

2023

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ANZ SOCIAL AND ENVIRONMENTAL  
SUSTAINABILITY TARGET  
METHODOLOGY



## OVERVIEW OF THE ANZ SOCIAL AND ENVIRONMENTAL SUSTAINABILITY TARGET

ANZ<sup>1</sup> commenced a new social and environmental sustainability target on 1 April 2023, committing to fund and facilitate at least \$100 billion in social and environmental outcomes through customer activities and direct investments by ANZ (referred to in this document as 'eligible transactions').

The \$100 billion social and environmental sustainability target ('the target') is aligned to ANZ's purpose, supports the United Nations Sustainable Development Goals (SDGs)<sup>2</sup> and is consistent with our role as a founding signatory to the United Nations Principles of Responsible Banking.

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

This target methodology ('the Methodology') should be read with the Disclaimer & Important Notices set out at the end of this document.

Table 1 sets out the evolution of ANZ's targets which began in 2015. All targets began at zero and for prior targets, the target timeframe refers to the actual duration of the target, rather than the announced duration.

TABLE 1

Target	Target Amount	Target Timeframe
<p><b>Support transition to a low carbon economy</b></p> <p>Facilitate at least \$10 billion in investment <b>by 2020</b> in low carbon and sustainable solutions, including renewable energy generation, green buildings and less emissions intensive manufacturing and transport.</p> <p>The target amount increased in 2018 to \$15 billion<sup>3</sup> while retaining the same five-year timeframe.</p>	\$10 billion (expanded to \$15 billion)	1 October 2015 to 30 September 2019
<p><b>Sustainable solutions</b></p> <p>Fund and facilitate at least \$50 billion<sup>4</sup> <b>by 30 September 2025</b> towards sustainable solutions for our customers, including initiatives that help improve environmental sustainability, support disaster resilience, increase access to affordable housing and promote financial wellbeing.</p>	\$50 billion	1 October 2019 to 31 March 2023
<p><b>Social and environmental sustainability target</b></p> <p>Fund and facilitate at least \$100 billion <b>by 2030</b> in social and environmental outcomes through customer activities and direct investments by ANZ.</p> <p>The target includes initiatives that help lower carbon emissions, protect nature and biodiversity, increase access to affordable housing and promote financial wellbeing.</p>	\$100 billion	1 April 2023 to 30 September 2030

### Purpose of this Methodology

This Methodology outlines ANZ's approach for assessing the eligibility of transactions for inclusion in the target, and reporting on progress towards the target across the following areas:

1. **Determining eligibility** through:
  - a. **Eligible banking activities, assessment and measurement:** Banking activities that contribute to the target, including funding and facilitation of customer financing, and ANZ's own direct investments, and
  - b. **Eligible social and/or environmental activities:** The eligible social and/or environmental activities that contribute to the target, and their alignment with the SDGs.
2. **Governance and reporting** processes within ANZ to verify the eligibility of transactions and to monitor and report progress towards the target.

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<sup>1</sup> In this Methodology "ANZ" refers to ANZ Group Holdings Limited (ABN 16 659 510 791) and its subsidiaries. <sup>2</sup> On 1 January 2016, the SDGs came into effect. The 17 goals and 169 targets are aimed at solving the world's most pressing challenges by 2030. <sup>3</sup> ANZ surpassed the target of \$15 billion during 2019, reaching over \$19 billion by 30 September 2019. <sup>4</sup> The \$50 billion sustainable solutions target was on track to be met in advance of the announced target date of 2025, having reached a balance of almost \$47 billion as of 31 March 2023.

