

General Introduction

Climate change is a global challenge which requires a global response. Individuals, governments and businesses, including banks, all have a role to play in meeting this challenge. ANZ is responding to climate change because it poses potentially serious risks, not only to the environment and our way of life, but also to the economy and more particularly, our clients. Our approach is based on:

- **Decision frameworks:** ensuring our decisions are based on sound social and environmental standards
- **Client and stakeholder engagement:** assisting our clients to respond effectively to the social and environmental risks and opportunities facing their business and including stakeholders in the development of our social and environmental policies and standards
- **Building knowledge:** ensuring our staff have access to relevant information and training about environmental issues affecting our clients and our business and sharing that information with our clients and other stakeholders
- **Understanding and reducing our own environmental footprint**

Assisting clients to reduce their carbon footprint is the focus of our response to climate change. Many of our clients have exposure to the effects of climate change – those involved in agriculture are vulnerable to the risk of water shortages while those in electricity, mining, chemicals, transports and plastics manufacturing will be heavily impacted by carbon regulation.

Decision frameworks

We assess the potential environmental impact of our corporate clients and develop an understanding of their (and consequently our) exposure. We have established a framework to guide this assessment. Our Wholesale Credit Policies require all clients to undergo social and environmental screening. We are developing public policies on issues relating to climate change to ensure our lending and investment decisions are transparent and align with internationally recognised social and environmental standards. Our many external stakeholders (including government, clients and NGOs) have been involved in the formation of these policies, including our Forests Policy which was released in 2008.

Client and stakeholder engagement

Where appropriate we follow up the assessment of the client by agreeing specific measures to mitigate their exposure to climate change, for instance products to facilitate investment in carbon reducing technologies or advice to assist them participate in carbon markets to meet voluntary or mandated limits on emissions.

We also support the continued development of renewable and low carbon intensity energy sources. ANZ Infrastructure Services (ANZIS), a specialist adviser and investment manager, has established two special-purpose investment trusts which encourage investment in environmentally sustainable energy and infrastructure, such as wind farms, bio diesel plants, gas pipelines and gas fired power stations. Our project finance team has also arranged financing for various renewable energy projects.

Building knowledge

An eco-literacy program developed for ANZ staff in partnership with WWF Australia includes workshops, presentations and other information on environmental issues with the aim of improving understanding and engagement on environmental issues within the organisation and to stimulate discussion on how individuals at work and home can improve environmental performance.

We also ensure our staff have all the information and tools they need to understand the environmental risks and opportunities facing our clients and advise clients on effective responses to those risks and opportunities. This includes guidance notes outlining the key regulatory, social and environmental issues facing the sectors we service and an interactive tool to guide staff through the social and environmental screening of a client. Project finance staff receive dedicated training in the implementation of the Equator Principles from international experts.

Understanding and reducing our own footprint

We also demonstrate our commitment to action on climate change by reducing our own environmental footprint and encouraging our clients and supply chain to do the same.

We have an Environmental Management System in place, including specific public targets to cut our consumption of water, electricity and paper and reduce our emissions and waste.

We have invested in a new flagship workplace to be completed in 2009 that is designed to achieve the highest possible environmental rating. We have also committed our Australian and New Zealand operations to being carbon neutral by the end of 2009.

Our survey response refers to our 2007 Corporate Responsibility Report (<http://www.anz.com/cr2007>) and other documents where appropriate. Additional information about our approach is available at <http://www.anz.com/aus/About-ANZ/Corporate-Responsibility/Environment.asp>.

Our public statement on climate change is available at <http://www.anz.com/aus/About-ANZ/Corporate-Responsibility/Current-Issues.asp>

1 Risks and Opportunities

Objective: To identify strategic risks and opportunities and their implications.

a Risks: (CDP5 Question 1a)

i Regulatory Risks: How is your company exposed to regulatory risks related to climate change?

ANZ has both indirect and direct exposures to regulatory risk related to climate change.

INDIRECT EXPOSURES

ANZ's exposure to regulatory risks is primarily indirect, through the impact on our clients, particularly those in high carbon intensity industries like power generation, transport, mining and manufacturing.

The most immediate regulatory risk to our clients is the impost of current or future caps on carbon emissions and the cost of mitigation.

The Australian Federal Government has recently ratified the Kyoto Protocol and has committed to releasing draft legislation for a national Emissions Trading Scheme by the end of 2008 and finalising the scheme for commencement by 2010.

The New Zealand government has tabled legislation establishing a NZ Emissions Trading Scheme covering all greenhouse gases and all sectors.

Regulatory risks to our clients, including those arising from mandated restrictions on GHG emissions, translate into demand for products and services to facilitate investment in energy efficiency and carbon-reducing technologies, finance for renewable energy and low carbon energy projects and in the context of an emerging cap on carbon, advice on earning and trading in carbon credits and participating in carbon and renewable markets.

We currently assess climate change related regulatory risks as part of our standard client screening processes, through the implementation of social and environmental management policies, and other due diligence processes, such as application of the Equator Principles.

ANZ's Institutional division has also analysed its portfolio to identify those clients most exposed to climate change risks, such as increases in the cost of water or mandated restrictions on carbon emissions. In addition, we have developed guidance notes for our staff on the environmental issues commonly associated with particular industry sectors we service. They contain an overview of a sector's regulatory requirements, key social and environmental issues facing the sector and the measures we would expect a client from that sector to take to effectively identify and manage social and environmental risks.

This analysis of our customer base helps us not only identify 'risky' sectors and clients, but also new business opportunities to provide clients with a range of products and services to assist them to mitigate their regulatory risks. See more in our response to question 1(b).

Future carbon prices and potential carbon credits are factored into our financial decision-making processes where possible. However, in the absence of a national carbon trading scheme, in Australia we are unable to account for the future price of carbon with absolute certainty. We do however factor in estimated future carbon pricing in our modelling for risk assessment. Where our clients operate outside Australia, and carbon prices/credits apply, they are fully factored into due diligence and assessment processes.

We have also this year initiated a review of international best practice in assessing credit risk related to carbon exposure and climate change to further improve our practices.

DIRECT EXPOSURES

ANZ operations in Australia are categorised as a 'high energy user' under the Energy Efficiency Act 2006 (Cth) and consequently we have a mandatory obligation under that legislation to identify energy efficiency opportunities and report to the Federal Government on progress on implementation of those opportunities.

Requirements under the EEO will, from 1 July 2008, be streamlined with the new National Greenhouse and Energy Reporting System (NGERS) which will require Australian corporations, including ANZ, to report greenhouse gas emissions, reductions, removals and offsets and energy consumption and production. The data

collected will form the basis of a national emissions trading scheme. ANZ has and will continue to contribute to Government's continuing consultation process on the legislation and will be participating in a pilot of the new reporting system.

More information about our assessment of regulatory risks in our clients is available at <http://www.anz.com/aus/About-ANZ/Corporate-Responsibility/Environment/Responsible-Business-Banking/Responsible-Business-Decisions.asp>

ii **Physical Risks: How is your company exposed to physical risks from climate change?**

ANZ's operations are largely urban based in commercial office space in major cities, and branch offices in regional centres and small rural towns.

