

# 2017 CORPORATE SUSTAINABILITY REVIEW



## OUR PURPOSE IS TO SHAPE A WORLD WHERE PEOPLE AND COMMUNITIES THRIVE.

This Corporate Sustainability Review highlights the many ways in which we are contributing to the communities in which we operate.

### Cover story — Developing life-long savings habits

Charlene, pictured with her daughter Ariana, decided to join the Saver Plus program to use the dollar for dollar matching to help cover some of her children's school costs.

Charlene credits Saver Plus with helping her develop a savings habit. "When you join, you think it's going to be easy, but at first it's difficult to put money aside and not touch it," Charlene explains. "It's taught me not to access that money unless I really need it. You can go without and the world's not going to crumble."

Of particular value to Charlene were the MoneyMinded financial education workshops she attended as part of the Saver Plus program.

"The matched savings came in handy, but what I learnt from the workshops was more valuable in the long-run. I've been able to save more money by continuing the habits I developed and there's a peace that comes from knowing that," she says.

Charlene is excited that she is able to pass on her learnings to her children.

"We are now saving towards buying a house as a family. I actually have two one dollar coins that my daughter taped to a piece of paper — with the words, 'To Mum and Dad, this is for our house'."



This year, more than 4,000 people in Australia have benefited from Saver Plus, our financial education and matched savings program for lower-income earners. Participants make regular deposits towards a savings goal over a 10-month period and attend workshops to build their financial management skills.

To find out more visit [anz.com/saverplus](http://anz.com/saverplus).

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# OUR 2017 REPORTING SUITE

**THIS REPORT DISCUSSES OUR PERFORMANCE AGAINST OUR MATERIAL SOCIAL, ENVIRONMENTAL AND ECONOMIC OPPORTUNITIES AND CHALLENGES.**

## About this report

This report is structured in two sections. The first outlines how we do business, including our purpose, values and Corporate Sustainability Framework; our approach to the identification and prioritisation of material issues; our engagement with stakeholders; and governance and risk management. The second details our management approach and performance relevant to materially significant issues aligning with our Sustainability Framework.

We have been using the Global Reporting Initiative (GRI) framework for our sustainability reporting for more than a decade. This report has been prepared in accordance with the GRI Standards: Comprehensive option. A complete GRI Index is available at [anz.com/cs](http://anz.com/cs).

This report covers all ANZ operations worldwide over which, unless otherwise stated, we have operational control for the financial year commencing on 1 October 2016 and ending 30 September 2017. Monetary amounts in this document are reported in Australian dollars, unless otherwise stated.

KPMG has provided independent assurance in respect of this Corporate Sustainability Review, including considering whether the appropriate indicators have been reported in accordance with the GRI Sustainability Reporting Standards Comprehensive level of disclosure. A copy of KPMG's assurance report is on page 91–92.

We produce a suite of reports to meet the evolving needs and requirements of a wide range of stakeholders. Our **2017 Annual Report** principally details our financial information. Our **2017 Annual Review** concisely describes how we manage our business, including the way in which we create value for our stakeholders and incorporate social and environmental considerations in our decision-making. It draws on aspects of the International Integrated Reporting Framework. In addition, we publish a **Corporate Governance Statement** (detailing our compliance with the ASX Corporate Governance Council's 'Corporate Governance Principles & Recommendations — 3rd edition') and our **Principle Risks and Uncertainties**. Both are available at [anz.com/corporategovernance](http://anz.com/corporategovernance).

We will continue to evolve and improve our reporting suite over the coming years and welcome feedback on this report. Please address any questions, comments or suggestions to [corporate.sustainability@anz.com](mailto:corporate.sustainability@anz.com).



1.



2.



3.

There are three other reports available for stakeholders.

1. 2017 Annual Report [anz.com/annualreport](http://anz.com/annualreport)
  2. 2017 Annual Review [anz.com/annualreport](http://anz.com/annualreport)
  3. 2017 Corporate Governance Statement [anz.com/corporategovernance](http://anz.com/corporategovernance)
- Other financial disclosures are available on [shareholder.anz.com](http://shareholder.anz.com)

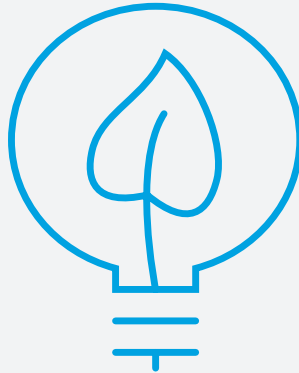


# 2017 SUSTAINABILITY SNAPSHOT



**\$3,415M**

taxes paid<sup>1</sup>



**\$6.9  
BN**

funded and facilitated in  
low carbon and sustainable  
solutions since 2015



**250**

people employed from  
under-represented groups<sup>2</sup>



**41.5%**

women in management  
positions<sup>3</sup>



**113,127**

hours volunteered  
by employees

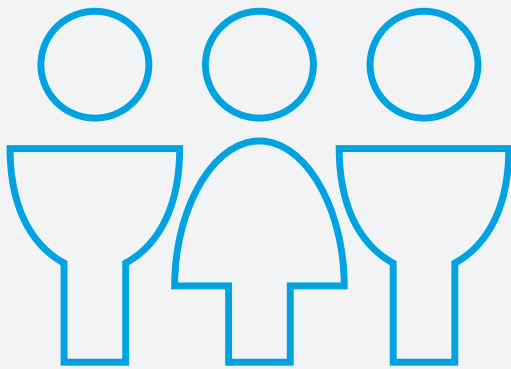
1 Total taxes borne by the Group, includes unrecovered GST/VAT, employee related taxes and other taxes.  
2 Includes Aboriginal and Torres Strait Islander people, people with disability and refugees.  
3 Includes all employees regardless of leave status, excluding contractors (which are included in FTE)



**“THE MARKETPLACE GAVE VISITORS A CHANCE TO LEARN ABOUT THE IMPORTANT JOB OUR LOCAL FARMERS DO IN PRODUCING OUR FOOD.”**

— Christine Linden, General Manager, Regional Business Banking, ANZ

During the year we held a Regional Marketplace at our head office in Melbourne, where staff and visitors had the opportunity to sample and purchase the produce of several of our Victorian and Tasmanian customers.



**\$131M**

in community investment  
(includes foregone revenue)<sup>4</sup>



**20%**

reduction in greenhouse gas emissions<sup>6</sup>



**496,900+**

people reached through our financial education program MoneyMinded<sup>5</sup>



**60,000+**

customers reached through our cyber security education channels

4. Figure includes foregone revenue of \$107 million, being the cost of providing low or fee-free accounts to a range of customers such as government benefit recipients, not-for-profit organisations and students.  
 5. This is the estimated number of people who have benefited from ANZ's MoneyMinded financial education program since 2003.  
 6. From premises energy usage against a 2013 baseline.

# CHAIRMAN'S MESSAGE

DAVID GONSKI, AC



## In 2017 ANZ produced good results for shareholders, our customers and the communities in which we operate.

Rapid economic, technological and social changes are a hallmark of the world we live in. As one of the region's major banks, we have a clear strategy, which is being supported by bold action, to make sure ANZ is fit and ready for this future.

We know our future success relies on having the trust and respect of the community — diminished in recent years due to poor conduct, culture and practices in our sector. We have been slower than the community expects to be more transparent, own up to our mistakes and make things right.

Recognising the failures that have led to the recently announced Royal Commission, I would like to acknowledge the genuine progress we have made in delivering better outcomes for customers and in rebuilding community trust.

This has been supported by the establishment of the Responsible Business Committee, led by the Chief Executive Shayne Elliott, and the revision of the charter for the Environment, Sustainability and Governance Board Committee (ESG). The aim of both Committees is to improve our decision-making about our products, services and customers.

We have committed to support our industry's initiatives about product sales commissions and product-based payments in Australian retail banking. The Board and the CEO are overseeing the implementation of the recommendations, with management providing regular program updates. All relevant roles are on track to have the financial objective weighting in scorecards at less than 33% for FY18 and staff recognition programs that were focused on recognising and rewarding sales outcomes have also been changed or closed.

We have also delivered a range of initiatives for customers to make banking fairer and simpler. For example, in Australia we have introduced a lower interest rate credit card and removed ATM fees.

We still have much to do to restore the trust of customers and the community and I believe the Royal Commission will play an important role in that process. We will work hard to ensure our contribution to the Commission helps further strengthen Australia's financial services system. At the same time, we will remain focussed on delivering the benefits of our strategy, creating value for our shareholders, customers, employees and the community in 2018 and beyond.

The Board is pleased with what has been achieved in 2017 and takes this opportunity to thank all of the employees of ANZ for their hard work and dedication.

David Gonski, AC  
Chairman

# CEO'S MESSAGE

SHAYNE ELLIOTT



## I want ANZ to be a company known for behaving fairly and responsibly in order to meet the expectations of our customers, employees and society.

While we still have much to do to achieve this, we are making good progress. This report highlights the positive contributions we have made this year, while also acknowledging the challenges we face. It tells the story of who we are, the issues we care about and how we are responding to current and emerging social and environmental risks and opportunities.

We believe we have a genuine role to play in the areas of financial wellbeing, environmental sustainability and housing. These issues are aligned with our purpose, business strategy and sustainability framework. Over the coming year, we will sharpen our focus on what we can do across the bank — from our products and services to our community and employee programs — to help society make progress on these issues.

I am pleased with what we have been able to achieve this year. Beyond the homes we have financed and the businesses we have backed, we have invested more than \$131 million in the communities in which we operate, with our employees volunteering more than 113,000 hours to community organisations.

We have provided employment to 250 people from under-represented groups, including Aboriginal and Torres Strait Islanders, refugees and people with disability. We have helped more than half a million people improve their financial wellbeing through our financial education program, MoneyMinded, and our matched savings program, Saver Plus. This year Saver Plus has assisted more than 4,000 lower-income Australians to save over \$2 million dollars for their own, or their children's, education.

Our commitment to supporting our customers to transition to a low carbon economy has seen us fund and facilitate almost \$7 billion since 2015 in low carbon and sustainable solutions, including renewable energy generation, green buildings and less emissions intensive manufacturing and transport. We were also the first bank globally to report on our climate risk strategy and management using the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures.

Most recently, the Australian Government has established a Royal Commission to examine allegations of misconduct, poor culture and practices within our sector. The Commission will not be an easy process for us or for our industry but we are committed to responding thoughtfully, in a constructive, positive and open manner.

While in no way disregarding our failures, this report highlights that how we run the bank is aimed at providing products and services fairly and responsibly. We could not have achieved so much in 2017 without the sustained effort and dedication of our staff, and I thank them all for their contribution.

Shayne Elliott  
CEO



# ABOUT OUR BUSINESS

**Founded in 1835 and headquartered in Australia, we provide banking and financial products and services to around eight million retail, commercial and institutional customers operating across 34 markets.**

## OUR STRATEGY

Our strategy is focussed on becoming simpler, better balanced and more service-oriented to help businesses and people respond to a changing world. One of our key strategic priorities is to drive a purpose and values-led transformation of the bank and our progress towards this is discussed throughout this report. We are creating a stronger sense of purpose, ethics and fairness, investing in leaders who can help sense and navigate a rapidly changing environment. We are also committed to doing more to address community concerns about housing (affordability and access), environmental sustainability and financial wellbeing — three societal challenges where we believe we can make a positive contribution.

Further information on our strategy, progress against our objectives and our 2018 priorities is available in our 2017 Annual Review on [anz.com/annualreport](http://anz.com/annualreport).

## OUR CULTURE AND VALUES

Our values are the foundation of how we work and how we bank. We recognise that we must live our values every day if we are to execute our strategy successfully and earn back the community's trust.

To support our strategic priority to drive a purpose and values-led transformation of the bank, this year we refreshed our values with input from more than 1,000 employees. Our values, which include a strong focus on speaking up and respectfully disagreeing, are supported by our Code of Conduct. It is a requirement that all employees comply with the Code, which contains eight guiding principles and sets the standards for the way we do business at ANZ.

### We care about:



**INTEGRITY**



**COLLABORATION**



**ACCOUNTABILITY**



**RESPECT**

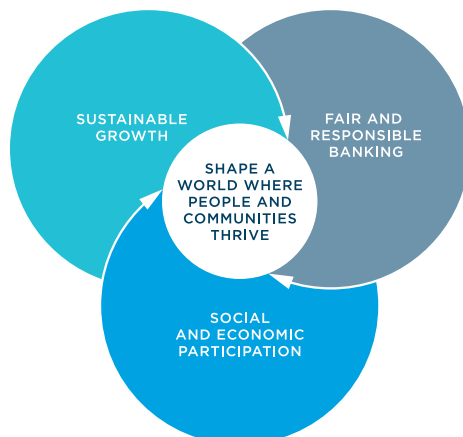


**EXCELLENCE**

## OUR CORPORATE SUSTAINABILITY FRAMEWORK

Our Corporate Sustainability Framework supports our business strategy and is aligned with the bank's purpose. The Framework has three key areas of focus:

- **Fair and Responsible Banking**  
Earn trust by keeping pace with the changing expectations of our stakeholders, maintaining high standards of conduct and understanding the social and environmental impacts of our business decisions.
- **Social and Economic Participation**  
Build strong customer relationships and connect with our communities, supporting a diverse and inclusive society in which everyone can participate
- **Sustainable Growth**  
Create opportunities for all of our customers and enable sustainable growth for individuals, businesses and industry



# SUSTAINABLE DEVELOPMENT GOALS

**On 1 January 2016, the United Nations Sustainable Development Goals (SDGs) came into effect. The 17 goals and 169 targets are aimed at solving the world’s most pressing sustainable development challenges — ending global poverty, protecting our planet and ensuring human rights — over the next 15 years.**

ANZ is committed to the SDGs, which we consider represent an opportunity for business-led solutions and technologies to be developed and implemented. In recognition of the important role business will play in achieving the SDGs, in September 2016 our CEO Shayne Elliott joined over 30 leaders from the Australian business community to sign a public CEO Statement of Support for the Goals.

Since then, we have sought to better understand the SDGs and the linkages to our business. We have again this year mapped relevant SDGs to our sustainability targets and have also embarked on an exercise of mapping the SDGs to our Project and Export Finance book to understand some of the key sustainability drivers underpinning that business.

In August 2017, in partnership with Singapore-based Impact Investment Exchange (IIX), we developed the Women’s Livelihood Bond (WLB) — the world’s first social sustainability bond to be listed on a stock exchange.

Proceeds from the sale of the USD\$8 million bond provides loans to microfinance institutions and impact enterprises across Southeast Asia whose activities benefit women in some of the region’s most vulnerable communities. By enabling these borrowers to grow their businesses and scale their social impact, the WLB will aim to assist more than 385,000 women in Cambodia, Vietnam and the Philippines through improved access to capital and credit, market linkages, and affordable goods and services.

More recently, we have initiated a program of work with a number of other large Australian businesses with the aim of encouraging greater levels of uptake of the SDGs among Australian listed companies. Working together with stakeholders from government and NGOs, we are developing practical ways in which to progress mapping, target setting, measurement and communication of SDGs, as well as exploring ways in which the SDGs can be used to shape business strategy more broadly.







Our values on display in our Melbourne headquarters.



# STAKEHOLDER ENGAGEMENT

**Stakeholder engagement is an important part of our business, embedded in our policies, processes and operations. We have a formal engagement policy that applies to all employees and seeks to maintain a structured approach to engagement through the existence of clear and consistent communications channels, clear ownership of relationships, and accountabilities for relationship owners. Our stakeholder engagement principles are consistent with the AA1000 Stakeholder Engagement Standard.**



## CUSTOMERS

### How we engaged

- 'Your Say' Research Community online customer panel
- Customer research and focus groups
- 'Voice of Customer' platform
- Customer Advocate Office
- Complaints Resolution Centre
- Social media
- Australian Bankers' Association (ABA) survey of trust in banks and banking industry reform program

### Key issues raised

- Interest rates
- Access to banking
- Customer service
- Fees and charges
- ANZ responsible business lending practices
- Ethics and business conduct

### Comment

Our response to the issues raised by customers can be found in the Fair and Responsible Banking chapter of this report.



## EMPLOYEES

### How we engaged

- ANZ Jam, a bank-wide digital conversation, engaging employees about our purpose and values
- 'My Voice' pulse survey of employee engagement
- 'ANZ Way' People Leaders' quarterly webcasts with CEO and Executive Committee members
- 'ANZ Way' Podcast series
- Direct communication and formal twice-yearly performance appraisals with line managers
- ANZ intranet, MAX, a resource for our employees to receive updates and information about developments and initiatives at ANZ
- ANZ's internal collaboration tool, MAX Connect, which connects our people in real-time
- Meetings with the unions representing ANZ employees, including the Finance Sector Union of Australia and FIRST Union in New Zealand
- ABA survey of employees about trust in banks and banking industry reform program

### Key issues raised

- Strategic focus and business priorities, including purpose and values
- Employee health, safety and wellbeing
- Training and development, including on 'New Ways of Working' and 'New Ways of Leading'
- Diversity and inclusion
- Flexible working arrangements
- Organisational restructuring
- Performance management
- Remuneration and reward
- Negotiation of enterprise agreements

### Comment

Our response to these issues can be found in the Fair and Responsible Banking and Social and Economic Participation chapters.



## SHAREHOLDERS

### How we engaged

- Results briefings
- Strategy briefings and other market updates
- Annual General Meeting
- Disclosure documents, including results announcements, investor presentations, annual reports and other ASX lodgements
- Electronic communications and webcasts
- Dedicated ANZ shareholder website

### Key issues raised

- Opportunities and challenges associated with ANZ's strategy
- Progress on executing the strategy, including:
  - Reducing operating costs and risks by removing product and management complexity
  - Improving customer experience through simplification and automation
  - Reducing reliance on and exiting low-returning and non-core businesses
  - Further strengthening the balance sheet by rebalancing our portfolio
  - Maintaining strong capital levels and a favourable position compared with global peers
  - Stable balance sheet composition, managing funding mix and asset tenor
  - Consistent and diversified funding and liquidity portfolios
- Operating environment
  - Managing to a more subdued revenue environment, balancing growth and return
  - Strong, stable bank and banking systems
  - Regulatory changes and capital requirements

### Comment

ANZ recognises the importance of shareholder engagement and encourages shareholders to take an active interest in the company. We seek to provide shareholders with quality information in a timely fashion through ANZ's reporting of results, the company's Annual Report, Annual Review, announcements and briefings to the market, half-yearly newsletters and on our dedicated shareholder site at [shareholder.anz.com](http://shareholder.anz.com).