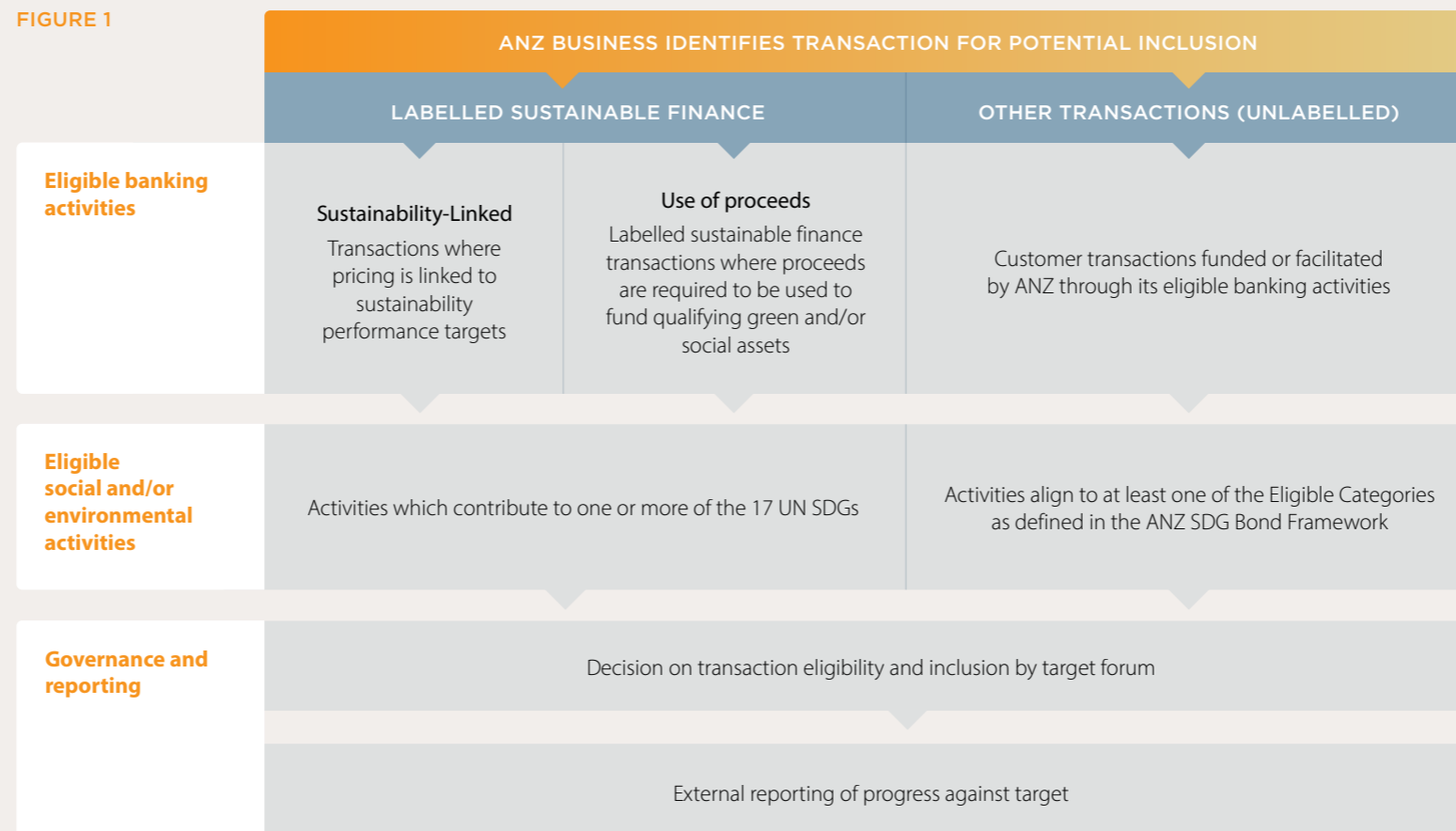
## 1. DETERMINING ELIGIBILITY

A transaction is eligible for inclusion in ANZ's target if it meets the requirements for:

- eligible banking activities, and
- eligible social and/or environmental activities.

Figure 1 provides an overview of how ANZ determines if a customer transaction is eligible for inclusion towards the target.

ANZ direct investments are subject to the same review and governance processes depicted in Figure 1.