The physical risks to ANZ from climate change (i.e. extreme weather such as flooding, wind, bushfires, drought) are likely to be small and not material as a direct operating risk or expense.

ANALYSING THE DIRECT RISKS

ANZ's Operational Risk team conducts annual assessments of climate related physical risks to the bank, particularly in relation to extreme weather events.

This forms part of the six monthly operational risk review process. Each ANZ department has a Business Continuity Plan detailing likely risks (including extreme weather events, mitigants and BCP procedures) and a Disaster Recovery Plan.

ANZ has a large branch presence in the Pacific island communities, including Fiji, Kiribati and the Solomon Islands. These communities are particularly vulnerable to the effects of climate change. They also experience a shortage in the supply of mains electricity. To reduce our reliance on traditional energy sources and deliver more effective and reliable banking services, ANZ has accelerated its investment in renewable energy in its Pacific operations, establishing solar-powered branches in the Cook Islands and Kiribati and five solar powered ATMs in the Solomon Islands.

Our insurance and business continuity plan arrangements for ANZ properties in the Pacific provide for the particular climate related risks we face in these areas, including flooding and storm and cyclone damage. Our back-office processing hub in Fiji (which provides the back-office processing services for all ANZ operations in the Pacific region) is located at a site specifically selected for its low risk of exposure to the effects of flooding, cyclones and earthquakes, thereby strengthening the resilience of all our Pacific operations against the physical risks of climate change.

RISKS TO OUR CLIENTS

The physical impacts of climate change are however more material in respect of the provision of products and services to sectors particularly vulnerable to extreme weather and resource shortages (e.g. agriculture, forestry, stationary energy generation, mining, transport and logistics, water utilities and tourism). ANZ has a range of assessment and due diligence processes to evaluate the physical impacts of climate change at a portfolio level, sector and at an individual client level. These are outlined below.

ANZ conducts stress testing and sensitivity analysis at a Group level that takes into account climate change related risks.

For example, in the year Oct 06 to Sept 07 ANZ conducted stress-testing scenarios covering the impact of drought on ANZ's portfolio.

ANZ also provides information on the potential cost of extreme weather through the use of internal and external expertise. For example, ANZ Economics prepares research papers such as 'Impact of the drought 2006-07' (November 2006) for use by staff and clients. An assessment of the risks and financial implications of extreme weather events, particularly for transactions in high risk sectors such as agriculture, tourism, infrastructure services etc. is factored into the normal due diligence process.

iii **General Risks: How is your company exposed to general risks as a result of climate change?**

ANZ is aware of the potential risks climate change poses to our reputation as a responsible bank.

Banks are now under unprecedented scrutiny from environmental NGOs and other groups for their role in financing industries with high environmental impact, such as power generation, mining and forestry. Failure to apply appropriate social and environmental standards to business decisions and respond effectively to stakeholders raising concerns about the bank's involvement in a particular transaction can result in public criticism, activism against the bank and ultimately damage to our reputation.

In particular, ANZ has in the past faced criticism for our financial support of coal-fired power station projects, funding of coal exports in the region and involvement in the forestry industry. We have also been questioned about our support of some clients operating in countries with developing legal and governance frameworks and whether appropriate environmental standards are being applied to their activities.

Failure to respond effectively to this scrutiny can, at worst case, contribute to a loss of customers and a drop in share price.

ANZ has taken a number of steps to ensure our business decisions are informed by sound social and environmental standards, regardless of geographical location of the client, and that there is an appropriate framework to inform our clients of the environmental standards we expect them to meet and to work with them to achieve those standards. More information about the reputation issues facing us and how we have responded to them can be found in our 2007 Corporate Responsibility Report at <http://www.anz.com/aus/Corporate-Responsibility-2007/Customers/managing-social-and-environmental-risks.asp> and in our response to question 1(a)(iv) below.

Other general risks arise from the change in customer demands and attitudes as a result of climate change and the need for us to understand and respond effectively to those demands and attitudes. For instance, an emerging emissions trading scheme in Australia will see increased demand among our corporate clients, especially those in environmentally sensitive industries, for products to facilitate investment in energy efficiency as well as carbon trading products.

We also conduct regular consumer research to determine the level and nature of demand for 'green' banking products and services for our retail customer base to ensure we are responding appropriately to our customers' needs.

iv **Risk Management: Has your company taken or planned action to manage the general and regulatory risks and/or adapt to the physical risks you have identified?**

ANZ has taken a number of steps to minimise the risks of climate change.

1. Understanding risks to our clients and supporting their improvement

We have established a framework to identify and manage the risks of climate change that face our clients and which impact ANZ indirectly:

o Social and environmental policies

ANZ is in the process of preparing a set of public policies and guidelines which will describe in detail how we make our decisions on transactions which have a potential impact on the environment, or raise social policy or ethical issues.

ANZ will use these policies as the basis for discussion with our clients about the environmental risks and opportunities facing their business. We will work with the client to compare their business practices and the Policy's requirements. The practices of many of our clients will already meet or exceed these standards, however in the event there are any gaps, ANZ and the client will agree an action plan under which the client will respond to any outstanding issues within a specified time frame.

ANZ's Forests Policy is the first of these policies. Policies on energy, water and mining are currently under development. More information on ANZ's Forests Policy can be found at <http://www.anz.com/aus/About-ANZ/Corporate-Responsibility/Environment/Responsible-Business-Banking/Responsible-Business-Decisions/Forests-Policy.asp>

o Client screening

We have developed a practical way for our staff to assess clients for their exposure to climate change and other environmental risks and therefore, the potential indirect impact on ANZ. A client screening tool takes staff through a series of questions designed to gauge the potential social and environmental issues associated with their business, and therefore the implications of ANZ supporting the business. Clients are then rated on their approach to these issues. Questions raised in the screening tool include whether the client requires an environmental licence or permit to operate and whether the client acknowledges the social and environmental risks of their business and is managing those risks.

ANZ applies this screen to all new clients of ANZ's Institutional business. Existing clients are screened on an annual basis and again before entering any transaction judged by ANZ to have a potentially significant environmental impact.

Where issues are identified during screening, we evaluate the nature of the issues and any existing or potential stakeholder concerns, discuss the issues with the client and then assess the client's capacity and willingness to manage the issues. The outcomes of the screening can also identify opportunities for ANZ to assist the client manage the risks to their business, for instance through finance for best available carbon-reducing technologies.

Based on this assessment, we decide whether to proceed with the transaction, and if so, any measures the client must take to mitigate their social or environmental impact.

We also apply the Equator Principles to our decision-making on project finance proposals globally.

o Industry Analysis

We have developed Industry Guidance Notes to provide guidance for our staff on the social, human rights and environmental issues that are commonly associated with the industry sectors we service.

The Guidance Notes contain an overview of a sector's regulatory requirements, key social and environmental issues facing the sector, including those related to climate change, and the measures we would expect a client from that sector to take to effectively manage these risks.

