MEASURING YOUR EMISSIONS

HOW YOUR DATA CAN POWER YOUR SUSTAINABILITY GOALS

ANZ

CONTENTS

DOING THE NUMBERS

TOWARDS A MORE SUSTAINABLE BUSINESS

Climate change is driving a global shift in how business is done, and New Zealand is no exception. The New Zealand economy is accelerating its response to changing regulatory, market and consumer expectations and standards with significant implications for businesses at all levels. Yet many business owners remain unsure about what this means for them, and where to begin. As with many other aspects of business, it all starts with data.

New Zealand has committed to a goal of net zero carbon emissions by 2050. This goal is set out in the Climate Change Response (Zero Carbon) Amendment Act 2019, and achieving it will require major changes across all sectors. All businesses can expect to be impacted in some way by the transition to a low carbon environment.

To measure – and prove – New Zealand's progress towards our target, a constant stream of data (on factors such as fuel and energy consumption) will be needed. Government departments, local authorities, utilities and other significant companies and organisations will all need to provide data in support of this, but the flow-on effects will be felt across businesses of all sizes.

Customers are also increasingly choosing products and services from businesses that align with their own values. Sustainability is a growing factor in consumers' purchase decisions.

To respond, organisations are increasingly setting their own goals and asking for emissions data from their supply chain partners, whether to comply with requirements or as part of their own sustainability initiatives. Those who can't supply credible data risk being excluded.

The challenge for New Zealand businesses is to understand what these changes will mean for the way they operate, and how to meet the expectations of stakeholders and customers in a way that delivers maximum business and environmental benefits.

In our experience of working with business customers, lack of knowledge on this fast-developing topic is a key barrier to action. A frequent comment is that they would value the opportunity to know what other businesses are doing and learn from their experience. That's why we have produced this report.

It provides case studies from businesses that have chosen to measure their emissions footprint. These illustrate successful approaches as well as some of the common challenges that businesses will encounter when beginning to capture their emissions data. They also demonstrate that the journey towards a more sustainable business model is ongoing, and evolves over time.

We hope this report can help companies take incremental steps toward better data, and ultimately to better environmental outcomes.

ANZ is committed to playing its part to help this data ecosystem evolve and importantly, to play its role as a financial provider supporting the investment required to transition to a low carbon economy.

For ANZ's Environmental, Social and Governance (ESG) Disclosures visit:

anz.com.au/about-us/esg/reporting/esg-reporting/

THE CASE FOR CHANGE

New Zealand businesses are becoming more engaged in developing their climate measurement and decarbonisation roadmaps – and there are many reasons why they should. However, many Small to Medium Enterprises, which account for 97% of New Zealand's business sector[1], are still struggling with where to look in making the first steps.

WHY MEASURE?

For smaller businesses in particular, measuring and reducing emissions can seem like yet another overhead, but it can also confer tangible business benefits. Those benefits can include:

- **Customer preference:** For example, research by the Energy Efficiency and Conservation Authority (EECA)[2] shows that 88% of Kiwis want businesses to do more about climate change. It also shows that an increasing number of people in business (45%) agree that having a low carbon footprint gives a competitive advantage. While this will vary depending on the industry you are in and who your customers are, it seems likely that the ability to demonstrate sound environmental practices will become increasingly important.
- **Efficiency and cost savings:** Managing costs is fundamental to any business. As the case studies in this report show, the ability to accurately measure emissions is key to finding ways of reducing them. It also enables businesses to do more with less - providing tangible benefits for their bottom line as well as the environment.
- **Supply-chain needs**: Smaller businesses supply larger businesses who increasingly have their own ESG goals and targets. Increasingly larger buyers are reaching back through their supply chain for evidence of action. These may be international buyers or domestic, including the Government.
- **Regulatory pressure:** With New Zealand's mandatory climate-related disclosures reporting regime moving toward implementation by early 2023 there is little doubt that demand for high quality emissions data, whether from buyers or regulators, will only increase.
- **Getting ahead of the game:** Acting swiftly to establish the processes needed to provide this data now will enable businesses to establish a potential competitive advantage, particularly when it comes to bidding for new business.

While not all businesses will choose to extend their approach to achieve formal zero carbon certification, the process of measurement in itself can deliver significant benefits.

"THE VERY FIRST THING FOR BUSINESSES IS TO START MEASURING."

Hon James Shaw, Minister of Climate Change

1 Statistics New Zealand: New Zealand Business Demography Feb 2020, Percent of Non-Financial Business sub $5m

2 EECA/TRA Research, January 2019

THE CHALLENGE

For those who are considering starting their journey, the biggest challenge is often simply understanding how to begin.

In April 2021, EECA released a business survey of 500 New Zealand based SMEs[3]. It reported that most businesses with fewer than 100 staff do not know where to find information on how to reduce or eliminate greenhouse gasses from their operations.

