

# Second-Party Opinion

## ANZ SDG Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the ANZ SDG Bond Framework is credible and impactful and aligns with the Green Bond Principles 2018, Social Bond Principles 2020 and Sustainability Bond Guidelines 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible use of proceeds related to UN Sustainable Development Goals (SDGs) – (i) Good Health and Well-being, (ii) Quality Education, (iii) Clean Water and Sanitation, (iv) Affordable and Clean Energy, (v) Decent Work and Economic Growth (vi) Industry, Innovation, and Infrastructure, (vii) Reduced Inequalities (viii) Sustainable Cities and Communities, (ix) Responsible Production and Consumption, (x) Climate Action, (xi) Life on Land – are aligned with those recognized by both the Green Bond Principles, Social Bond Principles and the Sustainability Bond Guidelines. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts while advancing the selected SDGs, namely SDG 3, 4, 6, 7, 8, 9, 10, 11, 12, 13 and 15.



**PROJECT EVALUATION / SELECTION** ANZ has a dedicated SDG Bond Working Group (SBWG) who will be responsible for overseeing the project evaluation and selection process. The SBWG is chaired by the Head of Sustainable Finance and is comprised of senior representatives from ANZ’s Group Treasury, Capital Markets & Bond Syndicate and Sustainable Finance teams. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** ANZ uses its internal reporting systems to track eligible assets for ANZ SDG bonds. In addition, the Bank has established a register that includes all eligible assets. Pending allocation, the proceeds may be invested in cash or, as per the bond agreement program, in Government or Semi-Government Bonds. Unallocated proceeds will be disclosed as part of ANZ’s semi-annual reporting. This is in line with market practice.



**REPORTING** ANZ has committed to publicly providing semi-annual reporting on use of proceeds and annual impact reporting, until the maturity date of the bonds. Allocation reporting will include information such as a summary of eligible assets and their contribution to the SDGs, while impact reporting will draw on several qualitative and quantitative indicators. Sustainalytics views ANZ’s allocation and impact reporting as aligned with market practice.

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**Evaluation date** August 14, 2020

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**Issuer Location** Melbourne, Australia

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## Introduction

Australian and New Zealand Banking Group Limited (“ANZ”, or the “Bank”) is a multinational banking and financial services company headquartered in Melbourne, Australia. ANZ provides a broad range of banking and financial products and services to retail, small business, corporate and institutional customers. The Bank operates in Australia, New Zealand, the Asia Pacific region, the United Kingdom, France, Germany, and the United States, and as of 2019 has over 39,000 employees.

ANZ has developed the ANZ SDG Bond Framework (the “Framework”) under which it intends to issue green, social and sustainability bonds (SDG bonds). An SDG bond is a type of sustainability bond that aligns the funded social and environmentally impactful projects with the Sustainable Development Goals (SDGs).<sup>1</sup> As such, proceeds of the SDG bonds may be directed towards projects from ANZ’s lending activities and will be used to finance and refinance, in whole or in part, future and existing projects and businesses, including ANZ’s own operating or capital expenditures that contribute to the achievement of the following Sustainable Development Goals:

1. SDG 3: Good Health and Well-being
2. SDG 4: Quality Education
3. SDG 6: Clean Water and Sanitation
4. SDG 7: Affordable and Clean Energy
5. SDG 8: Decent Work and Economic Growth
6. SDG 9: Industry, innovation, and infrastructure
7. SDG 10: Reduced Inequalities
8. SDG 11: Sustainable Cities and Communities
9. SDG 12: Responsible Production and Consumption
10. SDG 13: Climate Action
11. SDG 15: Life on Land

This Framework builds upon the Bank’s 2018 SDG Bond Framework by expanding eligible categories and projects.

ANZ engaged Sustainalytics to review the ANZ SDG Bond Framework, dated August 2020, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA. This Framework has been published in a separate document.<sup>2</sup>

### Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.4.2, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of ANZ’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. ANZ representatives have confirmed (1) they understand it is the sole responsibility of ANZ to ensure that the information provided is

<sup>1</sup> UN Sustainable Development Goals: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

<sup>2</sup> The ANZ SDG Bond Framework is available on Australia & New Zealand Banking Group Ltd.’s website at: <https://www.anz.com/debtinvestors/centre/>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and ANZ.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that ANZ has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the ANZ SDG Bond Framework

Sustainalytics is of the opinion that the ANZ SDG Bond Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2020 (SBP). Sustainalytics highlights the following elements of ANZ's Sustainability Bond Framework:

- Use of Proceeds:
  - The eligible categories related to SDGs – (i) Good Health and Well-being, (ii) Quality Education, (iii) Clean Water and Sanitation, (iv) Affordable and Clean Energy, (v) Decent Work and Economic Growth (vi) Industry, Innovation, and Infrastructure, (vii) Reduced Inequalities (viii) Sustainable Cities and Communities, (ix) Responsible Production and Consumption, (x) Climate Action, (xi) Life on Land – are aligned with those recognized by the GBP and SBP. Sustainalytics believes that eligible assets will contribute to the transition towards a low-carbon economy and generate positive social impacts for the targeted populations.
  - ANZ intends to use proceeds for both project-based lending and for general purpose loans for pure-play businesses that derive 90% of revenues from activities identified in the eligible categories. While Sustainalytics recognizes that the GBP, SBP, and SBG prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending, Sustainalytics views favorably the high threshold that ANZ has established to consider corporate lending as eligible for financing under the SDG Bond Framework
  - The Bank has established a two-year lookback period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
  - Sustainalytics notes examples of ANZ's intended eligible assets under the Good Health and Well-Being SDG:

(Please see Section 3: Impact of Use of Proceeds for additional details)

- Hospitals, Clinics and Health Care Centers: Provision of loans for the construction, supply of goods and operation of public hospitals, clinics and health care services, as well as private hospitals which include one of the following three eligibility criteria: (i) are not for profit (ii) provide free/subsidized social benefit programs for vulnerable and disadvantaged communities, or (iii) have agreed to make healthcare services available to the public as required under government agreements. Examples of such agreements include the Viability for Capacity Guarantee, which is the agreement of the Government