We have also conducted detailed analysis of our lending portfolio to identify clients most affected by environmental factors like heavy reliance on water or fossil fuels. This allows us to identify clients with a high level of exposure to water shortages or restrictions on carbon emissions and encourage them to adopt strategies to manage these exposures.

- o Products and services

ANZ is one of the leading banks in the provision of carbon market risk management products. Our activity in this area includes:

- o trading in Renewable Energy Certificates, Greenhouse Gas Abatement Certificates and GreenPower Rights to assist clients manage mandated carbon and renewable energy targets
- o providing hedging of renewable and carbon credits for carbon abatement projects in Australia and internationally
- o expanding into the international carbon market, providing risk management services for Clean Development Mechanism projects as developed under the Kyoto Protocol.

ANZ is experienced in traded carbon and renewable energy markets, and will continue to contribute to the development of a viable market-based emissions scheme in Australia.

- o Risk management framework

ANZ has a clear framework for identifying reputation, social and environmental risks, including those relating to climate change, and raising them for consideration by senior management.

At a management level, the Corporate Responsibility Council oversees the integration and implementation of ANZ's Sustainability strategy and reports to the Board's Governance Committee and ANZ's Management Board. The Council is made up of senior executives from our business, operational areas and corporate centre with specific responsibility for aspects of our Corporate Responsibility and sustainability agenda. The Council is chaired by ANZ's Chief Financial Officer, includes 4 members of ANZ's Management Board

In 2008, the Council's powers were strengthened to include: providing strategic leadership of Group Corporate Responsibility Agenda; identifying, overseeing and monitoring current and emerging CR risks and opportunities; advising Management Board on strategies to address CR risks and opportunities; setting public CR targets in consultation with Management Board; integrating CR policies and management systems across the business and; reviewing and approving all significant CR programs and expenditure.

The Credit and Trading Risk Committee is the senior executive management forum responsible for oversight and control of credit and market risk and has responsibility for understanding and addressing the reputation impacts of credit to the bank's larger clients.

In 2007 we established an Asia Pacific Reputation Risk Committee to develop strategies and policies to assist reputation risk management, corporate responsibility awareness and corporate governance in our Asia Pacific businesses.

- o Building employee understanding of climate change

ANZ and WWF Australia have developed an 'Eco-Literacy' program for ANZ staff. This includes face-to-face workshops on environmental issues with the aim of improving understanding and engagement in issues such as climate change and to stimulate discussion on how individuals at work and home can improve environmental performance.

ANZ has also developed an online Environmental training course for all staff, which is designed to provide employees with a better understanding of ANZ's environmental targets and how ANZ staff can contribute to reducing the organisation's impact.

Participants in ANZ's Graduate Program have formed People Against Waste, an internal forum designed to formulate ways ANZ and its people can cut down on paper usage.

ANZ has worked with WWF Australia to provide intranet-based know-how/expertise on climate change issues.

The "cool change" web site has a resource library which provides copies of industry reports, information, data & studies on environmental issues – including climate change - to all staff. A six weekly e-bulletin, called 'cool changers', includes news, editorial & views on current environmental issues and upcoming events. An eco-blog provides communication and interaction with other ANZ employees and WWF to respond to environmental queries. In addition, the ANZ Group environment intranet-site provides all staff with details of our Environmental agenda and performance.

- o Internal advisory services

ANZ has developed environmental/climate change centres of expertise and advisory services in a number of its businesses.

WWF offers an advisory service to ANZ staff on climate change related issues. The Institutional & Corporate Sustainability team provides a Centre of Excellence /Advisory service for business banking. The team develops industry guidance notes providing an overview of a sector's regulatory requirements, key social and environmental issues facing the sector – including climate change - and the measures we would expect a client from that sector to take to effectively identify and manage social and environmental risks. ANZ Group Economics provides our business and clients with regular reports on the economic impact of environmental issues such as climate change.

2. Setting targets to reduce our own carbon footprint and prepare for a carbon constrained environment

ANZ has public targets to cut our consumption of resources and restrict our greenhouse gas emissions and generation of waste.

We have developed an Environment Management System (EMS) which gives us a structured approach to assessing our operational impact on the environment and setting targets to improve our performance. Our EMS also governs how we measure and report on our progress.

In addition to our ongoing work to improve our energy and fuel efficiency, ANZ has announced plans for its Australian and New Zealand operations to be carbon neutral by the end of 2009.

Read more about our performance on reducing our environmental footprint, including greenhouse gas emissions, from page 79 of our [2007 Corporate Responsibility Report](#).

3. Strong stakeholder engagement and partnerships

ANZ believes effective stakeholder engagement and regular communication can assist the bank effectively identify and manage some of the issues and opportunities associated with banking clients in environmentally sensitive industries.

ANZ updates stakeholders on its approach to and progress on particularly controversial transactions through a dedicated page on its website and through a corporate responsibility e-bulletin sent to around 5000 CR stakeholders each month. This is in addition to the more in depth one-on-one meetings ANZ regularly has with stakeholders (e.g. representatives from environmental NGOs) who are interested in a particular issue or transaction.

Position statements on current contentious issues can be found at <http://www.anz.com/aus/About-ANZ/Corporate-Responsibility/Current-Issues.asp>.

Editions of our monthly CR stakeholder e-bulletin are available at <http://www.anz.com/aus/values/resources/default.asp#option11>

ANZ's Institutional Division, encompassing businesses providing a full range of financial services to ANZ's corporate and institutional clients, has formed a partnership with conservation organisation WWF Australia. The partnership is based on a shared objective to improve ANZ Institutional's knowledge of, and response to, environmental issues associated with its business. The key objectives of the partnership are to: assist in the integration of environmental considerations in ANZ Institutional's lending decisions; provide more information to staff about the environment (eco-literacy); and help WWF's staff and supporters learn about how corporate and investment banking can impact positively on the environment.

The Institutional Division hosts quarterly Business and Sustainability Forums to encourage client and stakeholder engagement on a range of sustainability issues. Recent events have included 'Energy Futures' with Greg Bourne, CEO WWF-Australia, and 'Future Financing for Forests'.

While no substitute for effective risk identification and minimisation methods, ANZ also holds insurance to protect its commercial properties from the effects of severe climatic events, including those attributable to climate change.

v **Financial and Business Implications: How do you assess the current and/or future financial effects of the risks you have identified and how those risks might affect your business?**

INDIRECT IMPACT

Our success relies on having profitable and well-managed clients. It is therefore in our commercial interests to thoroughly assess and respond to all risks associated with a project or client before we become involved, including those relating to climate change. Failure to identify or manage these risks can threaten the long-term viability of a project or client we support. For instance, a client that does not comply effectively with environmental regulation is at risk of regulatory intervention, reduced productivity and loss of profit.

Climate change risks are identified and assessed through our client screening process, which is applied to all new corporate clients and annually to existing clients to gauge the potential social and environmental issues associated with their business. To assist our staff carry out this assessment, we have developed Industry Guidance Notes to provide guidance for our staff on the social, human rights and environmental issues that are commonly associated with the industry sectors we service.

We apply the Equator Principles to our decision-making on all project finance proposals. Where necessary, we obtain independent expert advice to assist in the social and environmental assessment of proposed projects.

