

GREEN BOND FRAMEWORK



OVERVIEW

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.

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 corporate sustainability framework supports our business strategy and is aligned with ANZ’s purpose. The framework has three key areas of focus:



ANZ’S FRAMEWORK

ANZ’s Green Bond Framework (the Framework) has been developed in line with the Green Bond Principles (GBP). We are releasing this Framework as detailed in Section 1 of this report. It is also available on our Debt Investor [website](#).

ANZ’s Framework is intended to provide transparency in its Green Bond issuances and reporting processes. ANZ is focused on developing a strong Green Bond market.

We have based our Framework on the four pillars of the GBP, being “Use of Proceeds”, “Process for Evaluation and Selection”, “Management of Proceeds” and “Reporting”. It is also consistent with the Climate Bonds Standard V2.1 (the CBS). The GBP and CBS are widely accepted in capital markets as the basis for issuance of Green Bonds.

ANZ’S FIRST GREEN BOND

ANZ issued an AUD 600 million 5 year fixed rate Green Bond in June 2015, to finance in part, an approximately AUD 1 billion portfolio of loan assets in renewable energy projects and commercial low carbon buildings in the Asia Pacific region.

The issuance is certified against the Climate Bonds Initiative (CBI) standards and supported by annual assurance from EY. The CBI is a not-for-profit organisation that aims to promote large-scale investments that help deliver a low carbon economy. Its standards provide a scientific framework to ensure that Green Bond proceeds are used in ways that are consistent with delivering low carbon outcomes.

\$600M
5 year fixed rate Green Bond
in June 2015 to finance

\$1.0BN
portfolio of loan assets in
renewable energy projects
and low carbon buildings¹

¹ A\$1.02 Billion as at 30 September 2017; refer Use of Proceeds reporting on [ANZ’s debt investor website](#)

ANZ GREEN BOND FRAMEWORK

USE OF PROCEEDS

A key element of a green bond is how the proceeds are used. The proceeds of each ANZ Green Bond will be used to finance or re-finance eligible businesses and projects that promote the transition to a low carbon, climate resilient and sustainable economy and provide clear environmental sustainability benefits (Eligible Assets).

Eligible Assets may include, but are not limited to, lending and expenditure across ANZ that falls within the following categories, subject to consistency with ANZ's then applicable social and environmental risk policies:

- renewable energy (generation and technology/componentry manufacturing);
- energy efficiency processes and products/technology;
- low carbon and efficient buildings (new build and renovations meeting recognised environmental standards including commercial, industrial, retail and residential),
- low carbon transport assets, systems, infrastructure, components and services;
- climate change resilience and adaptation infrastructure and technologies including natural ecosystem preservation;
- water and wastewater management (collection, treatment, recycling infrastructure and technologies);
- sustainable land use; and
- waste management (projects/technologies that promote minimisation, collection, recycling or processing/capture of emissions).

PROCESS FOR EVALUATION AND SELECTION

In early 2015 in preparation for its first issuance, ANZ's Treasury, Bond Syndicate and Sustainable Finance Solutions teams formed ANZ's Green Bond Working Group (GBWG). The purpose of the GBWG is to oversee all tasks associated with the issuance of ANZ Green Bonds and to ensure that these activities are in alignment with the pillars described within this Framework. The GBWG holds ultimate responsibility and accountability for the Framework, including all compliance, throughout the life of all ANZ Green Bonds issued.

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

For new issuances, Sustainable Finance Solutions 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 both new and existing issuances, the following objectives, features and benefits of the projects will be taken into account:

- environmental objectives, features and benefits of the projects;
- conformance to Eligible Asset guidelines set out above;
- conformance with the GBP; and
- where an issuance is to be certified by the CBI, conformance with the CBI's current standards and sector criteria.

MANAGEMENT OF PROCEEDS

ANZ tracks the receipt and use of proceeds via its internal reporting systems, ensuring Eligible Assets financed by ANZ Green Bonds are appropriately identified. 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 financed by or able to be financed by ANZ Green Bonds on issue and their drawn value.

ANZ monitors and reports on management of proceeds on a monthly basis internally, and reports externally to investors on at least a semi-annual basis. In either case these reports outline for the relevant period:

- Eligible Asset volume in comparison to Green Bonds on issue;
- list of Eligible Assets and location;
- sector mix;
- geographical mix; and
- Eligible Asset removals or substitutions.

ASSURANCE

ANZ's Framework has been assured by EY against CBI criteria. ANZ may seek further certification from the CBI if the Framework changes or if a particular issuance requires it as determined by ANZ, in which case further assurance from a CBI-approved verifier (for example, EY) will be sought.

ANZ's first Green Bond issuance was assured by EY against CBI criteria on a pre-issuance basis and continues to be assured on a post-issuance basis annually. Likewise, for each new Green Bond issued under this Framework, ANZ will engage a CBI-approved verifier to ensure that the issuance aligns with the process and procedure set out in this Framework on a pre-issuance basis and at least once post-issuance in accordance with the CBI criteria as it stands from time to time. ANZ's reports will be made available on our website as set out below.

REPORTING & DISCLOSURE

ANZ has made the following information available when and as described:

Disclosure Item	Timing	Location
Framework	This document	debtinvestors.anz.com/green-bonds
Assurance Statements	At initial issuance, and annually during the life of the bond, subject to the assurer	debtinvestors.anz.com/green-bonds
Proceeds Reporting	At least semi-annually during the life of the bond	debtinvestors.anz.com/green-bonds
Impact Reporting	Annually	debtinvestors.anz.com/green-bonds
CBI Certification	At issue	debtinvestors.anz.com/green-bonds

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 Sensitive Sector Policies – recently consolidated into a new Social and Environmental Risk Policy. This new policy was launched in October 2017 and consolidates the principles and standards previously embedded within our six Sensitive Sector Policies into one ‘umbrella’ policy.

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 (including in its previous form as our Sensitive Sector policies) is applied every time ANZ lends to a borrower or project and therefore to 100% of the Eligible Assets in our Green Bonds. For Project Finance facilities, these have an additional level of scrutiny as they are also reviewed against the Equator Principals. Further information about our policies is available on anz.com/cs.

ONGOING MARKET DEVELOPMENT

The green lending market continues to evolve, which means that what constitutes green is still subject to interpretation. ANZ recognises this complexity and seeks to utilise existing and commonly accepted mechanisms in the marketplace, such as GBPs and the CBI criteria where available, and others as they become available. These are reflected in ANZ's Framework, and we are constantly looking at ways to improve our approach and welcome any feedback from investors and other stakeholders. Through this feedback we hope to better meet the needs of investors and to fulfil our core purpose in society – to shape a future where people and communities thrive.

For further information about ANZ's
Green Bond Framework please contact:

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