## GOVERNMENT AND REGULATORS

### How we engaged

- Regular meetings with political stakeholders, officials and regulators by our CEO and senior executives
- Submissions to parliamentary committee inquiries and other government and regulatory consultations
- Participation in industry engagement and forums
- Meetings with trade negotiators regarding free trade agreements
- Providing information and technical advice on international practices to regulators in developing countries
- Meetings with departmental representatives responsible for implementation of programs aligned with or co-funded by ANZ

### Key issues raised

- Conduct and culture in the Australian banking industry, financial advice and treatment of customers in financial difficulty
- Competition, bank pricing and product decisions
- The impacts of national and international regulatory reform in New Zealand, including financial markets, residential property lending restrictions, financial advice, and consumer credit lending responsibilities
- Public policy development on issues and programs related to financial wellbeing and capability in Australia
- Public policy development in New Zealand on issues such as financial literacy, investor education and organised crime
- Financial crime risk management in Asia and the Pacific

### Comment

ANZ has continued to engage constructively with regulators, government and policy makers. We provided submissions to a number of government consultations and parliamentary inquiries on topics such as:

- Consumer protection in banking and financial services
- Primary production customers
- Life insurance
- Small business loans
- Credit card reforms
- Australia-Indonesia relations
- The Department of Foreign Affairs and Trade Foreign Policy White Paper
- Productivity Commission Inquiry into Data Availability and Use
- Product design and distribution obligation
- Banking Executive Accountability Regime
- New Zealand's approach to organised crime
- Financial advice in New Zealand
- Restrictions on residential property lending in New Zealand
- The Reserve Bank of New Zealand's outsourcing policy

We have also worked with regulators and enforcement agencies to share intelligence and help strengthen practices to remediate anti-money laundering and terrorism risks, exit high-risk customers, ensure compliance with sanctions and reduce fraud.

Public submissions are available at the respective government agency websites.



## INDUSTRY ASSOCIATIONS

### How we engaged

- Participated in the development and implementation of the industry consumer protection reform program in Australia
- Participated in industry discussions about sector issues and broad industry strategy
- Participated on the Business Council of Australia's (BCA) climate change policy working group
- Provided input into industry association responses to parliamentary inquiries and government consultations

### Key issues raised

- Conduct and culture in the Australian banking industry, including the handling of customer complaints, dispute resolution and remediation processes, the protection of whistleblowers and dealing with poor conduct
- Remuneration including retail sales commissions and product-based payments/commissions

### Comment

In 2017 we engaged with industry associations, including the Australian Bankers' Association (ABA) and the Financial Services Council to develop strategies for addressing industry reputation issues at a senior executive level and at a business level. ANZ joined with the other Australian banks to continue implementing the industry reform program, a comprehensive set of new measures to protect consumer interests, increase transparency and accountability and build trust and confidence in banks.

We have also contributed to the BCA's climate change policy working group to develop a revised policy platform for business to engage with governments that are working to reduce emissions in accordance with the Paris Agreement.

ANZ's membership and sponsorship of a number of industry associations such as the Carbon Markets Institute, Australian Water Association (AWA) and the Clean Energy Council provide a platform to contribute to the social discourse on sustainability issues. We engaged as speakers and panellists at many industry conferences, sponsored and co-authored a number of papers such as the AWA's 'Alternative Models for Financing Water Infrastructure' and presented the views of ANZ and the interests of our customers in a number of external forums.

We provided input into the development of industry submissions including:

- Productivity Commission Inquiry into Data Availability and Use
- Review of external dispute resolution and complaints schemes
- Credit Cards Bill
- Product design and distribution obligation
- Banking Executive Accountability Regime

The current status of the actions we are taking to build customer confidence and community trust under the six-point ABA plan can be found in the Fair and Responsible Banking chapter.



## NON GOVERNMENT ORGANISATIONS (NGOs)

### How we engaged

- Direct engagement with relevant human rights, consumer and environment NGOs and academics
- Regular engagement with peak bodies for professional community services such as financial counselling
- Regular partnership meetings with community organisations delivering MoneyMinded, Saver Plus and MoneyBusiness programs
- Engagement with NGOs providing oversight of key social commitments such as our Reconciliation Action Plan, Accessibility and Inclusion Plan and Financial Inclusion Action Plan
- A regular program of CEO and senior executive meetings with civil society leaders to exchange ideas and discuss material social, economic and environmental issues of mutual interest
- Consultation with a wide variety of external stakeholders to refine our approach to ANZ's purpose and with particular focus on financial wellbeing, environmental sustainability and housing
- External steering committees for flagship programs and research related to financial capability and wellbeing

### Key issues raised

- Climate change, carbon risk management and the role of banks in supporting the transition to a low carbon economy
- ANZ's provision of finance in the extractive and energy sectors, including coal and gas mining and coal-fired power generation
- Ensuring our operations and supply chain are free of 'modern slavery'
- Finance to customers in 'soft commodities', such as palm oil production in Asia and the Pacific, who are alleged by NGOs to have cut down forests and other practices not consistent with relevant certification standards
- Customer hardship and consumer protection
- Strategies to tackle unemployment and build social and economic participation
- Remediation and compensation schemes in the financial services sector
- Challenges associated with homelessness in Australian society
- How best to support people affected by family violence
- Governance and strategic focus of our community investment approach
- Issues around the impact, scale and sustainability of our financial inclusion programs
- Proposed focus for ANZ's next wave of Adult Financial Literacy Survey, to extend to New Zealand and for expansion to a measure of financial wellbeing and capability.

### Comment

Our response to the issues raised by NGOs can be found in the Fair and Responsible Banking, Social and Economic Participation and Sustainable Growth chapters of this report.



# WHAT MATTERS MOST

**Effective engagement with all our stakeholders is essential if we are to understand and respond to their expectations.**

## OUR MATERIALITY PROCESS

Through our annual materiality assessment we engage with a range of internal and external stakeholders to build a clear picture of those issues that have the most potential to impact our value creation. These issues may change over time, reflecting developments in our external operating environment and the changing expectations of stakeholders. We have used the assessment to inform our strategy and sustainability targets, as well as to guide the content of this report and the applicable GRI Standards. A complete GRI content index is available on [anz.com/cs](http://anz.com/cs).

The key steps in our 2017 materiality process:

- Compiled a list of potential material issues using a range of inputs, including material risks (see page 34–35 of the 2017 Annual Report), a media scan, stakeholder feedback, employee surveys and the United Nations Sustainable Development Goals (SDGs). This resulted in a shortlist of key material issues for review and discussion by stakeholders.
- Identification of a representative sample of stakeholders for consultation on the relative importance of these issues. This included a cross section of senior ANZ employees as well as external stakeholders, with geographic spread across Australia, New Zealand and Asia. Internal stakeholders included government affairs, risk, business governance and regulatory affairs, customer fairness, digital banking, human resources, business bank and 'C suite'. External stakeholders included investors, large institutional customers and a range of NGOs focussed on social and environmental issues.
- Completion of short survey by these stakeholders providing quantitative data on the relative priority of the issues. Stakeholders were asked to rank the list of issues according to their importance and to discuss their 'top three'.
- One-on-one interviews with 25 stakeholders providing qualitative context on the issues. 13 internal and 12 external stakeholders informed our understanding of the current and future context of each issue, including the potential for it to impact our value creation over time.
- Identification of a prioritised list of material issues and the context behind each one.

## OUR MOST MATERIAL ISSUES

This year, stakeholders ranked the following issues (risks or opportunities) as having the most potential to impact our business and ability to create value in the short, medium and long-term:



**Fairness and ethical conduct:** remains the highest ranked issue. This year our stakeholders told us to work harder to 'get it right every time', strengthen our processes, lend responsibly and prevent conduct issues.



**Fraud and data security:** while continued digital innovation was identified as a priority, associated with this was the ongoing need to educate customers and the wider community about online risks and what they can do to improve their own data security and cyber safety.



**Responsible business lending:** ranked in the top three again this year, with stakeholders noting that expectations have heightened. Stakeholders spoke of the importance of engaging with our business customers to ensure the social and environmental impacts (including those related to human rights and climate change) of their operations are minimised. Our business customers also reminded us that policy changes can restrict the availability of capital, in turn potentially impacting their competitiveness and the strength of the economy. NGOs emphasised the importance of reducing the emissions intensity of our business lending portfolio.



**Customer experience:** customers told us that if they believe their success is important to ANZ and they feel valued by ANZ, they will stay with us. Stakeholders also highlighted fairness, transparency and simplicity of products as central to building customer and community trust.



**Digital innovation:** remains core to ANZ's value creation, with employees citing the challenges presented by legacy systems and inherited processes. It is now more important than ever that we move at a fast pace to keep up with digital change and customer expectations or, better still, lead the way.

## OUR MATERIAL ISSUES (STAKEHOLDER RANKING)

Our material issues and ranking	Description of issue	Relevant United Nations Sustainable Development Goals
● Fairness and ethical conduct	A strong corporate culture, known for ethics, values, fairness and transparency. Simple and understandable products and communications (product disclosure, including bank fees and charges) and appropriate hardship/collections policies.	
● Fraud and data security	Policies and processes in place to prevent fraud and protect customer data and privacy. Includes customer access to personal data.	
● Responsible business lending	Social and environmental impacts (including those relating to climate change) that may result from our business lending, particularly our lending to large business customers (lending to sensitive sectors such as mining, military). Includes our due diligence processes in relation to our customers' human rights obligations.	  
● Customer experience	Delivering value and improved customer experience through appropriate financial products and services for all customers, small business and retail.	
● Digital innovation	Keeping pace with digital innovation to ensure we are offering our customers competitive and convenient products and services in a rapidly changing market.	
● Financial system stability and regulation	Financial system stability and regulation of the banking sector, including government policy relating to access to markets and bank licences.	
● Anti-money laundering and terrorism financing	Compliance with international sanctions, anti-money laundering and terrorism financing requirements.	
● Corporate governance	Appropriate governance frameworks in place (processes and policies, including those relating to risk management, executive remuneration and accountability) to ensure ANZ is managed in the long-term interests of stakeholders.	
● Climate change	Managing the business risks and opportunities associated with climate change. Includes the role we play in supporting our customers to transition to a low carbon economy.	
● Labour rights and employee wellbeing	Fair and equitable wages, freedom of association, safe working conditions (including effective policies to maintain physical and mental health and wellbeing), fair hours, no discrimination, regular work and whistleblower policies.	  
● Diverse and inclusive workforce	Attracting and retaining an engaged, diverse and inclusive workforce to help us serve our customers better and drive strong business performance across the markets in which we operate.	 
● Financial inclusion	Promoting and enabling access to safe and affordable products and services, particularly for lower-income and vulnerable consumers. Investment with cross-sector partners in the building of financial skills, confidence and wellbeing for vulnerable groups in the communities in which we operate.	   
● Investing in the community	Supporting the communities in which we operate through workplace giving and volunteering; and providing support to recover from natural disasters.	  
● Sustainable supply chain	Environmental and social impacts of our procurement practices (identifying and managing the risks and opportunities associated with our supply chain).	 

● Fair and Responsible Banking ● Social and Economic Participation ● Sustainable Growth ● Other

# GOVERNANCE AND RISK MANAGEMENT

**ANZ's strong governance framework provides a solid structure for effective and responsible decision-making within the organisation. The Board has oversight of the risks and opportunities arising from our activities and is responsible for setting the direction, strategies and financial objectives for the bank and for monitoring the implementation by management of those strategies and objectives.**

There are five principal Board Committees — the Audit Committee, the Environment, Sustainability and Governance (ESG) Committee, the Risk Committee, the Human Resources Committee and the Digital Business and Technology Committee. Each committee has its own charter setting out its roles and responsibilities.

At management level, the Group Executive Committee (ExCo) comprises ANZ's most senior executives. There is a delegations of authority framework that clearly outlines those matters delegated to the CEO and other members of senior management. In addition, there are a number of formally established management committees that deal with particular sets of ongoing issues.

For further detail on ANZ's governance framework see our 2017 Corporate Governance Statement and our website at [anz.com/corporategovernance](http://anz.com/corporategovernance).

**“THE RESPONSIBLE BUSINESS COMMITTEE IS CHARGED WITH MAKING SURE THAT WE EMBED OUR PURPOSE IN EVERYTHING WE DO — THAT WE ARE THOUGHTFUL IN THE WAY WE ENGAGE ACROSS THE BANK AND WITH THE COMMUNITY, SO THAT PEOPLE WILL NOTICE AND SAY ‘ANZ IS REALLY MAKING A DIFFERENCE’.”**

— Shayne Elliott, CEO

## OUR APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISK MANAGEMENT

The ESG Committee (formerly, the Governance Committee), led by ANZ's Chairman, has a specific focus on sustainability, approving the bank's sustainability targets and reviewing progress in achieving them. It also advises management on ESG issues and reviews minutes from management committees regarding sustainability issues.

The Board is responsible for establishing and overseeing the bank's risk management framework, with the Board Risk Committee responsible for developing and monitoring compliance with ANZ's risk management policies. Management reports concerning the implications of new and emerging risks are reviewed by the Risk Committee. This may include risks that arise from the social and environmental impacts of our lending decisions.

This year we established the Responsible Business Committee (RBC), chaired by the CEO and comprised of senior executives from business divisions and Group functions, including Risk, Corporate Affairs and Human Resources. The Committee replaces the Reputational Risk, and Corporate Sustainability and Diversity Committees, and is a leadership and decision-making body that exists to advance ANZ's purpose. Among other responsibilities, the RBC agrees and sets ANZ's risk appetite for industry sectors to align with the bank's purpose and values. It also oversees and monitors current and emerging ESG risks and opportunities, debating and agreeing relevant material matters including breach of Sensitive Sector Policies and exemptions requested by the business.









One of the key ways we identify and manage the risks associated with our business lending is through the application of our Sensitive Sector Policies — consolidated this year into a new Social and Environmental Risk Policy. This new policy consolidates the principles and standards previously embedded within our six Sensitive Sector Policies into one 'umbrella' policy.

This holistic policy incorporates social and environmental considerations into lending decisions for all customer sectors. It includes relevant content of ANZ's revised human rights standards including ANZ's 'zero tolerance' for improper land acquisition and involuntary resettlement. For further discussion see the Sustainable Growth chapter in this report.

## MATERIAL ISSUES AND RISK MANAGEMENT

The success of ANZ's strategy is underpinned by sound risk management. All of our activities involve — to varying degrees — the analysis, evaluation, acceptance and management of risks or a combination of risks. As noted earlier, one of the ways in which we identify our material social and environmental risks is through our annual materiality assessment (see page 12–13). Our most material issues are captured and managed within our existing Material Risk categories (as the table below shows).

A full list of ANZ's Material Risks is available on page 34–35 of the 2017 Annual Report available on [anz.com/annualreport](http://anz.com/annualreport).

Material Risk type	Description	Management of Material Risks	Most material issues
Compliance Risk	The probability and impact of an event that results in a breach of any of the following that apply to the Group's businesses: laws, regulations, industry standards, codes, internal policies, internal procedures, or principles of good governance.	Key features of our Compliance Risk framework include centralised management of key obligations, and emphasis on identifying changes in regulations and the business environment, so as to enable us to: <ul style="list-style-type: none"> <li>proactively assess emerging compliance risks; and</li> <li>implement robust reporting and certification processes.</li> </ul>	
Credit Risk	The risk of financial loss resulting from: <ul style="list-style-type: none"> <li>a counterparty failing to fulfil its obligations; or</li> <li>a decrease in credit quality of a counterparty resulting in a financial loss.</li> </ul> Credit Risk incorporates the risks associated with us lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies.	Our Credit Risk framework is top down, being defined by credit principles and policies. Credit policies, requirements and procedures cover all aspects of the credit life cycle — for example: transaction structuring, risk grading, initial approval, ongoing management and problem debt management, as well as specialist policy topics.	
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational Risk: <ul style="list-style-type: none"> <li>includes technology risk, cyber risk, legal risk and conduct risk, and damage arising from inadequate or failed internal processes, people and systems; but</li> <li>excludes Strategic Risk.</li> </ul>	The Group operates a three-lines-of-defence model to manage Operational Risk, with each line of defence having defined roles, responsibilities and escalation paths to support effective two-way communication and effective management of our Operational Risk. Also, we have ongoing review mechanisms to ensure our Operational Risk framework continues to meet organisational needs and regulatory requirements.	  
Reputation Risk	The risk of loss that directly or indirectly impacts earnings, capital adequacy or value, that is caused by: <ul style="list-style-type: none"> <li>adverse perceptions of the Group held by any of customers, the community, shareholders, investors, regulators, or rating agencies;</li> <li>conduct risk associated with the Group's employees or contractors (or both); or</li> <li>the social or environmental (or both) impacts of our lending decisions.</li> </ul>	We manage Reputation Risk by maintaining a positive and dynamic culture that: <ul style="list-style-type: none"> <li>ensures we act with integrity; and</li> <li>enables us to build strong and trusted relationships with customers and clients, with colleagues, and with the broader society.</li> </ul> We have well established decision-making frameworks and policies to ensure our business decisions are guided by sound social and environmental standards that take into account Reputation Risk.	  



# OUR SUSTAINABILITY TARGETS

Each year we set public sustainability targets and a corresponding Group-wide program of work to support the delivery of our business strategy and respond to our most material sustainability issues. Progress against our targets<sup>7</sup> is reviewed by the Responsible Business Committee, and twice a year by the Board Environment, Sustainability and Governance Committee. Our 2018 targets, many of which are aligned with the United Nations Sustainable Development Goals, are outlined below. Performance against our 2017 targets is discussed throughout this report.

## 2017 SUSTAINABILITY TARGETS

This year we have achieved or made good progress against 83% of our targets.



**44%**

Achieved



**39%**

Partially achieved or in progress



**17%**

Did not achieve

## 2018 SUSTAINABILITY TARGETS



### FAIR AND RESPONSIBLE BANKING

#### Targets

Create the best experience for our customers, measured by: improving Net Promoter Score relative to peers (Retail, Corporate and Commercial and Institutional customers).

Improve senior leaders' role modelling of ANZ values by 2% to 74% in 2018.

Extend ANZ's cyber security education and awareness program in 2018 by:

- embedding cyber security information into key business processes (e.g. security tips when establishing new customer accounts) and customer 'touchpoints' (e.g. ANZ website); and
- collaborating with others (e.g. government, universities and industry) to help build a 'pipeline' of cyber security professionals and raise community awareness of cyber security.

Implement strengthened due diligence for our Human Rights Standards by end 2018.