In addition, we have conducted a detailed issue analysis of our Institutional lending portfolio to identify clients most affected by environmental factors like heavy reliance on water or fossil fuels. We use this analysis to identify clients with a high level of exposure to water shortages or restrictions on carbon emissions and assist them with strategies to manage these exposures. In some cases, these measures become formal undertakings of the client. This and similar assessments demonstrate that the majority (79%) of our Institutional loan portfolio is within sectors with low-to-medium social or environmental impacts.

DIRECT IMPACT

Our work to reduce our direct carbon footprint is driven not only by what we see as our corporate responsibility, but also by the financial implications of failing to put measures in place to improve our energy efficiency and reduce our carbon emissions.

Mandatory carbon constraints and trading schemes in Australia and New Zealand are now becoming a reality and have substantial financial implications for our business. Businesses that fail to adapt to a carbon constrained economy face higher energy costs in the long-term and will lose opportunities to profit from cuts in energy use and reductions in carbon emissions in the future. We aim to become carbon neutral in Australia and New Zealand by the end of 2009. A business plan to support ANZ's goal has been developed and progress against this plan is monitored on a monthly basis.

There are also financial incentives to improving our energy efficiency now. We regularly analyse our current pattern of energy use to identify those energy efficiency measures that will deliver the greatest amount of dollar savings. For instance, 'smart' meters have been installed in 90% of our commercial office buildings throughout Australia to measure the consumption of gas, electricity and water. These meters help us identify opportunities to improve our efficiency and quantify the financial benefits of previous efficiency measures. We have estimated a saving over the last 12 months of approximately AUD250,000 attributable to measures in place to increase energy efficiency at ANZ in Australia.

There are also direct financial implications for failing to comply with the reporting obligations under the Energy Efficiency Act 2006 (Cth). A corporation that fails to report to the Federal Government on energy efficiency opportunities and progress towards their implementation as required under the Act is subject to a penalty of around AUD220,000 per breach (~USD200,000).

b Opportunities: (CDP5 Question 1b)

i Regulatory Opportunities: How do current or anticipated regulatory requirements on climate change offer opportunities for your company?

We are focused on developing practical ways to support the investment by our clients in energy efficient technology and renewable energy sources as they transition to a carbon constrained economy.

ANZ is one of the leading banks in the provision of risk management products for carbon markets and the development of carbon trading schemes in Australia and New Zealand provides an opportunity for significant growth in this area of our business. Our current activity in this area includes:

- o trading in Renewable Energy Certificates, Greenhouse Gas Abatement Certificates and GreenPower Rights to assist clients manage mandated carbon and renewable energy targets;
- o providing hedging of renewable and carbon credits for carbon abatement projects in Australia and internationally; and
- o expanding into the international carbon market, providing risk management services for Clean Development Mechanism projects as developed under the Kyoto Protocol.

Mandatory caps on carbon emissions also increase demand for measures to improve energy efficiency and investment in renewable energy options. As mentioned above, ANZ screens new and existing corporate clients for social and environmental issues associated with its business, and this allows us to identify not only risks, but also opportunities to provide products and services to facilitate that investment.

We also have an opportunity to assist clients from countries with developing legal and regulatory frameworks, particularly in the Asia Pacific region, improve their social and environmental performance, through measures such as the application of our lending policies (e.g. Forests Policy) and the Equator Principles.

ii **Physical Opportunities: How do current or anticipated physical changes resulting from climate change present opportunities for your company?**

Climate Change provides us with the opportunity to work collaboratively with our clients in the management of weather risk.

Many projects and transactions are directly affected by weather conditions, from wind farms and mining operations through to agricultural plantations. There are a range of financial tools available to our clients to assist in managing the risks posed by weather, including weather derivatives, catastrophe bonds, insurance products and the supply of hedging instruments.

We provide advice regarding the tools and instruments that may be suitable for our client's individual needs and assist in sourcing relevant products when required.

iii **General Opportunities: How does climate change present general opportunities for your company?**

In addition to the opportunities arising from regulatory and physical risks, ANZ can also capitalise on the increase in demand for renewable energy alternatives and environmentally responsible investment options.

ANZ has arranged financing for a number of renewable energy projects in Australia and offshore. ANZ Infrastructure Services (ANZIS) acts as a specialist adviser and investment manager for special purpose investment trusts to encourage investment in more environmentally sustainable energy sources and infrastructure facilities. More information is provided in the response to question 1(b)(iv) below.

ANZ is researching demand among consumers for 'green' banking and credit products. In New Zealand ANZ provides subsidised loans for the funding of energy efficiency measures in older homes and we are also working with the World Bank on a project to

encourage the adoption of renewable energy in Pacific Island communities. More details are provided in the response to question 1(b)(iv) below.

As mentioned in the response to 1(a)(v), our work to reduce our direct impact on the environment has a 'bottom line' effect.

iv **Maximizing Opportunities: Do you invest in, or have plans to invest in products and services that are designed to minimize or adapt to the effects of climate change?**

In addition to carbon trading products and services mentioned in the response to question 1(b)(i) above, ANZ has invested in several products and services to respond to the increase in demand for access to renewable energy alternatives and environmentally responsible investment options.

1. Responsible options for investors

In April 2007 we launched three offers of the ANZ Sustainable Protected Responsible Investment over Term (ASPRIT), a wholesale fixed term interest investment trust linked to the performance of the Sustainable Asset Management (SAM) Sustainable Leaders Australia Fund, also known as SAM Australia Fund.

It gives investors the opportunity to benefit from the performance of approximately 70 Australian companies considered leaders in integrating environmental and social factors into their business strategies. There is currently a total of \$90 million of funds under management in the ASPRIT trust.

We have also launched the ANZ Climate Change Trust (ACCT), Australia's first wholesale fund that invests in technologies designed to tackle global warming. ACCT is a six-year investment product which uses the SAM Sustainable Climate Fund as the underlying fund for its returns. Investors in this product are given exposure to the performance of 40 to 60 global companies that provide products and services to prevent climate change or alleviate its effects. Read more at <http://www.anz.com/markets/solutions/ACCT.asp>

2. Investment in sustainable infrastructure

We continued our substantial support of renewable energy infrastructure this year through the Energy Infrastructure Trust (EIT), a special-purpose trust seeking growth in energy assets and which has a significant portfolio of renewable energy assets. EIT has over \$600 million of equity invested in a number of projects that seek to respond to key environmental issues. EIT is managed by ANZ Infrastructure Services (ANZIS) and this year acquired the 91MW Wattle Point Wind Farm in South Australia, one of the largest operating wind farms in Australia.

This investment complements EIT's existing investments including:

- a 50% stake in Waubra Wind Farm in north-west Victoria, which will be Australia's largest wind farm when completed in 2008
- 68% ownership in the project to construct and operate a bio-diesel production plant near the border of Victoria and New South Wales
- 71% ownership in the Dalby ethanol refinery in Queensland
- 50% shareholding in a project to construct a 336km gas transmission pipeline and 33MW gas-fired power station in Esperence, Western Australia which will replace diesel generation, integrate two wind farms into the electrical system and provide natural gas distribution to the community
- interests in the Breemar and Kwinana gas fired power stations

- 100% ownership of the gas fired 135MW Condamine Power Station development in Queensland.

