

SUSTAINABLE FINANCE

AMBITION

Support our customers with innovative Finance as they transition to a lower carbon, more sustainable economy

ACHIEVEMENTS

Finance Asia
BEST
Australia Green Bond
House 2017

IFINZ Institutional Banking
INNOVATION
Award 2018

Launch of
\$150 million
Energy Efficient asset
Finance program with CEFC

Passed **\$11 billion** in progressing towards ANZ's
2020 \$15b environmental sustainability Funding target

HIGHLIGHTS



Debut €750m Five-year SDG bond
- Sole Arranger, Joint Lead Manager



Debut \$125m three-year sustainability bond
- ANZ was sole arranger & lead manager



NZ\$1.8b Green Borrowing Program
- Sole Arranger

KEY INITIATIVES

- + Continued delivery of **Client Insights** through intimate roundtables addressing sustainability issues of strategic importance
- + Targeted origination of **sustainability capital markets opportunities** in the Corporate, FI and semi-Govt sectors
- + Implement lending linked to **sustainability performance** For Key Institutional customers

ANZ IS COMMITTED TO GREEN AND SOCIAL SUSTAINABILITY

OUR ORGANISATIONAL PURPOSE AND CORPORATE SUSTAINABILITY FRAMEWORK ARE ALIGNED TO SUSTAINABILITY

ANZ'S PURPOSE IS TO SHAPE A WORLD WHERE PEOPLE AND COMMUNITIES THRIVE

- Through our business activities, customer solutions and sustainability efforts we are delivering on our purpose
- We are **committed to addressing societal challenges**, in particular, **environmental sustainability, financial wellbeing and housing** affordability and access
- We set **public sustainability targets** to support the delivery of this agenda
- We **report on our performance annually** through our Corporate Sustainability Report against a range of green and social indicators
- We are **signatory to the UN Global Compact** for the SDGs
- We have been consistently recognised as one of the most sustainable banks in the world on the annual Dow Jones Sustainability Index

ANZ'S CORPORATE SUSTAINABILITY FRAMEWORK IS ALIGNED TO THE SUSTAINABLE DEVELOPMENT GOALS



SUSTAINABLE DEVELOPMENT GOALS



STATE OF THE MARKET – KEY DRIVERS



GLOBAL



AUSTRALIA/NZ



ESG AT ANZ: GREEN & SUSTAINABILITY TRACK RECORD

AUD15bn Pledge	<ul style="list-style-type: none">ANZ has committed to fund and facilitate at least AUD15bn in low carbon and sustainable solutions by October 2020 with AUD11.5bn already committed as at 30 September 2018
ANZ Green & Sustainability Bond Issuance	<ul style="list-style-type: none">ANZ issued a EUR 750M Sustainability Bond in February 2018, 5 year fixed rate; released first Use of Proceeds Report in June 2018ANZ issued its inaugural AUD600M Green Bond in June 2015, 5 year fixed rate; released an inaugural Impact Report in Dec 2017
ANZ Footprint	<ul style="list-style-type: none">ANZ has committed to reduce the direct impact of our business activities on the environment with respect to carbon emissions, renewable energy, water, recycling and paper. ANZ's business operations have been Net Zero Carbon since 2010In December 2017, ANZ joined the Telstra-led Power Purchase Agreement with other leading corporates with supply from the 226MW Murra Warra wind farm
Environmental, Social & Governance	<ul style="list-style-type: none">The Environmental, Social & Governance Committee, led by ANZ's Chair, has a specific focus on sustainability, approving the bank's sustainability targets and reviewing progress. The Responsible Business Committee, chaired by ANZ's CEO and comprised of senior executives from business divisions and Group functions, is a leadership and decision making body that exists to advance ANZ's purpose
FSB's Taskforce on Climate-related Financial Disclosures¹	<ul style="list-style-type: none">ANZ was the first bank globally to align our disclosures with the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD)This included describing our exposure to carbon-related assets (specifically, our customers in the thermal coal supply chain) and their resilience to different climate-related scenarios (refer to our 2018 Annual Review here)
Climate Change Statement	<ul style="list-style-type: none">ANZ Issued our position on Climate Change in Oct 2015 in support of the transition to a low carbon economy (accessible here)In 2018 we revised our Climate Change Statement committing to encourage and support 100 of our largest emitting customers in the energy, transport, property, food, beverage and agricultural sectors to establish and strengthen existing low carbon transition plans by 2021
Social and Economic Participation	<ul style="list-style-type: none">ANZ has committed to enable social and economic participation of 1 million people by 2020 through our initiatives to support financial wellbeing (including our financial inclusion and community programs, and our programs to employ under-represented groups such as Indigenous Australians, people with a disability and refugees) and targeted banking products and services for small business and retail customers.
Mapping Sustainable Development Goals to our Sustainability Targets	<ul style="list-style-type: none">To better understand the SDGs and the linkages to our business, ANZ has mapped the relevant SDGs to our public sustainability targets. We have also embarked on an exercise of mapping the SDGs to our Project and Export Finance book
Social and Environmental Risk Policy	<ul style="list-style-type: none">Assimilated our Sensitive Sector policies into a cohesive umbrella policy in October 2017. 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 (accessible here).

