

Te Pae Tawhiti

Looking to the future

BNZ Sustainability Report 2020





About this report

This is Bank of New Zealand's (BNZ) first independent sustainability report. We have previously contributed to our parent company National Australia Bank's (NAB) group sustainability reporting process, and we continue to do so, but this year we wanted to do more and report directly to our stakeholders on BNZ's ambitions, successes, and what we are learning on this journey.

This report is driven by a transformational Sustainability Strategy for our bank.

Our Strategy commits us to leading the development of a fairer, more sustainable Aotearoa through the decisions we make and the way we act.

This report represents BNZ's public commitment to transparency which we will build upon over the coming years.

We have chosen to prepare this report in accordance with the [Global Reporting Initiative's](#) (GRI) standards 'core' option and to link the areas where we can make the most difference to the relevant [United Nations Sustainable Development Goals](#) (SDGs).

This report also reflects our commitment as a signatory, through our parent NAB, to the United Nations Environment Programme Finance Initiative (UNEP FI) [Principles for Responsible Banking](#) (PRB).

By signing up to these principles, we have committed to align our business strategy to be consistent with and contribute to society's goals, as expressed in the SDGs, the Paris Agreement and relevant national frameworks. We will analyse our positive and negative impacts, set targets that address these impacts, and publicly report on our progress.

This report uses some of the principles of [Integrated Reporting](#), particularly in how we seek to understand the issues that are most material to our stakeholders and how we then reflect these in our Strategy.

BNZ, as part of NAB Group, has committed to disclosure in alignment with the [Task Force on Climate-related Financial Disclosures](#) (TCFD) since October 2017. Now, in response to growing interest by New Zealand stakeholders and clear direction from the Government, we are using this opportunity to begin reporting publicly at a BNZ level on climate-related risks, in line with the TCFD recommendations.

This report does not contain BNZ's statutory financial reporting information, including financial statements or disclosures about economic performance. This data is regularly disclosed and can be accessed [on our website](#).

This report relates only to BNZ-branded entities and does not cover the operations of other NAB subsidiaries operating in New Zealand, for example, JBWere.

The report covers the period 1 October 2019 to 30 September 2020 (our financial year). All data is for the year ending 30 September 2020 with the exception of environmental data, which is for the year ending 30 June 2020.

This report is only available digitally (including downloadable), in line with our commitment to reducing our environmental footprint.

We welcome any feedback on this report and the commitments we are making within it. Please provide any feedback to sustainability@bnz.co.nz.





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What we choose to stand for in an ever-changing world



Bank of New Zealand has been a partner with New Zealand families and businesses for nearly 160 years. In that time our society has changed dramatically and we have changed with it. That pace of change is now accelerating as we collectively tackle the challenges of climate change, environmental degradation, and growing inequality in our communities.

The arrival of COVID-19 has further increased the social and economic pressures on our customers, communities, and economies.

Over the last 12 months we have been actively reviewing the positive impact we can have. We are transforming what we stand for and the change we are committed to leading with a revitalised Sustainability Strategy.

The ambition of our Sustainability Strategy is to 'build a resilient, regenerative and inclusive Aotearoa, for the long term'.

To deliver on this ambition, we are committing to two principles that are important to the long-term future of our country:

Kaitiakitanga

to accelerate the just transition to a low-emissions economy that supports the regeneration of the natural environment.

Manaakitanga

to grow the long-term social and financial wellbeing of all New Zealanders.

The Kaitiakitanga principle underpins our commitment to working to align our lending and investments to achieving New Zealand's commitment in the Zero Carbon Act – net zero carbon emissions by 2050 – and New Zealand's Paris Agreement emissions reductions commitments by 2030.

As part of this, BNZ committed in June of this year to voluntarily report on our climate-related financial risks in alignment with the TCFD recommendations. We believe disclosure of climate-related risk will trigger a virtual circle of understanding and risk management relating to climate change and incentivise investment in sustainable businesses as a result.

We are also committing to taking a strong leadership role in sustainable finance with significant changes to the way we lend and invest. We will accelerate our transition away from emissions-intensive industries and practices and increasingly support customers so they can build more sustainable, profitable businesses.

We will continue to partner with our primary producers as they also respond to the challenges of a warming world, and support them to develop increasingly regenerative operations.

Since 2014, our Good Loans initiative has partnered with a number of community organisations to offer people on limited incomes fee-free, low-interest and no-interest loans. When COVID-19 hit New Zealand shores, we worked with our partner, Good Shepherd NZ, to extend their programme, allowing \$5 million of no-interest loans to be accessed by families that were financially impacted by the pandemic.

We are also working to ensure people are not left behind because of their digital skills, by developing initiatives that provide the freedom and ability for all New Zealanders to participate in an increasingly digital world. We will actively partner with social organisations working across our country to tackle some of the toughest issues we face: such as domestic abuse and inadequate housing.

Finally, Te Ao Māori already has the framework needed to meet our bold ambitions; an interconnected, long-term intergenerational view. At the foundation of our Sustainability Strategy is a commitment to integrate Te Ao Māori into all our business practices, policies, products and services.

We expect the shape of the New Zealand economy will be different in the wake of COVID-19, and we are ready to play our part in a business-led recovery.

We are building a forward-looking Bank of New Zealand that is right for our time and the generations that will follow us; a bank that stands for change that benefits all of us.

Angela Mentis
Chief Executive



Tā mātou e whakatairanga ai i te ao e hurihuri nei



Kua eke tonu ki te 160 tau e noho āpiti ana te Pēke o Aotearoa ki ngā whānau me ngā pakihi Kiwi. I roto i aua tau, kua tino huri tō tātou pāpori, ā, kua huri tahi mātou. Kei te kaha taua huringa i a tātou e oke tahi nei ki te whakatau i ngā raru e pā ana ki te huringa āhuarangi, te tūkinotanga taiao me ngā rerekētanga e tupu haere nei i ō tātou hāpori, ā, e kaketia ai ērā mea me whai whakaaro kanorau, me mahi māia hoki.

Nā te putanga mai o te mate KOWHEORI-19 i kaha kē atu ai ngā ākinga ā-pāpori, ā-ōhanga hoki i ā mātou kiritaki, hāpori, ōhanga anō hoki.

I ngā marama 12 kua pahemo, i te āta arotake mātou i ngā pānga pai ka puta pea i a mātou. Kei te whakaahua anō mātou i tā mātou e whakatairanga nei me ngā tikanga hou kua ū nei mātou ki te hāpai ake mā tētahi Rautaki Whakapūmau kua whakahoutia.

Ko te whāinga o tā mātou Rautaki Whakapūmau, 'he whakatū i a Aotearoa hei motu manawaroa, whakaora, whakawhāiti hoki, mō ngā tau maha. E mau ai tēnei whāinga, e ū ana mātou ki ētahi mātāpono e rua e whai tikanga ana i te anamata tauroa o tō tātou whenua.

Kaitiakitanga

kia whakakahangia te whakawhitinga tōkeke hei ōhanga tukunga iti, e tautoko ana i te whakaoranga o te taiao māori.

Manaakitanga

kia whakatipuria te oranga ā-pāpori, ā-pūtea tauroa o ngā tāngata katoa o Aotearoa.

E whakaū ana te mātāpono Kaitiakitanga i tā mātou herenga ki te whakahāngai i ā mātou tikanga tuku pūtea, haumi pūtea hoki kia ea ai tā Aotearoa herenga ki te Ture Kore Waro, arā kia kore ngā tukunga waro i mua i te tau 2050, ā, me ā tātou herenga ki te Whakaaetanga Pari kia whakaitihia ngā tukunga i mua i te tau 2030.

Hei āpiti ki tēnei, i te marama o Hune o tēnei tau i ū te Pēke o Aotearoa ki te whakatakoto tūao i ētahi pūrongo mō ō mātou tūraru pūtea ā-āhuarangi e hāngai ana ki ngā tūtohunga TCFD. E whakapono ana mātou mā te whakaatu a ngā pēke i ngā tūraru ā-āhuarangi e mārāma kehokeho ai te katoa, e whakahaeretia ai hoki ngā tūraru ā-huringa āhuarangi, me te aha anō, ka ākina te haumi i ngā pakihi whakapūmau.

E ū nei hoki mātou ki te tū hei kaiārahi pakari i te pūtea whakapūmau mā te kaha whakarerekē i ā mātou tikanga tuku pūtea, haumi pūtea hoki. Ka wawe tā mātou whakawhiti i ngā ahumahi me ngā tikanga tukunga nui, ā, ka nui ake tā mātou tautoko i ngā kiritaki kia whakatū ai rātou i ētahi pakihi whakapūmau ake, huamoni ake hoki.

Ka noho tonu mātou hei āpiti ki ō mātou kaiwhakaputa matua nō rātou ka whakatau hoki i ngā raru o te whakamahanatanga o te ao, ā, ka tautoko mātou i a rātou ki te whakawhanake i ngā whakahaere e kaha ake ana ki te whakaora.

Ka hono tonu mātou ki ngā kaiwhakaputa matua i a rātou e whakatika ana ki te whakatai i ngā wero e pā ana ki te whakamahanatanga o te ao, ā, ka tautoko mātou i a rātou ki te whakawhanake i ētahi whakahaere e kaha ake ana ki te whakahaumanu.

Mai i te tau 2014, kua mahi tahi tā mātou kaupapa Pūtea Hāpori i te taha o ētahi whakahaere ā-hāpori huhua hei tāpae i ētahi pūtea taurewa utukore, e huamoni iti ana, e huamoni kore ana hoki ki ngā tāngata whiwhinga pūtea here. I te taenga mai o te mate KOWHEORI-19 ki Aotearoa, i mahi tahi mātou i te taha o tō mātou āpiti, o Good Shepherd NZ, ki te whakawhānui i tā rātou hōtaka Pūtea Hāpori kia wātea ai ētahi pūtea taurewa huamoni kore e \$5 miriona tāra te nui ki ngā whānau i pāngia ā-pūteatia e te mate urutā.

E mahi ana hoki mātou kia kua ētahi tāngata e mahue ki muri nā te kore pūkenga matihiko, e whakawhanake kē ana mātou i ētahi kaupapa kia wātea ai, kia āhei ai hoki ngā tāngata katoa o Aotearoa ki te whai wāhi ki te ao e kaha matihiko haere nei. Ka āta mahi tahi mātou i te taha o ngā whakahaere ā-pāpori e eke ana ā rātou mahi, huri i te motu, ki te whakatau i ētahi o ngā take uaua katoa kei mua i a tātou, arā te riri tara ā-whare, te petipeti kino, me ngā whare takarepa.

Hei whakatepe, kei roto kē i tā te Māori titiro ki te ao te anga e matea ana e tutuki ai ā mātou whāinga nunui, arā te hononga tahitanga me te tirohanga tauroa i tētahi reanga ki tētahi reanga. Kei te tūāpapa o tā mātou Rautaki Whakapūmau te herenga ki te whakauru i te ao Māori ki ā mātou tikanga pakihi, kaupapa here, hua, ratonga katoa hoki.

E whakapae ana mātou ka rerekē te āhua o te ōhanga o Aotearoa ā muri ake i te mate KOWHEORI-19, ā, kua rite mātou ki te hāpai i te wāhi ki a mātou i te whakahaumanutanga ā-pakihi.

E whakatū anō ana mātou i tētahi Pēke o Aotearoa e titiro whakamua ana, e tika ana mō tēnei wā i a tātou, ka tika hoki mō ngā reanga o muri ake nei. He pēke e whakatairanga ana i ngā huringa e whai painga ai tātou katoa.

Nā Angela Mentis



Tumu Whakarae



Our 2020 snapshot

Statutory net profit \$762m  25% <small>ON FY19</small>	Operating revenue \$2,539m	Total lending \$88.1bn  0.1% <small>ON FY19</small>	Customer deposits \$71.8bn  5.6% <small>ON FY19</small>
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COVID-19 response Helped 30,000 customers with COVID-19 support measures \$10bn in pandemic support measures \$200m in Business Finance Scheme Loans	Over 1,000,000 phone calls since March 	Supporting communities Helped 4,300 New Zealanders into their first home 
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Supported 13,000 businesses to invest and grow	Living Wage Accredited Employer Launched Domestic and Economic Abuse Team	2,880 low- or no-interest loans totalling \$8.4* m <small>*since launch</small> Committed to \$50 million in low- or no-interest loans by 2024	Over 70s line received more than 100,000 calls between March and 1 October 	Assisted New Zealand Capital Market Issuers to raise almost \$2.6bn of Sustainability Bonds in FY20 	Committed to deliver \$10 billion of sustainable finance by 2025 ¹
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Digital demand  75% <small>Approx.</small> of customers are digitally active and engaged	Cash and cheque use halved  100,000 virtual meetings and 7m chat conversations by colleagues	80% of migratable OTC transactions moved to Smart ATMS 
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Greening our operations Toitū Enviromark Diamond certified 	25% reduction in operational emissions since FY19  Committed to a 60% reduction by 2025
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¹BNZ's sustainable financing commitment applies to the period from 1 October 2020 to 30 September 2025. The environmental financing component of BNZ's \$NZ10 billion sustainable financing commitment will contribute to the Group's \$70 billion environmental financing commitment.





Our Strategy

Looking to the future



Our Sustainability Strategy

Looking to the future

Early in 2020, we began the process of refreshing our Sustainability Strategy. Sustainability is not limited to our impact on the natural environment; rather, it encompasses our environmental, social, and governance related (ESG) impacts.

Even prior to the arrival of COVID-19 in New Zealand, we were acutely aware of a rapidly changing business environment and a growing desire from colleagues, customers, communities, and other stakeholders for BNZ to take leadership in helping shift New Zealand towards a more equitable, low-emissions future.

Our own people have led this process – they are seeking to be a part of a more authentic, inclusive, and values-led organisation that meaningfully contributes to New Zealand’s economic, environmental, and social success.

Globally, investors are becoming increasingly engaged and demanding better management and transparent disclosures of ESG-related risks; and expecting higher levels of corporate behaviour and conduct.

Our stakeholders’ expectations align with our own strategic vision. We see an opportunity to build a better business – by taking a long-term leadership position for a more sustainable financial system, building genuine partnerships across the economy, and leading the economic transformation required to build a low-emissions economy.

Informed by this context and opportunity, we have built the strategic framework set out in this report, providing a roadmap for our organisation to not only reduce negative impact but also deliver meaningful positive benefits for our customers, colleagues, and communities.

Our strategic vision:

‘Building a resilient, regenerative and inclusive Aotearoa, for the long term.’

The words in this Strategy have been carefully chosen and contain a great deal of meaning for us.

‘Resilient’ relates to our role in building a society capable of withstanding social and environmental impacts and shocks, for example, in relation to a changing climate.

‘Regenerative’ represents a powerful commitment to improve the quality of our communities and our natural environment.

‘Inclusive’ captures our commitment to building a fairer, more balanced society, that recognises Māori as tangata whenua and supports and values the participation of our people and communities across the country.

Our strategic vision has two core pillars:

Kaitiakitanga

to accelerate the just transition to a low-emissions economy that supports the regeneration of the natural environment.

Manaakitanga

to grow the long-term social and financial wellbeing of all New Zealanders.





How we will deliver it

Supporting these pillars are the five foundation principles of our Strategy. These are:



Hardwire sustainability



Transparent leadership



Grow our people



Integrate Te Ao Māori



Green our operations

These foundations are covered in more detail in the [‘Getting our foundations right’](#) section. Valuing and strengthening these foundations will provide the base we need – through our expertise, resources, capabilities, and influence – to deliver long-term value for our customers, communities, employees, investors, and for our natural environment.

These commitments, and principles, will form the structure for the remainder of this report, and every year we will report our progress against them.