ANZ's project finance team has also arranged funding for a number of renewable energy projects in Australia and offshore, including:

- Waste gas projects: power generation plants utilising waste emissions (e.g. coal-bed methane and landfill gas) that would otherwise be vented and emitted untreated to air
- Wind farms: various wind energy projects in the US, UK and Australia, including the Challicum Hills project in central Victoria
- Geothermal energy: two major geothermal power projects in New Zealand
- Hydro power: construction of hydroelectric plans in Laos and Chile

3. Solar Cities

ANZ is part of the consortium selected by the Australian Federal Government's Solar Cities initiative, which is designed to demonstrate, through pilots in several sites across Australia, how solar power, energy efficiency and better information on energy use can produce a sustainable energy future in urban locations.

As part of the program, ANZ has provided a home loan product with a competitive rate that is linked to the purchase of a solar power and solar hot water systems, offering finance to enable the installation of large solar power systems for business and corporate clients and offering business clients finance to assist the take-up of energy efficient technology.

4. Subsidised loans and grants for Energy Smart Homes in NZ

ANZ has partnered with EnergySmart Ltd in New Zealand to support the Government's recently launched EnergyWise Homes initiative which provides interest rate subsidies and grants for the funding of insulation, clean household heating and other energy efficiency measures in older homes.

ANZ will provide interest free or preferential interest rate loans to qualifying customers who wish to install additional home efficiency measures.

5. Encouraging renewable energy development in the Pacific

During 2007 we joined a World Bank Project designed to encourage the adoption and use of renewable energy in Pacific Island countries. The Project is designed to overcome the reluctance of local financial institutions to finance on affordable terms renewable energy systems and energy efficiency investments.

Our role is to manage the distribution of World Bank funding to help participating local banks provide low-cost loans to rural households and businesses so they can purchase renewable energy equipment such as solar panels or hydro energy equipment. ANZ will also be participating in the program as a lender.

As mentioned in our response to question 1(a)(ii), ANZ has accelerated its investment in renewable energy in its Pacific operations in response to the increased exposure to climate change related weather events and the shortage of mains electricity supply. To reduce our own environmental impact on these communities and deliver more effective banking services, we have established solar-powered branches in the Solomon Islands, Cook Islands and Kiribati and five solar powered ATMs in the Solomons.

Industry participation

We continue to participate in a number of industry and Government initiatives to promote environmentally responsible business practices:

- The Greenhouse Challenge Plus, a partnership between the Australian Government and industry to reduce greenhouse gas emissions and encourage businesses to reduce their Co2-e footprint by identifying areas for potential savings through systematic measurement and reporting.
- The United Nations Environment Program Finance Initiative and in particular, the development of an online training tool, 'Climate Change: Risks and Opportunities for the Finance Sector'
- ANZ represented as a speaker at the 2008 National Business Leaders Forum on Sustainability
- ANZ engaged by TEC, a CEO membership organisation, to provide a briefing to Australian CEOs on climate change

v **Financial and Business Implications: How do you assess the current and/or future financial effects of the opportunities you have identified and how those opportunities might affect your business?**

Our response to questions 1(a)(iv) and 1(a)(v) explain the measures we have in place to identify and help manage climate change risks in our corporate clients:

- Social and environmental management policies (e.g. Forests Policy): setting out how we make our decisions on transactions which have a potential impact on the environment, or raise social policy or ethical issues (including those relating to climate change)
- Client screening: an interactive tool designed to gauge the potential social and environmental issues associated with the client's business
- Equator Principles: international best practice standards for the social and environmental assessment of project finance transactions
- Industry Guidance Notes: guidance on the social, human rights and environmental issues that are commonly associated with the industry sectors we service
- Industry analysis: detailed analysis of our lending portfolio to identify clients most affected by environmental factors like heavy reliance on water or fossil fuels.

These same measures also help us identify opportunities to grow our business and provide our clients with products and services to assist them better manage environmental risk and ensure their business remains sustainable in a carbon constrained economy.

For instance, the outcomes of client screening can help us identify opportunities to assist the client manage the risks to their business, for instance through finance for carbon-reducing technologies. The screening will also help us flag those clients requiring carbon market risk management products and/or advice on their participation in carbon trading markets.

We also assess opportunities for business growth through market research. We are currently researching consumer demand in Australia for 'green' financial products, such special loans to finance energy efficiency measure around the home.

Carbon Markets

According to World Bank figures the global carbon market doubled in value in 2007, reaching \$64bn. This growth was primarily driven by the success of the European Emissions Trading Scheme, which contributed more than \$50bn to the market.

The Australia Government has committed to establishing its own national Emissions Trading Scheme by 2010. The structure of this scheme will determine the market size and the potential value of the carbon permits. Considering greenhouse gas emissions from stationary energy were almost 300m tonnes in 2005¹, the size of the AETS market will be considerable at even the most conservative price and abatement level estimates. At ANZ we have an established carbon sales and trading desk and are a leading provider of risk management products for carbon markets, ahead of the implementation of our national scheme.

Renewable energy

In our main markets across the Asia-Pacific, ANZ offers comprehensive coverage across a full range of products and services for the renewables sector. We have a dedicated team of leading financiers who specialise in renewable projects, and have achieved a number of sector 'firsts' - including the first landfill gas project finance deal (1992), the first coal mine methane project finance deal (1994) and the first wind farm project finance deal (2002). As Australia moves towards its Mandatory Renewable Energy Target (MRET) of 20%, ANZ will be well positioned to grow its share of this market.

Energy Efficiency

Many of our corporate clients are currently considering the implications of future energy price increases for their businesses. In response, we have established the Client Initiatives team within our Institutional business, which works to identify opportunities for our clients to reduce energy consumption across their business and benefit from lower operating costs now and into the future.

2 Greenhouse Gas (GHG) Emissions Accounting

Objective: To determine actual absolute Greenhouse Gas emissions.

The term GHG Protocol below refers to The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). This may be found on the GHG Protocol Website www.ghgprotocol.org

a Accounting Parameters (CDP5 Question 2a)

i Reporting Boundary: Please indicate the category that best describes the company, entities or group for which your response is prepared:

- a. Companies over which financial control is exercised – per consolidated audited Financial Statements.**
- b. Companies over which operational control is exercised.**
- c. Companies in which an equity share is held.**
- d. Other (please provide details).**

Category b best describes the scope of reporting in this submission.

ii Reporting Year: Please explicitly state the dates of the accounting year or period for which GHG emissions are reported.

GHG emissions have been reported for the Year ending September 2007.

¹ Australian Greenhouse Office, Department of the Environment and Water Resources.

iii Methodology: Please specify the methodology used by your company to calculate GHG emissions.

ANZ is a member of the Australian Government's Greenhouse Challenge Plus Program and uses the Australian Greenhouse Office 'Greenhouse Challenge Factors and Methods Workbook' for calculating emissions in Australia and New Zealand. This is consistent with international greenhouse accounting standards and protocols.

