



Principles for Responsible Banking 2022 self-assessment

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BNZ has been a signatory to the United Nations Environment Programme Finance Initiative's (UNEP FI) Principles for Responsible Banking (PRB) as part of the National Australia Bank Group since 2019, and as a subsidiary bank member since June 2021. The PRB requires signatories to implement a four-year work programme to integrate the principles: alignment; impact and target setting; clients and customers; stakeholders; governance and culture; and transparency and accountability.

BNZ is working to align its practices to the six principles. This is BNZ's first PRB self-assessment report to demonstrate its progress against all six principles.

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement, and relevant national and regional frameworks.

1.1 Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g., the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e., by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

Bank of New Zealand (BNZ) operates in Aotearoa New Zealand, providing a broad range of banking and financial products and services to approximately 1.3 million retail, business, private, corporate, and institutional customers. BNZ is a subsidiary of the National Australia Bank Group of companies and is governed locally by an independent New Zealand Board of Directors.

The distribution of BNZ's portfolio by operating segments, geographies, and industry segments are detailed in the BNZ Disclosure Statement for the year ended 30 September 2022, which reports on corporate, financial, and risk-related information about BNZ.

Links and references:

2022 Disclosure statement for the [year ended 30 September 2022](#) Page 50 Operating Segments; Page 68: Risk Management

1.2 Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes

No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

UN Guiding Principles on Business and Human Rights

International Labour Organization fundamental conventions

UN Global Compact

UN Declaration on the Rights of Indigenous Peoples

Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk – please specify which ones: (outlined in below response).

Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery – please specify which ones: (outlined in below response)

None of the above

Response

BNZ's approach to sustainability is integrated within its strategy. BNZ exists to serve customers well and help communities prosper. This means we must perfect the basics, build strong foundations, and deliver market-leading experiences. A key element of perfecting the basics is being a trusted, safe, and sustainable bank that delivers on its ESG commitments.

BNZ's sustainability strategy vision to 'build a resilient, regenerative, and inclusive Aotearoa, for the long term' has two core pillars:

Kaitiakitanga – to accelerate the just transition to a net-zero emissions economy, that supports the regeneration of the natural environment and builds resilience: and

Manaakitanga – to grow the long-term social, cultural, and financial wellbeing of all New Zealanders.

BNZ has undertaken initial work to map the SDGs to these two core pillars. Under Kaitiakitanga, we are driving forward SDG 13 (climate action), SDG 14 (life below water), SDG 15 (life on land), and SDG 17 (partnerships for goals) and under Manaakitanga, SDG 10 (reduced inequalities), SDG 1 (no poverty), SDG 11 (sustainable cities and communities), and SDG 8 (decent work and economic growth). We have further work to do to integrate SDGs and their measures into our strategic objectives.

In 2022, we developed BNZ's climate strategy with the same vision as the Kaitiakitanga pillar. It sets out the objectives, key focus areas, enablers, and principles that BNZ will use to track and measure our climate action.

BNZ's Kaitiakitanga pillar and climate strategy align BNZ to the following legislative requirements and voluntary commitments:

- the Climate Change Response (Zero Carbon) Amendment Act 2019, which requires New Zealand to reduce net emissions of all greenhouse gases (except biogenic methane) to zero by 2050 and reduce biogenic methane to 24-47 percent below 2017 levels by 2050, including to 10 percent below 2017 levels by 2030.
- a signatory to the Net Zero Banking Alliance, committing to transitioning all operational and attributable GHG emissions from our lending and investment portfolios to align with pathways to net zero by 2050, or sooner, consistent with the objectives of the Paris Climate Agreement.

Applicable frameworks, and regulatory reporting requirements are as follows:

- the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021, requires large registered banks, among others, to issue climate disclosures from FY2024 in compliance with climate standards issued by the External Reporting Board (XRB).
- as a NAB subsidiary, BNZ adheres to the Group Human Rights Policy, the Group Social Impact Policy and NAB 2021 Modern Slavery and Human Trafficking Statement, which reference the social frameworks selected above, and the Australian Modern Slavery Act 2018.