#### Relevant United Nations

#### Sustainable Development Goals



7. Unless stated targets are at Group level.



## SOCIAL AND ECONOMIC PARTICIPATION

### Targets

Help enable social and economic participation of 1 million people by 2020 through our initiatives to support financial wellbeing, including our financial inclusion, employment and community programs, and targeted banking products and services for small business and retail customers.

### Relevant United Nations Sustainable Development Goals



Build an engaged, diverse and inclusive workforce by:

- increasing the representation of Women in Leadership by 3% to 34.1% by 2020;
- maintaining an organisation inclusiveness score of at least 93% in 2018;
- recruiting >1,000 people from under-represented groups including Indigenous Australians, people with a disability and refugees<sup>8</sup>; and
- improving employee engagement by 6% to 80% by 2020 (against 2016 baseline score of 74%).



Increase employee volunteering participation rate in 2018 to 30%.



## SUSTAINABLE GROWTH

### Targets

Fund and facilitate at least \$15 billion by 2020 in low carbon and sustainable solutions including renewable energy generation, green buildings and less emissions intensive manufacturing and transport.

### Relevant United Nations Sustainable Development Goals



By end 2018, ensure emerging issues and leading practices are reflected in the policies and procedures guiding our business lending decisions by:

- reviewing and, where necessary, updating our Social and Environmental Risk Policy (including sensitive sector standards); and
- amending our risk appetite and customer assessment processes to increase emphasis on climate change risks and management.



By 2020, reduce the direct impact of our business activities on the environment by:<sup>9</sup>

- reducing scope 1 and 2 emissions by 24% by 2025 and by 35% by 2030 (against a 2015 baseline);
- increasing renewable energy use in our Australian operations by 13% by 2020 (against a 2017 baseline);
- reducing paper consumption in Australia and New Zealand (office and customer paper use only) by 40% by 2020 (against 2015 baseline);
- increasing recycling rates in our Australian commercial offices (> 20,000m<sup>2</sup>) by 12% by 2020 (against a 2017 baseline); and
- reducing water consumption in our Australian commercial offices (> 10,000m<sup>2</sup>) by 15% by 2020 (against a 2015 baseline).



8. This will also contribute to the 'Help enable social and economic participation of 1 million people' target  
 9. Environmental reporting year is 1 July–30 June in line with Australian regulatory reporting year.



# FAIR AND RESPONSIBLE BANKING



## MAKING THINGS FAIRER FOR OUR CUSTOMERS

**Serving our customers fairly and responsibly is at the heart of our business and critical to our ability to create value for our shareholders and other stakeholders.**

Political, social and regulatory expectations of banks continue to evolve. Failure to meet these expectations puts at risk our social licence to operate. Stakeholders rightly expect us to understand and manage the social and environmental impacts of our business operations — encompassing everything from who we bank, who we procure goods and services from and how we treat our customers and employees. We are focussed on running a business that contributes directly to the wellbeing of the communities in which we operate.

In August this year, our CEO wrote to all employees about 'The ANZ Way', a guide to the way we work and our promises to customers. 'The ANZ Way' makes it clear that we will raise standards in everything we do, going beyond complying with the law.

**“IT IS INCREASINGLY IMPORTANT FOR BUSINESSES TO ENSURE FAIRNESS IS PART OF THEIR CUSTOMER EXPERIENCE AMID AN ENVIRONMENT OF WAVERING CORPORATE TRUST.”**

— Colin Neave, Customer Fairness Advisor, ANZ

### PROMOTING RESPONSIBLE BEHAVIOUR

A suite of policies detail expectations of all our employees regarding their behaviour, both internally and externally. Policies are regularly reviewed to ensure they reflect any changes in legislative requirements, and include:

- Anti-Money Laundering and Counter-Terrorism Financing Policy
- Economic and Trade Sanctions Policy
- Use of Systems, Equipment and Information Policy
- Fraud Policy
- Expense, Travel and Entertainment Policy
- Equal Opportunity, Bullying and Harassment Policy
- Health and Safety Policy
- Conflict of Interest Policy
- Trading in ANZ Securities Policy
- Trading in Non-ANZ Securities Policy
- Anti-Bribery and Anti-Corruption Policy
- Whistleblower Protection Policy.

### CODE OF CONDUCT

All ANZ employees and contractors are required to complete the ANZ Essentials training courses. These are comprised of:

1. Living the Code
2. Equal Opportunity Essentials
3. Compliance (Compliance Essentials, Anti-Money Laundering, Operational Risk Essentials)
4. Preventing Fraud, Bribery and Corruption.

The Living the Code course reinforces the importance of our values and Code of Conduct and seeks a declaration of compliance with our Code of Conduct. By completing ANZ's Living the Code course, participants are confirming they understand the Code's principles and have complied with them over the previous 12 months. In 2017, 99% of our employees and contractors completed the training.

In 2017, there were 1,443 alleged breaches of our Code of Conduct across our operations, up from 1,408 alleged breaches in 2016. Breaches ranged from conflict of interest through to allegations of fraud, bullying, discrimination and email misuse. Outcomes following investigations of breaches this year included 202 resignations, 262 terminations and 979 warnings. Breaches of the Code of Conduct are reported to the Board Environment, Sustainability and Governance Committee and form part of regular risk reporting to the Operational Risk Executive Committee.



## WHISTLEBLOWER POLICY

Our purpose and values set the standard for how we do business and actively encourage openness, integrity and accountability. Our Whistleblower Policy has been developed to ensure that all employees, contractors and external auditors can raise concerns regarding actual or suspected contraventions of our ethical and legal standards freely and without fear of repercussions. The policy provides a number of avenues for disclosure including internally through a Whistleblower Investigations Officer (WIO), and externally via confidential phone, email and web-based mechanisms, operated by a third party.

Whistleblower Protection Champions, usually business unit or country CEOs or Managing Directors, promote the policy and provide employees with information about the process including who to contact should they wish to make a report.

Whistleblower Protection Officers (WPOs) are responsible for investigating reports or complaints lodged and determining whether there is evidence to support the matter raised or to refute it. Matters requiring further investigation are referred to a WIO who will determine the most appropriate course of action. If the issue reported involves unlawful criminal conduct, then the WPO will also consider whether the matter should be referred directly to the police. Where the whistleblower has concerns about the resolution of the matter, an escalation avenue to the Chief Compliance Officer is available.

Following the improvements made to the Whistleblower Policy in 2016, we ran an awareness campaign this year through our internal communications network that resulted in an increase in the number of disclosures. Our Group Investigations team also delivered more than 100 awareness sessions throughout the year, which included information on whistleblowing, to employees across our regions.

This year, reports under our Whistleblower Policy increased, with 121 disclosures made (up from 71 in 2016). The majority of the reports did not uncover any significant issues. In those cases where our policies were breached, we took appropriate action, including dismissal.

## TRANSPARENT FEES AND CHARGES

Stakeholders expect us to be transparent about how we make decisions on the fees associated with our products and services. Easy to understand product disclosures, including information about the fees and charges which may apply, is vital to ensuring that customers are able to choose the most appropriate products for their circumstances.

In response to customer feedback, in September we announced we would remove fees for all non-ANZ customers using our fleet of ATMs anywhere in Australia.

## BANK TRADING AND THE BBSW — SETTLEMENT REACHED

The Federal Court of Australia recently approved ANZ's settlement with the Australian Securities and Investments Commission (ASIC) in relation to attempted unconscionable conduct and inadequate compliance controls in the Australian interbank market, known as the Bank Bill Swap Rate (BBSW) market.

In a Statement of Agreed Facts lodged with the Federal Court, ANZ acknowledged that, in the course of trading on the BBSW market, a small number of traders attempted to engage in unconscionable conduct on 10 dates between September 2010 and February 2012. ANZ also did not have in place adequate policies and systems to monitor trading and communications of its BBSW traders. There were no allegations by ASIC of collusion between ANZ and other institutions.

As part of the resolution, ANZ agreed to a \$10 million penalty. ANZ also agreed to make a payment of \$20 million to a Financial Consumer Protection Fund and a \$20 million payment toward ASIC's costs. In addition, ANZ agreed to enter into an enforceable undertaking with ASIC, whereby an independent expert will be appointed to review controls, policies, training and monitoring of BBSW trading.

Since 2015, ANZ has significantly changed the way it manages its Markets business, including new policies and systems as well as introducing extensive training for all its traders. ANZ Chief Risk Officer Nigel Williams said, "We know our customers and the community expect better from us and we apologise for both the attempted unconscionable conduct and our inability to prevent or detect the behaviour."

## PROGRESSING AUSTRALIAN BANKING INDUSTRY REFORMS

**Together with our peers in the Australian banking industry, this year we have continued to put in place reform initiatives to lift standards and regain customer confidence and trust.**

### REMEDIATION PRINCIPLES

Our Remediation Principles aim to ensure that fair and consistent remediation is provided to customers when ANZ gets something wrong. The Principles, which have a strong customer focus, are:

<b>1</b>	<b>We will listen</b>
<b>2</b>	<b>We will apologise</b>
<b>3</b>	<b>We will compensate</b>
<b>4</b>	<b>We will commit resources to fix the problem</b>
<b>5</b>	<b>We will explain our approach clearly</b>
<b>6</b>	<b>We will act speedily</b>
<b>7</b>	<b>We will learn from mistakes when they are made</b>

We have changed the structure of our branch and call centre remuneration to a new scorecard that emphasises good customer outcomes, with weighting for financial performance less than 33%. We are looking to extend this structure to other parts of ANZ, reflecting the spirit of the banking industry's Retail Banking Remuneration (Sedgwick) Review.

In addition, we have changed the focus of our branch network's half-yearly 'Team Recognition Program' from the outcomes of financial objectives to the outcomes of customer objectives.

In addition, governance has been strengthened in our mortgage broker channel and we are working with the industry and stakeholders to improve the structure of broker remuneration.

The former Australian Commonwealth Ombudsman, Colin Neave, was appointed as ANZ's Customer Fairness Advisor.

The Customer Fairness Advisor role is focussed on minimising reputational risk, and the risk of regulatory intervention, which may arise from:

- the retention or development of products which have an unfair impact on our retail and small business customers;
- shortcomings in the way in which we manage customers in financial difficulty and assess suitability for lending; and
- broader stakeholder concerns about the culture and values of large financial institutions.

During the year, Colin Neave developed customer remediation principles to assure our customers that ANZ will acknowledge and compensate for any failures quickly.

We have strengthened our processes for assessing customers' applications for loans. ANZ will start sharing comprehensive credit data with credit bureaus in the second half of 2018 to help support better lending practices across the industry.

New industry-wide recruitment and checking processes have been implemented to make it difficult for bankers or financial advisors with proven poor conduct records to move from firm to firm.

To deliver better quality financial advice, we have increased the number of audits using inputs from data analytics and are providing improved training to staff in advisory roles. If we provide poor advice, a dedicated 'Advice Review Team' reviews the advice and compensates customers.

ANZ has supported government reforms that will commence in 2018 such as the 'one stop' Australian Financial Complaints Authority and the Banking Executive Accountability Regime.

To assist the government's Review into Open Banking, we have suggested a simple and safe pathway for data sharing. Open Banking will give customers better information on their banking services, and make it easier to compare products.

## FINANCIAL CRIME

**We have an obligation to protect our customers and a duty to do the right thing by the wider community.**

Our Financial Crime Unit is a team of experts that acts swiftly and collaboratively to manage the threats posed to ANZ and its customers by money launderers, financial supporters of terrorism, fraudsters, sanctions evaders and other perpetrators of financial crime.

**“IT IS VERY MUCH A DELIBERATE STRATEGY BY THE BANK TO INVEST IN GOOD FINANCIAL CRIME RISK MANAGEMENT; IT’S GOOD FOR BUSINESS AND IT’S GOOD FOR THE COMMUNITY.”**

— Guy Boyd, Group Head of Financial Crime, ANZ

### FRAUD

Our Fraud Policy establishes a consistent understanding of fraud across our business and outlines agreed minimum standards for the prevention, detection and investigation of fraud. The policy outlines each person’s responsibilities to prevent and detect fraud and how to report suspected or actual fraud. The policy directs that all instances of fraud (whether internal or external) must be reported in accordance with defined reporting requirements.

The implementation of the policy is supported by detailed requirements including the assessment of fraud risk and measurement against a defined risk appetite and the use of technology and controls to proactively detect and prevent fraud. The requirements also detail the standards for investigating incidents, including those involving ANZ employees.

Our approach to fraud risk management is focussed on proactively minimising the occurrence of fraud and its consequences to customers, shareholders and employees while meeting legal and regulatory requirements.

We undertake proactive monitoring of transactions to detect suspected fraudulent activity, provide customer education and awareness on common fraud scenarios and continue to develop and implement better ways to secure customer interactions with ANZ. We also work in partnership with industry, government and other organisations to minimise, disrupt and prevent the impacts of fraud more broadly across society.

### ANTI-MONEY LAUNDERING AND COUNTER TERRORISM FINANCING

Our Anti-Money Laundering and Counter Terrorism Financing Program (AML/CTF Program) establishes minimum standards, guiding and directing our Group-wide approach to detecting and deterring money laundering and terrorism financing (ML/TF) activities. Risk assessments are completed both at the enterprise level as well as country level to identify, manage and mitigate ML/TF risk across the organisation.

We apply mandatory standards relating to customer due diligence. Verification of identity is undertaken using independent and reliable documents or electronic data. Customers identified as posing a high risk of money laundering or terrorism financing are subjected to enhanced due diligence measures and monitoring, senior management review and compliance approval.

In accordance with our AML/CTF Program we undertake monitoring to identify transactions that appear to be abnormally complex, unusual or have no apparent economic or visible lawful purpose. Transaction monitoring enables us to identify and manage potential money laundering or terrorism financing.

## ANTI-BRIBERY AND ANTI-CORRUPTION

Our Anti-Bribery and Anti-Corruption (ABAC) Policy prohibits employees and contractors of ANZ from engaging in activity that constitutes bribery and corruption, including offering, promising, providing, requesting or receiving bribes directly, indirectly or through third parties, in any form, including kickbacks and facilitation payments. An objective of the ABAC Policy is to define unacceptable behaviour relating to bribery and corruption and to direct its identification, management and prevention. The policy is reviewed annually to ensure compliance with applicable Australian and international anti-bribery and anti-corruption legislation and alignment with best practice, including guidance issued by Transparency International, the Wolfsberg Group and Social Accountability International.

The ABAC framework mandates value thresholds for approval and recording systems for gifts, entertainment or sponsored travel that is given or received. The framework requires a risk-based approach to the development and management of key anti-bribery controls including third party and employee due diligence and outlines the approach with respect to donations, risk assessments, record keeping and training.

We conduct an enterprise-wide Anti-Bribery and Anti-Corruption risk assessment periodically to identify key jurisdictions, business relationships, and business activities where our exposure to bribery and corruption risk may be higher. This informs senior management of the current and emerging ABAC environment and provides an enterprise-wide overview of ANZ's bribery and corruption risk management. Our Operational Risk Measurement and Management Framework governs the risk assessment process and the identification of key risks. The ABAC framework provides additional guidance on the identification of bribery and corruption risks and the additional controls that may be considered.

All of our employees and contractors are required to undertake mandatory training to ensure awareness and understanding of their obligations relating to fraud, bribery and corruption, money laundering, terrorism financing and sanctions. In addition, tailored role-specific, ABAC, AML and CTF and sanctions training must be completed by staff in specialist roles (including senior management and compliance staff).

### HIGHLIGHT

## UPHOLDING THE INTEGRITY OF AUSTRALIA'S FINANCIAL SYSTEM



ANZ is a founding partner of the Fintel Alliance — a world-first private-public partnership to combat money laundering and terrorism financing.

The Fintel Alliance was established by AUSTRAC, Australia's financial intelligence agency, bringing together private industry, government intelligence and law enforcement partners. The Fintel Alliance enables collaboration on joint operational projects, such as combating the sexual exploitation of children for financial gain and protecting Australians from scam activity.

As a partner in the Alliance, ANZ regularly co-operates with agencies such as AUSTRAC, the Australian Federal Police, Australian Criminal Intelligence Commission, NSW Police, Department of Immigration and Border Protection and the Australian Tax Office.

We also joined the Asia Pacific Financial Coalition Against Child Pornography, collaborating with the Singapore-based International Centre for Missing & Exploited Children, to help eradicate the online exploitation of children.

ANZ is also working with the Asian-based Anti-Money Laundering and Countering the Financing of Terrorism Industry Partnership, which is initially focussed on human trafficking. We have continued our partnership with Liberty Asia, assisting in the prevention of human trafficking and slavery.



## IMPROVING CUSTOMER EXPERIENCE

Putting our customers at the centre of everything we do is key to our success. As many customers move towards digital banking and away from face-to-face interactions in branches we are focussed on building more convenient and engaging banking solutions.

### ✘ FY17 Target

Create the best experience for our customers, measured by improving Net Promoter Score relative to peers (Retail, Commercial and large Corporate/Institutional customers, Australia and New Zealand)

#### Commentary

##### Australia

- Retail: ranking decreased to 4th from 2nd at end of 2016<sup>10</sup>
- Corporate and Commercial: ranking of 4th remained steady from end of 2016<sup>11</sup>
- Institutional: ranked 2nd (first year of public reporting)<sup>12</sup>

##### New Zealand

- Retail: ranking of 4th remained steady from end of 2016<sup>13</sup>
- Corporate and Commercial: ranking of 4th remained steady from end of 2016<sup>14</sup>
- Institutional: ranked 3rd (first year of public reporting)<sup>15</sup>

This year we did not meet our target to increase ranking relative to our peers. Recognising that we still have work to do in order to improve customer experience, we introduced the Net Promoter System (NPS), which focusses on listening and learning from customers in order to take actions which will improve customer experience.

The NPS has a measurement component (a Net Promoter Score) that can be used to evaluate the likelihood of a customer recommending an ANZ branch, product or service. This score enables us to gauge whether our products and services are meeting the needs and expectations of our customers, and to track performance against our peers.

Customer 'feedback loops' are integral to the NPS, enabling continuous learning and improvement for both customer facing ('inner loop') and non-customer facing ('outer loop') teams. Teams use feedback from dedicated customer surveys to drive product, policy, technology and process improvements.



