

ANZ SUSTAINABLE DEVELOPMENT GOALS (SDG) BOND FRAMEWORK

October 2019

SECTION 1: OVERVIEW

1.1 Purpose

The purpose of this document is to outline a Framework under which ANZ intends to issue Sustainability Bonds that are aligned to the Sustainable Development Goal Bonds (SDG Bonds).

1.2 ANZ as Issuer

The ANZ Group began its Australian operations in 1835 and its New Zealand operations in 1840. ANZ is a public company limited by shares incorporated in Australia and was registered in the State of Victoria on 14 July 1977. We provide a broad range of banking and financial products and services to retail, small business, corporate and institutional customers. Geographically, operations span Australia, New Zealand, a number of countries in the Asia Pacific region, the United Kingdom, France, Germany and the United States.

1.3 ANZ's Purpose and approach to Sustainability

Our purpose is to help shape a world in which people and communities thrive. This means striving to create a balanced, sustainable society in which everyone can take part and build a better life.

Our [approach to sustainability](#) is a manifestation of our purpose, ensuring our business is managed to take into account social, environmental and economic risks and opportunities. Each year we also set public sustainability targets and a corresponding Group-wide program of work to support the delivery of our business strategy. We formally report on our performance through the publication of our interim and full year [Corporate Sustainability Reviews](#).

1.4 ANZ's Social and Environmental Risk Policy

ANZ is committed to delivering fair and responsible banking. One of the key ways that we identify and manage the risks associated with our business lending is through the application of our [Social and Environmental Risk Policy](#). This policy seeks to ensure that the financial services we provide to our customers to support economic development do not result in an unacceptable impact on people or the environment. It was launched in October 2017 as a consolidation of the principles and standards previously embedded within our six Sensitive Sector Policies (in existence since 2007) into one 'umbrella' policy.

ANZ's position on financing coal is set out in our [Climate Change Statement](#). In addition, ANZ has been a signatory to the Equator Principles since 2006. The Equator Principles are a set of voluntary standards designed to help banks identify and manage social and environmental risks associated with the direct financing of large infrastructure projects such as dams, mines and pipelines. We regard them as complementary to our Social and Environmental Risk Policy.

Our Social and Environmental Risk Policy is applied every time ANZ lends to a borrower or project and therefore to 100% of the Eligible Assets (as defined in Section 2.1 below) in our SDG Bonds. For Eligible Assets that are project finance loans, these have an additional level of scrutiny as they are also reviewed against the Equator Principles. Further information about our policies is available on anz.com/cs.

1.5 ANZ and the Sustainable Development Goals

On 1 January 2016, the United Nations [Sustainable Development Goals](#) ("SDGs") came into effect. The 17 goals and 169 targets are aimed at solving the world's most pressing challenges ending global poverty, protecting our planet and ensuring human rights –by 2030.

ANZ is committed to the SDGs, which we consider represent an opportunity for business-led solutions and technologies to be developed and implemented. In recognition of the important role business will play in achieving the SDGs, ANZ 's CEO Shayne Elliott joined over 30 leaders from the Australian business community to sign a public CEO Statement of Support for the Goals in September 2016.

Since then, we have sought to better understand the SDGs and the linkages to our business. In 2016 and 2017 we mapped relevant SDGs to our corporate sustainability targets. In 2017, we also commenced an initiative to map the SDGs to our Institutional loan book to understand some of the key sustainability drivers underpinning the business.

As that work continues, we have now commenced integrating it into our strategy to be a leader in the development of green and sustainable capital markets by preparing this Framework in advance of becoming an issuer of SDG Bonds.



SUSTAINABLE DEVELOPMENT GOALS



SECTION 2: ANZ SDG BOND FRAMEWORK

The ANZ SDG Bond Framework is in line with the ICMA [Green Bond Principles 2018](#) (“GBPs”), [Social Bond Principles 2018](#) (“SBPs”) and the [Sustainability Bond Guidelines 2018](#) (“SBGs”), and as such, adopts the four key pillars as follows:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The GBP, SBP and SBG are voluntary process guidelines that are accepted as one of the main guidelines for issuance of Green, Social and Sustainability Bonds in the capital markets globally.

2.1 Use of Proceeds

The universally accepted foundation of bonds issued in the emerging Green, Social and Sustainability Bond markets is how the proceeds are used.