1. Further information on our strategy, progress against our objectives and our 2018 priorities is available in our 2018 Annual Review, via anz.com/annual-report-annual-review

2. Further information on ANZ's alignment of disclosures with TCFD recommendations is available in our 2018 Annual Report, via anz.com/annual-report-annual-review (pages 32-34)

MARKET UPDATE FOR SUSTAINABILITY INSTRUMENTS

There are different structured finance products available, each with its own advantages to borrowers and investors/lenders

USE OF PROCEEDS MARKET UPDATE

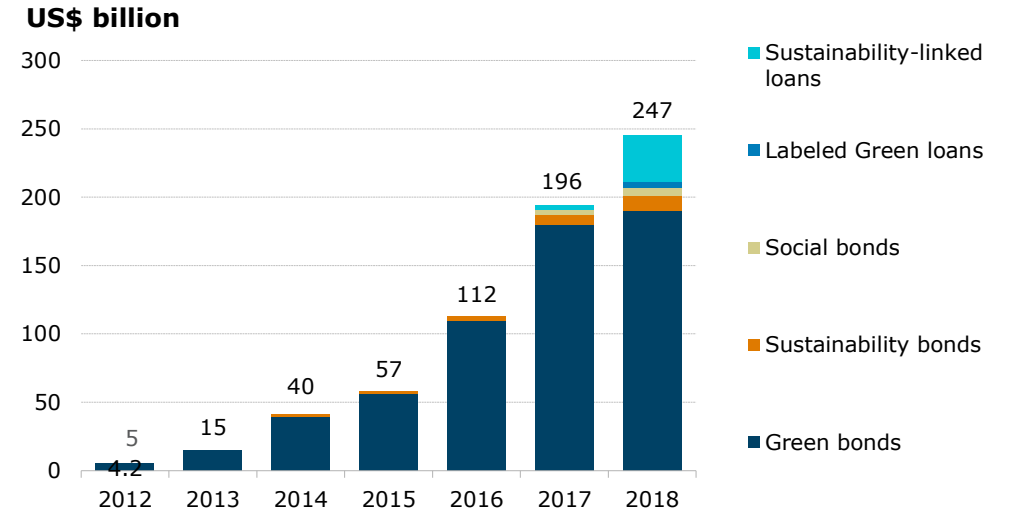
BOND MARKET

- **Green Bonds** - first issued in 2007 and the market has grown to global issuance of US\$182bn in 2018.
- Green buildings, low carbon transport and renewable energy issuances make up the lion's share of use of proceeds issuances, while water and waste related issuances are growing.
- **Social Bonds and Sustainability Bonds**- first issued in global markets in 2014 and 2015: 2018 global issuance of US\$11.1bn (up from US\$7.9bn in 2017) and US\$13.7bn (up from US\$9.9bn in 2017) for Social and Sustainability Bonds respectively

LOAN MARKET

- Market interest is turning towards the **Green Loan** market.
- Loan Market Association ("LMA") released the Green Loan Principles (closely aligned to the Green Bond Principles) in February 2017, with the most recent version being published in March 2018.