Links and references

2022 Sustainable Futures Report
[Sustainability - BNZ](#) (page 9: Our sustainability strategy)

2022 Climate Report
[Sustainability - BNZ](#) (page 5, Strategy)

[Human Rights Policy](#)
(PDF, 138 KB)

[2021 Modern Slavery and Human Trafficking Statement](#)
(PDF, 578KB)

[NAB Social Impact Policy](#)

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

a) **Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response

In 2022, BNZ completed its inaugural impact analysis using the UNEP FI Impact Analysis Tool for Banks (version 2.16122021), to identify the areas where we can have the most significant impact toward achieving society's goals. The Impact Analysis Tool requires prescribed inputs and analysis of the positive and negative impact of a bank's portfolio of products and services by sector and geography, considering the relevant 'country needs' in relation to the Sustainable Development Goals.

Our two major reportable and operating segments, Partnership Banking and Corporate and Institutional Banking, provide financial products and services to predominantly New Zealand-based customers. We have run the impact analysis on three business lines, consumer banking, business banking (both within Partnership Banking), and Corporate and Institutional Banking. The range of financial products analysed across the business lines includes current and savings accounts, credit cards, mortgages, business loans, and derivative financial instruments. Our Wealth Management business was excluded from the impact analysis as it is out of scope and subject to the separate Principles for Responsible Investment requirements.

BNZ's annual sustainability materiality assessment continues to be an important reference point for understanding the areas in which we have the most significant potential positive and negative impacts. The materiality assessment asks customers, colleagues, and community partners what matters most to them. We ask about BNZ's strategies, performance, and impact on the environment and society.

- b) **Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
- i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e., sector exposure or industry breakdown in %), and/or
 - ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Key sectors' relative to different impact areas, i.e., those sectors whose positive and negative impacts are particularly strong, are particularly relevant here

Links and references

Disclosure statement for the [year ended 30 September 2022](#) (page 50: Operating Segments)

2022 Sustainable Futures Report, [Sustainability - BNZ](#) (page 35: Our material topics)

1. That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.
2. Further guidance can be found in the Interactive Guidance on impact analysis and target setting.
3. 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Response

BNZ has considered the composition of its predominantly New Zealand-based portfolio across each business line using the Impact Analysis Tool:

- i) Business Banking and Corporate and Institutional Banking – the following breakdown shows the combined percentage credit risk exposures (EAD) for these two business lines by major sector type ANZSIC codes.

Sector	%
Property and Business Services	27%
Finance and Insurance	22%
Agriculture Forestry and Fishing	18%
Retail and Wholesale Trade	6%
Manufacturing	6%
Government Administration and Defence	5%
Transport and Storage	3%
Health and Community Services	2%
Construction	2%
Accommodation, Cafes, Pubs, Restaurants, Culture and Recreation	3%
Electricity, Gas and Water Supply	1%
Other	5%

- ii) Consumer Banking – we considered the composition of our consumer banking business line with reference to consumer customer numbers by product type, age bands, income bands, and gender. There was insufficient data for a representative and meaningful breakdown of customers by income bands, and gender breakdowns were limited to binary categories only. The following breakdown shows the percentage composition of consumer banking customer numbers by product type and age band.

Product type	%
Current accounts	38%
Savings accounts	35%
Credit cards	19%
Consumer loans and home mortgages	8%
Age band	%
0-17	6%
18-39	31%
40-69	46%
70+	17%

Links and references

c) Context

What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Response

Our annual sustainability materiality assessment has, to date, been used to identify important sustainability topics and define where we can make the biggest impact. In 2022, BNZ participated in the UNEP FI biannual update of the 'country needs' module for New Zealand. The country needs module is a component of the UNEP FI Impact Analysis Tool (the Tool). This year, we reviewed both the country needs module and our sustainability materiality assessment to update our understanding of topics of most relevance to our stakeholders and potential high need impact areas in New Zealand.