The proceeds of each ANZ SDG Bond will be used to finance or re-finance:




- Project finance or corporate loans to projects and businesses (“Loan Assets”); or
- ANZ’s own operating or capital expenditures (“ANZ Expenditures”),





that promote any of the selected nine SDGs as outlined in the Eligible Categories table below subject to consistency with ANZ’s social and environmental risk policies as applicable and that meet the Process for Evaluation and Selection set out below.


(Note: “Loan Assets” and ANZ Expenditures” together are now referred to as “Eligible Assets”).

2.2 Eligible Categories

Sustainable Development Goal	SDG Target	GBP/SBP Project Category	Eligibility Criteria
	<p>3.4 Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being</p> <p>3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol</p> <p>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all</p>	<p>Access to essential services</p> <p>Socioeconomic advancement and empowerment</p> <p>Affordable basic infrastructure</p>	<p>Construct, equip, and / or operate:</p> <p>i) Public hospitals, clinics and health care centres;</p> <p>ii) Public hospitals which include a portion of Private Hospital beds;</p> <p>iii) Private Hospitals which:</p> <p style="margin-left: 20px;">a. Are not for profit; or</p> <p style="margin-left: 20px;">b. Provide free/subsidized social benefit programs which support the physical, mental and emotional wellness of vulnerable and disadvantaged communities;</p> <p>iv) Aged care services that, as required by the Australian Government, meet the supported resident ratio (i.e. minimum of</p>

			~16% of resident places for supported, concessional and assisted residents).
 <p>4 QUALITY EDUCATION</p>	<p>4.3 Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university</p> <p>4.4 Substantially increase number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p> <p>4.5 Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations</p>	<p>Access to essential services</p> <p>Socioeconomic advancement and empowerment</p>	<p>Activities that expand access for youths and adults to education or otherwise improve educational infrastructure including:</p> <ul style="list-style-type: none"> i) Technical, vocational and tertiary educational schemes ii) Construction of facilities such as tertiary campuses, universities, student housing or other educational or training infrastructure <p>Activities that target women and minority inclusion in education systems, including access to tertiary education or vocational and technical skills training and access to campus infrastructure</p>
 <p>6 CLEAN WATER AND SANITATION</p>	<p>6.1: access to safe and affordable drinking water</p> <p>6.2: access to adequate and equitable sanitation and hygiene</p> <p>6.3 Improve Water Quality</p> <p>6.4: increase water-use efficiency and reduce the number of people suffering from water scarcity</p>	<p>Affordable basic infrastructure</p> <p>Sustainable water and wastewater management</p> <p>Socioeconomic advancement and empowerment</p>	<p>Activities that:</p> <ul style="list-style-type: none"> i) expand public access to safe and affordable drinking water ii) provide access to adequate sanitation facilities iii) improve water quality to be fit for human use/consumption iv) increase water-use efficiency through water recycling, treatment and reuse (including treatment of wastewater)
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>7.1 Ensure universal access to affordable, reliable and modern energy services</p> <p>7.2 Increase substantially the share of renewable energy in the global energy mix</p> <p>7.b Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all</p>	<p>Renewable energy</p> <p>Energy efficiency</p>	<p>Construction, maintenance, manufacture, expansion of components for clean energy, which enable:</p> <ul style="list-style-type: none"> i) Generation or transmission <ul style="list-style-type: none"> Including wind, solar, hydro power, biomass, geothermal, and their associated components; or ii) Energy efficiency <ul style="list-style-type: none"> Including energy efficient technologies in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products.