Data for Australian and New Zealand operations have been assured by an independent assessment company.

ANZ does not measure emissions in respect of operations outside Australia and New Zealand, but estimates these emissions based on the emissions per FTE rate for the combined Australia and New Zealand totals.

b Direct and Indirect Emissions – Scope 1 and 2 of the GHG Protocol (CDP5 Question 2b)

i Are you able to provide a breakdown of your direct and indirect emissions under Scopes 1 and 2 of the GHG Protocol and to analyse your electricity consumption? If so, please provide the following information together with a breakdown of the emissions reported under each category by country where possible. If not, please proceed to question 2b ii:

Scope 1 Direct GHG Emissions

a. Total global Scope 1 activity in metric tonnes CO₂-e emitted.

Total Emissions are 13679 (CO₂-e). This consists of: Australia 6570, New Zealand 5202, and Rest of World (estimated) 1907.

b. Total Scope 1 activity in metric tonnes CO₂-e emitted for Annex B countries.

Same as above.

Scope 2 Indirect GHG Emissions

c. Total global Scope 2 activity in metric tonnes CO₂-e emitted.

Total Emissions are 198133 (CO₂-e). This consists of: Australia 162575, New Zealand 7938 and Rest of World (estimated) 27620.

d. Total Scope 2 activity in metric tonnes CO₂-e emitted for Annex B countries.

Same as above.

Electricity consumption

e. Total global MWh of purchased electricity.

Estimated global total: 219345 MWh
Australia and New Zealand: 188768 MWh

f. Total MWh of purchased electricity for Annex B countries.

Same as above

g. Total global MWh of purchased electricity from renewable sources.

Estimated global total: 42805 MWh
Australia and New Zealand: 36838 MWh

h. Total MWh of purchased electricity from renewable sources for Annex B countries.

Actual: 36838 MWh
Estimated global total: 42805

ii If you are unable to detail your Scope 1 and Scope 2 GHG emissions and/or electricity consumption, please report the GHG emissions you are able to identify together with a description of those emissions.

c Other Emissions – Scope 3 of GHG Protocol: (CDP5 Question 2c)

How do you identify and/or measure Scope 3 emissions? Please provide where possible:

ANZ has to date only measured Scope 3 emissions associated with Business Air Travel (International and Domestic) for journeys originating from Australia and New Zealand. Emissions generated from air travel originating from other operations around the world are estimated.

a. Details of the most significant Scope 3 sources for your company.

Employee Business Air Travel (KM)

Australia: 96789716 km
New Zealand: 27980117 km
Rest of World (estimated): 20210411 km

b. Details in metric tonnes CO₂-e of GHG emissions in the following categories:

i Employee business travel.

Australia: 11171 CO₂-e
New Zealand: 4228 CO₂-e
Rest of World (estimated): 2494 CO₂-e

ii External distribution/logistics.

Scope 3 not measured

iii Use/disposal of company's products and services.

Scope 3 not measured

iv Company supply chain.

Scope 3 not measured

c. Details of the methodology you use to quantify or estimate Scope 3 emissions.

ANZ has used the conversion factors for short, medium and long haul flights as sourced from the World Business Council for Sustainable Development.

d External Verification (CDP5 Question 2a iii)

i Has the information reported in response to Questions 2b – c been externally verified or audited or do you plan to have the information verified or audited?

Yes. Information about emissions generated by operations in Australia and New Zealand has been independently assured by SGS Australia Pty Limited.

If so:

ii Please provide a copy of the audit or verification statement or state your plans for verification.

SGS Assurance Statement is available on page 102 of ANZ's 2007 Corporate Responsibility Report:

http://www.anz.com/aus/Corporate-Responsibility-2007/ANZ4675CR_07_WEB_FA_3.pdf

iii Please specify the Standard or Protocol against which the information has been or will be audited or verified.

SGS assured this information as part of its assurance of environmental data in ANZ's 2007 Corporate Responsibility Report. SGS has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines (2006), the AA1000 Assurance Standard (2003) and ISAE3000. See Assurance statement for more information.

e Data Accuracy (New to CDP6)

Does your company have a system in place to assess the accuracy of GHG emissions inventory calculation methods, data processes and other systems relating to GHG measurement? If so, please provide details. If not, please explain how data accuracy is managed.

The review of the accuracy of the data is undertaken as part of the assurance process for Australia and New Zealand. This includes review of source data, calculation methodology and verification of the data included. All estimates for the rest of the world have been calculated based on a factoring method and based on Australia and New Zealand data.

f Emissions History (CDP5 Question 2a iv)

Do the emissions reported for your last accounting year vary significantly compared to previous years? If so, please explain the reasons for the variations.

We now include an estimate for countries outside of Australia and New Zealand.

Our performance this year has been favourable compared to last year. In Australia, ANZ achieved an 8.46% reduction per FTE for GHG. In New Zealand a 2% reduction was achieved for the year including Scope 3. ANZ continues to improve its performance during 2008 and is currently 5% down on like period for the six months to March 2008.

Measures taken in Australia and New Zealand to achieve these results are set out in the answer to question 3(a)(iv).

g Emissions Trading (CDP5 Question 4b)

i Does your company have facilities covered by the EU Emissions Trading Scheme?

No

If so:

a. Please provide details of the annual allowances awarded to your company in Phase I for each of the years from 1 January 2005 to 31 December 2007 and details of allowances allocated for Phase II commencing on 1 January 2008.

N/A

b. Please provide details of actual annual emissions from facilities covered by the EU ETS with effect from 1 January 2005.

N/A

c. What has been the impact on your company's profitability of the EU ETS?

N/A

ii What is your company's strategy for trading or participating in regional and/or international trading schemes (eg: EU ETS, RGGI, CCX) and Kyoto mechanisms such as CDM and JI projects?

We have been expanding our capability and involvement in the international carbon trading schemes, in particular CDM projects and transacting of Certified Emission Reductions (CERs). ANZ provides financing to develop CDM project and risk management solutions to hedge the CERs created from the projects. We have a particular focus on projects in the Asia Pacific region, however our trading counterparts for CERs are from all across the globe. ANZ trades primary CERs directly with projects and in the secondary CER market through Over-the-Counter mechanisms as well as trading CER futures contracts on various carbon exchanges.

Now that Australia has ratified the Kyoto Protocol, we are also looking at transacting CERs with Australian entities. The majority of interest at this stage is for voluntary purposes. Australia is currently developing a national emissions trading scheme and there is a possibility that CERs may be used within that scheme. Should this scenario eventuate, then demand for CERs in Australia will extend to mandatory requirements in the future. ANZ is preparing for this ourselves and also assisting clients to understand the CER market better.

h Energy Costs (CDP5 Question 4d)

i Please identify the total costs in US \$ of your energy consumption eg from fossil fuels and electric power.

Total costs estimated at US \$20m for year ended 30 September 2007.

ii What percentage of your total operating costs does this represent?

This represents less than 0.5% of annual costs.

iii What percentage of energy costs are incurred on energy from renewable sources?