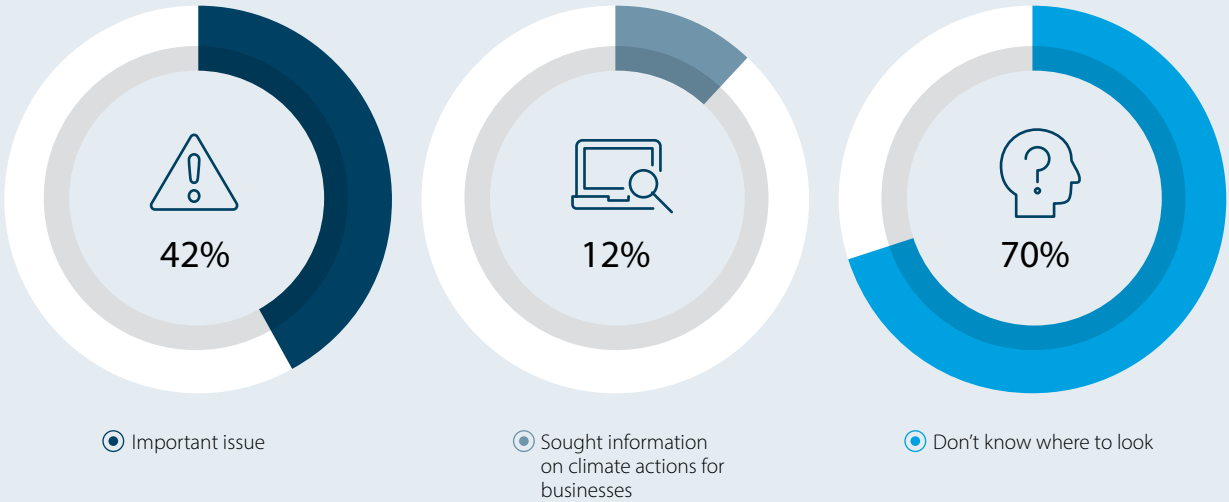
Some of the major talking points for the SME sector were "I don't know what to do, I haven't got the time to work it out, I think it might cost me too much money and I'm not sure that I want to do it anyway".

However, once the decision to act has been taken, there are many sources of help available. The first steps are to understand the framework to measure emissions and start gathering the necessary data on emissions from things like energy use, freight, fuel, business travel, waste to landfill, etc. (the specific emissions 'footprint' of a business will vary between different industries and businesses).

The key is to establish a baseline, so that you can demonstrate tangible progress towards goals and make your sustainability story part of your business story. The purpose of this paper is to discuss how businesses who have done this have completed those first steps and to share their learnings.

SMEs' Attitude to Climate Change

Source: EECA/TRA Business Monitor Oct-Dec 2020



3 EECA/TRA Business Monitor, Oct-Dec 2020

GETTING STARTED

Most businesses have effective processes in place for capturing data such as financial transactions and accounting entries. However capturing the physical data needed to measure emissions, such as tonnes, litres, or electricity consumption (kWh) has historically been less of a focus. Despite this gap, many businesses will still find they have the data they need to get underway with measuring their emissions.

A common place for businesses to start their data capture is fuel usage in litres for vehicles, and electricity consumption in kilowatt hours (kWh) from its company facilities. This unit consumption data is typically provided on invoices and receipts, or upon request from the supplier.

Even in the absence of the unit consumption figures, both sources of emissions can be reasonably estimated by working backwards from invoices and applying a suitable commodity price at the date of purchase. This process converts the financial transactions into litres and kWh figures, which can then be converted to their greenhouse gases by applying an emissions factor[4].

For a business to measure its entire emissions footprint a full emissions inventory will need to be generated. This requires the business to establish some boundaries:

- The reporting period, which is typically the same as the financial year
- The organisational boundary for where emissions are generated – for example, this could include subsidiaries, joint ventures, partnerships, etc.
- The operational boundaries - the activities within the organisational boundary that generate emissions. These activities are categorised into specific 'scopes', e.g.:

  Scope 1 – Direct emissions (emissions produced directly by the business operations)

  Scope 2 – Indirect emissions (emissions from energy generated elsewhere but used in the business)

  Scope 3 – All other indirect emissions (e.g. from freight, waste, taxis or air travel)

An example of how this is done is provided by the Ministry for the Environment (MfE) table on the next page. According to Toitū Envirocare General Manager Technical, Dr. Belinda Mathers, for most businesses Scopes 1 and 2 emissions, and a few Scope 3 emissions (including freight, waste to landfill and business travel) will cover the majority of their emissions.

While it is important for businesses to understand the complete emissions reporting framework, the most important thing is simply to get started. Engaging an environmental consultant can be a good way to build understanding and get the right framework in place, which can then be managed internally. It's also important to identify an appropriate staff member to take responsibility for emissions management within the business.

Getting started, in fact, is normally as simple as having a good underlying reason to. "Whether it's a strategic business decision, a supplier asking you, or a commitment to environmental and social responsibility, it doesn't matter", says Toitū Envirocare Chief Executive Officer, Becky Lloyd. "The point is we all need to get started as the future pathway for our planet depends on it".

The following case studies discuss why these businesses got started, including the process for gathering data across some of the common areas that most New Zealand businesses will encounter as they tackle the data capture process.

4 For New Zealand this is typically the Ministry for the Environment ("MfE") Emissions Factor Guide

MfE Emissions by Scope, Category and Source (2020)

Scope	Category	Direct / Indirect Emissions and Removals	Source
Scope 1	Category 1	Direct GHG emissions and removals	• Fuel • Refrigerant and medical gases • Agriculture, forestry and other land uses
Scope 2	Category 2	Indirect GHG emissions from imported energy	• Purchased energy
Scope 3	Category 3	Indirect GHG emissions from transportation	• Business travel • Staff commute • Freight transport • Refrigerant use (from chilled transport or air conditioner)
	Category 4	Indirect GHG emissions from products an organisation uses	• Transmissions and distribution losses • Working from home • Water supply and wastewater treatment • Materials and waste
	Category 5	Indirect emissions (use of products) from the organisation	Outside the scope for this guide
	Category 6	Indirect emissions (other sources)	Outside the scope for this guide

Note: Depending on your organisation's reporting and financial boundaries, some emission sources may be either Scope 1 or Scope 3.