 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes</p>	<p>Green buildings</p>	<p>Construction, renovation or operation of buildings to make them sustainable, improve resource efficiency, adopting environmentally sound technologies. Recognised standards to the minimum level of GREEN STAR 5, NABERS 5, BREAM Excellent, NABERNZ excellent energy ratings, or equivalent. For precincts, or property portfolios, the rateable NLA meets these same recognised standards for at least 90% of the total NLA.</p>
 <p>10 REDUCED INEQUALITIES</p>	<p>10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>	<p>Socioeconomic advancement and empowerment</p>	<p>Activities aimed at supporting people from marginalised/underrepresented groups to advance their socio-economic position such as:</p> <ul style="list-style-type: none"> i) financial education programs; ii) training programs for individuals to access employment/self-employment; or iii) services for individuals in financial, legal, social, housing, transport, IT, health and education (early childhood, primary, secondary, tertiary & vocational) services iv) access to affordable housing in urban and suburban areas with high employment availability to people from low socio-economic groups and/or essential, but low paid, worker groups
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>11.1 ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums 11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons</p>	<p>Affordable housing</p> <p>Affordable basic infrastructure</p> <p>Access to essential services</p> <p>Clean transport</p>	<p>Activities that contribute to:</p> <ul style="list-style-type: none"> i) Construction or investment of registered affordable housing, accredited as such in the jurisdiction in which they operate; or ii) Construction, equipping, or operation of clean transportation facilities or associated infrastructure, such as any of light passenger rail, new rail facilities for public use, electric vehicles, infrastructure for electric vehicles, cycleways and other forms of bicycle infrastructure, pedestrian thoroughfares and other transportation infrastructure that encourages modal shifts that reduce harmful emissions
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>12.4 Environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment 12.5 Substantially reduce waste generation through</p>	<p>Pollution prevention and control</p>	<p>Activities that improve waste management, such as by:</p> <ul style="list-style-type: none"> i) Reducing waste from the source; or ii) Recycling or composting to divert waste from landfill; or iii) Diverting waste from landfill and converting it to market-quality compost. iv) Encouraging sustainable farming practices, including organic farming, water efficiency initiatives, waste water reuse,

	prevention, reduction, recycling and reuse		prevention of livestock and untreated effluents from entering waterways
	<p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p> <p>13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</p> <p>13.b Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities</p>	Climate change adaptation	<p>Adaptation projects that demonstrably contribute to reducing vulnerability to climate change identified in the project area and do not increase carbon emissions, such as:</p> <ul style="list-style-type: none"> i) Natural disaster prevention infrastructure (e.g. flood alleviation schemes); or ii) Education programmes to increase awareness and knowledge on climate related issues

2.3 Process for Evaluation and Selection

ANZ's Green Bond Working Group (GBWG), which was established in 2015 in line with ANZ's first Green Bond issuance, will hold ultimate responsibility and accountability for the ANZ SDG Bond Framework including all compliance, throughout the life of all ANZ SDG Bonds issued.

The GBWG is chaired (currently) by the Head of Sustainable Finance (SF) and membership consists of senior representatives from ANZ's Group Treasury, Capital Markets & Bond Syndicate and Sustainable Finance teams. It may be supplemented from time to time, or expanded, by representatives from other teams including Investor Relations and Corporate Sustainability.

For new issuances, SF will manage the Eligible Assets selection process, consulting with internal sustainability practitioners, making recommendations to and seeking confirmation from the GBWG prior to issuance where appropriate.

For existing issuances, SF may unilaterally decide on Eligible Assets for substitution purposes providing the GBWG with updates via the monthly monitoring process described below.

For both new and existing issuances, the Eligible Assets selection process will take into account the following objectives, features and benefits:

- Conformance with the Eligible Categories set out above;
- Conformance with the GBP, SBP and SBG;
- Assessing whether they are in compliance with ANZ's Social and Environmental Risk Policy, our Climate Change Statement, and where applicable, the Equator Principles;
- Applying ANZ's own professional judgement, discretion and sustainability knowledge; and
- Where ANZ chooses, conformance with any other principles, standards or tools that may otherwise become commonplace in the market

In addition:

- Loan Assets include:
 - corporate loans with a definable purpose that aligns to Eligible Categories or which are made to a business or project that derives at least 90% of its revenues from activities in Eligible Categories;
 - project or corporate loans which have achieved a green, social or sustainability certification, assurance, evaluation, second opinion or other type of independent review, including against Green Loan Principles as developed by the Loan Market Association from time to time.

For the avoidance of doubt, Loan Assets or ANZ Expenditure that do not meet the above criteria will not be considered Eligible Assets.

2.4 Management and Tracking of Proceeds

ANZ will track the receipt and use of proceeds via its internal reporting systems, ensuring all Eligible Assets in the SDG Bonds are appropriately identified with monthly monitoring reports provided to the GBWG.

In addition, to ensure appropriate earmarking for the purpose of internal monitoring and external reporting of proceeds, ANZ has established a register that contains all Eligible Assets in the SDG Bonds on issue and the drawn value of the Eligible Assets.