- with private hospital sector, ensuring timely response and sufficient capacity during the coronavirus (COVID-19) pandemic. Under the agreement, private hospitals will provide services for public patients, including elective surgeries, surgical theatres and wards, and accommodation for quarantine and isolation. Sustainalytics acknowledges the importance of strengthening the health system response to COVID-19, thus welcomes the objectives of the financing.
- Aged Care Services: Provision of loans to aged care centers which are required to provide financially supported places for low-income residents<sup>4</sup> in a range between 16% to 40% of the facility's capacity, depending on the facility's operating location.
  - Specialist Disability Accommodation ("SDA"): Provision of loans to SDAs, which provides governmental funding for accommodation expenses to individuals with extreme functional impairment or very high support needs.
- Under the Affordable and Clean Energy SDG, ANZ may include financing for generation or transmission of renewable energy and energy efficiency, including the following activities:
- Regarding generation activities, ANZ may include financing to electricity generation from the following renewable energy sources: wind, solar, hydro, biomass and geothermal.
    - For hydropower projects, ANZ may include small-scale (<25 MW) facilities, run-of-river facilities, and large-scale (>25 MW) facilities. For large-scale hydropower facilities, ANZ will include one of the following eligibility criteria: (i) life-cycle carbon intensity is below 100gCO<sub>2e</sub>/kWh, or (ii) power density is greater than 5W/m<sup>2</sup>. ANZ confirmed that the Bank does not intend to include financing of large-scale hydropower projects as additional eligible assets at this stage, and for any hydropower projects to be included in future, projects will obtain environmental and social impact assessments by a credible third-party per project in order to ensure there is not significant risk or expected negative impact identified associated with projects. Furthermore, ANZ will engage with an assurance provider annually to provide further transparency on the alignment of eligible assets, including hydro power facilities, with the SDG Bond eligibility criteria.
    - ANZ confirmed that geothermal assets would be eligible if their direct emissions do not exceed 100gCO<sub>2</sub>/kWh.
    - Regarding biomass, ANZ applies one of the following eligibility criteria for its biomass projects under the SDG Bond Framework: (i) energy intensity threshold of 100gCO<sub>2</sub>/kWh for electricity generation, or (ii) 80% reduction in GHG emissions compared to a fossil fuel baseline for biofuel production. ANZ confirmed that the feedstock may include sustainably managed waste, including straw and animal manure. In case of using non-waste biomass as feedstock in future, Sustainalytics strongly encourages ANZ to ensure that biomass will be derived from sources that do not compete with food production or deplete carbon pools and that the biomass not be grown in areas with high biodiversity.
  - Regarding transmission activities, ANZ may include loans for renewable added capacity connection services, such as substations to connect power generation to the grid, or transmission/grid maintenance or expansion which supports at least 90% of renewable added capacity.
  - Energy efficiency includes technologies in new and refurbished buildings, energy storage, district heating, and smart grids appliances and products. While noting the variety of definitions and applications of "smart grid" technology, Sustainalytics views positively financings which intend to improve grid efficiency and encourages ANZ to select eligible assets that are clearly anticipated to deliver tangible efficiency improvements. Regarding district heating systems involving distribution, ANZ confirmed that the intended distribution network will be primarily (>50%) powered by

<sup>4</sup> Supported or concessional residents earning a minimum annual amount of AUD 47,500.

- renewables and/or waste heat, and waste heat sourced from the burning of coal or natural gas will be excluded.
- As part of the Industry, Innovation and Infrastructure SDG, ANZ may include financing of the construction, renovation or operation of buildings that achieve any of the following certification schemes to at least the level indicated: Green Star 5, NABERS 5, BREEAM Excellent, NABER NZ Excellent (or equivalent). (For Sustainalytics assessment of the listed schemes, please refer to Appendix 1: Green Buildings Certifications.) Regarding green building portfolios, the ratable Net Let Area (“NLA”)<sup>5</sup> will meet the listed standards for at least 90% of total NLA, which Sustainalytics considers to be in line with market practice.
  - In the Responsible Consumption and Production SDG, ANZ may include financing activities that improve waste management through reducing waste from the source, recycling and composting, diverting from landfill and converting it to market quality compost, and encouraging sustainable farming practices.
    - Regarding reducing waste from the source, Sustainalytics does not have insight into the future projects financed under the Framework, thus cannot determine their potential impacts on the environment and communities.
    - Regarding sustainable farming practices, ANZ may include financing of organic farming, water efficiency initiatives, and projects aimed at prevention of livestock and untreated effluents from entering waterways, including collection of rainwater and installation of specific equipment components such as pressurized pipe to convey effluent to storage. ANZ uses credible third-party standards for its financings in organic farming such as schemes approved by certifying organisations under the Department of Agriculture, Water and the Environment.<sup>6</sup> (For Sustainalytics assessment of the schemes, please refer to Appendix 2: Organic Farming Certifications.)
  - Within eligible assets related to the Decent Work and Economic Growth SDG, ANZ may include targeted financial services for SMEs<sup>7</sup> that aim to create and/or preserve jobs, and programs and initiatives that aim to improve financial literacy and accessibility. The financing of SMEs includes lending to SMEs affected by COVID-19, as part of the Australian Government’s Coronavirus SME Guarantee Scheme, and lending to SMEs owned or run by marginalized underrepresented groups or which provide services to marginalized or underrepresented groups. Sustainalytics notes ANZ’s commitment to report on the definition of marginalized and/or underrepresented groups in its annual SDG Bond reporting with respect to this category, and highlights ANZ’s Human Rights Policy, which obliges ANZ to address potential risks of SME financing such as child labor, forced labor and inadequate working conditions.
  - Within the Quality Education SDG, ANZ may include the financing of activities that expand access to education or improve educational infrastructure. These activities include technical, vocational, and tertiary educational schemes, as well as the construction of or investment in facilities such as tertiary campuses, universities, or student housing. The vast majority of universities are public, ensuring affordable access to the population.<sup>8</sup> As for the provision of student housing, the Government may provide rent assistance for low-income students. Besides, ANZ may finance activities that target women and minority inclusion in educations systems. Sustainalytics encourages ANZ to promote access to targeted groups, and report on the impact achieved.
  - In the Reduced Inequalities SDG, ANZ may include financing of activities that aim to support marginalized/underrepresented groups<sup>9</sup> in advancing their socio-economic position. Planned

<sup>5</sup> Net Lettable Area (NLA) is a measurement of the total occupiable floor space taken from the inside surfaces of the exterior walls and/or the mid-line of any shared walls and excludes areas such as common stair wells, toilets, lift lobbies and vertical service ducts. This method is most used to measure multistory, multi tenancy buildings such as office buildings.