### Institutional bank (Australia) ranking

- Roy Morgan Research Single Source, Australian population aged 14+, Main Financial Institution, six month rolling average to Sep'17. Ranking based on the four major Australian banks. Definition: On a 10pt advocacy scale (where 1 is Very Unlikely and 10 Very Likely), bank's Main Financial Institution (MFI) customers rate their likelihood to recommend their MFI to a friend or colleague. Net Promoter Score = % Promoters (score 9–10) — % Detractors (score 1–6). Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.
- DBM Business Financial Services Monitor. Base: Corporate & Commercial Banking (<\$500m annual turnover) customers. Data based on 6 month average to Sep'17. Ranking based on the four major Australian banks. Definition: On an 11pt advocacy scale (where 0 is Extremely Unlikely and 10 Extremely Likely), bank's Main Financial Institution (MFI) customers rate their likelihood to recommend their MFI to others for business banking. Net Promoter Score = % Promoters (score 9–10) — % Detractors (score 0–6). Net Promoter Score® is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.
- Peter Lee Associates Large Corporate and Institutional Relationship Banking surveys, Australia 2017, ranked against the Top 4 competitors.
- Retail Market Monitor, Camorra Research, Sep'17 (monthly).
- Business Finance Monitor, TNS Kantar Research, Q3'17 (quarterly). 2016 ranking has been downgraded from third to fourth based on change in metric used (from customer satisfaction to NPS).
- Peter Lee Associates Large Corporate and Institutional Relationship Banking surveys, New Zealand 2016–17, ranked against the Top 4 competitors.

We have implemented a single, consistent customer feedback mechanism to run our 'Voice of Customer' platform, replacing multiple existing systems across the bank. The single system enables surveys to be sent to all Retail and Commercial customers via email or SMS. Completed responses are fed straight back to the platform so that employees can review real-time feedback through viewing dashboards, and export the data to enable further analysis.

## MANAGING CUSTOMER COMPLAINTS<sup>16</sup>

There are times when our actions fall short of both our own and our customers' expectations, and when this occurs we endeavour to resolve the situation in a fair and timely manner.

The way in which we manage complaints is governed by industry codes, as well as regulatory and banking licence requirements. We have an internal complaints standard which provides ANZ Australia employees with a consistent approach to the identification, management and resolution of complaints across the business (including retail, commercial and wealth).

Customers can raise a complaint over the phone, online, in person or via social media channels, such as Facebook. We aim to resolve issues on first contact with the customer, reducing the need for a complaint to be escalated.

In Australia, if a customer is not satisfied with the way in which their complaint is handled by us, they may escalate their complaint to an appropriate external dispute resolution body, such as the Financial Ombudsman Service (FOS) or the Superannuation Complaints Tribunal (SCT). In New Zealand, customers can escalate their complaints to the Banking Ombudsman Scheme or the Insurance and Financial Services Ombudsman.

The security of customers' personal information and data is a key priority and we investigate and track complaints regarding privacy. The majority of countries in which we operate have implemented laws and regulations to protect the privacy and confidentiality of individuals' personal information. We have a Privacy Policy which sets out the rules protecting the personal information of individuals to ensure a consistent, global approach to privacy compliance. These rules govern the way in which we collect, use, disclose, store, secure and dispose of personal information.

Data relating to complaints is available on page 88 of this report.

## AUSTRALIA – RETAIL AND COMMERCIAL CUSTOMERS

Monthly performance reporting on retail and commercial complaint volumes, highlighting customer 'pain points', is provided to the highest management level within Australia Division. The volume of complaints reported include those that are received by ANZ's Complaint Resolution Centre (CRC).

This year complaint volumes decreased by 12% from 2016. The reduction was driven primarily by resolution of the issues reported in 2016 including complaints in response to an update of our internet banking platform, contact centre wait times and activist campaigns concerning issues such as the financing of fossil fuels. The percentage of complaints resolved within five business days decreased from 74% in 2016 to 67% in 2017. 97% of complaints were resolved within 21 days.

## AUSTRALIA – WEALTH CUSTOMERS

Our Wealth Division provides customers with investment, insurance and advice solutions. Quarterly performance reporting on complaint volumes and initiatives to improve customer experience is provided to the Wealth Leadership Team.

Wealth complaint volumes decreased by 4% in 2017. Key drivers of complaints included the transition of customers to new 'My Super' wealth management products, and issues related to general insurance.



16. Complaints made by customers outside of Australia and New Zealand are managed in the relevant country. We have focussed on Australia and New Zealand in this report as they represent our major markets.

17. Retail and Commercial customer complaints in Australia.

## ANZ CUSTOMER ADVOCATE

Our Customer Advocate works with customers and ANZ to facilitate fair complaint outcomes and minimise the likelihood of future problems. The Customer Advocate engages with community and consumer groups, providing a valuable communication channel which enables the bank to more effectively manage emerging issues.

Retail, small business and wealth customers in Australia can ask the Customer Advocate to review their complaints if they are not satisfied with the outcome of ANZ's dispute resolution process. This voluntary pathway offers customers a further opportunity to resolve their complaint with us.

The Customer Advocate operates autonomously of ANZ business units and reports to the Group Executive, Australia. ANZ is bound by the Customer Advocate's findings in all cases.

In 2017, the majority of the completed reviews undertaken by the Customer Advocate related to disputes about general banking products (e.g. mortgages, savings accounts and credit cards), with a much smaller number relating to insurance, superannuation and investments.

## NEW ZEALAND — RETAIL, BUSINESS BANKING AND WEALTH CUSTOMERS

In 2017, we exceeded our target to resolve 90% of complaints within five business days.

The number of complaints logged decreased by 2% from 2016. Credit cards, transaction accounts and home loans were again the most complained about products, while complaints relating to service made up four of the top five complaint types.

Emerging issues this year included customers losing money to telecommunication scams and binary trading websites and customers seeking hardship withdrawals from their Kiwisaver superannuation accounts.

Our Customer Relations team acts as the second tier of the complaints process, giving customers the opportunity for independent review of their complaint if they remain dissatisfied. Dedicated case managers conduct their own investigation of the issue and recommend a resolution or refer cases to an external dispute resolution scheme.

### CASE STUDY

## ELDER ABUSE INTERVENTION



Following the death of her husband, Susan attended an ANZ branch on a number of occasions with her adult daughter making several uncharacteristic withdrawals. Branch employees, having witnessed Susan's daughter's aggression and insistence that withdrawals be made, were concerned that Susan was being coerced by her daughter. They spoke to Susan alone, outlining their concerns and offering to help her contact the state Elder Rights organisation for advice. Susan confirmed she knew the funds were being withdrawn and did not wish to seek assistance.

Three months later the branch flagged further concerns when Susan became upset about her account balance and could not recall withdrawing funds. Susan asked if her (deceased) husband had been withdrawing funds, and had a 'conversation' with him while in the branch. Susan's sister also contacted ANZ to advise she was concerned that her niece was improperly accessing Susan's

account and bullying Susan. ANZ was unable to discuss Susan's accounts with her sister, but provided her with the contact details of the state Guardianship Board for advice. In addition, ANZ asked Susan's daughter to provide medical evidence that Susan was able to manage her affairs. The medical advice that was provided highlighted capacity concerns and recommended withdrawals be limited to \$800 weekly, pending further review. ANZ implemented this in the face of ongoing complaints from Susan's daughter, who repeatedly requested additional funds. These requests were declined. By that time, approximately \$148,000 had been withdrawn.

Susan's sister ultimately requested a formal assessment be undertaken. The state Administrative Tribunal found that Susan no longer had capacity to manage her affairs and an Administrator and Guardian were appointed.

## CUSTOMER HARDSHIP

There are times when our customers may be unable to meet their financial commitments. For some customers, financial hardship may be short-term as a result of a sudden change in circumstance, for example job loss, unexpected medical needs or a relationship breakdown, while for others it may be sustained financial hardship. Whatever the reason, we seek to assist our customers experiencing financial hardship fairly, respectfully and with dignity.

Assistance offered to our hardship customers includes payment moratoriums, temporarily reducing payments, debt waiver, long-term payment arrangements, referral to a financial counsellor and information in relation to budgeting and financial literacy. Customers have access to a financial counsellor hotline managed by Customer Connect, our customer hardship team, and supported by an independent financial counsellor liaison officer. Each Customer Connect team member receives specialised training enabling them to deal effectively and empathetically with customers experiencing hardship.

We continue to refer customers requiring more than financial counselling assistance to CareRing, a program launched in 2015 through collaboration with our community partner Kildonan UnitingCare. CareRing provides a centralised, single point of contact connecting customers to a coordinated range of support services including housing support, social worker counselling, drug and alcohol services and home energy assessments.

This year we conducted a review of all elderly credit card customers displaying hardship warning signs to assess financial position and product suitability. We also piloted an initiative whereby we contacted customers with debt associated with gambling and pay day loans to ascertain whether they were experiencing payment difficulties and to offer assistance if required. Examples of options offered include reduced repayments, a more suitable product or debt forgiveness for those that were long standing customers.

We also launched our Financial Vulnerability Guide for victims of financial abuse and centralised the management of all customer reported family violence cases to the Financial Counsellor team, ensuring consistency of approach and active referral of victims to a financial counselling service.

ANZ's Financial Inclusion Action Plan (FIAP), discussed in the Social and Economic Participation chapter of this report, outlines the range of actions we are taking to improve support for those vulnerable to financial exclusion including those who experience financial hardship.

Data relating to requests for hardship assistance is available on page 88 of this report.



# 40,470

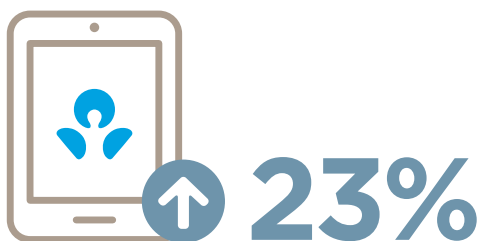
customer requests for hardship assistance in Australia



## DIGITAL TRANSFORMATION

**One of our strategic priorities is to digitally transform the bank. By positioning ourselves to take full advantage of emerging technologies, we aim to build a superior experience for our customers and our people to compete in the digital age.**

We follow our customers' lead with respect to how they want to do their banking and we continue to see an increase in the uptake of internet banking and digital payment methods. We now have 3.3 million digitally active retail customers in Australia (up 16% from 2015) and 83% of value transactions (e.g. withdrawals, deposits and transfers) are now completed via digital channels. Similarly, in New Zealand 65% of our retail customers are digitally active and 82% of value transactions occurred via digital channels in 2017. Digital sales for retail customers in Australia and New Zealand have grown 28% since 2016 now representing 23% of Australian and New Zealand Retail sales, compared to 17% in 2016.<sup>18</sup>



**of Australian and New Zealand retail sales are digital, in comparison to 17% in 2016**

With our customers' preferences shifting to digital channels for simple transactions, our branches have become more specialised, with customer interactions centred on more complex banking requirements such as home or business loans. Accordingly, we continued to consolidate our branch network this year with 52 branch closures in Australia and a reduction of 21 branches in New Zealand (many of which were close to other branches as a result of our legacy National Bank branch network).

Our digital branches offer customers electronic queuing, free Wi-Fi, roaming tellers, and assisted digital self-service banking options. In 2017, we refurbished a further 41 branches bringing the total number of digital branches across our network to 81. 'New to Bank' acquisitions at our digital branches continue to exceed that of traditional branches by 27%.

This year we identified a number of key capabilities essential to our digital transformation including customer-centricity, data, technology and user-centric innovation. We have delivered a step-change in those key capabilities by:

- appointing experienced people to run our Technology, Data, Digital Performance, and Group Marketing teams and by creating new functions such as Innovation and Design;
- investing in the MIT Digital Business Transformation Program, with over 180 senior leaders across ANZ having done the course, substantially lifting our digital leadership capability; and
- developing a risk framework that will enable safe experimentation at increased speed, while providing the appropriate risk 'guide rails'.

We are also seeing the results of our digital transformation in a range of other areas, including:

- strengthening our digital offering with the delivery of multiple new customer features this year including FitBit Pay™, Samsung Pay, touch ID on goMoney™, voice biometrics, RealAs (a property price prediction service attracting 40,000 unique visitors in its first month) and HOLA (an online home loan service, enabling customers to be 'auction ready' in minutes);
- making good progress in a number of strategic innovation areas, including completing the industry's first bank guarantee pilot with Scentre and Westpac using distributed ledger (blockchain) technologies; and
- playing a lead role in setting industry direction on payments infrastructure through the New Payments Platform (NPP) (Australia) Board and Australian Payments Council.

18. Excluding home loans and overdrafts. Total sales for NZ in 2017 have been forecast from August YTD sales volumes.

## CYBER SECURITY



### FY17 Target

Improve customer cyber security awareness through pro-active engagement and provision of simplified cyber education materials and programs, reaching >60,000 customers in 2017.

### Commentary

We met our target to reach more than 60,000 customers through our cyber security education channels in 2017.

While technological change presents us with opportunities to innovate and meet the needs of our customers for digital banking solutions, cyber security risks are increasing and we must continually strengthen our cyber security capabilities.

We continued to engage with our customers on cyber security this year, with a particular focus on small and medium sized business and retail customer segments. We worked closely with our stakeholders to minimise confusion around key cyber security messages and to build an increasing body of knowledge for the rest of the bank.

We introduced a dedicated email address enabling customers to report suspicious messages that appear to have been sent by ANZ. Throughout the year we received approximately 25 phishing email reports per day from customers. We were able to use this information to educate and help prevent other customers from falling victim to cybercrime.

This year we also published new cyber security fact sheets to the security page of anz.com and launched in-branch cyber security messages via digital screens in New Zealand.

Within Australia this year there was a large customer uptake of ANZ's two factor authentication application 'ANZ Shield', with more than 200,000 downloads. 'ANZ Shield' provides customers with stronger account safety and management, helping to reduce account takeover and fraud. We also continued to provide free anti-virus software for retail and small business customers via McAfee, one of our cyber security partners.

Our use of social media to engage and educate customers around safe and secure practices online and promote national and international cyber awareness programs has proved popular, demonstrating that it is a channel customers and the community favour.

Lastly, small, medium and large business customers have welcomed the tailored face-to-face education seminars provided by ANZ this year, particularly those who use ANZ Transactive, our online banking solution offering access to various ANZ applications and services through a single log on. These events have given our clients access to ANZ's leading cyber security and fraud professionals to better understand the risks and opportunities associated with operating in today's digital world, while demonstrating ANZ's commitment to our customers' financial wellbeing.

## HIGHLIGHT

### INNOVATION — VOICE BIOMETRICS



As we respond to increased digitalisation our challenge is to provide customers with more convenient banking solutions without exposing them to increased security risks. In other words, we need to empower our customers to do what they want in a safe and secure way. An important innovation this year was the introduction of voice biometrics for customers, improving the convenience and security of higher value transactions.

Until recently, customers needed to use internet banking or visit a branch to complete transactions over \$1,000. Through our mobile app, ANZ customers can now use their voice to automatically authorise high value payments. A 'Pay Anyone' payment over \$1,000 or a BPAY payment over \$10,000 can now be made via mobile, without the need to log into internet banking, remember any additional codes, questions or passwords, or visit a branch.

The technology confirms a customer's identity through hundreds of unique characteristics in their voice. A person's voice has five to ten times more security points than other identification methods such as fingerprints, so this new feature will also help protect against fraud. The technology is now so advanced that it can tell the difference between identical twins or even a voice recording.

We have been working closely with leading voiceprint and biometrics firms to bring this new technology to Australian customers. Following a successful pilot with a small number of our employees and customers, the service was rolled out to ANZ's Grow platform in September and will be integrated into goMoney™ and other digital services in the coming year.

## EMBRACING THE FINTECH CHALLENGE

Our investment in, and collaboration with, startups within both the Fintech and Regtech industries enables our employees to experience the startup culture and builds on their knowledge and skills, encouraging innovation across ANZ.

—

In 2017 we announced our support of Stone & Chalk's proposal to establish a Fintech Hub in Melbourne. Stone & Chalk is considered to be one of the top Fintech hubs in the world, supporting fintech startups to commercialise and scale their products nationally or internationally. The establishment of this fintech hub in Victoria will connect Victorian fintech startups with customers, mentors, new talent, leading academic institutions, corporate partners and investors, community entrepreneurs and enthusiasts.

**“OUR INDUSTRY IS CHANGING AND BEING INVOLVED IN THE FINTECH ECOSYSTEM IS ONE OF OUR PRIORITIES. BY CREATING A DISRUPTIVE INNOVATION FUNCTION THROUGH KEY PARTNERSHIPS AND PROGRAMS, WE ARE STRENGTHENING INNOVATION ACROSS ANZ AND THE COMMUNITY.”**

— Maile Carnegie, Group Executive Digital Banking

### CASE STUDY

#### FOSTERING INNOVATION AND CREATIVITY IN THE FUTURE WORKFORCE



Technology is rapidly changing the way we work and the roles we perform. We need to build diverse teams that are capable of thinking creatively and critically to solve problems. This is why we are continuing to invest in developing the skills of the future workforce through our involvement with Robogals, an international not-for-profit organisation aimed at increasing female participation in STEM (Science, Technology, Engineering and Mathematics).

Children are introduced to critical STEM skills through robotics and programming workshops, such as the ANZ and Robogals Kid's Robotics Workshop held this year at Sydney's SPARK Festival, Australia's largest gathering of innovators, entrepreneurs and startups. Coding develops critical thinking and problem solving skills and the workshops encourage both girls and boys to work together to find solutions to problems, breaking down stereotypes and fostering creativity and innovation.



## CASE STUDY

### SHESTARTS — SUPPORTING FEMALE LEADERSHIP IN TECH



This year we partnered with BlueChilli, a global company connecting tech startups with industry experts, corporates and investors, on their flagship 'SheStarts' startup program. The program was designed to empower female leadership within the startup economy and inspire women to consider a future in technology and entrepreneurship.

In its first year, SheStarts has invested in 10 female-led technology startup founders, leading them through BlueChilli's '156 accelerator program', an intensive six month startup program that focusses on the development of an initial business concept through to a commercially viable product. Each startup founder received a \$100,000 investment, strategic support, insights and advice from the program partners and collaborators

as well as access to a team of expert startup software designers. The startup journey of these female entrepreneurs was captured as part of the SheStarts web documentary series that aims to inspire future program applicants and entrepreneurs (available at [shestarts.com](http://shestarts.com)).

"For ANZ, involving our people in the program provides a tangible opportunity to expose them to 'innovation in action' and solve problems for our customers", said Carina Parisella, a Senior Manager in our Digital Banking team. "Our involvement in the program also allows us to work closely with startups and small businesses to identify opportunities for collaboration and investment while supporting them to start, run and grow their businesses."

**SheStarts alumni — From left: Claire Jenkins (vetchat), Anna Wright (BanjoMaps), Naomi Stuart (FARMpay), Jessica Christiansen-Franks (Neighbourlytics), Emma Poposka Kardaleva (Brontech), Sally Coldham (Airloom), Madeline Green and Lauren Meyer (Otlet). Not pictured: Lucinda Hartley (Neighbourlytics), Xiao Han Drummond (Refni) and Carla Harris (Longevity App).**



## IMPROVING ACCESSIBILITY

### Our Accessibility and Inclusion Plan outlines the actions we are taking to ensure that our products and services are inclusive and supportive of people with disability.

We are actively engaged with the banking industry's ongoing review of the Industry Standards on Accessibility of Electronic Banking — a set of voluntary standards which aim to improve the accessibility of everyday banking services such as ATMs, EFTPOS terminals and telephone and internet banking.

We have added a range of accessible features to our debit cards, such as raised edges and tactile features, which are designed to provide a better experience for all customers, but particularly those with vision impairment. Accessible cards have been issued to over 400,000 cardholders and are now being progressively implemented across our product range, including 3.4 million debit cards in Australia, with New Zealand implementation to follow in 2018. Accessible features will also be introduced for ANZ issued travel cards and credit cards.

In 2017 we completed a software upgrade across our ATM network — as a result, all ANZ proprietary ATMs are now audio enabled (allowing use of the ATM through an audio jack), include tactile PIN pads, and provide a consistent voice experience to our vision impaired customers. We also commenced the migration of electronic customer statements to a new platform which will ensure they are accessible through Internet Banking to our customers who use assisted technologies such as screen readers. This project is expected to be completed in early 2018.

The continued introduction of mobile payment services such as Apple Pay™, Android Pay™ and Samsung Pay enable new options to tap and pay with eligible ANZ cards that leverage the accessibility features of smartphone devices.

For our customers with hearing difficulties, we have worked to ensure that all of our customer facing staff are appropriately trained to support the provision of AUSLAN and New Zealand Sign Language services in our branch network, and National Relay Service interpretation services for calls to our contact centres.

We continue to work with our suppliers to ensure they understand our commitment to accessibility, and that these requirements are built into our procurement processes for all new technology and services.

**“ANZ AIMS TO CREATE PROCESSES AND POLICIES THAT MAKE IT EASIER FOR THOSE WITH DISABILITIES TO USE OUR EQUIPMENT, PRODUCTS AND SERVICES. BY LISTENING AND CONTRIBUTING TO THE DISCUSSION WE CAN PLAY AN IMPORTANT ROLE IN EMPOWERING PEOPLE WITH DISABILITY AND THEIR CARERS TO PARTICIPATE FULLY IN SOCIETY.”**

— Hamish Mackenzie, Global Technology Accessibility Manager, ANZ

## RESPECTING HUMAN RIGHTS

**Failing to respect human rights and adequately manage human rights-related risks can have negative consequences for our business, eroding trust and damaging relationships with key stakeholders.**

### ✓ FY17 Target

Implement our strengthened Human Rights Standards in 2017.

#### Commentary

We established a three-year program of work to guide implementation of our revised standards and have met our implementation priorities for 2017 by:

- updating the social and environmental screening tool used by our bankers to include our 'zero tolerance for land grabs' commitment;
- piloting a strengthened customer due diligence process in Thailand; and
- reviewing and updating employee training programs to reflect our revised standards.

Relevant United Nations Sustainable Development Goals



Last year we upgraded our human rights standards, *Respecting People and Communities: ANZ's Approach to Human Rights*, consulting with customers, NGOs, government, industry bodies, academics and subject matter experts within ANZ. These standards provide a framework for decision-making that is better aligned with stakeholder expectations and embeds developments in human rights, including the UN Guiding Principles on Business and Human Rights and the Sustainable Development Goals. Our Code of Conduct, and a number of Group-wide policies and internal training programs, also reflect our standards. Our standards are embedded in our everyday business activities, including through our human resources policies and in customer and supplier screening tools.

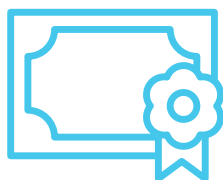
Stakeholders are increasingly focussed on how we apply our standards in practice. For that reason, we have continued to engage with internal and external stakeholders on human rights issues throughout the year to clarify their expectations and identify areas where we can improve. There has been strong interest in how we are embedding our approach to improper land acquisition, to reflect our zero tolerance for this practice.

We understand it is important that complaint mechanisms are available to affected communities who may want to raise concerns about our customers' or suppliers' activities. Our Land Acquisition Position Statement (available on [anz.com/cs](http://anz.com/cs)) and human rights standards clearly identify the ways in which concerned external parties can engage with us.

Other areas that our stakeholders have engaged with us on this year in relation to human rights include:

- remediation processes in the event we are involved in adverse human rights impacts;
- customer screening and due diligence, covering issues such as land acquisition and resettlement and the provision of a safe and fair working environment, free of bribery and corruption; and
- due diligence processes to screen material suppliers for social and environmental impacts.

We regularly update our Board Environment, Sustainability and Governance Committee on our progress in implementing our standards, with executive oversight provided by the Responsible Business Committee.



# 2,800

**Almost 2,800 employees have completed our online Social and Environmental Risk training course since 2015**

## IMPROVING OUR HUMAN RIGHTS DUE DILIGENCE PROCESSES

This year we piloted an improved due diligence process in Thailand to help us better identify human rights-related risks in our customer relationships.

The new process provides our bankers with a better understanding of the types of human rights issues that may arise in specific sectors or activities and is aimed at improving dialogue with business customers on human rights issues.

The initial results were encouraging. Outcomes included better customer engagement and improved information in the credit assessment processes. We will extend the process to other locations across the Group in 2018 ahead of full implementation.

We have also updated the social and environmental screening tool used by our bankers to include our 'zero tolerance for land grabs' commitment and have updated our training programs to reflect our revised standards.

Since 2015, more than 390 Institutional and Corporate Bankers have completed an in-depth, facilitator-led Social and Environmental Banking training course that includes consideration of human rights. In addition, ANZ employees with the authority to approve any lending and customer on-boarding must complete our online Social and Environmental Risk training course. Almost 2,800 employees have completed the course since 2015.

## SUSTAINABLE PROCUREMENT



### FY17 Target

Apply a strengthened third party ESG screening process to all suppliers in high-risk countries,<sup>19</sup> including ongoing monitoring of compliance with ANZ's Supplier Code of Practice by 2017.

### Commentary

- We have implemented and embedded a third party risk screening tool (RepRisk) covering Environment and Social Governance (ESG) risk for suppliers.
- We have engaged a third party to issue questionnaires on behalf of ANZ to a selection of suppliers in countries identified as high risk for attestation of compliance to the revised Supplier Code of Practice. The program launched in September 2017 with the first tranche of suppliers.

Relevant United Nations Sustainable Development Goals



## CASE STUDY

### APPLYING OUR STRENGTHENED HUMAN RIGHTS STANDARDS ON LAND ACQUISITION



This year ANZ was part of a three bank syndicate providing project financing for the development of a gas field and processing plant in Asia. The project involved a significant land acquisition process, which was assessed against the requirements of our Land Acquisition Position Statement and human rights standards, as well as triggering the Equator Principles.

An independent social and environmental assessment was commissioned that classified the project as Category B under the Equator Principles, and in addition to land acquisition it highlighted several matters such as labour issues and greenhouse gas emissions. The assessment concluded that:

- the land acquisitions process had been conducted in accordance with local regulations and IFC Performance Standard 5, and was consistent with the requirements of ANZ's human rights standards; and

- an appropriate stakeholder engagement plan and grievance mechanism had been established, with adequate resourcing planned to ensure the company's ongoing engagement and timely response with affected members of the local community.

ANZ required appropriate undertakings in financing documents that the customer would continue to comply with international standards and regulations. It was also agreed that the banking syndicate would engage an independent social and environmental consultant to monitor the project's ongoing compliance with the required standards.

19. High-risk countries are those that score <70 on the Transparency International Corruption Perceptions Index

Our Supplier Code of Practice (SCOP) applies to all ANZ suppliers across our global operations and reflects our commitment to working with our supply chain to better understand and minimise the social and environmental impact of our mutual business operations. The SCOP outlines the minimum requirements for suppliers in relation to governance and general compliance, workplace relations, occupational health and safety, ethical business practices and environmental management.

This year we updated our SCOP to reflect legislative changes, including the *Modern Slavery Act 2015* (UK) and to ensure alignment with the UN Global Compact. The review incorporated feedback from our suppliers gained through contract negotiations. We simplified certain requirements that were too onerous for suppliers to comply with, for example, the requirement for a Health and Safety Management System as opposed to appropriate workplace health and safety practices.

The new SCOP came into effect in December 2016 and includes all elements of the previous Code, supplemented by new, explicit requirements related to business ethics and human rights.

For major suppliers managed at a Group level, an annual attestation to adherence to the SCOP is sought. In addition, we have committed to seeking these attestations from suppliers considered to be at high risk of impacting human rights, with specific focus on suppliers located in countries where ANZ considers there is potentially a greater level of risk.

This year we also implemented a third party risk screening tool for all suppliers located in high risk countries. Our tenders carry a 5% mandatory weighting section for Corporate Social Responsibility, with this section now scored by a Sustainability Manager to ensure consistency.

In addition to managing the risks associated with our supply chain, we also have a responsibility to facilitate social and economic growth in our communities through collaboration with our suppliers. Our Reconciliation Action Plan (discussed in more detail in page 40) outlines the actions we are taking to promote and support Indigenous suppliers. In addition to increasing our spend with Indigenous suppliers by 65%, highlights this year include:

- creation of an informal network of procurement managers within Melbourne to discuss the opportunities and challenges associated with Indigenous procurement;
- sponsorship of the Supply Nation Supplier Diversity Partnership Award, which was jointly won by ANZ supplier Marcus Lee; and
- engagement with our recruitment suppliers and service providers to promote our Indigenous Cultural Awareness training module. The module was initially designed to help our employees further their understanding of Indigenous culture, and to enable us to meet the needs of our Indigenous staff, customers and community. We asked our suppliers to promote the training module within their organisations and encourage their employees to undertake the training, especially those in ANZ support roles. Supplier response was overwhelmingly positive, with many promoting the resource to their own clients or recruitment candidates.

## PREVENTING MODERN SLAVERY

As a business operating in the United Kingdom with a total turnover of over GBP£36 million, ANZ is required to comply with the *Modern Slavery Act 2015* (UK). The term 'modern slavery' encompasses slavery, human trafficking, servitude, forced and compulsory labour, and includes both adults and children being forced to work against their free will.

ANZ must produce a slavery and human trafficking statement each financial year signed by a Board Director, which sets out the steps we have taken to mitigate the risk of modern slavery across our supply chain.

Our first statement under the UK Act was released in December 2016 and is available on [anz.com](http://anz.com).

This year the Australian Government announced an inquiry into whether equivalent modern slavery legislation should be established in Australia. We made a public submission to the inquiry, indicating our support for creating a similar requirement in Australia, and explained our experience in developing our first UK statement.





# SOCIAL AND ECONOMIC PARTICIPATION



Sheila — a Saver Plus program participant.

## WORKPLACE PARTICIPATION AND DIVERSITY

**“Teams behave differently when they’re more balanced. Whether it’s gender or ethnic background, people just behave differently in those environments. There’s not much point collaborating where everybody thinks like you.”**

— Shayne Elliot, CEO

We invest in a diverse and inclusive workforce, creating employment opportunities for under-represented groups and ensuring we have the right people to meet external challenges including rapid technological change.

We are committed to building a workplace that reflects the communities in which we operate, and is inclusive of a range of diversity indicators including age, caring responsibilities, cultural identity, disability, gender, gender expression and identity, ethnicity, education, family and relationship status, sexual orientation, religious beliefs, and socio-economic background. Diversity also encompasses the many ways people differ in terms of their education, life experience, location, personality, ways of thinking, and work experience. Inclusion refers to the extent to which diversity is valued, accessed and capitalised on in terms of innovation and decision-making.

A summary of our policy position on Diversity and Inclusion can be found at [anz.com/corporategovernance](http://anz.com/corporategovernance).



# 41.5%

**Group-wide representation of women up 1.1% from 40.4% in 2015**

### ACHIEVING GENDER BALANCE IN OUR BUSINESS



#### FY17 Target

Increase the representation of Women in Management by 3% from 2015 to 2018.

#### Commentary

Group-wide representation of Women in Management has remained steady at 41.5%, up 1.1% from 40.4% in 2015.

Relevant United Nations Sustainable Development Goals



ANZ is the principal sponsor of Chief Executive Women, a founding member of the Diversity Council of Australia, an Employer of Choice for Women (Workplace Gender Equality Agency), and a signatory to the United Nations Women’s Empowerment Principles. Involvement in these initiatives provides a solid foundation that supports our focus on gender equality and ensures we are aligned with best practice policies and programs.

We have targets to improve the representation of women in management, with progress reviewed monthly by the CEO and the Group Executive Committee, with results informing the Group’s bonus pool and performance outcomes. This year’s percentage of women in management has remained steady at 41.5% overall. Whilst the percentage of females at the Manager level dropped marginally from 43.3% to 43%, the percentage of female Senior Managers, Executives, and Senior Executives increased by 0.8%, 2.4%, and 0.8% respectively.

Of the nine Senior Executive hires in 2017, six were female (66.7%), evidencing our commitment to improving the proportion of women in leadership roles. ANZ also has four women on its Group Executive Committee: the Chief Financial Officer, the Group Executive Talent and Culture, the Group Executive Digital Banking and the Group Executive Wealth Australia. Our Board has 37.5% female representation.

From 2018, instead of measuring women in management, we will be measuring women in leadership, targeting female representation at the Senior Manager, Executive and Senior Executive levels. This brings us in line with peers and ensures greater focus on improving gender equity at the most senior and influential levels of the organisation.

Whilst female representation at the most senior executive levels is gradually improving due to strong executive support, female representation at the Senior Management level, a key senior leadership pipeline, has increased marginally over the last two years. Our previous inclusion of females at Manager level has unintentionally masked the true representation of women in our most senior management roles, leading to a disproportionate focus on 'middle management' given its material impact on overall target performance.

The Human Resources Committee reviews annual performance and remuneration outcomes to ensure there is no systemic bias in related processes. The gender pay differential between males and females (based on like-for-like job size) continues to be minimal, with consistent results achieved in the most recent remuneration review. Annual reviews of our performance and remuneration outcomes ensure balance and parity, with performance assessments (which drive remuneration outcomes) being equitably applied between males and females.

## RECRUITMENT INITIATIVES

To mitigate the risk of bias in our recruitment and selection practices we require:

- all interview shortlists be gender balanced for every vacant employee role;
- at least one ANZ female interviewer from management involved during the interview process for all manager Group 2 to Group 4 employee roles; and
- at least one female to be formally interviewed for every role.

We also run all job advertisements through a gender decoder. This enables us to identify and modify any language that research has indicated will deter female candidates from applying. The use of inclusive language attracts a diverse candidate pool of applicants to vacant positions.

In 2017 we partnered with two specialist recruitment agencies to complement our inclusive hiring practices: LGBTI (Lesbian Gay Bisexual, Trans, Intersex) Jobs and Flex Careers. Working with specialist recruitment agencies on particular aspects promotes our inclusive culture and attracts candidates who may otherwise not apply.

## PROMOTING FLEXIBLE WORKING



### FY17 Target

Extend flexible working policies in place for a minimum of 90% of ANZ geographies by 2018.

### Commentary

ANZ's Flexible Working Arrangements Policy has been implemented in 28 of 33 countries (85%) in which we operate, up from eight countries (24%) in 2016.

### Relevant United Nations Sustainable Development Goals



Providing our employees with the opportunity to work flexibly supports their career and life goals, and is correlated with increased levels of employee engagement. Flexible working at ANZ includes compressed work week, flexible hours, flexible place (working at home, or other ANZ locations), flexible scheduling of hours, informal/ad hoc arrangements, job sharing, part-time hours, career breaks and/or lifestyle leave (up to four weeks of additional unpaid annual leave).

With the expanded coverage of our Flexible Working Arrangements Policy, 97% of our employees are now eligible to request flexible working via a formal policy. Formalising our flexibility policies provides a framework for employees to initiate a conversation with their line manager about how flexibility might work for their role. In some countries, flexible working is becoming an increasingly relevant aspect of attracting and retaining employees; by ensuring we have policies to support flexible working, candidates, employees, and their line managers feel more inclined to explore all possible options.

With the rollout of the policy to an additional 20 countries in 2017, we have observed an increase in flexible working in some of the countries that adopted a new policy during this time. For instance, Cambodia, Fiji, Indonesia and South Korea all introduced a formal policy in 2017, and all have reported an increase in the percentage of employees working on a flexible basis since the policy implementation.

This policy is part of a suite of policies that help our employees to balance their work and personal commitments, including policies for Lifestyle Leave, Part Time Work, Study Leave Assistance, Volunteer Leave, Career Break, Parental Leave, Leave Without Pay, Carer's Leave, Sick Leave and Special Leave.



## PARTICIPATION OF UNDER-REPRESENTED GROUPS IN OUR WORKFORCE

### → FY17 Target

Recruit >1,000 people from under-represented groups including Aboriginal and Torres Strait Islanders, people with disability and refugees by 2020.<sup>20</sup>

### Commentary

In the first year of our three-year target, we have recruited 250 people from under-represented groups to our workforce.

### Relevant United Nations Sustainable Development Goals



We are making good progress against our overall target. In 2017 we recruited:

- 100 Aboriginal and Torres Strait Islanders (11 employees and 89 trainees) against the Reconciliation Action Plan target of 100;
- 109 employees with disability through our abilities hiring program; and
- 41 refugees through our Given the Chance program.

Promoting the participation of under-represented groups in our workforce, contributes to our goal of creating a diverse and inclusive workforce and contributes directly to our purpose.

We provide employment opportunities to people who may face discrimination or otherwise find it difficult to secure employment. In addition to the direct economic benefits employment provides to an employee, their participation in our workforce also allows us to promote products and services to all customer segments more effectively.

We welcome and include employees from other diverse groups and ensure that we measure our progress in other areas of diversity and inclusion accordingly. For example, we consider the cultural background of employees on succession plans to ensure a culturally diverse representation; track the proportion of employees who identify as LGBTI; and regularly review the age profile of our employees to inform our approach to diversity and inclusion.

### HIGHLIGHT

## ANZ PARTNERSHIP WITH FORTESCUE



We have recently partnered with Fortescue Metals Group (Fortescue) on a \$50 million funding initiative to support Indigenous businesses. Supported by a guarantee from Fortescue, ANZ will provide finance to Aboriginal businesses contracted by Fortescue.

