Environmental, Social & Governance (ESG) Lending Commitments – Implementation and Reporting

	Commitment	Progress
1.	Building the capacity of staff to understand and assess ESG risks and opportunities.	• Project Finance completed through Equator Principles III (EPIII) training. • Group ESG Business Lending[1] training rollout second half FY15.
2.	Integrating ESG risk assessments into existing risk frameworks and procedures.	• ESG risk assessments completed and integrated into Project Finance Standard Operating Procedures based on EPIII. • Group ESG Business Lending processes, systems, risk frameworks rollout second half FY15.
3.	Ensuring that ESG assessment processes are aligned with the UN Global Compact and UN Guiding Principles on Business and Human Rights.	• ESG lending framework design and EPIII are aligned. • Embed through ESG processes, systems, risk frameworks and training for rest of Group Business Lending for completion end FY15.
4.	Applying the Equator Principles categorisation as the framework for assessing impact and risk of client activities.	• Project Finance implemented. • Rollout risk categorization based on EP across the rest of Group Business Lending for completion end FY15.
5.	Adding value to customers by influencing them to mitigate ESG risks and to seek the least harm by deploying best practice standards and solutions; recognising that economic considerations may take precedence where more sustainable alternatives are not currently available or viable.	• Project Finance teams conduct low carbon alternatives analysis for projects with emissions over 100,000 tonnes CO2 equivalent, consistent with EPIII. • Rollout training of low carbon alternatives analysis to all Business Lending teams, for completion end FY15.
6.	Identifying and understanding the high-impact sectors within our lending portfolio and applying additional levels of due diligence to sectors and jurisdictions where regulatory frameworks are not fully evolved and/or not best-in-class.	• Identified high impact sectors (including biodiversity, water, carbon & energy and human rights) at ANZSIC code level. • Overlay onto Group lending portfolio in progress. • This data forms the baseline of the Sector screening tool, flagging high level risk where additional due diligence is required.
7.	Assessing and measuring the environmental (e.g. biodiversity, water and carbon intensity), social (e.g. human rights) and governance (e.g. corruption) impacts and risks across our portfolio.	• A sector score for biodiversity, water, carbon intensity, social and governance risks completed. • Refinement of measurement and reporting of emissions from the Business Lending portfolio in progress. Staged approach starting with the Bank's project finance exposure to the energy sector **(see below)**.

[1]Business Lending will be subject to a materiality threshold.

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8.	Not knowingly supporting clients or their activities that: • Irrevocably damage World Heritage sites or other high value conservation areas defined by internationally recognised agencies; • Are complicit in the abuse of human rights; and/or • Are engaged in corruption, extortion or bribery.	• Already implemented with ongoing refinement of risk assessment tools, policies and systems.
9.	Engaging with our clients to remedy issues as a condition of our ongoing support where they fall into breach of our principles.	• Project Finance completed. • Group Business Lending roll-out by second half FY15.

Reporting of emissions (Principle 7)

- 2015 half year reporting (February 2015): assessed carbon emissions arising from our project finance exposure to the energy sector;
- 2015 full year reporting (August 2015): assessed carbon emissions arising from our project finance and business lending exposure to the energy sector;*
- 2016 half year reporting (February 2016): assessed carbon emissions arising from the business lending portfolio, with focus on larger entities.*

We will seek to carry out the assessments in accordance with best practice guidance (e.g. Greenhouse Gas Protocol). However, we recognise that there is currently limited international agreement in the finance sector on approaches to emissions assessment. We will continue to participate in international and local initiatives to seek clarity on approaches to measuring financed emissions.

*These items will be subject to a materiality threshold having regard to the impracticability of assessing the emissions of all of our business customers.