

INDUSTRY ASSOCIATION REVIEW

OCTOBER 2020



ANZ INDUSTRY ASSOCIATION REVIEW

TABLE OF CONTENTS

1. Why is ANZ a member of industry associations?	01	4. How does ANZ determine whether it is aligned with the policies and advocacy of its industry associations?	04
– How do we work with industry associations more generally?	01		
– Payments to industry associations	01		
2. Why is ANZ reviewing its memberships of industry associations?	02	5. What did ANZ conclude as a result of its review?	05
a. Which industry associations are included in the review?	02		
b. Over what time period?	02		
c. On which matters?	02	6. What will ANZ do next?	06
		– What will we do in future to ensure we are seeking alignment with our industry associations?	06
3. What are ANZ's principles regarding climate change policy and advocacy?	03	7. How frequently will ANZ review its memberships in future?	07
– Support for Paris Agreement objectives	03		
– Need for policy certainty	03		
– Support for an 'orderly and just' transition to a low carbon economy	03		
– The need for constructive and transparent engagement	03		
– Establish targets to support emissions reduction	03		

1 WHY IS ANZ A MEMBER OF INDUSTRY ASSOCIATIONS?

Aligned with our purpose to help shape a world in which people and communities thrive, we seek to contribute constructively to public policy formation and understand the perspectives of our community's elected representatives, policymakers and regulators.

We contribute to policy formation on business, economic, social and environmental issues affecting our customers and shareholders through a number of different channels:

- Our senior management team meets regularly with political, policymaking and regulatory leaders.
- We discuss policy issues in detail with governments and agencies, other businesses and interested stakeholders.
- We make submissions on, and engage in, policy formation processes.

ANZ is also a member of a number of industry associations that contribute to public policy debate and formation.

The associations are typically not-for-profit organisations that provide members with a range of services, including the support and training services outlined below, advocacy with governments on matters of importance to members, and lobbying that seeks to influence changes to proposed or current legislation on behalf of members. Some industry associations also provide ANZ with an opportunity to better understand customers and their contexts. For example, allowing ANZ staff to participate in member forums through which we can gauge issues faced by customers. Industry associations typically:

- give members information about their industry, i.e. how changes to legislation will affect their business;
- provide useful resources, i.e. information and programs to help meet industry standards;
- run training and education programs;
- organise seminars;

- facilitate networking events;
- manage mentoring programs;
- connect their members with other businesses in their industry;
- arrange public communications or advertising activities to promote the industry;
- organise advertising campaigns to communicate or persuade the public about issues relevant to a member's industry; and
- engage with elected officials on behalf of the industry to influence government policy.

These associations offer some information and services for free, but, in most cases, a company will need to become a member and pay a fee to access information, resources and services.

We understand that ANZ's stakeholders are interested in the position ANZ takes on issues such as data security, privacy and climate change, and our membership of industry associations that develop policies and undertake advocacy on these issues.

How do we work with industry associations more generally?

We work in a collaborative and open way as members of associations.

Some associations have broad memberships, such as the Business Council of Australia (BCA), and develop policy agendas on a wide variety of issues, such as tax, education, business regulation, climate change and energy. Others have a sectoral focus, such as the Clean Energy Council (CEC) or Carbon Market Institute (CMI).

ANZ believes that industry associations have the capacity to play a key role in advancing the development of standards, best practices and constructive policymaking that are of benefit to members, the economy and society.

Membership provides ANZ with the potential ability to contribute to public policy development. Also, the broader benefits that industry associations can provide need to be borne in mind.

We understand it is not possible for industry associations to obtain a consensus on every issue. Members sometimes disagree about the final positions taken by industry associations. We place high importance on the ability to hold constructive dialogue within an association's membership and we expect industry associations to be receptive to member feedback regarding their work.

It is also important to note that industry associations do not represent the views of any single member. On some issues, ANZ will communicate its views directly, through submissions, media comment, speeches by senior executives and public reports. From time to time, we may take positions on certain matters not supported by the relevant industry association. For example, ANZ was the first major bank to support a 'last resort' compensation scheme for victims of financial advice misconduct. Such a scheme is now government policy.

In relation to climate change, ANZ supports the transition to a net zero economy in a way that helps provide new economic opportunities and helps people and communities thrive. We will support and commit to our involvement in customer, community and government efforts to help ensure an orderly and just transition. Our climate principles that were current at the time we completed the review¹ are set out in more detail in section 3. ANZ's commitments are more ambitious than those of some of the industry associations of which the company is a member. Over time, ANZ will advocate its position within these associations with the objective of achieving greater alignment.