To the extent that any proceeds of an SDG Bond issuance have not been, at issuance or, during the life of the bond, applied directly to finance or refinance Eligible Assets, those proceeds may be invested in cash or, pursuant to ANZ Group Treasury's repurchase bond agreement program, in Government or Semi- Government bonds

2.5 Independent Review

ANZ retains a second party opinion from Sustainalytics to confirm the alignment of the ANZ SDG Bond Framework with the GBPs, the SBPs and the relevant SDGs. The initial opinion and any subsequent updated opinions will be published on [ANZ Debt Investor Website](#).

ANZ has also obtained pre-issuance assurance from EY to confirm that the allocation of proceeds to Eligible Assets has been done in accordance with the ANZ SDG Bond Framework. ANZ will continue to obtain assurance on an annual basis. These assurance statements will be published on [ANZ Debt Investor Website](#).

2.6 Reporting & Disclosure

ANZ recognises investor interest in transparency of reporting and disclosure and will therefore make the following information available when and as described:

Item	Timing	Location
Framework	At the time of first issuance under this Framework	ANZ Debt Investor Website
Second Party Opinion	At the time of first issuance and subsequently when deemed necessary	ANZ Debt Investor Website
Assurance Statements	At initial issuance and when subsequent assurance occurs, to the extent allowed by the assurer	ANZ Debt Investor Website
Use of Proceeds Report	Semi-annually in line with ANZ's Corporate Sustainability reporting timeline	ANZ Debt Investor Website
Impact Report	Annually in line with ANZ's Corporate Sustainability reporting timeline for our full year Corporate Sustainability Report	ANZ Debt Investor Website

Reporting inclusions:

1. Use of Proceeds:

- Eligible Asset volume in comparison to SDG Bonds on issue;
- Summary of Eligible Assets and their contribution to the SDGs;
- Sector mix;
- Geographical mix; and
- Eligible Asset removals or substitutions.

2. Impact: a summary of the impacts of the Eligible Assets, which may include the metrics set out below, where the data is available from clients and subject to permitted disclosure in accordance with relevant confidentiality agreements and privacy, competition or other relevant regulation:

Sustainable Development Goal	Indicative impact criteria(not an exhaustive list)
3: Good Health and Well-being	Number of hospital and other healthcare facilities built/upgraded Number of health patients served
4: Quality Education	Number of students enrolled in facility Number of beds provided by student housing
6: Clean Water and Sanitation	Number of tonnes of clean water provided Number of units of water hygiene equipment provided Number of water infrastructure Projects built i.e. dams, reservoirs Percentage/size of populations provided access to clean water and/or sanitation
7: Affordable and Clean Energy	MWh of clean energy provided Number of tonnes of CO ₂ avoided Number of solar farms or wind farms, including MWh capacity of renewable energy built Location and type of solar or wind farms
9: Industry, innovation, and infrastructure	Energy savings achieved Number of tonnes of CO ₂ avoided
10: Reduced Inequalities	Types of programs offered to advance socio-economic position Number of people enrolled in such programs Profile of program participants (including

	<p>marginalised/underrepresented groups)</p> <p>Number of people given access to affordable housing Profile of affordable houses (including from low socio-economic groups and/or essential, but low paid, worker groups) location of affordable housing (including in urban and suburban areas with high employment availability)</p>
11: Sustainable Cities and Communities	<p>Length of rail tracks, cycleways, pedestrian thoroughfares Number of passengers accommodated Number of affordable housing dwellings provided</p>
12: Responsible Production and Consumption	<p>Diversion rate from landfill (%) Agricultural commodities produced in accordance with certified sustainable production standards eg RSPO for palm oil, FSC for forestry, etc, or organically certified produce Length of fencing installed to prevent livestock access to waterways</p>
13: Climate Action	<p>Number of people reached by educational programs to increase climate change awareness Qualitative reporting on adaptation infrastructure or projects, such as: - estimated cost savings or costs avoided from implementation of such infrastructure or projects; or - Carbon emissions reduced or avoided from implementation of such infrastructure or projects</p>

2.7 Ongoing Market Development

The green, social and sustainable capital finance market continues to evolve, which means that what constitutes appropriate instruments is still subject to interpretation. ANZ recognises this complexity and seeks to utilise existing and commonly accepted mechanisms in the marketplace, such as the GBPs, SBPs, SBGs, SDGs and others as they become available. These are reflected in the Framework, and we are constantly looking at ways to improve our approach, welcoming any feedback from investors and other stakeholders to better meet their needs and to fulfil our core purpose in society – to shape a future where people and communities thrive.