Country needs analysis

The New Zealand 'country need' weightings assisted us in prioritising impact areas when considering key challenges related to sustainable development arising through our portfolio. The nine high or very high-need impact areas identified for New Zealand are:

- Biodiversity and ecosystems (biodiversity intactness, species survival)
- Climate (Co2 emissions per capita)
- Food (healthy nutrition)
- Housing (homelessness and affordability)
- Inclusive, healthy economies (financial inclusion)
- Mobility (transport infrastructure, public transport, and traffic congestion)
- Resource efficiency/security (energy consumption per capita, freshwater withdrawals, material consumption per capita)
- Water quality
- Waste (solid municipal waste and recycling rate)

BNZ sustainability materiality assessment

Our 2022 materiality assessment involved discussions with our customers, communities, and colleagues on the issues and challenges material to them, their view on BNZ strategies, performance, and impact on the environment and society. This assessment identified the following five highly material topics:

1. Financial inclusion
2. Climate change
3. Financial hardship
4. Just transition
5. Sustainable finance

Links and references

2022 Sustainable Futures Report, [Sustainability - BNZ](#) (page 35: Our material topics)

4. Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

Links and references

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁵? Please disclose.

Response

The analysis completed through the Impact Analysis Tool matched our business line portfolio exposures to sectors and mapped these to New Zealand country need impact areas and topics. The Tool also ranked impact areas for each business line and we have identified the following positive and negative impact areas with a ranking of one or two in one or more of our business lines:

Positive impact areas – employment, health and sanitation, housing, and inclusive healthy economies.

Negative impact areas – climate, Inclusive healthy economies (financial inclusion), resource efficiency/security, strong institutions, peace and stability, and waste.

The five highly material topics from our 2022 materiality assessment were financial inclusion, climate change, financial hardship, just transition, and sustainable finance.

BNZ has reviewed the material impact areas from both the Impact Analysis Tool and our 2022 sustainability materiality assessment. The indicative overlapping outputs of each reaffirms our understanding of significant negative impact areas and we have prioritised the following two impact areas for our target setting:

1. Climate
2. Financial health and inclusion

5. To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

d) For these (min. two prioritized impact areas)

Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e., qualitative and/or quantitative indicators and/or proxies of the social, economic, and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Response

Performance measurement for our prioritised impact areas is suggested to commence in year two of the UNEP FI four-year timeline for implementing the PRB. Our performance measurement work underway for our two priority impact areas is outlined below.

Climate

We have been developing and integrating our approach to managing and identifying climate-related risks, together with opportunities to accelerate the just transition to a net zero emissions economy. Our initial climate-related assessment has used the Net Zero Banking Alliance criteria to identify seven key portfolios. These are our assessed portfolios and they cover 68% of BNZ's total EAD (earnings at default) as at 30 September 2021. We have also determined the proportion of our lending exposed to low and high emission-intensive sectors. Following PCAF (Partnership for Carbon Accounting Financials) protocols, we have commenced measuring and reporting financed emissions for two of our three priority emitting sectors (Oil and Gas sector, and Power sector). Due to limited data availability, we have not reported financed emissions in FY2022 for the Dairy sector, our third priority sector.

We are continuing to improve our methodology and broaden our scope to cover all BNZ's financed emissions. This will be a process of continuous improvement as we manage data gaps, data quality, and reliability.

Financial health and inclusion

BNZ is committed to growing the long-term social, cultural, and financial wellbeing of New Zealanders. We realise the importance of financial wellbeing, feeling secure, and being in control of your money. We also know that things can go wrong, and sometimes extra support or options are needed. Our approach is to integrate our knowledge and awareness of our customers in vulnerable circumstances across BNZ.

Based on research, building internal capability, and analysing our data, BNZ has prioritised the positive impact it can have through a number of initiatives to support New Zealanders during their tough times, and, more broadly, boost financial health and inclusion. For example, we have researched the prevalence of predatory lending across our consumer customer base and from that, estimated that there are a significant number of New Zealanders using high-cost predatory lenders for living costs and who can least afford this type of lending. Consequently, we established a dedicated resource and set a target to disrupt predatory lending through the availability of low- or no-cost funding lines. We have entered into partnerships with community groups to amplify delivery of the funding where it is needed most.