"WHETHER IT'S A STRATEGIC BUSINESS DECISION, A SUPPLIER ASKING YOU, OR A COMMITMENT TO ENVIRONMENTAL AND SOCIAL RESPONSIBILITY, IT DOESN'T MATTER...THE POINT IS WE ALL NEED TO GET STARTED AS THE FUTURE PATHWAY FOR OUR PLANET DEPENDS ON IT."

Toitū Envirocare Chief Executive Officer, Becky Lloyd

CASE STUDY 1

THE FOOD MANUFACTURER

LOFT FOODS

"It's not just about ticking the boxes, for us it's about a journey of continuous improvement and I don't think we'll ever be finished."

Loft Managing Director, Michael Wafelbakker

BACKGROUND

Loft is an Auckland based manufacturer, producing an extensive range of premium sauces and other convenience items for both the food service and retail industries. Operating from their South Auckland based facilities and distributing nationwide, customers choose Loft because of their reputation for delivering high quality products with an exceptional level of service. In November 2020, Loft achieved official Toitū carbonzero certification from Toitū Envirocare.

Sustainability has always been fundamental to Loft's business model. As well as their Toitū carbonzero certification, Loft also donates to a wide range of charitable and community organisations. "It's an opportunity to embed our core beliefs into the business," says Managing Director, Michael Wafelbakker. "I've always hated wasting anything and as the business has progressed we're increasingly focused on how we can do things in a more sustainable way."

"While the main driver for us is being part of the solution and contributing to improving the lives of our people, our customers, and our community, I also think that environmentally sustainable practices will become increasingly legislated so businesses will need to incorporate them. Those that adopt them early will have a competitive advantage as they'll be well down the track while others are just starting to get up to speed. It's also a good fit with our brand, which is all about delicious, healthy, fresh products."

GETTING STARTED

While Loft knew they wanted to find ways of doing business more sustainably, they also knew they needed a strategy and direction. As a result, they engaged a sustainability consultant to help.

"Without someone to guide us we would probably have wasted a lot of effort," says Michael. "Our consultant provided the direction we needed and challenged us to work towards a bigger ambition."

That ambition for Loft was The Living Product Challenge, a framework for manufacturers to create products that are healthy, inspirational and give back to the environment[5]. "That's still our goal, but it's something that might take a business 15 or so years to achieve so we broke it down into achievable steps. That first step for us was to be carbon zero," says Michael.

To achieve this, Loft 'went to market' and identified Toitū Envirocare to help with the process of collecting the right data to measure their greenhouse gas footprint. The other key step was identifying someone in-house to make it happen, and Loft's Oliver Paterson was tasked with implementing the strategy.

"The initial burst of data collection took a bit of effort," says Oliver. "It was around eight weeks of going through all our customer invoices, supplier bills, and calculating distances to customer destinations for freight, collecting waste data. But it's something we had to do as part of our long-term vision".

"...I ALSO THINK THAT ENVIRONMENTALLY SUSTAINABLE PRACTICES WILL BECOME INCREASINGLY LEGISLATED SO BUSINESSES WILL NEED TO INCORPORATE THEM. THOSE THAT ADOPT THEM EARLY WILL HAVE A COMPETITIVE ADVANTAGE AS THEY'LL BE WELL DOWN THE TRACK... IT'S ALSO A GOOD FIT WITH OUR BRAND, WHICH IS ALL ABOUT DELICIOUS, HEALTHY, FRESH PRODUCTS."

Loft Managing Director, Michael Wafelbakker

5 Living Product Challenge website: https://living-future.org/lpc

DATA GATHERING

Loft quickly discovered that in some areas there was a lack of data going back far enough. "We only had the last six months of electricity and water data, so to complete the first cut of our annual emissions return we had to average it out from what we had," says Oliver.

It's a challenge that many other businesses experience. "It is common for businesses to encounter gaps in data when they undertake their first go at generating an emissions return" says Toitū's Dr. Belinda Mathers. "Where businesses encounter data gaps they need to understand what's acceptable to use for averaging and what isn't. This typically comes down to materiality of the emissions exposure and how practical it is to get the data. Understanding where averaging methods can be used is beneficial in rounding out gaps to get that baseline emissions reading established. From there its constant sourcing and refinement of the data".

The experience confirmed to Loft that data collection was paramount, so it increased the frequency of data collection throughout the year to create a more robust business process. "We now collect our data monthly so it's not such a big job at year end and we don't end up with gaps," says Oliver. "Having recent transactions and invoices fresh in mind means that any issues with the data we can resolve them quickly, rather than trying to remember what happened 10 months ago".

One positive area, which can sometimes be problematic, was in sourcing Loft's waste data. "Our waste types and tonnage were already well understood because of our previous efforts around waste minimisation and recycling. We were lucky enough to have a waste management company who is also Toitū certified and was easily able to provide the environmental data points back to our business in the format we needed," says Oliver.

Working with businesses who have also been through a formal measurement process is supportive of understanding your own emissions footprint. "We are seeing that the emissions measurement theme has grown from niche into the mainstream, and it really has ramped up over the course of 2021", says Belinda. "This theme is likely to continue given increasing pressure from regulators, supply chain and customers".

LOOKING TO THE FUTURE

To further simplify the measurement process, Loft are working to improve the data capture points within their business. One such example is working with a new IT system implementation to further increase the accuracy in order weights entered for shipments, a key data point required for measuring freight emissions.

