropriateness of our 28% reduction target and scenario in 2025. **2.** International Energy Agency (IEA) – ***Net Zero Emissions by 2050 World Scenario (2021)***. **3.** IEA – ***Tracking Clean Energy Progress 2023***. **4.** IEA – ***Global EV Outlook 2024, Trends in electric cars***. **5.** IEA – ***World Energy Outlook 2023, Announced Pledges Scenario***. **6.** IEA – ***World Energy Outlook 2023***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Auto manufacturing (continued)

Performance

Graph 4.1: Auto manufacturing[1]

- Our emissions intensity (scope 3) has declined by 18% from our 2022 baseline and is now 12% below the pathway.
- The growing shift towards zero emissions vehicles along with our customer production targets to phase out internal combustion engines, and/or net-zero commitments for cars they produce, has made the largest contribution to the reduction in financed emissions.
- Our financed absolute emissions has decreased year-on-year, in-line with our in-scope customers' transition towards producing more hybrid and/or battery electric vehicles. Refer to the Financed emissions data table in Appendix 3 for further information.

1. We have recalculated our auto manufacturing data to use more accurate emissions intensity data and reflect changes in our allocation of EAD between entities. This has resulted in a restatement of our 2022 and 2023 emissions intensity, previously reported as 137.29 and 128.11 gCO_2-e/vkm respectively.

Graph 4.2: Auto manufacturing pathway emissions intensity movements[1]
Emissions intensity (gCO_2-e/vkm)

Graph 4.3: Auto Manufacturing Powertrain Financing Mix

Graph 4.2 highlights the drivers of this financed emissions intensity reduction. This has primarily been due to improvements in our in-scope customers' vehicle emissions performance and their shift towards increased production of electric and hybrid models.

This reduction is further driven by lower outstanding exposures as at end of June 2024.

During 2024, ANZ's in-scope auto manufacturing customers continued to show strong progress in their sales of hybrid and EV vehicles. To track ANZs support of this transition, we set a powertrain target in 2023 for our pathway cohort of 10% hybrid and 15% EV production by 2025.

This year we have already achieved the hybrid component of our target, and we are on track to achieve the EV component by next year. ANZ has consistently increased exposure to EV and Hybrid sales year-on-year. Progress is a result of some of our in-scope customers completely transitioning away from producing internal combustion engine vehicles, and a majority having public targets for growing EV vehicle options and sales.

Facilitated emissions

- We had no role in arranging the new issuance of public debt through capital markets instruments in 2024 or in arranging syndicated loans for our in-scope auto manufacturing customers.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Shipping

2022 Baseline[1]
0.29
$MtCO_2$-e

Scope inclusion[1]
1

Scenario
IEA NZE 2050[2]

Exposure at Default (EAD) at 30 June 2024
$1.07b

% Group EAD
0.09%

Status vs. pathway
Close to on track

Performance against pathway
+3%

Performance against baseline
+0.4%

2024 Performance[1]
0.30
$MtCO_2$-e

2030 Target[1]
0.27
$MtCO_2$-e

2030 Target

10% reduction in absolute financed emissions from 2022 baseline

The information in this section should be read together with our disclaimer and important notices available **here** and our Financed and Facilitated Emissions Methodology available in Appendix 4.

Refer to the 'Our approach to sectoral pathways' section of this report on page 54. This includes information about the cut off date applied for calculating our financed emissions, as well as changes made in 2024 to the reporting period we reference for the financed emissions and sector-level progress.

Sector overview

- The shipping industry moves over 80 per cent of global trade volume[3] fueled predominately by fossil fuels resulting in the industry accounting for around 2.5% of global energy sector emissions[2].
- A small number of customers (fewer than 10) make up our exposure in this pathway.
- We have chosen an absolute emissions reduction target due to the absence of a widely available and transparent emissions intensity measure. We will continue to consider the opportunity to use an intensity metric as the availability of data increases.
- In 2024 we updated our methodology to exclude scope 3 category 3 emissions associated with fuel production and distribution, and only include the scope 1 emissions associated with our in-scope customers' shipping operations. All reported shipping pathway emissions data has been adjusted for this methodology change, including our 2022 baseline and 2030 target absolute emissions.
- The decision to remove category 3 emissions from our target was due to a lack of data availability, with many of our in-scope customers not reporting category 3 emissions, nor publishing fuel usage data which would allow us to make an accurate estimate.

Transition Plan

ANZ Approach	Examples	Key industry transition strategies or opportunities for emissions reduction in the sector
Customer engagement via our LEEP	• For the 12-months ending 30 September 2024, customers contributing ~47% of our exposures within the shipping pathway were captured within our LEEP. Refer to page 29 for more details on the program.	• efficiency improvements including slow steaming, voyage optimisation and retrofitting vessels (e.g. with wind-assistance technology)[4] • Development and uptake of low-emissions fuels such as biofuels, hydrogen and ammonia[4]
Prioritisation of customers with lower emissions assets, stronger emissions reduction targets and/or diversification strategies	• % EAD of in-scope shipping customers that have set interim emissions reduction targets **84%** • % EAD of in-scope shipping customers that have publicly committed to net-zero by 2050 **55%**	

1. We have updated our methodology to exclude scope 3 category 3 emissions associated with fuel production and distribution, and only include the scope 1 emissions associated with our customers shipping operations. All reported shipping pathway emissions data has been adjusted for this methodology change. This has resulted in a restatement of our 2022 baseline and 2030 target, previously reported as 0.48 and 0.43 $MtCO_2$-e respectively. **2.** International Energy Agency (IEA) – ***Net Zero Emissions by 2050 World Scenario (2021)***. **3.** UN Trade and Development (UNCTAD) – ***Review of Maritime Transport (2023)***. **4.** IEA – ***International shipping***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Shipping (continued)

Performance

Graph 5.1: Shipping[1]

- Due to the small number of customers who make up our pathway portfolio and using an absolute target, our performance is highly sensitive to any changes in our customers' emissions performance, activity levels or changes in exposures and valuations, as highlighted by the fluctuations in performance since 2022. Our performance against our 2030 target is close to being on track, with our 2024 absolute emissions tracking 3% above our 2030 target pathway, and 0.4% above our 2022 baseline. Our 2024 financed emissions are slightly higher than our baseline as some customers are reporting higher emissions than in the baseline year and due to changes in exposure and valuations for higher emitting customers.
- Portfolio-wide emissions intensity ($kgCO_2$-e/$EAD) decreased by 4% in comparison to 2023 due to a small reduction in customers' in-scope reported emissions. Refer to the Financed emissions data table in Appendix 3 for further information.

1. Absolute emissions in 2022 and 2023 have been restated to use our updated methodology which only includes scope 1 emissions associated with our customers shipping operations. Previously reported data was 0.48 $MtCO_2$-e in 2022 and 0.42 $MtCO_2$-e in 2023.

Graph 5.2: Shipping pathway absolute emissions movements[1]
Absolute emissions ($MtCO_2$-e)

- Graph 5.2 shows the factors that led to a reduction in our absolute emissions over the past year.
- The change was predominately due to a reduction in our exposure and valuations to one higher emitting customer, which has resulted in a reduction in our absolute emissions. Our customers' emissions performance did not significantly improve year-on-year.

Facilitated emissions

We had no role in arranging the new issuance of public debt through capital markets instruments in 2024 or in arranging syndicated loans for in-scope shipping customers.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Manufacturing

Aluminium

2021 Baseline	Scope inclusion	Exposure at Default (EAD) at 30 June 2024	Status vs. pathway
8.30 tCO_2-e/t aluminium	1, 2	$0.72b	Off track
2024 Performance	**Scenario**	**% Group EAD**	**Performance against pathway**
8.91 tCO_2-e/t aluminium	IAI 1.5°C[1]	0.06%	+19%
2030 Target			**Performance against baseline**
5.79 tCO_2-e/t aluminium			+7%

2030 Target

30% reduction in emissions intensity from 2021 baseline

The information in this section should be read together with our disclaimer and important notices available **here** and our Financed and Facilitated Emissions Methodology available in Appendix 4.

Refer to the 'Our approach to sectoral pathways' section of this report on page 54. This includes information about the cut off date applied for calculating our financed emissions, as well as changes made in 2024 to the reporting period we reference for the financed emissions and sector-level progress.

Sector overview

- Aluminium is a strong, light weight and recyclable metal, and is an important input into technologies such as solar panels, that are critical to the energy transition.
- Aluminium production uses a large amount of electricity and accounts for approximately 2% of total global emissions[2].
- A small number of customers (fewer than 10) make up our exposure in this pathway.
- The International Aluminium Institute 1.5°C pathway shows a 40% increase in global demand for primary aluminium by 2050 with secondary (recycled) production of aluminium more than tripling.[3]
- Our choice of an emissions intensity target recognises this growth in aluminium production needs to be achieved using far less emissions intensive production processes than those used today. Decarbonisation of the electricity sector will be a key contributor to this.

Transition Plan

ANZ Approach	Examples	Key industry transition strategies or opportunities for emissions reduction in the sector
Customer engagement via our LEEP	• For the 12-months ending 30 September 2024, customers contributing 99% of our exposures within the aluminium pathway were captured within our LEEP: refer to page 29 for more details on the program.	• Decarbonisation of electricity supply used in aluminium production • Limiting the use of aluminium in final products via 'lightweighting' and efficiency in design • Investment in the commercialisation of currently expensive technologies such as carbon-free anodes[4], • Increased secondary production[5] of aluminium via electric arc furnace[6] noting this is limited by scrap availability
Prioritisation of customers with lower emissions assets, stronger emissions reduction targets and/or diversification strategies	• % EAD of in-scope Aluminium customers that have set interim emissions reduction targets: **99%** • % EAD of in-scope Aluminium customers that have publicly committed to net-zero by 2050: **99%**	

1. International Aluminium Institute – ***1.5 Degrees Scenario (2021)***. **2.** Mission Possible Partnership – ***Making Net-Zero Aluminium Possible (April, 2022)***. **3.** International Aluminium Institute – ***Aluminium Sector Greenhouse Gas Pathways to 2050 (September 2021)***. **4.** Elysis is a technology that replaces traditional carbon anodes (large carbon blocks which conduct electricity during aluminium smelting, producing significant greenhouse gas emissions) with carbon free anodes that produce only oxygen. **5.** Aluminium that is produced from recycled aluminium originating from various forms of aluminium scrap. **6.** A furnace used for scrap based aluminium production, where the metal is heated by means of an electric arc.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Aluminium (continued)

Performance

Graph 6.1: Aluminium[2]

- Our 2021 portfolio baseline of 8.30 tCO_2-e/t aluminium is below the 2021 global average of 10.29 tCO_2-e/t aluminium[1].
- A number of our in-scope aluminium customers made early progress to reduce the emissions intensity of production (Graph 6.1). However, in 2024 the emissions intensity of our aluminium pathway portfolio increased by 7% from our 2021 baseline to 8.91 tCO_2-e/t aluminium.
- Our aluminium absolute financed emissions and portfolio wide emissions intensity have increased year on year in line with increased exposure to the sector. Refer to the Financed emissions data table in Appendix 3 for further information.
- This target is currently 'off' track due to the hard-to-abate nature of the sector and our highly concentrated portfolio, however we are reviewing opportunities that will drive improved performance against this target.

Graph 6.2: Aluminium pathway emissions intensity movements[2]
GHG intensity (tCO_2-e/t Aluminium)

- Graph 6.2 shows the factors that led to a decrease in our financed emissions intensity over the past year. However, there was not a significant change in emissions intensity year on year.

Facilitated emissions

- We had no role in arranging the new issuance of public debt through capital markets instruments in 2024 or in arranging syndicated loans for our in-scope aluminium customers.

1. International Aluminium Institute - ***Aluminium Sector Greenhouse Gas Pathways to 2050 (September 2021)***. **2.** We have recalculated 2023 emissions intensity to correct an for an error. This has resulted in a restatement of our 2023 emissions intensity, previously reported as 8.73 tCO_2-e/t aluminium.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Cement

2021 Baseline[1]
0.67
tCO_2-e/t cement[2]

Scope inclusion
1, 2

Exposure at Default (EAD) at 30 June 2024
$0.25b

Status vs. pathway
Close to on track

Scenario
IEA NZE 2050[3]

% Group EAD
0.02%

2024 Performance
0.63
tCO_2-e/t cement

Performance against pathway
+0.9%

2030 Target[1]
0.54
tCO_2-e/t cement

Performance against baseline
-6%

2030 Target

20% reduction in emissions intensity from 2021 baseline

The information in this section should be read together with our disclaimer and important notices available **here** and our Financed and Facilitated Emissions Methodology available in Appendix 4.

Refer to the 'Our approach to sectoral pathways' section of this report on page 54. This includes information about the cut off date applied for calculating our financed emissions, as well as changes made in 2024 to the reporting period we reference for the financed emissions and sector-level progress.

Sector overview

- The global cement industry accounts for between 5% and 8% of total global emissions.[4]
- The key raw material for cement is limestone, which releases carbon dioxide as it is heated to produce clinker.[5] These process emissions account for approximately 55% of the emissions from cement production.[6] These are more challenging to reduce compared with the balance of emissions from the combustion of fuels used in the production process.
- It is estimated that global capital spending on emissions reduction technology will need to increase by 86% for the sector to reach net-zero emissions by 2050.[7]
- A small number of customers (fewer than 10) make up our exposure in this pathway.
- The global demand profile for cement under the IEA's NZE 2050 scenario remains relatively flat.[8] Our choice of an emissions intensity target recognises that continuing cement production is important, however it needs to be achieved using less emissions intensive production processes than those used today.
- The limited availability of cost-effective technologies to reduce the hard-to-abate process emissions of cement production makes the pathway towards our target less clear in comparison with other sectors. However, customer discussions to date have been positive and indicated that investment in research and development is underway.

Transition Plan

ANZ Approach	Examples	Key industry transition strategies or opportunities for emissions reduction in the sector
Customer engagement via our LEEP	• For the 12-months ending 30 September 2024, customers contributing 100% of our exposures within the cement pathway were captured within our LEEP: refer to page 29 for more details on the program.	• Substituting clinker[5] for supplementary cementitious materials (e.g. fly ash[9] granulated slag, limestone, and calcined clay); • Alternate fuels for kilns (e.g. biomass instead of fossil fuels); • Decarbonisation of electricity supply; • Plant and end-user efficiencies; and • CCUS technologies[10]
Prioritisation of customers with lower emissions assets, stronger emissions reduction targets and/or diversification strategies	• % EAD of in-scope Cement customers that have set interim emissions reduction targets: **100%** • % EAD of in-scope Cement customers that have publicly committed to net-zero by 2050: **51%**	

1. We have recalculated our data to reflect changes brought about by more precise attribution of our finance to the activities of one customer in our portfolio. This has resulted in a restatement of our 2021 baseline and 2030 target, previously reported as 0.61 and 0.49 tCO_2-e/t cement respectively. In line with the way we treat restatements detailed in our Financed and Facilitated Emissions Methodology (refer to appendix 4), we will assess the appropriateness of our 20% reduction target and scenario in 2025. **2.** In line with the 2022 SBTi Cement Guidance and our understanding of industry practices, when we refer to our intensity target in tCO_2-e/t cement, we have set an intensity target per tonne of 'cementitious product' rather than per tonne of 'cement'. **3.** International Energy Agency (IEA) – ***Net Zero Emissions by 2050 World Scenario (2021)***. **4.** Global Cement and Concrete Association – ***Key Facts***. **5.** Intermediary product in cement production, whose production is highly emissions intensive. **6.** VDZ – ***Decarbonisation Pathways for the Australian Cement and Concrete Sector (2021)***. **7.** McKinsey & Company – ***The Net Zero Transition Report, P122 Exhibit 19 (January 2022)***. **8.** IEA – ***Net Zero Roadmap, (2023)***. **9.** Fly ash is a waste product from coal-fired power generation that is used as a supplementary cementitious material. **10.** IEA – ***Net Zero Road Map (2023)***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Cement (continued)

Performance

Graph 7.1: Cement[1]

- Our 2021 portfolio baseline of 0.67[1] tCO_2-e/t cement was above the 2021 global average of 0.59 tCO_2-e/t cement.[2]
- In 2024, the emissions intensity of our cement production portfolio decreased by 6% from our 2021 baseline to 0.63 tCO_2-e/t cement.
- Our cement absolute financed emissions and portfolio-wide emissions intensity have decreased year on year, in line with a reduction in exposure to the sector and a number of key customers continuing to reduce their absolute emissions. Refer to the Financed emissions data table in Appendix 3 for further information.
- This target is currently 'close to on track' due to the hard-to-abate nature of the sector and our highly concentrated portfolio, however we are reviewing opportunities that will drive improved performance against this target.

1. We have recalculated our data to reflect changes brought about by more precise attribution of our finance to the activities of one customer in our portfolio. This has resulted in a restatement of our 2021 baseline, 2022 and 2023 emissions intensity, previously reported as 0.61, 0.58 and 0.57 tCO_2-e/t cement respectively. **2.** International Energy Agency (IEA) – ***NZE 2050 Tracking Report (July 2023)***. **3.** We are unable to disclose the emissions intensity of this deal due to customer confidentiality.

Graph 7.2: Cement pathway emissions intensity movements[1]
GHG intensity (tCO_2-e/t Cement)

- Graph 7.2 shows the factors that led to a reduction in our financed emissions intensity over the past year.
- Graph 7.2 highlights the reduction in emissions intensity was due to in-scope customers' improved climate performance.

Facilitated emissions

- In 2024, we acted as bookrunner for 1 syndicated loan deal. Our absolute facilitated emissions from this deal were 1,982 tCO_2-e.[3]

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Steel

2021 Baseline[1]
2.03
tCO_2-e/t steel

Scope inclusion
1, 2

Exposure at Default (EAD) at 30 June 2024
$1.01b

Status vs. pathway
Close to on track

2024 Performance
1.93
tCO_2-e/t steel

Scenario
IEA NZE 2050[2]

% Group EAD
0.09%

Performance against pathway
+5%

2030 Target[1]
1.46
tCO_2-e/t steel

Performance against baseline
-5%

2030 Target

28% reduction in emissions intensity from 2021 baseline

The information in this section should be read together with our disclaimer and important notices available **here** and our Financed and Facilitated Emissions Methodology available in Appendix 4.

Refer to the 'Our approach to sectoral pathways' section of this report on page 54. This includes information about the cut off date applied for calculating our financed emissions, as well as changes made in 2024 to the reporting period we reference for the financed emissions and sector-level progress.