Links and references

2022 Climate Report
[Sustainability - BNZ](#), (page page 5: Strategy; page 9 Climate-related risk and opportunities assessment; page 21: Metrics and Targets; page 23 How we are tracking)

2022 Sustainable Futures Report, [Sustainability - BNZ](#) (page 19: Manaakitanga)

Self-assessment summary

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts? ⁶

- | | | | |
|--------------------------|---|---|-----------------------------|
| Scope: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Portfolio composition: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Context: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Performance measurement: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> In progress | <input type="checkbox"/> No |

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate, financial health & inclusion

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)

⁶ You can respond “Yes” to a question if you have completed one of the described steps, e.g., the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets⁷ must be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment

which international, regional, or national policy frameworks to align your bank's portfolio with⁸ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national, or regional frameworks.

You can build upon the context items under 2.1.

Response

Targets for prioritised impact areas are suggested to be set by the end of year three in the UNEP FI four-year timeline for implementing the PRB. We have further work to do to integrate SDGs and their measures into our strategic sustainability and climate objectives. Our alignment to international and national commitments and policy frameworks for our two prioritised impact areas are outlined below.

Climate

The first strategic objective under our climate strategy is to transition our investment and lending portfolios to net zero emissions by 2050. This is aligned to our Net Zero Banking Alliance commitment and references New Zealand's domestic emissions reduction targets set by the Climate Change Response (Zero Carbon) Amendment Act 2019 and the New Zealand Climate Change Commission recommendations and reports. This year, we have mapped our Assessed Portfolios against the Ministry of Business Innovation and Employment (MBIE) categorisation of emissions intensity sectors.

The second strategic objective under our climate strategy is to support our customers to transition to low emissions, resilient business models. The delivery of sustainable finance is a key activity toward meeting this objective. We are targeting \$10b in sustainable finance by 2025, our Sustainable Finance Framework describes our approach to sustainable finance. It aligns with internationally recognised frameworks including the Asia Pacific Loan Market Association (APLMA)/Loan Syndications and Trading Association's (LSTA) Green, Social and Sustainability Linked Loan Principles. We also map the eligible sectors in the framework to the SDGs.

Financial health and inclusion

BNZ references the National Strategy for Financial Capability (NZ Retirement Commission). The National Strategy is about working together to help New Zealanders understand money – it provides a framework for collaboration, communication, and knowledge sharing across the Financial Capability community.

Links and references

2022 Climate Report
[Sustainability - BNZ](#), (page 5: Strategy; page 9: Climate-related risk and opportunities assessment)

⁷ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

⁸ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

b) Baseline

Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate	-	
	-	
	-	

Impact area	Indicator code	Response
Financial health & inclusion	-	
	-	
	-	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Response

Baselining work for our prioritised impact areas is discussed below. Going forward, we intend to review applicable UNEP FI indicators and guidelines, and calibrate where applicable.

Climate

For setting emissions reduction targets across our lending portfolios, we have thus far identified that using total committed exposure (TCE) to calculate financed emissions provides a more stable metric by which to measure and set emissions reductions targets as it better represents our commitment to the customer and is less likely to fluctuate. We have also taken initial steps towards calculating our financed emissions using two portfolios for the year ending 30 September 2021: Power, and Oil and Gas. There is more baselining work to do.

Financial health and inclusion

Our baselining approach under the Manaakitanga pillar of our Sustainability Strategy draws on research, building internal capability, and analysing our data. For example, BNZ completed research on the prevalence of predatory lending across our consumer customer base and from that we estimated that there are a significant number of New Zealanders who can least afford it and are stuck using high-cost predatory lenders. This baseline work underpins the target we have set to disrupt predatory lending.