Longer term, Loft is looking to extend their sustainability goals into new areas – and they're excited at the possibilities for the broader economy.

"Right now we're just reducing carbon," says Michael, "and that's critical. But what if we could find ways to sequester carbon? We're just at the start of the journey and people are working on solutions all the time. Imagine a world where driving a car actually absorbs carbon from the atmosphere. It's like trying to envision the Internet in 1940, who knows what the future will look like? The key thing is just to get started. It will take continuous improvement, and the area of data quality is one of the key pillars to enable us to measure, manage and improve, but I'm incredibly excited at the possibilities."

"WE NOW COLLECT OUR DATA MONTHLY SO IT'S NOT SUCH A BIG JOB AT YEAR END AND WE DON'T END UP WITH GAPS... HAVING RECENT TRANSACTIONS AND INVOICES FRESH IN MIND MEANS THAT ANY ISSUES WITH THE DATA WE CAN RESOLVE THEM QUICKLY, RATHER THAN TRYING TO REMEMBER WHAT HAPPENED 10 MONTHS AGO."

Loft Procurement Coordinator & Environmental Officer, Oliver Paterson

CASE STUDY 2

THE TOURISM OPERATOR

ALBORN ENTERPRISES

"We knew we needed to do it at some point so we just went ahead and got it done. And if you do it properly it's not a cost to the business, it's a benefit."

Alborn Commercial Director, Brendan Alborn

Awaroa Estuary

"SOME OF THE MAIN DATA NEEDED IS READILY AVAILABLE TO BUSINESSES, SO IT REALLY IS JUST A CASE OF GETTING THE INVOICES, BILLS, OR WHATEVER YOU NEED AND GETTING ON WITH IT."

Alborn Enterprises Commercial Director, Brendan Alborn

BACKGROUND

Located in Marahau in the Tasman region, Alborn Enterprises (Alborn) is a commercial tourism operator providing experiences in and around the Abel Tasman National Park. Trading under AbelTasman.com, Alborn's main business activities are camping, water taxis and sea kayaks, but it also owns a café, shop and maintenance business within the organisational structure. From humble beginnings twenty years ago, the Alborn's business has grown to become the largest commercial operator in the Abel Tasman.

"Our initial focus in terms of measuring our emissions was on the water taxi business, with fuel being the main source of our emissions," says Commercial Director, Brendan Alborn. "However, we eventually expanded our reporting boundary to include everything within our group structure, no matter how big or small. This enabled us to consider the full impact of what we were doing".

Brendan returned to the family business in 2012, having previously been involved in climate consulting and technology roles since the 1990's. He immediately began capturing the data needed to understand greatest contributors to their environmental footprint.

"It wasn't until 2017 that we decided to formalise what we were already doing and become zero carbon certified. When we went through that process we initially saw it as an opportunity be the first in the region and therefore gain some competitive advantage," says Brendan. "However, the company's view has changed over time, and now we just see it as the right thing to do. So, we have now been working with other businesses to share our learnings and help improve outcomes for everyone in the region".

Alborn is extremely passionate about conservation and donate to a number of charitable trusts and projects within the region to improve biodiversity and environmental outcomes, including the Abel Tasman Birdsong Trust and Project Janszoon. This focus on conservation values extends to the carbon offsetting needed for their Zero Carbon accreditation. "It's important to us that the carbon offsetting we participate in is aligned to our core values," says Brendan. "We have found local projects which meet our criteria on conservation and biodiversity. We made sure we met with the project owners to get comfort around the outcomes we were after".

GETTING STARTED

Alborn has always collected data in order to improve its business. "Maybe it's because of my background, but we know that getting accurate data on your activities enables you to do more with less," says Brendan. "That works whether it's for sustainability or financial performance".

That gave Alborn a head start with their Zero Carbon certification. Working with its advisor, Ekos, the business was able to get its footprint relatively quickly with the majority of data already being available. The process of compiling it ready for review only took a few weeks.

"Some of the main data needed is readily available to businesses, so it really is just a case of getting the invoices, bills, or whatever you need and getting on with it," says Brendan. "For example, a large proportion of our emissions come from fuel for the water taxis and our company vehicles. This was a straightforward exercise for us as our fuel supplier provides onsite delivery for the water taxis. We simply got the invoices for these deliveries which included the delivery price, litres and fuel type. For our company cars we use fuel cards, so this was again a case of asking our supplier for the transactions on those cards and the data we got back included price, litres and fuel type".

Purchased electricity was also a relatively simple exercise of obtaining bills for all consumption within the reporting boundary. "The electricity expense was straightforward, our suppliers provide both the price and consumption in kWh."

However, as with many businesses, some data was more difficult to obtain.

DATA GATHERING

One area where Alborn had a challenge was emissions from refrigeration. "We initially overlooked the refrigeration data so we needed to source the amount of gas we were using via leakage to the atmosphere. Since I had previously had experience in this area I ended up getting on the roof to check the condensing units for the gas type we used," says Brendan. "Then it was a case of asking the refrigerant gas supplier what our top-up rate in kilograms was for the year".

Measuring emissions from the freight for goods which were purchased for the shop was not a material exposure to the business (less than 0.5%). However, it still required understanding the average weight of goods sourced from suppliers over the course of the year and the distance travelled from suppliers. "While you can get super accurate around these numbers, the reality is it's such a small component of our emissions, that even if we tripled our actual number, it would be not be a material change to our overall emissions profile" says Brendan.

Once Alborn had all the required data, the process was as simple as providing it to their advisor, Ekos, to convert it into an emissions footprint.