Sector overview

- The global steel industry accounts for approximately 6%-9% of total global emissions.[3]
- Steel is primarily manufactured through one of two methods:
  - Traditional blast furnace – basic oxygen furnace (BF-BOF): the blast furnace converts iron ore to iron using coke (made from metallurgical coal) heated to high temperatures. Other impurities in the ore also melt, forming slag, which is separated out. The molten iron is then transferred to a basic oxygen furnace where high temperature air is added to remove the remaining impurities (mainly carbon and silica), and steel is produced.
  - Electric arc furnaces (EAF): rely on the input of scrap steel directly and can be powered by renewable energy, however there is currently not enough scrap steel available to convert all steelmaking to EAF technology and satisfy global steel demand.[4]
- Secondary production[5] of steel, via electric arc furnace[6], has a significantly lower emissions intensity, but is limited by scrap availability and challenges associated with producing high-quality steel from scrap.
- A small number of customers (fewer than 10) make up our exposure in this pathway.
- The global demand profile for steel under the IEA's NZE 2050 scenario indicates demand is set to grow by up to 40% from current levels by 2050.[7]
- Given the significant technological advances required to enable commercialisation of low emissions steel making, the emissions intensity reduction pathway of the steel sector will likely be slow moving. We are seeing efficiency measures being taken and investment into research and development in the steel sector, including by some of our customers.
- With the September 2023 release of the Sustainable Steel Principles,[8] we are working to better understand our customers' percentage of scrap steel used in production and their existing steel production technology mix.

1. We have recalculated our data to reflect changes brought about by more precise attribution of our exposures to the activities of three customers in our pathway. This has resulted in a restatement of our 2021 baseline and 2030 target, previously reported as 1.90 and 1.36 tCO_2-e/ t steel respectively. In line with the way we treat restatements detailed in our Financed and Facilitated Emissions Methodology (refer to appendix 4), we will assess the appropriateness of our 28% reduction target and scenario in 2025. **2.** International Energy Agency (IEA) – ***Net Zero Emissions by 2050 World Scenario (2021)***. **3.** IEA – ***Iron and Steel Technology Roadmap (2020)***. **4.** World Steel Association – ***About Steel***. **5.** Refers to aluminium that is produced from recycled aluminium. **6.** A furnace used for scrap based steel production, where the metal is heated by means of an electric arc. **7.** IEA – ***Iron and Steel Technology Roadmap (2020)***. **8.** ***Sustainable Steel Principles (2023)***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Steel (continued)

Transition Plan

ANZ Approach	Examples	Key industry transition strategies or opportunities for emissions reduction in the sector
Customer engagement via our LEEP	• For the 12-months ending 30 September 2024, customers contributing 91% of our exposures within the steel pathway were captured within our LEEP: refer to page 29 for more details on the program.	• Plant and end-user efficiency • Decarbonisation of electricity supply • CCUS technologies; and • Direct-reduced iron and hydrogen-based steel production
Prioritisation of customers with lower emissions assets, stronger emissions reduction targets and/or diversification strategies	• % EAD of in-scope Steel customers that have set interim emissions reduction targets: **80%** • % EAD of in-scope Steel customers that have publicly committed to net-zero 2050: **99.8%**	

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Steel (continued)

Performance

Graph 8.1: Steel[1]

- Our 2021 pathway portfolio baseline of 2.03[1] tCO_2-e/t steel sits above the 2020 global average of 1.89 tCO_2-e/t steel.[2]
- In 2024, the emissions intensity of our steel pathway portfolio decreased by 5% from our 2021 baseline to 1.93 tCO_2-e/t steel.
- Our steel absolute financed emissions and portfolio-wide emissions intensity have decreased year on year, in line with a reduction in exposure to the sector. Refer to the Financed emissions data table in Appendix 3 for further information.
- This target is currently 'close to on track' due to the hard-to-abate nature of the sector and our highly concentrated portfolio, however we are reviewing opportunities that may drive improved performance against this target.

Graph 8.2: Steel pathway emissions intensity movements[1]
GHG intensity (tCO_2-e/t Steel)

- Graph 8.2 shows the factors that led to a reduction in our financed emissions intensity over the past year.
- The reduction in emissions intensity was mainly driven by improved in-scope customers' climate performance (Graph 8.2).

Facilitated emissions

- We had no role in arranging the new issuance of public debt through capital markets instruments or in arranging syndicated loans for our in-scope steel customers in 2024.

Metallurgical Coal

As at June 2024, our EAD to coal mining includes exposures to metallurgical (coking) coal used for steel making of $0.56 billion. We will continue to support our metallurgical coal mining customers as there are no readily available substitutes for the use of metallurgical coal in steel production at scale. There are several metallurgical coal customers included in our LEEP and we are engaging with them to encourage them to strengthen their low carbon transition plans.

1. We have recalculated our data to reflect changes brought about by more precise attribution of our exposures to the activities of three customers in our pathway. This has resulted in a restatement of our 2021 Baseline and 2023 emissions intensity, previously reported as 1.90 and 1.93 tCO_2-e/ t steel respectively. **2.** World Steel Association – ***Climate Change and the Production of Iron and Steel (2021)***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Buildings

Australian large-scale commercial real estate

2019 Baseline	2030 Target	Scenario	Performance against pathway
Offices 80.21 kgCO_2-e/NLA	Offices 32.09 kgCO_2-e/NLA	IEA B2D scenario for service buildings[2]	Offices -57%
Shopping centres 89.75 kgCO_2-e/NLA	Shopping centres 35.90 kgCO_2-e/NLA	Exposure at Default (EAD) at 30 June 2024 Current metric is not tied to our lending[3]	Shopping centres -30%
2024 Performance	Scope inclusion[1]		Performance against baseline
Offices 24.49 kgCO_2-e/NLA	1, 2 (from building operational energy use)		Offices -69%
Shopping centres 44.98 kgCO_2-e/NLA	3 (Category 3 – Fuel and energy related emissions)	Status vs. pathway Offices and Shopping centres On track	Shopping centres -50%

2030 Target

60% reduction in emissions intensity from 2019 baseline – office buildings and shopping centres

The information in this section should be read together with our disclaimer and important notices available **here** and our Financed and Facilitated Emissions Methodology available in Appendix 4.

Refer to the 'Our approach to sectoral pathways' section of this report on page 54. This includes information about the cut off date applied for calculating our financed emissions, as well as changes made in 2024 to the reporting period we reference for the financed emissions and sector-level progress.

Sector overview

- Large-scale commercial real estate is a significant contributor to global greenhouse gas emissions accounting for 6.7% of emissions in 2020[4].
- This proportion is higher in Australia, where commercial real estate is responsible for around 10% of total emissions.[5]
- Australia's commercial real estate sector has been making steady progress in improving energy efficiency and reducing emissions. The percentage of Australian office buildings with a 5 star or above NABERS[6] rating has increased from 41% in June 2020 to 58% in June 2023.[7]
- In 2024, ANZ continued to engage its LEEP customers in the large-scale commercial buildings sector on their low-carbon transition plans. Those in-scope customers manage large-scale office and shopping centre buildings across most major Australian cities, with the majority located in Sydney and Melbourne.
- Our choice of an emissions intensity target (kgCO_2-e/m^2 NLA) for large-scale commercial real estate aligns with the need to reduce emissions from existing long-lived assets.
- ANZ believes this emissions intensity metric provides insights on how in-scope customers are collectively transitioning to net-zero emissions. The main limitations are that it does not currently allow a direct linkage of ANZ exposures to these improvements and that it excludes some emissions arising from energy use in building tenancies, or emissions embodied in building materials. We will continue to consider adjusting our approach as the availability of data increases to improve transparency of the outcomes of this pathway.

Transition Plan

ANZ Approach	Examples	Key industry transition strategies or opportunities for emissions reduction in the sector
Specific policies in place to steer our lending decisions	• ANZ will only provide funding for new large-scale office buildings[8] if they achieve an 'as designed'[9] NABERS energy rating of at least 5 stars (or equivalent international rating).	• Australia's commercial building sector continues to be among Australia's biggest consumers of electricity. Key abatement strategies for the sector include: – transitioning to green electricity sources – implementing energy efficiency measures – grid decarbonisation
Customer engagement via our LEEP	• For the 12-months ending 30 September 2024, 5 of ANZ's large office and shopping centre property in-scope customers were captured within our LEEP program. Refer to page 29 for details on the program.	

1. Target is specific to Australian Institutional loan book. **2.** The International Energy Agency Beyond 2°C scenario presented in the IEA – Energy Technology Perspectives report (2017) puts service buildings on a pathway to achieve net zero emissions by 2050, with most of these savings to be achieved before 2030. The 2050 convergence to net zero emissions for service buildings closely reflects the IEA – *Net Zero Emissions by 2050 (2021)*. **3.** Large-scale commercial real estate data has not been apportioned in line with ANZ lending, this will be reassessed in time. **4.** Climate Watch – ***World Greenhouse Gas Emissions in 2020***. **5.** Department of Climate Change, Energy, the Environment and Water – ***Commercial Buildings***. **6.** National Australian Built Environment Rating System. **7.** NABERS – ***Annual Report 2022-23, Distribution % of Office Energy Ratings over Life of the Program – with GreenPower***. **8.** Large scale is an office building with a NLA > 10,000 sqm located within a major CBD. **9.** 'As designed' refers to a rating that is calculated during the design phase of a building, before it is actually constructed.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Australian Large-scale commercial real estate (continued)

Performance[1]

Graph 9.1: Commercial real estate – Office buildings

Graph 9.2: Commercial real estate – Shopping centres

- The emissions intensity of our in-scope customers' office buildings has declined by 69% from our 2019 baseline and is now 57% below our pathway.
- The emissions intensity of our in-scope customers' shopping centres has declined by 50% from our 2019 baseline and is now 30% below our pathway.
- Both building types have seen these reductions partially due to increased purchasing of green electricity and ongoing decarbonisation of the electricity grid.

Facilitated emissions

- We intend to review our commercial real estate pathway methodology to enable us to appropriately attribute our financing and capital markets activities to our customers' emissions.

1. In 2023 we did not report an update for 2023 of progress towards our target. We have now successfully resolved previous data matching challenges relating to government building identification and have now reported on 2023 progress towards our target.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Buildings

Australian residential home loans

Total Outstanding Loans at 31 May 2024
$299.15b

Scope
1, 2
(Natural gas and liquified petroleum gas (LPG)) & (electricity use sourced from grid)

2024 Emissions Intensity
4.29
tCO_2-e per dwelling

The information in this section should be read together with our disclaimer and important notices available **here** and our Financed and Facilitated Emissions Methodology available in Appendix 4.

Refer to the 'Our approach to sectoral pathways' section of this report on page 54. This includes information about the cut off date applied for calculating our financed emissions, as well as changes made in 2024 to the reporting period we reference for the financed emissions and sector-level progress.

Sector overview

- Emissions from residential buildings account for more than 10% of Australia's emissions.[1] The largest source of residential emissions in Australia is from electricity consumption, followed by the use of natural gas and LPG for heating and cooking.
- ANZ's Australian residential home loan portfolio consists of more than 718,000 properties across all states and territories[2] where the property has been assessed as being used for a residential purpose only.

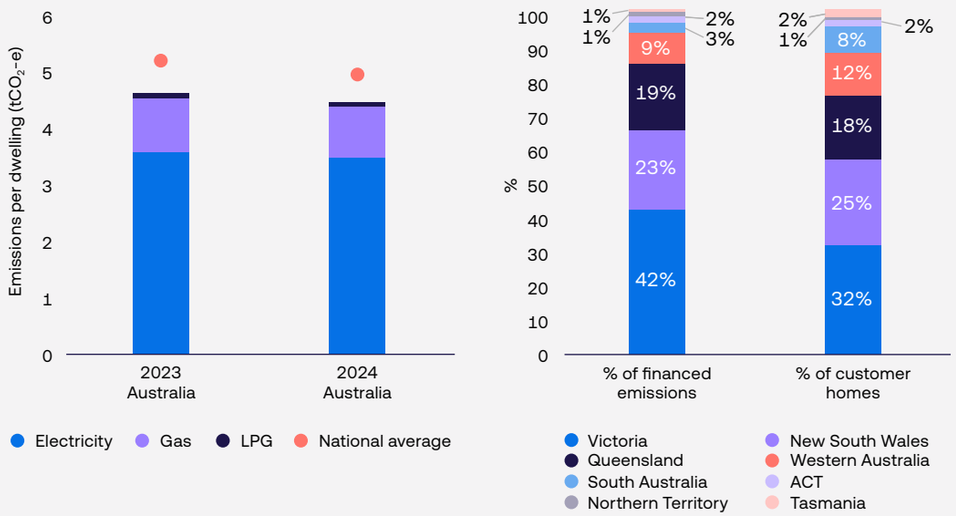
1. Department of Climate Change, Energy, the Environment and Water – ***Residential Buildings***. **2.** Based on data at 31 May 2024 and excludes properties that are used to secure business loans, home equity loans and home equity lines of credit that are generally consumer loans, as well as properties used as additional security by a guarantor of obligations relating to other mortgaged properties.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Australian residential home loans (continued)

Performance

Graph 10.1: Australian residential home loan portfolio emissions intensity[1]



- The average emissions intensity of our Australian residential home loan portfolio in 2024 was 4.29 tCO_2-e per dwelling, 3% below 2023.
- The average emissions intensity of our Australian residential home loan portfolio is slightly lower than the average emissions intensity for all Australian dwellings. This is likely due to ANZ's residential home loan portfolio having greater exposure to newly built homes and apartments that are more energy efficient.
- Our customers in Victoria, New South Wales and Queensland are responsible for 84% of our Australian residential home loans financed emissions.
- Around 42% of the total is attributable to Victorian customers' homes, where we have the highest number of residential home loan customers. Victorian homes are powered by the most carbon intensive electricity grid (in Australia) and have a higher reliance on distributed gas resulting in higher emissions.
- All states and territories experienced a reduction in intensity between 2023 and 2024, except for Tasmania, where an increase in the carbon intensity of electricity resulted in an increase in scope 2 emissions.

Opportunities for emissions reduction in the sector

Reaching net-zero emissions for Australian residential buildings will require combined action:

- **ANZ:**
  - supporting the higher penetration of renewable and other lower emitting sources of electricity in Australia through our lending and facilitation activities in the debt capital markets
  - continuing to provide financing to build new homes and retrofit existing homes to improve energy efficiency.
- **Governments and regulatory bodies** – facilitating the increased penetration of renewables into Australia's main electricity grids and improving the energy efficiency of homes.
- **Customers** – making their homes more energy efficient, increased electrification of home energy use (e.g. water heating, space heating, cooking) and through greater reliance on rooftop solar supported by batteries.

- ANZ has not yet committed to a target for the Australian residential home loan portfolio as we first want to improve our ability to directly support customers in reducing their emissions. We intend to explore and test the best way to do this in 2025, with a focus on exploring customer education programs or partnership opportunities.
- We project that the emissions intensity of ANZ's Australian residential home loan portfolio would need to reduce by at least 53% by 2030[2] (from a 2023 baseline) to align with the goal to limit global warming to 1.5°C. We plan to refine this projection and set a target in future years.
- The emissions intensity performance of our Australian residential home loan portfolio is unlikely to see a linear reduction towards 2030 due to the materiality of scope 2 emissions to our customers' emissions profile from home energy use.
- In Australia, this is mostly influenced by continuing reliance on coal-fired generation. However, as these power stations are gradually replaced by lower emitting sources of generation in the future, we expect that there will be step reductions in the emissions intensity of electricity supplied to our customers' homes.
- Continued expansion of rooftop solar combined with improvements in home energy efficiency will also be key to meeting a 53% reduction in emissions intensity by 2030.

1. The national average for Australia has been calculated using dwelling data from the ABS – ***Total Value of Dwellings (June 2024)***, energy data from DCCEEW – ***Australian Energy Update 2024*** and emissions factors from DCCEEW – ***Australian National Greenhouse Accounts Factors (2024)***. **2.** International Energy Agency (IEA) – ***Net Zero Emissions by 2050 World Scenario (2023)***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Agribusiness data coverage cohort

Exposure at Default (EAD) at 30 June 2024

$5.30b

% Group EAD

0.45%

% of Agribusiness data coverage cohort disclosing their scope 1 and 2 emissions[1]

63%

2027 Target

ANZ has set a target to seek the disclosure of scope 1 and 2 emissions at a standard equivalent to the 'Australian National Greenhouse Account Factors[2]' by 100% of the Agribusiness data coverage cohort by the end of financial year 2027.

Sector Overview

In Australia, the agribusiness sector represents approximately 14%[3] of Australia's emissions.

In 2024 we re-assessed whether to set a financed emissions reduction target for our Institutional agribusiness sector or subsectors, and concluded that it remains premature. There is an absence of a widely accepted Paris-aligned pathway for Australian agriculture, complicated by the variety of agricultural commodities produced, each with a unique emissions profile. The availability and quality of emissions data remains a challenge and impacts our ability to accurately estimate financed emissions.

For this reason, we remain focused on seeking enhanced disclosures from our large Agribusiness customers included in our data coverage cohort. ANZ's data coverage target aims to encourage and support the provision of high quality and comparable emissions data.

The Agribusiness data coverage cohort comprises large Institutional agribusiness customers with either significant operations in Australia or headquarters in Australia[4], that own assets or operate in one or more of the following parts of the agribusiness value chain:

- Farm input providers (e.g., fertiliser manufacturers)
- Producers (e.g., of beef, lamb, grain, poultry, and aquaculture products)
- Processors (e.g., bulk-handlers, meat processors)
- Retailers (e.g. supermarkets)
- Quick-service restaurants (large fast food chains)

Performance

Currently, 63% of our Agribusiness data coverage cohort customers are disclosing scope 1 and 2 emissions to an Australian National Greenhouse Account Factors (NGA) standard or equivalent, an increase of 4% compared with last year. These customers disclosed their emissions publicly or to the Australian Clean Energy Regulator through the National Greenhouse and Energy Reporting Scheme[5].

Overall, the number of cohort customers publicly reporting their emissions increased from 72% to 81% in 2024, however some of these disclosures were not subject to assurance and therefore did not meet our target criteria. We will continue to engage with Agribusiness data coverage cohort customers who do not report scope 1 and 2 emissions, or do not report in accordance with the criteria of this target, to understand their progress towards disclosing in the future and/or to encourage their efforts.

1. To the Australian National Greenhouse Account Factors (NGA) standard or equivalent e.g. audited emissions disclosure. **2.** DCCEEW – ***Australian National Greenhouse Accounts Factors (2024)***. **3.** DAFF – ***Global Responses to Climate Change***. **4.** Cohort is made up of a selection of large Institutional agribusiness customers as at October 2023. **5.** National Greenhouse and Energy Reporting (Measurement) Determination 2008 (Cth). The National Greenhouse and Energy Reporting (NGER) Scheme is a single national framework for reporting company information about greenhouse gas emissions, energy production, and energy consumption.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Total Australian lending portfolio

To provide our stakeholders with an indication of our total financed emissions[1] for our Australian lending portfolio[2,3,4] for the second consecutive year, we are disclosing a complementary metric of our estimated total financed emissions in Australia.