Te Pae Tawhiti

BNZ's Sustainability Strategy

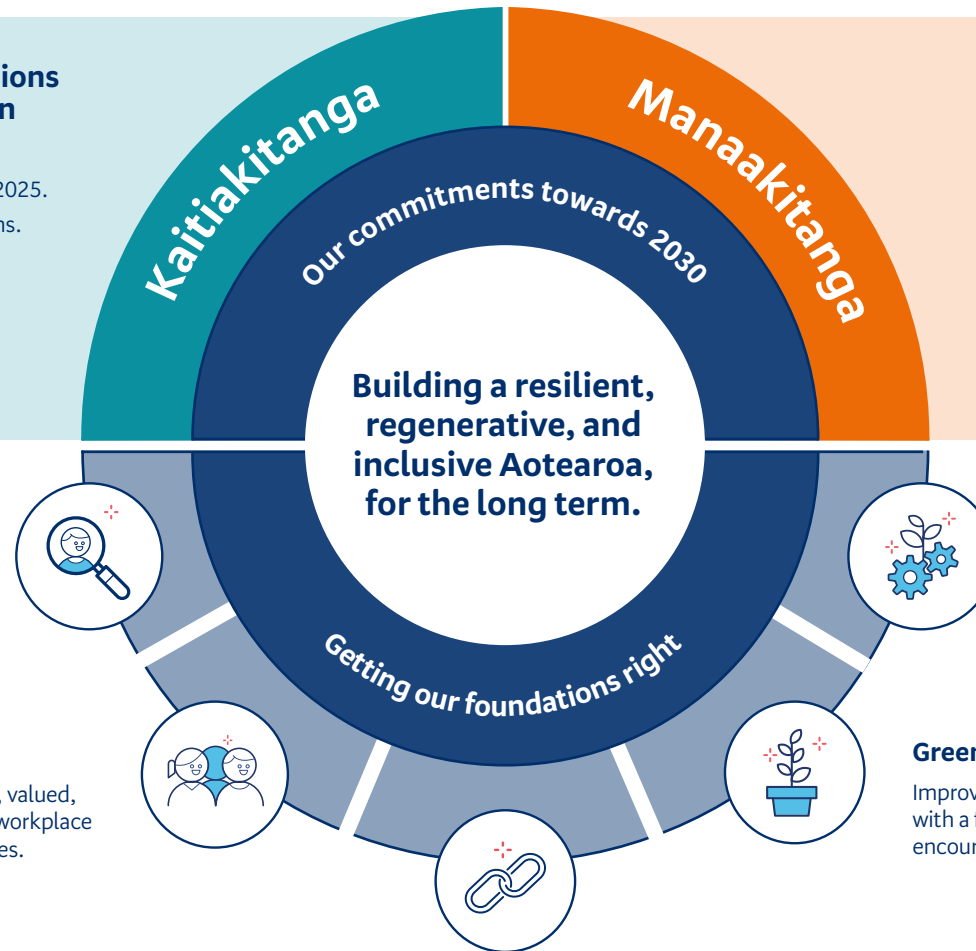
Accelerate the transition to a low-emissions economy that supports the regeneration of the natural environment.

- We've committed \$10 billion in sustainable finance by 2025.
- Enable SME customers to measure and reduce emissions.
- Disclose our climate impact.



Grow the long-term social and financial wellbeing of all New Zealanders.

- Disrupt predatory lending in NZ by delivering \$50 million in no- or low-interest loans by 2024.
- Drive digital inclusion across NZ.
- More Kiwis in warm, dry, resilient homes.



Transparent leadership

Advocate for better social and environmental outcomes and provide high levels of transparency in public reporting.

Grow our people

Our people feel challenged, valued, and supported in a diverse workplace that reflects NZ communities.

Hardwire sustainability

Consistent and clear sustainability framework across the bank.

Green our operations

Improve the sustainability of our operations, with a focus on our emissions, and encourage our suppliers do the same.

Integrate Te Ao Māori

Embed Te Ao Māori in our business so we can better serve our customers and communities.

Te Pae Tawhiti - translates as distant horizon or taking a long-term, intergenerational view.

* United Nations Sustainable Development Goals - note these icons are relevant to each commitment.

Strategy through a lens of Te Ao Māori

In committing to a regenerative strategy with an intergenerational focus, we are looking to tangata whenua and Te Ao Māori. We have much to learn, including the interconnectedness of all things and a long-term intergenerational perspective to decision-making. We have taken the first step to embedding this worldview into our business, building our own capability while establishing enduring partnerships along the way.

Now, more than ever, a long-term focus is needed to ensure the decisions we make as a bank are based on positive impacts for people and the planet for generations to come.





Focusing on the things that matter most

Every day, our people are privileged to serve a wide cross section of New Zealanders: from small businesses to large corporates, government to regulators, and multiple community and non-governmental organisations (NGO) working to deliver fairer, safer, more sustainable communities.

As part of our Sustainability Strategy development process, we undertook a materiality assessment, holding workshops with our colleagues, and talking with businesses and customers. Interviews were conducted with a diverse group of stakeholders to understand what matters most in the context of our role as a bank.

The six most material issues identified, ranked both by stakeholder priority and our assessment of significance of the issue, are below.

- 1 Leadership, governance, and ethics**

There was a clear message from stakeholders that authenticity, transparency, and conduct are critical. Given our reach across all parts of the economy, there is an expectation for BNZ to take clear leadership positions and proactively advocate at the highest levels for effective social and environmental change.
- 2 Responsible lending**

This is BNZ's core business activity and the area in which we can have the most influence for change. Stakeholders expect sustainability to be integrated into the way BNZ makes lending decisions and allocates capital. This includes the companies we support, those from whom we require higher standards, and those from whom we responsibly transition away.
- 3 Responsible investing**

Like responsible lending, stakeholders expect BNZ's approach to making and managing investments to blend prudent risk management with consideration of ESG issues and risks. This may mean moving away from certain sectors or customers, for example, transitioning away from emissions-intensive industries, and increasing engagement and support for customers to help them increase positive social and environmental impacts and reduce negative impacts.
- 4 Employee wellbeing and culture**

BNZ's people want to develop new skills, knowledge, and understanding to contribute to the wider culture and capability of the organisation. It was clear that the wellbeing of our colleagues is vital to BNZ's successful response to the social and environmental challenges facing New Zealand. We need to ensure we have an inclusive and equitable culture, so our diverse workforce can thrive. Integrating Te Ao Māori into our business and growing our cultural capability is an essential anchor to achieving our ambitions and delivering on our Strategy.
- 5 Financial wellbeing**

BNZ's commitment to financial wellbeing was identified as a strength, but one where we can provide even greater leadership. By supporting greater financial inclusion and literacy, BNZ can increase its positive impacts in communities.
- 6 Operational environmental footprint**

The measurement and management of our operational environmental footprint is now a business-as-usual expectation. However, stakeholders still expect large companies like BNZ to show leadership in the way we do this and to continually strive for improvement. By ensuring our own house is in order, and leading by example, we can better support our own customers in their emissions-reduction journeys.



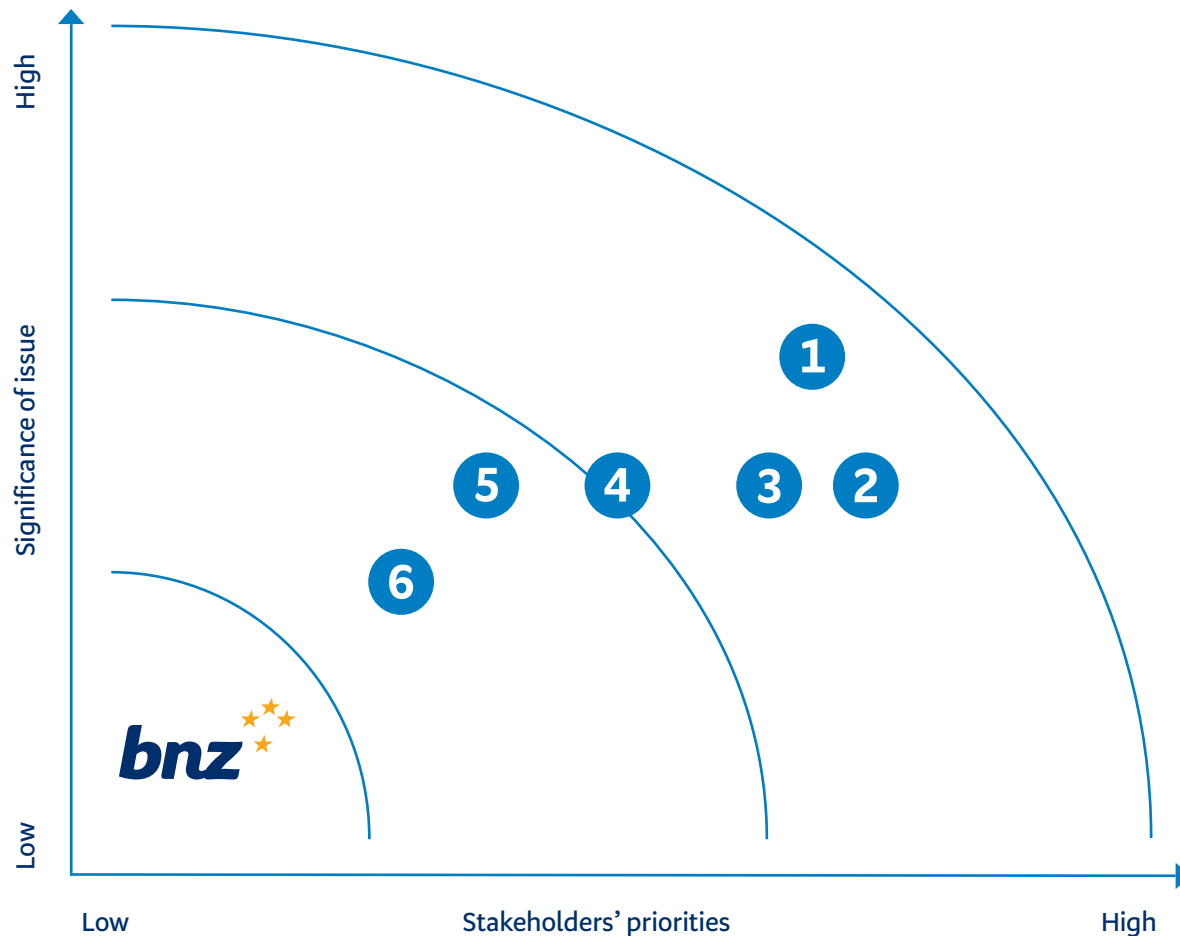
Key material issues for all stakeholders

Every year we will undertake a similar stakeholder engagement process to ensure our Strategy continues to evolve and remains both ambitious and relevant. This figure illustrates the key outcomes of our material assessment and shows their significance to our business and the level of priority for our stakeholders.

- “There are real opportunities with responsible lending if BNZ is prepared to be brave.”**
Social enterprise sector
- “Te Ao Māori should be across everything.”**
Impact investing sector
- “BNZ became more conservative about five years ago and has got stuck there.”**
Customer

Key

- 1. Leadership, governance, and ethics
- 2. Responsible lending
- 3. Responsible investing
- 4. Employee wellbeing and culture
- 5. Financial wellbeing
- 6. Operational environmental footprint





Our governance and leadership



Our governance and leadership

International attention has increasingly come to focus on governance, ethical behavior, and conduct across the financial services sector, going back more than a decade to the Global Financial Crisis and more recently the Royal Commission in Australia.

There is an increasing understanding that financial institutions can drive better ESG outcomes through their lending decisions. This is part of the reason why leadership, governance, and ethics have been identified as significant material issues for our stakeholders.

We welcome this increased scrutiny and interest. It is important our customers and stakeholders understand our approach to ethical leadership and governance, and that they have confidence in our commitments, governance framework, and processes to ensure ethical conduct.

A values-driven organisation

We are a values-driven organisation with a strong culture, where people are encouraged to be themselves and must meet clear standards of conduct and behaviour. This approach gets the best from our people, optimises the role of the workplace in wellbeing, and builds open, trusted partnerships with our customers and community stakeholders.

We have aligned how we work to a set of Whakataukī, which traditionally represent the wisdom within Māori culture. This approach helps us to connect BNZ's people and customers in a meaningful, inclusive, and authentic way.

Our guiding values are:

Whāia te iti kahurangi

Excellence for customers

Toa takitini

Grow together

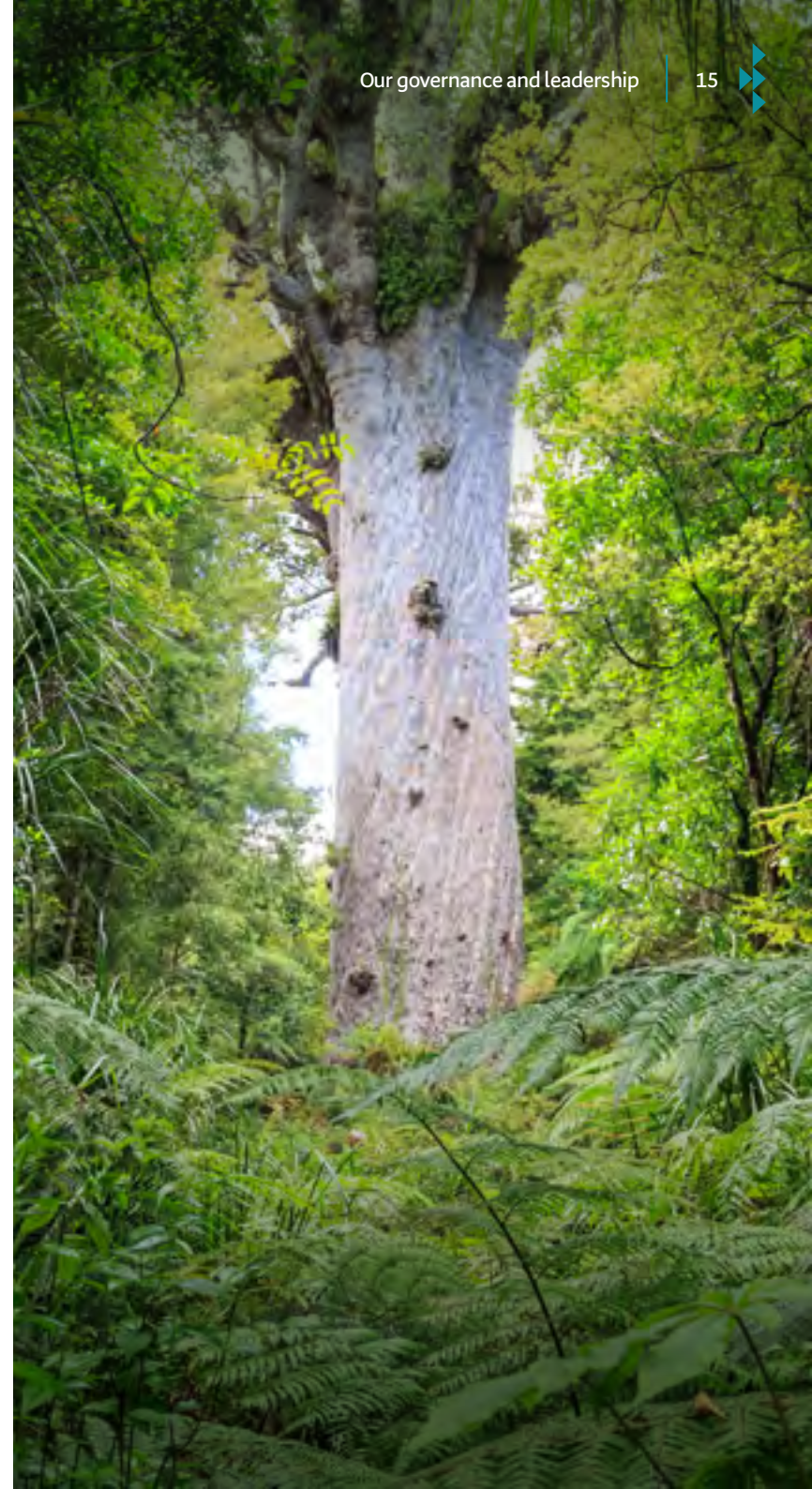
Tika, pono, aroha

Be respectful

Mahia te mahi

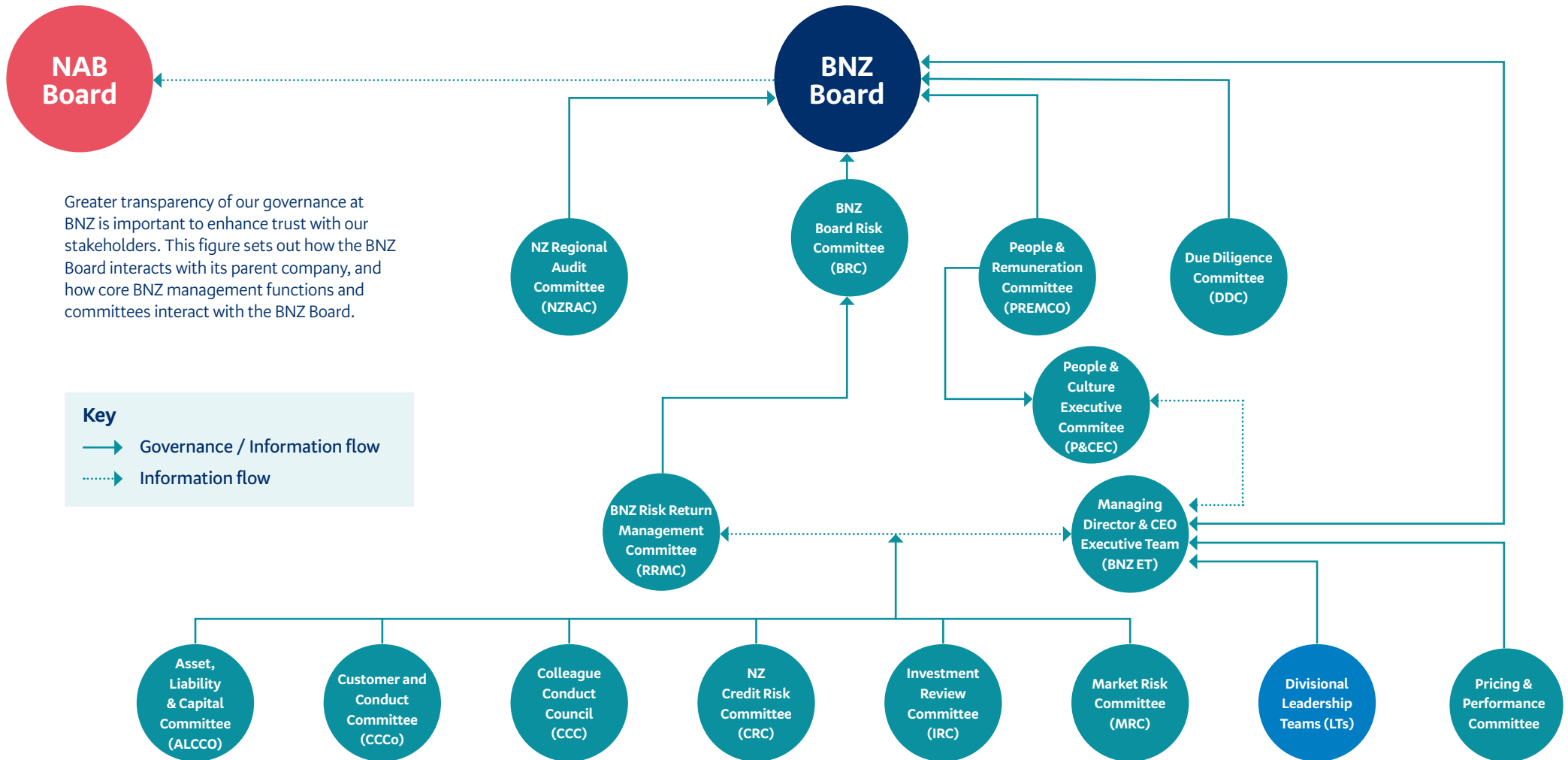
Own it

We provide further detail on the way we work in the [‘Getting our foundations right’](#) section.