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## 2. ELIGIBLE BANKING ACTIVITIES, ASSESSMENT AND MEASUREMENT

A transaction will be an eligible banking activity if:

- it is an activity described in section 2.1, and
- it is assessed as eligible in accordance with section 2.2

The amount attributed to the eligible banking activity for inclusion towards the target is determined in accordance with section 2.2.

Eligible banking activities are assessed against ANZ's internal standards, policies and guidelines, as applicable.

### 2.1 Activities

ANZ banking activities covered by the target fall under the following categories:

1. **Customer Transactions:**
  - a. **Funding** – where ANZ has extended committed limits to customers for lending, trade and markets products requiring a credit decision and capital allocation.
  - b. **Facilitation** – where ANZ has advised, structured, underwritten, coordinated or distributed in relation to a customer's capital raising (e.g. bonds, loans, equity).
2. **ANZ Direct Investments** including green, social, sustainability and sustainability-linked (GSSS) bond purchases held on balance sheet and equity investments held on balance sheet.

**Customer transactions** incorporate labelled sustainable finance products and unlabelled social and/or environmental sustainability activities.

The eligibility of **ANZ direct investments** towards the target is determined by the nature of the individual investment and the underlying social and/or environmental activity e.g. inclusion of labelled bond purchases would follow the labelled sustainable finance pathway in Figure 1.

### 2.2 Assessment and measurement

#### Assessment

The target includes funding, facilitation and direct investments by ANZ since 1 April 2023 above a threshold of \$1 million.

ANZ's internal specialist teams determine whether a transaction qualifies as a **labelled sustainable finance transaction** for the purposes of the Methodology.

- For 'use of proceeds' transactions, we consider whether the proceeds are for financing qualifying green, and/or social projects, assets or business activities.
- For sustainability-linked transactions where pricing is linked to sustainability performance targets, we consider the level of ambition and the materiality of the targets to the customer's sustainability strategy.
- For both categories we:
  - assess whether the transaction adheres to ANZ's internal standards, policies and guidelines, as applicable;
  - draw from recognised market guidelines or principles where applicable, such as the Asia Pacific Loan Market Association (APLMA), Loan Market Association (LMA) and Loan Syndications and Trading Association (LSTA) Green Loan Principles, Social Loan Principles and Sustainability-Linked Loan Principles; International Capital Markets Association (ICMA) Green, Social and Sustainability-Linked Bond Principles; ICMA Sustainability Bond Guidelines; and Orange Bond Initiative Orange Bond Principles.

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## Measurement

In measuring the amount for inclusion towards the target, ANZ takes into account the portion of the transaction that meets the eligibility criteria.<sup>5</sup>

The measurement of eligible banking activities and the key guidance, principles and frameworks relating to them, are summarised in Table 2.

TABLE 2

Banking Activity	Products & Services include	Measurement basis	Key Guidance, Principles & Frameworks <sup>6</sup>
<b>Funding<sup>7</sup></b>	Loans	Total committed amount	<b>All funding:</b> <ul style="list-style-type: none"> <li>ANZ Social and Environmental Sustainability Target Methodology</li> </ul> <b>Labelled sustainable finance:</b> <ul style="list-style-type: none"> <li>APLMA/LMA/LSTA Sustainability-Linked Loan Principles</li> <li>APLMA/LMA/LSTA Green Loan Principles</li> <li>APLMA/LMA/LSTA Social Loan Principles</li> </ul>
	Trade e.g. guarantees, standby letters of credit, sustainable supply chain		
	Markets e.g. derivatives		
<b>Facilitation</b>	Bonds	Capital raised where ANZ has a facilitation role <sup>8</sup>	<b>All facilitation:</b> <ul style="list-style-type: none"> <li>ANZ Social and Environmental Sustainability Target Methodology</li> </ul> <b>Labelled sustainable finance:</b> <ul style="list-style-type: none"> <li>ICMA Sustainability-Linked Bond Principles</li> <li>ICMA Green Bond Principles</li> <li>ICMA Social Bond Principles</li> <li>Orange Bond Principles</li> </ul>
	Advisory		
	Loans		
<b>ANZ Direct Investments</b>	Treasury investments <sup>9</sup>	Value of bond purchases held on balance sheet	<b>Labelled bond purchases:</b> <ul style="list-style-type: none"> <li>ICMA Sustainability Bond Guidelines</li> <li>ICMA Sustainability-Linked Bond Principles</li> <li>ICMA Green Bond Principles</li> <li>ICMA Social Bond Principles</li> <li>Orange Bond Principles</li> </ul> <b>Equity investments:</b> <ul style="list-style-type: none"> <li>ANZ Social and Environmental Sustainability Target Methodology</li> </ul>
	Equity investments	Total investment amount	