LOOKING TO THE FUTURE

"Looking forward we think the industry can create an entire zero carbon tourism opportunity for the top of the South Island," says Brendan. "The momentum is already there, it's just going to take collaboration and community to bring it all together".

Alborn and other operators have already taken steps towards realising this vision. With a number of other operators in the area now being zero carbon certified, Alborn has become a partner in New Zealand's first zero carbon travel itinerary. The four day, three night excursion was launched by the Nelson Regional Development Trust and backed by environmental financing social enterprise, Ekos, and includes accommodation, adventure travel experiences such as skydives, kayaks, sailing, and hospitality. This innovative, collaborative solution is one of the world's first and shows what is possible through partnering to create unique product propositions that align to better environmental outcomes.

Alborn is committed to continuing to play a major role in facilitating this vision. "The benefits of having sustainable tourism in the region means that we will continue to re-invest into conservation activities like the Birdsong Trust and Project Janszoon to restore and preserve Abel Tasman's rich wildlife for all to enjoy. Sustainable tourism will even help with things like continuing to sponsor the local rugby team, so the potential is there to support all of the community. It's about more than just running a successful business – it's about making a difference and feeling proud about what we do".

"LOOKING FORWARD WE THINK THE INDUSTRY CAN CREATE AN ENTIRE ZERO CARBON TOURISM OPPORTUNITY FOR THE TOP OF THE SOUTH ISLAND."

Alborn Enterprises Commercial Director, Brendan Alborn

Uruwhenua Forest Regeneration Project

CASE STUDY 3

THE PROPERTY SERVICES COMPANY

APS COMPLETE PROPERTY SERVICES

"Getting to carbon zero may help save the planet by avoiding a climate disaster, but we believe carbon zero is just the start point. To heal the planet we need to go beyond carbon zero. That is why we've invested in our conservation sites to sequester and offset more carbon than we emit from our business activities."

Robert Creemers, Director of APS Complete Property Services

BACKGROUND

APS Complete Property Services (Andrews Property Services) was formed in 1991, and provides a diverse range of services to restore, enhance and protect the value of their client's commercial property. Owner Robert Creemers has always had a passion for the environment and an understanding of the science behind climate change and as part of their commitment to managing their environmental footprint attained Toitū carbonzero certification in 2018. The process took nearly a year of gathering data and identifying where emissions occurred within the business.

"The process we undertook to collect the data was of real value," says Robert. "We not only got into the detail of where our emissions were coming from and how we could start reducing them, but we also got to review our entire business and understand where we could be more efficient not only for the environment, but financially." Through the process APS have been able to achieve annual cost savings by reducing waste, water and energy costs and so far its savings have exceeded the cost of the audit process.

In December 2019, APS was certified carbonzero by Toitū Envirocare. This was a proud moment for APS as at the time they were the first New Zealand company in the building industry and the first contracting company in any industry to be certified carbonzero by Toitū Envirocare. To become certified APS not only needed to reduce emissions within the business, but also offset its residual carbon emissions within its own organisation rather than purchasing carbon credits. To achieve this APS sequesters carbon via its conservation properties, which provide native bush regeneration, forestry plantations, reestablishment of wetlands and intensive pest eradication. This unique initiative is led by Robert and supported by a growing team of APS volunteers. This year alone they have planted over 10,000 plants during four APS planting weekends at their largest conservation site in Raurimu.

GETTING STARTED

APS's first step was simply knowing it needed to understand its carbon footprint in more detail. "If it wasn't for the global financial crisis we would have started earlier", says Robert. "We got Toitū involved in 2018 and since then we have completed two zero carbon emissions returns. As of 2020 we have sequestered 120% of our carbon emissions. Or we like to say we are 20% carbon positive."

Toitū firstly assisted APS in identifying the required data points, emissions categories and processes. "Then it was simply a case of committing to getting the data," says APS Environment, Health, Safety & Training Coordinator, Ming Phoon. "That involves looking at both how and where your data is input within your business, and also working with your suppliers to get the data needed. The process of creating our emissions inventory and generating our first return took around 8-10 months, but it was something we felt we just had to do. It makes you re-evaluate your supply chain and encourages you to network with other like-minded suppliers within the industry."

The APS team at a Raurimu planting

DATA GATHERING

APS's main emissions sources occur across fuel, waste, travel and electricity.

"Fuel was relatively straightforward," says Ming. "Since 2020 under a health and safety initiative, we used the EROAD system which provides overall management of our vehicle fleet. The system allows us to not only capture accurate fuel usage data, it also helps us to lower costs and improve our efficiency through the software on the fleet which provides real time driver feedback."

When APS first implemented the EROAD system, it saw potential for significant improvement in driver performance – and that potential has been realised. Benefits have been an increased life of tyres, brakes, fewer incidents, less vehicle damage, maintenance costs and improved health and safety outcomes for its staff.

Obtaining waste data was less straightforward. This required working with suppliers to not only obtain data from waste generated on APS 's own business premises, but also from waste occurring indirectly through property services provided to its customers (e.g. demolition). "This has been difficult to get the data we need and we likely overestimate our emissions from waste as a result," says Ming. "We categorise our waste as 'mixed" which carries a higher default emissions factor per tonne, so we know we

need to improve this data set. We are constantly working with our suppliers to do this. Finding suppliers such as Green Gorilla who have the only facility in New Zealand that diverts waste from landfill was a logical supplier to partner with to aid in improving the reporting and reducing what goes to landfill."