BNZ's management and governance structures



Greater transparency of our governance at BNZ is important to enhance trust with our stakeholders. This figure sets out how the BNZ Board interacts with its parent company, and how core BNZ management functions and committees interact with the BNZ Board.

Key

→ Governance / Information flow

⋯→ Information flow



Our Board

A wide range of perspectives is essential to achieve effective governance in a time where change is a constant. The BNZ Board oversees the overall strategic direction of the bank. Our directors have a diverse range of skills and experience to ensure that we are well placed to navigate this growing complexity and uncertainty.

The BNZ Board is committed to meeting the independence requirements set out by the Reserve Bank of New Zealand (RBNZ). BNZ is a wholly-owned but independent subsidiary of National Australia Bank Limited (NAB) with the majority of BNZ's directors independent, with no relationship to NAB. Three of the directors have a direct relationship with NAB.

Full profiles and contact details of our directors are available on our website as part of BNZ's commitment to transparency, good governance, and ethical conduct.



Doug McKay

Chairman



Angela Mentis

Managing Director and
Chief Executive Officer (CEO)



Mai Chen

Independent
non-executive director



Bruce Hassall

Independent
non-executive director



Louis Hawke

Independent
non-executive director



Kevin Kenrick

Independent
non-executive director



Gary Lennon

Non-executive director



Linley Wood

Independent
non-executive director



Our Executive

BNZ's senior leadership is made up of an executive team of nine people who report to the Managing Director and CEO. Together they lead their BNZ colleagues to achieve the strategy, goals, and objectives of our organisation.

[Full profiles](#) are available on our website.



Angela Mentis

Managing Director and
Chief Executive Officer (CEO)



Paul Carter

Executive, Chief Customer
Officer – Partnership Banking



Penny Ford

Executive, Chief Customer
Officer – Corporate and
Institutional Banking



Peter MacGillivray

Executive, Chief Financial
Officer



Sam Perkins

Executive, Chief Risk
Officer



Russell Jones

Executive – Technology
and Operations



Dan Huggins

Executive – Customer,
Products and Services



Gerald Mackenzie

Executive – Transformation
and Strategy



Dean Schmidt

Executive – Commercial
Services and Responsible
Business



Kate Daly

Executive, Chief People
Officer – People and
Culture



Kaitiakitanga

To accelerate the just transition to a low-emissions economy that supports the regeneration of the natural environment.



Acknowledging the interconnectedness of our world and the need to make longer-term decisions has never been more important. At a time when our planet is under increasing pressure, the investment and lending decisions made by the world's banks, financiers, and capital markets can make a significant contribution to a more sustainable future.

In committing to accelerate the just transition to a low-emissions economy and regenerate our natural environment, we are committing to not only minimising negative impacts but improving the health of our planet through our business practices.

This section of the report details our commitments to more sustainable financing and lending, helping our customers build more sustainable businesses, and embedding ESG considerations throughout our decision-making.

Climate change

A key challenge of our time

“Achieving net zero requires a whole economy transition. Every company, every bank, every insurer, every investor will have to adjust business models.

But doing so will turn an existential risk... into the greatest commercial opportunity of our time.”

Bank of England Governor, Mark Carney.
27 February 2020

In December 2015, global leaders, including the New Zealand Government, signed the United Nations Framework Convention on Climate Change Paris Agreement (“the Paris Agreement”) committing signatories to reducing their greenhouse gas (GHG) emissions by 30 per cent below 2005 levels by 2030, to help prevent global temperature rise exceeding two degrees Celsius. The New Zealand Government has built on that commitment through actual and proposed changes to New Zealand laws, providing a clear direction and stable policy settings to begin decarbonising the New Zealand economy.

In November 2019, the Climate Change Response (Zero Carbon) Amendment Act 2019 (“Zero Carbon Act”) came into force, establishing the Climate Change Commission, and providing the framework to deliver New Zealand’s commitments under the Paris Agreement to limit the global average temperature increase to 1.5 degrees Celsius above pre-industrial levels by reducing emissions (excluding biogenic methane) across the economy down to ‘net zero’ by 2050.

In September 2020, the Government announced it will require large financial institutions to undertake mandatory climate risk reporting, consistent with the TCFD recommendations, from 2023 (at the earliest). Compelling this level of disclosure from financial institutions is a world first and one that BNZ fully supports.

Climate risk reporting has been an important focus across the broader NAB Group since our commitment to climate-related disclosure in 2015, which was reinforced with the Group’s public support for TCFD in 2017.

Given the importance of climate-related disclosure, BNZ is not waiting for legislation. In this report, BNZ has taken a first step to report in line with the TCFD recommendations.



Understanding climate change impacts

Climate change impacts, such as rising sea levels and changes in the severity of extreme weather events, will have increasing impacts on our customers – whether it be a residential customer located in a coastal area or an agricultural customer dealing with increasing drought conditions. Our customers and communities will also be impacted by the transition risks arising from climate change through legislative, regulatory or policy responses, such as carbon pricing and climate change adaptation or mitigation policies.

Globally, there is increasing acknowledgement of the important role that lenders, investors, and markets must play – hand-in-hand with governments and regulatory agencies – in shifting investment away from fossil fuels and emissions-intensive industries, working with customers to support their low-emissions transition, and directing funding towards clean, regenerative industries and activities.

We know the way we do business – how we choose to lend and invest, and the footprint of our physical operations – can contribute negatively or positively to climate change. We set out in our [‘Climate Action Statement’](#) our ambition to make decisions that positively impact New Zealand’s emissions reduction targets.

A transition that is inclusive and regenerative

Climate change is as much a social issue as an environmental one – we must take an integrated, holistic approach to reducing and mitigating its impacts and regenerating New Zealand’s social and natural capital.

While we will increasingly rebalance our lending and investment portfolios in favour of low-emission, sustainable customers and investments, we will also support our customers and communities to make the transition.

Be they businesses measuring and reducing their emissions, property owners facing the prospect of sea level rise, communities facing the loss of traditional livelihoods, or primary producers looking to improve and restore their natural capital, we will partner with them to make changes and move to a more regenerative business model.

Our commitments on tackling climate change

Meeting New Zealand’s climate change commitments requires every actor in the economy to play its part.








To deliver on our strategic commitment to accelerate the just transition to a low-emissions economy, we must take meaningful action. Our [Climate Action Statement](#) outlines how BNZ will take action to tackle climate change for the long term, and how we are tracking for FY2020.





BNZ's Climate Action Statement

Main vision: BNZ will accelerate the just transition to a low-emissions economy in New Zealand.

Our commitments	How we are tracking in FY2020
Support a transition that is just and considers social, financial, and environmental impacts and benefits.	 <p>Committed to \$10 billion in sustainable finance by 2025.²</p>
Align our portfolio of financial services to the Zero Carbon Act commitment to limit global warming to 1.5 degrees Celsius above pre-industrial levels and accelerate the transition to a net zero emissions economy by 2050.	 <p>No new lending to coal mining and an exit from thermal coal mining. An exit from thermal coal mining by 2025 and an exit from all other coal mining activities by 2030.</p>
Support our customers to implement transition pathways through the financial services we provide.	 <p>We will work with high-emitting customers to ensure they have transition plans and public commitments in place by 2022.</p>
Undertake climate-related financial disclosure aligned to TCFD recommendations.	 <p>Disclose climate risk across our portfolios, commencing FY2021.</p>
Support our customers and suppliers, economy wide, to measure, reduce, and report on their climate impacts.	 <p>Support 50% of our SME customers to measure, reduce, and report on their emissions by 2025.</p>
Set, measure, and report on a meaningful reduction in emissions associated with BNZ's operations.	 <p>Reduce our operational emissions by 60% by 2025.</p>
Support our people to understand climate risks, how they relate to the decisions they make, and how their actions impact the climate.	 <p>Commitment to climate risk training for all colleagues by the end of FY2021.</p>

² BNZ's sustainable financing commitment applies to the period from 1 October 2020 to 30 September 2025.

Sustainable finance

Financing positive environmental and social impacts

Sustainable finance – who we lend money to and how – is one of the most material ways in which the banking sector can facilitate the just transition to a low-emissions economy. In line with the [PRB](#), we will work with our customers to encourage sustainable practices and support economic activities that create prosperity for current and future generations.

We are supporting NAB on UNEP FI's Portfolio Impact Working Group and work is underway to assess and quantify the positive and negative impacts arising from both BNZ's and NAB's lending portfolios.

This will take the form of assisting customers to issue green, social and sustainable bonds and increase our lending to companies and organisations that align with our sustainability strategic commitments.

BNZ is currently developing the methodology that underpins this commitment, including what sectors and what products will count towards the target. We will ensure this methodology is published with a clear definition and aligned with the two key pillars of our Sustainability Strategy.

BNZ's target is to facilitate \$10 billion of sustainable finance by the end of 2025.⁴

One way we will support our customers to reduce negative impacts and increase positive impacts their business may have is through a market innovation known as sustainability-linked loans. These loans align the cost of borrowing to the customer's performance against agreed ESG-related targets. We expect to progressively introduce this form of lending to support our customers to achieve their sustainability ambitions.

BNZ's \$10 billion five-year target supports our parent company NAB's Group-wide commitment to provide **\$70 billion in environmental financing by 2025.**⁵

Sustainability bonds soar in 2020

Despite COVID-19-related uncertainty prompting corporates to pause debt issuance plans in the first half of 2020, the New Zealand market for green and sustainability bonds has increased nearly 50 per cent from FY2019 to \$2.6 billion in FY2020. Funds that specifically integrate ESG factors into their investing decisions are an increasing feature of the market, and there are a growing number of 'dark green' investors – focused solely on green-labelled bonds.

The New Zealand market for green and sustainability bonds has increased nearly 50% from FY2019 to \$2.6 billion in FY2020.

BNZ plays a leading role in supporting this important aspect of the financial markets and has acted on 87 per cent of all green and sustainable Debt Capital Market transactions over the last financial year, including:

- BNZ acted as a Joint Lead Manager (JLM) on Auckland Council's 30-year \$500 million green bond. At the time of issue, this was the longest bond in the New Zealand market and a record size and tenor for the green category. Proceeds are committed towards projects which benefit the environment, such as efficient buildings, waste management, and low-carbon transport.
- BNZ was JLM on Mercury Energy's inaugural green bond in 2020, which raised NZ\$200 million towards projects and assets with climate benefits, such as renewable energy projects, energy efficiency and electrification, and clean transportation.
- Housing New Zealand Limited, a subsidiary of Kāinga Ora – Homes and Communities, continues to be an active issuer of Wellbeing Bonds (a form of sustainability bonds aligned with the Treasury's Living Standards Framework), with five transactions over the last two years totalling \$2.2 billion. BNZ acted as a JLM in four of these tranches.

Setting targets grounded in science

To align our lending and investment portfolios with the objectives of the Paris Agreement and Zero Carbon Act we will set a meaningful emissions reduction target, using a science-based methodology.³

This year, NAB Group undertook an initial estimate of the emissions attributable to its lending portfolio, focusing on specific sectors in Australia. This has been reported in the Group's [2020 Annual Financial and Sustainability reports](#) and will be expanded to cover BNZ, adapted to the New Zealand context. Understanding the emissions attributable to our financing activities will enable BNZ to set targets to align our lending portfolio to the Paris Agreement targets.

³A target is defined as science-based if it is in line with the scale of reductions required to keep global temperature increase below 2°C above pre-industrial temperatures.

⁴BNZ's sustainable financing commitment applies to the period from 1 October 2020 to 30 September 2025. The environmental financing component of BNZ's \$NZ10 billion sustainable financing commitment will contribute to the Group's \$70 billion environmental financing commitment.

⁵Group environmental financing commitment represents total cumulative new flow of environmental financing from 1 October 2015. Refer to NAB's [Sustainability Data Pack](#) for a further breakdown of this number and reference their methodology for how our environmental financing commitment is calculated.



Case study:

Kāinga Ora

BNZ has a strong relationship with the government sector, including Kāinga Ora who delivers public housing for people in need with a vision to help tenants live well in their homes.

The New Zealand Government houses approximately 187,000 people in 65,000 properties, which are valued at \$28.5 billion. Approximately 45,000 of these homes will require renewal or replacement over the next 20 years. The funding for this investment will be provided by Kāinga Ora's subsidiary, Housing New Zealand Limited, which has listed wholesale debt on the NZ Stock Exchange (NZX).

In March 2019, BNZ led a bond issue for Housing New Zealand, successfully securing \$500 million of funding under its newly developed Sustainable Financing Framework – a framework where BNZ acted as the Arranger. At the time of issuance, this format was a first of its kind for a government entity in New Zealand.

This bond issue reached a range of new international investors and saw a doubling of offshore participation. At least four institutional investors who may not have participated under a conventional funding framework were attracted to the deal as it fulfilled their specific mandate or portfolio commitment to ESG investing.

In September 2020, BNZ was part of the banking syndicate that successfully raised a further \$500 million of listed debt for Housing New Zealand, this time through 'Wellbeing Bonds' – sustainability bonds directly linked to the New Zealand Treasury's Living Standards Framework. Proceeds from these bonds are used for projects within Kāinga Ora's Sustainability Financing Framework and contribute towards the UN Sustainable Development Goals. These projects relate to green buildings, minimising pollution and creating affordable housing.

Kāinga Ora's market-leading bond issuance programme has been successful in both demonstrating the global demand for sustainable finance and in raising the funds for the investment required to meet the housing needs of some of New Zealand's most vulnerable people and families.

Our partnership with Kāinga Ora directly supports two of our targets: increasing sustainable finance and seeing more New Zealanders in warm, dry homes.



Image supplied by Kāinga Ora: Apprentice Ana Etuale working in Auckland for Kāinga Ora build partner Home.

Addressing climate risk in our investment portfolio

Our lending decisions – the ‘how’, ‘where’, and ‘for what’ – will provide the greatest opportunity for BNZ to influence economy-wide climate change outcomes. However, indirect impacts can also be achieved through engagement with companies that are held in our investment portfolio.

BNZ recently revised its [Responsible Investment Policy](#), but this is just the start. There is a great deal more to do, as with all sustainability commitments, and this focus on constant improvement will become part of our DNA.

As well as being a foundation signatory to the [PRB](#) through NAB, BNZ is also a direct signatory to the United Nations [Principles for Responsible Investment](#) (PRI). These PRI help guide our approach to addressing climate risk in our investment portfolio. Our Climate Action Statement applies equally to our investment business. Where we make investments, such as through our KiwiSaver services, will be subject to TCFD reporting.

Strengthening our position on sectors with high ESG risk

While our focus is on assisting customers to transition towards more sustainable operations, there are some industries, sectors, or customers for which we may opt not to provide finance or where we may decide to exit the provision of banking services – where they do not align with our sustainability commitments and have significant negative impacts.

We already have ESG policy that prohibits, for example, lending to predatory finance, the manufacture and wholesale of tobacco, and new greenfield coal mines.

However, we need to be more transparent in the positions that we take around specific sectors.

Over the next year, we will revisit and strengthen our policies regarding emissions-intensive sectors and those that impact negatively on society and our natural environment. We will then report these as part of our commitment to be more transparent with our ESG policies and sector criteria.

Getting clear on coal

BNZ has had a cap on all coal mining since 2019, via our parent company NAB. NAB Group [committed to cap thermal coal mining exposures](#) at 2019 levels and reducing thermal coal mining financing by 50 per cent by 2028, intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB now expects its thermal coal mining exposure to reduce by 50 per cent by 2026 (from 2019 financial year levels), and to be effectively zero by 2030. We have now made our own BNZ-specific commitments.

BNZ will exit from all lending to thermal coal mining operations by 2025.

We will not provide new lending to thermal coal mining except for environmental bonds to fund remediation of existing coal operations, on a case-by-case basis.

We will exit all lending to coal mining operations (metallurgical coal) by 2030.⁶

We acknowledge there are industries in New Zealand that are currently dependent on the use of coal for their operations.

We will work with large coal-dependent customers to ensure they have transition plans and public commitments in place by 2022.

We will support our customers’ implementation of transition plans through the provision of financial services, where possible. As part of our ESG risk assessment and due diligence processes, we will engage with large emitting customers who are dependent on coal, to encourage them to adopt low-carbon transition plans.

⁶Thermal coal is most commonly used in electricity generation, for which there are now a wide range of renewable alternatives. Thermal coal is the primary source of coal-related emissions globally. Metallurgical coals are used particularly in the manufacture of steel for which alternatives are not as advanced. The IPCC focuses on the world’s need to most urgently transition away from thermal coal.

Helping small businesses manage the transition

Meeting our climate change commitments and supporting the low-emissions transition will require transformation across the whole New Zealand economy. No individual or business is too small to contribute, but we need to lead and partner with our customers and suppliers to help make this a reality.

Small businesses⁷ are the lifeblood of the New Zealand economy and an essential part of New Zealand's ability to build a low-emission economy.

BNZ currently serves approximately 200,000 of these small business customers across the country. We have set an ambitious target to have 50 per cent of BNZ Small- and Medium-sized Enterprise (SME) customers measuring their emissions, setting reduction targets, and reporting on their climate change impacts by 2025. To achieve this target, we must support our SMEs to understand their own carbon footprint and provide advice and support on how to transition towards a low-emissions future.

New Zealand will not meet its climate change commitments without the support of the SME sector, but COVID-19 has already placed significant pressures on our SMEs. BNZ is committed to equipping SMEs with the tools to easily and meaningfully respond to climate impact, ensuring they are not left to do this alone.

Achieving this will require ongoing engagement and a genuine partnership with our customers. We are implementing a five-year programme to create and deliver a digital climate change toolkit to support our SME customers in understanding, reducing, and reporting on their carbon emissions and climate risk.

We have partnered with the Sustainable Business Network (SBN) to develop this toolkit. The partnership group also includes Meridian Energy, Waka Kotahi (NZ Transport Agency), Energy Efficiency and Conservation Authority (EECA), New Zealand Trade and Enterprise (NZTE), and business.govt.nz (part of the Ministry of Business, Innovation and Employment (MBIE)). The motivation for the project was the publication of an independent report by SBN in April 2020 - '[Accelerating climate action by New Zealand SMEs](#)'. The report notes that larger businesses and corporates are generally already taking action on emissions reduction, but SMEs are not.

“Deep emission cuts are needed by 2030 – all businesses have a role to play.”

Climate Action 20/25: Accelerating climate action by New Zealand SMEs

The report concludes that the barriers preventing SMEs from taking more climate action include lack of time, resources, and understanding. In response, the focus of the SME climate change toolkit is on providing the solutions to address these barriers.

The toolkit's 'Climate Action Pathway' emphasises the importance of incremental change and of taking the first step while limiting time commitments. It will be available in early 2021 for any SME, regardless of who they bank with, at business.govt.nz.

New Zealand will not meet its climate change commitments without the support of the SME sector, but COVID-19 has already placed significant pressures on our SMEs. BNZ is committed to equipping SMEs with the tools to easily and meaningfully respond to climate impact.



⁷Businesses with fewer than 50 employees.

Reporting on climate risk

BNZ is committed to aligning its reporting with the TCFD recommendations, on the current and potential impacts and risks of climate change to our business.

Over the coming two years, and starting in this report, BNZ will report in line with the TCFD recommendations, outlining the risks and opportunities that climate change poses to our business and our customers.

TCFD is less about disclosing BNZ's impact on climate change and more about disclosing the impact of a changing climate on our business. This will provide useful information for our stakeholders, including current and prospective investors, regulators, and customers. While the future may be uncertain, we do know that climate change impacts are being felt now and will only continue to increase. The biggest challenge with TCFD is meaningfully disclosing the uncertain future impacts; under climate change scenario modelling, the spread of possible outcomes varies the further into the future that is forecasted.

BNZ, as part of the NAB Group, is participating in UNEP FI's TCFD Pilot Project for banks. Phase II of this project recently came to a close. Details of the physical risk work undertaken as part of this project are described in a new report, [Charting a new climate](#). One finding highlighted in the report was that extreme weather events such as storm surges, wildfires, sea level rise, inland flooding, drought, subsidence, and other climate-related physical risks, are already impacting banks' lending portfolios.

In making risk-based decisions around future climate change scenarios, BNZ is increasingly identifying opportunities and methods to help our customers build greater resilience into their operations and cut their emissions.

For the purpose of ongoing TCFD reporting, we summarise BNZ's progress against the TCFD recommendations in the [TCFD Summary](#).

In FY2021, BNZ will undertake a high-level assessment of physical and transition risks across key segments in our portfolio.

We will further embed consideration of climate risk in the bank's risk appetite statement and incentives framework, and undertake initial climate-related scenario analysis.

We will report on progress in our 2021 Sustainability Report.





Regenerating our natural capital

“Our natural resources – water, soil, climate, biodiversity, and ecology – are the foundations of a productive primary sector. Natural capital sits alongside financial, human, and social capital as the key ingredients to success in agribusinesses. Managed well, all of these capitals will underpin sustainable food and fibre production for future generations.”

Dana Muir, Head of Natural Capital, BNZ

BNZ has been working with New Zealand primary producers since the bank was first established, helping them achieve their business goals. Our agribusiness team is a leading lender across the primary sector in New Zealand, taking pride in helping our primary producers achieve long-term financial and environmental sustainability, including building deep – often intergenerational – relationships.

Since 2018, BNZ’s Natural Capital team has been working to ensure our agribusiness customers are actively managing their on-farm natural resources to ensure sustainable and enriched land, ecosystems, and communities for the next generation. We recognise that the future success of the primary sector is reliant on how primary producers enrich and manage the natural environment.

Natural capital is as integral to the success of primary producers as financial and human capital. A business cannot run well with depleted financial capital, and the same applies to natural capital. Both impact the long-term viability of agribusinesses and both involve risks that need managing.

BNZ aims to empower our agribusiness customers to continuously improve their natural environment. We are offering support and thought leadership to help producers create future-focused businesses. Having an agribusiness banking team who understands the risks and rewards of better natural capital management is helping ensure our agribusiness portfolio is well positioned to respond to future risks and opportunities.

We are proud to see our agribusiness customers increasingly forecasting and preparing for the one-off and ongoing costs and benefits that come with better environmental management, while ensuring they can pass on healthy and profitable land to future generations.





Helping the ‘shift happen’ in agriculture

Over the past two years, BNZ has surveyed our agribusiness customers, asking for their views on the future of their agribusiness. Our surveys seek to understand what our customers are thinking and how they are approaching change within their business. Topics covered include evolving consumer preferences, financial wellbeing, agri-technology, environmental management, their mindset toward change, and how they are building a resilient and prosperous future.

We share the insights from this survey in an annual agribusiness report titled ‘[Shift Happens – The Future of Agribusiness](#)’ – a comprehensive review of New Zealand’s primary sector. Alongside a wide range of stakeholders, including industry leaders and policymakers, this report is used by our agribusiness customers to engage in a ‘Shift Happens’ future-focused conversation with their BNZ Agribusiness Partner.

These focused conversations help us identify new opportunities to explore or develop, including continual improvement of environmental resource management, financial planning, and the use of emerging technologies and data. They also help us to identify areas where we can provide clarity and leadership, such as fact sheets on how environmental policy changes may influence an agribusiness or partnering with industry to educate on biological emissions reduction options. We are proud to support and showcase our leading agribusiness customers.

BNZ has been an integral partner in the [Ahuwhenua Trophy](#) for the past 17 years, the prestigious award for excellence in Māori agriculture. We are pleased that in the most recent BNZ survey, two-thirds of our agribusiness customers agreed that:

“We (New Zealand farmers and growers) embrace the Māori concept of Taiao, a deep relationship of respect and reciprocity with the natural world. The health of the climate, land, water and living systems comes first. And when nature thrives so do our families, communities and businesses.”

BNZ’s agribusiness team has strengthened its internal risk and reporting frameworks covering the environmental, social, and governance activities of our agribusiness customers. Through this process we can identify and support customers who may be struggling with the next step and equally recognise our customers who are leaders in managing natural capital. We are integrating this assessment of our agribusiness customers into the products we offer, our perspective of risk, and how we price our lending.

The BNZ Natural Capital team is continuously exploring how finance and investment opportunities can support practical solutions for the primary sector to help build more resilient and sustainable agribusinesses.



Case study:

Exploring regenerative agriculture

BNZ looks to our agribusiness customers to show us what innovative solutions and farming practices are emerging as options to help enrich and protect the future of their businesses.

One such example that is gaining attention across the primary sector is a method of farming grounded in the principles of regenerating the natural environment – ‘Regenerative agriculture’. Regenerative practices include, but are not limited to, no tillage, keeping soil covered by living plants and residues at all times, and an integrated grazing system. Supporters of Regenerative agriculture say these practices improve soil health, as well as providing the capacity to remove carbon dioxide from the environment and capture it in the soil.

Deeper-rooting plant species are often selected to improve the uptake of nutrients and legumes are used to support nitrogen fixation. Emphasis is placed on grazing techniques, with many Regenerative farmers finding pastures recover more quickly post-grazing, erosion is reduced, farms are more resilient to varying rainfall, and biodiversity improves.

When economic and environmental benefits align, we often see primary producers adopt or trial new farming systems. There is growing interest in Regenerative farming and, according to BNZ customer Peter Barrett, all farmers and growers can begin, in a small way, to experiment with these practices. Peter Barrett runs Linnburn Station in Central Otago, a sheep and beef property which has been in his family since 1944. When he took over in 2012, following a successful career in finance, Peter took a step back and analysed the business like he would any other investment.

“We realised we had not maintained our asset and had to play catch-up. If we used the conventional model to develop the land, we would be broke in a few years.”

Peter says embracing regenerative systems provided the solution.

He believes that over the last few years, the sector has progressed a lot towards understanding the benefits of regenerative agriculture.

“If we want to flourish, we need to understand the natural ecosystem and how it really works, learn more about soil, have diversity of species and allow the soil biology to define what it needs to be healthy and resilient.”

His key advice? Don’t overthink it.

“Keep it simple. Find a small paddock, say one to five hectares, not your best or worst. Get a cover crop seed mix recommendation from someone that has had experience. Put it in the ground without fertiliser, watch it grow for 140 days, without any animals, then introduce animals and watch and learn.

“Ensure you keep the ground protected. Ideally leave one-third protected to feed the underground microbiology. When you do this, you will see life come back to the area you have planted, you will see nutrients start to cycle, allowing air and water to enter your soil and you will know you are on the right track to soil health.

“It’s about choosing to have a mindset that embraces all forms of life and trying not to control or disrupt nature. It’s about choosing to replicate nature in all its diversity, ensuring we do not till the soil, we keep the soil covered at all times, have diversity of plants and animals, and maintain living roots at all times,” Peter says.











Linnburn Station, Central Otago



How we are tracking

BNZ’s Sustainability Strategy was developed over 2020 and approved in August 2020. As such, a number of these targets will have results reported against them for the first time in FY2021.

Kaitiakitanga			
Commitments	Targets	Progress so far	SDGs
Accelerate transition to low-emissions economy, one that supports the regeneration of the natural environment.	 <p>\$10 billion in Sustainable Finance.</p>	<ul style="list-style-type: none"> Employed a GM of Sustainable Finance to deliver our target. Building experience and expertise – acted on 87% of all green and sustainable debt capital market transactions in FY20.⁸ 	
	 <p>Aligning our portfolio to meet the Paris Agreement and Zero Carbon Act.</p>	<ul style="list-style-type: none"> Commitment to no new lending to coal mining and to exit all lending for thermal coal mining by 2025 and all other coal mining by 2030. Commitment to support large coal-dependent customers to ensure they have transition plans in place by FY2022. Commitment to set a portfolio emissions reduction target that is grounded in science. Commitment to reduce our operational emissions by 60% by 2025. 	
	 <p>50% of all SME customers are actively measuring and reducing emissions.</p>	<ul style="list-style-type: none"> Confirmed partnership with SBN and other stakeholders to develop a climate action digital toolbox for SME customers. 	
	 <p>Disclose our climate impact.</p>	<ul style="list-style-type: none"> Initial reporting against the TCFD recommendations is included in this report. Commitment to undertake first high-level climate risk assessment across aspects of our portfolio by FY2021. 	

⁸The \$10 billion sustainable finance target commences in FY2021. FY2020 debt capital market transactions do not contribute to this target.



Manaakitanga

To grow the long-term social and financial wellbeing of all New Zealanders.



Te Ao Māori acknowledges the interconnectedness of our world.

It does not distinguish between people and our environment but sees the two as intrinsically connected.

The second pillar of our Sustainability Strategy – Manaakitanga – is focused on how we help people through building safer, more resilient and inclusive communities. For us, our Kaitiakitanga and Manaakitanga commitments overlap.

COVID-19 has increased pressures on our communities: businesses have been impacted; people have lost income and employment; stress is higher in some households; and, for many people, mental, social, and financial wellbeing has suffered.

...without broad commitment to a just transition, climate change has the potential to drive more social inequity and disproportionately impact those who are already vulnerable in our communities...

Having paid employment, owning or renting a home, having an energy provider, a mobile phone, or being online all requires a bank account.

It is almost impossible to function in New Zealand without a relationship with a bank, meaning financial inclusion is a core element of prosperity.

By providing banking services, we are providing this access to our customers. This gives us the opportunity to help our customers to be good with money and for our customers to realise their financial goals, resulting in a profound difference to their lives. But being able to grow long-term social and financial wellbeing depends on our ability to continue to build trust with our customers and the communities of which we are a part.

Our Strategy sets out how we will continually earn our 'social licence to operate' through tackling some of the toughest societal issues and helping some of the most vulnerable people in our communities.





Vulnerability: where we choose to focus

We believe vulnerability is something that, for one reason or another, any of us can experience.

Vulnerability can range from an hour in time to a permanent state, and everything in between.

One change in circumstance – a redundancy, a major illness, a sick child or partner, a disability, a collapsed business, the end of a relationship – can tip any of us into vulnerable circumstances. None of us are free from the risk of being vulnerable, and COVID-19 has provided a stark reminder of this.

Our commitment to customers is ‘to be there throughout’ – for the big milestones in their lives, like buying a first home, and, equally importantly, during times when they might be vulnerable and need our support the most.

Starting with wellbeing

Wellbeing means different things to different people. But it is increasingly recognised that, in addition to our material standard of living, our wellbeing reflects the social and environmental context in which we live.

Understanding the broader wellbeing of New Zealanders and communities is important nationally, as well as helping us target our efforts and resources to make the biggest social impact. To better understand wellbeing, we have developed a wellbeing indicator that captures New Zealanders’ self-perceptions of life satisfaction, life worth, happiness, and anxiety.

We report our findings in a six-monthly Wellbeing Report which we share widely with our stakeholders, including with government, the media, and the organisations with which we partner.

During the level 3 COVID-19 lockdown, we surveyed 1,500 New Zealanders on a range of issues, including their level of financial stress and expectation of future income. Released in June 2020, the [Wellbeing Report](#) found that despite the COVID-19 lockdown, New Zealanders’ wellbeing had held up well and was considerably higher than in Australia.

While there are certainly New Zealanders who have become more vulnerable through the impacts of COVID-19 and that need our support and help, the survey data shows a strength and resilience in our communities that we need to support and foster.

Tackling domestic and economic abuse

Some of New Zealand’s most vulnerable people are those experiencing family violence and abuse. New Zealand has one of the worst rates of intimate partner and family violence in the OECD, with an **estimated 35 per cent** of New Zealand women having experienced physical and/or sexual abuse from their partner in their lifetime.

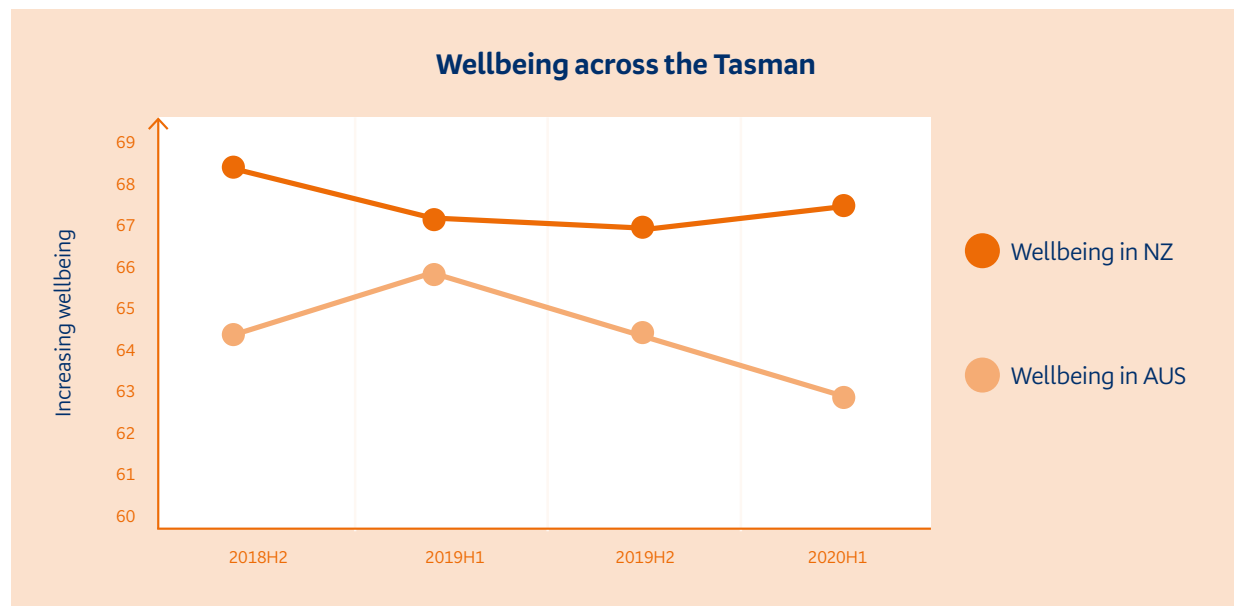
It affects people from all cultures and all socio-economic levels of our society. There are, however, groups within our community that are more vulnerable than others.

For example, a [survey of New Zealand women](#) found that the lifetime prevalence of physical and/or sexual partner violence (IPV) was 58 per cent for Māori women, 34 per cent for European/other women and 32 per cent for Pacific women. Asian women reported an 11.5 per cent IPV but advocates are concerned about the potential for under-reported rates in Asian communities.

This abuse is not only physical. People experiencing violence can be subject to very high levels of control from their partner: who they talk to, where they go, how they spend money. This control often results in economic abuse, with the abusive partner controlling all elements of the finances in a relationship.

At times, this sees debt, such as mortgages, sitting disproportionately with the abused partner. Partners can find themselves shut out of trusts and their proceeds, and the sole signatory of loans, credit cards, and contracts that disadvantage them.

Partner abuse is largely below-the-radar in New Zealand.



Graph from [Wellbeing Report](#).

Helping customers trapped in vulnerable circumstances by this controlling behaviour is an area where we have an opportunity to make a profound difference, every day.

Sometimes financial system processes and procedures enable, rather than prevent, such controlling behaviour.

BNZ, with support and advice from experts, including academics and support agencies, has set up a dedicated resource to support people who might be trapped in an abusive relationship to get out safely. This involves helping people understand their current financial circumstances and quickly and easily setting them up with the required banking basics to build a new life, while protecting their privacy and safety.

The team is trained to be able to assist people who may be experiencing domestic and economic abuse. It is accessible on referral from support organisations, like refugees, so the banking and financial support fits into the other support customers receive.

Often this lack of financial control provides a reason why a partner does not, and cannot, end an abusive relationship.

Supporting Love Grace

In choosing to take a stand against domestic abuse, BNZ supported 'Love Grace' in FY2020 – a charitable campaign set up by Grace Millane's family in support of Women's Refuge.

Grace Millane, a tourist visiting from the UK, was murdered in New Zealand in December 2018 while on a date. 'Love Grace' combines Grace's love of handbags with a legacy carried out in her name to end violence towards women.

While a small gesture against domestic abuse, BNZ offered its retail bank branch network as drop-off points for the 'Love Grace' handbag collection appeal. More than 2,700 bags were donated at BNZ branches between February and March 2020, and have been distributed to women in need.





Disrupting predatory lenders

Pay-day lenders, truck shops, and loan sharks charging crippling interest rates have been an unfortunate feature in some New Zealand communities.

Typically targeting people on low incomes, these organisations have historically charged prohibitive interest on loans or prices on basic household goods, often trapping vulnerable families and individuals in mountains of debt they cannot repay.

BNZ wants to disrupt these predatory lenders by offering an alternative to at-risk communities, alongside a conversation about money.

We've been providing no- and low-interest loans for over six years, with a target of committing \$50 million by 2024 to disrupt the predatory lending market.

In partnership with Good Shepherd NZ, we deliver 'Good Loans', providing people on limited incomes with fair and affordable alternatives to borrowing from high-cost lenders.

Good Shepherd NZ and BNZ partner to provide the programme, with support from the Ministry of Social Development. Good Loans are provided through Good Shepherd NZ and community provider partners The Salvation Army, Aviva, and Presbyterian Support Otago.

As part of the application process every client has a conversation with a loan worker to ensure they understand their financial situation and can afford to make the repayments, and, where needed, access other forms of support. This is an important step towards building long-term financial capability, and supports our commitment to providing holistic, enduring and life-changing results in a way that lending alone may not achieve.

For those already indebted to predatory lenders, BNZ and Good Shepherd NZ have launched [DEBTsolve](#). This is a coordinated programme pairing specialist debt counselling and debt advocacy with a specialist Good Loan. DEBTsolve supports clients to regain control of unsustainable, high-cost debt and lift them out of the cycle of debt. Through doing this, they improve their whānau's financial and overall wellbeing.

We've teamed up with The Salvation Army and other great New Zealand organisations to get The Good Shop, a mobile store, on the road in Porirua and South Auckland. The Good Shop provides an affordable, helpful alternative to the mobile traders who prey on vulnerable communities. It offers access to practical financial advice, food, and quality household goods available on interest-free loans, supported by BNZ and Good Shepherd NZ.

Since the inception of the programme and through these agencies, we've helped over 2,880 families access over \$8.4 million in lending. We estimate this has saved these families over \$3.9 million in interest and fees by borrowing through these programmes rather than from predatory lenders. But more than that, these programmes have provided, in many cases, life-changing support.

BNZ is committed to supporting these initiatives and will rapidly increase the scale of this lending over the next three years. Diversifying how we lend and placing greater pressure on predatory lenders provides pathways to borrowing for those excluded from mainstream financial services.



Helping Kiwis into warm, dry, resilient homes

There are too many people in New Zealand that are unable to house themselves and their families in a warm, dry, resilient home. BNZ is committed to seeing more New Zealanders able to do so.

BNZ has set a target of providing a minimum of \$5 million in lending to home improvement and repair programmes across New Zealand by 2025.

This will involve scaling of our support for organisations across New Zealand like Habitat for Humanity, through which we have enabled over 84 interest- and fee-free loans to the value of \$700,000 for essential home repairs over the last financial year. These repairs include items such as bathroom refurbishments, driveway repairs to enable access, and roof replacements to stop leaks causing dampness and mould.

We also work with the New Zealand Housing Foundation and its [Affordable Shared Ownership Programme](#), designed to help working lower-income households buy their first home. The Shared Ownership Programme provides an opportunity for people to team up with the Housing Foundation to share the ownership of a property.

Customers buy a majority share of the property (usually 60 per cent or more and based on what they can afford) making it more affordable than if they were to buy 100 per cent.

However, we know this is not enough and there are still many New Zealanders struggling to live in warm, dry, resilient homes. We will be working to encourage and support people into healthier homes.

We will also work to better understand some of the barriers for Māori accessing quality housing, and then advocate for these barriers to be addressed. We will improve progressive home ownership models, consider improved lending on prefabricated homes, and financing on under-developed Māori land for new homes.



Building a more productive economy through digital inclusion

Digital technology has changed our world, making life faster, easier, and more efficient.

As a trading nation geographically isolated from the rest of the world, the importance of building our digital skills is particularly important for the long-term success of New Zealand.

As New Zealand emerged from the national COVID-19 lockdown and started to rebuild its economy, a [BNZ report](#) in May 2020 highlighted the clear links between digital capability and improved productivity and wellbeing outcomes. The report found that those with digital capability (both skills and access) are generally less vulnerable and more resilient to economic shocks.

BNZ is committed to ensuring our digital world is inclusive, providing opportunities for everybody, and that the potential to drive better wellbeing and productivity outcomes are realised.

This commitment starts with having the best data; as the old adage goes, what gets measured, gets managed. Using a methodology pioneered by Lloyds Banking Group, BNZ has launched a comprehensive national survey of digital capability in New Zealand. Combined with what we can see from the data we hold about the way people bank, this survey will provide national benchmarking, accessible to everybody, to enable an evidence-based approach to lifting digital capability and inclusion.

The first set of survey results on New Zealanders' digital capability will be published in a report in early 2021. We will release the findings and use it as part of a national conversation around digital inclusion, productivity, and wellbeing, with partners across government, industry, and not-for-profit organisations.

We will build deeper partnerships with corporates, government and the digital sector, using the insights from this data and a collective approach to advancing a more productive, inclusive digital economy.

Towards leadership in digital banking

We continue to make good progress on delivering the best services for our digital banking customers. In September 2020, BNZ won [Canstar's Bank of the Year | Online Banking Award for 2020](#) for the third year in a row.

The Award's researchers identified particular strength in our mobile banking app, including the ability to track spending, track cash flow, apply for new cards and accounts, and link to Trade Me accounts to pay for products. In presenting the Award for 2020, Canstar said:

“What makes a bank stand out from the rest, is its level of service. And, increasingly, this means the online tools and apps it provides its customers to give them control over their finances.”



Bridging the digital divide

Digital capability and digital access are two separate things, but our commitment to digital inclusion requires us to address both. Digital access concerns people's ability to either access digital equipment, like computers, laptops, and tablets, or to be able to connect reliably to the internet at a useful speed.

Typically, lack of resources is the main obstacle to digital access, though geography is still a factor in some remote parts of New Zealand.

We are committed to uplifting our internal digital capability and this year saw us transition from our award-winning 'Digital Guru' programme to 'Digital Champions', designed to build a digitally savvy BNZ team. This year all 6,000 members⁸ of the BNZ team went through two new dedicated learning modules and our 3,500 customer-facing colleagues are set to go through more training at the start of FY2021.

We are constantly working to improve the digital capabilities of our colleagues through additional "byte-sized" learning and basic digital skills learning via LinkedIn, Google Garage, and material supplied by Barclays Digital Eagles.

Staying 'scam-savvy'

As our world and our customers become increasingly digital, we all need to increase our efforts against those who seek to scam others out of their personal information or their money.

Approximately 26 per cent of New Zealanders who lose money to scams suffer in silence and tell no one, more than half (61 per cent) who fall victim to scams do not report the crime, and 10 per cent are hesitant to go online due to their fear of being scammed. The research, commissioned by BNZ and undertaken by my2cents – a research community for banking and finance – shows the effect that increased scams is having on New Zealanders.

Unfortunately, this is a problem that is on the rise, and COVID-19 saw an increase in scams; they can happen to anyone. One of the most common ways New Zealanders are being scammed is when they're buying, selling, or donating goods or services online. As BNZ moves to 'digital first, human when it matters', we have committed to improve all New Zealanders' understanding of how they can better protect themselves against being scammed.

Annually, BNZ runs Scam Savvy week to help New Zealanders be safer online, sharing online resources designed to help people spot and avoid scams. Each year, we refresh these free resources to ensure we capture the most common scams happening in New Zealand at the time. The tools are now available in English, Te Reo Māori, Samoan, and Tongan, as well as a Scam Savvy business tool. This tool helps New Zealand business owners learn how to keep themselves and their businesses safer online.

...digital first, human when it matters...

We want to help all New Zealanders be safer online so we have downloadable community presentations, available for everyone, on our getscamsavvy.co.nz website. These presentations are available for anyone to use and share with groups they work with, like community associations, sports clubs, book clubs, young farmers, neighbourhood watch, Probus, and church groups. These presentations are also available in Te Reo Māori, Samoan, Tongan, Mandarin, Korean, Hindi, and Punjabi.



⁸Includes permanent employees and contractors.

Supporting non-digital customers

While we're committed to helping people realise the benefits of digital technology, we appreciate there are those who may choose not to, or may be unable to, access it.

The reasons for this are many. However, for our older customers, it is often only opportunity and confidence holding them back. COVID-19 has highlighted how the lack of access to digital banking services can negatively impact the social and financial wellbeing of these customers.

In response, as we embarked on our national COVID-19 lockdown at the end of March, BNZ was the first bank in New Zealand to launch a dedicated phone support team for our customers aged over 70, in response to a clear customer need. The dedicated line offered call waiting times of no more than two minutes, with BNZ providing extra time and assistance to these callers.

We use technology to recognise the caller's phone number, match it to their account and, if they are over 70, direct them to the special service.

Approximately 30,000 calls were received by this line in the first four weeks, resulting in over 3,000 customers moving to or re-activating use of digital services. Over 100,000 calls have been received by the over 70s line between March and October, averaging 560 calls a day.

...as we embarked on our national COVID-19 lockdown at the end of March, BNZ was the first bank in New Zealand to launch a dedicated phone support team for our customers aged over 70...



Case study:

How we can help with digital inclusion

Sometimes, all people need in order to experience the convenience of online banking, is somebody to show them how.

We recently received a call from one of our elderly customers. Her local branch had been closed for the past six months as a result of COVID-19. She called to transfer funds between her accounts; something she normally does in the branch.

We discussed different options for doing her banking and she said she does telephone banking, but she has six different accounts and doesn't know which are which. We guided her through how to do the transfer on telephone banking.

We then discussed using the BNZ App to make things easier while the branches are shut. We spent around 40 minutes guiding her through the App Store process.

We helped her download the App and taught her to log in and out, and where to find the App on her home screen, to which she said:

"That'll be lovely and I'll do lots of practising. Thank you so much!"



Protecting global human rights

This year, New Zealand recorded its first prosecution and conviction for human trafficking and slavery, where people from the Pacific Islands were forced to work in Hawke's Bay's horticulture industry.

Caring for people who may be affected by our business is an important part of how we show respect for people across the NAB Group, including BNZ. The way we uphold human rights starts with doing business in a way that respects the rights and dignity of people, preventing human rights abuses, and upholding the law. This is set out in our Group [Human Rights Policy](#), which is refreshed annually.

NAB Group's financing, operations, and supply chain covers the globe and BNZ is committed – both in a standalone capacity and through our parent company – to vigilance in protecting human rights. ESG risk assessment (which includes human rights) is part of our credit risk assessment and supplier due diligence processes, and factors into decisions about our operations and suppliers.








NAB Group's annual [Modern Slavery and Human Trafficking Statement](#) outlines what the Group, including BNZ, has done to keep its operations and supply chain free from slavery and human trafficking. As set out in the statement, over the last year, no modern slavery concerns were identified in the NAB Group's own operations, its supply chain, or through the Whistleblower Program including BNZ.





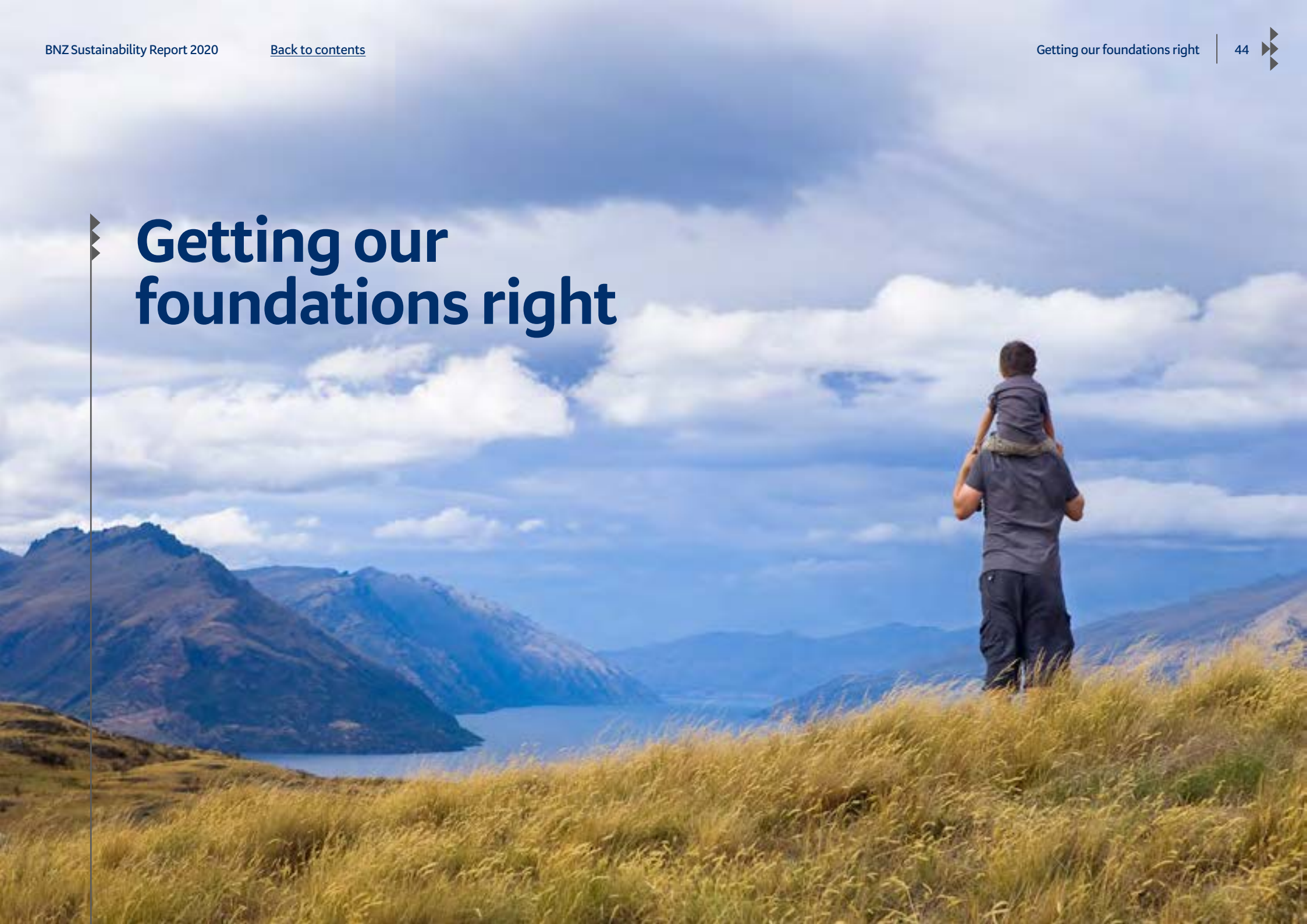
How we are tracking

This table outlines our Manaakitanga commitments with measurable targets and annual tracking to grow the long-term social and financial wellbeing of all New Zealanders. BNZ’s Sustainability Strategy was developed over 2020 and approved in August 2020. As such, a number of these targets will have results reported against them for the first time in FY2021.

Manaakitanga			
Commitments	Targets	Progress so far	SDGs
Grow the long-term social and financial wellbeing of all New Zealanders	 <p>\$50 million in no- or low-interest loans by 2024 (cumulative).</p>	<ul style="list-style-type: none"> • 2,880 no- or low-interest loans totalling over \$8.4 million since the programme’s inception in 2014. 	
	 <p>Drive digital inclusion.</p>	<ul style="list-style-type: none"> • The Digital Education Queue (over 70s line) has had over 100,000 customer calls between March and October 2020. • Digital capability survey near completion, for release in 2021. 	
	 <p>More Kiwis in warm, dry, resilient homes.</p>	<ul style="list-style-type: none"> • In FY2020 we delivered 80 interest-free loans for essential home repairs, totalling \$750,000. 	 



Getting our foundations right





Underpinning our Strategy are five core foundations. These are the base upon which our Strategy is built and they also commit us to specific actions and outcomes:



Hardwire sustainability – to ensure long-term success we must embed ESG best practice into our DNA; it will become our ‘business-as-usual’.



Transparent leadership – to lead on the issues that need to be addressed to achieve our vision. We must visibly participate and use our influence to advocate positions that align with our ambition.



Grow our people – our people are fundamental to our success. A diverse, well, and engaged workforce will ensure we can deliver on our ambition.



Integrate Te Ao Māori – Māori are tangata whenua. Te Ao Māori integrates sustainability principles – particularly an intergenerational, ecosystem-based view. We must understand and build these values into our everyday business practices, systems, processes, products, and services.



Green our operations – if we are to support our customers to transition to more sustainable, lower-emission operations, we must support our colleagues and lead by example.

While our foundations and strategic goals are interconnected, we have chosen to discuss each of them and how we will ensure delivery. Where one of our foundational pillars connects with a broader strategic target or outcome, we have cross-referenced these.





Hardwiring sustainability

Purpose: To ensure long-term success, sustainability (or ESG), must be embedded in our key business systems, processes, frameworks, and decisions.

Delivering our commitment to build a fairer, more inclusive society and support a just transition to a low-emissions economy requires sustainability and ESG to be 'hardwired' into our business at all levels. Our commitments to sustainability need to be top-of-mind for every person at BNZ. Delivering on these needs to be simply 'the way we do things'.

Having an enterprise-wide ESG framework

To hardwire sustainability and deliver on our commitments, we recognise the need to have a clear, easily applicable ESG framework across BNZ. This will require updated and clear policy, guidance, measurement, controls, and reporting frameworks.

Sustainability Risk⁹ has recently been added as a material risk category within the NAB Group Risk Management Strategy, effective in the 2021 financial year. BNZ is working to further embed ESG-related criteria into our risk management systems and processes.

Embedding this ESG framework into our business, our risk appetite statements, and our key performance indicators will cement in place the direction of our business towards climate-friendly, regenerative, and socially inclusive banking services.

Building our sustainability capability

We are supporting our colleagues to become a team of sustainability champions through increased training, development of new tools, and support from our Sustainability and Sustainable Finance teams.

Increasing this capability means we will confidently engage with our customers and stakeholders to support them in achieving their own sustainability objectives. It will provide our people with the confidence to think differently in making decisions and building stronger connections across our bank.

We recently held an education session with BNZ's directors on climate change and the implications for the banking sector, involving independent experts specialising in climate risk. We will continue to engage with experts in this way.

Harnessing the power and commitments of NAB Group

BNZ cannot hardwire sustainability in its business or deliver its Strategy without the explicit support and leadership of our parent company, NAB. For sustainability to be hardwired into BNZ, it must also be hardwired into the broader NAB Group.

NAB is taking a clear leadership position on sustainability and ESG across its operations and financing, providing strong backing for BNZ's own commitments. Sustainability is now explicitly included in NAB Group's Strategy as one of its long-term strategic pillars, and what this means is set out in the [NAB Sustainability Report 2020](#).



⁹ Sustainability risk, which includes climate risk, is defined as the risk that ESG events or conditions negatively impact the risk and return profile, value, or reputation of the Group or its customers and suppliers.



NAB is a founding signatory of the PRB and was the first Australian bank to join the [PRB's Collective Commitment to Climate Action](#). NAB has committed to providing \$70 billion in environmental financing by 2025¹⁰ as part of its commitment to support the transition to a low-emissions economy. To date, the Group, including BNZ, has provided \$42.5 billion towards this commitment¹¹. Other [Group climate-related commitments](#) are on the NAB website.

The Group's power generation portfolio reached 71.5 per cent renewable energy in the 2020 financial year. The Group has also committed to reducing its thermal coal mining exposures by 50 per cent by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. It now expects its thermal coal mining exposure to reduce by 50 per cent by 2026, and to be effectively zero by 2030. In the 2020 financial year, the Group decreased its thermal coal mining exposure by 11.4 per cent (this included BNZ's thermal coal mining exposure).

The Group has also set new 2020/2025 operational environmental performance targets as its 2020 targets came to an end (except the Group's science-based Greenhouse Gas (GHG) reduction target) and were achieved this year. The Group's 2025 science-based GHG emissions (tCO₂-e) reduction target was increased from 21 per cent to 51 per cent, against a restated 2015 baseline level. In the 2020 environmental year¹², NAB achieved a 41 per cent reduction against its operational science-based emissions reduction target. The Group has also committed to increasing its operational renewable electricity consumption to 100 per cent by 2025.

¹⁰ Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to the Group's [2020 Sustainability Data Pack](#) for a further breakdown of this number and reference to how the environmental financing commitment is calculated.

¹¹ BNZ's sustainable financing commitment applies to the period from 1 October 2020 to 30 September 2025. The environmental financing component of BNZ's \$NZ10 billion sustainable financing commitment will contribute to the Group's \$70 billion environmental financing commitment.

¹² The Group's environmental reporting year is from 1 July to 30 June to align with Australian regulatory reporting requirements.



Transparent leadership

Purpose: To lead on the issues we care about we must use our influence to advocate and participate in economy-wide discussions.

BNZ cannot deliver long-term social and financial wellbeing for all New Zealanders, and a low-emissions economy that supports environmental regeneration, by itself.

This sustainability report is an important first step in publicly stating our sustainability commitments and how we are going to deliver on them. Our stakeholders have made it clear that they care about governance, leadership, and ethics. We have reported on the [management and governance structure](#) of BNZ, including the role of committees in ensuring focus on core areas of the business, the process of communication to senior levels of the organisation, and the process by which BNZ reports to its parent company, NAB.

What we're doing

We will participate in public forums, engage proactively with media, and provide regular public updates on our progress against our Strategy, including through this annual sustainability report.

We will increasingly use our public profile to demonstrate leadership on the issues that matter most and use our voice to drive change.

We will ensure we are represented at a senior level on the issues that matter most and where there is clear strategic alignment; for example, we have been a member of the [Climate Leaders Coalition](#) since 2017.

In May 2020, BNZ CEO Angela Mentis participated in a virtual roundtable with Mark Carney (UN Special Envoy for Climate Action and Finance, and former Governor of the Bank of England), Adrian Orr (Governor of the Reserve Bank of New Zealand), and Hon. James Shaw (Minister for Climate Change), to discuss [rapid pathways to achieve New Zealand's transition to a low-carbon future](#). This forum provided an opportunity for BNZ to highlight our commitment to TCFD reporting and the broader BNZ strategic focus on ESG.

We will continue to take opportunities to discuss these issues publicly, clearly and directly with government and regulators, and advocate openly for policy and regulatory change that supports the social and environmental goals of our Strategy. We will continue to support other agencies with common goals and actively participate in initiatives and programmes making a difference, including:

- The [UNEP FI Principles for Responsible Banking](#)
- The [UN Principles of Responsible Investing](#)
- NAB Group has signed the [UNEP FI Tobacco-Free Finance Pledge](#)
- The New Zealand [Climate Leaders Coalition](#)
- The [Aotearoa Circle](#) and its work streams, including the Sustainable Finance Forum and the Sustainable Agricultural Financial Initiative (SAFI)
- [Sustainable Business Council](#)





Grow our people

Purpose: Our people are fundamental to our success – a diverse, well, and engaged workforce will ensure we can deliver on our societal goals.

Building the BNZ of the future and realising the goals of this Strategy depends entirely on our people. Investing in the development and capability of our people, encouraging diversity and authenticity, and actively supporting their wellbeing is an area where we have made good progress over the last year.

Delivering the Living Wage

In July this year, BNZ achieved Living Wage accreditation. This means BNZ pays all its people a Living Wage of no less than \$22.15 per hour and that all people who regularly undertake work on its premises and on behalf of the company, including suppliers, pay their people a Living Wage. The Living Wage allows people to pay for the necessities of life by ensuring they can cover expenses such as food, transportation, housing, and childcare.

The banking sector is now New Zealand's first fully [Living Wage accredited](#) industry.

Focused on the wellbeing of our people

Delivering the best outcomes for our customers cannot be achieved if we are not focused on the wellbeing of our people. BNZ enables a culture of wellbeing by taking a holistic approach to wellbeing, using an evidence-based framework.

Our wellbeing programme is designed to be effective at three organisational levels: Me (the individual), We (team), Us (organisational)¹³ and is based on BNZ's '8 ways to wellbeing'.

The ways to wellbeing are based on the five ways developed by the New Economics Foundation in the UK, widely used by the NZ Mental Health Foundation; these are Connect, Be Active, Keep Learning, Give, and Take Notice. BNZ added three to the list as a result of the insights gained from our first Wellbeing 360 Survey. Those added are 'Switch off' (sleep), 'Nourish your body' (nutrition), and 'Be money savvy' (financial wellbeing).

BNZ has a wellbeing hub, myWellbeing, which we have customised to align to the BNZ '8 ways to wellbeing'. In 2020 colleague use of the hub has increased 21 per cent on 2019 use levels.

Our wellbeing programme uses data insights from our annual holistic wellbeing surveys (called Wellbeing 360), other engagement (for example, the Heartbeat survey), and data tools to focus initiatives to support and track progress across all aspects of colleague wellbeing.

A focus on mental health

Ensuring that mental health is afforded the same level of consideration as physical health has been a fundamental aspect of BNZ's Health, Safety, and Wellbeing strategy over the past two and a half years.

To help support our people and ensure we spot the early signs of mental ill health or diminished wellbeing, we have launched compulsory mental health training for all our people leaders. Over two years, we have trained all our people leaders through an internal programme called "Supporting BNZers' Mental Health".

The training covers what is mental ill-health, how to have a conversation with a colleague about their mental health, and why investing in wellbeing is important (and we use our wellbeing data to demonstrate this for leaders). The training is now delivered every quarter to educate any new leaders to the organisation.

By breaking down the barriers and increasing understanding, we are making wellbeing a daily conversation and priority within BNZ. The ultimate goal is that all our people feel supported, healthy, and able to flourish, not only at work, but within their families and communities.

Our results show we are making progress. Prior to launching 'Supporting BNZers' mental health' only 20 per cent of our people leaders felt confident having a conversation with their team members about their mental health; following this training, 78 per cent of leaders felt confident having a conversation with their team members about their mental health.¹⁴

¹³ Model developed by A. Jarden (2015)

¹⁴ Rating of at least 8 out of 10, where 10 is feeling fully equipped.

Supporting our colleagues through COVID-19

The COVID-19 lockdown provided a sudden shock to the normality of people's lives. During this time, we placed emphasis on staying connected while working in our own homes. We took the change in government alert levels as an opportunity to increase communication on wellbeing.

One of the initiatives implemented, in partnership with our Employee Assistance Programme (EAP) provider, was a new service called a Wellbeing Warrant of Fitness. This new service is focused on allowing colleagues to have the opportunity to talk with a trained professional as to how they were responding to, and dealing with, the COVID-19 lockdown, in a positive way with less stigma than is sometimes associated with traditional counselling support. The initiative opened the door for many colleagues who previously had never chosen to access the BNZ EAP programme and allowed them to benefit from talking about the impact of COVID-19 on themselves, their family, and their work. During the COVID-19 period of March 2020 to September 2020, use of this service went up 60 per cent compared to the same period in 2019.

We also offered a comprehensive range of webinars and initiatives which were aligned to our framework, such as a month-long wellbeing challenge and webinars on how to use exercise to reduce stress and anxiety, or the importance of self-care. We identified roles and teams who needed additional support and set up hyper care programmes, which involved specialised support and independent wellbeing coaching.

Supporting our own people with financial assistance

With vulnerability a stage in life that anyone can experience, we take care to look after our own people with our Employee Financial Assistance programme, available to all colleagues.

The specialist programme is designed for all BNZ colleagues who may, at any point in time, need additional financial support over and above traditional banking services. Our goal is to enable and support financial wellbeing for all our people. Support includes flexible lending options, budgeting assistance, access to debt counselling, and referral to additional support when required. It is an entirely confidential service and proved invaluable when COVID-19 impacted the financial resilience of some of our own people.

A new approach to leave and parenting

In January 2020, BNZ overhauled its colleague benefits package, including giving all employees an additional two weeks of paid annual leave.

This takes the annual leave provisions for BNZ colleagues to six weeks. In announcing the change, BNZ's CEO said it was a decision driven by valuing our people and the contribution they make for BNZ's customers.

BNZ also offers a KiwiSaver, life insurance, and health insurance package for employees. BNZ seeks to support new parents and, in topping up the Government's paid parental leave provisions, offering 22 weeks of full pay for new parents.

We also successfully piloted a 'back to work' support programme called 'Returning with Confidence' for new parents returning from parental leave. We are rolling this out as part of our returning to work programme.



Supporting career growth

In an Australasian first, all BNZ colleagues, as part of the NAB Group, will undertake globally-accredited banking education and training, providing them with formal qualifications to take through their banking careers.

Run in partnership with the Financial Services Institute of Australasia (FINSIA), the [‘Career Qualified in Banking’](#) programme is available to all 34,000 colleagues across the NAB Group. It is designed to ensure BNZ colleagues get the basics right and have the skills and expertise to support customers.

The programme is also designed to set clearer and more consistent expectations on ethics, conduct, and behaviour. In launching the programme across the Group, NAB CEO Ross McEwan said the qualification will be the cornerstone of a career pathway for colleagues.

“It will include the fundamentals of banking – getting the basics right, which I’ve said from day one at NAB is so critical to serving our customers well – and the skills and expertise for supporting customers in good times and tough times, which will be needed in a post COVID-19 world.”

In 2020, BNZ was the only New Zealand bank recognised as an [Employer of Choice in the Human Resources Director \(HRD\) Awards](#) for its Banker Career Accreditation Pathway programme. With a focus on technical banking skills, this programme has lifted the quality of customer service and built the skills, confidence, and capabilities to deliver to customers.

The NAB Group is also rolling out a single leadership programme, ‘Distinctive Leadership’, to ensure that we are supporting our people to be the best leaders they can be. This programme will help us lead the sustained behavioural change we need to deliver on our Strategy.

Building a diverse and inclusive business

To build a regenerative and inclusive economy, we must continue to build a diverse business that brings people together under an inclusive culture.

To deliver this we must be a workplace in which every member of the team is free to bring their authentic self to work every day.

BNZ is advancing a Diversity and Inclusion (D&I) strategy which is based around five core strategic priorities:

- Leadership and governance – build understanding of D&I into all levels of BNZ, with all BNZ people understanding what D&I means to BNZ and why it matters.
- Gender balance – increased representation and retention of senior women and a strong leadership pipeline.
- Biculturalism – a structured approach to building biculturalism at BNZ including increasing Māori representation and integration of Tikanga Māori and Te Reo Māori.
- Inclusive culture – BNZ provides a workplace that feels ‘safe’ and everyone is enabled to realise their potential, because diverse perspectives and experiences drive innovation and business performance.
- Data capture and reporting – improve data on our people and regularly reporting to inform business decisions and the assessment of people performance.

BNZ has taken a number of steps to advance these priorities. We launched a new Diversity and Inclusion Council at BNZ, chaired by the CEO, to provide oversight and guidance on D&I across the business. We established D&I Working Groups within each BNZ business unit and created groups to advance understanding and greater knowledge around Māori, Pasifika, and Rainbow communities.

These groups, and a range of other teams and business units, receive training on D&I, including managing unconscious bias.

We have taken a number of steps to improve our capability in Te Reo Māori, including a partnership with Te Wānanga o Aotearoa to deliver Te Reo Māori classes inside BNZ. More of our initiatives in relation to Māori culture and capability are covered in the following section on [Intergrate Te Ao Māori](#).

We are also continually building the importance of D&I into our internal communications across BNZ, including continuously normalising the use of Te Reo Māori.

In 2017, BNZ received [Rainbow Tick](#) certification, meaning we are an organisation that is inclusive and welcoming for members of the Rainbow Community. This accreditation was reconfirmed in 2020.

In 2021, BNZ intends to also adopt the NAB Group’s [Diversity and Inclusion Policy](#). The Executive Team and senior leaders will be responsible for meeting a new set of measurable objectives, as laid out in the Group Policy.

To build a regenerative and inclusive economy, we must continue to build a diverse business that brings people together under an inclusive culture.

Measuring our organisational diversity

We want BNZ to be representative of the community we serve. Ensuring we have good data on diversity is critical to us understanding the work we need to do. Although limited to age and gender, the data below demonstrates a start towards being a more transparent bank.

We will expand on our diversity data sets in FY2021 reporting.

Permanent workforce by age and gender (%)

Age group	Female	Male	All
<25	2%	2%	4%
25 - <35	15%	12%	27%
35 - <45	17%	14%	31%
45 - <55	12%	11%	23%
55+	9%	6%	15%
Total	55%	45%	100%

Permanent workforce by employment level and gender (%)

Employment level	Female	Male
Group 7 (CEO)	100%	0%
Group 6 (Executive General Manager / General Manager)	22%	78%
Group 5 (Head of / Senior Manager)	31%	69%
Group 4 (Manager / Senior Consultant)	37%	63%
Group 3 (Lead / Consultant / Senior Analyst)	39%	61%
Group 2 (Team Leader / Analyst / Associate)	55%	45%
Group 1 (Team Member / Associate)	75%	25%
Total	55%	45%

Within these Group career levels, BNZ strives for gender pay equity. Across BNZ's Executive Leadership Team at Group level six, the pay ratio is balanced between men and woman at 1.00. At Group levels 1 - 5, the pay ratios are very close, ranging between 0.93 - 0.97 with a slight bias towards men. BNZ is committed to closing this gap.

Basic salary female to male ratio⁺

Employment level	Ratio
Group 7 (CEO)	1.00
Group 6 (Executive General Manager / General Manager)	0.96
Group 5 (Head of / Senior Manager)	0.93
Group 4 (Manager / Senior Consultant)	0.95
Group 3 (Lead / Consultant / Senior Analyst)	0.95
Group 2 (Team Leader / Analyst / Associate)	0.95
Group 1 (Team Member / Associate)	0.97

⁺Ratio of female to male salary includes full-time and part-time permanent and fixed-term employees only. The ratio is calculated by dividing female average salary by male average salary per employment level. Salary data excludes contractors.



Integrate Te Ao Māori

Purpose: Māori are tangata whenua and their world view offers a significant perspective on sustainability – a one ecosystem, intergenerational view.

One of the core foundations of our Sustainability Strategy is a Māori worldview in which our people and natural environment are interconnected and interdependent; we are temporary guardians of our planet and we think intergenerationally in order to make the best decisions.

Bringing Te Ao Māori into our business requires us to make significant changes. We need to work hard to better understand Māori perspectives and increase our confidence and capability to participate in a Māori world.

Building a more representative business

We will embed Te Ao Māori into our business, including Tikanga Māori and Te Reo Māori. We will build a business where Māori choose to work and we will review and change our systems and processes to encourage Māori to be a part of BNZ.

We have set clear targets to be an organisation that more closely represents the communities in which we operate. We cannot run a business with an overarching commitment to a Māori worldview and with a clear Māori business strategy if tangata whenua are under-represented.

We are working towards a target of having 15% of BNZ colleagues who identify as Māori working at/for BNZ by 2025. By 2030, we are working towards every employment level of BNZ having 15% of colleagues who identify as Māori.

This is an ambitious target and we are currently understanding how to capture ethnicity information whilst meeting data privacy requirements and respecting that not all people will want to disclose their ethnicity.

We will begin to progressively review our policies, practices, systems, and recruitment processes to ensure they are also inclusive and support a Māori perspective in decision-making and communication.

BNZ has been a principal sponsor of [TupuToa](#) since its inception four years ago. TupuToa's mission is to grow the next generation of Māori and Pasifika business leaders through an innovative internship programme that creates pathways for Māori and Pasifika students into the corporate and professional sectors.

Over time, the programme will produce a powerful, national network of Māori and Pasifika business leaders who excel in their careers, who demonstrate deep-seated cultural intelligence, and who are strongly connected to their cultures and their communities.

While people are the foundation of better representation, we also need to ensure that our products and services are representative. We are always looking at new ways for us to reflect this, for example, BNZ customers can start learning or refining their Māori language skills by doing their everyday banking online in Te Reo Māori. Customers can utua (pay) their bills, or set a whāinga penapena (savings goal) in Te Reo Māori.





Doing better business with Māori

BNZ seeks to be the bank for Māori and we have developed and approved a dedicated Māori business strategy that takes us through to 2025.

The Māori business economy was valued at approximately \$50 billion by New Zealand Trade and Enterprise (NZTE) in 2017, and its growth has significantly outperformed the rest of the New Zealand economy. We support the new Government initiative to enable businesses to identify as Māori businesses using their New Zealand Business Number in order to help generate a more accurate understanding of the scale of the Māori economy.

The Māori economy comprises diverse organisations – 60 per cent are SMEs, 21 per cent are iwi organisations, and 19 per cent are Māori trusts. Māori are becoming more active in their investment approach as part of their commitment to grow assets and create wealth.

We will be focused on building strong and lasting relationships with the Māori sector, and rapidly upskilling our people, to ensure we have the capability we need to engage with Māori business leaders on their terms.

Consistent with a Māori worldview, we are committed to building long-term, intergenerational relationships with the Māori sector across Aotearoa based around trust and common commitments.

Building our Māori leadership capability

Te Hōkai tangā is BNZ's 12-month Māori leadership programme, focused on exploring and evolving BNZ's leadership capability specifically through a Māori lens.

The name Te Hōkai tangā references the size of the shift between where you are now and your next step – “te hōkai nei o taku tapuwae... the span of my footstep”.

The aim of the programme is to accelerate the development and representation of Māori in leadership roles in BNZ as well as creating a more diverse and inclusive culture. It is an important element in our commitment to embedding Te Ao Māori into our business.

The programme seeks to build our collective cultural capability, ensure an increasing Māori perspective across BNZ's business strategies, and support our commitment to improving Māori financial wellbeing.

To ensure the programme is authentic, we have partnered with tangata whenua providers to design and deliver the programme which will be held on different marae across the country.

Starting with the basics

BNZ has run several pilots of a comprehensive Māori cultural intelligence programme to continuously and progressively upskill all BNZ people with Māori culture, tikanga, Te Reo Māori and Te Ao Māori.

Te Pūtaketanga – referencing the starting point of our journey into Te Ao Māori – is an entry-level introduction to the basics of Māori culture with the aim to better serve our Māori customers, build our capability and confidence, and create a more inclusive and diverse workplace.

Te Pūtaketanga will be launched to all BNZ colleagues over the coming months. It will involve a one-day workshop supported by online video content and resources. The content has a BNZ-specific lens and is both designed and delivered by our people, for our people.

Supporting and celebrating Māori business

BNZ remains committed to supporting Māori business and leadership, and sponsors two prestigious Māori business awards in New Zealand – the [Ahuwhenua Māori Excellence in Farming Award](#) and the [Aotearoa NZ Māori Business Leaders Award](#).



Green our operations

Purpose: If we are to support our customers to transition, we must lead by example with our own operational footprint.

If we are to lead with integrity and earn the trust of our stakeholders and customers in building a low-emissions economy, we must first walk the talk and lead by example by getting our own house in order.

Reducing our emissions

BNZ measures, manages, and offsets its operational emissions and has been carbon neutral since 2010. We measure our emissions using the [Greenhouse Gas Protocol Corporate Standard](#) and [NAB Group Environmental Reporting and Offset Management Policy](#), and collect emissions data on a monthly basis.

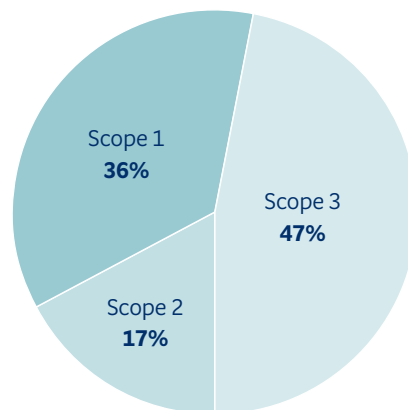
We use the year ending 30 June for our emissions reporting to align with Group reporting and Group targets, which BNZ contributes to delivering.

BNZ has a full emissions inventory but current measured operational emissions are largely associated with the following activities:

- **Scope 1 emissions¹⁵:** relate primarily to transport-related emissions from our own fleet of vehicles;
- **Scope 2 emissions¹⁶:** primarily associated with electricity consumption in our buildings and offices;
- **Scope 3 emissions¹⁷:** relate primarily to air travel. Scope 3 emissions account for nearly half of our carbon footprint.

BNZ operational emissions

Year ending June 2020



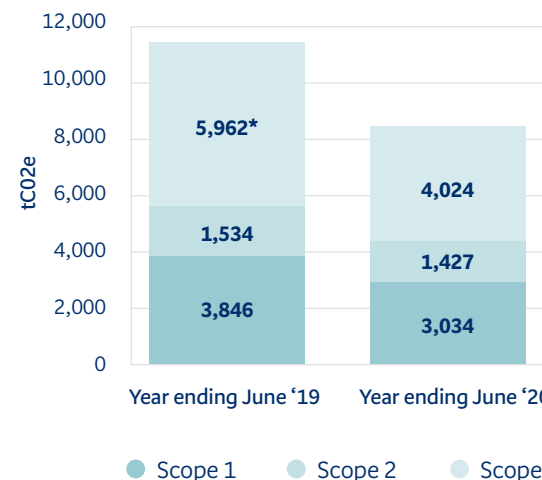
We've committed to a 60% reduction in our operational emissions by 2025, from 2019 baseline levels.

Reaching this target will require a:

- 80 per cent reduction in our vehicle fleet emissions
- 70 per cent reduction in air travel emissions
- 20 per cent reduction in electricity consumption in our buildings
- 60 per cent reduction in waste to landfill.

In the year ending June 2020, we have seen a 25 per cent reduction in operational emissions compared to the year ending June 2019. Much of this has been associated with COVID-19 and its impacts on how we work. There has been a more permanent cultural shift as a consequence of COVID-19, with an increase in digital ways of working and interacting and a flexibility around how and where we work.

BNZ operational emissions



* We have restated our Scope 3 year ending June 2019 air travel emissions for this report to include the Radiative Forcing multiplier to account for the wider greenhouse gas impacts of air travel. This enables comparability between the two years as we track towards our 2025 targets. For air travel emission factors, multipliers or other corrections may be applied to account for the global warming potential (GWP) of emissions arising from aircraft transport at altitude (jet aircraft). Radiative forcing helps organisations account for the wider climate effects of aviation, including water vapour and indirect GHGs.

¹⁵ Scope 1 GHG emissions are direct GHG emissions that occur from sources that are owned or controlled by a company.

¹⁶ Scope 2 GHG emissions are indirect emissions. They account for GHG emissions from the generation of purchased electricity consumed by the company.

¹⁷ Scope 3 GHG emissions are a consequence of the activities of a company as a result of its use of third-party products and services and activities, where the emissions sources are not owned or controlled by the company.

Transitioning our vehicle fleet

An 80 per cent reduction in emissions associated with our fleet will require a fundamental rethink around how we travel and work. In this respect, COVID-19 has taught us some timely lessons.

The review of our fleet has required us to look at mobility as a whole across BNZ. We made the decision to not simply replace our internal combustion vehicles with electric vehicles but instead assess whether a vehicle was the right mobility choice.

In order to make informed decisions about our fleet transition, we installed GPS systems across our entire fleet in early 2020 to begin to understand the movement and use of our vehicles. This has allowed us to begin to identify where an assigned vehicle might be able to be replaced with an EV or combustion engine pool car, an electric ride share option, or public transport.

Focusing on mobility, getting our bankers from A to B has opened up a much wider conversation and approach. Between June 2019 and June 2020 we reduced the size of our fleet by 14 per cent from 596 vehicles to 514 vehicles.

In 2021, we will be focused on reducing the size of our fleet further, increasing the number of EVs, and expanding to alternative modes of transport. We will report on progress next year.

Offsetting our operational emissions

BNZ has been carbon neutral since 2010. Maintaining our carbon neutral status is an important part of our strategy to reduce the climate change impact of our operations.

Our [Group Environment Reporting and Offset Management Policy](#) helps us make sure that we purchase emissions offsets that are real, quantifiable, additional, and permanent.

The total NAB Group portfolio of offsets purchased and retired to date includes offsets issued under the Australian Emissions Reduction Fund, the Gold Standard, the Verified Carbon Standard, the New Zealand Emissions Trading Scheme, and the Clean Development Mechanism.

The role of our buildings and systems

Cutting waste to landfill by 60 per cent and electricity consumption by 20 per cent requires us to implement innovative systems and to ensure our buildings support our Strategy.

In September 2020, BNZ achieved [Toitū Enviromark Diamond certification](#). This certification, which BNZ has been progressively working towards for the past two years, means the environmental impacts of our property footprint are being measured and continuously improved, including areas like waste minimisation, energy reduction and sustainability initiatives.

This certification covers all of our corporate sites, branches, and Partner Centres. It also means BNZ is now [ISO 14001](#) equivalent certified.

In 2023, BNZ's Wellington colleagues will move to a state-of-the-art central city office. The 12-storey building is currently under construction. It will occupy a city block and is designed to achieve a New Zealand Green Building Council [5 Green Star](#) rating. The building will also protect our people, being designed as one of the most seismically advanced developments in New Zealand – to avoid structural damage in a 1-in-500-year earthquake.

This building will help us to meet our commitment to cutting electricity consumption, as well as our commitment to only use office space as and when required. We will continue to rationalise our office space in line with our colleagues' working preferences – for example, many choosing to work from home or remotely

The environmental impacts of our property footprint are being measured and continuously improved, including areas like waste minimisation, sustainable product sourcing, and energy reduction.



Rendering of future Wellington offices

Waste reduction

We're committing to reducing waste to landfill by 60 per cent by 2025 (against 2019 baseline).