Approximately 20% of global costs are incurred on renewable energy sources and are attributed mainly to the energy needs of our New Zealand operations.

3 Performance

Objective: To determine performance against targets and plans to reduce GHG emissions.

a Reduction Plans (CDP5 Questions 1d and 4a)

i Does your company have a GHG emissions reduction plan in place? If so, please provide details along with the information requested below. If there is currently no plan in place, please explain why.

ANZ has created a strategy for reducing Greenhouse Gas emissions as part of the commitment to achieve carbon neutrality in Australia and New Zealand by December 2009.

A business plan is in operation monitoring performance. ANZ will continue to monitor performance in energy reduction and also in the emissions arising from business travel.

ANZ is also working with key suppliers to capitalise on opportunities to procure products and services which will help us reduce our overall carbon footprint.

ii What is the baseline year for the emissions reduction plan?

2005

iii What are the emissions reduction targets and over what period do those targets extend?

ANZ has a commitment to achieve carbon neutrality in Australia and New Zealand by the end of 2009 and as part of this commitment, has an electricity target for a 5% reduction per FTE by September 2009 for Australian operations.

In New Zealand, our targets for the reduction in greenhouse gas emissions include Scope 1, Scope 2 and Scope 3 (air travel only). The target period will end September 2008 and a new set of targets will be established for a future period.

iv What activities are you undertaking to reduce your emissions eg: renewable energy, energy efficiency, process modifications, offsets, sequestration etc? What targets have you set for each and over what timescales do they extend?

Australia

Key initiatives that contributed to meeting our previous two-year target included:

- Converting CRT computer screens to LCD screens.
- Motion detection sensors installed in meeting rooms, so that lights automatically turn off when rooms are not in use.
- Lights are being set to turn off earlier in more major buildings.
- Removal of screensavers from PCs and laptops, replaced with 'sleep mode' settings.
- PC Snoozer - the 'powering down' overnight and on weekends of computers in our branch network. This was extended to our major corporate offices in October 2007.
- Decommissioning servers and work on 'virtual servers' as part of our IT server consolidation program.
- Adjustments to thermostat settings at data centres to reduce the load on air conditioning systems.

- Efficiencies in cooling at both our Australian data centres by painting the metallic coloured roofs white.

Next steps

- Continued changes to lighting controls to save energy.
- Adjustments to cooling towers will lower the power usage from water-consuming systems.
- Changes to control strategies are taking place to widen the temperature bands of air conditioning systems in key offices.
- A replacement of air-conditioning chillers will occur in three sites.
- We are in the process of completing the installation of an extensive sub-metering system to key commercial and retail sites to aid future decision-making.

ANZ and property manager Jones Lang LaSalle (JLL) have worked together to better understand the environmental impact of our office buildings and branches.

'Smart' meters measuring the consumption of gas, electricity and water, have been installed in 90% of ANZ's commercial buildings in Australia, and will be placed in a representative sample of ANZ branches throughout 2008.

The meters can be set up throughout each floor of a building and provide a time-based analysis of resource use. This enables us to determine the exact location and amount of energy and water use at any given time of the day or night.

As well as identifying opportunities to improve efficiency, continual monitoring of energy and water use can help compare the use of resources over time and therefore quantify the benefits of measures that have been implemented, both in terms of resources and dollars saved.

ANZ and JLL will continue to install the meters in branches and our data centres throughout 2008.

New Zealand

Over the past 12 months, ANZ National has been working on a range of environmental initiatives. The following is a summary of the key initiatives taking place.

- **Green Branch:** The newest branch of The National Bank will be the country's first environmentally sustainable retail bank; purpose-built to include sustainable features wherever possible.
- **PC Snoozer:** Power Conservation Software was rolled out across our corporate sites.
- **Light Sensors:** Lighting sensors are being installed in all meeting rooms and communal areas, such as kitchens and bathrooms across all commercial buildings.
- **Equipment Timers:** Equipment timers are being installed on printers, photocopiers, and other appliances where 24-7 operations are not critical to the business.
- **External Signage:** Reviewed and reduced the hours of operation of our exterior signage. Project includes installing timers and de-lamping where appropriate.
- **CO2 Sensors:** CO2 sensors have been installed in selected car parks, where air conditioning units had been set to permanent operation with no sensor or timer. The air balance is calibrated by these sensors and responds by switching air-conditioning on and off accordingly.

- **Air Conditioning Hours:** Reviewed our air conditioning hours of operation in our commercial buildings. We have reduced operating hours by 0.5hrs per day in 20 buildings.
- **Day Cleaning:** Working with our nationwide provider to consider day cleaning where appropriate, to realise energy consumption savings by not working in the evening.
- **Sustainable Vehicle Fleet:** Provided the business with lease options for sustainable vehicles. Options include diesel, hybrid and downsized engine capacity vehicles.
- **EnergyWise Finance:** ANZ (Consumer Finance) is working with EnergySmart to provide interest-free or interest-subsidised loans for the Government's EnergyWise Homes initiative. This provides interest subsidies and grants for the funding of insulation, heat pumps and other energy efficiency measures.
- **Video Conferencing:** Installed video conferencing equipment providing sustainable meeting alternatives to flying.

In the coming months, the ANZ National will focus on introducing the 'PC Snoozer' initiative to ANZ Branch Networks and further raising the environmental awareness of staff through increased and enhanced communications.

v What investment has been or will be required to achieve the targets and over what time period?

ANZ currently invests around \$3m on an annual basis for energy initiatives. In addition sustainability has been incorporated as part of the review of existing plant as well as specific projects. Both retail and commercial design and fit-outs contain sustainable design criteria.

ANZ's new office building in Melbourne's Docklands precinct is designed to achieve world-wide best practice environmental standards for an office building. Innovations such as the use of solar power and wind turbines to supplement energy supply and the reuse of stormwater and grey and black water involve a significant investment designed to deliver reductions in greenhouse gas emissions, water savings and energy efficiency. ANZ has budgeted approximately AUD34m for these environmental initiatives. Read more at <http://www.anz.com/aus/About-ANZ/Corporate-Responsibility/Environment/Reducing-Our-Environmental-Footprint/New-Building.asp>

vi What emissions reductions and associated costs or savings have been achieved to date as a result of the plan?

ANZ in Australia was able to meet its two year targets for the period ending September 2007 for electricity use (5% per FTE reduction) and greenhouse gas emissions (8% reduction per FTE).

b Emissions Intensity (CDP 5 Question 4c)

i What is the most appropriate measurement of emissions intensity for your company?

Tonnes CO2 e / FTE and tonnes CO2 e / m2

ii Please state your GHG emissions intensity in terms of total tonnes of CO₂-e reported under Scope 1 and Scope 2 per US \$m turnover and EBITDA for the reporting year.

Total Turnover = AUD 7,302,000,000 (~ USD6.57 bn)

Total profit Before Tax = AUD 4,198,000,000

Turnover Intensity: \$ 6.57bn/170k; or 1 tonne for every \$ 28,602 of revenue

Profit Intensity = 1 tonne for every \$16448 of EBITDA

iii Has your company developed emissions intensity targets? If so:

a. Please state your emissions intensity targets.