LOOKING TO THE FUTURE

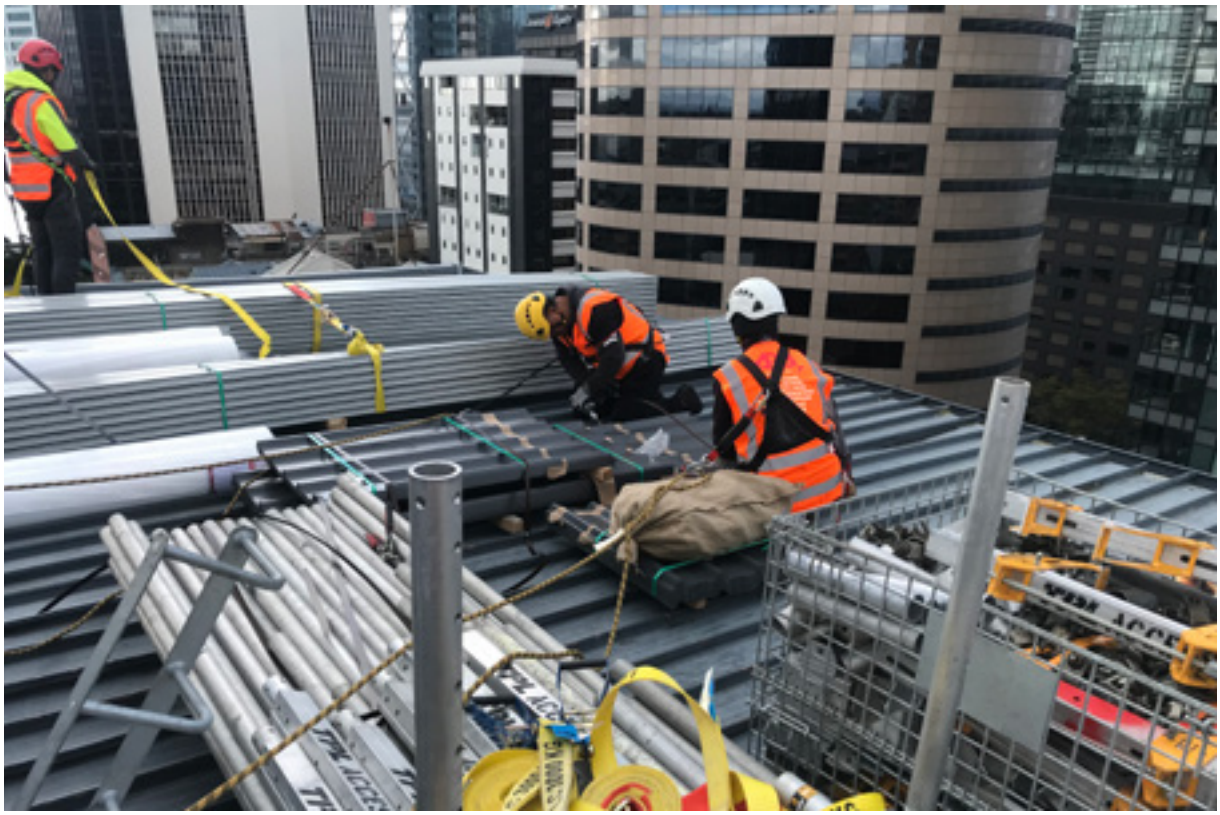
APS have realised benefits through the Toitū carbonzero certification process that have positioned the business well looking into the future. "While it's not mainstream yet, we believe the market will start to place a greater significance on environmental credentials when agreeing contracts and running tender processes in the future," says Robert. "While this might happen naturally as businesses become more responsible, it's probably going to come from legislative change similar to what has happened in the health and safety area."

In the meantime, APS are seeking to become double carbon positive within two years and triple carbon positive within five, through their involvement with a number of conservation properties. "Getting to carbon zero may help save the planet by avoiding a climate disaster, but we believe carbon zero is just the start point. To heal the planet we need to go beyond carbon zero. That is why we've invested in our conservation sites to sequester and offset more carbon than we emit from our business activities. For a number of reasons, we believe it's the right thing to do."

There are two main areas of focus going forward. The first is to continue working on its conservation sites and improving its carbon positive position. "We are really excited about working on the next phase of our strategy, which is to continue reducing emissions from the business while maximising the positive environmental outcomes on our conservation sites," says Robert.

The second area of focus is to make sure that the environmental message and practices are adopted throughout the company. A culture change similar to what was required within APS a decade ago to overcome reluctance around new health and safety policies and practices is needed. Education and training throughout the organisation will be key.

"It's also more than just improving our carbon position. If we can make our staff proud of the work we are doing in this space and achieve some wider United Nations Sustainable Development goals then that is even better."



"IT'S ALSO MORE THAN JUST IMPROVING OUR CARBON POSITION. IF WE CAN MAKE OUR STAFF PROUD OF THE WORK WE ARE DOING IN THIS SPACE AND ACHIEVE SOME WIDER UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS THEN THAT IS EVEN BETTER."

Robert Creemers, Director of APS Complete Property Services

CASE STUDY 4

THE BANK

ANZ BANK NEW ZEALAND

"The data we collect to measure our operational footprint is really no different than the data our customers collect. The biggest challenge we face is bringing it all together across multiple business scenarios, sites and suppliers."

ANZ's Head of Purpose, Strategy & Environment, Melissa Cutler

BACKGROUND

Since 2015, ANZ Bank New Zealand Limited (ANZ NZ) has captured New Zealand operational emissions data to understand where emissions are coming from and to reduce them through a number of initiatives. This information forms part of the annual Australia and New Zealand Banking Group Limited (ANZ) annual Environmental, Social and Governance (ESG) supplement[6].