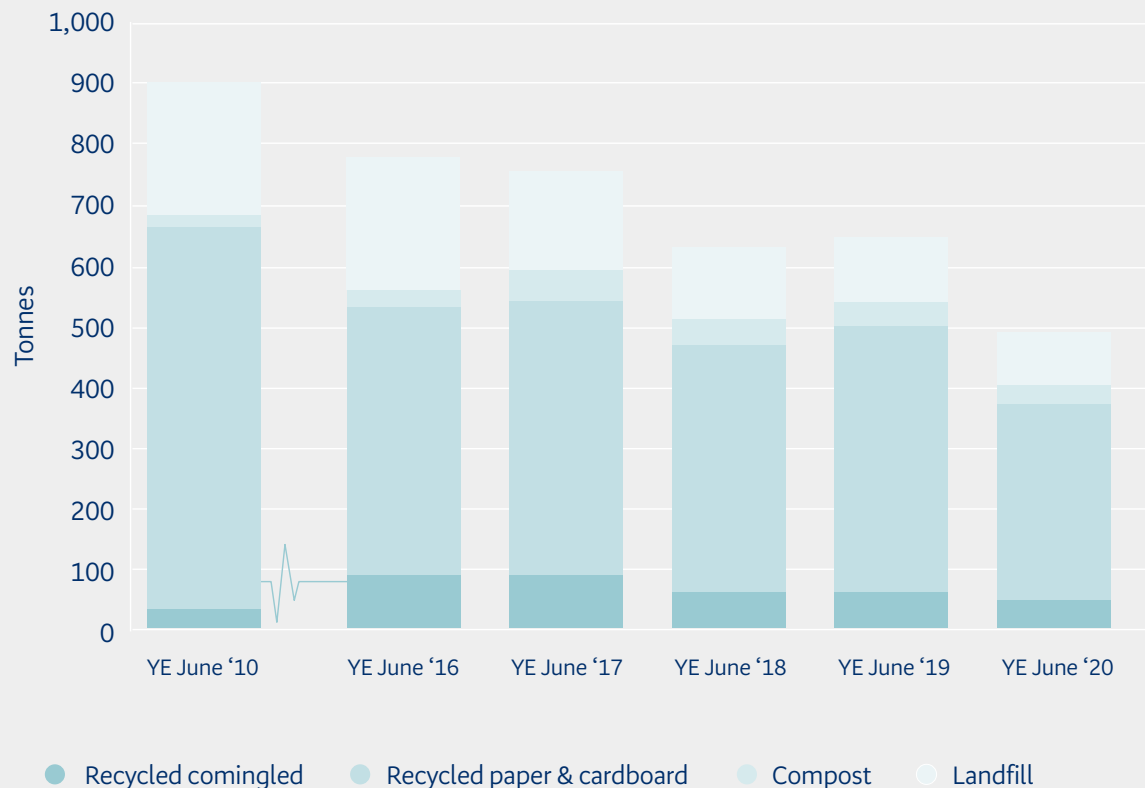
BNZ waste heading to landfill was reduced by 24 per cent between 2019 and 2020, with COVID-19 business activity impacts playing a part in the reduction.

Our waste to landfill has dropped by 61 per cent over the last decade. Waste to landfill is 17 per cent of our total waste, with 64 per cent of our total waste being paper and packaging cardboard which is recycled. Paper waste was down 28 per cent in the year ending June 2020 due to a push within the business to go digital.

In the year ending June 2020, waste reduction initiatives have included:







- implementation of cup recycling systems using reusable cups and compostable lids at cafes in three of our corporate office buildings
- a waste-sorting programme at our Quay Park Auckland office has delivered a 32 per cent reduction in waste to landfill at this corporate site in the year ending June 2020
- worm farms introduced in our Quay Park Auckland office with plans to extend these to all Auckland corporate sites.

Waste reduction at BNZ since 2010









How we are tracking

Getting our foundations right			
Outcomes	Targets	Progress so far	SDGs
 <p>Hardwire sustainability</p>	<ul style="list-style-type: none"> • Develop and implement an ESG framework across the bank. • Embed ESG into BNZ risk appetite statements. • All colleagues have sustainability KPIs in their performance scorecards. • Sustainability outcomes are linked to performance measures for senior leaders. 	<ul style="list-style-type: none"> • New ESG framework approved and roll-out commenced. • In the 2020 financial reporting year, climate risk was further integrated into the Group’s Risk Appetite Statement. Sustainability Risk was added as a material risk category with the Risk Management Statement. • ESG included in scorecards for a number of BNZ leaders. 	
 <p>Transparent leadership</p>	<ul style="list-style-type: none"> • Annual BNZ sustainability report from 2020. • Provide TCFD reporting on climate risk by 2021. 	<ul style="list-style-type: none"> • First sustainability report released December 2020. • High-level reporting against TCFD recommendations in this report. 	
 <p>Grow our people</p>	<ul style="list-style-type: none"> • HRD NZ Employer of Choice by 2022 and three consecutive years by 2025. • The diversity of our workplace increasingly reflects NZ communities. • Five-point uplift in colleague wellbeing by 2025 (compared to Heartbeat survey results June 2020). 	<ul style="list-style-type: none"> • BNZ was an HRD Employer of Choice in 2020. • Living Wage accreditation received July 2020. • Launched colleague banking and education training programmes (Banker Career Accreditation Pathway (BCAP) and Career Qualified in Banking (CQiB). • Commenced Distinctive Leadership programme (DLP). • Introduced new Value Me package for colleagues including six weeks’ annual leave. • Rainbow Tick re-certification. 	



How we are tracking cont.

Getting our foundations right			
Outcomes	Targets	Progress so far	SDGs
 <p>Integrate Te Ao Māori</p>	<ul style="list-style-type: none"> • 15% of colleagues identify as Māori across BNZ by 2025. • 15% of colleagues identify as Māori across all levels of BNZ by 2030. • Implement Māori business strategy. • Embedding Tikanga Māori and Te Reo Māori into our business practices, policies, products and services. 	<ul style="list-style-type: none"> • Te Hōkaitanga Māori leadership programme launched. • Māori business strategy approved. • Te Pūtaketanga – Māori cultural intelligence programme piloted. 	
 <p>Green our operations</p>	<ul style="list-style-type: none"> • 60% reduction in operational emissions by 2025. • 80% reduction in fleet emissions. • 70% reduction in air travel emissions. • 20% reduction in electricity consumption. • 60% reduction in waste to landfill by 2025. 	<ul style="list-style-type: none"> • Vehicle fleet number reduced by 14%. • Secured Toitu Enviromark Diamond certification for buildings in September 2020. • 25% reduction in operational emissions compared with 2019 baseline. • 2020 saw a 24% reduction in waste to landfill, compared to the year ending June 2019. 	



GRI/TCFD summary





TCFD summary

This table provides an overall summary of BNZ's progress towards TCFD reporting.

TCFD elements	TCFD recommended disclosures	Page	What we are doing
1. Governance The organisation's governance around climate-related risks and opportunities.	a. Board oversight	15, 16	<p>The Board retains ultimate oversight for Environmental, Social, and Governance (ESG) risks and opportunities, including the impacts of climate change.</p> <p>The BNZ Board Risk Committee (BRC) is the forum where the Bank's material risks are overseen from a Governance perspective. As a material risk category for the Bank, ESG is reported to the BRC through the regular CRO Report and stand-alone ESG papers as required (including a Half Year Environmental Update). The BNZ Board then has ultimate oversight over ESG matters through the reporting from BRC, including periodic stand-alone ESG papers as required.</p> <p>The Board has incorporated climate change into its development agenda, and in the 2020 financial reporting year has received training on the changing regulatory and supervisory response to climate change risk, specifically focusing on transitional and physical risk.</p> <p>The BNZ Investment Services Board receives regular reporting on climate risk and it has been included in their development agenda.</p> <p>ESG, including climate risk, has been incorporated as a key focus of the Customer and Conduct Committee.</p>
	b. Management's role		
2. Strategy The actual and potential impacts of climate-related risks and opportunities for the organisation's business, strategy, and financial planning.	a. Climate-related risks and opportunities	8-11, 20-23	<p>In the 2020 financial year, The Group refreshed its strategic ambition. A key pillar of this ambition is a long-term sustainable approach consisting of:</p> <ul style="list-style-type: none"> • commercial responses to society's biggest challenges • resilient and sustainable business practices • innovating for the future. <p>This same ambition has been included as a core pillar for our One BNZ Corporate Strategy.</p>
	b. Impact on the organisation's business, strategy, and financial planning		



TCFD summary cont.

TCFD elements	TCFD recommended disclosures	Page	What we are doing
	<p>c. Resilience of the organisation's Strategy</p>		<p>The Group's commitment to address climate change sits within this context. The Group is focused on supporting the low-carbon transition and working with communities to ensure they are more resilient to climate change.</p> <p>Key priorities for BNZ are sustainable finance with a focus on decarbonisation (including renewable energy and transport), social housing, infrastructure, and sustainable agriculture; and to assist with a just transition to a low-emissions economy. The Group, and BNZ specifically, are developing key metrics to track our performance against each priority area.</p> <p>The Group identifies and prioritises current and future business opportunities, including those related to climate change. This occurs through strategic planning processes both at Group and business line level.</p> <p>BNZ will take action on climate change through the way we provide financial services, manage our operations, and support our communities. We cannot take climate action in isolation; BNZ will collaborate and partner to develop and implement solutions to the climate crisis, to scale impact, and to advocate for policy or regulatory change. Our Climate Action Statement outlines our key strategic commitments and areas of action to tackle climate change.</p>
<p>3. Risk management The processes used by the organisation to identify, assess, and manage climate-related risks.</p>	<p>a. Risk identification and assessment process</p> <p>b. Risk management process</p>		<p>ESG risks, including climate change, are identified, measured, monitored, reported, and overseen in accordance with the Group's Risk Management Framework, as described in the Group's Risk Management Strategy.</p> <p>In the 2020 financial reporting year, climate risk was further integrated into the Group's Risk Appetite Statement. Sustainability Risk was added as a material risk category with the Risk Management Strategy. Key risks are reported to the Board Risk Committee via the CRO Report.</p>



TCFD summary cont.

TCFD elements	TCFD recommended disclosures	Page	What we are doing
	<p>c. Integration into overall risk management</p>		<p>The key risk governance forums involved in the oversight of climate-related risk are:</p> <ul style="list-style-type: none"> • BRC and Board as ultimate oversight over climate risk • RRMC as the Executive Level forum overseeing the Bank’s material risks • Customer and Conduct Committee governs conduct and ESG related matters as a sub-committee of the RRMC • BNZ is establishing an ESG sub-committee of the Customer and Conduct Committee and this will oversee ESG matters and report through to the Customer and Conduct Committee on a regular basis. <p>Updates on the implementation of the BNZ’s ESG strategy (including climate risk) are reported periodically by management to Executive committees and the Board.</p> <p>Two key risk committees are involved in the oversight of climate-related risk:</p> <ul style="list-style-type: none"> • The Group Non-Financial Risk Committee – which has oversight of non-financial risks, including climate-related risks, and the Group’s environmental performance; and • The Group Credit and Market Risk Committee – which has oversight of financial risk and ESG risks, including climate-related risks, in the context of the credit risk portfolio. This includes credit policy settings for climate intensive, low-carbon, and climate-sensitive sectors. Matters are escalated to the Executive Risk Committee, BRCC, and the Board as required. <p>The Group’s Climate Change Working Group (CCWG), which consists of management representative across the Group (including BNZ), reviews the key risks and opportunities facing the Group and its customers arising from climate change strategy, including climate-related commitments.</p> <p>Updates on the implementation of the Group’s climate-change strategy are reported periodically by management to executives and the Board.</p> <p>Climate risk training will be rolled out across BNZ in FY2021.</p> <p>Further details of the Group’s activities can be found in the Sustainability Report 2020 and the Annual Review 2020.</p>



TCFD summary cont.

TCFD elements	TCFD recommended disclosures	Page	What we are doing
<p>4. Metrics and targets</p> <p>The metrics and targets used by the organisation to assess and manage relevant climate-related risks and opportunities.</p>	<p>a. Climate-related metrics in line with strategy and risk management process</p>	<p>22, 55-56, 58-59</p>	<p>Commitment to aligning portfolio of financial services to Zero Carbon Act and Paris Agreement.</p> <p>Scope 1, 2, and 3 GHG emissions reported in FY2020.</p> <p>BNZ has committed to:</p> <ul style="list-style-type: none"> • setting science-based targets to ensure BNZ’s targets are aligned to Zero Carbon Act commitment to keeping global warming at 1.5 degrees and accelerating the transition to a net zero emissions economy by 2050 • \$10 billion in sustainable finance by 2025 • no new lending to coal mining and an exit from thermal coal mining by 2025 and metallurgic coal by 2030 • the requirement for large private sector coal users to have transition plans in place by FY2022 • progress portfolio assessment of climate risk across our portfolios and publicly disclose commencing FY2021 • support 50% of BNZ SME customers to measure, reduce, and report on their emissions by 2025 • a 60% emissions reduction target for our operational emissions.
	<p>b. Scope 1, 2, 3 greenhouse gas (GHG) metrics and related risks</p>		
	<p>c. Climate-related targets and performance against targets</p>		



GRI content index

This report has been prepared in accordance with the GRI standards: core option.

Description		Page	Information / Omissions	
GRI: 102: General disclosures 2016	Organisational profile			
	102-1	Name of the organisation	2	Bank of New Zealand
	102-2	Activities, brands, products and services	2-6	
	102-3	Location of headquarters		Auckland, New Zealand
	102-4	Location of operations		New Zealand
	102-5	Ownership and legal form	17	Wholly owned subsidiary of National Australia Bank. National Australia Bank is a limited liability company listed on the ASX.
	102-6	Markets served	6	
	102-7	Scale of the organisation	6	
	102-8	Information on employees and other workers	49-52	
	102-9	Supply chain	42, 46-47	
	102-10	Significant changes to the organisation and its supply chain		No significant changes
	102-11	Precautionary Principle or approach		Relevant legislation takes a precautionary principle-based approach
	102-12	External initiatives	25-26, 48	
	102-13	Membership of associations	48	
	Strategy			
	102-14	Statement from senior decision-maker	4, 5	
	Ethics and integrity			
	102-16	Values, principles, standards and norms of behaviour	15	
	Governance			
	102-18	Governance structure	16	
	Stakeholder engagement			
	102-40	List of stakeholder groups		Investors, Suppliers, Academia, Customers, Employees, NGOs/NPOs, Government (elected and officials), corporates, industry bodies, media, consultants.
	102-41	Collective bargaining agreements		8.6%
	102-42	Identifying and selecting stakeholders	12	
102-43	Approach to stakeholder engagement	12		
102-44	Key topics and concerns raised	12-13		



GRI content index cont.

Description		Page	Information / Omissions	
Reporting practices				
GRI: 102: General disclosures 2016	102-45	Entities included in the consolidated financial statements	NAB Annual Financial Statement 2020	
	102-46	Defining report content and topic boundaries	12-13	
	102-47	List of material topics	12-13	
	102-48	Restatements of information	No restatements.	
	102-49	Changes in reporting	No previous reporting period.	
	102-50	Reporting period	2	1 October 2019 to 30 September 2020.
	102-51	Date of most recent previous report		No previous report.
	102-52	Reporting cycle	2	Annual
	102-53	Contact point for questions regarding the report	2	
	102-54	Claims of reporting in accordance with the GRI standards	65	
	102-55	GRI content index	65	
102-56	External assurance		BNZ's carbon footprint is assured as part of the overall NAB footprint.	
Material theme: Integrate Te Ao Māori				
GRI 103: Management Approach	103-1	Explanation and boundary	53-54	
	103-2	Management approach		
	103-3	Evaluation of approach		
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	52	
Material theme: Responsible lending				
GRI 103: Management Approach	103-1	Explanation and boundary	23	
	103-2	Management approach		
	103-3	Evaluation of approach		
BNZ indicator	BNZ	\$\$ of lending to drive positive outcomes	31	
BNZ indicator	BNZ	# SME customers measuring	31	Indicator being developed during FY2021 year.
GRI 201: Economic Performance 2016	201-2	Financial implications and other risks and opportunities due to climate change	61	



GRI content index cont.

Description		Page	Information / Omissions	
Material theme: Responsible investing				
GRI 103: Management Approach	103-1	Explanation and boundary	25	
	103-2	Management approach		
	103-3	Evaluation of approach		
BNZ indicator	BNZ	Reduction in impacts across portfolio	31	Indicator being developed during FY2021 year
Material theme: Employee wellbeing				
GRI 103: Management Approach	103-1	Explanation and boundary	49	
	103-2	Management approach		
	103-3	Evaluation of approach		
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	49-50	
GRI 403: Occupational Health and Safety 2016	403-6	Promotion of worker health	49-50	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	52	
	405-2	Ratio of basic salary and remuneration of women to men	52	
Material theme: Financial wellbeing				
GRI 103: Management Approach	103-1	Explanation and boundary	34	
	103-2	Management approach		
	103-3	Evaluation of approach		
BNZ indicator	BNZ	Interest savings through the community finance programme	37	
GRI 203: Indirect Economic Impacts	203-2	Significant indirect economic impacts (availability of products and services for those on low incomes)	37-38	
BNZ indicator	BNZ	\$\$\$ invested in the Home Repair programme	38	
BNZ indicator	BNZ	Digital Education Queue (Over 70s line)	41	



GRI content index cont.

Description		Page	Information / Omissions	
Material theme: Operational environmental footprint				
GRI 103: Management Approach	103-1	Explanation and boundary	55	
	103-2	Management approach		
	103-3	Evaluation of approach		
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	55	
	305-2	Energy indirect (Scope 2) GHG emissions	55	
	305-3	Other indirect (Scope 3) GHG emissions	55	
	305-5	Reduction of GHG emissions	55-56	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	57	
	306-3	Waste generated	57	
	306-4	Waste diverted from disposal	57	
GRI 412: Human Rights Assessment 2016	412-1	Operations subject to assessments	42	BNZ is part of NAB's Modern Slavery Act Statement



Get in touch

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 8209.

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

bnz.co.nz/contact

BNZ sustainability enquiries

sustainability@bnz.co.nz