Links and references

2022 Climate Report, [Sustainability - BNZ](#) (page 21: Metrics and Targets)

c) SMART targets (incl. key performance indicators (KPIs)⁹)

Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Response

Target setting for priority impact areas is suggested to be set by the end of year three in the UNEP FI four-year timeline for implementing the principles. We have already set several targets, with more planned.

Climate

Setting sector level, science-based, reduction targets and implementation plans across our leading portfolios is a key action that for us to progress. We intend to set a 2030 target and a 2050 target aligned to the Paris Agreement goal of limiting warming to 1.5°C. This work programme will include consideration of applicable UNEP FI Indicators and guidelines.

To drive climate action under our Kaitiakitanga pillar (to accelerate a just transition to a net-zero emissions economy), we set the following targets in 2020:

- \$10bn in sustainable finance by 2025
- support 50% of BNZ SME customers to actively measure and reduce emissions by 2025
- transition assessments for our top 50 emitters by 2022.

Financial health and inclusion

Under our Manaakitanga pillar (grow the long-term social, culture, and financial wellbeing of New Zealanders), we set a target in 2020 to disrupt predatory lending in New Zealand by delivering \$50 million of no- and low-interest lending by 2024.

We are revamping our Manaakitanga strategy, and this work programme will include consideration of additional targets and calibration with relevant UNEP FI resources and guidelines on financial health and inclusion.

Links and references

2022 Sustainable Futures Report, [Sustainability - BNZ](#) (page 6-7: Tracking our Progress)

2022 Climate Report [Sustainability - BNZ](#), page 22: Metrics and Targets

⁹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

d) Action plan

Which actions including milestones have you defined to meet the set targets? Please describe.
 Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Response

Climate

We have delivery plans for our current climate targets with progress monitored at the ESG Risk Management Committee. For example, the plan for our sustainable finance target includes new sustainable finance products (including pricing incentives), capital and funding options, risk appetite settings, and capability uplift.

We recognise that the transition to a net zero emissions economy will impact customers and communities in different ways. Our focus is on a just transition to a Net Zero emissions economy, one that supports the regeneration of the natural environment and builds climate resilience. In conjunction with setting emissions reduction targets for our portfolios, we intend to develop plans to operationalise these targets that also factors in a just transition.

Financial health and inclusion

To drive our disrupt predatory lending target, we deliver lending and advances through three key partnerships aimed at helping people access essential products and services and avoiding the pitfalls of resorting to high cost lenders. Our partners are Good Shepherd NZ, Habitat for Humanity, and PaySauce.

Links and references

2022 Sustainable Futures Report, [Sustainability - BNZ](#) (page 21: Manaakitanga)

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... (Climate)	... second area of most significant impact: ... (Financial health & inclusion)	(If you are setting targets in more impact areas) ... your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only):

describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

Over the 12 months to 30 September 2022 (FY2022), we have made the following progress towards achieving our current impact area targets:

- 10 billion in sustainable finance by 2025: delivered \$2.4bn in FY2022 (cumulative \$2.9bn) through sustainability linked loans, sustainability linked derivatives, and green and social bonds.
- Support 50% of BNZ SME customers to actively measure and reduce emissions by 2025: enabled 11,029 SMEs to undertake climate action assessments through the Climate Action Toolbox since inception. Emissions calculator embedded into the Climate Action Toolbox in June 2022 enabling SMEs to measure their emissions. There is more to do to progress this target.
- 50 transition assessments for our top 50 emitters by 2022: target achieved in FY2022.
- Disrupt predatory lending in New Zealand by delivering \$50 million of no- and low-interest lending by 2024: delivered \$5.4m in FY2022 (cumulative \$17.8m) in no- and low-interest loans and advances.

Links and references

2022 Sustainable Futures Report, [Sustainability - BNZ](#) (page 6-7: Tracking our Progress)

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

Under our ESG Policy, we manage ESG risk using industry-based ANZSIC codes mapped to prohibited, high, sensitive, and low risk settings for industries, with a risk rating assigned to customers in the relevant industries. The primary purpose of the policy is to manage BNZ's ESG risk. Where environmental or social issues are identified through the ESG Policy due diligence processes, we engage with customers to work with them to adapt or modify their practices for more sustainable outcomes.