<sup>6</sup> Department of Agriculture, Water and the Environment Organic Approved Certifying Organisations, at: <https://www.agriculture.gov.au/about/contact/phone/approved-certifying-organisations#ausqual-pty-ltd-ausqual>

<sup>7</sup> In Australia, there is no agreed or uniform legislative definition of an SME. ANZ classifies small business at having less than 1M in commercial lending agreements, The Australian Taxation Office (ATO) defines small business as <A\$10m turnover, whilst the Government defines an SME as <A\$50m turnover.

<sup>8</sup> Low-income students may access an interest-free loan to defer payment of university course scheme, the Higher Education Contribution Schemes or HECS-HELP scheme.

<sup>9</sup> Marginalized/underrepresented groups are defined based on age, sex, disability, race, ethnicity, origin, religion or economic or another status.

- activities include financial education programs, training programs to access employment/self-employment, and targeted services to increase access to affordable housing. ANZ confirmed that affordable housing is defined under the National Rental Affordability Scheme,<sup>10</sup> which targets low-income individuals and households.
- As part of the eligible assets related to the Climate Action SDG, the Bank may finance adaptation projects that contribute to reducing vulnerability to climate change, including natural disaster prevention infrastructure and education programs to increase climate change awareness. The Bank confirmed that natural disaster prevention infrastructures, such as flood alleviation schemes, will be subject to a vulnerability assessment and adaptation plan. Sustainalytics encourages ANZ to provide full disclosure on these assessment and adaptation plans per project following their inclusion as Eligible Assets.
  - Within the Life on Land SDG, ANZ may include lending regarding sustainable forest management and restoration of land and natural habitats, including reforestation activities. ANZ will utilize third-party standards for its financings in this category, such as the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC). (See Appendix 3 for additional details.) Furthermore, eligible assets will be subject to confirmation that the tree species are well-adapted to site conditions.
  - Project Evaluation and Selection:
    - ANZ has established an SDG Bond Working Group (SBWG) which will be responsible for overseeing the project evaluation and selection process. The SBWG is chaired by the Head of Sustainable Finance and is comprised of senior representatives from ANZ's Group Treasury, Capital Markets & Bond Syndicate and Sustainable Finance teams. The SBWG may be supplemented by additional representatives from other teams from time to time, at the Bank's discretion.
    - The Sustainable Finance team will manage the eligible asset selection process for new issuances, with input from the SBWG and consultation from internal sustainability practitioners. For existing issuances, the Sustainable Finance team may unilaterally decide on substituting eligible assets and will be responsible for providing the SBWG with updates monthly.
    - In addition to conforming with the eligibility criteria and market practice standards, ANZ is committed to drawing on additional principles, standards and tool in the market, where feasible, including the Climate Bond Standards.
    - Based on the clear delegation of responsibility for project selection and evaluation with cross-departmental representation, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - ANZ uses its internal reporting systems to identify, monitor and track eligible assets for ANZ SDG Bonds. In addition, the Bank has established a register that includes all eligible assets and the drawn value of the eligible assets for the ANZ SDG bonds on issue.
    - Pending allocation, the proceeds may be invested in cash or, pursuant to ANZ Group Treasury's repurchase bond agreement program, in Government or Semi-Government Bonds. Unallocated proceeds will be disclosed as part of ANZ's semi-annual reporting. This is in line with market practice.
    - Based on the outlined commitments, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - ANZ has committed to publicly providing semi-annual reporting on use of proceeds and annual impact reporting until the maturity date of the bonds. Allocation reporting will include eligible asset volume in comparison to the SDG bonds on issue; a summary of eligible assets and their contribution to the SDGs (subject to permitted disclosure); sector mix; geographical mix; and eligible asset removals or substitutions. Impact reporting will consist of a summary of the impacts of the eligible assets, which will draw on several qualitative and quantitative metrics as outlined in the Framework.

<sup>10</sup> In order to qualify as Affordable Housing under the NRAS, rents must be at least 20% below market. Approved providers are usually property developers, not-for-profit organizations and community housing providers.

- ANZ has committed to obtaining annual assurance covering each SDG bond on issue as of September 30<sup>th</sup> each year, which will seek to confirm that the allocation of proceeds to eligible assets has been made in alignment with the Framework.
- Sustainalytics considers ANZ's allocation and impact reporting commitment to be in line with market practice.

### Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the ANZ SDG Bond Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020) and therefore aligns with the Sustainability Bond Guidelines (2018). For detailed information please refer to Appendix 4: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Performance of ANZ

### Contribution of Framework to ANZ's sustainability strategy

With a mission to "help shape a world in which people and communities thrive",<sup>11</sup> sustainability lies at the core of ANZ's business strategy and operations. In line with its Climate Change Statement<sup>12</sup> and in support of the Paris Agreement, the Bank is committed to integrating sustainability considerations across its business model by focusing on the following key areas: 1) supporting household, business and financial practices that improve environmental sustainability; 2) improving the availability of suitable and affordable housing options and 3) improving the financial wellbeing of its customers, employees and community. To meet these commitments, the Bank has developed ESG targets and quantitative performance objectives and has reported on its progress to date within each of these focus areas in the 2019 ANZ ESG Supplement<sup>13</sup> report. The proceeds of the bonds issued under this Framework will be used to fulfill ANZ's overarching mission, with the eligible categories aligning with all three of the Bank's underlying strategic pillars.

In 2015, ANZ set the goal to fund and facilitate at least AUD 15 billion by 2020 towards environmentally sustainable solutions for its customers, with a focus on initiatives that help lower carbon emissions, improve water stewardship and minimize waste. As of 2019, the Bank had funded and facilitated over AUD 19.1 billion towards sustainable solutions, exceeding its 2015 target ahead of schedule. Since meeting this goal, ANZ has set a new sustainable finance target of AUD 50 billion by 2025 towards sustainable solutions for its customers. In addition, the Bank has set several environmental targets related to the direct impact of its business activities, including reducing its carbon emissions, increasing renewable energy usage and reducing its paper and water consumption. Most notably, the Bank set the goal to reduce its Scope 1 and 2 emissions by 24% by 2025, and by 35% by 2030 (against a 2015 baseline),<sup>14</sup> and as of 2019, is tracking ahead of the required reduction with a 25% decrease in its Scope 1 and 2 emissions. In line with the global RE100<sup>15</sup> initiative, in September of 2019, the Bank announced its commitment to procure 100% renewable electricity for its operations by 2025.