As we operate in 29 markets and the availability and quality of emissions data remains a challenge, our ability to accurately estimate the total financed emissions is reflective of this. Therefore this metric focuses on Australia which is our home and major market.

Time lags involved in compiling national greenhouse gas emissions inventories meant that the most recent data accessible at the time of analysis was from the year 2022, and so this is the most recent year for which we have calculated our total lending portfolio financed emissions.

Our analysis shows that based on our calculation methodology, our total financed emissions in Australia has decreased from an estimated 11.8 $MtCO_2$-e in 2021 to 11.3 $MtCO_2$-e in 2022. This is less than 3% of Australia's national emissions. The decrease in 2022 was mainly due to reduced financed emissions in the Utilities and Agriculture sectors.

In terms of financed emissions intensity, we observed a 22% decrease in 2022 compared with 2019. This decrease was mainly a result of ongoing decarbonisation of the Australian economy combined with changes in the composition of our Australian lending portfolio.

Graph 11.1 – ANZ financed emissions in Australia[1]

Graph 11.2 – ANZ financed emissions intensity in Australia (tCO_2e/A$m lent)[4]

	ANZ outstanding lending ($b)[2]				Financed emissions absolute ($MtCO_2$-e)[4]				% Australia emissions				Financed emissions intensity (tCO_2e/$m lent)[4]			
Sector	2019	2020	2021	2022	2019	2020	20211	2022	2019	2020	2021	2022	2019	2020	2021	2022
Agriculture	10.4	11.6	12.6	13.9	0.9	0.9	0.5	0.3	1.3%	1.4%	1.4%	1.2%	87.2	74.9	42.8	23.3
Mining	2.9	3.5	2.5	2.4	2.1	3.0	1.8	1.7	2.0%	2.8%	1.7%	1.6%	726.2	839.3	697.2	689.8
Manufacturing	6.3	5.8	5.9	6.8	1.9	2.4	2.2	2.2	3.3%	4.1%	3.7%	3.7%	309.3	412.9	372.3	323.9
Utilities	3.3	3.2	3.5	5.0	5.4	4.8	4.6	4.4	2.9%	2.7%	2.8%	2.7%	1,657.2	1,479.2	1,307.3	893.4
Construction	4.1	4.1	4.0	4.3	0.2	0.2	0.2	0.2	1.4%	1.4%	1.4%	1.5%	41.2	44.5	41.7	39.8
Commercial Services	104.0	100.1	100.0	113.6	0.5	0.3	0.4	0.6	4.3%	4.2%	4.0%	3.9%	5.1	3.1	4.5	5.1
Transport and Storage	6.6	7.2	7.0	7.4	1.7	1.9	1.6	1.6	5.1%	6.1%	5.8%	5.1%	251.4	258.3	231.3	217.1
Residential	246.4	257.2	260.4	264.6	0.5	0.5	0.4	0.4	3.7%	3.6%	2.9%	2.8%	2.0	1.9	1.5	1.5
Total	383.9	392.8	396.1	417.9	13.3	13.9	11.8	11.3	2.7%	3.0%	2.7%	2.7%	34.6	35.4	29.7	27.1

1. Includes scope 1 only. **2.** The data used for this analysis was sourced from Australia's National Greenhouse Accounts (ANGA), Reserve Bank of Australia (RBA), Australian Prudential Regulation Authority (APRA) as well as other external and internal sources. Due to data constraints, the basis for the calculation is 'outstanding lending' which is different from the Exposure at Default (EAD) calculation formula that we have used in our sectoral metrics and targets. Outstanding lending is the drawn amount of committed loans. Unlike EAD, it does not include the undrawn amount or off-balance sheet exposures. **3.** For the purpose of this metric, our total lending portfolio covers lending to the Australian economy, including industry and business, and residential sectors, as identified by the RBA. **4.** Note that absolute financed emissions and financed emissions intensity for 2019, 2020 and 2021 were recalculated due to changes in emissions data from ANGA. This has resulted in financed emissions for all years being re-stated from last year. For details, see page 445-453, DCCEEW – ***National Inventory Report 2022***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

The Utilities, Manufacturing, Transport and Storage, and Mining sectors is where the majority of our financed emissions are concentrated. Collectively these sectors accounted for 87% of our Australian financed emissions in 2022 despite making up about 5% of our Australian total lending portfolio.

Decarbonisation of these sectors is key to Australia's as well as our own goal to transition our lending portfolio to net-zero financed emissions by 2050 in line with the goals of the Paris Agreement. As part of our NZBA commitment, we are progressively setting Paris-aligned pathways and targets for these sectors – see page 52. Many of the large emitters from these sectors are also in our LEEP, where we encourage them to strengthen their transition plans – see pages 29-32.

Graph 11.3 – 2022 ANZ financed emissions absolute (scope 1) in Australia ($MtCO_2$-e)

Graph 11.4 – ANZ outstanding lending in Australia ($b)

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Reducing our operational footprint

ANZ has set targets for 2025 and 2030, as referenced in the below table. The targets aim to reduce our operational footprint in line with our purpose to support household, business and financial practices that improve environmental sustainability.

With some of our current targets due to conclude in 2025, we have commenced a review of our operational targets this year.

ANZ has reported on its operational emissions[1] since 2010 and is a RE100[2] member. We have also focused on supporting our people to live sustainably by providing education and pathways to take action. See page 36 for information on how we are building capability in our employees.

Performance against our operational emission reduction targets[3]

We have progressed against our operational combined scope 1 and 2 emissions and water, waste and paper targets. However, we have noted an increase in scope 3 operational emissions, which is primarily due to normalised levels of attendance of staff at our workplaces and business travel.

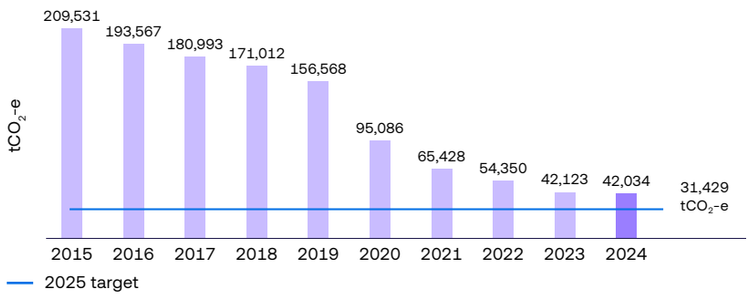
This year we have sought to gain a clearer understanding of these scope 3 operational emissions to allow us to develop effective strategies to manage them in the future. For example, recognising the critical role that collaboration with suppliers plays in accurately measuring and reducing scope 3 emissions, environmental considerations are being integrated into ANZ's Third Party Risk Management Framework. This integration seeks to ensure that environmental factors are a key component of our supplier interactions from the outset, promoting early and effective emissions reporting and reduction efforts. Additionally, we conducted a series of engagement meetings with suppliers to gain insights into their environmental goals and strategies.

Our reporting on scope 1, 2 and 3 operational emissions and related targets is available at Appendix 7 and in our ESG Data and Frameworks pack available at **anz.com/esgreport**.

Key initiatives that have contributed to progress against our operational emissions and water, waste and paper targets, include the following in table to the right.

Managing our residual operational emissions

Our aim is to reduce emissions where possible, however, our remaining residual operational emissions are offset in accordance with the Australian Government's Climate Active Carbon Offset Standard and New Zealand's Toitū net carbonzero certification requirements for purchasing, retiring and allocating eligible offsets[6]. Refer to ANZ's Operational Greenhouse Gas Emissions Reporting and Carbon Offset Methodology at Appendix 6.

Target	2024 performance and key initiatives
Reducing combined scope 1 and 2 emissions by 85% by 2025 and 90% by 2030 against 2015 baseline[4]	Scope 1 and 2 emissions have decreased by **80%** since 2015, (on track to meet our target) due to: • Sourcing the equivalent of 59% of electricity from renewable sources • The transition of data storage to more energy efficient cloud-based technology • Increased uptake of EV's and hybrids in our fleet, including 100% EV fleet in India • Lighting and desktop technology upgrades at our headquarters in Melbourne and Sydney. **Scope 1 and 2 operational emissions: Performance against target** 
Being powered by the equivalent of 100% renewable electricity by 2025[5]	In 2024, **57%** of our electricity consumption came from renewable sources, due to: • Sourcing the equivalent of 51 % of Australia's operational electricity via a power purchase agreement, on-site solar and through the retirement of renewable energy certificates. Performance this year was impacted by wind turbine faults, resulting in minimum generation requirements within our power purchase agreement not being met. This is currently being rectified. • 84% of ANZ Bank New Zealand's operational electricity via New Zealand Renewable Energy Certificate retirements • Our India operations are 88% renewable via power purchase agreements and Interstate Renewable Energy Council retirements • 33% of our international operations electricity via Interstate Renewable Energy Council retirements We will continue to pursue opportunities for renewable electricity[4] in 2025 for the remaining countries we operate in, however we may be limited due to lack of renewable energy schemes and opportunities for solar installations in some countries.

1. See our Operational Greenhouse Gas Reporting and Carbon Offset Methodology for details on our methodology at Appendix 6.
2. RE100 is the global corporate renewable energy initiative that unites organisations that are committed to 100% renewable electricity.
3. Operational emissions and environmental footprint data reporting year is 1 July to 30 June, in line with the National Greenhouse and Reporting Act (NGERs) administered by the Australian Clean Energy Regulator. **4.** Using a market-based method for Scope 2 calculations. Refer to the Operational Greenhouse Gas Reporting and Carbon Offset Methodology in Appendix 6 to Climate-related Financial Disclosures. **5.** Self-generated renewable electricity, direct procurement from offsite grid connected generators e.g. Power Purchase Agreement (PPA) and default delivered renewable electricity from the grid, supported by credible attributes in accordance with RE100 technical guidelines. **6.** Refers to our Australian Power Purchase Agreement (PPA) at Murra Warra Wind Farm, located near Horsham in north-east Victoria, NZRECs procured through Meridian, our PPA in India and International Renewable Energy Certificates (IRECs). **7.** Further details regarding our boundary inclusions and exclusions for Scope 1, 2 and selected Scope 3 emissions can be found on the Climate Active and Toitū websites.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Performance against water, waste and paper targets

In addition to the above, we have the following broader environmental operational targets and key initiatives in place. As noted, we are in the process of reviewing and setting new targets. All existing water, waste and paper targets have been met, as discussed below.

Target	2024 performance and key initiatives
Reducing water consumption[1] by 40% by 2025 (against 2017 baseline)	Our global water consumption[1] has decreased by **59%** against a 2017 baseline, on track to meet our target. This year we: • Achieved a 5-star NABERS water rating at our headquarters in Melbourne Water consumption[1] has increased in the past year due to higher numbers of staff in our workplaces.
Reducing waste to landfill[2] by 40% by 2025 (against 2017 baseline)	Waste to landfill[2] generated by global operations has reduced by **75%** since 2017, on track to meet our target. This year, we: • Implemented zero waste initiatives for new retail fit outs in New Zealand • Recycled e-waste from our Australian commercial offices and data centres and office furniture in New Zealand
Reducing paper consumption (both office and ANZ originated customer paper use) by 70% by 2025 (against 2015 baseline)	Paper consumption has reduced by **74%** since 2015, on track to meet our target. This year, we: • Continued digitising brochures in our branches and reducing the number of mailed customer statements • Increasing eSign usage by 52%, saving approximately half a million printed documents

Case study

Enabling nature-based solutions

ANZ customer Artemis Cattle Station spans 125,000 hectares in Cape York in far north Queensland, Australia. The working cattle station is situated in the heartland of Golden-shouldered Parrot territory – a rare native parrot on the verge of extinction.

This prompted Artemis to team up with conservation and ecology experts to create the Artemis Nature Fund, dedicated to saving the Golden-shouldered Parrot. A key part of the fund's work involves restoring and maintaining the parrot's natural habitat of open grass woodlands through parrot-friendly savanna fire management. ANZ purchased Australian Carbon Credit Units (ACCUs) generated at Artemis to offset some of its operational emissions.

Part of the reason we were drawn to the Artemis project was due to the carbon and biodiversity benefits, including conservation of the golden-shouldered parrot habitat.

Further information about our operational footprint is available on page 112.

1. Total potable water consumed from ANZ's global properties. From 2021 includes global water consumption values, 2018 – 2020 values represent water consumption in our Australian commercial offices (>10,000m^2) excluding 347 Kent Street which was sold in the 2020 reporting year. **2.** Total waste to landfill generated from ANZ's global properties. From 2021 includes global waste consumption values, 2018 – 2020 values include Australia and New Zealand only.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Our approach to sectoral pathways
Energy
Transport
Manufacturing
Buildings
Agribusiness data coverage cohort
Total Australian lending portfolio
Reducing our operational footprint
Appendices
Assurance opinion

Appendix 1. Taskforce on Climate-related Financial Disclosures (TCFD) Index

TCFD Category	TCFD Disclosure Recommendation	ANZ response – page
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the board's oversight of climate-related risks and opportunities.	Pages 13-19
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Pages 14-19
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Pages 19-32, 41-43
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Pages 20-32, 38-40, 42-43
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Working towards – initial steps outlined on pages 49–50
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	Pages 41-51
	b. Describe the organisation's processes for managing climate-related risks.	Pages 41-51
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Pages 41-51
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Pages 29-32, 52-86, 89, 107, 112
	b. Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks.	Pages 52-86, 89, 107, 112
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Pages 29-32, 52-86, 89, 107, 112

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Appendix 2. Taskforce on Nature-related Financial Disclosures (TNFD) Index

This year we continue to draw on the Taskforce for Nature-related Financial Disclosures (TNFD) framework to help inform our disclosures. We have included references to where these disclosures are located below. Our disclosures do not purport to be comprehensive or to satisfy all aspects of the TNFD's recommended disclosures.

TNFD Category	TNFD Disclosure Recommendation	ANZ response – page
Governance Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.	a. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	Pages 13-18
	b. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	Pages 14-18, 43, 45-46
	c. Describe the organisation's human rights policies and engagement activities, and oversight by the Board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	Working towards – see our Climate Change Commitment, available **here** prior to our AGM.
Strategy Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.	a. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	Working towards – see pages 33-35
	b. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	Pages 33-35
	c. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	Working towards – see our initial steps we are taking utilising the ENCORE tool on pages 33-35
	d. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	We seek to disclose this in future
Risk Management Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.	a. (i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	We seek to disclose this in future
	a. (ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	Pages 43, 46, 51
	b. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.	Pages 33-35, 43, 46
	c. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	Pages 33-35, 43, 46
Metrics and Targets Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.	a. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	We seek to disclose metrics in future
	b. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.	We seek to disclose metrics in future
	c. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	We seek to disclose further metrics in future

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Appendix 3. Financed emissions data table

	EAD $b (% of Group EAD) as at end of			Absolute Financed Emissions ($MtCO_2$-e)					Data Quality Score			
	September	June										
Sector	2023	2024	Baseline Year	Scope	Baseline year	2022	2023	2024	Baseline year	2022	2023	2024
Power generation	9.35 (0.80%)	9.36 (0.80%)	2020	1			5.28	4.47			1.48	1.30
Oil & gas[1]	6.67 (0.57%)	5.53 (0.47%)	2020	1 & 2	1.43	1.37	0.98	0.87		1.45	1.55	1.48
				3	11.30	11.67	7.87	6.50	3.00	3.00	3.00	3.00
Thermal coal	0.08 (0.01%)	0.08 (0.01%)	2020	1 & 2	0.24		0.01	0.01	2.25		1.83	1.79
				3	8.88		0.38	0.31	3.00		3.00	3.00
Auto manufacturing	2.04 (0.18%)	1.74 (0.15%)	2022	1 & 2	0.036	0.036	0.040	0.042	1.40	1.40	1.42	1.33
				3	1.66	1.66	1.44	1.32	1.52	1.52	1.56	1.51
Shipping	1.34 (0.12%)	1.07 (0.09%)	2022	1	0.29	0.29	0.39	0.30	1.32	1.32	1.44	1.37
Aluminium	0.68 (0.06%)	0.72 (0.06%)	2021	1 & 2	0.60	0.44	0.53	0.57	1.66	1.72	1.72	1.69
Cement	0.31 (0.03%)	0.25 (0.02%)	2021	1 & 2	2.16	1.65	1.19	0.79	1.87	1.76	1.98	1.82
Steel	1.22 (0.10%)	1.01 (0.09%)	2021	1 & 2	1.38	1.47	1.71	1.28	1.39	1.37	1.20	1.09
Australian large-scale commercial real estate[3]			2019	1 & 2								
				3								
Australian Residential home loans[4]	280.17	299.15		1 & 2			1.69	1.65			5.00	5.00

	Portfolio-wide Intensity ($kgCO_2$-e/$ EAD)					Physical Emissions Intensity					Absolute facilitated emissions ($MtCO_2$-e)[5]
Sector	Baseline year	Baseline year	2022	2023	2024	Units	Baseline year	2022	2023	2024	2024
Power generation	2020			0.56	0.48	$kgCO_2$-e/MWh	225	284	169	151	0.17
Oil & gas	2020	1.33	1.50	1.33	1.34	$kgCO_2$-e/GJ produced	70.8	70.9	69.4	69.8	0.13
Thermal coal	2020	20.99		4.65	4.17	$kgCO_2$-e/t produced	41.09		3.18	2.74	
Auto manufacturing[2]	2022	0.79	0.79	0.73	0.78	gCO_2-e/vkm	124.43	124.43	109.69	102.09	
Shipping	2022	0.20	0.20	0.29	0.28						
Aluminium	2021	0.93	0.64	0.77	0.79	tCO_2-e/t aluminium	8.30	7.64	8.93	8.91	
Cement	2021	5.22	4.98	4.07	3.22	tCO_2-e/t cement	0.67	0.65	0.65	0.63	0.002
Steel	2021	1.27	1.50	1.41	1.26	tCO_2-e/t steel	2.03	1.98	2.00	1.93	
Australian large-scale commercial real estate – Offices[3]	2019					$kgCO_2$-e/m^2 NLA	80.21	49.61	40.86	24.49	
Australian large-scale commercial real estate – Shopping Centres[3]	2019					$kgCO_2$-e/m^2 NLA	89.75	65.71	60.30	44.98	
Australian residential home loans[4]				0.006	0.006	tCO_2-e/dwelling			4.44	4.29	

1. During 2023, ANZ adjusted downwards the 2020 baseline for our 26% emissions reduction target. We did this following the introduction of the APRA Basel IV rules that altered the way EAD is calculated. For our oil and gas portfolio, the aggregate impact of this change was a material reduction in EAD, which means a lower proportion of our customers' Scope 1, 2 & 3 emissions is attributed to us. **2.** Emissions intensity (gCO_2-e/vkm) includes Scope 3 TTW emissions associated with the lifetime use of new vehicle sales, using the assumption that a car will travel 200,000 kms during its lifetime. **3.** No financing attribution approach applied or absolute emissions tracked. Metric is not tied to our lending therefore no portfolio wide intensity calculated. **4.** The exposure figures reflects the total loans outstanding for homes within ANZ's Australian home loan book that are within scope for the financed emissions metric. The loans outstanding amount is measured at May 31 each year and in cases where the value of the outstanding loan exceeds the value of the mortgaged home, the outstanding loan value is adjusted down to be equivalent to the value of the house. **5.** Facilitated emissions from capital markets activities for customers outside of our sectoral pathway portfolio's are not included.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Restatements

ANZ restates climate-related data where we identify that a restatement is appropriate. For example, to correct for errors in prior reporting periods (such as calculation mistakes, misinterpretations and errors in applying the methodology) that we assess as having a material impact on the reported data. ANZ also adjusts climate-related data for any of the following events when it results in a material impact:

- Changes in calculation methodology
- Structural changes (e.g., mergers, acquisitions and divestments of customers within the relevant pathway)
- Changes in data availability (e.g., replacing estimates with actuals)

Materiality is assessed based on both qualitative and quantitative factors, including the impact of the change on users of the data and our ability to track and accurately report on performance against our targets. For the quantitative assessment, a 5% materiality threshold is used as a guide, but where the threshold is not met, ANZ may still make a restatement based on qualitative factors. In some circumstances, a restatement may have a consequential impact on related information. If that is the case, we may make other adjustments to the related information to reflect the restated position.