The commitments we have made under our sustainability and climate strategies shape our engagement with our customers on encouraging sustainable practices and enabling sustainable economic activities.

We implement this through doing the following:

- upskilling our bankers to enable them to engage with customers, especially in high and sensitive risk sectors, about the impacts that are associated with their activities
- the provision of sustainable finance. In 2020, BNZ committed to delivering \$10 billion of sustainable finance by 2025. In FY2022, we provided \$2.4 billion in sustainable finance to customers through sustainability linked loans, sustainability linked derivatives, and green and social bonds. More details on our sustainable finance transactions can be found in our Sustainable Futures Report.
- we have committed to supporting 50% of SME customers to measure and reduce emissions by 2025. BNZ is a founding partner of the Climate Action Toolbox which supports SME customers by providing tools for creating climate action plans with a carbon emissions calculator added in 2022. The Climate Action Toolbox is free and available to any SME. Since inception, 11,029 SME's have undertaken climate action assessments through the Climate Action Toolbox
- provided NZ\$17.8 million (cumulative) in no- and low-interest loans and advances through partnerships to disrupt predatory lending
- boosting digital inclusion by supporting customers, colleagues, and communities to have the tools, skills, and confidence to participate and benefit from being included in the digital world
- over the past four years, BNZ has continued to build simple accessible scam resources for customers and communities. During the annual Scam Savvy Week, BNZ has helped more than 225,000 New Zealanders learn how to spot scams and have provided tips to keep more New Zealanders safe from scammers.

Links and references:

2022 Sustainable Futures Report
[Sustainability - BNZ](#) (page 10: Kaitiakitanga; page 19 Manaakitanga)

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response

Business opportunities in relation to the increase of positive, and the reduction of negative, impacts that we have identified are outlined below and discussed in our Sustainable Futures Report and Climate Report.

We consider the scale of change required to transition to a low carbon economy to be a once in a generation opportunity to invest in the transformation of New Zealand. We have a key role to support willing and able changemakers to make that transformation. Examples of our work on this during FY2022 are as follows:

- our climate risk baselining work provides insights on where the opportunities are to both finance the decarbonisation of our portfolio and improve the climate resilience of physical assets. Our insights on portfolio-specific opportunities in the Agriculture, Power, Transport, Residential Property, and Commercial Real Estate sectors are outlined in our Climate Report.
- identifying climate-related opportunities by working with customers on sustainable finance, providing incentives for customers acting on climate change, and providing tools, such as the Climate Action Toolbox, to help our customers measure and reduce their emissions and allow BNZ to identify targeted transition financing opportunities.
- strengthened the purpose and priorities of our Sustainable Finance Framework in relation to climate change, enabling more targeted transition financing.
- developed the scalable Green and Sustainability Linked loans for our smaller business and agribusiness customers

BNZ is committed to playing its part in growing the long-term social, cultural, and financial wellbeing of New Zealanders. Our financial wellbeing initiatives target opportunities to tackle significant issues faced by customers and communities. More details on these initiatives can be found in our Sustainable Futures Report.

Links and references:

2022 Climate Report
[Sustainability - BNZ](#) (page 14-15, Portfolio-specific climate-related risk Insights across the Assessed Portfolios)

Sustainable Finance Framework
[Sustainability - BNZ](#)

2022 Sustainable Futures Report
[Sustainability - BNZ](#), page 19
Manaakitanga

10 A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

11 Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Principle 4: Stakeholders

We will proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate, and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated, or partnered with for the purpose of implementing the principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response

Each year, when conducting our sustainability materiality assessment, we ask our customers, employees, and community partners what matters most to them. We ask them about BNZ and its strategies, performance, and impact on the environment and society. The interview process identified key topics which can help to pinpoint relevant risks and opportunities, understand trends that may impact our business, shift our focus to important sustainability topics, and define where we can make the biggest impact. More information can be found on our most recent materiality assessment in our Sustainable Futures Report.