In line with its second objective, ANZ set the target to fund and facilitate AUD 1 billion of investment by 2023 to deliver around 3,200 more affordable, secure and sustainable homes for purchase and rent in Australia. In order to fulfill its third objective, the Bank set an overarching target to reach 1 million people by 2020 through its targeted initiatives to support financial wellbeing, including financial inclusion, employment and community programs as well as banking products and services for small business and retail customers. As of 2019, the Bank has engaged with over 998,470 people through its financial wellbeing programs and targeted products, such as Saver Plus<sup>16</sup> and MoneyMinded.<sup>17</sup>

Based on the above, Sustainalytics is of the opinion that the ANZ SDG Bond Framework is aligned with the Bank's overall sustainability strategy and will contribute to furthering the Bank's action on its environmental and social goals by enhancing its lending activities.

<sup>11</sup> ANZ, 2019 ESG Supplement, at: <https://www.anz.com.au/content/dam/anzcom/shareholder/ANZ-2019-ESG-Supplement.pdf>

<sup>12</sup> ANZ, Climate Change Statement, at: <https://www.anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/climate-change-statement.pdf>

<sup>13</sup> *Ibid.*

<sup>14</sup> This target was submitted to the Science Based Targets Initiative (SBTI) for informal review, and SBTI provided written confirmation that it may be considered and communicated as science based. ANZ prepared its target using the Science Based Targets Initiative (SBTI) methodology, however this does not include emissions arising from its financing activities (scope 3) given there is currently no standard framework or SBTI methodology to account for these emissions. The Bank will continue to monitor and consider participating in future developments in this area.

<sup>15</sup> RE100, at: <https://www.there100.org/>

<sup>16</sup> ANZ, Saver Plus, at: <https://www.anz.com.au/about-us/sustainability-framework/financial-wellbeing/saver-plus/>

<sup>17</sup> ANZ, Money Minded, at: <https://www.anz.com.au/about-us/sustainability-framework/financial-wellbeing/moneyminded/>

### Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the green, social and sustainability bonds issued under the ANZ SDG Bond Framework will be directed towards projects and assets that will result in overall positive environmental and social impacts. However, by offering lending and financial services, banks are exposed to risks associated with controversial companies and/or projects they finance, and as such, may inadvertently finance activities that have negative social or environmental impacts. These risks include, but are not limited to, pollution and impacts on biodiversity from construction projects, particularly large-scale developments such as transport systems or renewable energy generation facilities, worker health and safety, impacts on local communities, and the exacerbation of existing inequalities if projects are not well targeted to specific communities and groups. Sustainalytics is of the opinion that ANZ is well positioned to manage and mitigate potential risks through implementation of the following:

- ANZ applies an enterprise-wide Social and Environmental Risk Policy<sup>18</sup> (the “Policy”) that incorporates social and environmental considerations in lending decisions for all customer sectors. In addition, the Bank applies accompanying ‘sensitive sector’ policies and associated requirements for companies operating in the following sectors: Energy, Extractive Industries, Forestry and Forests, Hydroelectric Power, Military Equipment and Water. The Policy incorporates the Bank’s Human Rights Standards<sup>19</sup> which includes its ‘zero tolerance’ for improper land acquisition and involuntary resettlement.
- In line with its Policy, the Bank requires all business customers to be assessed for potential environmental and social issues. This is applied to all new customers, all material new transactions of existing customers and annual reviews of all customers. Specifically, the Bank applies the following tools and processes:<sup>20</sup>
  - Social and environmental screening tool: which helps staff assess reputational, social and environmental issues, review stakeholder concerns and consider the adequacy of management and mitigation strategies;
  - Reputation Risk Radar: which monitors social and environmental issues pertaining to existing and potential customers;
  - Early Alert Review Committee: which provides staff with externally sourced social and environmental information relating to both current and prospective customers; and
  - Ethics and Responsible Business Committee: who is responsible for determining ANZ’s risk appetite for industry sectors to align with the Bank’s purpose and values.
- ANZ applies a Supplier Code of Practice (SCOP) to all suppliers across its operations which outlines its minimum requirements on human rights, workplace relations, workplace health and safety, ethical business practices and environmental management.<sup>21</sup> The Bank has committed to undertaking a review of its SCOP in 2020 to ensure it meets legislative requirements and leading practice.
- The Bank has been a signatory of the Equator Principles since 2006,<sup>22</sup> and has committed to not providing project finance or project related corporate loans to projects where the customer will not, or is unable to, comply with the Equator Principles. In addition, the Bank is a signatory to the UN Global Compact, follows the OECD Guidelines for Multinational Enterprises, and works to align its human rights approach with the UN Guiding Principles on Business and Human Rights<sup>23</sup>

Sustainalytics recognizes that ANZ has faced allegations in recent years for financing projects associated with adverse environmental and social risks, mainly related to human rights and local communities. The particular allegations are associated with the insufficient implementation of human rights standards in Phnom Penh Sugar (PPS) plantation and refinery, and the Bank’s involvement as a financial advisor (albeit not a lender) in the Xepian-Xe Nam Noy hydropower dam in Laos, a project which resulted in the displacement of thousands as well as a number of fatalities caused by a partial collapse in July 2018. Sustainalytics notes that, following the publication of OECD National Contact Point’s report on the Phnom Penh Sugar deal, in February 2020, ANZ agreed to compensate the affected people by allocating the gross profit it earned from the loan to support community efforts for rehabilitation. Following the collapse of the hydropower dam in Laos, in October of 2018, ANZ updated its Human Rights Standards which includes the Bank’s commitment

<sup>18</sup> ANZ, Responsible Business Lending, at: <https://www.anz.com.au/about-us/sustainability-framework/fair-responsible-banking/responsible-business-lending/>

<sup>19</sup> ANZ, Respecting People and Communities, ANZ’s Approach to Human Rights, at: <https://www.anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/wcmmigration/human-rights-app.pdf>

<sup>20</sup> *Ibid.*

<sup>21</sup> ANZ 2019 ESG Supplement, Managing ESK risks in our supply chain, at: <https://www.anz.com.au/content/dam/anzcom/shareholder/ANZ-2019-ESG-Supplement.pdf>

<sup>22</sup> ANZ, Equator Principles, at: <https://www.anz.com.au/about-us/sustainability-framework/fair-responsible-banking/equator-principles/>

<sup>23</sup> ANZ, Respecting People and Communities, ANZ’s Approach to Human Rights, at: <https://www.anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/wcmmigration/human-rights-app.pdf>



to adopting community engagement plans in an effective and transparent manner, particularly when screening customers involved in large infrastructure and/or development projects.<sup>24</sup> The Bank also reiterated its expectation for material suppliers to meet its Human Rights Standards as a condition of continued business. Furthermore, ANZ's Hydroelectric Power Policy further outlines ANZ's approach to minimizing the impacts of hydropower infrastructure development on the environment and communities. Sustainalytics highlights ANZ's efforts to mitigate risks related to human rights and local communities and recommends that the Bank continuously conducts its environmental and social due diligence processes.