Sustainable Debt Finance Annual Issuance

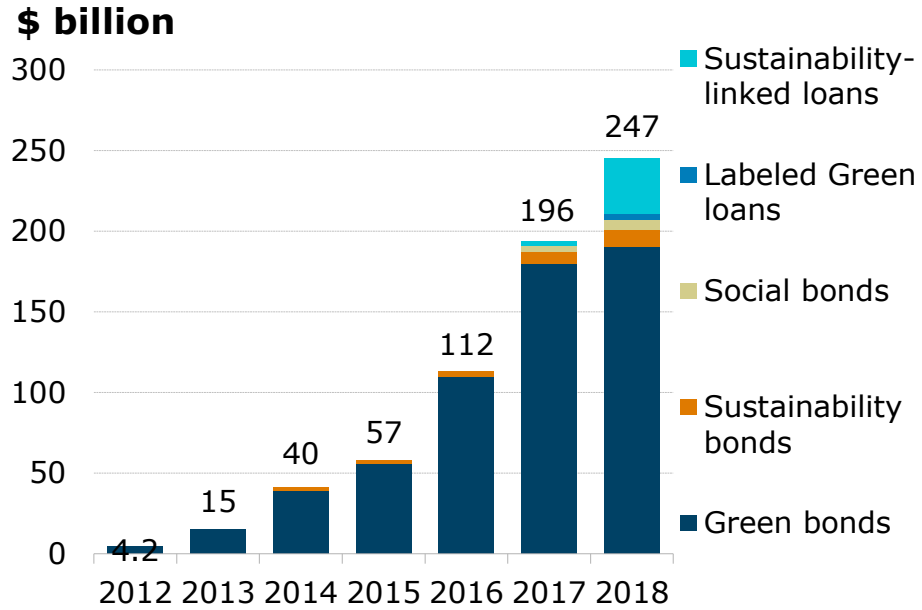


Source: BloombergNEF

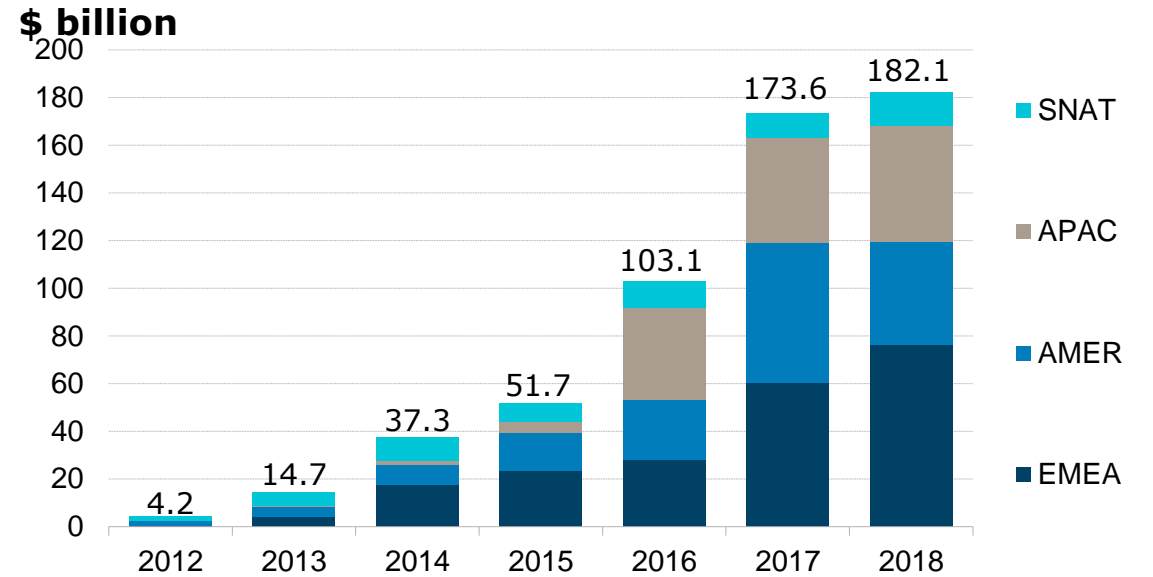
SUSTAINABILITY PERFORMANCE LINKED LOANS MARKET UPDATE