BNZ participates in a range of partnerships and industry initiatives. This includes, but is not limited to, groups focusing on climate related disclosures, natural capital, sustainable finance, climate risk and scenario analysis, and a just low-carbon transition. We also engage with policy makers on topics such as climate, biodiversity, financial inclusion, and other sustainability issues via industry associations and/or directly.

Some specific examples of engagements in 2022 include the following:

- submissions and engagement with the External Reporting Board (XRB) on the mandatory Climate Related Disclosures (aligns to TCFD) regime and reporting standards.
- participating in New Zealand Bankers Association (NZBA) banking industry scenario analysis workshops to build Climate Scenario Analysis tools for the New Zealand banking industry.
- founding partner of the Aotearoa Circle and Toitu Tahūa (centre for sustainable finance) – a voluntary initiative bringing together leaders from the public and private sectors to address issues relating to natural resources, financial inclusion, and climate. We have been an active member of the Banking Implementation Group throughout 2022.
- participated in Reserve Bank of New Zealand (RBNZ) funding for lending program (FLP), which was set up during covid-19 to support growth. Banks could access cheaper funding for sustainable finance or productivity opportunities.
- RBNZ are consulting with the largest banks in New Zealand (including BNZ) on its stress testing program. This program covers banks' residential mortgage and agricultural exposures. RBNZ has indicated that its long-term aim with stress testing is to support banks to build their capability to identify climate risks and find solutions to the significant data and modelling challenges involved, leading to more proactive management of climate risk. In the near term, the RBNZ stress testing exercise will provide estimates of exposures to selected climate hazards, which RBNZ will use to assess system-wide risk and to design further climate-related stress testing activities.

Links and references:

2022 Sustainable Futures Report
[Sustainability - BNZ](#), page 35
 Our material topics

¹² Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

- participating in Tāwhia, the Māori Bankers Rōpū (group). The purpose of Tāwhia is to act as a platform to raise Māori financial issues. It has three strategic objectives: bolstering access to capital towards developed Māori land for housing; contributing to financial literacy for Māori, and working with the financial sector to boost employment.

We leverage our partnerships to deliver access and scale of community finance including the following:

- partnering with Good Shepherd to provide no-interest loans to people on limited incomes for essential household goods and services and debt consolidation, as part of the DEBTSolve programme.
- supporting Habitat for Humanity's Home Repair Programme by providing access to no-interest affordable loans for modest income owners to achieve critical maintenance and repairs.

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response

Responsibility for the principles and, more broadly, BNZ's sustainability strategy and delivery of our vision, sits with the BNZ Board. The BNZ Board meets regularly and discusses sustainability and climate change issues, as and when required, ensuring regular engagement throughout the year. The BNZ Board considers climate risk as a financial risk.

ESG issues, updates, and decisions are provided to the Board through the Executive Risk Management Committee (ERCC) which is an executive forum that discusses ESG-related issues and provides direction on ESG-related ambition.

BNZ has a dedicated ESG Risk Management Committee which oversees the delivery of the sustainability and climate strategies and BNZ's external commitments (including Principles of Responsible Banking). Escalation of issues and decisioning from this committee is to the BNZ Executive Risk and Compliance Committee (ERCC). The ESG Risk Management Committee reports monthly to the ERCC to show how we are delivering to the commitments, targets and metrics sets out in the strategy

BNZ Executive roles and responsibilities in relation to climate-related risks and opportunities are outlined in our 2022 Climate Report.

Links and references:

2022 Climate Report
[Sustainability - BNZ](#) (page 4, BNZ Executive)

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response

BNZ has a culture of responsible banking through integrating Environmental, Social and Governance (ESG) considerations across our banking accreditation pathway and providing bankers access to the information they need to manage ESG considerations.