Payments to industry associations

Information on ANZ's payments to key industry associations is available in our Annual Report: anz.com/shareholder/centre/reporting

1. ANZ has released an updated climate policy within its financial results disclosures on 29 October.



WHY IS ANZ REVIEWING ITS MEMBERSHIPS OF INDUSTRY ASSOCIATIONS?

We understand that stakeholders are interested in the alignment of ANZ's policy position on climate change with those of our industry associations. In light of this interest, at our 2019 Annual General Meeting we committed to conduct a review in 2020 of those matters and publish the outcome.

Our review was overseen by ANZ's executive Ethics and Responsible Business Committee (ERBC) and the Ethics, Environment, Social and Governance (EESG) Committee of the Board. All views and conclusions expressed in this Report are ANZ's.

a. Which industry associations are included in our review and over what time-frame?

Given that this review focuses on climate change policy, for the purpose of this review we identified five industry associations with defined policies on climate change that are materially relevant to the subject matter of this review:

- 1 Australian Petroleum Production & Exploration Association (APPEA) – Associate Member
 - 2 Business Council of Australia (BCA) – Full member
 - 3 Carbon Market Institute (CMI) – Full member
 - 4 Clean Energy Council (CEC) – Full member
 - 5 Energy Efficiency Council (EEC) – Full member
-

b. Over what time period?

The review considered public disclosures from 1 October 2018, when our climate change policies and statement were last reviewed, to 30 September 2020.

c. On which matters?

We considered their public advocacy and disclosed statements on climate policy, including submissions to government or other reviews, quotes attributed to each association in news articles, their websites and commentary on social media sites.

WHAT ARE ANZ'S PRINCIPLES REGARDING CLIMATE CHANGE POLICIES AND ADVOCACY?

We identified several key areas of our published climate policy ('our climate principles') and then sought to compare to those of our industry associations, as summarised below.

Our climate principles are taken from two publications that were current as at 30 September 2020: our ANZ Climate Change Statement (Statement) and our Climate-related Financial Disclosures (TCFD).

Support for Paris Agreement objectives

- We acknowledge:
 - the Paris Agreement aims of holding the increase in global average temperature to well below 2°C above pre-industrial levels and of pursuing efforts towards limiting it to 1.5°C (Statement); and
 - the position of the Intergovernmental Panel on Climate Change (IPCC) that, to achieve the full ambition of the Paris commitments, will require a transition to net-zero emissions of greenhouse gases by mid-century. ANZ, as a responsible and sustainable business, is playing its part to support the transition (Statement).

Need for policy certainty

- Stable policy settings and regulatory certainty are required in the markets in which we operate (Statement).

Support for an 'orderly and just' transition to a low carbon economy

- We understand greater ambition must be balanced with the need for reliable and affordable energy (Statement).
- Provide finance and advisory services for activities such as energy efficiency improvements, low carbon energy generation, resilient infrastructure and carbon abatement (Statement).

- Contribute directly to investment in the development of low or zero emissions industries, technologies and practices through 'green' bonds (Statement).
- We expect our business customers to build climate change mitigation and adaptation risk into their business strategies and to establish plans to support the transition (Statement).
- We believe that all stakeholders in the transition to lower emissions should give careful consideration to the impacts on affected communities (Statement).
- We are seeking long-term, publicly available transition plans from our major emitting customers. This will help communities and governments anticipate and adjust to change over time (Statement).
 - We expect our customers with large coal-fired power plants to provide at least three years' advance notice of closures and engage with all their stakeholders to minimise the impact on their workers, local communities and downstream energy users (Statement).
- We will support and commit to our involvement in customer, community and government efforts to help ensure an orderly and just transition (Statement).
- We will fund and facilitate \$50 billion by 2025 to support our customers to transition to a low carbon economy, including initiatives that help improve environmental sustainability, increase access to affordable housing and promote financial wellbeing (Statement).
- We will encourage and support 100 of our largest-emitting customers in the energy, transport, buildings and food, beverage and agricultural sectors to establish or, where appropriate, strengthen existing low carbon transition plans by 2021 (Statement).
- Environmental sustainability is one of our key priorities and accordingly we are:
 - establishing low carbon financial products and services;
 - creating policies to guide which customers we bank;

- training staff on climate-related risks; and
- seeking to reduce our own operational footprint (TCFD).