- **Primarily driven out of Europe;** market started in April 2017 with a sustainability performance linked loan (SPLL) provided by a banking syndicate to Philips. This market continues to grow and estimated that ~20 separate loan facilities provided since this initial transaction
- First sustainability performance linked loans recently from Asia, including Olam's Sustainability performance linked loan (March 2018).
- In December 2018 ANZ signed the first SPLL in Australia with Adelaide Airport Limited.
- **Annual global issuance of SPLLs in 2018 was US\$36.4bn** (up from US\$4.7bn in 2017)
- **The LMA has developed SPLL Principles** and will be releasing these in March

MARKET UPDATE – STRONG GROWTH IN GREEN & SUSTAINABLE FINANCE ISSUANCES



Sustainable Debt Finance Annual Issuance

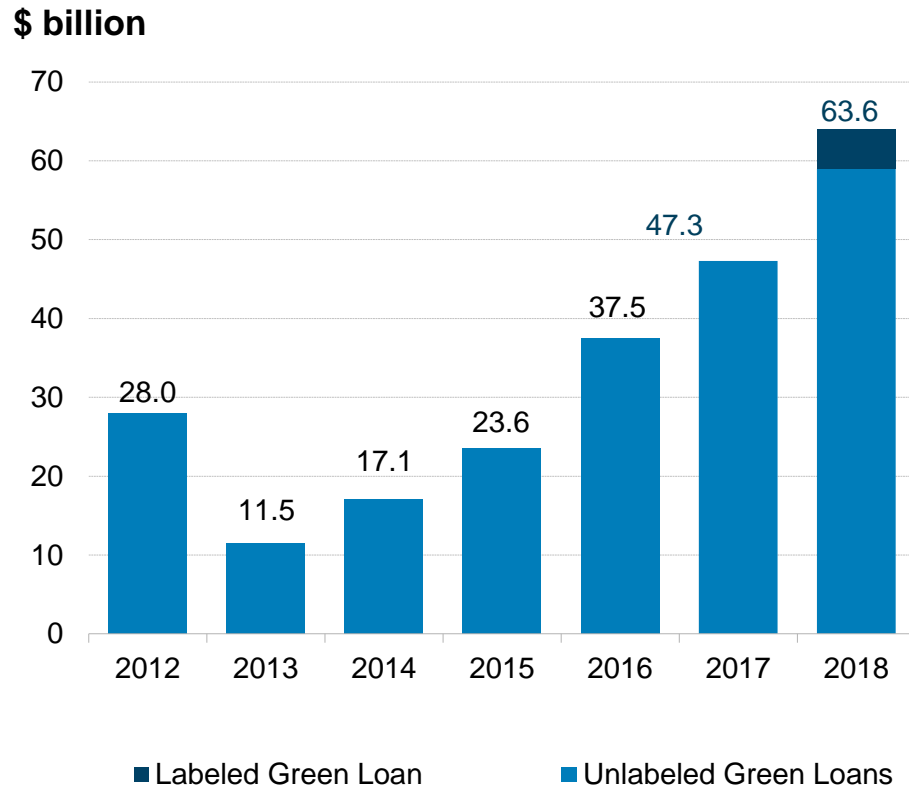


Green Bond Issuance by region, APAC an increasing share