Based on the policies and procedures ANZ has implemented as well as the steps the Bank is taking to improve its human rights policies, due diligence processes and grievance mechanisms, Sustainalytics is of the opinion that ANZ is well positioned to manage and mitigate the environmental and social risks associated with the projects in the eligible categories.

### Section 3: Impact of Use of Proceeds

All eleven use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

#### The importance of electric rail infrastructure in Australia

Current statistics indicate that diesel vehicles increased to 25.6% of the national fleet in 2020, up from 19.7% in 2015.<sup>25</sup> While the registration of electric vehicles experienced significant growth in 2020, diesel vehicles still dominate the fleet in Australia, with electric vehicles making up less than 0.1% of the nation's total fleet.<sup>26</sup> Further, total car registration rates more than tripled in Australia between 1970 to 2019,<sup>27</sup> while around 80% of Australians opted to commute by car in 2015,<sup>28</sup> a mobility pattern which the Australian government calculated would increase avoidable social costs to around AUD 30 billion in 2030. Moreover, the Australian government reported that the country has the eight highest national transport emissions in the OECD, with its projected transportation-related GHG emissions anticipated to further increase by 25% by 2030 due to current mobility patterns.<sup>29</sup> However, the Australian government expects that public transportation usage will accelerate by 32% across all capital cities by 2030<sup>30</sup>, primarily due to rapid population growth. In order to meet its Paris Climate Agreement commitment, a 26-28% reduction below 2005 levels by 2030, the nation has to achieve a 50-52% reduction in emissions per capita and a 64-65% reduction in the emissions intensity of the economy between 2005 and 2030.<sup>31</sup> Current and projected mobility patterns in Australia offer ANZ the opportunity to assist Australian cities in reducing their reliance on fossil fuel car use and support projects which extend public transport network capacity, quality and timeliness.

Based on above, Sustainalytics is of the opinion that ANZ's financing of clean transportation projects will improve passenger transport and contribute to reducing the number of diesel-powered passenger vehicles, thus also assisting Australia in meeting its Paris Climate Agreement commitments.<sup>32</sup> Separately, Sustainalytics notes that the financing of such mass rapid transit systems entails substantial social benefits (such as social inclusion and enhanced access to quality jobs) primarily supporting the most vulnerable communities currently lacking access to mobility services.<sup>33</sup>

<sup>24</sup> ANZ, Respecting People and Communities, ANZ's Approach to Human Rights, at:

<https://www.anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/wcmmigration/human-rights-app.pdf>

<sup>25</sup> Australian Bureau of Statistics, Motor Vehicle Census, at: <https://www.abs.gov.au/ausstats/abs@.nsf/mf/9309.0>

<sup>26</sup> Australian Bureau of Statistics, Motor Vehicle Census, Electric vehicle registrations almost doubled, at:

<https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/9309.0Media%20Release131%20Jan%202020?opendocument&tabname=Summary&prodno=9309.0&issue=31%20Jan%202020&num=&view=>

<sup>27</sup> Trading Economics, Australia Car Registrations, at: <https://tradingeconomics.com/australia/car-registrations>

<sup>28</sup> Australian Government, Transport and Australia's Development to 2040 and Beyond, at:

[https://www.infrastructure.gov.au/infrastructure/publications/files/Trends\\_to\\_2040.pdf](https://www.infrastructure.gov.au/infrastructure/publications/files/Trends_to_2040.pdf)

<sup>29</sup> *Ibid.*

<sup>30</sup> Australian Government, Transport and Australia's Development to 2040 and Beyond, at:

[https://www.infrastructure.gov.au/infrastructure/publications/files/Trends\\_to\\_2040.pdf](https://www.infrastructure.gov.au/infrastructure/publications/files/Trends_to_2040.pdf)

<sup>31</sup> Australian Government, Australia's 2030 Emission Reduction Target:

<https://www.pmc.gov.au/sites/default/files/publications/Summary%20Report%20Australia's%202030%20Emission%20Reduction%20Target.pdf>

<sup>32</sup> Australian Government, Australia's 2030 climate change target, at: <https://publications.industry.gov.au/publications/climate-change/climate-change/publications/factsheet-australias-2030-climate-change-target.html>

<sup>33</sup> Australian Government, The relationship between transport and disadvantage in Australia, at: <https://aifs.gov.au/cfca/publications/relationship-between-transport-and-disadvantage-austr>

### The impact of ANZ's financing of healthcare infrastructure and services

According to a report on healthcare quality in Australia published by the OECD in 2015, the country has the 6th highest life expectancy rate of all the OECD countries, with an average life expectancy of 82.2,<sup>34</sup> and an overall ageing population currently challenging the public's access to high quality health care. In this context, Sustainalytics believes that aged care services targeting the modernization and capacity extensions of private health care facilities will positively contribute to better accommodate Australia's ageing population's needs and provide meaningful improvement to the overall healthcare ecosystem. Moreover, ANZ clarified to Sustainalytics that, according to the Australian Aged Care Act and the Australian Subsidy Principles 2014, all aged care facilities are required to provide financially supported places for low-income residents ('supported or concessional residents' earning a minimum annual amount of AUD 47,500) in a range between 16% to 40% of the facility's capacity, depending on the facility's operating location. Sustainalytics considers that ANZ's proposed financing projects will therefore target large segments of the most financially vulnerable communities in Australia, thus positively contributing to reduce social disparities and facilitate access to quality aged care.

All Australian citizens and residents receive free essential healthcare coverage through the Medicare system administered by the Australian Federal Government.<sup>35</sup> Moreover, as of 2017, Australia ranks as the second-best performing OECD country for the overall healthcare performance,<sup>36</sup> fourth in terms of access and affordability, and the first for overall healthcare outcomes. Sustainalytics considers that the overall quality, effectiveness, and affordability of the Australian Medicare system ensures a strong and inclusive healthcare safety net that includes access to underserved populations.