The assessment of ESG risks has been incorporated into our Credit Risk Management framework, meaning that both Credit and ESG risks are assessed and decided by experienced Credit Managers within the Customer Risk Assessment team.

All executives are responsible for delivering on BNZ's ESG commitments.

BNZ will continue to build its responsible banking culture by continually reviewing our ESG policy to ensure it remains relevant and providing further training to staff to continue integrating ESG considerations into decision making.

Links and references:

2022 Climate Report
Sustainability - BNZ (page 6, Our Climate Strategy)

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response

'Sustainability Risk' is a material risk within BNZ's Risk Management Framework, and accordingly there are risk management practices around that. The following BNZ and NAB Group policies and statements are applicable when dealing with ESG risks:

- Our ESG Policy, which is applied across the bank, from onboarding to transactional and lending activities. This governs the sectors, industries, and individuals that are prohibited, high risk, and sensitive from an ESG perspective. The ESG process is discussed below.
- Group animal welfare policy, which applies to our dealings with customers engaged in any form of business involving animals, including farming and the use of animals for entertainment, recreational hunting, cultural, and sporting activities.
- Group modern slavery statement outlines how the group is managing and addressing modern slavery risk across our banking services.
- Group human rights policy, providing the human rights requirements that must be met and are incorporated into related policies, processes, frameworks, and action plans.
- Specific requirements around payday and friend lenders, and medicinal cannabis.

ESG process

ESG risk assessments are part of BNZ's credit risk assessment and due diligence processes and is factored into decisions about operations and suppliers. Using ANZSIC codes to identify sectors we have processes in place to understand the risks associated with our customers.

In our Corporate & Institutional Business, which is responsible for our largest customers, we complete ESG assessments for all customers.

For our business customers within our Partnership Banking business, we assess as follows:

- high-risk sector – lending requires due diligence to be undertaken via the applicable ESG checklist and escalation to a specialist decisioning team where the entity is proposed for onboarding.
- sensitive sectors – due diligence via completion of an ESG checklist is required for lending requests where aggregated group exposure is >\$2M (excluding housing and personal lending limits); or where there are material ESG risks; or if the entity is in the Agribusiness sector when the checklist will be referred to the BNZ Natural Capital Team for support.

13 Applicable examples of types of policies are exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Customers in our prohibited sectors (on-boarded prior to ESG policy noting sectors as prohibited) have exit strategies in place e.g., coal customers. We work with impacted customers to ensure we communicate our objectives for the sector and support them to transition.

We are a signatory to the Equator Principles, and there are specific steps bankers must follow to ensure we meet these obligations in relation to project-related lending or advisory services.

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes

No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes

No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes

In progress

No

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes Partially No

If applicable, please include the link or description of the assurance statement.

Response

The UNEP FI requires the annual PRB self-assessment to be assured within the initial four-year implementation period (which means at least the third PRB report needs to be assured. We intend to establish an assurance) process to meet this requirement.

Links and references:

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

GRI
 SASB
 CDP
 IFRS Sustainability Disclosure Standards (to be published)
 TCFD
 Other:

Response

Other: External Reporting Board – Climate-related disclosure standards

Links and references:

[Climate-related Disclosures »](#)
[XRB](#)

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

Response

- impact analysis: progress performance measurement for our two priority impact areas

Links and references:

¹⁴ For example, outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context, and performance measurement

¹⁵ For example, outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

Response

- target setting: progress baselining work and develop science-based emissions reduction targets for those portfolios with material emissions including calibration to relevant UNEP FI Indicators and guidelines
- revamp the Manaakitanga pillar of our Sustainability Strategy. Develop key objectives for each impact area. Identify opportunities, initiatives, and measures of success under each objective, including calibrating to applicable UNEP FI Indicators and guidelines.
- integrate SDGs and their measures into our strategic objectives
- incorporate portfolio impact findings in our sustainability materiality assessment stakeholder engagement

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|---|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input checked="" type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability |
| <input checked="" type="checkbox"/> Conducting an impact analysis | <input type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input type="checkbox"/> Other: | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these: