

Principles for Responsible Banking 2023 self-assessment



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Bank of New Zealand (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 (NAB) 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.

This is BNZ's second PRB self-assessment report of its progress against alignment with the six principles.

This report covers the financial reporting period 1 October 2022 to 30 September 2023 (FY23), unless otherwise stated. It only relates to BNZ branded entities. It does not contain BNZ's statutory financial reporting information. This information is regularly disclosed here: [BNZ – Financials](#).

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

BNZ is one of the largest and oldest financial institutions in Aotearoa New Zealand, providing a range of banking and financial products and services to consumer / retail, small and medium business, agribusiness, corporate and institutional clients. BNZ employs over 5,500 people in Aotearoa New Zealand and has just over 130 branches and partners centres across the country.

BNZ is a wholly owned subsidiary of the National Australia Bank (NAB) Group of companies and is governed locally by an independent Board of Directors. The distribution of BNZ's portfolio by operating segments, geographies, and industry segments is detailed in the BNZ Annual Report and Disclosure Statement for the year ended 30 September 2023, which reports on corporate, financial, and risk-related information about BNZ.

Links and references

BNZ - Sustainability. [2023 Sustainable Futures Report](#) (Page: 7, About BNZ).

BNZ - Financials. [2023 Annual Report and Disclosure statement for the year ended 30 September 2023](#) (Page: 50, Operating Segments).

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 - (outlined in below response)
 Any applicable regulatory reporting requirements on social risk assessments, e.g., on modern slavery - (outlined in below response)
 None of the above

Response

At BNZ, we have a bold ambition to be Aotearoa New Zealand's best bank for personal and business customers. Our purpose is to serve customers well and to help communities prosper. We will deliver this through being a trusted, safe, and sustainable bank, delivering market-leading expertise, products, and services. We will build Aotearoa New Zealand's best bank by perfecting the basics, building strong foundations, and delivering market-leading experiences for our customers.

Te pae tawhiti, BNZ's sustainability strategy is underpinned by our commitment to be a responsible workplace and sets out our vision to build a resilient, regenerative, and inclusive Aotearoa for the long term. Our sustainability strategy is built around the two main pillars of Kaitiakitanga, and Manaakitanga:

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

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

In 2020, BNZ mapped the two main pillars of our sustainability strategy to show alignment to relevant Sustainable Development Goals (SDGs). We recognise that BNZ has more work to do to map our strategy and progress directly to the indicators and targets under these SDGs.

In FY22, BNZ developed its first climate strategy, with the same vision as the Kaitiakitanga pillar of the sustainability strategy. BNZ's climate strategy has four objectives:

1. Transition our investment and lending portfolios to net zero emissions by 2050.
2. Support our customers to transition to low emissions, climate resilient business models.
3. Understand our climate related risk across our portfolios and support our customers to adapt and build resilience.
4. Continue to actively reduce our emissions across our operations and supply chain.

Our climate strategy currently looks across short term (2025), medium term (2030) and long-term horizons (2050) to deliver our strategic objectives. Over the next year we will be working to update our climate strategy and BNZ's response to climate change based on progress to date against our targets, and what we have learned about how we need to ensure capital is deployed to the right parts of the economy to address climate risk and accelerate the transition to a low-emissions, climate-resilient economy.

BNZ's climate strategy aligns to BNZ's voluntary commitments and to New Zealand's emission reduction legislative requirements, namely:

- The Climate Change Response (Zero Carbon) Amendment Act 2019, which requires Aotearoa New Zealand to reduce net emissions of all greenhouse gases (GHG) (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.
- The Net Zero Banking Alliance (NZBA), 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.
- We have published a voluntary climate report since 2021 referencing the Taskforce for Climate-related Disclosures (TCFD) and, more recently, the External Reporting Board's (XRB) Aotearoa New Zealand Climate Standards (CS).

BNZ reports under the following regulatory reporting requirements:

- For the financial year 1 October 2023 to 30 September 2024 (FY24), we will report in line with the XRB's Aotearoa New Zealand Climate Standards as a Climate Reporting Entity under the Financial Markets Conduct Act 2013 (as amended by the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021).
- As a subsidiary of the NAB Group, BNZ has an equivalent local policy incorporating the requirements of the Group Human Rights Policy and the Group Social Impact Policy.
- BNZ reports as part of the NAB Group's 2023 Modern Slavery Statement. This statement is made pursuant to the Modern Slavery Act 2015 (UK) and the Modern Slavery Act 2018 (Australia).

Links and references

BNZ – Sustainability. [2023 Sustainable Futures Report](#) (Page: 9, Te pae tawhiti: BNZ Sustainability Strategy).

BNZ – Sustainability. [2023 Climate Report](#) (Page: 30, 2.8 Transition planning - Climate Strategy).

BNZ – Sustainability. [2022 Principles for Responsible Banking self-assessment](#) (Page: 3, 1.2 Strategy alignment, Page: 4, Response).

NAB – Sustainability. [NAB Group Human Rights Policy](#) (PDF, 138 KB).

NAB – Sustainability. [NAB Group Social Impact Policy](#) (PDF, 271 KB).

NAB – Sustainability. [NAB Group Slavery Statement: Annual and environmental reports | Modern Slavery Statement - NAB](#).

- BNZ’s Sustainable Finance Framework sets out our methodology for classifying finance as sustainable and contributing to our target to deliver \$10 billion in sustainable finance by 2025.¹ This provides transparency to the market on criteria to be met for allocated capital assessed by BNZ as providing positive social and environmental impacts.

Links and references

BNZ – Sustainability. [2022 Sustainable Finance Framework](#) (Page: 3, Introduction).

¹The term “finance” includes providing loans, facilitating bond issuances, and entering into derivatives. BNZ’s target is separate but contributes to NAB Group’s \$70 billion Environmental Finance target.

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 regularly² and fulfil the following requirements/elements (a-d)³:

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

BNZ completed an impact analysis in FY22 using the UNEP FI Impact Analysis Tool (the Tool) for Banks (version 2.16122021) across three business lines: Consumer Banking, Business Banking, and Corporate and Institutional Banking. The range of financial products analysed included current and savings accounts, credit cards, mortgages, business loans, and derivatives.

Our Wealth Management business is out of scope and subject to the separate requirements of the Principles for Responsible Investment.

We intend to review the Impact Analysis for BNZ using the Tool every two years. This gives us time to use the outputs to undertake baselining, set targets, and begin project work. Every two years, we complete a substantial sustainability materiality assessment cycle, with a higher level survey in the intervening year, as part of preparing our annual sustainability reports. Through this process we identify key environmental and social risks, opportunities, and trends that may impact our business, inform where we may shift our focus, and define where, through the deployment of capital, we can make the biggest environmental and social impact.

Links and references

BNZ - Sustainability. [2022 Principles for Responsible Banking self-assessment](#) (Page: 5, Principle 2.1 Impact Analysis).

BNZ - Sustainability. [2023 Sustainable Futures Report](#) (Page: 52, Reporting what matters).

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 & industries 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.

²That 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.

³Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

⁴'Key sectors' relative to different impact areas, i.e., those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

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.

Response

In FY22, BNZ considered the composition of its predominantly New Zealand-based portfolio across the Consumer Banking, Business Banking, and Corporate and Institutional Banking portfolios as outlined in our 2022 PRB Self-Assessment. BNZ will review its portfolio composition again using the Tool in FY24.

Links and references

BNZ – Sustainability. [2022 Principles for Responsible Banking self-assessment](#) (Page: 5, 2.1(b) Portfolio composition).

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?⁵ 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

In 2022, BNZ participated in the UNEP FI biannual update of the 'country needs' assessment for Aotearoa New Zealand. The country needs assessment is a component of the Tool. In FY23, we reviewed the country needs assessment and our sustainability materiality assessment to inform us of the topics most relevant to our stakeholders and the potential high need impact areas in Aotearoa New Zealand.

BNZ – Sustainability. [2022 Principles for Responsible Banking self-assessment](#) (Page: 7, 2.1(c) Context).

Country needs assessment

Aotearoa New Zealand 'country needs' weightings assisted us in prioritising the key sustainability impact areas across our portfolio. We have identified no change for 2023, in the nine high or very high-need impact areas previously identified for Aotearoa New Zealand. These areas 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)

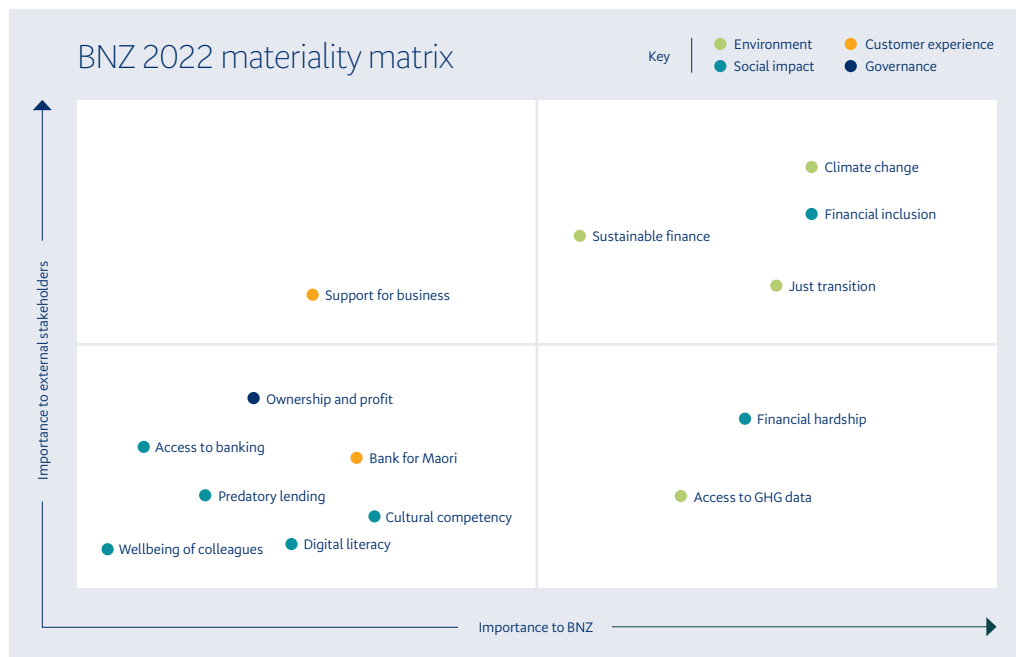
BNZ sustainability materiality assessment

The FY22 materiality assessment matrix (below) identifies the key issues for our stakeholders. There is both commonality (such as climate change and financial inclusion) and differences (such as just transition and sustainable finance) between the 'country needs' weightings and our FY22 materiality assessment. This is largely due to variations between the methodology for the country needs assessment and the practical application of the materiality assessment.

BNZ – Sustainability. [2023 Sustainable Futures Report](#) (Page: 52: Reporting what matters).

⁵Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

Table 1: BNZ's FY22 materiality matrix.



This year we received 116 survey responses from executives and senior leaders across BNZ and external stakeholders. We compared the ranking from these responses with the ranking of the material issues identified in FY22. Much like FY22, this year saw inflationary pressures and financial hardship and financial inclusion for businesses, communities, and individuals as an important material issue. Our survey highlighted this issue with financial hardship and financial wellbeing and inclusion overtaking climate change as the top issue in FY23. Climate change was still seen as a 'top-five' issue in this year's assessment.

Based on these first three 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)? Please disclose.

Response

The Tool ranked impact areas for each BNZ business area (scored between 1-4, 1 being a 'low need' - the least significant impact area, 2 'moderate need', 3 'high need', and 4 'very high need' - the most significant impact area). We identified the following positive and negative impact areas with a ranking of 3 or 4 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.

These findings were consistent with the material topics from the FY22 materiality assessment and the survey-based assessment that was conducted in FY23. This reaffirms our focus on two impact areas for target setting:

1. Climate; and
2. Financial health and inclusion.

Links and references

BNZ – Sustainability. [2022 Principles for Responsible Banking self-assessment](#) (Page: 8 Response).

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

Climate

As a signatory to the NZBA we are required to set targets for emissions-intensive sectors, where data and methodologies allow. This process is derived predominantly from UNEP FI and Task Force on Climate-Related Financial Disclosures (TCFD) guidance.⁶ UNEP-FI states in its [guidelines for target setting](#) that targets should be set for initial sectors considered priorities based on greenhouse gas (GHG) intensities and financial exposures, and that banks may choose not to set targets for sectors where data and methodologies do not allow or where sectors are not material.

Based on this guidance, BNZ has set targets across Oil and Gas, Agriculture – Dairy and Power generation. BNZ has also committed to exit financing of the Coal mining sector. These sectors were chosen based on high emissions intensity, relative availability of emissions data and lending exposure.⁷

In FY23 we expanded our financed emissions calculations to cover industry sectors representing 99% of our Gross loans and advances to customers, including business lending and real-estate mortgages but excluding personal lending.⁸ For further information on our financed emissions data and analytics, including Total committed exposure (TCE) and relevant data quality scores please refer to our 2023 Climate Report.

Financial health and inclusion

Our Manaakitanga commitment is to grow the long-term social, cultural, and financial wellbeing of New Zealanders. Our focus is on uplifting the financial wellbeing of our people, customers, and communities across four key areas:

Disrupting predatory lending – We have grown financial wellbeing through inclusive products and services to disrupt predatory lending and keep vulnerable borrowers safe from unfair, high-cost loans.

Addressing economic harm – BNZ has a specialist Support Team which works closely with our customers and colleagues experiencing economic harm, the cause of which can range from problem gambling, addiction, to elder abuse or domestic violence.

Driving digital inclusion – Our objective is to deliver excellence for our customers, colleagues, and communities to develop the tools, skills, and confidence to participate and benefit from taking part in the digital world.

Links and references

BNZ – Sustainability. [2023 Sustainable Futures Report](#) (Page: 27, Kaitiakitanga – Highlights).

BNZ – Sustainability. [2023 Climate Report](#) (Page: 38, 4.2 Financed Emissions).

BNZ – Sustainability. [2023 Sustainable Futures Report](#) (Page: 41, Manaakitanga – Care for our people and communities).

⁶Our process was predominantly informed by UNEP FI's (2021) [Guidelines for Climate Target Setting for Banks](#) and the Taskforce on Climate-related Financial Disclosure's (TCFD) (2021) [Portfolio Alignment Technical Supplement](#).

⁷We have a commitment to exit all lending to thermal coal mining by the end of 2025, and all remaining lending to coal mining by the end of 2030.

⁸Personal lending includes personal loans, overdrafts, and credit card debt.

Get more New Zealanders into warm, dry, resilient homes – Warm, dry, and resilient homes are fundamental for everyone’s wellbeing. We have joined forces with iwi, government, and community organisations to support people facing barriers.

BNZ has undertaken research and used data and analytics to inform our approach to growing long term financial wellbeing:

- In FY19, BNZ’s inaugural predatory lending research identified a significant number of New Zealanders using high-cost predatory lenders for living costs.
- Whilst there are no current reliable statistics for economic harm in Aotearoa New Zealand, numbers internationally suggest that in about 90% of family violence cases there will be some form of economic abuse.
- The insights gained through our BNZ Support Team informs BNZ’s focus on a social issue and its prevalence. Problem gambling and elder abuse are two examples where we are working to better understand and quantify the issues.
- In June 2023, the ‘Economic and Financial Confidence Monitor’ was commissioned by BNZ and [Camorra Research Ltd](#) to better understand attitudes and perceptions of New Zealanders in the current economic climate. The research surveyed 500 New Zealanders (aged 18-79) and found they are most worried about increases in insurance costs (50%), being unable to afford an unexpected or large bill (47%) or having to scale back their current lifestyle (40%).
- In July 2023, we conducted new research on scams as part of our annual Scam Savvy Week. The objective was to raise awareness, help people understand how to identify scams, and to be safer online. The research showed a significant jump in reported scam activity over the past 12 months, with nine out of 10 New Zealanders targeted by a scam – up 13% from last year. The research was conducted by BNZ and [Camorra Research Ltd](#) with a sample of 1,012 New Zealanders.

Links and references

BNZ – Sustainability. [2022 Principles for Responsible Banking self-assessment](#) (Page: 9, 2.1(d) Performance measurement; Financial health and inclusion).

Good Shepherd New Zealand. [New Zealand Family Violence and Economic Harm Statistics](#).

BNZ – BNZ Debrief. [Nine out of ten targeted by scams, but New Zealanders getting more scam savvy](#).

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?⁹

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?

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, and Waste (solid municipal waste and recycling rate).

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)

⁹You 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 targets¹⁰ have to 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 with¹¹ 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

Climate

Decarbonisation target alignment

The targets we have set align to the UNEP FI Net Zero Banking Alliance and support Aotearoa New Zealand's requirements under the Climate Change Response (Zero Carbon) Amendment Act 2019.

Our four initial sector targets; Oil and Gas, Power generation, Agriculture - Dairy and Coal mining were chosen based on:

- Alignment with the UNEP FI NZBA Guidance for target setting.
- Reflecting Aotearoa New Zealand's specific circumstances for relevant sectors, such as the high proportion of renewable energy generation, and considering the role of the New Zealand Climate Change Commission.
- Alignment with the NZBA targets of our parent bank, National Australia Bank Limited, where relevant.

Financial health and inclusion

In 2021 the Office of the Retirement Commission, Te Ara Ahunga Ora collaborated with stakeholders, including BNZ to develop a National Strategy for Financial Capability. The strategy was informed by research on the financial resilience of New Zealanders through the COVID-19 pandemic in 2020 and is focused on three key areas:

1. Ensuring consistent language across the financial capability community.
2. Encouraging collaboration across the system through sharing data and resources.
3. Demystifying money by understanding differing approaches to money. The strategy does not currently outline a national metric of financial wellbeing and as such BNZ is not able to develop nationally aligned targets.

BNZ uses the National Strategy to inform aspects of our work across financial health and inclusion.

Links and references

BNZ - Sustainability. [2023 Climate Report](#) (Page: 38, 4.2 Financed Emissions).

BNZ - Sustainability. [2023 BNZ Net Zero Banking Alliance targets disclosure](#) (Page: 2, Principles for target setting).

Te Ara Ahunga Ora, Retirement Commission. [The National Strategy for Financial Capability](#).

¹⁰Operational 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.

¹¹Your 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.

We have more work to do to in the financial health and inclusion impact area to select indicators and targets that are linked to and drive alignment with and greater contribution to appropriate SDGs, and other relevant international, national or regional frameworks.

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 change mitigation	...	
	...	
	...	

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

Climate

Decarbonisation target baselines

The methodology and approach for setting a baseline for our decarbonisation targets is set out in the BNZ NZBA targets disclosures report.

The baselines have subsequently been restated for Oil and Gas and Power generation, as set out in our 2023 Climate Report. Restatements were undertaken due to methodology changes including more accurate and complete customer emissions data and refining our treatment of conglomerate customers.

BNZ has set an absolute emissions reduction target (MtCO₂e) for the Oil and Gas sector. Setting an absolute emissions reduction target is consistent with the reduction in combustion of oil and gas required to meet climate targets. BNZ has set physical intensity targets for Power generation (kgCO₂/MWh) and Agriculture - Dairy (kgCO₂e/kg Milk Solids). Physical intensity targets focus on improving the emissions efficiency of production processes. Where appropriate, they support growing a sector in a way that reduces absolute emissions overall.

Data availability was the main driver of our base year selection, as well as NZBA requirements to ensure the baseline year for any target is within two years of signing up to the NZBA. We have used 2021 as the base year for these targets. We have only been able to source data for the Dairy sector for 2022, therefore we have used 2022 as our base year for the Agriculture - Dairy sector.

Links and references

BNZ - Sustainability. [2023 BNZ Net Zero Banking Alliance targets disclosure](#) (Page: 13, Step 3. Setting a baseline).

BNZ - Sustainability. [2023 Climate Report](#) (Page: 38, 4.2 Financed emissions).

BNZ - Sustainability. [2023 Climate Report](#) (Page:42, 4.4 Sector decarbonisation targets).

Table 2: BNZ's NZBA sector target baselines

Sector	Baseline year	Target type	Baseline
Oil and Gas	2021	Absolute emissions	1,145,685 tCO ₂ e
Power generation	2021	Emissions intensity	177.87 kgCO ₂ e / MWh
Agriculture - Dairy	2022	Emission intensity	11.05 kgCO ₂ e / kgMS
Coal mining	2021	\$ reduction	\$4.32 million

Financial health and inclusion

We do not currently have baseline indicators for financial health and inclusion. In FY24, we will commence baseline work with the aim of re-setting targets for financial health and inclusion (where appropriate).

c) SMART targets (incl. key performance indicators (KPIs)¹²): 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

Climate

BNZ's decarbonisation targets for Oil and Gas, Power generation and Agriculture – Dairy, and our commitment to exit lending to Coal mining are each set out in our 2023 Climate Report, as is our progress towards meeting these targets.

Kaitiakitanga targets

BNZ also has other targets under the Kaitiakitanga pillar of our sustainability strategy that were set in 2020:

- \$10 billion in sustainable finance by 2025.
- Support 50% of BNZ SME customers to actively measure and reduce emissions by 2025.

Financial health and inclusion

The information below sets out BNZ's current targets, commitments and progress for our financial health and inclusion impact areas.

Links and references

BNZ – Sustainability. [2023 Climate Report](#) (Pages: 42-43, 4.4 Sector decarbonisation targets).

BNZ – Sustainability. [2023 Sustainable Futures Report](#) (Page: 10, How we're tracking).

BNZ – Sustainability. [2023 Sustainable Futures Report](#) (Page: 49, Progress on our Digital Boost Alliance).

¹²Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

Target/ commitment	FY23 Progress	
Mission to disrupt predatory lending		
<p>Deliver \$50 million in no or low interest lending by 2024.</p> <p>With \$5 million of targeted lending for Habitat for Humanity Home Repair Programme by 2024.</p>	<p>Since 2014, BNZ has delivered \$32.6 million in lending and advances through four key partnerships:</p> <ol style="list-style-type: none"> 1. Good Loans with Good Shepherd NZ. 2. Pay Now with PaySauce. 3. Money Sweetspot. 4. Habitat for Humanity New Zealand – Home Repair Programme. <p>In FY23, we doubled our support to \$10 million in launch funding for Money Sweetspot, a social enterprise disrupting predatory lending through debt consolidation. BNZ has funded independent research to determine our return on investment through work conducted by Impact Lab for both Money Sweetspot and the Habitat for Humanity Home Repair Programme. It is forecast that:</p> <ul style="list-style-type: none"> • Every dollar invested in Money Sweetspot’s work generates a \$7 social return to Aotearoa New Zealand; and¹³ • Every \$1 invested in Habitat for Humanity Home Repair Programme results in \$5.50 returned to Aotearoa New Zealand. <p>Since 2019, \$3.2 million of Habitat Home Repair loans have been provided (a subset of the targeted \$50 million to deliver no or low-interest lending).</p>	<p>Links and references</p> <p>BNZ – Sustainability. 2023 Sustainable Futures Report (Page: 11, How we’re tracking).</p> <p>BNZ – Sustainability. 2023 Sustainable Futures Report (Page: 43, Growing financial wellbeing).</p> <p>BNZ – Sustainability. 2023 Sustainable Futures Report (Page: 42, Manaakitanga – FY23 Highlights).</p> <p>BNZ – Sustainability. 2022 Sustainable Futures Report (Page: 23, Good Measure for Habitat for Humanity).</p> <p>BNZ – Sustainability. 2023 Sustainable Futures Report (Page: 42, Manaakitanga – FY23 Highlights).</p>
Drive digital inclusion		
<p>Support SMEs to digitally transform their business through digital courses to the value of \$300,000.</p>	<p>Over the last year we’ve piloted a ‘Digital Cluster’ that brings state-of-the-art ecommerce and digital collaboration tools together to propel local businesses into new markets. We have started a two-year pilot with Te Tuhi Mareikura Trust, an art collective in Tauranga who are establishing an online exhibition centre for Māori artists to connect, display and transact online.</p>	<p>BNZ – Sustainability. 2023 Sustainable Futures Report (Page: 49, Progress on our Digital Boost Alliance).</p>
<p>Continue to measure the progress of digital skills of New Zealanders and SMEs through their Digital Skills in Aotearoa regular research survey and report.</p>	<p>On hold for 2023. These reports have filled a knowledge gap and been used to direct the development of the government’s digital strategy and our own digital skills initiatives. Our 2022 Digital Skills in Aotearoa Report can be found here: BNZ Digital Skills for life in Aotearoa Report.</p>	
<p>Ensure basic online banking services meet accessibility needs (Web Content Accessibility Guidelines 2.0) for the BNZ website and personal banking channels by the end of 2023.</p>	<p>An external audit was completed in early 2023, identifying areas for improvement. BNZ will meet the WCAG2.0 by the end of 2023. Our online channels will then be reaudited to ensure BNZ achieves the AA rating referred to in our Digital Boost Alliance pledge.</p>	

¹³Money Sweetspot. 2023. A spoonful of sugar: New evidence demonstrates power of empathy in lending. Available at: <https://www.moneysweetpot.co.nz/post/a-spoonful-of-sugar-new-evidence-demonstrates-power-of-empathy-in-lending>

Target/ commitment	FY23 Progress
Drive digital inclusion (continued)	
Support customers in vulnerable circumstances (such as victims of domestic abuse) by providing support to use digital channels.	We have started a range of digital initiatives aimed at improving access for customers in vulnerable circumstances including zero rating data on most phone networks, and bolstering our in-person digital education training of customers.
Provide \$600,000 to support face-to-face digital skills training for customers and the community in consultation with Digital Inclusion Coalition Aotearoa (DECA).	In October 2022, we announced three digital skills partnerships to address the most underrepresented communities in digital inclusion being Māori, Pasifika, and seniors. Our FY23 funding has supported community based digital learning and support services, and we will work with them to improve digital inclusion in Aotearoa.

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

BNZ is currently working to develop high level, sector transition plans to outline how the bank will deliver our targets for the Oil and Gas, Power generation, and Agriculture – Dairy sectors. These will be disclosed in FY24. Some priorities to integrate our decarbonisation targets across BNZ's business and operations include:

- Reviewing the decarbonisation transition plans of our highest emitting customers.
- Guidance and training for colleagues on targets set and how to assess the impact of additional financing on existing targets.
- Improved customer emissions data quality, access to emissions data, and data systems to store and track emissions information.

BNZ is developing our next round of emissions reduction targets across key NZBA sectors, where material to our portfolio. These will be disclosed in late 2024.

Financial health and inclusion

Principle 2.2(c) summarises how we are delivering on financial health and inclusion. In FY24 we will review our approach in this area, reflecting on achievements and future need, ensuring we take an impact led approach.

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.

	First area of most significant impact: Climate	Second area of most significant impact: Financial health and inclusion
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" 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

For FY23 we have made the following progress towards achieving our current impact area targets:

Climate

Decarbonisation targets

Progress toward meeting our decarbonisation targets for the Oil and Gas, Power generation and Agriculture - Dairy sectors is outlined above (in Principle 2.2.c) as is our progress towards exiting financing of the coal mining sector. A progress report is provided in BNZ's [2023 Climate Report](#).

Kaitiakitanga targets

Progress has been made against other targets under our Kaitiakitanga pillar. These are outlined in our [2023 Sustainable Futures report](#).

Financial health and inclusion

BNZ has reported on progress against our targets in Principle 2.2 above and in our Sustainable Futures Report.

Links and references

BNZ - Sustainability. 2023 [Climate Report](#) (Page: 42, 4.4 Sector decarbonisation targets).

BNZ - Sustainability. 2023 [Sustainable Futures Report](#) (Page: 10, How we're tracking, Page: 29, Supporting our customers).

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 customers¹⁴ 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 activities¹⁵. 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 Environmental, Social and Governance (ESG) process, we manage ESG risk using prohibited, high risk, and sensitive settings for industries, with a risk rating assigned to customers in the relevant industries. The primary purpose of the process is to manage the ESG risk associated with customers. Where environmental or social issues are identified through the 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.

BNZ engages with customers on sustainability in some of the following ways:

- BNZ has dedicated sustainable finance teams in Corporate & Institutional Banking and Partnership Banking who work with our customers to provide sustainable finance options to support their transition plans.
- BNZ is upskilling our bankers to enable them to engage with customers on sustainability and their impacts. In FY23, BNZ established a team of 64 Sustainability Champions across our business to support customers.
- BNZ hosts thought leadership events: In July we hosted a panel with Sir Jonathon Porritt and Matt Whineray (Centre for Sustainable Finance Board member) on driving sustainable change.

Links and references

BNZ - Sustainability. [2023 Sustainable Futures Report](#) (Page: 27, Kaitiakitanga - highlights).

Centre for Sustainable Finance. [Driving sustainable change: Matt Whineray and Sir Jonathon Porritt in conversation.](#)

¹⁴A 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.

¹⁵Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

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

In 2020, BNZ committed to delivering \$10 billion of sustainable finance by 2025, in line with BNZ's Sustainable Finance Framework. To date we have delivered:

- \$4.8 billion through sustainability-linked loans, sustainability-linked derivatives, and green and social bonds against our \$10 billion target.
- This year we provided \$581 million in sustainability-linked or green loans (labelled finance) incentivising our customers to transition their business and invest in positive environmental and social outcomes.

In FY23, we also launched our Green Loans programme to support customers to invest in assets or projects that increase positive, or reduce negative, environmental impacts. The Green Home Loan Top-Up enables customers to borrow up to \$80,000 at 1% interest (p.a.) for eligible home upgrades such as insulation, ventilation, heating, EVs and electric chargers. BNZ delivered \$71 million of home loan top ups in FY23 (this currently sits outside the \$10 billion sustainable finance target).

The start of 2023 saw widespread devastation caused by the North Island floods and Cyclone Gabrielle. In response, we announced the \$1 Billion Business Recovery and Resilience Fund to help accelerate recovery. Our aim with the fund is to support New Zealand businesses to invest in their future. We know with the right guidance and help businesses can emerge from these challenges stronger and better positioned to adapt and build resilience against ongoing climate and economic uncertainty.

Links and references

BNZ – Sustainability. [2023 Sustainable Futures Report](#) (Page: 30, Kaitiakitanga – Financing the transition).

BNZ – Personal Banking. [BNZ Green Home Loan top-ups](#).

BNZ – Sustainability. [2023 Sustainable Futures Report](#). (Page: 12, Supporting the recovery and resilience of New Zealanders impacted by the North Island floods and Cyclone Gabrielle).

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 groups¹⁶) 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

Please refer to the response in 'Principle 2.1(c)' for information on how BNZ has engaged with our customers, colleagues, and community when conducting our sustainability materiality assessment. More information on our most recent materiality assessment can be found in our 2023 Sustainable Futures Report.

BNZ participates in a range of partnerships and industry initiatives. This includes, but is not limited to, groups focusing on financial health and inclusion, the low-carbon transition, and sustainable finance. We are also engaging with policy makers on topics such as climate, financial inclusion, and other sustainability issues via industry associations and/or directly to deliver our PRB commitments, including:

- **XRB** – We have submitted on XRB consultations in the development of the Aotearoa New Zealand Climate Standards.
- **NZBA** – We have participated in the NZBA's target setting workshops to assist in the development of our first round of emissions reduction targets for our priority sectors of Coal mining, Agriculture - Dairy, Power generation, and Oil and Gas.
- **Reserve Bank of New Zealand (RBNZ)** – We have continued to engage with the RBNZ on a number of regulatory initiatives including climate-related stress testing, RBNZ's consultation on the development of climate-related risk management guidance, and initiatives to help improve Māori access to capital.
- **New Zealand Banking Association** – BNZ along with other members of the New Zealand Banking Association (Te Rangapū Pēke) developed a common set of scenario narratives for the New Zealand banking sector.
- **Digital Boost Alliance** – BNZ has also partnered with 360 Tautua Trust, Arataki Systems, and Digital

¹⁶Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organisations.

Seniors who are focused on uplifting the digital skills of New Zealanders, as part of our commitment under the Digital Boost Alliance:

- » **Arataki Systems** - BNZ is supporting Arataki Systems to deliver their Digital Marae Wānanga Programme at a number of Marae (meeting grounds) across Aotearoa. The programme is designed to improve the digital literacy skills of the Marae Kaitiaki (Trustees).
- » **360 Tautua Trust** - BNZ has partnered with 360 Tautua Trust, a charitable trust based in Auckland, seeking to provide a wrap-around service to serve the elders and families of the Pasifika community.
- » **Digital Seniors** - BNZ is facilitating Digital Seniors charity to deliver free tech support to seniors aged 65+ in the Wairarapa region and, the North Shore, Auckland.

Online access - We have worked with 2degrees, Spark, Skinny, and One NZ to increase accessibility to BNZ's online banking via Internet banking or the BNZ app without customers needing to use their own mobile data. This allows our customers to securely access the BNZ app, online banking, or the BNZ website on their phones while avoiding scam-prone public Wi-Fi and data costs.

The Mussel Reef Restoration Trust - The BNZ Foundation, an independent charitable entity, has awarded its first grant to The Mussel Reef Restoration Trust. This supports the 'Revive Our Gulf' project, focused on restoring the soft-sediment kūtai (green lipped mussels) reefs, enhancing biodiversity and abundance in the Hauraki Gulf.

Tāwhia - BNZ is an active participant in Tāwhia, the Māori Bankers' group. Tāwhia is a platform for raising Māori issues and opportunities in the banking sector. It has three strategic objectives; bolstering access to capital towards under-developed Māori land and housing, contributing to financial well-being for Māori, and working with the financial sector to boost employment for Māori across the sector.

Links and references

BNZ - Sustainability. [2023 Sustainable Futures Report](#) (Page: 42, Manaakitanga - FY23 highlights, Drive digital inclusion across New Zealand).

BNZ - Sustainability. [2023 Sustainable Futures Report](#) (Page: 38, Regenerating our natural environment).

BNZ - Sustainability. [2023 Sustainable Futures Report](#) (Page: 22, Strong foundations, BNZ is an active participant in Tāwhia, the Māori Bankers' group).

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

In 2023 BNZ has expanded the scope of its management governance relating to the Principles – please refer to ‘BNZ’s executive management’ and ‘ESG EC’ below. Following a gap analysis, work is ongoing to increase the extent and frequency of governance oversight by the BNZ Board in this area, so our implementation of this principle is described as ‘in progress’ above.

The BNZ Board

The BNZ Board is the governance body responsible for oversight and implementation of BNZ’s overall strategy, policies, and risk management framework, which includes oversight of BNZ’s sustainability strategy and climate-related risks and opportunities. The Board has overall responsibility for setting the direction of BNZ’s response to climate change and for ensuring climate-related risks and opportunities affecting BNZ and its customers are appropriately identified, managed, and disclosed.

BNZ’s executive management

The Executive Risk and Compliance Committee (ERCC) supports the CEO in oversight of BNZ’s management of risk and is responsible for overseeing the effectiveness of risk management within BNZ, including material sustainability risk (which includes climate risk). The ERCC is supported in this area by the ESG Executive Committee (ESG EC) and the ESG Risk Management Forum (ESG RMF).

ERCC

All Executive Team (ET) members sit on the ERCC. The ERCC delegates decision making and oversight, approvals and management of sustainability risk, climate integration, climate disclosure and the setting of decarbonisation targets to the ESG EC.

The ESG EC is supported by the ESG RMF. Reporting on risk appetite settings for Sustainability Risk and climate-related risk settings is provided by the Chief Risk Officer (CRO) to the ERCC via a Risk Appetite Statement (RAS) dashboard.

Links and references

BNZ – Sustainability. [2023 Climate Report](#) (Page: 8, 1.1 BNZ Board and Board Committees).

BNZ – Sustainability. [2023 Climate Report](#) (Page: 9, 1.2 BNZ Executive Management)

ESG EC

The ESG EC comprises a number of ET members and other direct reports of ET members with sustainability or climate-related accountability or role responsibilities, including the Chief Sustainability Officer.¹⁷ The Executive, Commercial Services and Responsible Business is the Chair of the ESG EC.

The ESG EC was established in November 2022, initially to lead the oversight of BNZ's setting of emissions reduction (decarbonisation) targets relating to its commitments as part of the NZBA.

Progress is monitored by the ESG EC through delivery plans related to those commitments, including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

ESG RMF

Members of the ESG RMF are key senior leaders from across BNZ's business units and its chairs are the Chief Sustainability Officer and GM Regulatory Affairs. The ESG RMF has supported the ERCC in delivery, monitoring and reporting on targets, commitments, and strategic initiatives in relation to BNZ's Climate Strategy, as well as proposing climate-related targets, policies, and metrics to the ERCC for consideration and adoption.

Management remuneration

In relation to remuneration, members of the BNZ ET have performance metrics relating to, amongst other matters, achievement of the Bank's strategic metrics and compliance with BNZ's RAS, which includes climate-related risks as described above. BNZ's ET members did not have specific individual performance-based metrics linked to the management of climate-related opportunities in the FY23 financial year, other than the ET member accountable for sustainability, who was accountable for the implementation of ESG governance and reporting. BNZ's ET performance metrics are reviewed and approved annually by BNZ's Board. The Board determines progress and performance outcomes against those metrics for each financial year, as part of BNZ's performance review process, following receipt of a recommendation from the relevant Board committee.

Links and references

BNZ - Sustainability. [2023 Climate Report](#) (Page: 10, Management remuneration).

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 undertaken the following initiatives to foster a culture of responsible banking amongst our employees:

- In FY23 we established a team of 64 sustainability champions across the business to support customers and colleagues to enable better ESG outcomes.
- During 2023, 36 BNZ colleagues across Corporate & Institutional Banking and Partnership Banking enrolled in the Green & Sustainable Finance certificate course provided by the Chartered Banker Institute in the UK. To date, 20 have completed the course with a number still in progress. This is an important step in building climate and sustainability capability in our bankers. A further 36 BNZ people across Partnership Banking have enrolled in the course for completion during 2024.
- Digital inclusion - we provide a series of digital skills learning courses for colleagues. This includes upskilling our colleagues to meet the Essential Digital Skills based on the UK government framework and includes Banker Career Accreditation Pathway (BCAP) training for new bankers.

BNZ - Sustainability. [2023 Sustainable Futures Report](#) (Page: 27, Kaitiakitanga - Highlights, Page: 23, Creating equitable opportunities to upskill, Page: 49, Progress on our Digital Boost Alliance pledges, Page: 43, Manaakitanga - Growing financial wellbeing).

¹⁷Prior to September 2023, the ESG EC was known as the Climate Steering Group.