The need for constructive and transparent engagement

- Identify, assess and manage climate-related financial risks and provide clear, decision-useful disclosures for our investors using the Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) recommendations (Statement).
- Engage, as appropriate, in public policy debate on climate change and increase transparency on our approach. This includes disclosing the industry associations of which we are members and how we review the alignment of their advocacy position with our approach (Statement).
- Identification and management of our material sustainability risks and opportunities, including those related to climate change, supports the achievement of our business strategy (TCFD).

Establish targets to support emissions reduction

- Set public targets to hold ourselves accountable and lower our greenhouse gas emissions by 24% by 2025 and 35% by 2030 (against a 2015 baseline) (Statement).
- Increase the use of renewable energy in our properties (by 13% by 2020 in Australia against a 2017 baseline) and retain our Carbon Neutral status (Statement).
- We will also encourage customers that have coal-fired generation assets to work towards setting medium- and long-term emission reduction targets up to 2050 that contribute towards achieving a 'less than 2°C target' (Statement).

4 HOW DOES ANZ DETERMINE WHETHER IT IS ALIGNED WITH THE POLICIES AND ADVOCACY OF ITS INDUSTRY ASSOCIATIONS?

As a first step in our review process, we considered the extent to which our industry association's policies aligned with each of our climate principles. We then made an overall assessment of the extent to which, taken as a whole, there was evidence they were aligned, mostly aligned, partly aligned or misaligned with our policies. We used the framework on this page to determine that overall alignment.²

2. To compare overall alignment, we adopted the methodology referenced by BHP in its 2019 Industry Association Review: <https://www.bhp.com/our-approach/operating-with-integrity/industry-associations-bhps-approach/>

Aligned

- The association has a broadly consistent position on **all** of its relevant policies.



Mostly aligned

- The association has a broadly consistent position on **half or more** of its relevant policies, and no position on the remaining policies.



Partly aligned

- The association has a broadly consistent position on **less than half** of its relevant policies, and no position on the remaining policies
- The association has **more** broadly consistent positions on its relevant policies than materially different positions.



Misaligned

The association has fewer broadly consistent positions on its relevant policies than materially different positions.



WHAT DID ANZ CONCLUDE AS A RESULT OF ITS REVIEW?

Based on the methodology outlined in section 4, two associations were found to be overall 'Aligned' with ANZ, two associations were found to be 'Mostly Aligned' with ANZ, and one was found to be 'Partly Aligned' with ANZ. No association was found to be 'Misaligned' with ANZ when considering their policies overall.

Our desktop review highlighted three areas of potential misalignment with APPEA: Supporting the Paris Agreement; supporting use of 'carry-over credits'; and primacy of energy security over the need for emissions reductions.

Upon engaging with APPEA we were largely able to resolve potential concerns over their support for the Paris Agreement and the use of carry-over credits. However, we observed that some of their public statements could be interpreted as not always consistent with their stated policies. This is a matter on which we intend to engage further with APPEA over the next 12 months.

Carry-over credits

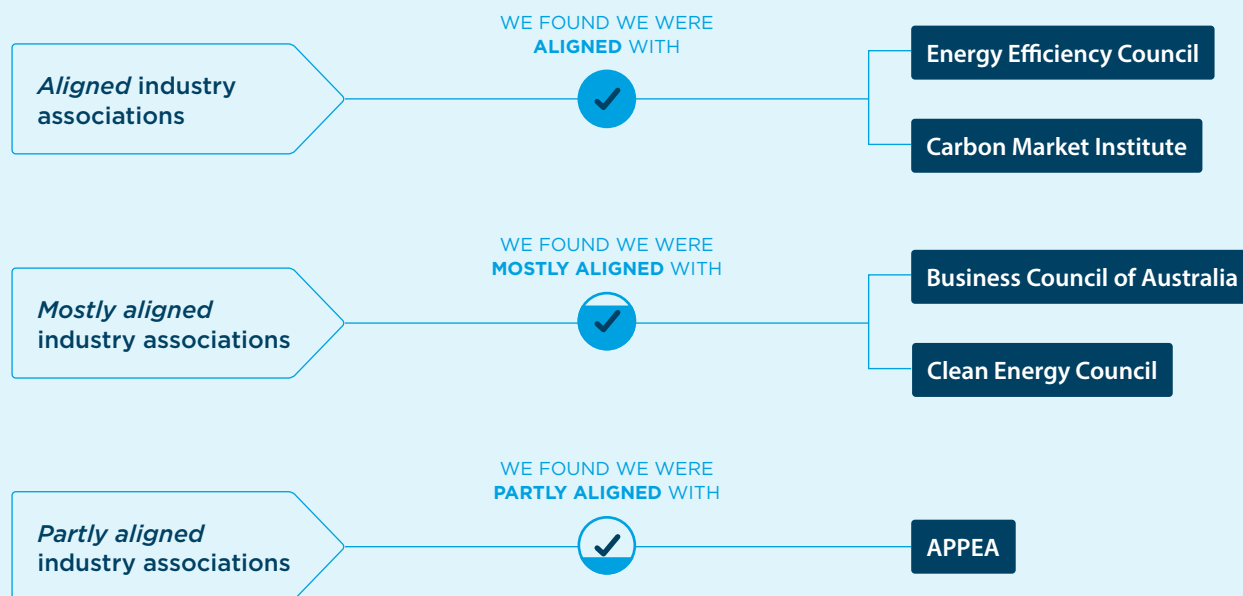
Our policies do not contain a specific reference to this matter. At the same time, we are aware that three of our industry associations have a policy position or have made relevant public comments. The BCA has supported their use though its current policy is that if Australia can meet its emissions reduction targets without carry-over credits then it should. APPEA has no formal policy but has issued a media release stating that not using credits will increase, potentially significantly, the costs to Australia of meeting its targets.