The initiative was designed to help address some of the systemic challenges facing many Aboriginal businesses, especially those without an established trading or credit history that often find it difficult to secure funding from financial institutions. The access to capital will enable the businesses to lease required equipment rather than hire it at more expensive casual hire rates, as is currently the case for many. It is anticipated that this will help to build value creating further employment and development opportunities.

“We are proud to partner with Fortescue on an initiative that is not only practical but will empower Aboriginal businesses”, Graham Turley, Managing Director of Institutional Australia said. “This is a great opportunity for us to continue using our expertise to help Aboriginal businesses develop sustainable operations, while also strengthening our relationships with these business owners and their communities.”

This partnership aligns with our Reconciliation Action Plan performance target to “Strengthen partnerships with Group Training Organisations, financial counselling organisations and Supply Nation members by sharing experiences and seeking opportunities to develop new projects.” Fortescue have been a member of Supply Nation since 2012.

20. This will also contribute to the ‘Help enable social and economic participation of 1 million people’ target.



## SUPPORTING ABORIGINAL AND TORRES STRAIT ISLANDERS

As a large Australian business, we have a role to play in helping to address the social and economic disadvantage experienced by many Aboriginal and Torres Strait Islander people in Australia. Our Reconciliation Action Plan (RAP), released in 2016, acknowledges our support for Reconciliation Australia and outlines our commitments in relation to Aboriginal and Torres Strait Islander employment, cultural recognition and capability, as well as financial capability and inclusion. This year we progressed several of our commitments, with highlights including:

- increased our spend with Indigenous suppliers by 65%;
- introduced questions relating to support for Indigenous businesses into our procurement tender process;
- exceeded our target to increase the number of employees completing our online Indigenous Cultural Awareness training courses. There was a 32% increase in the number of employees completing the training against a target of 15%; and
- supported the Yothu Yindi Foundation through attendance at its 19th annual Garma Festival. Garma brings together business leaders, politicians, thought leaders, academics and journalists to discuss the most pressing issues facing Indigenous Australians.

We will report publicly on our progress against all commitments under our RAP in coming months.

## WELCOMING REFUGEES TO THE WORKPLACE

This year marks the ten year anniversary of ANZ's partnership with the Brotherhood of St. Laurence (BSL) in the delivery of the Given the Chance work placement program in Victoria. Since 2007, over 180 Given the Chance participants have worked in various areas of the bank, predominantly across our Contact Centres and branches. Many of these participants have progressed into permanent roles with ANZ at the end of their placement.

In 2017 our participation in the Given the Chance program enabled us to offer 41 refugees work placements in Australia, a 24% increase on our 2016 intake. The diversity of roles has expanded to include support roles across Operations, Technology and Institutional banking.

We recently committed to working in partnership with BSL to expand Given the Chance and encourage other employers to adopt the successful model in support of a range of disadvantaged job seekers. Together we will work on building a national footprint, leveraging our relationships to engage new business partners, refine a licencing approach and review training content for candidates and hiring managers.

This expansion will demonstrate that, with the right support, people from disadvantaged backgrounds can succeed in a work environment and participate fully in social and economic life.

### CASE STUDY

## GIVEN THE CHANCE



Barriers to finding meaningful employment and difficulties in navigating local workplace culture are significant, sometimes proving overwhelming for even the most highly qualified and skilled people resettling in our communities.

Yas, a former Brotherhood of St Laurence's Given the Chance participant, recently moved into a permanent role at ANZ in Melbourne. Born in Syria, having spent his formative years in Russia and later working in the UAE and Qatar, Yas sought asylum in Australia when he was not permitted re-entry to Qatar.

"ANZ opened the door for me and gave me an opportunity to start a new career", he said. "They have made me feel welcome, and have offered me support and training to help me succeed in my role."

Our sustained success with the program was recognised at the 2017 Australian Migration and Settlement Awards, at which ANZ was presented the Winner of the Business Inclusion award.

## SUPPORTING EMPLOYEES OF ALL ABILITIES

Our commitment to improving financial wellbeing is reflected in our bank wide Accessibility and Inclusion Plan (AIP).

Our AIP is focussed on creating and improving financial, social and economic participation and ensuring our banking products and services are inclusive for all.

We monitor progress against the commitments in our AIP through a steering committee, comprising senior management from various divisions across the bank.

This year we progressed several of our AIP commitments, with highlights including:

- Integration of workplace accessibility standards in the design and interior fitout of our new office space being constructed adjacent to our Melbourne headquarters. In designing the interiors, input has been sought from our staff led Abilities Network, as well as from a specialist Accessibility Consultant.
- Together with the Autism Cooperative Research Centre we hosted the first apps4autism hackathon in Melbourne. Over three days, a diverse range of researchers, developers, designers and people with lived experience of autism collaborated on problems faced by the autism community. Five prototype apps created during the event are now in development.

- We signed a knowledge sharing partnership agreement with global technology company, DXC Technology, which has successfully implemented an 'Autism at Work' program in some of its centres. We recognise that the Autism community (sometimes described as neurodiverse) has much to offer the workplace, but traditional recruitment processes tend to filter such people out, rather than filter them in, despite their often highly valued skills and ways of thinking. To combat this, we are developing a program similar to DXC Technology's 'Autism at Work' to support the recruitment and career progression of autistic people in our workforce.
- We hosted the first Melbourne based Australian Network on Disability (AND) Disability Champions Event together with AND, our executive sponsor for accessibility. The event brought together senior leaders from major companies and government departments to share best practice and insights around workplace accessibility challenges including employment of people with disability, a group which continues to be significantly under-represented in Australian workplaces.

We continue to build links into the community to improve our own practices around accessibility and to proactively shape and influence the public debate. We believe that collaboration across industries on accessibility issues will drive change.



### CASE STUDY

## THRIVING AT WORK



In 2008 Annaliese Bishop, pictured, a Personal Banker in our Geelong branch, was diagnosed with Asperger's Syndrome and Sensory Processing Disorders. Annaliese joined ANZ 18 months ago.

"As a person thriving with autism, I have struggled in the past to have the confidence that I wouldn't be treated differently after sharing my diagnosis with my manager and colleagues", said Annaliese. "This has never been an issue at ANZ, as I feel included, supported and valued in everything I do. I almost forget that my brain is a little different!"

Working part time at ANZ, Annaliese also volunteers as a yoga teacher, providing free yoga sessions to children and adults with autism, or with other special needs such as physical and intellectual disabilities, or facing social and economic disadvantage.





**CASE STUDY**

**BUILDING A CULTURE OF RESPECT  
IN OUR CONTACT CENTRES**



Kevin James, Head of our Contact Centre in Melbourne, has worked with his team and recruitment specialists to foster a workplace culture of inclusion and respect. "Our commitment to accessibility and inclusion is pretty strong", says Kevin. "This year we had 65 employees with a disability and, of those, 12 have been promoted to business areas outside of the Contact Centre."

Simon Giddings, pictured, a Customer Service Consultant employed at the Contact Centre, is completely blind and performs his role with the assistance of screen reading software and a braille display.

As a customer is talking to him in one ear, a synthetic voice simultaneously reads him the content off his computer screen, enabling him to deal with a wide range of customer enquiries.

"Before I was employed by ANZ, I was not at all confident that I would be able to provide a secure future for my family", he said. "Not only am I now confident that I can do so, but I would say ANZ and its staff have shown me utmost respect and total support. That is why I try hard to do the same for our staff and our customers."

## EMPLOYEE ENGAGEMENT



### FY17 Target

Improve employee engagement by 3% to 77% in 2019.

### Commentary

The 2017 employee engagement score has remained steady at 72%, down 2% from 2016.<sup>21</sup>

In previous years, we have measured employee engagement by sending a survey to all employees. In December 2016 we ran a global online discussion (known as the ANZ Jam) that provided our people with an opportunity to share their views about our purpose, values, ways of working and future. Accordingly, we opted for a shorter employee engagement 'pulse' survey in 2017 to maintain focus on the improvements suggested by our employees during the ANZ Jam.

This year has been a period of organisational and cultural transformation with the announcement and roll out of New Ways of Working (NWOW) in the Australia Division. NWOW is designed to reduce hierarchy and increase collaboration and efficiency, enabling us to respond more quickly to changing customer expectations. We have started the rollout in Australia and will eventually extend NWOW across the whole of ANZ.

While engagement has remained relatively stable despite this organisational change — also coinciding with increased political and regulatory scrutiny of the banking sector — we recognise that we still have much to do in terms of supporting our employees.

In September 2017, more than 5,800 Australian employees voted on a proposal to vary the ANZ Enterprise Agreement 2015–2016 and extend it for another year with 94% accepting the new collective employment agreement. The new agreement will provide a 3% increase to salaries for eligible employees for 2017, covers about 20,000 employees in the Australian workforce and has now taken effect following approval by the Fair Work Commission from 13 October 2017.

### HIGHLIGHT

## ATTITUDE FOUNDATION — CHANGING COMMUNITY ATTITUDES TO PEOPLE WITH DISABILITY



We have been partnering with the Attitude Foundation in Australia since it was established by the former Disability Discrimination Commissioner, Graeme Innes, in 2015.

ANZ provides ongoing financial and operational support to the Foundation, on the basis of our shared belief that changing community attitudes to people with disability will lead to their greater economic and social participation in society. The Foundation's mission aligns with our goal to shape a world where people and communities thrive.

The Foundation is working towards the creation of a TV series, in which people with disability are represented in a real and authentic way, away from the traditional disability stereotypes of hero or villain.

In 2017, the Foundation established itself as a strong and influential voice in the media diversity debate, which is gathering momentum in Australia.

21. We have considered the sample sizes to determine statistically significant comparisons. A difference of 3% or more is statistically significant, hence this difference of 2% in our engagement score is not a statistically significant difference compared to 2016.





**HIGHLIGHT**

**ANZ PRIDE NETWORK: SUPPORTING OUR LGBTI EMPLOYEES**



ANZ's Pride Network is a voice, contact point and support mechanism for Lesbian, Gay, Bisexual, Trans and Intersex (LGBTI) employees and allies.

The network's efforts to provide a safe and reassuring work environment led to ANZ being named as the Employer of the Year at the 2017 LGBTI Pride in Diversity Awards, the award for the Inclusion of Trans People, and the Out Role Model Award for one of our network leads, Dave Beks. We have also received awards for LGBTI inclusion outside of Australia this year. ANZ New Zealand was the recipient of the Diversity Works NZ Positive Inclusion Award, and ANZ Hong Kong was ranked number six of 40 companies in the Hong Kong Inclusion Index.

We have expanded the number of LGBTI focus groups to better support specific employee groups within the LGBTI community. As Dave Beks explains, "Expanding our focus groups to embrace inclusion of people born with an intersex variation is one example of how we have enhanced our LGBTI knowledge. We are always actively working to improve our understanding and support for all of our network members."

We are continuing our principal partnership with Sydney Gay and Lesbian Mardi Gras (SGLMG), which next year celebrates its 40th anniversary. We have also partnered with SGLMG on a new community grants program to be launched in 2018. The program will provide funds to LGBTI organisations and charities supporting a wide range of initiatives including education and training programs.

Pride Week celebrations at ANZ headquarters, Melbourne.

## EMPLOYEE HEALTH, SAFETY AND WELLBEING

During times of organisational change it is more important than ever to focus on supporting our employees. Our Health and Safety policy, and health, safety and wellbeing (HSW) programs, ensure that we provide an environment that enables our employees to participate fully in the workplace and perform at their best.

Our Health and Safety Policy applies to everyone who works at ANZ, including contractors. Health and safety risks vary across our business and our operational health and safety plans include risk controls to account for these differences. Strategic health and safety priorities are developed on an annual basis and monitored and reviewed by senior management at intervals throughout the year. Measurable objectives and targets are set through strategic and operational health and safety plans. The Board monitors and reviews the health and safety priorities and undertakes twice-yearly performance overviews. The policy is reviewed every two years and approved by our CEO.

In 2017 we expanded our 'See Something, Do Something' campaign into the Pacific and Asia. The program aims to increase awareness about workplace hazards and the need to act on them once they have been identified, contributing to a proactive and positive safety culture. We have also revised and improved our processes for managing our higher risk contractors, as part of our risk reviews.

We track our health and safety performance using Lost Time Injuries and Lost Time Injury Frequency Rate. Data relating to our health and safety performance in 2017 is available on page 86 of this report.

This year we reviewed our approach to employee wellbeing and are in the process of refreshing the framework to offer enhanced support to managers and employees. Our broader HSW programs are aimed at increasing awareness of and preventing health issues with particular emphasis on mental health and psychological wellbeing.

We have established a targeted health program in the Pacific to address region-specific health concerns. *Healthy Me, Healthy You, Healthy Life* was sponsored and led by the Pacific senior leadership team, primarily targeting the high prevalence of diseases such as diabetes and heart disease in Pacific countries. Health and Wellbeing Champions were nominated across our 12 Pacific countries to implement the program which included free health checks, seminars, education and competitions.

Our mental health program includes a range of information, tools, resources and training and aims to provide support to our employees and managers including building employee skills to manage through periods of change. We have committed to provide mental health awareness training to front line managers in our retail environment in Australia and New Zealand. We also completed the roll out of our refreshed training to support branch staff who may experience robberies or are faced with inappropriate and extreme customer behaviour in New Zealand, the Pacific and Asia.

All ANZ employees and their immediate family members have access to support services through our Employee Assistance Program (EAP). The EAP is a confidential, short-term assistance program provided by qualified professionals that provides counselling face-to-face, over the phone or over the internet for both work-related and personal problems. We have enhanced support for our people that are impacted by change.

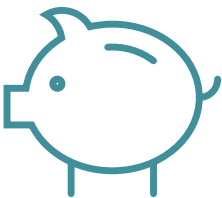


## FINANCIAL WELLBEING

**Financial wellbeing is generally defined as a set of outcomes that include the capacity for someone to meet current commitments, have sufficient spare money for a comfortable life, and possess the resilience to maintain these elements into the future.**

It is widely accepted that financial wellbeing contributes significantly to overall health and wellbeing and community connectedness, leading to greater economic and social participation. This in turn enables communities to thrive and economies to grow.

Our long-term investment in lifting levels of financial literacy and inclusion has been shown to result in greater economic participation and social benefits for individuals and the community. It has also brought a range of significant benefits to our business. Customers with higher levels of financial literacy and capability are generally more financially included, tend to hold more financial products and make more informed financial decisions. Our employees can also benefit from increased financial capability, leading to greater individual wellbeing and also, importantly, a greater ability to respond to the diverse financial needs of our customers.



# 533K+

**people from disadvantaged backgrounds estimated to have benefited from our money management and savings programs, MoneyMinded and Saver Plus since 2003.**

Financial literacy and knowledge have long been considered essential for financial inclusion. Increasingly, the focus is shifting to the importance of attitudes, behaviours and environmental factors which can significantly influence a person's financial wellbeing.

This focus on wellbeing presents an opportunity for ANZ to refresh our commitment across a range of commercial and community initiatives. It is important to retain a focus on building the financial wellbeing of those vulnerable to financial exclusion, such as customers experiencing financial hardship, people who live on low incomes and people with low levels of money management capabilities and confidence. It is equally important to instil financial wellbeing as an aspiration for all of our customers, staff and the wider community and to ensure we design products and services which support them to achieve this goal.

Trends in retirement income policies, work patterns, demographics and financial scams suggest the importance of financial capability and wellbeing will likely increase in future.

Interventions which seek only to improve people's knowledge of financial matters tend to have a limited impact on their behaviour. ANZ's research and evaluation over the years on MoneyMinded and Saver Plus reflects the notion that people's behaviours, knowledge and skills, attitudes, motivations and environmental factors, play a significant role in their overall financial wellbeing.

Recognising this shift in thinking, our Adult Financial Wellbeing Survey (to be published in 2018) will reflect leading international views about the relationship of financial literacy to financial wellbeing. The research aims to present the next wave of comparable data about levels of financial literacy in Australia and how this transitions into the broader context of financial wellbeing. We will also be extending this research to New Zealand for the first time.

Research and evaluation of our programs can be found on [anz.com/cs](http://anz.com/cs).

### FINANCIAL INCLUSION ACTION PLAN (FIAP)

In 2016 we joined a group of 12 'trailblazer' organisations as the first to release a Financial Inclusion Action Plan (FIAP). The program, managed by Good Shepherd Microfinance and supported by the Australian Government, arises from Australia's commitment to the G20 goal of alleviating poverty through financial inclusion.

Modelling commissioned by Good Shepherd Microfinance estimates that over the next 10 years, the FIAP program will play a role in enabling large numbers of Australians to progress away from financial crisis and hardship. This collective action (there are now 30 organisations committed to a FIAP) has the potential to contribute to a GDP uplift of \$2.9 billion, government savings of \$583 million and increased household wealth of \$11.8 billion per annum.<sup>22</sup>

Our involvement in FIAP built on many years of investment in research and community programs and outlined our main commitments to support financial inclusion in Australia. In recognition of the overlap of a number of collective actions to support an inclusive society, our FIAP complements both our Reconciliation Action Plan (RAP) and Accessibility and Inclusion Plan (AIP).

We will carry over our FIAP commitments in 2018 as we further develop our understanding of financial wellbeing, its links to financial inclusion and the role we can play in strengthening both of these. Highlights this year include:

- since 2003, more than 533,000<sup>23</sup> people from disadvantaged backgrounds have benefited from our money management and savings programs, MoneyMinded and Saver Plus, in large part due to the outstanding work of our community partners;

- building the capability of our staff by developing guiding principles for engaging with vulnerable customers. The principles aim to improve awareness of potential risk factors and take a flexible and tailored approach in responding to customer needs. In July, we published a Financial Vulnerability Guide for staff and customers who have experienced, or are experiencing, financial abuse; and
- helping women take control of their finances and work toward a financially secure future has been a focus since mid-2015. We continue to take a lead role in raising the awareness of gender equity issues through major advertising campaigns and communications. On International Women's Day 2017, we launched the Money & Life e-book which explores ways that women can gain greater financial control. Our FIAP outlines a commitment to provide a package of free financial advice for people with less than \$50,000 in superannuation savings. 139 customers (the majority women) took up this offer in 2017, more than double the previous year.

## HIGHLIGHT

### FINANCIAL VULNERABILITY GUIDE



We have released a Financial Vulnerability Guide designed to assist people to identify potential signs of financial abuse. The Guide provides practical strategies to help people rebuild their financial independence after experiencing abuse.

Financial abuse is more than just a disagreement about money. It involves controlling behaviours when it comes to finances and can coincide with other forms of abuse including verbal and psychological abuse, physical violence and intimidation.