The materiality threshold for financed emissions metrics reflects the complexity and significant uncertainty in preparing financed emissions disclosures. Refer to the Disclaimer and important notices on page 7 for further information.

When a restatement results in a change to a sectoral pathway baseline, we will review the impact this has on the appropriateness of our target. For restatements that occurred in 2024, we will review the appropriateness of our targets during 2025.

Thermal coal

We have recalculated our 2020 absolute emissions baseline to correct an error. This has resulted in a restatement of:

- 2020 baseline, previously reported as 9.10. This has been restated as 9.12

Auto manufacturing

We undertook a recalculation based on more accurate emissions data. This reflects changes in our allocation of EAD between customers and enables us to break down our disclosures into scope 1 & 2, and scope 3 emissions which we did not disclose previously. This has resulted in a restatement of:

- 2023 EAD, previously reported as 1.91. This has been restated to 2.04
- 2022 and 2023 absolute financed emissions, previously reported as 2.36 and 2.12 respectively. 2022 and 2023 have been restated as 1.70 and 1.48 respectively
- 2022 and 2023 data quality score, previously reported as 1.96 and 1.93 respectively. 2022 data quality score has been restated to 1.40 for scope 1 and 2, and 1.52 for scope 3. 2023 data quality score has been restated to 1.42 for scope 1 and 2, and 1.56 for scope 3
- 2022 and 2023 portfolio-wide intensity, previously reported as 0.94 and 1.11 respectively. 2022 and 2023 have been restated as 0.79 and 0.73 respectively
- 2022 and 2023 emissions intensity, previously reported as 137.29 and 128.11 respectively. 2022 and 2023 have been restated as 124.43 and 109.69 respectively

Shipping

We have updated our shipping methodology to exclude scope 3 category 3 emissions associated with fuel production and distribution. This update has been retrospectively applied to our pathway. This means that our pathway now includes the scope 1 emissions associated with our customers' shipping operations (as described in the Financed and Facilitated Emissions Methodology). We have also corrected an error in our EAD data. This has resulted in a restatement of:

- 2023 EAD, previously reported as 1.24. This has been restated as 1.34
- 2022 and 2023 absolute financed emissions, previously reported as 0.48 and 0.42 respectively. 2022 and 2023 have been restated as 0.29 and 0.39 respectively
- 2022 and 2023 data quality scores, previously reported as 1.01 and 1.02 respectively. 2022 and 2023 data quality score have been restated as 1.32 and 1.44 respectively
- 2022 portfolio-wide intensity, previously reported as 0.33. This has been restated as 0.20

Aluminium

We have recalculated our data to correct an error in the EVIC calculation for one in-scope customer and an error in our previously reported emissions intensity figure. These factors have resulted in a restatement of:

- 2021 baseline and 2022 absolute financed emissions, previously reported as 0.74 and 0.64 respectively. 2021 and 2022 have been restated as 0.60 and 0.44 respectively
- 2021 baseline, 2022 and 2023 data quality scores, previously reported as 2.78, 2.90 and 2.50 respectively. 2021 baseline, 2022 and 2023 have been restated as 1.67, 1.72 and 1.72 respectively
- 2021 baseline and 2022 portfolio-wide intensity, previously reported as 1.15 and 0.93 respectively. 2021 baseline and 2022 have been restated as 0.93 and 0.64
- 2023 emissions intensity, previously reported as 8.73. This has been restated as 8.93

Cement

We have recalculated our data to reflect changes brought about by a review of the attribution of our finance to the activities of one in-scope customer. This has resulted in a restatement of:

- 2023 portfolio-wide intensity, previously reported as 3.84. This has been restated as 4.07
- 2021 baseline, 2022 and 2023 emissions intensity, previously reported as 0.61, 0.58, 0.57 respectively. 2021 baseline, 2022 and 2023 have been restated as 0.67, 0.65 and 0.65 respectively

Steel

We have recalculated our data to reflect changes brought about by a review of the attribution of our finance to the activities of three In-scope customers. This has resulted in a restatement of:

- 2023 absolute financed emissions, previously reported as 1.34. This has been restated as 1.71
- 2023 portfolio-wide intensity, previously reported as 1.10. This has been restated as 1.41
- 2021 baseline and 2023 emissions intensity, previously reported as 1.90 and 1.93 respectively. 2021 baseline and 2023 have been restated as 2.03 and 2.00 respectively

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Appendix 4. Financed and Facilitated Emissions Methodology

Disclaimer & important notices

The information in this methodology should be read together with Disclaimer & Important Notices on page 7 which contains information about forward-looking statements, and the uncertainties, challenges and risks associated with climate-related information.

The purpose of this document is to outline the methodologies that ANZGHL has used to establish financed and facilitated emissions and establish sectoral pathways or metrics; and to measure the emissions profile of the relevant portfolios and certain capital markets activities. It also describes our approach in setting 2030 sectoral pathway financed emissions reduction targets, and the scenarios that we have benchmarked these targets against.

Boundaries

Our 2024 financed emissions sector-level progress of our sectoral pathways is calculated for our in-scope customers to which we had specified minimum exposures at default (EAD) at 30 June 2024. We use our in-scope customers' latest available public disclosures on emissions as the preferential data source. We have applied a 30 September 2024 cut off for reporting by our customers of their emission data as at 30 June. References made to '2024' or the current 'year' in this appendix will be referring to this period unless otherwise stated.

This is a change from prior years reporting. For example, in 2023, financed emissions were calculated using 30 September 2023 customer exposures at default and applying a 30 October 2023 cut off for reporting by our customers. This change was implemented to allow more time for processing and review of our financed emissions data which we considered appropriate due to the complex and manual nature of the calculations. References to years prior to 2024 in this section of the report reflect this later 30 October cut off for reporting by our customers of their emission data as at 30 September, unless otherwise stated.

Our Australian residential home loans financed emissions have been calculated for the portfolio using an attribution factor equal to the outstanding loan amount at the time of greenhouse gas accounting (May 31 each year) to the property value at loan origination. This date is utilised due to the time intensive and complex tasks involved in matching location specific energy use data to hundreds of thousands of individual dwellings in our Australian home loans portfolio.

Our total Australian lending portfolio metric has been calculated as at 30 September 2022 due to time lags involved in compiling national greenhouse gas emissions inventories.

Restatement approach

ANZ restates climate-related data where we identify that a restatement is appropriate. For example, to correct for errors in prior reporting periods (such as calculation mistakes, misinterpretations and errors in applying the methodology) that we assess as having a material impact on the reported data. ANZ also adjusts climate-related data for any of the following events when it results in a material impact:

- Changes in calculation methodology
- Structural changes (e.g., mergers, acquisitions and divestments of customers within the relevant pathway)
- Changes in data availability (e.g., replacing estimates with actuals)

Materiality is assessed based on both qualitative and quantitative factors, including the impact of the change on users of the data and our ability to track and accurately report on performance against our targets. For the quantitative assessment, a 5% materiality threshold is used as a guide, but where the threshold is not met, ANZ may still make a restatement based on qualitative factors. In some circumstances, a restatement may have a consequential impact on related information. If that is the case, we may make other adjustments to the related information to reflect the restated position.

The materiality threshold for financed emissions metrics reflects the complexity and significant uncertainty in calculating financed emissions. Refer to the Disclaimer and important notices on page 7 for further information.

When a restatement results in a change to a sectoral pathway baseline we will review the impact this has on the appropriateness of our target. For restatements that occurred in 2024, we will review the appropriateness of our targets during 2025.

Reported Metrics

Where targets have been set, the NZBA Guidelines also require NZBA members to include in annual disclosures at least the following three metrics[1]:

- Absolute emissions; and
- Sector-specific emissions intensity; and/or
- Portfolio-wide emissions intensity

In March 2024, the NZBA updated its guidance to require NZBA members to review all of their targets to include capital markets arranging and underwriting activities in their emissions reduction pathways by 1 November 2025. This year we have calculated our facilitated emissions which are reported separately to the financed emissions and sector level progress and are not included in our targets. We will review our existing – and any new pathways and targets to incorporate relevant facilitated emissions by November 2025.

We measure and report our financed and facilitated emissions using these metrics as set out in Table A, on the following page, and for some sectors, we have disclosed complementary metrics, that we consider useful to inform decision making. See the Complementary metrics section on page 104 for further details.

1. NZBA – ***Guidelines for Climate Target Setting for Banks Version 2 (April 2024)***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

TABLE A: Reported Metrics

Sector		Absolute financed emissions	Financed Sector-specific emissions intensity	Financed Portfolio-wide emissions intensity	Facilitated Emissions	Complementary metrics
Energy	1. Power generation	$MtCO_2$-e	Emissions intensity of power generation: $kgCO_2$-e/MWh	kilograms of CO_2-e / dollar exposure (EAD)	Absolute: $MtCO_2$-e Intensity: $kgCO_2$-e/MWh	Generation-weighted exposure (% of portfolio dedicated to different generation types) Corporate and Project lending breakdown
	2. Oil and gas	$MtCO_2$-e	Emissions intensity of oil and gas production: $kgCO_2$-e/GJ produced and available for sale[1]	kilograms of CO_2-e / dollar exposure (EAD)	$MtCO_2$-e	Corporate and Project lending breakdown
	3. Thermal coal	$MtCO_2$-e	Emissions intensity of thermal coal production: $kgCO_2$e/t produced and available for sale[1]	kilograms of CO_2-e / dollar exposure (EAD)	No in-scope facilitated emissions[8]	2023 Total thermal coal financed emissions by customer ($MtCO_2$-e)
Transport	4a Auto manufacturing	$MtCO_2$-e	Emissions intensity of newly manufactured cars: gCO_2-e/vkm	kilograms of CO_2-e / dollar exposure (EAD)	No in-scope facilitated emissions	Powertrain mix indicator (% of vehicles produced)
	4b. Shipping	$MtCO_2$-e	N/A[2]	kilograms of CO_2-e / dollar exposure (EAD)	No in-scope facilitated emissions	
Manufacturing	5. Aluminium	$MtCO_2$-e	Emissions intensity of aluminium production: tCO_2-e/aluminium	kilograms of CO_2-e / dollar exposure (EAD)	No in scope financed emissions	
	6. Cement	$MtCO_2$-e	Emissions intensity of cement production: tCO_2-e/t cement[3]	kilograms of CO_2-e / dollar exposure (EAD)	$MtCO_2$-e	
	7. Steel	$MtCO_2$-e	Emissions intensity of steel production: tCO_2-e/t steel	kilograms of CO_2-e / dollar exposure (EAD)	No in-scope facilitated emissions	
Buildings	8a. Australian large-scale commercial real estate	N/A[5]	Emissions intensity per square metre of net lettable area: $kgCO_2$-e/NLA[4]	N/A[5]	N/A[5]	
	8b. Australian residential home loans	$MtCO_2$-e	Emissions intensity per dwelling: tCO_2-e/dwelling	kilograms of CO_2-e / dollar total loans outstanding	N/A	
Other	9. Agribusiness data coverage cohort		N/A[6]			Data coverage target (% of cohort disclosing scope 1 and 2 emissions at a standard equivalent to the 'Australian National Greenhouse Account Factors)
	Total lending portfolio	$MtCO_2$-e	N/A[7]	tonnes of CO_2-e / million dollar lent	N/A	

1. Where the company does not disclose data on energy produced that is available for sale, we use energy produced instead. **2.** In the case of shipping, we have selected an absolute emissions target in the absence of a widely available and transparent emissions intensity measure. **3.** In line with the SBTi – ***Cement Guidance (2022)*** we refer to our intensity target in tCO_2-e/t cement per tonne of 'cementitious product' rather than per tonne of 'cement'. **4.** We calculate intensity using the combined net lettable area (NLA) of all office buildings and shopping centres that are owned or operated by our customers. Where NLA data is not available in the Commercial Building Disclosure Program, we back-calculate it based on NABERS Energy Rating information, by dividing total energy use of the building by the published energy use per m^2 of NLA. **5.** The current metric excludes lending attribution, precluding calculation of ANZ's total absolute emissions for this sector. **6.** For the agribusiness data coverage cohort we do not report absolute emissions or sector-specific emissions intensity due to ongoing challenges with the quality and availability of data. We are working to encourage the measurement and reporting of scope 1 and 2 emissions through our data coverage target. **7.** Total lending portfolio includes multiple sectors in the Australian economy and only economic emissions intensity data is available. **8.** Facilitated emissions reported for thermal coal were associated with diversified mining companies that produce thermal coal, not our thermal coal pathway customers.

Sectoral financed emissions pathways and targets key design choices

TABLE B: Key design choices

		Targets				Target metric					
								In-scope emissions			
Sector		Target reduction[1]	Baseline year (Year ending September unless otherwise stated)	Baseline year performance	Target in 2030 (Year ending June 2030)			Scope 1	Scope 2	Scope 3	Target benchmarking scenario
Energy	1. Power generation	50%	2020	225	113	Intensity	$kgCO_2$-e/MWh	● electricity generation activities only[2]			IEA NZE 2050 (2021)
	2. Oil and gas	26%	2020	12.7	9.4	Absolute	$MtCO_2$-e	●	●	● Category 11, use of sold product	IEA NZE 2050 (2021)
	3. Thermal coal	100%	2020	9.10	0	Absolute	$MtCO_2$-e	●	●	● Category 11, use of sold product	IEA NZE 2050 (2021)
Transport	4a Auto manufacturing	28%	2022	124[3]	90[3]	Intensity	gCO_2-e/vkm			● Category 11, use of sold products (TTW)[4]	IEA NZE 2050 (2021)
	4b. Shipping	10%	2022	0.29[5]	0.27[5]	Absolute	$MtCO_2$-e	●[5]			IEA NZE 2050 (2021)
Manufacturing	5. Aluminium	30%	2021	8.30	5.79	Intensity	tCO_2-e/t Aluminium	●	●		International Aluminium Institute (IAI) 1.5ºC scenario
	6. Cement	20%	2021	0.67[6]	0.54[6]	Intensity	tCO_2-e/t cement[7]	●	●		IEA NZE 2050 (2021)
	7. Steel	28%	2021	2.03[8]	1.46[8]	Intensity	tCO_2-e/t steel[9]	●	●		IEA NZE 2050 (2021)
Buildings	8a. Australian large-scale commercial real estate	60%	2019	Shopping centres: 89.75 Office buildings: 80.21	Shopping centres: 35.90 Office buildings: 32.09	Intensity	$kgCO_2$-e/NLA	●	●	● Category 3, fuel and energy related	IEA B2DS (2017)[10]

1. See sectoral pathways (pages 57 to 79) for further information. **2.** Unless reported differently by our customers, assets that were based on nuclear, bioenergy, hydro and renewables technologies were all assumed to have an emissions intensity of zero. **3.** We have recalculated our auto manufacturing 2022 baseline to use more accurate emissions intensity data and reflect changes in our allocation of EAD between entities. This has result in a restatement of the 2030 Target we reported in 2023 of 99 gCO_2-e/vkm and the 2022 Baseline we reported in 2023 of 137 gCO_2-e/vkm. **4.** Tank-to-wheel (TTW) was referred to as 'tail pipe emissions' in previous disclosures. These terms are synonymous and refer to emissions from the combustion of the fuel during vehicle use. The emissions included in our auto manufacturing sector target are the estimated scope 3 TTW emissions associated with the lifetime use of new vehicle sales, using the assumption that a car will travel 200,000 kms during its lifetime. **5.** We have updated our shipping methodology to exclude scope 3 category 3 emissions associated with fuel production and distribution, only include the scope 1 emissions associated with our customers shipping operations. This has resulted in a restatement to our 2022 Baseline we reported in 2023 of 0.48 $MtCO_2$-e, and a restatement to our Target in 2030 reported in 2023 of 0.43 $MtCO_2$-e. For further details refer to pages 69-70. **6.** We have recalculated our cement 2021 baseline to reflect changes brought about by more precise attribution of our finance to the activities of one customer in our portfolio. This has resulted in a restatement of the cement 2021 Baseline we reported in 2023 of 0.61 tCO_2-e/t cement and the 2030 Target we reported in 2023 of 0.49 tCO_2-e/t cement. **7.** In line with the SBTi – ***Cement Guidance (2022)*** when we refer to our intensity target in tCO_2-e/t cement per tonne of 'cementitious product' rather than per tonne of 'cement'. **8.** We have recalculated our 2021 baseline to reflect changes brought about by more precise attribution of our finance to the activities of three customers in our portfolio. This has resulted in a restatement of the steel 2021 Baseline we reported in 2023 of 1.90 tCO_2-e/t steel and the 2030 Target we reported in 2023 of 1.36 tCO_2-e/t steel. **9.** Given the availability of crude steel production data within customers' public disclosures, our emissions intensity metric is based on emissions per tonne of crude steel produced. This differs from the released SBTi – ***Steel Science-Based Target-Setting Guidance (2023)***, which specifies 'hot-rolled steel' as the denominator. **10.** The International Energy Agency (IEA) Beyond 2°C scenario (B2DS) presented in the IEA – ***Energy Technology Perspectives report (2017)*** puts service buildings on a pathway to achieve net zero emissions by 2050, with most of these savings to be achieved before 2030. The 2050 convergence to net zero emissions for service buildings closely reflects the IEA – ***Net Zero Emissions by 2050 (2021)***. For further details refer to pages 49-50 within this report.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Other targets and metrics key design choices

