



THE CLIMATE PRINCIPLES: **A framework for the finance sector**

VISION

There is international scientific consensus that greenhouse gas (GHG) emissions from human activities are a critical contributor to changes in the world's climate. Failure to reduce these emissions is likely to result in widespread, irreversible changes to the climate, which leading scientists and economists predict will have negative consequences for human society, the global economy and the world's natural systems.

In our capacity as advisors, lenders, investors and insurers, we are in a position to play a stewardship role by assisting the individuals, companies and projects we help finance, and clients that we offer insurance cover to, to understand and manage the risks, opportunities and adaptation needs relating to climate change. This stewardship role requires us to develop the expertise, products and services necessary to equip our clients and partners to address these challenges. We also recognise we must minimise our operational GHG emissions.

We believe that climate change presents a series of risks and opportunities to which:

1. Governments should respond by taking an integrated approach to energy and climate policy; setting targets for reducing carbon emissions and developing mechanisms to support their achievement, giving due consideration to action recommended by leading global scientists to ensure GHG emissions in the atmosphere can be stabilised at safe levels.
2. Businesses should respond by understanding and managing their carbon and climate risks and seeking opportunities to support the transition to a low carbon economy; and,
3. Individuals should take responsibility and change their behaviour and purchasing decisions to reduce their personal carbon footprint.

The principles contained in this document set out our commitment to:

1. Minimise our operational carbon footprint;
2. Make business decisions that will reduce climate change risks and allow the development of climate-change related opportunities
3. Develop products and services that enable our customers to manage their climate change related risks and business opportunities;
4. Engage with our customers, suppliers and wider society to seek opportunities for a low carbon economy;
5. Support the development of sound energy and climate change policy; and,
6. Disclose progress against our commitment.

We believe that taking a proactive approach to climate change will position us as a leading financial institution in a low carbon economy.

OUR ACHIEVEMENT

1.0 WE HAVE A ROBUST LOW CARBON STRATEGY OR POSITION AND ARE MANAGING OUR OPERATIONAL CARBON EMISSIONS

- 1.1 We have issued a strategy or position that indicates how we undertake our business in a way that reduces the climate and operational carbon impact of our activities.
- 1.2 We have board level commitment for the strategy or position and a named senior executive who has responsibility for implementing it across our organisation and for ensuring that decisions taken are consistent with it. This executive has the necessary resources to meet the commitments contained in our strategy or position.
- 1.3 We have measured a significant proportion of our operational GHG emissions using an internationally recognised or equivalent domestic standard and we disclose this information.
- 1.4 We have issued clear and challenging, yet achievable, targets for making reductions in our operational GHG emissions.
- 1.5 We engage our employees on our commitment to addressing climate change and support them in playing an active role in meeting this commitment.

These initial steps demonstrate our commitment to addressing climate change and managing our own operational impacts. However, we recognise we must go further, as we have significant influence on the management of climate change risks and the opportunities for the development of a low carbon economy through the deployment of capital. We also commit to engaging with our customers, suppliers and wider society as appropriate to do this.

OUR COMMITMENT

2.0 WE WILL DEVELOP COMMERCIALY VIABLE APPROACHES TO ENSURE CLIMATE AND CARBON ISSUES ARE ADDRESSED WHERE THESE APPLY TO OUR BUSINESS STRATEGY AND ACTIVITIES.

2.1 Research Activities

- 2.1.1 We will incorporate climate and carbon issues into our research activities and, where relevant, will utilise the findings to develop products and services that benefit our customers and clients.

2.2 Asset Management

- 2.2.1 We will enable our analysts to incorporate carbon and climate risks and opportunities into their research and investment decisions where relevant.
- 2.2.2 We will engage our clients to understand the carbon and climate change risks and opportunities relevant to them and we will develop products and services that support them in managing those risks and exploiting those opportunities.
- 2.2.3 Where consistent with our fiduciary responsibilities, we will engage with the companies our clients invest in to understand how they are minimising the risks and maximising the opportunities presented by climate change and climate policy. We will also encourage these companies to improve their governance and disclosure of climate risks and opportunities.