Australia – to reduce electricity consumption per FTE by 5% reduction by September 2009

New Zealand – reduce greenhouse gas emissions (tonnes CO₂ per FTE) by 5% by September 2008.

These targets form part of an overall strategy to become carbon neutral in Australia and New Zealand by the end of 2009.

b. Please state what reductions in emissions intensity have been achieved against targets and over what time period.

For the two year period ended 30 September 2007, ANZ achieved a 5% reduction for electricity consumption per FTE and an 8% reduction in GHG emissions per FTE for its Australian based operations.

ANZ in New Zealand is on track to meet its two year intensity target by 30 September 2008.

See pages 79-81 in ANZ's 2007 Corporate Responsibility Report:
<http://www.anz.com/aus/Corporate-Responsibility-2007/Full-Report.pdf>

c Planning (CDP5 Question 4e)

Do you forecast your company's future emissions and/or energy use? If so:

Yes, ANZ has been projecting future emissions as part of its energy efficiency program.

i Please provide details of those forecasts, summarize the methodology used and the assumptions made.

ANZ in Australia has projected a reduction in energy per FTE to 7.18kwh/fte. This represents a reduction of 15.6% over a four period. ANZ is anticipating that a reduction will continue to occur in the future, beyond the projections for 2008.

ii How do you factor the cost of future emissions into capital expenditure planning?

As part of ANZ's energy efficiency program and carbon neutral assessment, ANZ has estimated the future growth in emissions. A small overall absolute increase is projected into the future although the energy intensity reductions are projected to continue.

iii How have these considerations made an impact on your investment decisions?

These considerations have influenced our investment in reducing energy intensity as part of the design of the new office building in Melbourne's Docklands and by replacing its existing commercial portfolio of buildings. In addition the smart metering program is expected to provide a number of efficiency opportunities for the other key commercial and critical sites in Australia.

Read more about how these considerations have driven investment in energy efficiency measures:

ANZ's 2007 Corporate Responsibility Report: <http://www.anz.com/aus/Corporate-Responsibility-2007/environment-and-supply/environmentally-friendly-workplaces.asp>

Page 10 of ANZ's 2008 Interim Corporate Responsibility Report: www.anz.com/aus/Corporate-Responsibility/report/interim08.pdf

4 Governance

Objective: To determine responsibility and management approach to climate change.

a Responsibility (CDP5 Question 5a)

Does a Board Committee or other executive body have overall responsibility for climate change? If not, please state how overall responsibility for climate change is managed. If so:

i Which Board Committee or executive body has overall responsibility for climate change?

The ANZ's Governance Committee (a sub-committee of the Group Board) regularly reviews ANZ's corporate responsibility strategy and programs, including those addressing the effects of climate change. The ANZ Board also regularly reviews medium-term industry trends, including the impacts of climate change.

The Credit and Trading Risk Committee (Group-level senior executive management committee) (CTC) is responsible for considering transactions that are controversial or include environmentally sensitive impacts, including assessing the impact of extended drought conditions on ANZ's portfolio.

The Operating Risk Executive Committee (Group-level senior executive management committee) has responsibility for assessing the physical impacts of climate change on critical infrastructure and other emerging risks. OREC reports to the Group Board Risk Committee.

The Corporate Responsibility Council (Group-level senior executive management committee), along with the ANZ CEO and ANZ's Management Board, provides strategic leadership and performs an oversight and advisory role in achieving the Group's CR agenda and priorities.

ii What is the mechanism by which the Board or other executive body reviews the company's progress and status regarding climate change?

ANZ reports progress on climate change issues and opportunities bi-monthly to the Governance Committee of the ANZ Board and the Corporate Responsibility Council.

ANZ also reports regularly to the Credit and Trading Risk Committee on issues of environmental risk. All transactions within ANZ's Institutional Division with high potential environmental impact must be referred to CTC under ANZ's Controversial Issues Policy.

b Individual Performance (CDP5 Question 5b)

Do you assess or provide incentive mechanisms for individual management of climate change issues including attainment of GHG targets? If so, please provide details.

ANZ's performance-related compensation for its banking professionals includes environmental/climate change targets.

Key executives have specific environmental performance targets (direct and indirect as appropriate) built in and linked to their performance management/remuneration and rewards.

c Communications (New to CDP6)

Please indicate whether you publish information about the risks and opportunities presented to your company by climate change, details of your GHG emissions and plans to reduce emissions through any of the following communications:

i the company's Annual Report or other statutory filings, and/or

yes

ii formal communications with shareholders or external parties, and/or

yes

iii voluntary communications such as Corporate Social Responsibility reporting.

yes

If so, please provide details and a link to the document(s) or a copy of the relevant excerpt.

In addition to our interim and annual Financial and Corporate Responsibility Reports, ANZ communicates monthly to over 5000 stakeholders, including government, NGOs, community organisations, regulators, academics etc. via an e-bulletin which highlights 'case studies' of ANZ's progress against its public corporate responsibility targets, including those relevant to the impacts of climate change.

Examples of this communication can be found at the following:

2007 Annual Report: <http://www.anz.com/aus/Annual-Report-2007/People-community-environment/Our-Environment.asp>

2007 Corporate Responsibility Summary Report: <http://www.anz.com/aus/Corporate-Responsibility-2007/environment-and-supply/climate-changes.asp> and <http://www.anz.com/aus/Corporate-Responsibility-2007/Customers/managing-social-and-environmental-risks.asp>

2007 Corporate Responsibility Report – pages 73-84: <http://www.anz.com/aus/Corporate-Responsibility-2007/Full-Report.pdf>

2007 Annual Report – pages 16-19: http://www.anz.com/Documents/AU/Investor/agm/2007/ANZShareholder_07_Final_TEXT_C.pdf

2008 Corporate Responsibility Interim Report: www.anz.com/aus/Corporate-Responsibility/report/interim08.pdf

'Corporate Responsibility' – monthly e-bulletin to stakeholders (April 07, May 07, July 07 and March 08 issues contain stories related to our climate change strategy):
<http://www.anz.com/aus/values/resources/default.asp#option11>

d Public Policy (New to CDP6)

Do you engage with policymakers on possible responses to climate change including taxation, regulation and carbon trading? If so, please provide details.

We are active contributors to community discussion and public policy development on climate change and related issues.

ANZ provided a submission to the Prime Ministerial Task Group on Emissions Trading last year (<http://www.anz.com/aus/values/resources/default.asp#option2>) and through the Australian Bankers' Association, contributed to the current review commissioned by Australian Governments into the challenges and opportunities of climate change in Australia (Garnaut Climate Change Review:
<http://www.garnautreview.org.au/CA25734E0016A131/pages/submissions-general-submissions-received>

We are a member of the Federal Government's Greenhouse Challenge Plus and Energy Efficiency Opportunities programs and are participating in a pilot of the Federal Government's new National Greenhouse Emissions Reporting System (NGERS).

We will also continue to contribute to the policy making process through regular engagement with governments on public policy issues, including environmental and climate change issues impacting the bank. Our CEO formally meets with political and regulatory leaders twice a year.