Community organisations such as legal services, financial counsellors and social workers are best placed to understand the causes and consequences of financial abuse. Recognising this,

we worked closely with frontline community organisations and sought input from Norton Rose Fulbright Lawyers, to create a guide which would be genuinely useful to the most vulnerable.

We will continue to call on the expertise of our longstanding community partners, as well as our experience in delivering our MoneyMinded program, to better understand our role in addressing family violence.

The Guide is available to download for free from ANZ's dedicated hardship site, with hard copies available through Australian branches.

22. SPP (2016). Economic Modelling for FIAP Program Implementation Team, November 2016.

23. This number combines the total estimated number of MoneyMinded participants to September 2017 with the actual number of people recruited to Saver Plus to September 2017. People who have participated in MoneyMinded as part of Saver Plus have been included in both the MoneyMinded and Saver Plus program totals.



### → FY17 Target

Help enable social and economic participation of 1 million people through our targeted inclusion programs by 2020 by:

- Reaching >477,000 participants<sup>24</sup> through delivery of MoneyMinded and Saver Plus, employment and community programs (coming off a baseline of >453,000 participants in financial inclusion programs up to end 2016<sup>25</sup>)
- Supporting >70,000 new small businesses through our 'start up' banking packages

### Commentary

- 4,074 new participants were recruited to Saver Plus in 2017, with the program on track to reach its 16,750 target by 2020
- RMIT University estimates over 76,000 people participated in MoneyMinded across Australia, New Zealand, Asia and the Pacific in 2017, bringing the total since 2003 to more than 496,900 people.
- 16,983 start up banking packages were taken up by customers starting a new small business in 2017, a decrease of 25% from 2016. The Start Ups offer will not be available in 2018, however we will continue to work with our small business customers to make it easier for them to start and manage their business.

### Relevant United Nations Sustainable Development Goals



## SAVER PLUS

Saver Plus utilises the combined power of goals, incentives and personal support to change the behaviour and mindset of lower-income participants. Developed by Brotherhood of St Laurence and ANZ in 2003, program participants open an ANZ savings account, set a savings goal and save towards it regularly over 10 months while also attending MoneyMinded financial education sessions. Upon reaching their goal, savings are matched by ANZ dollar for dollar, up to \$500, which must be spent on education.

Many Saver Plus participants describe having never set a financial goal prior to enrolling in the program because they felt such goals were unachievable. People living on lower incomes often believe that saving is not for them; rather, financial goals are for those with 'money to spare'. Saver Plus coordinators (employed by our community partners) build relationships with participants and work with them to set and achieve longer-term savings goals. The sense of accomplishment participants feel in reaching their goals grows their confidence and motivation. 84% of participants encourage children and family members to save, and up to three years after Saver Plus, 87% of participants continue to save the same amount or more.

In 2017, 4,074 participants enrolled in Saver Plus, setting goals to save over \$2 million collectively. Since 2004, Saver Plus has reached 36,228 lower-income participants and is expected to enable over \$33 million of private sector funds to be invested in education by 2020.<sup>26</sup>

Based on the increased ability of participants to save, RMIT University estimates a Social Return on Investment of \$5.39 for every dollar of government investment in Saver Plus.<sup>26</sup> The program is delivered in partnership with community organisations and the Australian Government.

## MONEYMINDED

MoneyMinded is ANZ's flagship financial education program, supporting people with low levels of financial literacy and those on lower incomes across 21 markets, including Australia and New Zealand. The program is delivered by community partner organisations in Australia and New Zealand, and a mix of community organisations and ANZ employees in Asia and the Pacific. Of the estimated 76,000 people who participated in MoneyMinded (including MoneyBusiness) in 2017, many of them were women (71% in Australia and 54% in Asia Pacific/New Zealand).

The flexibility of MoneyMinded enables a large network of accredited facilitators to use the program to address the specific needs of their clients. Over many years, the program has been successful in supporting people engaged with family, mental health, youth, migrant, disability, drug and alcohol and other important community services.

24. This number has been revised following the restatement of the 2016 baseline.

25. 2016 value has been restated to include the total number of Saver Plus participants up to the end of September 2016. People who have participated in MoneyMinded as part of Saver Plus have been included in both the MoneyMinded and Saver Plus program totals.

26. Saver Plus Report 2016: [anz.com/resources/3/4/344f9439-8927-45f0-9b70-fdbaa5a6e6fb/2016-saver-plus-access-report.pdf](http://anz.com/resources/3/4/344f9439-8927-45f0-9b70-fdbaa5a6e6fb/2016-saver-plus-access-report.pdf).



## CASE STUDY

### JAMIE'S STORY



Jamie, pictured, migrated to Australia four years ago to have a fresh start. A single mum with three children that all play sports, Jamie was finding it hard to keep up with the extra fees. She heard about Saver Plus through the school newsletter and decided to join because it provided the opportunity to receive up to \$500 in matched savings towards her children's education costs.

"Before Saver Plus, I'd transfer money from one store card to another and nothing would be reducing", Jamie said. "Saver Plus helped me get in control of my debts and taught me how to actively save for future expenses. I now have a budget on a spreadsheet, I know when my credit card cycle is and can better manage my money."

"Saver Plus is an amazing program that has relieved a lot of pressure from my life! After a couple of months I forgot all about the \$30 a fortnight and just managed without", Jamie adds. "I have set up another savings account for a trip to Hawaii in 2020 — I am very excited!"

Sylvia, a Saver Plus coordinator employed by our program partner The Benevolent Society, develops supportive relationships with participants such as Jamie and helps them through education workshops and the savings process.

"This program doesn't just teach skills. It builds on strengths, so gives people the confidence that they can do and what they're doing is working", Sylvia said. "Most participants keep going with what they've learned on the program."

To learn more visit [anz.com/saverplus](https://anz.com/saverplus).

We have committed to regularly review and update MoneyMinded content, both to ensure accuracy and to reflect changing financial issues in the community. In 2016, we conducted research with RMIT University into the role of financial education in a family violence context and found that building financial capability can act as a preventative and early intervention strategy to protect women from economic abuse. Following this research and a successful pilot with Berry Street in their Victorian refuge services, we are developing a specialist module of MoneyMinded specifically for use by other community sector staff working with women who have experienced, or are experiencing, family violence.

The introduction of the National Disability Insurance Scheme (NDIS) in 2013 has created opportunities for people with disability and their carers to exercise greater choice and control over the type of support they receive. Our community partners have highlighted that with this opportunity comes a need for adequate knowledge and skills to manage the individualised funding support received through the NDIS. As a result, we have commissioned research in Australia into the role of financial education in supporting people with disability. Insights from the research and expertise from community partners such as Brotherhood of St Laurence and The Benevolent Society will inform how ANZ can contribute to building the capacity of NDIS clients and their carers.

As part of our approach to assisting customers in hardship, staff can recommend MoneyMinded Online as an option for customers who might benefit from completing one of more of the eight activities. This approach aims to empower customers experiencing financial difficulties to take control of their finances and get back on their feet sooner.

In 2017, more than 6,700 people participated in MoneyBusiness, our adult financial education program designed to build the money management skills and confidence of Indigenous Australians and Torres Strait Islanders. Operating for more than a decade, MoneyBusiness has reached over 63,600 participants and has been delivered in over 320 communities through either Australian Government-funded service providers or ANZ's partners. Awarded best Large Program by Financial Literacy Australia in 2017, MoneyBusiness is a key part of ANZ's RAP and FIAP and demonstrates our commitment to enabling participation in social and economic life for all Australians.

Our support of the financial counselling sector in Australia includes the offer of MoneyMinded and MoneyBusiness training for financial counsellors in all states and territories, with a large number taking up the opportunity each year. Financial counsellors typically utilise elements of MoneyMinded in casework with clients in acute financial hardship, or refer clients to community sessions delivered by trained money workers.

## CASE STUDY

### MONEYMINDED BUSINESS BASICS FOR SMALL AND MEDIUM ENTERPRISES



In April 2017 we launched MoneyMinded Business Basics in the Kingdom of Tonga. Already delivered to 1,200 participants in Fiji, Solomon Islands, Vanuatu, Timor Leste, Kiribati, PNG, India and Indonesia, the program provides participants with the fundamentals of running a small business, including establishing a 'vision', writing a business plan, understanding legal and tax obligations and managing cash flow.

Speaking at the launch of the program held in Nuku'alofa, the Princess Royal, Her Royal Highness Princess Salote Mafile'o Pilolevu Tuita, said: "We know that MoneyMinded Business Basics will

provide our people with the knowledge, skills and experience to establish their own profitable and sustainable businesses. I hope to see MoneyMinded Business Basics continue to expand and empower our local business people in the community over the coming months and years."

ANZ Tonga CEO, Manoa Kamikamica stated that, "ANZ is fully committed to improving business capabilities of Tonga's SMEs, and we believe that MoneyMinded will provide a great platform to help small businesses thrive in a sustainable way."



## SUPPORTING ECONOMIC GROWTH IN THE PACIFIC

### ✘ FY17 Target

Register 240,000 customers for goMoney™ Mobile Phone Banking in the Pacific by 2017 (cumulative total since launch in 2013).

### Commentary

184,576 customers are registered for goMoney™, with 108,153 being new ANZ customers.

### Relevant United Nations Sustainable Development Goals



Lower than anticipated uptake of ANZ's goMoney™ in Papua New Guinea and Vanuatu, due to challenges associated with establishing the merchant networks required to deliver financial literacy training and distribution of goMoney™ to customers, has meant that we did not meet our target. In 2017, with the support of the International Finance Corporate and the Department of Foreign Affairs and Trade, we have launched pilot programs in Papua New Guinea and Vanuatu targeting under-banked and unbanked communities in rural areas.

ANZ goMoney™ has the capacity to transform lives in rural communities providing customers access to deposits, withdrawals and person-to-person transfers through merchants, many of whom are existing shopkeepers. Customers are able to check account balances and transaction history at the touch of a button and are supported with financial literacy training to build skills and financial wellbeing. Prior to the introduction of goMoney™ in the Pacific, many customers had to travel to access branches or ATMs, in some cases very long distances from rural areas. Others had no choice but to remain 'unbanked'.

We deliver MoneyMinded to corporate customers and communities across Fiji at no cost to participants. In August, we delivered the program to 33 staff of Kookai Australia (trading as Lyndhurst Ltd in Kalabu, Nasinu) as part of our commitment to build a savings culture in the Pacific. We also partner with community organisations such as Live & Learn to expand our reach in Fiji. Through our partnership we were able to deliver MoneyMinded to 180 participants in eight rural villages over six days.

In New Zealand, we have a long established partnership with the Solomon Group to deliver MoneyMinded. We have also established a relationship with the Women's Refuge to pilot processes enabling their clients to open accounts more quickly and easily. The pilot is currently underway in the wider Wellington region with a view to a national rollout in the coming months.



## CASE STUDY

## DELIVERING MONEYMINDED TO PEOPLE WITH DISABILITY IN THE PHILIPPINES



MoneyMinded has been delivered across Asia and the Pacific since 2010. In 2016, MoneyMinded was delivered for the first time in sign language to people with a hearing disability in the Philippines.

The program had a positive effect on the lives of participants, improving levels of financial inclusion and helping to strengthen financial capabilities. The program was delivered through the Leonard Cheshire Disability (LCD) organisation, a local partner to a UK-based NGO dedicated to promoting the rights of people globally. LCD works towards equality for all people with disability, aiming to increase participation in education, social and cultural activities and promote financial independence. LCD also aims to assist members with micro-enterprise initiatives. MoneyMinded was viewed as an important tool in building the financial capability of community members.

The Asia MoneyMinded Impact Report 2016, available on [anz.com/moneyminded](http://anz.com/moneyminded), summarises the outcomes of delivering MoneyMinded to 112 community members of LCD in the Philippines. All were people with disability — including mobility, hearing, vision and learning. Just over half of the participants were women. 73% were aged between 31 and 55. Nearly half of the participants (48%) were self-employed and 13% were unable to work due to their disability or illness.

The rate of financial exclusion was quite high among the participants with less than 1% having a savings account or insurance, and less than 10% having a transaction account. Participants had quite low levels of financial resilience, with 39% only able to cover living expenses for up to a month if their main source of income ceased.

After the program, the participants had increased their savings behaviour, with the majority encouraging their families to save and sharing what they learned. Nearly a third of participants felt better able to plan ahead, and over half of the participants felt more satisfied with their life.

“After a few months of following my plan, I feel that my life has improved”, said Ibrah, a MoneyMinded participant. “I’m now more positive, not only with my finances, but also with my situation in general. In fact, the boost in confidence has allowed me to secure full-time work in a non-profit organisation that provides assistance to other PWDs [people with disability] like myself.”



MoneyMinded workshop for people with disability in the Philippines.

## GIVING AND VOLUNTEERING

Through our giving and volunteering programs we connect with, and invest significantly in, the communities in which we operate, helping people thrive.

Since 2005, we have measured the dollar value of our community investment in accordance with the London Benchmarking Group (LBG) methodology, a global standard for reporting community investment.

### CONTRIBUTION BY TYPE<sup>27</sup>

Type	\$
Cash	16,627,870
Time	3,664,303
In kind	232,809
Management costs	3,196,290
Foregone revenue	107,358,182
<b>Total</b>	<b>131,079,454</b>



# \$131M

in community investment  
(includes foregone revenue)<sup>27</sup>

### GIVING

#### Workplace giving program

Our workplace giving program enables employees in Australia to make contributions to any of our 22 nominated charity partners through regular pre-tax payroll deductions. We match all employee contributions dollar for dollar and all donations go directly to the nominated organisations. In 2017, together with our staff, we donated approximately \$930,000.

#### ANZ Staff Foundation

The Australian ANZ Staff Foundation is a registered trust that provides small grants of up to \$5,000 to charities around Australia. The ANZ Staff Foundation is jointly funded by employee contributions matched dollar for dollar by ANZ Australia. A National Advisory Board and State Committee comprised of ANZ volunteers manage the Foundation and are responsible for assessing the grants for funding. In 2017, the Australian ANZ Staff Foundation provided 43 grants, giving more than \$195,000 to community organisations across Australia.

In New Zealand, the ANZ Staff Foundation is a charitable trust that provides small grants of up to NZD\$25,000 to New Zealand charities. Similar to our workplace giving program in Australia, staff elect to donate from their fortnightly pay and ANZ New Zealand matches their donations dollar-for-dollar.

A board of ANZ Staff Foundation volunteer members is responsible for assessing the grants for funding. In 2017, the New Zealand ANZ Staff Foundation provided 90 grants, giving more than NZD\$640,000 to community organisations across the country.

### CUSTOMER DONATIONS PROGRAM

Our customer donations program provides our internet banking customers in Australia with a convenient and simple way to donate to charitable organisations. In 2017, our Australian customers donated more than \$487,000 to charity.

### SHAREHOLDER GIVING PROGRAM

Our shareholder giving program allows shareholders to donate some or all of their cash dividends to any of our community partners. ANZ shareholders donated approximately \$41,000 this year.

27. Cash: Gross monetary amount paid in support of a community organisation/project. Time: Cost to the company of the paid working hours contributed by employees to a community organisation or activity. In-kind services: Other non-cash resources to community activities (e.g. company products or services or corporate resources). Management costs: Costs incurred in making contributions, such as salaries and overheads. Foregone revenue: The cost of providing low or fee free accounts to a range of customers such as government benefit recipients, not for profit organisations, students and the elderly.





**CASE STUDY**

**VOLUNTEERING — ONE OF THE WAYS WE'RE HELPING COMMUNITIES THRIVE**



This year, a group of employees from our Australia Division volunteered more than 400 hours to different community causes and raised more than \$23,000 through stalls, casual dress days, donation drives, bake sales and morning teas. One of the charities they assisted was the Cancer Council.

During the national Daffodil Day fundraising campaign, the team took cashless purchases and donations via ANZ BladePay™ devices and our Shout app at a stall in our Melbourne headquarters.

Shout is ANZ's mobile-based fundraising platform, supporting charities through the provision of innovative digital fundraising solutions.

"We're proud to have supported the Cancer Council on Daffodil Day and excited that we contributed over \$6,000 towards the campaign! With one in two Aussies being diagnosed with cancer before they turn 85 it's more important than ever to find ways to make it easier for people to donate, especially as many people don't carry cash anymore", said Lesley, who has been helping her team mates for a number of years with their fundraising and volunteering efforts.

ANZ employees — Back row from left: Samantha Roberson, Melinda McCormack, Matthew Hastings, David Irvine, Natasha Capogreco. Front row from left: Lesley Clark, Andrea White, An Nguyen, Danielle Gaggino.

## SEEDS OF RENEWAL PROGRAM

We are helping to build vibrant, sustainable rural communities in Australia. Since 2003, ANZ has supported the Seeds of Renewal community grant program, which provides grants to selected community organisations to support education and employment programs. This year ANZ funded \$275,000 in community grants, shared between 29 projects across regional Australia. Further information on the types of projects funded is available on [frrr.org.au/grants/ANZ-seeds-of-renewal](http://frrr.org.au/grants/ANZ-seeds-of-renewal).

## VOLUNTEERING

- ✕ **FY17 Target**  
 Increase employee volunteering participation rate in 2017 to 30%.

### Commentary

Across the Group employee volunteering participation increased to 29.4%.

Relevant United Nations Sustainable Development Goals



Our Volunteer Leave Policy, which applies to permanent, regular and fixed-term employees, provides for at least one day of paid volunteer leave each year. This year our people volunteered 113,127 hours to community organisations. This represents more than 14,100 working days and more than \$3.6 million in value to the community.

## EMERGENCY RELIEF

We have a role to play in helping customers and communities manage and recover from natural disasters. Our Disaster Relief and Recovery Policy guides an efficient, coordinated and proportionate response to disasters.

In March 2017, Tropical Cyclone Debbie caused significant damage in Far North Queensland, followed by damaging floods in South East Queensland and Northern NSW. We responded by implementing our customer assistance package and donating \$50,000 to the Australian Red Cross and \$50,000 to the Foundation for Rural and Regional Recovery.

We also implemented our customer assistance package for those affected by bushfires in NSW. In response to the Bourke Street Mall tragedy at the start of the year, we donated \$50,000 to the Victorian Government Fund to support the immediate families of the deceased.

## CASE STUDY

### SUPPORTING LOCAL COMMUNITIES IN NEW ZEALAND



Through our New Zealand Staff Foundation grants program we are supporting local community projects and organisations, such as Aviva, a Canterbury-based social service charity.