<sup>5</sup> For example, including the proportion of a property loan related to eligible green buildings (under this Methodology). <sup>6</sup> Illustrative only. Other guidance, principles, and frameworks may also be used to inform our assessment for inclusion. <sup>7</sup> Includes new transactions, increases to facilities and refinanced transactions. Refinanced transactions are only included where ANZ is extending the funding term. ANZ excludes refinancing within 12 months of financial close of prior financing activity (unless the refinancing is taking out bridging finance), and extensions which are included under the original credit decision. <sup>8</sup> The facilitation amount is ANZ's proportionate share of capital raised (e.g. equity, bond or loan amount) where ANZ has advised, structured, underwritten, coordinated or distributed. The facilitation amount is reduced by ANZ's final committed funding or investment amount (as applicable) and where ANZ has multiple facilitation roles a facilitation amount will only be counted once. <sup>9</sup> Treasury investments may qualify towards the target where they are liquidity portfolio investments (GSSS bond purchases held on balance sheet). Treasury investments are to be held by ANZ for a minimum of 12 months before the investment counts towards the target.

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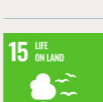

### 3. ELIGIBLE SOCIAL AND/OR ENVIRONMENTAL ACTIVITIES

#### 3.1 Eligible social and/or environmental activities for unlabelled transactions

Unlabelled transactions (including ANZ equity investments) involving an eligible social and/or environmental activity must align to at least one of the Eligible Categories as defined in the ANZ SDG Bond Framework at the time of the transaction.

Table 3 sets out the eligible social and environmental categories drawn from the current ANZ SDG Bond Framework as at 30 September 2023. The ANZ SDG Bond Framework is currently under review and will be updated as appropriate, considering evolving market frameworks, principles and guidance.

TABLE 3

Primary Sustainable Development Goal <sup>10</sup>	Social and Environmental Category	Primary Sustainable Development Goal <sup>10</sup>	Social and Environmental Category
	<ul style="list-style-type: none"> <li>Access to essential services</li> <li>Socioeconomic advancement and empowerment</li> <li>Affordable basic infrastructure</li> </ul>		<ul style="list-style-type: none"> <li>Socioeconomic advancement and empowerment</li> </ul>
	<ul style="list-style-type: none"> <li>Access to essential services</li> <li>Socioeconomic advancement and empowerment</li> </ul>		<ul style="list-style-type: none"> <li>Affordable housing</li> <li>Affordable basic infrastructure</li> <li>Access to essential services</li> <li>Clean transportation</li> </ul>
	<ul style="list-style-type: none"> <li>Affordable basic infrastructure</li> <li>Sustainable water and wastewater management</li> <li>Socioeconomic advancement and empowerment</li> </ul>		<ul style="list-style-type: none"> <li>Pollution prevention and control</li> </ul>
	<ul style="list-style-type: none"> <li>Renewable energy</li> <li>Energy efficiency</li> </ul>		<ul style="list-style-type: none"> <li>Climate change adaptation</li> </ul>
	<ul style="list-style-type: none"> <li>Employment generation</li> <li>Socioeconomic advancement and empowerment</li> </ul>		<ul style="list-style-type: none"> <li>Environmentally sustainable management of living natural resources and land use</li> <li>Climate change adaptation</li> <li>Terrestrial and aquatic biodiversity conservation</li> </ul>
	<ul style="list-style-type: none"> <li>Green buildings</li> </ul>		

#### 3.2 Eligible activities for labelled sustainable finance transactions

An ANZ labelled sustainable finance transaction (including ANZ direct investments in GSSS bonds) will involve an eligible social and/or environmental activity if it aligns to any one or more of the 17 UN SDGs; ANZ labelled sustainable finance transactions are not limited to the Eligible Categories as defined in the ANZ SDG Bond Framework.