TABLE C: Key design choices

Sector		Data coverage target	Baseline year (Year ending September unless otherwise stated)	Baseline year performance	Target in 2027 (Year ending September 2027)	Unit	In-scope Emissions
Other	9. Agribusiness Data Coverage Cohort	Seek the public disclosure of scope 1 and 2 emissions at a standard equivalent to the 'Australian National Greenhouse Account Factors'[1]	2023	59%	100%	%	1 & 2

Sector		Reason for not setting a target	In-scope Emissions
Buildings	8b. Australian residential home loans	ANZ has not yet committed to a target for the Australian residential home loan portfolio as we first want to improve our ability to directly support customers in reducing their emissions. We intend to explore and test the best way to do this in 2025, with a focus on exploring customer education programs or partnerships opportunities.	1 & 2 (associated with home energy use)
Other	Total lending portfolio	Total lending portfolio is a macro-analytical metric using a top-down calculation methodology to improve our understanding of the size of our financed emissions in Australia, therefore we have not set a target.	1

1. Using relevant methods and factors outlined in DCCEEW – ***Australian National Greenhouse Accounts Factors (2024)***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Sectoral financed emissions pathways and targets, other targets and metrics detailed design choices

TABLE D: Boundaries and attribution

Sector		In-scope customers[1]	Out of scope key exclusions	In-scope EAD threshold[2]	In-scope financing activities	Attribution approach
Energy	1. Power generation	Institutional and Commercial customers that ANZ has allocated to: • industry code 3611 (Electricity generation)	• Captive power generation facilities that are not connected to an electricity grid • Electricity that our power generation customers may purchase from third-party generators either as part of a power purchase agreement or on the spot market • Customer exposures where the use of proceeds is not linked to a generation asset(s)	>$1m	Exposure at default, subject to the in-scope EAD Threshold and relevant Key Exclusions	3
	2. Oil and gas	Institutional customers that: • ANZ has allocated to industry code 1200 (Oil & gas extraction) • that are integrated oil and gas producers captured in other industry codes and that are involved in oil and gas extraction.	• Any customer that does not have ownership of upstream producing assets or LNG production including, dedicated refinery operators, fuel wholesale & distribution companies (including pipelines), fuel retailers and petrochemical producers • Customer exposures where the use of proceeds is not linked to oil and gas extraction or other activities along the value chain before final consumption	>$10m	Exposure at default, subject to the in-scope EAD Threshold and relevant Key Exclusions	4
	3. Thermal coal	Institutional customers that ANZ has allocated to: • industry code 1102 (Brown coal mining). ANZ considers the end-use of coal when assigning a customer to an industry code. If a customer's predominant activity is producing thermal coal, they are assigned to industry code 1102. This includes black coal customers, when it is apparent to ANZ that the black coal is mined for power generation.	• Rehabilitation bonds and transaction banking[5] • Emissions from metallurgical coal production • Metallurgical coal miners that produce thermal coal (i.e. customers that are not classified by ANZ as industry code 1102) • Diversified miners that produce thermal coal	>$1m	Exposure at default, subject to the in-scope EAD Threshold and relevant Key Exclusions	4

3 Portfolio-weighted approach

4 ANZ financing to customers as a proportion of customer value

1. ANZ practice is to assign an industry code based on the predominant activity by revenue of the customer. For more information on the use industry codes, refer to the section on industry codes within this Financed and Facilitated Emissions Methodology. **2.** It is estimated that cumulative customer exposure at default (EAD) below this threshold represents an immaterial part of our overall financing activities in the respective sector meaning we consider that the threshold does not materially affect the financed emissions included in-scope. However, where ANZ's exposure to a customer falls below this threshold, and data is easily accessible we have included that customer's in-scope emissions within the metric. **3.** Based on the ratio of ANZ's financing to individual customers relative to ANZ's total financing to the in-scope customers. **4.** Customer values are based on the following definitions: Private company: Book value of debt and equity. Public company: Enterprise value including cash (EVIC). **5.** The purpose of a rehabilitation bond is related to environmental remediation. As at 30 June 2024, rehabilitation bonds were $108.9m, which equates to 57.7% of our exposures to thermal coal miners under industry code 1102. We have also excluded transaction banking related exposures (0.5% of the total exposure under industry code 1102).

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

TABLE D: Boundaries and attribution

Sector		In-scope customers[1]	Out of scope key exclusions	In-scope EAD threshold[2]	In-scope financing activities	Attribution approach
Transport	4a. Auto manufacturing	Institutional customers that ANZ has allocated to: • industry code 2811 (Motor vehicle manufacturing) and that undertake light duty vehicle manufacturing (passenger cars).	• Vehicles other than passenger cars, such as trucks, buses and motorbikes • Customers that manufacture road vehicle parts • Customers' emissions from battery manufacturing for electric vehicles • Leasing and financing activities unrelated to new vehicle manufacturing	>$10m	Exposure at default, subject to the in-scope EAD Threshold and relevant Key Exclusions	3
	4b. Shipping	Institutional customers that ANZ has allocated to: • industry code 6301 (International sea transport) • industry code 6302(Coastal water transport) • industry code 6303 (Inland water transport)	• Customers that are allocated to other industry codes, notwithstanding that they have ownership or operating interests in domestic and/or international ocean-going vessels.	>$10m	Exposure at default, subject to the in-scope EAD Threshold and relevant Key Exclusions	4
Manufacturing	5. Aluminium	Institutional customers undertaking both primary and secondary production processes[5] that: • ANZ has allocated to industry code 2721 (Alumina production) • ANZ has allocated to industry code 2722 (Aluminium smelting) • other customers that have alumina production and aluminium smelting activities, but only in respect of those activities[6].	• Exposure to customers involved in the trade of raw inputs such as bauxite are not included • Scope 3 emissions, including scope 3 emissions from the purchase of semi-finished products such as alumina • Emissions from the upstream mining of raw materials such as bauxite	>$1m	Exposure at default, subject to the in-scope EAD Threshold and relevant Key Exclusions	3
	6. Cement	Institutional customers that manufacture cement from raw inputs that: • ANZ has assigned to industry code 2631 (Cement and lime manufacturing) • other customers that engage in cement manufacturing activities, but only in respect of those activities[6].	• Scope 3 emissions, including scope 3 emissions from the purchase of semi-finished products such as clinker • Emissions from the upstream mining of raw materials such as limestone	>$1m	Exposure at default, subject to the in-scope EAD Threshold and relevant Key Exclusions	3
	7. Steel	Institutional customers undertaking both primary and secondary production processes that: • ANZ has assigned to industry code 2711 (Basic iron and steel manufacturing) • other customers that engage in steel manufacturing activities, but only in respect of those activities[5].	• Exposure to customers involved in the trade or mining of raw inputs such as metallurgical coal and iron ore • Scope 3 emissions, including: - emissions from the upstream mining of raw materials such as iron-ore or metallurgical coal - emissions from the purchase of semi-finished products such as crude iron • Stainless steel producers[6]	>$1m	Exposure at default, subject to the in-scope EAD Threshold and relevant Key Exclusions	3

3 Portfolio-weighted approach

4 ANZ financing to customers as a proportion of customer value

1. ANZ practice is to assign an industry code based on the predominant activity by revenue of the customer. For more information on the use industry codes, refer to the section on industry codes within this Financed and Facilitated Emissions Methodology. **2.** It is estimated that cumulative customer exposure at default (EAD) below this threshold represents an immaterial part of our overall financing activities in the respective sector meaning we consider that the threshold does not materially affect the financed emissions included in-scope. However, where ANZ's exposure to a customer falls below this threshold, and data is easily accessible we have included that customer's in-scope emissions within the metric. **3.** Based on the ratio of ANZ's financing to individual customers relative to ANZ's total financing to the in-scope customers. **4.** Customer values are based on the following definitions: Private company: Book value of debt and equity. Public company: Enterprise value including cash (EVIC). **5.** As described in 'Activities in diversified or vertically integrated businesses' section within this Financed and Facilitated Emissions Methodology. **6.** Stainless steel producers are excluded from the metric in line with the boundary (known as the core systems boundary) specified in the SBTi – ***Steel Science-Based Target Setting Guidance (2023).***

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

TABLE D: Boundaries and attribution

Sector		In-scope customers[1]	Out of scope key exclusions	In-scope EAD threshold[2]	In-scope financing activities	Attribution approach
Buildings	8a. Australian large-scale commercial real estate	• Office buildings and shopping centres fully or partially owned by large Real Estate Investment Trusts (REIT) or property fund customers in our Australian Institutional loan book[3]		No thresholds applied[4]	Current metric is not tied to our lending	⊖ [4]
	8b. Residential home loans (Australia)	• ANZ residential home loan customers' properties, including individual homes and multi-family housing with a small number of units	• Vacant land securities or construction and renovation loans • Properties used solely as security to guarantee other residential or business loans • Home equity loans and home equity lines of credit where use of proceeds is unknown • Excludes the electricity generated and consumed from solar PV installations which we have assumed to have zero emissions	No thresholds applied	On-balance sheet loans	[5]
Other	9. Agribusiness data coverage cohort (Australia)	• Cohort is made up of a selection of large Institutional agribusiness customers as at October 2023. Each of these customers was selected on the basis that, at that time, they had significant operations or headquarters in Australia.	• ANZ does not intend to add new customers to the cohort to replace customers that are no longer in the cohort (for example, because they no longer have the required nexus with Australia or are no longer an ANZ customer) but may do so if it considers it appropriate in the circumstances. This means that there may be a decrease in the number of customers over time. Changes to the customer cohort will be disclosed in end of year reporting.	No thresholds applied	Exposure at default	⊖
Other	Total lending portfolio (Australia)[6]	• All economic sectors are included in this metric.	• Residential transport emissions were considered out of scope for the metric because ANZ did not offer retail car loan products at the time the original analysis was conducted.	No thresholds applied	Outstanding lending, reflecting the drawn amount of committed loans	

⊖ No financing attribution approach applied

Calculated for each individual home loan property and based on a loan-to-value approach

ANZ's outstanding lending to each economic sector as a proportion of the sector's total assets

1. ANZ practice is to assign an industry code based on the predominant activity by revenue of the customer. For more information on the use industry codes, refer to the section on industry codes within this Financed and Facilitated Emissions Methodology. **2.** It is estimated that cumulative customer exposure at default (EAD) below this threshold represents an immaterial part of our overall financing activities in the respective sector meaning we consider that the threshold does not materially affect the financed emissions included in-scope. However, where ANZ's exposure to a customer falls below this threshold, and data is easily accessible we have included that customer's in-scope emissions within the metric. **3.** When available, 'whole building' emissions data is used however our reported metric is mostly a reflection of the emissions arising from base building energy consumption. It is difficult to account for whole building energy load in our commercial building metric as tenants have operational control of their leased space and are responsible for the payment of their own electricity, that is usually metered separately from the rest of the building. Our reported metric is therefore mostly a reflection of the emissions arising from base building energy consumption, with a small amount based on whole building emissions. **4.** This pathway was set prior to joining the Net-Zero Banking Alliance and we intend to review our pathway to align more closely with its guidance such as applying a financial attribution approach. **5.** Where the outstanding amount of loans at the end of May each year is divided by the property value at loan origination (or latest financing event). **6.** Total lending portfolio is a macro-analytical metric using a top-down calculation methodology to improve our understanding of the size of our financed emissions in Australia, therefore we do not set any target.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Absolute financed emissions

ANZ determines what portion of our pathway customers' in-scope emissions are attributable to our financing activities (where applicable, see Table A), by multiplying each of our pathway customers' in-scope emissions by an attribution factor using the formula below:

Absolute financed emissions attributable to ANZ = Total in-scope emissions from in-scope customers × Attribution Factor

Attribution to ANZ financing activities

The attribution factor is calculated by dividing ANZ's in-scope financing to an in-scope customer by that customer's value using the formula below:

$$\text{Attribution Factor} = \frac{\text{ANZ in-scope financing to a customer (EAD)}}{\text{Customer enterprise value + cash (public companies) or Customer book value of debt and equity (private companies)}}$$

For publicly traded companies, customer value is enterprise value including cash (EVIC[1]). For privately held companies, customer value is the book value of debt plus equity. This approach reflects the relative weight of our financing within a customer's capital structure. ANZ has taken a conservative approach to the numerator in the attribution factor and has included the total sum of committed loans we have issued to in-scope customers (drawn plus a proportion of off-balance sheet exposures as based on APRA's EAD calculation formula). This departs from the PCAF recommended approach, which recommends that financial institutions use the outstanding amount of loans and investments as the basis for calculating the attribution factor (and no undrawn amounts). ANZ's approach means that we have attributed a higher proportion of our in-scope customers' emissions to our financing activity. We consider this provides a more accurate representation of our financing of the in-scope customers and the transition risks to which we are potentially exposed through this financing. We also consider that including the financing activities specified for each pathway in Table D provides a better insight on how we are supporting our customers to reduce their emissions intensity.

For residential home loans, the calculation of the attribution factor varies depending on whether the property is linked to single or multiple loan accounts. In any case where the outstanding loan amount is greater than the property value, we assign an attribution factor of 1. This reflects the loan-to-value approach outlined in the PCAF standard, where the attribution factor is equal to the ratio of the outstanding loan amount at the time of greenhouse gas accounting (May 31 each year) to the property value at loan origination (or latest refinancing event), as shown in the formula below:

$$\text{Attribution Factor} = \frac{\text{Outstanding loan amount}}{\text{Property value at origination (or lastest refinancing event)}}$$

Aggregation

To calculate the absolute financed emissions for each sector's or sub-sector's in-scope customers, we aggregate the financed emissions of our individual in-scope customers using the following formula:

$$\text{Sector Absolute Financed Emissions} = \sum \left[\text{(Customer Absolute Financed Emissions X Attribution Factor)} \right]$$

ANZ remains open to adjusting our approach to calculating financed emissions as the quality and availability of data improves and standards evolve.

1. EVIC is the calculated sum of a customer's latest fiscal year-end Enterprise Value, and Cash and Marketable Securities, sourced from Bloomberg. If they are reported in foreign currency, they are translated into the relevant functional currency at the exchange rate prevailing at 30 June 2024.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Absolute facilitated emissions

ANZ has calculated the portion of in-scope emissions that are attributable to our facilitation activities (where we have a role in facilitating new issuances of capital markets instruments and syndicated loans). In 2024, this covered capital raising deals where we had a lead book runner role in the primary issuance of new bonds and where we had a book runner role for syndicated loans. We calculate these facilitated emissions by multiplying each of our customers' in-scope emissions by separate attribution and weighting factors using the formula below:

Absolute facilitated emissions attributable to ANZ = Total in-scope customer emissions × Attribution Factor × Weighting Factor (33%)[1]

The attribution factor is calculated by dividing the amount we have facilitated for our customers by our customers' value using the formula below:

$$\text{Attribution Factor} = \frac{\text{Facilitated amount}}{\text{Customer enterprise value incl. cash (public companies) or Customer book value of debt and equity (private companies)}}$$

In cases where ANZ is a lead manager for the public issuance of new bonds, the facilitated amount is calculated by multiplying the proportion of the issuance assigned to ANZ by the total amount of debt or equity raised using the formula below:

Facilitated amount = Total amount raised × ANZ League Table Credit (%)[2]

For syndicated loan deals, ANZ will in most cases hold some of the debt that is issued. To ensure that ANZ avoids double counting these exposures as a source of both financed and facilitated emissions, ANZ records the facilitated amount as the league table credit (for ANZ's role as lead bookrunner) less the limit held by ANZ for the facility which is calculated using the formula below:

Facilitated amount = ANZ League Table credit[2] − ANZ Held Limit

Any ANZ holds are based on gross volumes, not net of credit insurance or other hedging. In cases where a transaction traverses two separate reporting years, the "Financial Close Date" is used as the basis for allocating a transaction to a reporting year (ending June 30). Where ANZ holds any underwritten debt that is expected to be sold down, any "hold" that is on our balance sheet at 30 June each year (in EAD) is recorded as a source of financed emissions.

We calculate the absolute facilitated emissions for each sector by aggregating the facilitated emissions of our individual in-scope customers. This is calculated using the formula below:

$$\text{Sector Absolute Facilitated Emissions} = \sum \left[\text{Customer Absolute Emissions} \times \text{Attribution Factor} \times \text{Weighting Factor (33\%)}^{1} \right]$$

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

1. The application of this weighting factor aligns with guidelines issued by the Partnership for Carbon Accounting Financials (PCAF) – Part B Facilitated Emissions Standard, which acknowledges that a unit of facilitated emissions is not equal to a unit of financed emissions given that ANZ does not directly lend to the company producing emissions in the real economy, combined with the short-term role we have in facilitating new capital issuances. **2.** A League Table tracks proportion of the issuance that is allotted to ANZ and other facilitators, in an individual transaction. ANZ relies on Bloomberg to source our league table credit volumes and the total amount raised.

Physical emissions intensity

ANZ uses a portfolio-weighted, emissions intensity metric (i.e. carbon emissions per unit of product or activity) to measure the extent to which our financing is supporting the transition of key carbon intensive sectors. The portfolio-weighted emissions intensity for each customer and/or project is calculated using the following formula:

Weighted Emissions Intensity = **In-scope customer or project emissions intensity** × **Portfolio Weight**

The emissions intensity of our customers' production or activity is calculated by dividing their in-scope emissions, by their in-scope production or activity over the corresponding 12-month period, using the general formula below (sector specific formulas are detailed in table E).