The CMI has not supported their use, stating that using carry-over credits may limit industry decarbonisation and development of Australia's carbon farming industry with its potential social and economic benefits for rural and regional communities.

The Commonwealth Government most recently stated³ that the credits should only be used to the extent necessary to meet its international obligations.

ANZ has set targets to reduce its operational emissions in line with the trajectory required to meet the Paris goals and is encouraging and supporting its customers to do the same.

The diagram below summarise the results of our assessment of overall alignment:



3. See <https://www.smh.com.au/politics/federal/kyoto-carry-over-credits-baseless-in-international-law-experts-say-20200304-p546rw.html>

6 WHAT WILL ANZ DO NEXT?

ANZ has provided the results of this review with each of the industry associations named in this document. We will be discussing the results with each organisation and will seek alignment with ANZ's position over time in material areas where we believe there is misalignment.

As a result of the review, we will engage with each industry association with which we are partly or mostly aligned to seek their consideration of review of relevant areas. In relation to APPEA, we have renewed our associate membership for 12 months to allow their own review of their position by September 2021, at which point we will reconsider our position in light of any adjustments to their policy. The BCA is reviewing its policy in 2020 and we are participating in their review process.

What will we do in future to ensure we are seeking alignment with our industry associations?

We acknowledge the view that CERES⁴ has outlined, that, "Companies that establish robust governance systems to address climate change as a systemic risk and align their direct and indirect lobbying efforts to support science-based climate policies will drive the creation of a regulatory environment that best positions them for resilient growth".

We therefore commit to:

Continue to assess the impact of climate change on ANZ, including the ways in which our policies or advocacy on climate change serve to exacerbate or mitigate these risks.

WE WILL DO THIS BY:

- Assessing the risk that climate change poses to the company.
- Continuing to assess direct and indirect advocacy on climate change.

Ensure there is appropriate governance on climate change across ANZ, including in all direct and indirect advocacy.

WE WILL DO THIS BY:

- Ensuring a systematic process of decision-making on public policy engagement on climate change.
- Engaging our ANZ Group Board on climate policy.

Seek to align both direct and indirect advocacy with climate policies that support the Paris Agreement.

WE WILL DO THIS BY:

- Acknowledging and supporting fact-based climate policies.
- Supporting policies and advocacy that seek to balance the goals of energy security, reliability and emissions reduction, without prioritising one over the other.
- Advocating for a market-based, technology-neutral approach that avoids favouring one technology or fuel source at the expense of others, that can ensure we meet our emission reduction targets at least cost.
- Engaging with our industry associations on aligning their policies and advocacy with the goals of the Paris Agreement.

4. See <https://www.ceres.org/resources/reports/blueprint-responsible-policy-engagement-climate-change>



HOW FREQUENTLY WILL ANZ REVIEW ITS MEMBERSHIPS IN FUTURE?

ANZ will review its memberships of industry associations at least every three years. The results of any such review, including any material changes to our position, will be published alongside our Annual Report.

Feedback

To provide feedback on ANZ's industry association review or for any queries about our reporting, please email corporate.sustainability@anz.com