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<sup>10</sup> The 'Social and Environmental Category' described in this Methodology is referred to in the ANZ SDG Bond Framework as the 'GBP/SBP Project Category'. The ANZ SDG Bond Framework provides some examples of what would be considered eligible activities (refer 'Examples of Eligible Assets').

## 4. GOVERNANCE AND REPORTING

ANZ has a governance process in place to validate eligible transactions and monitor and report progress towards the target. Each potentially qualifying transaction is reviewed against the target eligibility criteria.

Transactions are recorded in a central repository and subject to a validation process which may involve further enquiries to determine whether the transaction should be included in the target. These steps are overseen by Group ESG Governance, which is separate to the ANZ businesses that are involved in the eligible banking activities.

The target forum<sup>11</sup> members are responsible for reviewing transactions for eligibility and the forum has the authority to decide if transactions should not be included towards the target. The forum also has the authority to later remove a transaction from the target where it is agreed a transaction did not satisfy the eligibility criteria and was incorrectly included.

Transactions will be eligible for inclusion if they involve an eligible banking activity and an eligible social and/or environmental activity.

Progress against the target is submitted to the following ANZ committees:

- Ethics and Responsible Banking Committee (each quarter), and
- Board Ethics, Environment, Social, Governance Committee (six monthly).

We report publicly on progress against the target annually and through our half year results. Transactions will be reported in the half in which they are assessed as being eligible for the target.

ANZ aims to regularly review this target Methodology to ensure the target, and the eligibility criteria, are aligned to evolving market developments including guidelines, framework, standards, principles and regulatory requirements.

ANZ may amend this Methodology which may result in the inclusion of new activities and any material changes will be transparently disclosed. Changes in Methodology and the target eligibility criteria will not be applied retrospectively.



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<sup>11</sup> The target forum includes representation from across ANZ, including from the relevant contributing businesses, the Risk function and Group ESG.

## DISCLAIMER & IMPORTANT NOTICES

The Methodology is in summary form and does not purport to be complete. It has a sustainability focus and does not reflect the totality of ANZ's business activities. For a more complete overview of ANZ's business, see the ANZ Annual Report available at [anz.com/shareholder/centre/](https://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 Methodology may contain forward-looking statements or opinions including statements regarding our intent, belief or current expectations with respect to ANZ's business operations, market conditions, results of operations and financial condition, sustainability objectives or targets, specific provisions and risk management practices. When used in the Methodology, the words 'goal', 'target', 'pathway', 'may', 'will', 'would', 'should' and similar expressions, as they relate to ANZ 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. These statements only speak as at the date of publication and no representation is made as to their correctness on or after this date. Forward-looking statements constitute 'forward-looking statements' for the purposes of the *United States Private Securities Litigation Reform Act of 1995*. ANZ does not undertake any obligation 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 Methodology may contain climate-related statements, including in relation to climate-related risks, opportunities, goals and ambitions. Climate-related information is subject to significant uncertainty, challenges and risks that may affect the application of this Methodology and the usefulness, accuracy and completeness of the climate-related statements it contains. These uncertainties, challenges and risks include:

- 1. Availability and reliability of data** – emissions and climate-related data may be incomplete, inconsistent, unreliable or unavailable (including information from ANZ'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 and application of this Methodology.
- 3. Complexity of calculations and estimates** – Estimating 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** – ANZ 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 challenges, uncertainties and risks, statements, assumptions, judgments, calculations, estimates or proxies made or used by ANZ in preparing or applying this Methodology 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 the Methodology.

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