Moreover, in March 2020, the Australian Federal Government announced an agreement with private and not-for-profit hospitals known as the 'Viability for Capacity Guarantee',<sup>37</sup> under which, private hospital will provide services for public patients, provide some elective surgeries or allow use of surgical theatres and wards and/or provide accommodation for quarantine and isolation for cases related to COVID-19. Given that eligible private health service providers will be delivering social services to vulnerable people and supporting the public healthcare system, Sustainalytics welcomes the objectives of the category.

### The impact of ANZ's Financial Programs: Saver Plus and MoneyMinded

Saver Plus<sup>38</sup> is a matched savings program co-owned by ANZ and Brotherhood of St Laurence.<sup>39</sup> Saver Plus aims to support the change of financial and savings behaviour in lower incomes individuals and families. MoneyMinded<sup>40</sup> is ANZ's financial education program that helps people to build their money management skills, knowledge, and confidence.

Sustainalytics conducted an evaluation of ANZ's Saver Plus and MoneyMinded programs and considers that their eligibility criteria (individuals holding a Centrelink Health Card or Pensioner Concession Card issued by the Australian Department of Human Services) is in line with the prescription of SBP 2020 due to a selection process specifically targeting individuals with disabilities, youth, women, migrants or people under sickness allowance mechanisms etc., which Sustainalytics designates as vulnerable groups for OECD countries. Saver Plus requires participants to open a free ANZ Progress Saver account, select a savings goal and make regular and consistent deposits over a 10-month period during which a Saver Plus Coordinator provides targeted financial support. Sustainalytics estimates that the program's 10-month professional savings support ensures a robust framework for participants to positively adjust their financial and savings behaviour.

Moreover, Sustainalytics believes that ANZ's financial education programs will support participants' development of money management and financial decision-making skills to become more financially independent (opportunity to access finance or to afford basic educational services) and reduce their social disadvantages (risk to retire with low savings levels).

<sup>34</sup> OECD, Reviews of Health Care Quality: Australia 2015, at: <http://www.oecd.org/australia/oecd-reviews-of-health-care-quality-australia-2015-9789264233836-en.htm>

<sup>35</sup> Australian Government, Department of Health, The Australian health system, at: <https://www.health.gov.au/about-us/the-australian-health-system>

<sup>36</sup> The Commonwealth Fund, The United States Health System Falls Short, at: <https://interactives.commonwealthfund.org/2017/july/mirror-mirror/>

<sup>37</sup> Australia, Ministers Department of Health, at: <https://www.health.gov.au/ministers/the-hon-greg-hunt-mp/media/australian-government-partnership-with-private-health-sector-secures-30000-hospital-beds-and-105000-nurses-and-staff-to-help-fight-covid-19-pandemic>

<sup>38</sup> ANZ, Saver Plus, at: <https://www.anz.com.au/about-us/sustainability-framework/financial-wellbeing/saver-plus/>

<sup>39</sup> The Brotherhood of St. Laurence (BSL) is a social justice organisation working to prevent and alleviate poverty across Australia. See more at: <https://www.bsl.org.au/services/saving-and-managing-money/saver-plus/>

<sup>40</sup> ANZ, MoneyMinded, at: <https://www.anz.com.au/about-us/sustainability-framework/financial-wellbeing/moneyminded/>

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
<p>Access to essential services</p> <p>Socioeconomic advancement and empowerment</p> <p>Affordable basic infrastructure</p>	3. Good Health and Wellbeing	<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>3.8 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>	4. Quality Education	<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>Affordable basic infrastructure</p> <p>Sustainable water and wastewater management</p> <p>Socioeconomic advancement and empowerment</p>	6. Clean Water and Sanitation	<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>Renewable energy</p> <p>Energy efficiency</p>	7. Affordable and Clean Energy	<p>7.2 Increase substantially the share of renewable energy in the global energy mix</p> <p>7.3 By 2030, double the global rate of improvement in energy efficiency</p> <p>7.b Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all</p>
<p>Employment generation</p> <p>Socioeconomic advancement and empowerment</p>	8. Decent Work and Economic Growth	<p>8.1 Sustain per capita economic growth in accordance with national circumstances</p> <p>8.3 Promote development-oriented policies that support productive activities, decent job</p>

		<p>creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <p>8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all</p>
Green buildings	9. Industry, Innovation, and Infrastructure	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
Socioeconomic advancement and empowerment	10. Reduced Inequalities	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>Social Housing</p> <p>Affordable housing</p> <p>Affordable basic infrastructure</p> <p>Access to essential services</p> <p>Clean transport</p>	11. Sustainable Cities and Communities	<p>11.1 ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p> <p>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>
Pollution prevention and control	12. Responsible Production and Consumption	<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</p> <p>12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse</p>
Climate change adaptation	13. Climate Action	<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>
Sustainable Land Use	15. Life on Land	15.1 Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
Climate change resilience and adaptation infrastructure and		15.2 Promote the implementation of sustainable management of all types of

<p>technologies including natural ecosystem preservation;</p>		<p>forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally</p> <p>15.3 Combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world</p> <p>15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and protect and prevent the extinction of threatened species</p>
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## Conclusion

ANZ has developed the ANZ SDG Bond Framework under which it intends to issue SDG bonds that will fund social and environmentally impactful projects that are directly aligned with the UN Sustainable Development Goals. Proceeds of the SDG bonds may be directed towards projects from ANZ’s lending activities and will be used to finance and refinance, in whole or in part, eligible assets or businesses, including ANZ’s own operating or capital expenditures that contribute to the achievement of the SDG Goals 3, 4, 6, 7, 8, 9, 10, 11, 12, 13 and 15.

The ANZ SDG Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that ANZ SDG Bond Framework is aligned with the overall sustainability strategy of the Bank. Sustainalytics is of the opinion that ANZ has adequate measures to identify, manage and mitigate environmental and social risks that may arise from eligible assets funded by the proceeds.

Based on the above, Sustainalytics is confident that Australia & New Zealand Banking Group Ltd. is well-positioned to issue green, social and sustainability bond(s) and that the ANZ SDG Bond Framework is credible, impactful, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020), and therefore the Sustainability Bond Guidelines (2018).