- Addressing economic harm – our specialist support team works closely with our customers and colleagues experiencing economic harm ranging from problem gambling and addiction to elder abuse or domestic violence. In FY23 this team grew from four to six highly trained bankers, reflecting growing need and awareness of how to ‘spot and refer’ customers when economic harm is identified.

Every BNZ employee must complete ESG/ Climate training as part of onboarding and annual risk training. This learning is designed to ensure BNZ can meet customer, Board, and regulator expectations.

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹⁸ 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

Risk management

- BNZ includes climate risk within “Sustainability Risk,” which has been identified as a material risk category across the NAB Group. Sustainability Risk is the risk that ESG events or conditions negatively impact the risk and return profile, value, or reputation of BNZ or its customers and suppliers, or its ultimate parent company.
- The Board Risk and Compliance Committee (BRCC) is responsible for supporting the Board with its oversight of risk management, including climate risk, within the material risk category of sustainability risk. The BRCC meets five times a year, or more regularly if required. The BRCC considers climate-related risks as reported by the Chief Risk Officer, and BNZ’s performance in managing sustainability risk.

More information on BNZ’s risk management can be found in our [2023 Climate Report](#).

Policies and statements to manage ESG risk

- Under our ESG process, we manage ESG risk using prohibited, high, and sensitive settings for industries, with a risk rating assigned to customers in the relevant industries.
- The NAB Group modern slavery statement outlines how the group is managing and addressing modern slavery risk across our banking services.
- The NAB Group Human Rights Policy (adopted by BNZ) provides the human rights requirements that must be met and are incorporated into related policies, processes, frameworks, and action plans.

Customer ESG risk management process

Under our ESG process, we manage ESG risk category settings for industries, with a risk rating assigned to customers in the relevant industries.

Where ESG-related issues are identified, we work with customers to adapt or modify their practices for more sustainable outcomes and to bring them in line with BNZ’s ESG risk policies.

Links and references

BNZ – Sustainability. [2023 Climate Report](#) (Page: 33, 3. Risk management).

BNZ – Sustainability. [2023 Climate Report](#) (Page: 8, 1.1 BNZ Board and Board Committees, Board Risk and Compliance Committee).

¹⁸Applicable 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.

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

In accordance with the UNEP-FI's 4-year implementation assurance plan, our independent assurance provider Ernst and Young (EY) will conduct a pre-assurance assessment on BNZ's 2023 PRB self-assessment. We have established an assurance process with EY to have our subsequent PRB self-assessment reports assured across the following sections:

- 2.1 Impact Analysis;
- 2.2 Target Setting;
- 2.3 Target Implementation and Monitoring; and
- 5.1 Governance Structure for Implementation of the Principles.

We will look to obtain assurance over our FY24 PRB self-assessment report.

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

External Reporting Board – We will move from voluntary climate reporting to the requirements of the XRB Aotearoa New Zealand Climate Standards (“Climate Standards”) from FY24 onwards. The Climate Standards (NZ CS1, NZ CS2, NZ CS3) are aligned with the TCFD and support the allocation of capital towards activities that are consistent with a transition to a low-emissions, climate-resilient future.

GRI - BNZ has reported the information cited in the GRI content index for the period 1 October 2022 to 30 September 2023 with reference to the GRI Standards. Please refer to the GRI Index section and table in the 2023 Sustainable Futures Report for further information.

Links and references

External Reporting Board. [Aotearoa New Zealand Standards](#).

BNZ – Sustainability. [2023 Sustainable Futures Report](#) (Pages: 53-56, GRI Index).

6.3 Outlook

What are the next steps your bank will undertake in [the] next 12 month-reporting period (particularly on impact analysis¹⁹, target setting²⁰ and governance structure for implementing the PRB)? Please describe briefly.

Response

Principle 2.1 Impact analysis – BNZ will review its portfolio composition again using the Tool in FY24. We will also participate in the UNEP-FI’s biannual update of the ‘country needs’ module for Aotearoa New Zealand and reassess the impact areas to ensure we understand where we can make the most significant impact toward achieving society’s goals. We plan on conducting an extensive materiality assessment in FY24 to confirm impact areas and strategic approach.

Climate

Principle 2.2 Target setting – BNZ will progress baselining work and develop science-aligned decarbonisation targets for the remaining material sectors, in accordance with our commitments under the NZBA. We will disclose targets for these sectors in late 2024.

BNZ will release its first mandatory climate disclosure report for FY24 within the timeframe required.

Financial health and inclusion

- Principle 2.2(b) Baseline** – In FY24, we will commence baseline work with the aim of re-setting targets for financial health and inclusion (where applicable).
- Update our sustainability strategy** – In FY24, we will continue work on reviewing our Manaakitanga pillar including the consideration of additional targets with calibration to relevant UNEP-FI resources and guidelines on financial health and inclusion (where applicable).

Governance

BNZ does not currently anticipate any changes to its governance structure relating specifically to implementation of the PRB in FY24. However we will be increasing governance oversight of the topics described above, in particular the mandatory climate disclosure report and the update of our sustainability and climate strategies.

¹⁹For 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.

²⁰For example, outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc

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 checked="" 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 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:

Contacts

BNZ sustainability enquiries

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Auckland CBD,

Auckland 1010

bnz.co.nz

BNZ general enquiries

Call 0800 275 269 for general enquiries

Free phone available 8am-8pm Monday to Friday,
and 9am-6pm Saturday, Sunday and on public holidays.

From overseas call +64 4 931 82091.

Internet Banking and the BNZ app are available 24/7
for general banking enquiries.

bnz.co.nz/contact

Find all our sustainability reports, policies and approach [here](#).