In-scope Customer or Project Emissions Intensity = $\frac{\text{In-scope emissions}}{\text{Annual in-scope production or activity}}$

The portfolio weight for each customer is a measure of ANZ's financing to a in-scope customer, relative to our total financing to all in-scope customers and/or projects. It is calculated using the formula below:

Portfolio weight = $\frac{\text{In-scope Financing Activities per customer (EAD)}}{\text{Total ANZ financing to all in-scope customers in Target Cohort (EAD)}}$

To calculate the emissions intensity of our in-scope customers, we aggregate customer performance indicators using the following formula:

Weighted Portfolio Emissions Intensity = $\sum$ [**Customer/Project Emissions Intensity** × **Portfolio Weight**]

Table E: In-scope Customer or Project Emissions Intensity[1]

1. Power generation	=	Scope 1 emissions from customer generation fleet or project(s) ($kgCO_2$-e)/Gross electricity generation from customer generation fleet or project(s) (MWh)
2. Oil and gas	=	Scope 1, 2 and 3 use of sold product emissions from customers' activities across the oil and gas value chain ($kgCO_2$-e)/Combined energy content of sold oil and gas products (GJ)
3. Thermal coal	=	Scope 1, 2 and 3 use of sold product emissions ($kgCO_2$-e) / Annual production of thermal coal (t)
4a. Auto manufacturing	=	Lifetime scope 3 emissions (TTW) from newly manufactured vehicles (gCO_2-e)/Lifetime vehicle kilometres (vkm)[2]
4b. Shipping		N/A[3]
5. Aluminium	=	Scope 1 and 2 emissions from production activities (tCO_2-e)/ Annual production of aluminium[4] (t)
6. Cement	=	Gross[5] scope 1 and 2 emissions from production activities (tCO_2-e)/Annual production of cement[6] (t)
7. Steel	=	Scope 1 and 2 emissions from production activities (tCO_2-e)/ Annual production of steel (t)
8a. Australian large-scale commercial real estate	=	Scope 1, 2 and 3 ($kgCO_2$-e) / net lettable area (m^2)
8b. Australian residential home loans	=	Scope 1 and 2 emissions associated with home energy use (tCO_2-e)/dwelling

1. See table B, C and D for information on in scope customers and emissions. **2.** An assumption of 200,000 kms is used for the average lifetime km's of a car as is frequently used in customer reports. **3.** We have chosen an absolute emissions reduction target due to the absence of a widely available and transparent emissions intensity measure. We will continue to review the opportunity to use an intensity metric as the availability of data increases. **4.** In line with common aluminium industry practice, the total emissions intensity represents the combination of refining and smelting operations indexed to metric tons of primary aluminium production. This is applied at a ratio of ~2.0 metric tons of alumina to 1.0 metric tons of smelted aluminium. **5.** In line with the SBTi – ***Cement Guidance (2022)*** and the WBCSD – ***The Cement CO_2 and Energy Protocol (2011)***, our disclosures are expressed in terms of 'gross' emissions, i.e., emissions from combustion of waste derived fuels are included in the emissions total and are not considered as a biogenic source. **6.** In line with the SBTi – ***Cement Guidance (2022)*** when we refer to our intensity target in tCO_2-e/t cement per tonne of 'cementitious product' rather than per tonne of 'cement'.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Portfolio-wide emissions intensity

This is calculated by dividing the absolute financed emissions in-scope of our pathway (as shown in table B) by the total financing to in-scope customers in that pathway (table D).

$$\text{Portfolio-wide emissions intensity} = \frac{\text{Absolute financed emissions attributable to ANZ for in-scope customers}}{\text{Total ANZ financing to in-scope customers (as defined in table A)}}$$

Methodology for net-zero aligned pathways

In-scope customers

ANZ aims to ensure in-scope customers are representative of our exposure to each sector, having regard to the objective of setting net-zero aligned pathways. However, the approach is manual in nature and constrained by certain limitations explained further in this section. To understand our exposure to each sector for financed and facilitated emissions calculations we consider amongst other things, the industry code classification that ANZ has applied, and the diversified or vertically integrated nature of some customers' businesses. Inclusion in in-scope customers is considered at the level in which ANZ provides finance i.e. finance to an entity or subsidiary of a corporate group is considered from the perspective of the activities of the entity or subsidiary itself and not the activities of the corporate group.

Industry codes

ANZ applies an internal classification system to allocate customers to industry sectors. The industry codes are allocated in ANZ's system by customer-facing employees or customer on-boarding back-office functions. The allocation is intended to reflect the primary business activity of the customer in terms of revenue. The classification system is informed by the 1993 Australia and New Zealand Standard Industrial Classification (ANZSIC) codes, adapted where appropriate. As an example, for the purpose of our emissions reductions target, ANZ considers the end-use of coal and may allocate black coal customers to its classification for brown coal (which is typically thermal coal) if the black coal mined is used for power generation. Where a customer operates in more than one industry, ANZ uses the industry code of the industry that generates most of the revenue. Where the customer is a parent company of subsidiaries operating in more than one industry, ANZ uses the industry code of the industry that generates most of their revenue. Due to the manual nature of code application there is a possibility of error in assigning industry codes at the time of customer onboarding or due to changes in customer activities over time. Each customer allocated to the relevant industry codes is considered for the purpose of determining whether the customer is in-scope of the relevant sectoral pathway. In some instances, we identify customers that are excluded from the relevant financed emissions sectoral pathway, for example, because the industry code does not accurately reflect the customer's operations or if they otherwise do not meet the pathway criteria.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Activities in diversified or vertically integrated businesses

By nature of their business model, diversified or vertically integrated businesses undertaking aluminium, cement and steel manufacturing may operate across a number of sectors or sub-sectors. Reliance solely on industry codes could cause exposures to be excluded from or double counted in other sectoral pathways. In aiming to accurately represent our exposure to these sectors, we seek to identify diversified or vertically integrated customers that may not have been captured if identification of the in-scope customers relied solely on industry codes. We do this by:

- Identifying diversified or vertically integrated customers undertaking aluminium, cement or steel manufacturing
- Based on information available, assessing the percentage of their revenue that is derived from the activities in-scope of our pathway
- Where the percentage is assessed as material, we apportion the general corporate exposure EAD for the customer to these activities using the same percentage.

Absolute or intensity targets

Table F: Absolute or intensity targets

	Sectoral pathway	Rationale for selection
Absolute	Oil and Gas, Thermal Coal, Shipping	We recognise that there are limited opportunities in Australia to fully reduce the carbon intensity of fossil fuels. In addition, 1.5°C aligned scenarios – such as those published by the IEA – show the need for an absolute reduction in the production and use of fossil fuels. In the absence of a widely available and transparent emission intensity measure for shipping we use an absolute target.
Intensity	Power Generation, Auto-manufacturing, Aluminium, Cement, Steel, and Australian large-scale commercial real estate	Demand for the outputs of these sectors will remain steady or increase under 1.5°C aligned scenarios. Our role is to support continued production of these key products by our customers as they move towards lowering their emissions intensity. By focusing on each customer's emissions intensity – irrespective of the size of their fleet or volume of production – it allows comparability between our customers.

Climate Scenario selection:

With the exception of our target for Australian large-scale commercial real estate, we chose to benchmark our targets and pathways with regard to the Net-Zero Banking Alliance's guidance that banks should use scenarios produced by credible and well-recognised sources that align with no/low overshoot 1.5°C transition pathways. Future reviews of our sectoral pathway targets will consider updated scenarios and assess their level of ambition in comparison to our existing benchmarking scenarios. In some instances, our sectoral pathway criteria may deviate from the climate scenario (as contemplated by the NZBA Guidelines). We have identified where this is the case and explained the reason for this deviation.

Table G: Climate scenario selection

	Sectors	Rationale for selection
IEA's NZE 2050 Scenario (2021)	Power Generation, Oil and Gas, Thermal Coal, Auto manufacturing, Shipping, Cement and Steel	Is a credible and well-recognised source that aligns with no/low overshoot 1.5°C
International Aluminium Institute's 1.5°C scenario	Aluminium	Is a credible and well-recognised source that aligns with no/low overshoot 1.5°C. There was no IEA NZE 2050 scenario as at the time the target was set.
IEA's Beyond 2°C (B2D) scenario (2017)	Australian large-scale commercial real estate	This scenario doesn't align with the Net-Zero Banking Alliance's guidance to use a 1.5°C pathway. This scenario was chosen based on guidance from the SBTi at the time the target was first reported in 2020. The 2050 convergence to net-zero emissions for service buildings closely reflects the Net Zero Emissions by 2050 scenario published by the IEA in May 2021.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Baseline Year selection:

The choice of baseline year is primarily driven by data availability and is intended to exclude atypical years which reflect exceptional economic circumstances.

Table H: Baseline Year selection

Baseline year	Sector	Rationale for selection
2019	Australian large-scale commercial real estate	Selected as the most recent year prior to the first reported year (2020).
2020	Power Generation, Oil and Gas, Thermal Coal	We sought to align the baseline across our energy sector pathways. As it predominantly relies on company emissions and production data from the 2019 calendar year, the baseline also provides more representative data than 2020, during which global energy markets were significantly distorted because of COVID-19.
2021	Steel, Cement, Aluminium	The decision to use 2021 as the baseline for our manufacturing 2030 targets was guided by data availability.
2022	Auto manufacturing, Shipping	Selected as the most recent year prior to the first reported year (2023).

ANZ position on use of Carbon Offsets within financed emissions targets:

Our Financed and Facilitated Emissions Methodology does not currently consider the use of any offsets our customers use to reduce their emissions even though we recognise that many customers are proposing to use offsets to achieve their own emission reduction targets. Given the 'hard-to-abate' nature of some emissions sources within some of these sectors, there may be residual and unavoidable emissions in 2050, if technology to eliminate those emissions does not exist, is in early stages of development or remains financially unviable. We will look to further develop our position on customers' use of offsets in the coming years, however we apply a general principle that emissions should first be avoided, with offsetting used only to compensate for residual and unavoidable emissions. We note the NZBA provides qualified support for the use of carbon credits where there are limited technologically or financially viable alternatives to eliminate emissions and the offsets are additional and certified.

Data Quality Considerations:

ANZ is guided by the Global GHG Accounting and Reporting Standard for the Financial Industry – Part A ('PCAF Reporting Standard') published by the Partnership for Carbon Accounting Financials (PCAF) in considering how to identify the best available data for calculating our financed emissions[1]. We have provided the data quality scores for absolute emissions of relevant sectors. The data quality score was calculated in accordance with guidance in the PCAF Reporting Standard.

Equity and operational emissions and production data: We prioritised the use of company reported emissions and production data based on the equity accounting approach. If equity-based data was not reported, we used company reported emissions and production data based on the operational control consolidation approach.

External data sources: Corporate reporting in general is improving year-on-year, with companies moving towards more granular disclosures over time, particularly among publicly listed entities. Where our customers did not report complete emissions data, we relied on estimates provided by specialist third party data vendors as detailed within the 'Key External Data Sources' section below.

Reporting period: Although calculation of our financed and facilitated emissions is based on our exposures at a point in time i.e. 30 June or 31 May (for Australian residential home loans), we have applied a September 30 2024 cut off for reporting by our customers of their 30 June 2024 emission data. In some cases, 2024 data had not yet been released and so 2023 data was relied upon. We consider this the most accurate representation of ANZ's financed emissions in 2024.

Scope 3 emissions for Use of Sold Products (Category 11): In the case of Oil and Gas and Thermal Coal, although many of our customers now report scope 3 emissions from the use of their sold energy products, we found that boundaries are applied inconsistently by customers. Therefore ANZ calculates the downstream scope 3 emissions associated with the use of sold products for all customers on a consistent basis, using their publicly reported net production data (production available for sale where available). We acknowledge that this may present an over-estimation of our customers' emissions where a proportion of their production is used for non-energy purposes.

Data used to calculate Australian residential home loans emissions: In the absence of actual energy consumption data, we used a mix of voluntary and regulatory reports from energy distributors across Australia as well as the reports of state and national energy regulators to calculate the average energy consumption per dwelling.

Before estimating the energy use of our customers' homes, we:

- Identified which electricity distribution zone our customers resided in and whether they lived in a postcode supplied by a distributed gas network[2].
- For properties not supplied by a gas network, we assumed they use LPG to supplement their electricity needs.

1. Refer to p41-42 and the Annex of the PCAF – ***Reporting Standard Part A (2022)***. **2.** We obtained details on which postcodes and localities were supplied by a gas distribution network via publicly available information on energy distributors and retailers' websites.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Key external data sources

Power generation
- Customer disclosures
- Australian Clean Energy Regulator
- International Energy Agency
- Asset Impact[1]

Oil and gas
- Customer disclosures
- Wood Mackenzie
- Rystad Energy
- International Energy Agency
- American Petroleum Institute
- 2006 IPCC Guidelines for National Greenhouse Gas Inventories

Thermal coal
- Customer disclosures
- Wood Mackenzie
- AME
- International Energy Agency
- 2006 IPCC Guidelines for National Greenhouse Gas Inventories
- Australian Clean Energy Regulator

Auto manufacturing
- Customer disclosures
- Transition Pathway Initiative[2]

Shipping
- Customer disclosures

Aluminium
- Customer disclosures
- Wood Mackenzie
- Transition Pathways Initiative[2]
- International Aluminium Institute

Cement
- Customer disclosures
- Asset Impact[1]
- International Energy Agency

Steel
- Customer disclosures
- Asset Impact[1]
- Wood Mackenzie
- International Energy Agency

Australian large-scale commercial real estate
- National Australian Building Energy Rating Scheme (NABERS) energy rating certificates (Emissions Data)[3]
- Australian Government Commercial Building Disclosure Program (NLA of office buildings)

Australian residential home loans
- Gas and electricity distributors
- State and national energy regulators
- Department of Climate Change, Energy, the Environment and Water

Agribusiness data coverage cohort
- Customer disclosures
- Australian Clean Energy Regulator
- National Greenhouse Account Factors

Total Australian lending portfolio
- Australia's National Greenhouse Accounts (ANGA)
- Reserve Bank of Australia (RBA)
- Australian Prudential Regulation Authority (APRA)
- Department of Agriculture, Fisheries and Forestry
- Bloomberg

1. GRESB- ***Asset Impact***. **2.** ***Transition Pathway Initiative (TPI)***. For auto manufacturing, TPI data is used to estimate scope 3 emissions if customer data is missing. This is done by multiplying a customer's TPI calculated tank-to-wheel emissions intensity by their total vehicle sales and then by the average total km's of a car. An assumption of 200,000 kms is used for the average lifetime km's of a car as is frequently used in customer reports. **3.** NABERS - ***Rating Certificates***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Complementary Metrics

This section describes the methodology for the complementary metrics presented in the metrics & targets section of the report.

Power Generation

Graph 1.3: ANZ exposure to electricity generation fuel types and technologies

- For each in-scope power generation customer, ANZ has apportioned our total exposures to that customer across different generation types based on the same proportion of generation last reported by the customer.
- For example, if a customer last reported that 50% of their annual generation came from wind, 25% from solar, 15% from gas and 10% from coal, and ANZ had $10m of exposure to that customer, ANZ would report a generation-weighted exposure to that customer of $5m to wind, $2.5m to solar, $1.5m to gas and $1m to coal. ANZ then aggregates these generation-weighted exposures across all customers to determine our portfolio generation weighted exposure.

Graph 1.4: Breakdown of ANZ's Power Generation Portfolio

- ANZ has reported a breakdown of our exposures (EAD) to in-scope power generation customers across the following five categories:
  1. Project Finance – Renewables
  2. Project Finance – Fossil Fuels
  3. Corporate Finance – <200 $kgCO_2$-e/MWh
  4. Corporate Finance – 200-500 $kgCO_2$-e/MWh
  5. Corporate Finance – >500 $kgCO_2$-e/MWh
- For the latter 3 categories of Corporate Finance, ANZ has assessed each customer based on their reported emissions intensity, which is calculated by dividing their total emissions from generation ($kgCO_2$-e) by their total generation (MWh).

Oil and Gas

Graph 2.3: Breakdown of ANZ's Oil and Gas Portfolio

- ANZ has reported a breakdown of our exposures (EAD) to in-scope oil and gas customers across the following four categories[1]:
  1. Majors – large companies listed on stock markets in the United States and Europe
  2. Independents – smaller fully integrated companies or independent upstream operators. Also includes some diversified international conglomerates with upstream activities
  3. National Oil Companies (NOCs) – companies that have been given legal mandates by their home governments to exploit national oil and gas resources, with most of their assets located in their home country's upstream operations
  4. International National Oil Companies (INOCs) – similar to NOCs in their ownership and governance, but have substantial upstream investments outside their home country.

Thermal Coal

Table 3.1: Total thermal coal financed emissions by customer

- In our 2023 Climate-related financial disclosures report, we included a table which provided a breakdown of estimated financed emissions of three different customer types. The table highlighted that one type of customer was included in our thermal coal target i.e. industry code 1102 (thermal coal mining is the predominant activity). The other two types of customer are not included in our pathway. i.e. metallurgical coal miners and diversified miners, in each case, where more than 5% of revenue comes directly from thermal coal mining.

Auto manufacturing

Graph 4.3: Powertrain mix indicator

- We have set a 2025 target to track the powertrain mix of our in-scope auto manufacturing customers portfolio's new vehicle sales broken down by technology type, namely internal combustion engines, hybrid (including plug in hybrid) and battery electric vehicles (or hydrogen fuel cell) (represented in % of vehicles produced).
- For example, if a customer last reported that 30% of their light duty vehicle sales came from electric vehicles and the remainder from internal combustion engines, and ANZ had $10m of exposure to that customer, ANZ would report a powertrain exposure of $3m, or 30%, for that customers' electric vehicle manufacturing and $7m, or 70%, for internal combustion engine manufacturing.

Agribusiness data coverage cohort:

Data coverage target

- We report the percentage of Agribusiness data coverage cohort customers who are publicly disclosing their scope 1 and 2 emissions to an 'Australian National Greenhouse Account Factors' standard or equivalent.

1. As defined in IEA – ***The Oil and Gas Industry in Net Zero Transitions: World Energy Outlook Special Report (2023)***.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Total Australian Lending Portfolio (TLP):

- We use a top-down approach that is focused on direct emissions (scope 1) from each Australian economic sector so as to avoid double counting of emissions.
- The TLP metric is calculated using an assumption that each dollar lent to customers within the same economic sector – as identified by industry codes – has the same emissions intensity. The TLP metric is therefore shaped by how much we lend to each economic sector in total rather than who we lend to.
- To determine the portion of each economic sector's emissions are attributable to ANZ's outstanding lending, we multiply each sector's direct emissions by an attribution factor as per the formula below:

ANZ absolute financed emissions of sector 'X' = Direct emissions of sector 'X' × Attribution factor of sector 'X'

The attribution factor for each sector is calculated by dividing ANZ's outstanding lending by the total assets of each sector using the formula below:

$$\text{Attribution factor of sector 'X'} = \frac{\text{ANZ outstanding lending to sector 'X'}}{\text{Total assets of sector 'X'}^{1}}$$

We estimate the total assets of each sector by dividing total outstanding lending to each sector by the sector's debt ratio as per the formula below:

$$\text{Total assets of sector 'X'} = \frac{\text{Total outstanding lending to sector 'X'}}{\text{Debt ratio of sector 'X'}}$$

To determine ANZ's financed emissions intensity for each economic sector, we divide ANZ's absolute financed emissions of each sector by ANZ's outstanding lending to the sector as per the formula below:

$$\text{ANZ financed emissions intensity of sector 'X'} = \frac{\text{ANZ absolute financed emissions of sector 'X'}}{\text{ANZ outstanding lending to sector 'X'}}$$

1. Based on Bloomberg data.

Appendix 5. Exposures by industry and sub-industry

This year, we continue to disclose a more detailed industry and sub-industry breakdown of our exposures to the four sectors identified by the TCFD.

	Exposure at default ($b)		
Climate exposed sub-industry	2022	2023	2024
Agriculture	**$42.9**	**$44.1**	**$45.0**
Agriculture	$30.2	$31.5	$32.7
Beverages	$3.5	$4.0	$2.6
Paper and Forest Products	$0.8	$1.0	$1.1
Packaged Foods and Meats	$8.4	$7.6	$8.7
Energy	**$31.7**	**$29.9**	**$27.4**
Coal[1]	$0.7	$0.9	$0.7
Electric Utilities[2]	$14.9	$13.5	$13.6
Oil & Gas[3]	$16.1	$15.5	$13.1
Transportation	**$16.1**	**$15.9**	**$15.0**
Air Freight	$3.0	$3.1	$2.7
Automobiles	$5.4	$4.4	$4.5
Maritime Transportation	$1.6	$1.4	$1.2
Passenger Air	$0.1	$0.3	$0.3
Rail Transportation	$1.7	$1.8	$1.4
Trucking Services	$4.3	$4.9	$4.9
Materials and Buildings	**$104.7**	**$103.9**	**$104.3**
Capital Goods	$21.4	$21.2	$21.0
Chemicals	$2.8	$3.5	$3.3
Construction Materials	$1.3	$1.3	$1.2
Metals and Mining	$8.6	$8.0	$7.4
Real Estate Management and Development	$70.6	$69.9	$71.4
Total	**$195.4**	**$193.8**	**$191.7**

1. Coal mining includes exposures to metallurgical (coking) coal used for steel making $0.56 billion. Rehabilitation bonds will continue to be provided to existing customers with some thermal coal exposure to ensure their responsibilities with exiting mine sites are fulfilled. The purpose of a rehabilitation bond is related to environmental remediation and not financing of the coal mining activity itself. As at 30 June 2024, rehabilitation bonds were $108.9m, which equates to 57.7% of our exposure to thermal coal mining under industry code 1102. **2.** Electric utilities includes exposures to electricity generators that own or operate a mix of thermal and renewable generation assets as well as transmission and distribution infrastructure. **3.** Exposure to oil and gas includes all of the oil and gas value chain such as exploration, extraction, transport, refining and retail. ANZ's Full Year Results Investor Discussion Pack includes exposure to "upstream" exploration and extraction only as the focus is on resources (mining) exposure in line with industry groupings.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Appendix 6. ANZ operational GHG emissions reporting and carbon offset methodology

The purpose of this section is to outline our approach to operational greenhouse gas (GHG) emissions calculations and reporting as well as the associated purchase of carbon offsets. For information about ANZ's financed and facilitated emissions, see Appendix 4 Financed and Facilitated Emissions Methodology.

Scope 3 emissions from our financing and facilitation activities are not included in the boundary of ANZ's purchase of carbon offsets. This is limited to ANZ's operations.

Specifically, this document describes our approach to the:

- Calculation of our global operational GHG emissions including standards, boundaries and inclusions (including regional inclusions)
- Carbon emissions offsetting approach, including calculation, purchase and retirement.

Standards

For Australian operational scope 1 and 2 GHG emissions (location-based)[1]:

National Greenhouse and Energy Reporting (Measurement) Determination 2008, Commonwealth of Australia, Canberra (NGER)

For all remaining operational GHG emissions:

The GHG Protocol

Gases

ANZ's annual operational GHG emissions inventory includes all seven GHGs listed under the Kyoto Protocol:

- Carbon dioxide (CO_2)
- Methane (CH_4)
- Nitrous oxide (N_2O)
- Hydrofluorcarbons (HFCs)
- Perfluorcarbons (PFCs)
- Sulphur Hexafluoride (SF_6)
- Nitrogen Trifluoride (NF_3)

To reflect the different warming potential of these GHGs, ANZ's total operational GHG emissions will be expressed in terms of tonnes of carbon dioxide equivalence (tCO_2-e). This is achieved by multiplying the tonnage of each of the GHG by their global warming potential listed in NGER.

Boundaries

Operational GHG emissions are reported from 1 July to 30 June, in line with the requirements of the *National Greenhouse and Energy Reporting Act 2007 (Cth).*

We have adopted the 'operational control' approach to reporting our operational GHG emissions.

Our operational GHG emissions inventory includes scope 1 and scope 2 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 GHL. An example of this is the emissions arising from 'tool-of-trade' vehicles driven by our employees which is an activity that is ancillary to the activities performed by ANZ at a fixed location eg. a retail branch or corporate office.

We also include in our organisational boundary:

- certain (scope 3) operational emissions specified in the table on page 109 that occur as a consequence of the activities undertaken by ANZ, but arise from facilities outside the operational control of ANZ.

For further information of the scope 1, scope 2 and scope 3 operational emissions that are included in ANZ's organisational boundary, please see Appendix 7: Operational Footprint.

On 31 July 2024, the Group acquired 100% of the shares in SBGH Limited, the immediate holding company of Suncorp Bank. The operational GHG emissions reported does not include Suncorp Bank for the period since ownership. Climate disclosures and data relating to Suncorp Bank will be included in our 2025 reporting.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

1. Emission accounting method that incorporates gross emissions from purchased electricity calculated using the emissions intensity of the national grid.

	Inclusion	AU	NZ	APEA[3]
GHG protocol category	**Scope 1**			
Stationary Combustion	**Natural Gas:** Natural gas is used by ANZ to fuel boilers in certain commercial buildings and for our trigeneration facility located in our Melbourne based head office. It is also used in a small number of sites for cooking in kitchens.	✓	✓	N/A
	Liquid (stationary building energy): ANZ periodically operates back-up diesel generators at key commercial sites to ensure uninterrupted service provision in the event of planned or unforeseen disruptions to power supplies and also in the testing of emergency fire-fighting equipment.	✓	✓	×^
Wastewater Treatment	**Emissions from owned Wastewater treatment plant:** ANZ recycles wastewater for use in toilet flushing and irrigation at our Australian Headquarters, 833 Collins Street, Melbourne only.	✓	N/A	N/A
Mobile Combustion	**Fuels (business transportation):** The GHG emissions that arise from the combustion of liquid fuels in ANZ's business vehicle fleet.	✓	✓	✓
Fugitve Emissions	**Hydrofluorcarbon refrigerants:** Leakage of hydrofluorcarbon refrigerants from commercial chillers.	✓	×^	N/A
	Scope 2			
Purchased energy	**Electricity (Energy Indirect Emissions)[1]:** Electricity is used by ANZ to operate facilities and services including lighting, IT, heating, ventilation and air conditioning (HVAC) equipment and appliances (such as ATMs, kitchen appliances) across its corporate offices, retail branches and business centres, data centres and ATM's.	✓	✓	✓
	Scope 3			
Category 1: Purchased goods and services	**Water:** Emissions resulting from energy consumed to pump water from mains to premises.	✓	✓	✓
	Cloud services: ANZ's use of cloud services have associated GHG emissions that primarily come from the energy consumption of the data centres that power these services.	✓	✓	✓
	Paper use: ANZ's use of paper for business purposes (office based and customer communications).	✓	✓	✓
Category 2: Capital Goods	**Embodied Carbon – Fit-outs:** Only includes the estimated embodied carbon of fit out materials used in new Breathe retail branches in Australia (excluding GHG emissions of the construction phase)[2]	✓	×^	×^
	Embodied Carbon – purchased IT Equipment: Embodied carbon of newly purchased IT equipment.	✓	×^	N/A
Category 3: Fuel and Energy Related Activities	**Energy Extraction, Transmission and Distribution Losses[1]:** Additional emissions associated with ANZ's energy use are released upstream. These arise from the extraction, processing and transporting of liquid fossil fuels and natural gas and the losses of electricity that occur through transmission and distribution from site of generation to the final consumption point.	✓	✓	✓
Category 4: Upstream Transportation and Distribution	**Freight and Postage:** GHG Emissions arising from the postage and courier services used by ANZ.	✓	✓	✓
Category 5: Waste generated in operations	**Waste to landfill:** A proportion of the waste generated by ANZ workplaces is discarded to landfill.	✓	✓	✓
Category 6: Business travel	**Air travel:** Staff travel by air as part of executing their job responsibilities.	✓	✓	✓
	Hotel Accommodation: Staff may stay in hotel accommodation when travelling as part of executing their job responsibilities.	✓	✓	✓
	Taxi travel: Taxi travel is sometimes used by employees for travel between ANZ corporate and client offices or when undertaking travel for business purposes.	✓	✓	×^
	Business travel in private vehicles and novated lease vehicles: At times, ANZ staff are required to travel in private vehicles or novated leased vehicles for a business-related purpose.	✓	✓	×^
	Rental cars: Emissions arising from the combustion of fuels when ANZ staff book hire vehicles for business purposes.[4]	✓	✓	✓*

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

	Inclusion	AU	NZ	APEA[3]
GHG protocol category	**Scope 1**			
Category 7: Employee commuting	**Working from home:** Increased home energy use from heating/cooling, lighting, equipment electricity and fuel use as a result of the partial shift of Australian and New Zealand staff from working out of offices, to working from home.	✓	✓	×^
	Employee Commuting: Travel to and from major commercial office locations in Australia and New Zealand by ANZ employees, visitors, and contractors (excludes travel to and from retail branches).	✓	✓	N/A
Category 8: Upstream Leased Assets	**Base building emissions (tenancy):** Several of ANZ's commercial sites are in buildings where ANZ is a tenant but does not have operational control over the base building infrastructure and services such as lifts, lighting, and centralised HVAC equipment. ANZ has a 'shared' responsibility with other tenants for the GHG emissions that arise from the base-building infrastructure.	✓	×^	×^

N/A. Not applicable. This emissions source does not occur within our organisational boundary for this region

* In India only where buses are used to transport staff from home to work

^ Emissions source is considered immaterial for this region and/or as source data not being readily available

1. Scope 2 emissions have been calculated using both the 'location-based' and 'market-based' method outlined in the *GHG Protocol Scope 2 Guidance*. Under the location-based method, Scope 2 emissions are quantified using average energy generation emission factors that are applicable for defined locations, including local, subnational or national boundaries. Under the market-based method, Scope 2 emissions are based on GHG emissions emitted by the generators from which the reporter contractually purchases electricity bundled with contractual instruments, or contractual instruments on their own. ANZ's Scope 2 emissions and associated energy extraction, transmission and distribution losses, using the 'market-based method are published on **anz.com** and the Annual ESG Supplement. **2.** Emissions have been extrapolated using an assesment of one Breathe branch. The stages of emissions calculated in this assessment are from the Raw Material Supply, Transport and Manufacturing (A1-A3) for one Breathe Design Branch. Construction Phase (A4-A5) has not been calculated due to unreliable data sources. **3.** APEA stands for Asia, Pacific, Europe, Americas. **4.** In 2024, rental cars were reclassified from Scope 1 to Scope 3 because they are considered outside ANZ's operational control.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Exclusions

There are several sources of GHG emissions that have been excluded from our operational GHG Inventory on the basis that they are immaterial, or that their quantification is not currently technically feasible or cost effective. Excluded emission sources include, but are not limited to, the following:

Excluded emission source	Scope
Use of sold products (internet and mobile banking)	3
Business Travel (public transport for business related purposes)	3
Food and Catering	3
Cleaning Services	3
Marketing and Professional Services	3

Restatement approach

From time-to-time ANZ may restate climate-related data to correct for errors in prior reporting periods, such as calculation mistakes, misinterpretations, and errors in applying the methodology that we consider have a material impact on the reported data. To ensure consistency, comparability and accuracy over time, ANZ may also adjust climate related data for any of the following events when it results in a material impact:

- Changes in calculation methodology
- Structural changes (e.g., mergers, acquisitions and divestments)
- Changes in data availability (e.g., replacing estimates with actuals)
- Materiality is assessed based on both qualitative and quantitative factors, including the impact of the change on users of the report and our ability to track and accurately report on performance against our targets.

For the quantitative assessment, a 5% materiality threshold is used as a guide, but is not strictly applied due to the consideration with qualitative factors.

When a restatement results in a change to a baseline we will review the impact this has on the appropriateness of our target.

Carbon emissions offsetting

Our aim is to reduce emissions where possible, however, our residual operational GHG emissions are offset in accordance with the Australian Government's Climate Active Carbon Offset Standard and New Zealand's Toitū net carbonzero certification requirements for purchasing, retiring and allocating eligible offsets.

We procure and retire carbon offsets equivalent to all measured Global scope 1, 2 and operational 3 emissions (market-based method)[1] contained in our operational GHG Inventory. We may forward purchase carbon offsets, based on forecast future GHG emissions. Carbon offsets are retired upon purchase.

There is an annual retrospective reconciliation process of Global scope 1, 2 and 3 (market-based method)[1] GHG emissions to carbon offsets retired and allocated to the reporting year.

Our Offset Project Investment Criteria:

- Conformance with the Australian Government's Climate Active certification guidelines or New Zealand's Toitū net carbonzero certification guidelines, as applicable.
- Offset Projects are to be located in markets in which ANZ operates.
- Projects considered by ANZ to be unsuitable (e.g. from an ethics, feasibility, reputation, community support, additionality and/or permanency perspective) are excluded.

Examples of such projects include, but are not limited to:

- Nuclear and Large Scale Hydro Electricity projects;
- Landfill gas, coal seam gas, coal mine gas or biogas, flaring and/or generation;

1. Emission accounting method that incorporates net emissions from purchased electricity after renewable energy certificates have been taken into account.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Appendix 7. Operational footprint

GHG emissions scope 1 & 2 (tonnes CO_2-e) – Location-Based[1]	2024	2023	2022	2021	2020
Australia	60,638	67,761	79,787	88,808	101,210
New Zealand	3,351	3,602	4,429	5,205	5,526
Asia Pacific, Europe and America	17,990	17,675	17,664	17,395	27,357
Total[2]	**81,978**	**89,038**	**101,879**	**111,409**	**134,093**

Global GHG emissions scope 1, 2 & 3 (tonnes CO_2-e) – Location-Based[1]	2024	2023	2022	2021	2020
Scope 1[3]					
Stationary Combustion	2,438	2,329	2,229	1,931	1,811
Mobile Combustion	3,083	3,448	3,566	4,476	9,832
Fugitive Emissions	333	339	-	-	-
Wastewater Treatment	103	69	24	17	119
Total Scope[2]	**5,958**	**6,185**	**5,819**	**6,424**	**11,762**
Scope 2[3]					
Purchased Energy	76,020	82,853	96,060	104,984	122,331
Total Scope 2	**76,020**	**82,853**	**96,060**	**104,984**	**122,331**

Global GHG emissions scope 1, 2 & 3 (tonnes CO_2-e) – Location-Based[1]	2024	2023	2022	2021	2020
Scope 3[3]					
Category 1: Purchased goods and services[4]	6,489	5,482	2,621	3,011	5,246
Category 2: Capital Goods	3,118	558	-	-	-
Category 3: Fuel and Energy Related Activities	9,907	8,788	9,981	11,614	15,290
Category 4: Upstream Transportation and Distribution	4,156	6,233	-	-	-
Category 5: Waste generated in operations	834	1,113	1,135	1,564	1,770
Category 6: Business travel	20,459	13,786	4,531	2,421	23,222
Category 7: Employee commuting	22,008	22,275	17,020	18,218	15,546
Category 8: Upstream Leased Assets	1,873	2,384	3,346	5,460	8,532
Total Scope 3[2]	**68,845**	**60,619**	**38,634**	**42,288**	**69,606**
Total[2,5]	**150,823**	**149,658**	**140,514**	**153,697**	**203,700**

Global GHG emissions scope 1, 2 & 3 (tonnes CO_2-e) – Market-Based	2024	2023	2022	2021	2020
Scope 1	5,958	6,185	5,819	6,424	11,762
Scope 2	36,076	35,939	48,531	59,004	83,324
Scope 3	66,992	57,341	30,756	32,653	59,578
Total Market-Based	**109,026**	**99,464**	**85,106**	**98,082**	**154,664**
Carbon offsets retired	**109,026**	**99,464**	**85,106**	**98,082**	**154,664**
Net GHG Emissions[5]	**0**	**0**	**0**	**0**	**0**

1. Emission accounting method that incorporates gross emissions from purchased electricity calculated using the emissions intensity of the national grid. **2.** Values may not add to totals due to rounding. **3.** In 2024, we updated our emission categories to match the GHG Protocol. For definitions of our categories, please see our Appendix 6: ANZ operational greenhouse gas emissions reporting and carbon offset methodology. **4.** Comparisons with previous years' figures must be viewed with caution due to different methodology. **5.** See pages 117-119 for KPMG's Independent Reasonable and Limited Assurance Report.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Glossary of terms

This glossary contains defined terms used throughout our 2024 Climate-related Financial Disclosures. Our complete glossary of terms is available in our 2024 ESG Data and Frameworks Pack.

Term	Definition
100 largest emitting business customers	A cohort of our LEEP customers.
Absolute emissions	Total amount of greenhouse gases emitted to the atmosphere over a specific period.
Absolute financed emissions	The portion of our in-scope customers' in scope emissions attributable to ANZ's financing activities. See further Appendix 4.
"ANZ" or "the Group" or "our" or "us"	Refers to ANZ Group Holdings Limited and its subsidiaries.
ANZ Bank Group	Means all businesses and entities owned by ANZ Bank HoldCo, including ANZBGL and ANZ Bank New Zealand.
ANZ Bank New Zealand	ANZ Bank New Zealand Limited
ANZBGL	Means Australia and New Zealand Banking Group Limited.
ANZGHL	Means ANZ Group Holdings Limited.
ANZ Group	Means the ANZBGL Group or the ANZGHL Group as a whole (including all businesses), as the context requires.
ANZ's Climate Change Commitment	Our Climate Change Commitment provides the framework to achieve our strategy of transitioning our lending to net-zero financed emissions in line with the goals of the Paris Agreement. To be available **here** prior to our AGM.
Australian residential home loans	On-balance sheet loans for the purchase and refinance of residential properties, including individual homes and multi-family housing with a small number of units in Australia. It excludes the following: • Vacant land securities • Construction and renovation loans • Properties used solely as a guarantee for other residential or business loans • Home equity loans and home equity lines of credit where use of proceeds is unknown
Biodiversity	The TNFD defines 'biodiversity' as "the variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems."