ANZ's Head of Purpose, Strategy & Environment, Melissa Cutler, acknowledges that many customers face the same challenges when measuring their emissions. "I imagine the growing pains we have experienced as part of our emissions data capture process are similar to what other businesses go through", says Melissa. "Whether you are an SME or a bank, the data for fuel, electricity, travel, accommodation is the same, so the problems of data collection are similar in nature", she says.

"That's why transparency is so important, so that we can all measure, understand and reduce emissions across similar categories using the same yardstick", she says.

In order to live up to this commitment to transparency, ANZ also collects data on a number of other ESG initiatives, from financial wellbeing to housing, diversity and inclusion, environmental projects and initiatives, carbon offset projects and how the bank supports customers as part of its commitment to fair and responsible banking.

"Providing ESG information is key to our commitment to helping people and communities thrive", says Melissa. "We see this commitment as part of our social license to operate and we want to demonstrate that we take our relationship with one in three New Zealanders seriously," she says. "We want to keep improving on our reporting and transparency, particularly in the emissions space as there are big changes coming for New Zealand in 2023."

One of those changes is incoming mandatory climate risk disclosures legislation. The legislation will require public reporting on climate risks from around 200 of New Zealand's largest organisations, including registered banks, credit unions, building societies, registered investment schemes, licensed insurers, crown financial institutions and all equity and debt listed on the NZX.

ANZ NZ's Chief Risk Officer, Grant Knuckey, is aware of the broader impact the legislation will have. "The impact of this legislation will go well beyond the 200 businesses and entities specified", he says. "A large part of climate risk reporting focuses on managing emissions from supply chains, so if you think of how many suppliers and related entities are linked to those 200 entities, the impact is huge."

GETTING STARTED

Good data is key to accurate reporting and supporting positive environmental outcomes – the first step to making emissions reductions in areas that will have the greatest impact.

"The bank sees climate risk disclosures as the foundation for supporting our customers on their own emissions reductions journey", says Grant.

"We have multiple work streams across the bank looking at the climate risk disclosure requirements. A key part of this is how we get the best data we possibly can to improve accuracy of reporting that will lead to better overall environmental outcomes for all New Zealanders."

"It's critical that we support our customers on their own emissions reductions pathways and we have to do everything we can to achieve that as fast as we can. That means we will look at a number of our core banking processes, such as capital allocations, to support key sectors in their own transition," says Grant.

"PROVIDING ESG INFORMATION IS KEY TO OUR COMMITMENT TO HELPING PEOPLE AND COMMUNITIES THRIVE", SAYS MELISSA. "WE SEE THIS COMMITMENT AS PART OF OUR SOCIAL LICENSE TO OPERATE AND WE WANT TO DEMONSTRATE THAT WE TAKE OUR RELATIONSHIP WITH ONE IN THREE NEW ZEALANDERS SERIOUSLY."

ANZ's Head of Purpose, Strategy & Environment, Melissa Cutler

6 anz.com.au/about-us/esg/reporting/esg-reporting

DATA GATHERING

ANZ NZ collects emissions data across a range of sources, set out in the ANZ Greenhouse Gas and Carbon Offsetting Guidelines[7].

Global supply contracts can potentially make data capture a little simpler. "Our operations are vast and even for a single category there may be a number of data sources we need to bring together to get the full picture", says Melissa. "Luckily, we have global supply contracts across a couple of our material emissions categories, such as fuel for our vehicle fleet. This means our supplier can consolidate our global emissions footprint in the format we need for our reporting."

However, the overall picture is not always so clear-cut. "Even with those contracts in place it can still require further work", says Melissa. "Take for example our business travel. We have a global supplier, but we still need to consider things like staff who travel in their own private vehicles for a business related purpose, or take a taxi to visit a customer. All those areas require additional data capture to generate our emissions footprint, so at a minimum we need to capture fuel reimbursements and taxi receipts."

Employee commuting is another key source of emissions for the New Zealand business. ANZ NZ has thousands of staff working across multiple locations around the country, and getting the right data on emissions from staff commuting to and from work is complex. Currently ANZ NZ uses an 'average-data' methodology[8] for the commuting category, but the bank is working on new data capture solutions based on location, swipe card and travel mode data.

New Zealand waste to landfill emissions are calculated using a mixture of actual data (where available) and an approved extrapolation methodology. Again, data availability is not always consistent and is often dependent on each building's waste management facilities. By focusing on capturing data for one building at a time, the bank is continually improving on waste data capture.

Like many companies, ANZ NZ saw a material drop in reported emissions during Covid19 due to staff working from home. Reductions came from reduced staff commuting as well as reduced water, waste and paper consumption. According to Melissa, this has sparked some changes across the bank's operations and policies. "We still account for indirect emissions from staff working from home, but Covid19 has given us the opportunity to re-think our entire operations," says Melissa.

"We're looking at everything from reduced emissions, flexible working policies, staff mental health, and transport mode efficiency. Covid19 has given all businesses new insight over the last 18 months that we may not have seen for years. We just need to figure out how we harness those for our staff, business and the planet."

LOOKING TO THE FUTURE

ANZ is committed to incorporating environmental, social and governance factors in its operations, business relationships and community partnerships. For example, it is a member of the Climate Leaders Coalition (a business-led initiative to limit emissions) and partners with Sustainable Coastlines to improve biodiversity along New Zealand waterways, amongst other initiatives.