## Appendices

### Appendix 1: Green Buildings Certification

	<b>BREEAM</b>	<b>NABERS</b>	<b>Green Star</b>	<b>NABERNZ</b>
<b>Background</b>	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	The National Australian Built Environment Rating System (NABERS) is a performance rating tool for existing buildings in Australia. It is administered by the NSW Office of Environment and Heritage, and is used to measure building's energy efficiency, carbon emissions, water consumed, waste produced, and compare it with similar buildings.	Green Star is an environmental (design) rating system developed by the Green Building Council of Australia (GBCA). Based on the elements of BREEAM as well as LEED, Green Star was developed with tailored considerations to the local climate and the building standards and regulations. It assesses several environmental factors related to the building design.	The New Zealand Green Building Council (NZGBC) has introduced NABERSNZ - a scheme to measure and rate the energy performance of office buildings in New Zealand in 2013. The scheme is based on National Australian Building Environmental Rating System (NABERS).  NABERSNZ has been adapted for New Zealand conditions by the Energy Management Association of New Zealand (EMANZ).
<b>Certification levels</b>	Pass Good Very Good Excellent Outstanding	1-star (Poor) 2-stars (Below Average) 3-stars (Average) 4-stars (Good) 5-stars (Excellent) 6-stars (Market Leading)	<i>For existing buildings only (new buildings can achieve 4- 6 Star Green Star certifications only):</i> 1-star Green Star (Minimum Practice) 2-stars Green Star (Average Practice) 3-stars Green Star (Good Practice) 4-stars Green Star (Best Practice) 5-stars Green Star (Australian Excellence) 6-stars Green Star (World Leadership)	1-star (Poor) 2-stars (Below Average) 3-stars (Average) 4-stars (Good) 5-stars (Excellent) 6-stars (Market Leading)
<b>Areas of Assessment: Environmental Project Management</b>	Management (Man) addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.	There are several ratings available based on the type of building and the applicant (building tenant, or owner and/or manager). The rating tools available for office buildings are: -Energy (without Greenpower)	-Management -Indoor environmental quality -Energy -Transport -Water -Materials -Land use and ecology -Emissions	There are several ratings available based on the type of building and the applicant (building tenant, or owner and/or manager). The rating tools available for office buildings are:

		-Energy (with Greenpower) -Carbon Neutral -Waste -Water -Indoor Environment	Innovation	-Energy (without Greenpower) -Energy (with Greenpower) -Carbon Neutral -Waste -Water -Indoor Environment
<b>Areas of Assessment: Environmental Performance of the Building</b>	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	NABERS ratings for office buildings and tenancies are based on 12 months of (real) operational data, rather than potential performance estimate.  There is a Carbon Neutral Certification available, as an extension to NABERS Energy rating, for buildings of NABERS Energy rating of 4-stars or above.  There are rating system for different types of buildings, including apartment buildings, office buildings, office tenancies, shopping centers, data centres, and hotels.	There are conditional as well as minimum requirements in several credits, based on the rating tool, that are required to be selected for compliance.  There are several rating tools within Green Star. Each rating tool is designed to apply to a specific sector with specific eligibility criteria for each of them (e.g. Green Star – Design & As Built; Green Star – Interiors; and Green Star – Performance)	
<b>Requirements</b>	Prerequisites depending on the levels of certification + Credits with associated points  This number of points is then weighted by item <sup>41</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.			

<sup>41</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

	BREAAAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.			
<b>Performance display</b>				
<b>Accreditation</b>	BREEAM International Assessor BREEAM AP BREEAM In Use Assessor			Ratings are carried out by trained assessors
<b>Qualitative considerations</b>	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.			

## Appendix 2: Organic Farming Certification

	Australian Organic Certification <sup>41</sup>
<b>Background</b>	Organic standards in Australia are owned and managed by private organizations who base their certification standards on the National Standard for Organic and Biodynamic Produce (the export standards which is also referred to as the National Standards).
<b>Clear positive impact</b>	Promoting the principle of organic agriculture, and sustainable practices for agricultural products.
<b>Minimum standards</b>	The National Standard for Organic and Biodynamic Produce sets the minimum conditions which must be met by an operator of an organic or bio-dynamic unit.
<b>Scope of certification or programme</b>	The National Standard addresses key risks such as substance use including the use of pesticides, synthetic chemicals or substances that could be detrimental to the environment or contaminate the certified product.
<b>Verification of standards and risk mitigation</b>	Certifying organizations are approved by the Department of Agriculture and Water Resources to determine compliance to the National Standard, based on at least an annual audit of all systems.



<b>Third party expertise and multi-stakeholder process</b>	The Department of Agriculture and Water Resources consults with approved certifying organizations and the industry about any changes to export requirements and importing country requirements. Consultation is primarily through the Organic Industry Standards and Certification Council (OISCC).
<b>Performance Display</b>	N/A
<b>Third-party verified</b>	Approved Certifying Organizations as of February 2020: <ul style="list-style-type: none"> <li>• AUS-QUAL</li> <li>• ACO Certification</li> <li>• BDRI</li> <li>• NCO</li> <li>• OFC</li> <li>• SXC</li> </ul>
<b>Qualitative considerations</b>	The National Standard for Organic and Biodynamic Produce is recognised by IFOAM. Australia's organic export system is recognised as having equivalence in government-to-government agreements held with the European Union (for plant-based products), Switzerland (plant-based products, Japan (plant-based products), Taiwan (all products except for bone and offal).

### Appendix 3: Certification Schemes for Forestry

	<b>Forest Stewardship Council (FSC)<sup>42</sup></b>	<b>Programme for the Endorsement of Forest Certification (PEFC)<sup>43</sup></b>
<b>Background</b>	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.
<b>Basic Principles</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and FSC principles</li> <li>• Tenure and use rights and responsibilities</li> <li>• Indigenous peoples' rights</li> <li>• Community relations and workers' rights</li> <li>• Benefits from the forests</li> <li>• Environmental impact</li> <li>• Management plans</li> <li>• Monitoring and assessment</li> <li>• Special sites – high conservation value forests (HCVF)</li> <li>• Plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle</li> <li>• Maintenance and enhancement of forest ecosystem health and vitality</li> <li>• Maintenance and encouragement of productive functions of forests (wood and no-wood)</li> <li>• Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems</li> <li>• Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water)</li> </ul>

<sup>42</sup> Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: [https://ca.fsc.org/preview\\_principles-criteria-v5.a-1112.pdf](https://ca.fsc.org/preview_principles-criteria-v5.a-1112.pdf)