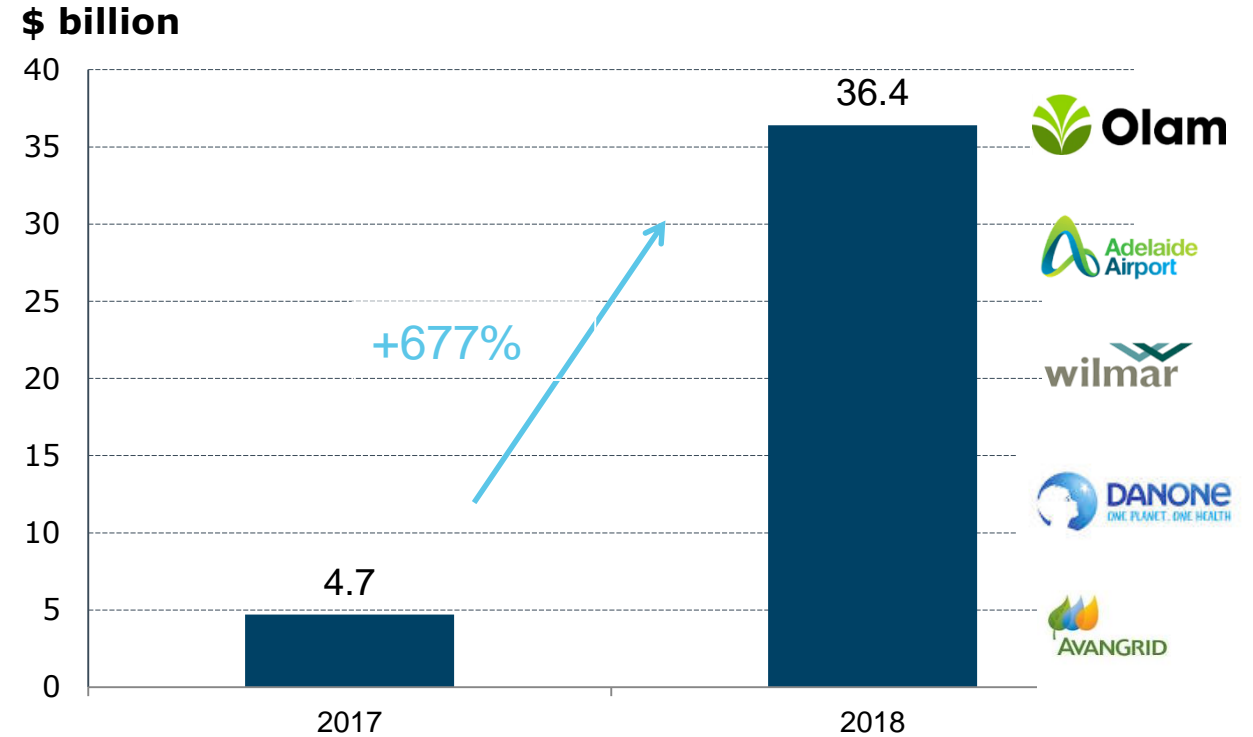
- Source: BloombergNEF
- Note: Labeled green loans - borrower or bank has purposely labeled the loans as green, and taken steps to comply with the **Green Loan Principles**

GREEN LOAN ISSUANCE & SUSTAINABILITY-LINKED LOAN GROWTH

GREEN LOAN ISSUANCE



SUSTAINABILITY-LINKED LOANS

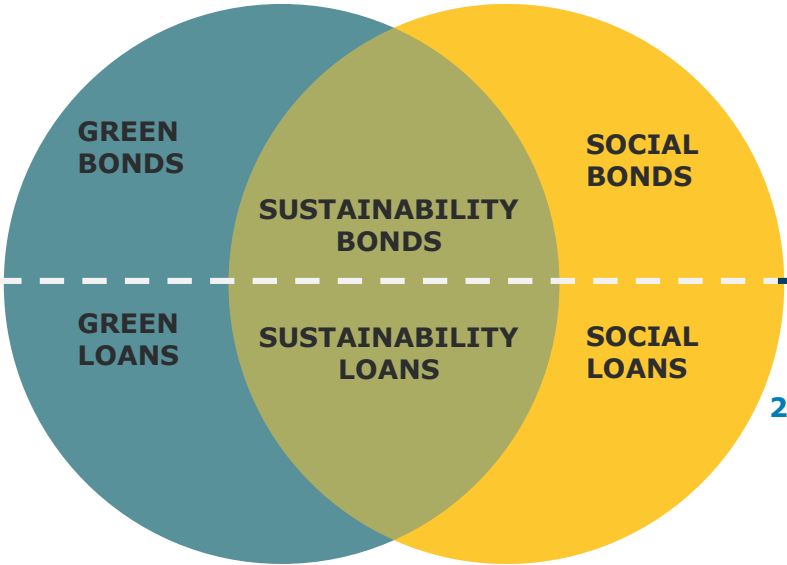


- Source: BloombergNEF
- Note: Labeled green loans - borrower or bank has purposely labeled the loans as green, and taken steps to comply with the **Green Loan Principles**. Unlabeled green loans - loans used to finance green activities, but WHICH have not been designated as green by the borrower, and do not therefore comply with four components of the Principles.

SUSTAINABLE FINANCE – PRODUCT TRENDS



USE OF PROCEEDS APPROACH



SUSTAINABILITY PERFORMANCE LINKED APPROACH