In terms of environmental strategy and execution, the biggest identified challenge for ANZ NZ and other listed entities over the next 12-24 months is meeting the climate risk disclosure reporting requirements. This body of work is not just about capturing emissions data, but also modelling transition pathways, setting targets, redefining strategy, and conducting risk/opportunity/financial modelling and climate scenario analysis.

Grant believes the importance of climate risk reporting is in the actions companies will take once they are armed with the right information.

"At ANZ NZ, we believe climate risk disclosures are critical for New Zealand to meet our net zero ambitions", says Grant. "Understanding is the first step but the next one is around what we all do with this information," he says. "Through transparent reporting, I believe ANZ NZ can lead the way in continuing to reduce our own emissions and also use data to support our customers on their own journeys."

7 anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/greenhouse-gas-reporting-carbon-offset-guidelines-new.pdf?MOD=AJPERES

8 The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard

MEASURING YOUR EMISSIONS

TOITŪ CARBON ASSESS TOOL

"You don't need to be carbon zero certified to understand and manage your carbon emissions. It's all about getting started. Using a tool like Carbon Assess helps you understand your own emissions as well as those of your supply chain and once you have this information you can then start making a difference by managing and reducing your overall carbon footprint."

Toitū Envirocare Chief Executive Officer, Becky Lloyd

For businesses looking to take the first step towards reducing their environmental footprint, Climate Change Minister, James Shaw, has some simple advice. "The very first thing is to start measuring. There are a range of organisations out there who support businesses to put in place rigorous measurement systems. Allow yourself a bit of time to build up a data stream, then you can work out from the data where your big opportunities are. It all starts there."

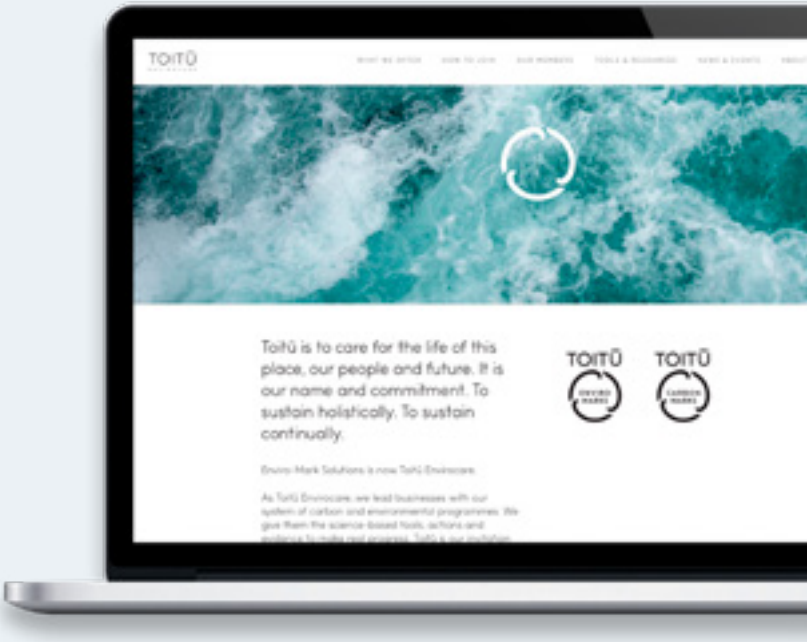
Toitū Envirocare is one of the organisations helping businesses to measure their emissions. For smaller organisations seeking an easy, cost-effective way to begin understanding their carbon footprint, the Toitū carbon assess tool is an effective solution.

HOW IT WORKS

Carbon Assess allows organisations to self-assess their carbon footprint by entering their electricity consumption, freight, waste, and transportation data via simple online forms. Organisations can then quickly self-assess their carbon footprint. Once a baseline has been established, initiatives to reduce their footprint can be identified and progress can be compared year on year.

To help communicate progress, the tool generates a visual report that can be shared with the organisation's clients and stakeholders. The report includes benchmarking against previous year's results and industry/sector averages.

Once organisations have self-assessed and published their carbon footprint they will receive an e-badge showing that they've started their carbon journey with Toitū carbon assess, which can be used for marketing purposes, including social media advertisements and email signatures.



If organisations would like to take their climate leadership commitment further, Toitū can assist through their verification and certification programs: carbonreduce, carbonzero and climate positive.

For more information about the Toitū carbon assess tool, visit **toitu.co.nz**

CONCLUSION

There's little doubt that capturing and reporting on emissions will become an increasingly important factor for New Zealand businesses, whether their focus is international or purely domestic. However it's also clear that for many, the challenge is simply knowing where to start amidst what can seem an intimidating plethora of technical jargon.

As the case studies in this report show, getting started can be relatively straightforward. Much of the required data is readily available and while others may be more challenging in some cases, solutions and tools exist to help. They also show that once the initial work of creating a reporting framework is in place, the process becomes much more business as usual.

At ANZ, we believe that sustainability is not simply part of being a good corporate citizen – it also makes good business sense. We hope this report is helpful for New Zealand businesses looking to take their own steps towards a sustainable future for themselves, and for our planet.

ACKNOWLEDGEMENTS

We would like to thank the businesses who generously shared their knowledge, insights and experience in the preparation of this report:

Toitū Envirocare (toitu.co.nz)

Loft Foods (loft.co.nz)

Alborn Enterprises (abeltasman.com)

Andrews Property Services (apsltd.co.nz)

WHAT ARE THE NEXT STEPS?

Once you're ready to talk about beginning your carbon emissions measurement journey, we're ready to help.

sustainabilityinsights@anz.com

This report is current as at September 2021 and the details in it are subject to change.

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