<sup>43</sup> PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

		<ul style="list-style-type: none"> <li>• Maintenance of socioeconomic functions and conditions</li> <li>• Compliance with legal requirements</li> </ul>
<b>Types of standards/benchmarks</b>	<ul style="list-style-type: none"> <li>• Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests)</li> <li>• Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible)</li> <li>• Chain of Custody (CoC) certification (for supply chain companies’ planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate)</li> <li>• Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source)</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement</li> <li>• Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification</li> <li>• Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards</li> <li>• Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products</li> <li>• PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo</li> <li>• Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement</li> </ul>
<b>Governance</b>	<p>The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p>	<p>PEFC’s governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC’s governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p>
<b>Scope</b>	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have</p>	<p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization</p>

	<p>equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>(Guide 59)<sup>44</sup> and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>
<p><b>Chain-of-Custody</b></p>	<ul style="list-style-type: none"> <li>• The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards</li> <li>• CoC standard includes procedures for tracking wood origin</li> <li>• CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products</li> <li>• CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC</li> </ul>	<ul style="list-style-type: none"> <li>• Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC</li> <li>• Only accredited certification bodies can undertake certification</li> <li>• CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content.</li> <li>• The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials</li> <li>• The CoC standard includes specifications for the physical separation of certified and non-certified wood</li> <li>• The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody</li> </ul>

<sup>44</sup> ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

<p><b>Non-certified wood sources</b></p>	<p>FSC’s Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ul style="list-style-type: none"> <li>a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others,</li> <li>b. Wood harvested in violation of traditional and civil rights,</li> <li>c. Wood harvested in forests where high conservation values are threatened by management activities,</li> <li>d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</li> <li>e. Wood from management units in which genetically modified trees are planted.</li> </ul>	<p>The PEFC’s Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ul style="list-style-type: none"> <li>a. forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> <li>- operations and harvesting, including land use conversion,</li> <li>- management of areas with designated high environmental and cultural values,</li> <li>- protected and endangered species, including CITES species,</li> <li>- health and labor issues,</li> <li>- indigenous peoples’ property, tenure and use rights,</li> <li>- payment of royalties and taxes.</li> </ul> </li> <li>b. genetically modified organisms,</li> <li>c. forest conversion, including conversion of primary forests to forest plantations.</li> </ul>
<p><b>Accreditation/verification</b></p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF’s rules and regulations.</p>

<b>Qualitative considerations</b>	Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices <sup>45</sup> and both have also faced criticism from civil society actors. <sup>46,47</sup> In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.
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## Appendix 4: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Australia & New Zealand Banking Group Ltd.
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b>	ANZ SDG Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	August 14, 2020
<b>Publication date of review publication:</b>	Update to 2018 Sustainalytics SPO, published in February 2018.

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |

<sup>45</sup> FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

<sup>46</sup> Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

<sup>47</sup> EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

- Other (please specify):

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

**EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)**

Please refer to Evaluation Summary above.

**Section 3. Detailed review**

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

**1. USE OF PROCEEDS**

Overall comment on section (if applicable):

The eligible use of proceeds related to UN Sustainable Development Goals (SDGs) – (i) Clean Water and Sanitation, (ii) Affordable and Clean Energy, (iii) Industry, Innovation, and Infrastructure, (iv) Sustainable Cities and Communities, (v) Responsible Production and Consumption, (vi) Climate Action, (vii) Life on Land, (viii) Good Health and Well-being, (ix) Quality Education, (x) Decent Work and Economic Growth – are aligned with those recognized by both the Green Bond Principles, Social Bond Principles and the Sustainability Bond Guidelines. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts while advancing the selected SDGs, namely SDG 3, 4, 6, 7, 8, 9, 10, 11, 12, 13 and 15.

**Use of proceeds categories as per GBP:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency   |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input checked="" type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input checked="" type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):  |

If applicable please specify the environmental taxonomy, if other than GBPs:

**Use of proceeds categories as per SBP:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
|---|--|

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Affordable housing  | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security  | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

ANZ has a dedicated SDG Bond Working Group (SBWG) who will be responsible for overseeing the project evaluation and selection process. The SWBG is chaired by the Head of Sustainable Finance and is comprised of senior representatives from ANZ's Group Treasury, Capital Markets & Bond Syndicate and Sustainable Finance teams. Sustainalytics considers the project selection process to be in line with market practice.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other (please specify):  |

### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |  |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

ANZ uses its internal reporting systems to track eligible assets for ANZ SDG bonds. In addition, the Bank has established a register that includes all eligible assets. Pending allocation, the proceeds may be invested in cash or, as per the bond agreement program, in Government or Semi-Government Bonds. Unallocated proceeds will be disclosed as part of ANZ's semi-annual reporting. This is in line with market practice.

### Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner

Disclosure of intended types of temporary investment instruments for unallocated proceeds

Other (please specify):

**Additional disclosure:**

Allocations to future investments only

Allocations to both existing and future investments

Allocation to individual disbursements

Allocation to a portfolio of disbursements

Disclosure of portfolio balance of unallocated proceeds

Other (please specify):

**4. REPORTING**

Overall comment on section (if applicable):

ANZ has committed to publicly providing semi-annual reporting on use of proceeds and annual impact reporting, until the maturity date of the bonds. Allocation reporting will include information such as a summary of eligible assets and their contribution to the SDGs, while impact reporting will draw on several qualitative and quantitative indicators. Sustainalytics views ANZ's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

Project-by-project

On a project portfolio basis

Linkage to individual bond(s)

Other (please specify):

**Information reported:**

Allocated amounts

Sustainability Bond financed share of total investment

Other (please specify):

**Frequency:**

Annual

Semi-annual

Other (please specify):

**Impact reporting:**

Project-by-project

On a project portfolio basis

Linkage to individual bond(s)

Other (please specify):

**Information reported (expected or ex-post):**

GHG Emissions / Savings

Energy Savings



- |  |  |
|--|--|
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries   |
| <input type="checkbox"/> Target populations    | <input checked="" type="checkbox"/> Other ESG indicators (please specify): See ANZ SDG Bond Framework for a full list of indicators. |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Means of Disclosure**

- |   |  |
|---|--|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report      |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): Company website. |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |  |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

<https://www.anz.com/debtinvestors/centre/>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                     |  |

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

- 
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
  - iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
  - iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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