Term	Definition
Carbon offsets	Carbon offsets are used by a company to compensate for its emissions, thereby reducing its net emissions. Carbon offsets are typically tradeable credit units that reflect a tonne of emissions avoided, removed or captured from the atmosphere.
Carbon offsets retired	Carbon offsets for emissions associated with ANZ's global business operations retired in accordance with The Climate Active Carbon Neutral Standard and Toitu Net Carbon Zero programme and externally assured by KPMG. ANZ has retired carbon offsets for its business operations since 2010.
Climate Change Risk Assessment	A tool used to help guide customer engagement and assess and manage climate-related risks. The CCRA includes an assessment of our customers' exposure to potential physical risks and transition risks and the maturity of the customer's transition plan, as aligned to our Customer Transition plan assessment framework.
Climate program	An internal program of work established to enable ANZ to meet the mandatory climate-related disclosure requirements legislated by the Australian Government.
Climate Reporting Entities	For mandatory climate reporting in New Zealand. See **Climate Reporting Entities**
CO_2-e	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.
Customer transition plan assessment framework	The framework that ANZ developed to assess the maturity of a customer's transition plan. The framework focuses on three key elements of governance, targets, and disclosures.
Deal size	The total amount of funds raised by a borrower/ issuer on a transaction or deal that ANZ participated in.
Direct financing/direct finance	Financing that has a direct nexus to an asset, such as limited recourse project financing or a 'use-of-proceeds' or 'project-related' corporate loan. It does not include general corporate purpose lending.
Disclosed executives	This comprises those personnel with a key responsibility for the strategic direction and management of the Group (or entity) (i.e., members of the Group Executive Committee (ExCo)) who have Financial Accountability Regime (FAR) accountability and who report to the Chief Executive Officer (CEO).

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Term	Definition
Emissions intensity	Volume of emissions per unit of some activity or output.
ENCORE (Exploring Natural Capital Opportunities, Risks and Exposures)	The ENCORE tool helps banks, investors and insurance firms assess the potential risks that environmental degradation, causes for financial institutions. ENCORE consolidates international and national data from public databases and is recognised as a robust tool. The ENCORE tool was developed by the Natural Capital Finance Alliance (the NCFA) and the World Conservation Monitoring Centre (the UNEP-WCMC).
Executive committee	Comprises ANZ's most senior executives. A subset of employees within Group 1.
Exposure at Default (EAD)	Represents the Group's exposure to each sector based on APRA's calculation formula which includes total committed loans (drawn plus a predicted portion of off-balance sheet exposures that may be drawn in the event of future default, as specified by APRA in APS 113)
Financed emissions	Emissions financed by a financial institution's loans or other financial products that result in a credit exposure. They are estimated based on an attributed proportion of the financial institution's customers' emissions. These financed emissions are part of the financial institution's scope 3, category 15 emissions.
Greenhouse Gas Protocol	The **Corporate Accounting and Reporting Standard** (Revised Edition) published by Greenhouse Gas Protocol. GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from operations, value chains and mitigation actions.
Greenhouse gas (GHG)	The greenhouse gases listed in the Kyoto Protocol are carbon dioxide (CO2), methane (CH4), nitrous oxide (N20), hydrofluorocarbons (HFCs), nitrogen trifluoride (NF3), perfluorocarbons (PFCs), and sulphur hexafluoride (SF6).
Hard-to-abate	Sectors where the reduction of emissions or the transition to net-zero by 2050 is either technologically or financially difficult.

Term	Definition
Institutional energy customers	These are customers of our Institutional business (excluding Corporate Bank) that ANZ has allocated to the following internal industry classification codes: 1102 – Thermal coal mining 1200 – Oil and gas extraction 1511 – Petroleum exploration 1512 – Petroleum exploration service 2510 – Refining 4521 – Wholesaling / distribution 3611 – Electricity generation Institutional energy customers comprise the vast majority of our energy customers and are responsible for the vast majority of financed emissions from our energy customers. ANZ applies an internal classification system to allocate customers to industry sectors. The allocation is intended to reflect the primary business activity of the customer in terms of revenue. The classification system is informed by the 1993 Australia and New Zealand Standard Industrial Classification (ANZSIC) codes, adapted where appropriate. See page 55 for further information.
Intergovernmental Panel on Climate Change (IPCC)	The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change.
Labelled sustainable finance	Labelled sustainable finance is existing banking products with a specific sustainability related label e.g. Green, Social, Sustainability and Sustainability-Linked.
Large business customers	The customers of ANZ Institutional division where ANZ has a credit exposure.
Large Emitters Engagement Program (LEEP)	Our Large Emitters Engagement Program (LEEP). This is our signature customer engagement program, which provides the framework for engaging with LEEP customers on their transition plans.
LEEP customers	LEEP customers comprise: (a) from FY24, our 100 largest emitting business customers, and customers subject to the Safeguard Mechanism; and (b) additionally from FY25, large emitters in sectoral pathways and other large emitters, in each case as identified through LEEP customer selection

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Term	Definition
LEEP customer selection	Customers were selected as LEEP customers based on information available in August 2023 as follows: (a) **our 100 largest emitting business customers:** 100 customers with the highest reported or estimated emissions encompassing scope 1 and scope 2 emissions for all customers and relevant scope 3 emissions for coal, oil & gas and mining infrastructure customers; (b) **Safeguard Mechanism:** customers with operational control over or a major financial stake in any Safeguard Mechanism facility; (c) **large emitters in sectoral pathways:** customers included in our sectoral pathway targets; (d) **other large emitters:** customers that ANZ identified as large emitters (such as large agribusiness or chemical manufacturers). Each customer was also required to meet specific credit limit thresholds and have an ongoing relationship with ANZ to be included as a LEEP customer. Customers selected on the basis outlined above will continue as LEEP customers until end FY25. A customer may be removed as a LEEP customer if it ceases its relationship with ANZ or if engagement is not practical for another reason. The outgoing customer will be replaced by another customer that meets the selection requirements.
Location-based	Gross Scope 2 emissions from purchased electricity calculated using the emissions intensity of the national grid.
Market-based	Emission accounting method that incorporates net emissions from purchased electricity after renewable energy certificates have been taken into account.
Material energy transactions	Transactions involving Institutional Energy Customers that are likely to have a significant impact on the size or carbon intensity of our energy sector portfolio or which ANZ considers to represent heightened reputational risk.
Nature	The TNFD considers 'nature' as the "natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment."
Net-zero	Net-zero emissions in this document relates to net-zero human-induced emissions.
Net-zero financed emissions	The state where financed emissions are balanced by an equivalent amount of permanent removal and storage of carbon dioxide from the atmosphere, resulting in no net increase in global emissions.

Term	Definition
New-to-bank customer	A customer with whom ANZ has had no meaningful lending relationship for more than 12 months. Entities or assets acquired from existing customers are not classified as new to bank customers. Applies to lending products only, i.e. excludes transaction banking, credit cards, performance guarantees, meaning that only lending products that will help customers 'fund' their activities in a material way would be included.
New upstream oil and gas customer	A new to bank customer that is an upstream oil and gas customer.
Operational emissions	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 explained in ANZ Operational Greenhouse Gas Emissions Reporting and Carbon Offset Methodology (Appendix 6 of Climate-related Financial Disclosures).
Paris Agreement	A legally binding international treaty on climate change adopted at the UN Climate Change Conference (COP21) in Paris in 2015. Its overarching 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".
Paris Agreement goals/ the goals of the Paris Agreement	The main goals of the Paris Agreement, which include: (i) limiting the global temperature increase to well below 2°C above pre-industrial levels, with efforts to limit it to 1.5°C; (ii) achieving global net-zero greenhouse gas emissions by the second half of the century.
Paris-aligned	A term used by ANZ in this report to describe actions, strategies, targets or pathways that are consistent with reducing greenhouse gas emissions to levels that will limit global temperature increases to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.
Paris-aligned scenarios	Climate and economic scenarios that outline potential pathways for limiting global temperature increases to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C (depending on the scenario), in accordance with the Paris Agreement goals. These scenarios typically include assumptions about the pace and scale of greenhouse gas emission reductions, technological advancements, and policy measures require to achieve the scenario outcome.
Partnership for Carbon Accounting Financials (PCAF)	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.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Term	Definition
Physical financed emissions intensity	A measure of the carbon intensity of ANZ's lending and other financial services calculated by dividing the absolute financed emissions attributable to ANZ for in-scope emissions by ANZ's total financing to in-scope customers (measured through EAD).
Physical risk (acute and chronic)	Risks arising from both longer-term changes in climate (chronic risk) as well as changes to the frequency and magnitude of extreme weather events (acute risk). Examples of chronic physical risk drivers include rising sea levels, rising average temperatures and ocean acidification. Examples of acute physical risk drivers include heatwaves, floods, bushfires and cyclones.
Portfolio wide emissions intensity	A measure of the carbon intensity of ANZ's lending and other financial services calculated by dividing the Absolute financed emissions attributable to ANZ for in-scope emissions by ANZ's total financing to in-scope customers (measured through EAD).
Predominant activity	The majority source of company revenue.
Safeguard mechanism	The Safeguard Mechanism is the Australian Government's policy for reducing emissions at Australia's largest industrial facilities. It sets legislated limits – known as baselines – on the greenhouse gas emissions of these facilities. See **Safeguard Mechanism**.
Scope 1	Direct greenhouse gas emissions from sources owned or controlled by the company.
Scope 2	Indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam.
Scope 3	Other indirect greenhouse gas emissions not covered in scope 1 or scope 2 that occur in a company's value chain as described in table 5.2 of the Greenhouse Gas Protocol's **Corporate Value Chain (scope 3) Accounting and Reporting Standard**.
Sectoral pathways	Industry-specific trajectories of emissions reductions that indicate whether ANZ's financing is consistent with Paris Agreement goals.
Senior executive	Comprises of persons holding roles within ANZ designated as Group 1. These roles typically involve leading large businesses, geographies or the strategy, policy or governance of business areas (excludes Group Executive Committee).
Sensitive sectors	Activities in the following sectors: Energy, Extractive Industries, Forestry and Forest, Hydroelectric Power, Military Equipment; and Water.
Sustainability Linked Loan	Sustainability linked loans are a type of labelled sustainable finance. They are any type of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) which incentivise the borrower's achievement of predetermined sustainability performance objectives.

Term	Definition
Thermal coal miner	An Institutional energy customer that ANZ has allocated to industry code 1102 (Brown coal mining). ANZ considers the end-use of coal when assigning a customer to an industry code. If a customer's predominant activity is producing thermal coal, they are assigned to industry code 1102. This includes black coal customers, when is it apparent to ANZ that the black coal is mined for power generation.
Unlabelled	Existing banking products and services where no specific sustainability related label is applied.
Transition plan	A climate-related transition plan is an aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its emissions.
Transition risk	Arising from the transition to a lower emission economy, including changes in domestic and international policy and regulatory settings, technological innovation, social adaptation and market changes.
Upstream oil and gas customer	An Institutional energy customer within industry code 1200.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Independent Reasonable and Limited Assurance Report

to the Directors of ANZ Group Holdings Limited

Our Conclusions

i) Limited Assurance Conclusion – 2024 Climate-related financial disclosures

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the ANZ 2024 Climate-related financial disclosures for the year ended 30 September 2024 is not prepared, in all material respects, in accordance with the Criteria.

ii) Reasonable Assurance Opinion – 2024 operational GHG emissions Scope 1 & 2 (location-based)

In our opinion, the Global operational GHG Emissions (Scope 1 and 2) (location-based) of ANZ Group Holdings Limited for the year ended 30 June 2024 has been prepared, in all material respects, in accordance with the Criteria.

iii) Limited Assurance Conclusion – 2024 operational GHG emissions Scope 3 (location-based) and Scope 1, 2 & 3 (market-based)

Based on the procedures performed and evidence we obtained, nothing has come to our attention that causes us to believe that the Global operational Scope 3 GHG emissions (location-based) and Global operational Scope 1, 2 and 3 emissions (market-based) for the year ended 30 June 2024, are not prepared, in all material respects, in accordance with the Criteria.

Information Subject to Assurance and Criteria Used as the Basis of Reporting

ANZ Group Holdings Limited (ANZ) engaged KPMG to perform a limited assurance and reasonable assurance engagement on the following information in the ANZ 2024 Climate-related financial disclosures, which this assurance report is attached to:

Information subject to assurance	Period subject to assurance	Level of assurance	Location	Criteria used as the basis of reporting (the "Criteria")*
i) ANZ 2024 Climate-related financial disclosures.	Year ended 30 September 2024	Limited	3-90, Appendix 5	• TCFD • NZBA • ANZ Financed and Facilitated Emissions Methodology • ANZ Social and Environmental Sustainability Target Methodology
ii) Global operational GHG Emissions (Scope 1 and 2) (location-based) being 81,978 tCO_2-e. ("GHG emissions (reasonable assurance scope)")	Year ended 30 June 2024	Reasonable	Appendix 7	• The GHG Protocol • ANZ Operational Greenhouse Gas Reporting and Carbon Offset Methodology
iii) Global operational Scope 3 GHG Emissions (location-based) being 68,845 tCO_2-e and Global operational Scope 1, 2 and 3 emissions (market- based) being 109,026 tCO_2-e. ("GHG emissions (limited assurance scope)")	Year ended 30 June 2024	Limited	Appendix 7	• The GHG Protocol • ANZ Operational Greenhouse Gas Reporting and Carbon Offset Methodology

*Refer to Appendix 1 for description of the Criteria

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Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

Basis for Opinion and Conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and *ASAE 3410 Assurance Engagements on Greenhouse Gas Statements* (Standards). In accordance with the Standards we have:

- Used our professional judgement to plan and perform the engagement to obtain:
  - limited assurance that we are not aware of any material misstatements in the 2024 Climate-related financial disclosures and GHG emissions (limited assurance scope), whether due to fraud or error;
  - reasonable assurance that the GHG emissions (reasonable assurance scope) are 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 possess the appropriate knowledge, skills and professional competencies.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. It is therefore possible that fraud, or error may occur and not be detected. Non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating, and estimating such data. The precision of different measurement techniques may also vary. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities and over time.

As stated in the Disclaimer and Important Notices section of the 2024 Climate-related financial disclosures, Greenhouse gas quantification is subject to inherent uncertainty. Reasons for this uncertainty include the nature of the information and the uncertainties inherent in: (i) the methods used for determining or estimating the appropriate amounts, (ii) information used to determine emission factors and (iii) the values needed to combine emissions of different gases.

We specifically note that ANZ has used estimates, assumptions or proxies in the calculation of both the estimated financed emissions of its lending portfolio and the baselines and performance for its NZBA targets.

Summary of Procedures Performed

Our assurance conclusions are based on the evidence obtained from performing the following limited assurance procedures:

- Enquiries with management responsible for developing the content (text and data) within the 2024 Climate-related financial disclosures to understand the approach for monitoring, collation and reporting;
- Comparing material text and data (on a sample basis) presented in the the 2024 Climate-related financial disclosures to underlying sources;
- Assessment that the information is presented in accordance with the Criteria, and an evaluation of the suitability of the ANZ Financed and Facilitated Emissions Methodology and ANZ Social and Environmental Sustainability Target Methodology;
- Sample testing over performance data relating to the Large Emitters Engagement Program and $100bn Social and Environmental Sustainability Target;
- Sample testing over ANZ's NZBA sectoral metrics, and targets for power generation, oil and gas, thermal coal, auto manufacturing, shipping, aluminium, cement, steel and large-scale commercial real estate;
- Sample testing over performance data relating to the new NZBA sectoral facilitated emissions;
- Sample testing over ANZ's residential home loans, total lending portfolio financed emissions and Agribusiness data coverage cohort target;
- Interviews with key personnel responsible for GHG emissions data collection and reporting to understand processes;
- Assessment of emission factor sources and re-performing emission factor calculations;
- Detailed analytical procedures and walkthroughs of key data sets;
- Agreeing all significant GHG emissions to relevant underlying sources. This includes material Scope 3 operational emissions including employee commuting and working from home;
- Reading the 2024 Climate-related financial disclosures in its entirety to ensure it is consistent with KPMG's overall knowledge of, and experience with, the climate change performance of ANZ.

In addition, we performed the following reasonable assurance procedures over the GHG emissions (reasonable assurance scope):

- Testing the operating effectiveness of key controls, including IT systems;
- Evaluating the basis for determining operational control and reporting boundaries and testing back to underlying evidence; and
- Substantive testing using larger samples sizes and reconciling samples of Scope 1 fuels (business transportation) and Scope 2 electricity transactions data back to source documentation.

Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion

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How the Standard Defines Limited Assurance, Reasonable 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.

A limited assurance engagement is restricted primarily to enquiries and analytical procedures. 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 for the purpose of providing a limited assurance conclusion on the 2024 Climate-related financial disclosures and GHG emissions (limited assurance scope) and a reasonable assurance opinion on the GHG emissions (reasonable assurance scope) 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, 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 the2024 Climate-related financial disclosures, GHG emissions (limited assurance scope) and GHG emissions (reasonable assurance scope) in accordance with the Criteria; and
- establishing internal controls that enable the preparation and presentation of the 2024 Climate-related financial disclosures, GHG emissions (limited assurance scope) and GHG emissions (reasonable assurance scope) that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to perform:

- a limited assurance engagement in relation to the 2024 Climate-related financial disclosures for the year ended 30 September 2024 and GHG emissions (limited assurance scope) for the year ended 30 June 2024; and
- a reasonable assurance engagement in relation to the GHG emissions (reasonable assurance scope) for the year ended 30 June 2024,

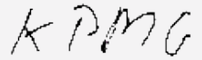
and to issue an assurance report that includes our conclusions.

Our Independence and Quality Management

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants (including Independence Standards)* 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.

Appendix 1

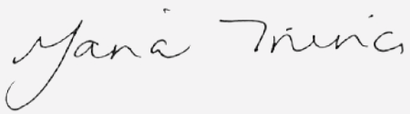
- **TCFD:** Task Force on Climate-related Disclosures 2021
- **NZBA:** Net Zero Banking Alliance Guidelines for Climate Change Target Setting (Version 2)
- **ANZ Financed and Facilitated Emissions Methodology** in Appendix 4
- **ANZ Social and Environmental Sustainability Target Methodology** available at **anz.com/esgreport**
- **The GHG Protocol:** The World Resources Institute/World Business Council for Sustainable Development (WRI / WBCSD), *The GHG Protocol Corporate Accounting and Reporting Standard*
- **ANZ Operational Greenhouse Gas Reporting and Carbon Offset Methodology** in Appendix 6.



KPMG

Sarah Newman
Partner

Melbourne
7 November 2024



Maria Trinci
Partner

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Overview
Governance
Strategy
Risk Management
Metrics and Targets
Appendices
Assurance opinion



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