

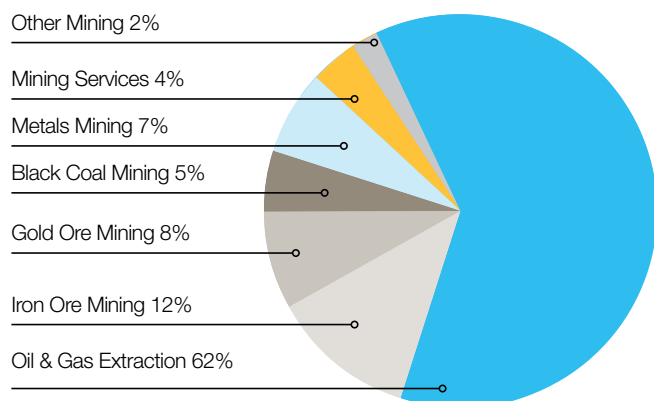
# Group Energy Exposures and Assessed Carbon Emissions of Business Lending Energy Sector

As a major provider of lending services, we play a crucial role in enabling and facilitating economic and social development and in supporting jobs, growth, innovation and opportunities for people, businesses and communities. We also recognise our responsibility to the environment and will only fund projects that meet our strict Environmental, Social and Governance Lending Commitments and the Equator Principles III. In addition, we are committed to disclosure around our lending portfolio. Group total exposure to the mining and energy sectors, as well as information on emissions arising from our business lending exposure to the energy sector are provided below.

## Resources Industries June 2015

Commercial Exposure <sup>1</sup>		
Sector	\$bn	% of Group TCE
Mining	7.1bn	0.7% of Group TCE
Oil and Gas Extraction	11.6bn	1.2% of Group TCE
Energy <sup>2</sup>	8.9bn	0.9% of Group TCE
Coal Ports & Transport Terminals	1.7bn	0.2% of Group TCE

## Mining, Oil and Gas



## Assessed Carbon Emissions - Business Lending

Assessed carbon emissions arising from the Group's business lending<sup>3</sup> exposure to the energy sector, per the Group's ESG reporting commitments. Data is reported as at June 2014 due to availability of client and public data sources of generation, production and emissions data.

### Coal Mining Operations

The emissions intensity of Group business lending to coal mining:

- Direct (scope 1 & 2) emissions:
  - 99tCO<sub>2e</sub>/AUDm debt
  - 0.05tCO<sub>2e</sub>/tonne coal extracted
- Group business lending to coal mining supported:
  - 4.67mt pa of coal production. This is the equivalent of approximately 1% of Australia's total coal production.
- Indirect (scope 3 combustion) emissions:
  - 5.1ktCO<sub>2e</sub>/AUDm business lending debt

### Oil and Gas Operations

The emissions intensity of Group business lending to the oil and gas sector:

- Direct (scope 1 & 2) emissions:
  - 114tCO<sub>2e</sub>/AUDm debt
  - 0.04tCO<sub>2e</sub>/barrel of oil equivalent (boe) produced
- Group business lending to oil and gas supported:
  - 19.8mboe pa of production. This is the equivalent of approximately 4% of Australia's total oil and gas production.

### Electricity Generation

The emissions intensity of Group business lending to electricity generation:

- Direct (scope 1 & 2) emissions:
  - 1,916tCO<sub>2e</sub>/AUDm debt
  - 0.71tCO<sub>2e</sub>/MWh generated. In Australia, the emissions intensity of Group debt finance to electricity generation was also 0.71tCO<sub>2e</sub>/MWh generated, compared to the Australian average emissions intensity of 0.85tCO<sub>2e</sub>/MWh.
- Group business lending to the electricity sector supported:
  - 6.64TWh of electricity generation

1. Total credit exposure (TCE) basis = balance for uncommitted facilities and the greater of limit or balance for committed facilities. Calculated before collateralisation. Includes ASB and Bankwest and excludes settlement exposures. Exposure assigned to ANZSIC Codes according to main business activity.  
 2. Energy includes: electricity generation, distribution & supply and gas supply.  
 3. Assessed carbon emissions arising from our Business Lending - includes both domestic and international.

# CO<sub>2e</sub> Emissions Method – Business Lending

The financed emissions analysis was conducted by EY, following the principles set out in the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard. This approach draws on the emerging protocols being discussed through the Greenhouse Gas Protocol and UNEP FI working group.

## Allocation of emissions and energy production to the Group

For each asset class (coal mining, oil and gas, and electricity generation), clients were selected based on their dominant business activity, or where their diversified activities included significant activity in the sector. Emissions and production were allocated to the Group in proportion to June 2014 Group debt as a percentage of total debt plus equity. For each client, total debt and equity was calculated using the equity and current and non-current borrowings reported on the balance sheet.

## Measure

tCO<sub>2e</sub>/AUDm lent: total of the Group debt share of emissions, divided by the total of the Group debt exposure.

tCO<sub>2e</sub>/tonne coal: total of the Group debt share of emissions arising from coal mining, divided by the total of the Group debt share of total coal extracted (tonnes) arising from Group clients.

tCO<sub>2e</sub>/BOE: total of the Group debt share of emissions arising from oil and gas (tCO<sub>2e</sub>), divided by the total of the Group debt share of oil and gas arising from Group clients (barrel of oil equivalent).

tCO<sub>2e</sub>/MWh: total of the Group debt share of emissions arising from electricity generation (tCO<sub>2e</sub>), divided by the total of the Group debt share of electricity generation arising from Group clients (megawatt hours).

## Coal, Oil and Gas

The Group's business lending for coal, oil and gas activities includes infrastructure activities (e.g. construction of LNG facilities) as well as production. Scope 1 and 2 emissions are associated with the client's activities, and are included in the assessment of emissions from Group business lending. Production and emissions data were drawn from National Greenhouse and Energy Reporting, the National Greenhouse Gas Inventory, publicly-available reports, subscription data providers or other company disclosures, and known performance measures.

- Coal - Estimates of emissions associated with the coal sector are presented for both Scope 1 and 2 emissions (associated with facility operations and fugitive emissions) and indirect emissions (scope 3 arising from the combustion of coal by third-parties).

- Oil and Gas - Estimates of emissions associated with the oil and gas sector are presented for both Scope 1 and 2 emissions. Where projects are in development, emissions associated with the construction of the assets were considered in determining the Group's debt share of total emissions. Emissions arising from the operation of LNG facilities are included for Australian operations where client reporting was available, or estimated from plant capacity.

## Electricity Generation

Production emissions and emissions intensity data sources for clients with a portfolio of generators were drawn from the Clean Energy Regulator, USEPA or client publication, National Greenhouse Accounts factors or third party. Emissions intensity of generation data was calculated from client specific emissions and generation data, or comparable technology performance data. Annual generation data for specific facilities was sourced either from the grid-operators (AEMO/SWIS - South West Interconnected System), client published data, or from estimations made on the basis of generation capacity and expected usage. Estimates of emissions associated with the Group debt exposure to the electricity generation sector are presented for both Scope 1 and 2 emissions.

## Limitations and Estimation

Not all companies in the coal mining, oil and gas, and electricity generation sectors report comprehensively on their emissions or production levels. At the same time, the Group extends business lending to a large number of clients within these sectors.

In estimating the emissions arising from its lending activities, the Group focused on identifying client specific emissions and production data for those clients to which the Group has a material exposure. A sector specific uplift was applied to account for emissions arising from those Group clients where client specific data was not readily available, or where Group exposure to the client was not material.