2.3 Retail Banking

- 2.3.1 We will undertake research to understand:
 - 1) The potential impacts of climate change and climate change policy for our customers;
 - 2) The willingness of our customers to address these impacts;

- 3) The products and services that customers need to address these impacts and the barriers to addressing them;
- 4) The approaches needed to raise awareness of how our customers manage their GHG emissions and reduce their carbon footprint.

2.3.2 Based on our understanding of our customers, we will develop products, services and communication and engagement strategies to enable them to address potential impacts and reduce their carbon footprint.

2.4 Insurance and Reinsurance

2.4.1 We will develop the necessary knowledge, skills and tools to assess carbon and climate risks associated with our transactions and the financial implications they have for our business.

2.4.2 We will develop risk assessment techniques to assist our clients to understand better and respond to climate change.

2.4.3 We will develop insurance products and services that encourage our customers to reduce their carbon and climate risks, assist the development and adoption of GHG mitigation technologies and strategies and take advantage of the carbon market.

2.5 Corporate Banking

2.5.1 We will develop and implement a process to consistently assess the financial implications of carbon and climate risks relevant to our clients and will train employees to implement this assessment.

2.5.2 We will consider practical ways to assess the carbon and climate risks of our lending and investment activities. Where a feasible and relevant methodology can be found, we will develop and implement this approach.

2.5.3 We will engage our clients to understand the carbon and climate risks and opportunities associated with their business. This might include encouraging them to develop a strategy to manage these risks; to measure and disclosure their carbon footprint; and, to set meaningful targets to reduce carbon emissions.

2.5.4 We will develop financing solutions to facilitate investment in low carbon technologies and GHG reduction projects.

2.6 Investment Banking & Markets

2.6.1 Corporate Advisory

We will develop the knowledge, tools and skills necessary to advise our clients of the potential financial implications of carbon and climate risks and opportunities associated with their business transactions.

2.6.2 Structured Lending & Venture Capital

We will develop viable financing solutions to facilitate investment in low carbon technologies and GHG reduction projects.

2.6.3 Trading

We will develop expertise to support emissions trading, weather derivatives, renewable energy credits and other climate related commodities, and look for ways to play a constructive role in promoting these.

2.7 Project Finance

For projects that release or are likely to release 100,000 tons CO₂ equivalent per year (aggregate emissions of direct sources and indirect sources associated with purchased electricity for own consumption), except where justified deviation is provided, we will request the client to:

- 2.7.1 Seek opportunities to reduce project-related GHG emissions in a manner appropriate to the nature and scale of project operations and impacts.
- 2.7.2 Quantify and disclose direct GHG emissions and indirect GHG emissions associated with the off-site production of power used by the project.
- 2.7.3 Monitor and report GHG emissions annually in accordance with internationally-recognised methodologies.
- 2.7.4 Evaluate technically and financially feasible options to reduce or offset project-related GHG emissions during the design and operation of the project.

3.0 WE WILL ENGAGE OTHERS TO SUPPORT THE GROWTH OF A LOW CARBON ECONOMY, WHERE CONSISTENT WITH OUR CORPORATE POLICIES ON PUBLIC ENGAGEMENT

- 3.1 We will disseminate information through our network of customers, suppliers, staff and other stakeholders to raise awareness about climate change and the opportunities for reducing GHG emissions.
- 3.2 We will engage our significant suppliers on climate change issues and work with them to enable us to reduce GHG emissions throughout our supply chain.
- 3.3 We recognise that tackling climate change cannot be solved through voluntary action alone and we support the adoption of effective and efficient regulation and policy to reduce GHG emissions. Such support may include engaging policy makers and/or key stakeholders on an individual basis or through relevant industry and multi-stakeholder initiatives.