Aviva supports more than 1,500 New Zealanders every year, assisting women and children affected by family violence and delivering programs to support men to stop committing acts of violence. Aviva provides a variety of services, including a free 24-hour support line to provide information and facilitate access to temporary accommodation for those in need.

A \$9,500 grant from New Zealand Staff Foundation has enabled Aviva to conduct initial risk assessments and safety planning sessions for 150 women affected by family violence.

With the support of a specially trained Aviva Support Line Worker, these women and their families are able to make practical plans to ensure their immediate safety and wellbeing as they leave violent circumstances.

“When people call, they realise that this confidential conversation will lead to the support they need. It can take weeks of courage and lots of personal energy to make that call and ANZ’s funding means we are able to provide support, advice and information, immediately”, says Carol Carlisle, Aviva’s Support Line Worker.



## TAX TRANSPARENCY

We are committed to paying our fair share of taxes and recognise that tax transparency is, rightly, an issue of community concern. Across the countries in which we operate, we contribute directly to the economy by paying taxes, money which is then used by governments to provide public services and amenities for the benefit of the wider community.

ANZ's tax disclosures meet the requirements of the Australian Board of Tax, Voluntary Tax Transparency Code (TTC). We have prepared our tax transparency disclosures in this report in conformance with the TTC, complementing voluntary tax disclosures we have made in previous years. Refer to page 89 for additional disclosures.

In 2017, ANZ global net taxes borne amounted to \$3,415 million (2016: \$2,745 million). ANZ also directly remitted an additional \$4,760 million (2016: \$5,154 million) in taxes which were collected (primarily relating to GST/VAT and employee remuneration) on behalf of and paid to the governments of the countries in which we operate.



**\$3,415M**  
taxes borne by ANZ Group

### TOTAL TAXES BORNE BY ANZ GROUP (AUD MILLIONS)

	2017	2016
Income Tax Expense		
Consisting of:		
Australia	\$2,072	\$1,538
New Zealand	\$643	\$533
APEA	\$214	\$169
	\$2,929	\$2,240
Unrecovered GST/VAT	\$265	\$262
Employee Related Taxes	\$182	\$193
Other Taxes/Duties	\$39	\$50
<b>Total Tax Payments Borne</b>	<b>\$3,415</b>	<b>\$2,745</b>

ANZ operates in 34 markets through branches and subsidiaries. We have eleven subsidiaries in countries which the Australian Taxation Office (ATO) classifies as 'specified countries' (i.e. tax havens). These subsidiaries are in countries in which ANZ holds a banking licence and have been fully disclosed to the ATO.

The Major Bank Levy Act 2017 (the levy) was introduced in 2017, effective from 1 July 2017. The levy applies a rate of 0.06% to certain liabilities of the Group. We have determined that the levy represents a finance cost for the bank and is included as a component of net interest income. This is presented within interest expense in the Income Statement, available in the 2017 Annual Report on [anz.com/annualreport](http://anz.com/annualreport).

### OUR TAX STRATEGY AND GOVERNANCE FRAMEWORK

ANZ operates under a global tax governance policy which is owned by the Board Audit Committee and states that our tax affairs are managed in accordance with the Group's low-risk appetite and a philosophy based on an open and transparent relationship with Revenue Authorities. The policy also covers all taxes, associated credits and tax attributes.

As part of our tax governance framework, we have implemented compliance policies, procedures and programs to ensure continued adherence with the tax laws in all the countries where we operate. Tax compliance is a fundamental part of business practices of ANZ and our controlled entities.

ANZ's tax culture and business practices are consistent with ANZ's values and aspirations. ANZ does not enter into any arrangements that are designed to avoid or reduce the tax that we or our customers and partners owe. The tax governance and tax transfer pricing governance policies are publicly available on [anz.com/cs](http://anz.com/cs).

In our two largest markets we have been party to an Annual Compliance Arrangement (ACA) and Cooperative Compliance Arrangement (CCA) with the Australian and New Zealand Federal Tax Regulators respectively for a number of years. These arrangements continue to be effective in demonstrating ANZ's focus on corporate governance standards, tax risk management processes and comprehensive disclosure.

## AUSTRALIAN TAX TRANSPARENCY

In line with Australian legislation requiring the ATO to publish specific income tax return data of corporate tax entities that report a total income of \$100 million or more, the following table provides further transparency on our 2016 Australian income tax return data, expected to be published by the ATO in December 2017.

### 30 September 2016

AUD Millions	Total <sup>28</sup>	Banking Business <sup>29</sup>	Wealth Business <sup>30</sup> Super/pension members
Total Income <sup>31</sup>	\$28,742	\$28,742	–
Taxable Income <sup>32</sup>	\$8,359	\$5,993	\$2,366
Statutory Tax Rates		30%	15%/0%
<b>Tax Liability</b>	<b>\$1,971</b>	<b>\$1,765</b> <sup>33</sup>	<b>\$206</b>

28. As expected to be reported by the ATO when published.

29. Includes ANZ's income from its life insurance business.

30. Income attributable to super/pension policyholders is not included in ANZ's income, however taxable income of policyholders is required to be included in ANZ's income tax return. This amount represents tax paid by ANZ on behalf of super/pension policyholders @ 15% / 0% and includes franking credits, foreign income tax offsets and Capital Gains Tax discounts.

31. Total Australian income before all expenses (e.g. Interest expense, employee costs, depreciation etc). This amount includes exempt income, other non-assessable income and foreign source income.

32. Taxable income represents assessable income derived from all sources less allowable deductions incurred in gaining that income.

33. The 2016 tax liability includes tax offset reductions of \$33M relating to franking credits and foreign income tax offsets.

34. All IRPDs must be priced as if the related parties were acting at arm's length. In essence the pricing determined should be equivalent to that found in a normal commercial pricing arrangement between non-associated parties.

## INTERNATIONAL RELATED PARTY DEALINGS

ANZ provides a broad range of banking and financial products and services to individual and business customers in multiple geographic markets. In the course of serving our customers across the markets in which we operate, transactions take place which give rise to international related party dealings (IRPDs) with offshore branches and subsidiaries.

The main IRPDs that impact ANZ are set out below.

- **Funding** — To support normal business operations, namely to facilitate customer lending and to meet regulatory capital requirements, ANZ related parties may undertake cross-border short and long-term funding transactions.
- **Service Centre support** — To obtain cost, risk management and enhanced customer service advantages, ANZ locates Service Centres in India, the Philippines, China and Fiji to provide support services to other ANZ related parties.
- **Support and Technology Services** — Business support, operations and technology functions are centralised principally in Australia, and provide support to multiple ANZ related parties.
- **Derivatives and related activities** — ANZ's Markets line-of-business operates in a truly global derivative market, and consequently, ANZ related parties will engage in derivative sale and trading arrangements with other ANZ related parties.

Consistent with the principles of the ANZ Tax Transfer Pricing governance policy, ANZ's IRPDs are conducted in a manner consistent with Australian taxation law and international taxation norms, including applying the 'arm's length principle'.<sup>34</sup>

The main counterparties ANZ Australia deals with are branches and subsidiaries located in New Zealand, Singapore, the United Kingdom, Hong Kong, the United States and India. Each counterparty has its own significant local country business presence, a large workforce of employees and economic substance.



# SUSTAINABLE GROWTH





## RESPONSIBLE BUSINESS LENDING

**We recognise that to earn trust we need to raise standards in everything we do. We must go beyond complying with laws and regulations to considering the evolving needs and expectations of our stakeholders in every decision we make, including the social and environmental impacts of our lending decisions.**

Balanced decision-making is integral to our risk management framework for assessment of customers and transactions. We integrate social and environmental screening into our credit assessment of all new Corporate and Institutional customers, all material new transactions of existing business customers and regular reviews of all business customers. The screening process assists us to:

- assess reputational, social, environmental and governance issues;
- consider stakeholder concerns; and
- assess the capacity of management and risk mitigation strategies.

We monitor the social and environmental risks of our Corporate and Institutional customers (business customers) through our monthly 'Reputation Risk Radar'. Notable publicly-reported incidents and allegations are referred to ANZ's regular risk management meetings that consider social, environmental, governance and credit risks. Meetings are attended by ANZ risk officers and banking relationship managers. We also rely on regular dialogue between relationship managers and their customers to alert us to issues.

Where customer practices may not be consistent with ANZ's policies, we work with the customer to understand the circumstances and, where necessary, identify specific and time-bound improvement plans. If prospective or existing customers do not meet our standards and they are not willing to adapt their practices in an appropriate timeframe, we may decline financing or exit the relationship.

### SOCIAL AND ENVIRONMENTAL RISK POLICY — INCLUDING SENSITIVE SECTORS

One of the key ways that we identify and manage the risks associated with our business lending is through the application of our Sensitive Sector Policies — recently consolidated into a new Social and Environmental Risk Policy. This new policy was launched in October 2017 and consolidates the principles and standards previously embedded within our six Sensitive Sector Policies into one 'umbrella' policy.

This holistic policy incorporates social and environmental considerations into lending decisions for all customer sectors. Relationship managers are required to respond to a broad range of social and environmental questions before the bank enters into a relationship with any customer. Our credit policy requires customer relationships to be reviewed regularly, which includes considering any social and environmental issues.

While we have consolidated the six policies, there has been no change to the standards or how we apply them. All business customers will continue to undergo screening using our social and environmental risk screening tool.

We continue to apply a strengthened due diligence for thermal<sup>35</sup> coal extraction and associated coal transport customers. We expect our customers in all sectors to implement appropriate stakeholder engagement strategies and plans and we have included this consideration in our screening tool.

The new Social and Environmental Risk Policy incorporates relevant content of ANZ's revised Human Rights Standards including ANZ's 'zero tolerance' for improper land acquisition and involuntary resettlement (approved by the Board Environment, Sustainability and Governance Committee in 2016). You can read more about this in the Fair and Responsible Banking chapter of this report.

There will also be no change to ANZ's sector-specific transparency — public information summary statements will still be available for 'sensitive' sectors on ANZ's website [anz.com/cs](http://anz.com/cs).

35. Coal used for power generation.



**CASE STUDY****APPLYING OUR FORESTRY  
POLICY AND PALM  
OIL STANDARDS**

ANZ was approached to be part of a bond issuance by a company with palm oil operations.

The company is a member of the Roundtable on Sustainable Palm Oil (RSPO); however they are not actively pursuing RSPO certification for all their operations. This is because most of the company's palm oil is sold to the domestic Indonesian market, which does not require RSPO certification.

Under our Forestry Policy, ANZ requires assurance of RSPO or ISPO (the Indonesian Government scheme) certification. For any ISPO certified plantation ANZ also requires:

- a no deforestation policy;
- a no burning policy;
- acceptable treatment of people and communities; and
- protection of High Conservation Value Areas.

Less than 5% of the company's planted area had RSPO certification and they were unable to provide evidence of the required policies outlined above for their ISPO certified plantations. The company was prepared to share further information on its internal policies, but only after we provided clearance to participate in the bond transaction. As a result, we declined to participate in the transaction.



## EMPLOYEE SUSTAINABILITY TRAINING

ANZ has a range of social and environmental training programs to educate our employees on our policies and standards and how they are applied in practice. This year more than 740 employees completed our foundation course: the online Social and Environmental Risk training, which covers our Corporate Sustainability Framework, Sensitive Sector Policies and our approach to human rights. This training is available to all ANZ staff and is mandatory for new employees able to make credit decisions for business customers. This training was updated during 2017 to reflect the change in ANZ's policy structure as well to ensure relevance in our employee's day-to-day roles.

## EQUATOR PRINCIPLES

ANZ has been a signatory to the Equator Principles since 2006. The Equator Principles are a set of voluntary standards designed to help banks identify and manage social and environmental risks associated with the direct financing of large infrastructure projects such as dams, mines and pipelines. We regard them as complementary to our sensitive sector requirements, and our Social and Environmental Risk Policy.

As a signatory to the Equator Principles, we commit to implementing them in internal environmental and social policies, procedures and standards for financing large infrastructure projects and will not provide Project Finance or Project-Related Corporate Loans to projects where the customer will not, or is unable to, comply with the Equator Principles.

Compliance with the Equator Principles is fully integrated into ANZ's policies and processes. Implementation is a joint responsibility of our relationship managers, credit officers and specialist Equator Principles resources, with advice from qualified independent consultants as required.

Information on 2017 Project Finance advisory services and transactions is available on page 78.

### CASE STUDY

## APPLICATION OF THE EQUATOR PRINCIPLES



ANZ was approached this year to provide financing to develop a large steel mill in South East Asia.

Due to the potential impacts it was assessed as a 'Category A' project requiring the highest level of due diligence under the Equator Principles.

During our discussions with the customer we confirmed that our requirements included the ability for independent monitoring of social and environmental impacts by external assessors.

The customer confirmed it had internal expertise and dedicated resources to manage its impacts, such as a health and safety management team, and did not see the need for independent monitoring as a condition of ANZ providing finance.

We commissioned our own independent social and environmental impact assessment by an international firm with local expertise in assessing these projects. The report identified some significant potential impacts, which reinforced the need for ongoing independent monitoring.

Ultimately, as the customer was not prepared to agree to independent monitoring we were not satisfied the project would comply with the Equator Principles standards of due diligence, and declined to finance the project's development.

## CLIMATE CHANGE — MANAGING RISKS AND OPPORTUNITIES

### ANZ's Climate Change Statement sets out our support for governments' efforts to limit warming to less than two degrees, and the actions we are taking to support the transition to a low carbon economy.

These actions include a commitment to climate risk disclosure, recognising this will play an increasingly important role in enabling stakeholders to determine both the level of risk to which the bank is exposed and our ability to manage those risks.

Climate risk disclosure is evolving and we acknowledge it can be difficult for stakeholders to compare information reported by different banks. This year we welcomed the work of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD), which will assist in aligning many of our current regulatory and voluntary reporting requirements. We were the first bank globally to align our disclosures with the TCFD recommendations, with our 2017 Annual Review (available on [anz.com/annualreport](http://anz.com/annualreport), see pages 26–27) disclosing information on our carbon strategy, governance, management, metrics and targets.

ANZ is also one of 16 international banks participating in a UNEP FI<sup>36</sup> working group focused on the application of the TCFD's recommendations for financial institutions. We are working with other banks to develop tools and approaches to inform our risk management, and to identify where opportunities exist to support our customers' transition to a low carbon economy. This pilot will help all financial institutions around the world to understand their resilience to the risks of climate change and whether they are capitalising on the opportunities presented.

### SCENARIO ANALYSIS

The Financial Stability Board's Taskforce on Climate-related Financial Disclosures has recommended that banks and organisations should use scenario analysis to assess their climate-related risks.

#### What is scenario analysis?

A scenario is not necessarily what the company thinks will happen, but what might happen.

Scenario analysis can be used to test whether business strategies are sufficiently robust and flexible to withstand potential implications — in this case from climate change.

#### What did we do to test ANZ's customers?

We chose two scenarios, and a group of customers, and took all the information we knew about those customers and their strategy for managing climate change transition risks.

Once we understood how each customer had planned for climate change, we assigned a level of customer awareness and a level of resilience to climate change risks.

We also assessed their disclosure of climate-related risks.

36. United Nations Environmental Programme for Financial Institutions.

## CLIMATE-RELATED SCENARIO ANALYSIS

It is important that ANZ's strategy and the activities of our customers are resilient under a range of different climate-related scenarios. This year we have expanded our disclosures adopting the FSB recommendation that banks should describe their exposure to carbon-related assets and their resilience to different climate-related scenarios.

We chose to test our thermal coal customers against two of the International Energy Agency's scenarios, the 'New Policies Scenario' (NPS) and the '450 scenario'. Both approaches assume that policies and measures will be put in place to reduce greenhouse gas emissions.

## SCENARIO ANALYSIS — WHAT WE DID AND WHAT WE FOUND

This year we completed climate-related scenario testing on customers ('the customers') that have some operations in the thermal coal supply chain. This included Australian and international customers with operations in thermal coal extraction, coal rail transport, coal-associated ports, and coal-fired power generators.

A reduction in the use of coal for electricity generation could have impacts on thermal coal companies. It is on that basis that we assessed our customers and gave consideration to the following issues:

- their policies on climate change and whether they support government efforts to limit global warming to less than 2 degrees above pre-industrial levels;

### THE WORLD UNDER NEW POLICIES SCENARIO

The New Policies Scenario reflects the policies and measures already in place and the aims, targets and intentions announced by countries including commitments under the Paris Agreement.

The New Policies Scenario assumes that no further policies will be implemented over the next 25 years, and in this case global temperatures in 2100 would warm by approximately 2.7°C.

#### What does it actually mean?

- Emissions would increase by 0.5% each year and they do not peak.
- Coal will generate 28% of electricity by 2040. The use of thermal coal slows but does not peak until 2030.
- Renewables will generate 37% of global electricity by 2040.

### THE WORLD UNDER 450 SCENARIO

The 450 Scenario reflects what would need to happen in order to "limit the average global temperature increase in 2100 to 2 degrees Celsius above pre-industrial levels".

This scenario has a higher reliance on renewables, particularly wind and solar, to achieve the emissions reductions.

#### What does it actually mean?

- There would be a 50% chance of avoiding 2°C increase. The IEA recognises that this is outside the goals of the Paris Agreement, and has flagged extra policies that might assist.
- Coal will generate 7% of electricity by 2040, but 70% of that will come from power stations fitted with carbon capture and storage technology.
- Renewables will generate 58% of global electricity.

Source: [climateinstitute.org.au/verve/\\_resources/TCI\\_IEAScenarios\\_230217.pdf](https://climateinstitute.org.au/verve/_resources/TCI_IEAScenarios_230217.pdf)

The two International Energy Agency (IEA) scenarios we have used show a declining contribution of coal to global electricity production in the future, and a corresponding decrease in the seaborne thermal coal market. By 2040, coal-fired power generation is projected under the IEA's NPS to be responsible for 28% of the world's electricity supply, and just 7% under the 450S, down from 41% in 2014. Under the 450 scenario, global trade in thermal coal is expected to decrease by 60% on 2014 levels by 2040 with an accelerated decline in the period after 2025. Under the NPS, global trade in thermal coal will demonstrate a small increase relative to 2014 levels.



- the actions they are taking to respond to climate change — for example, investing in lower carbon manufacturing processes, power generation and transport;
- their resilience to future policy scenarios that may regulate greenhouse gas emissions;
- whether they are ‘stress testing’ their portfolio against a range of possible policy scenarios that may impact their business model and profitability;
- whether they factor a future carbon price into capital expenditure decisions;
- their ability to diversify their business to invest in more efficient resource use and in products or processes that generate less emissions; and
- the cost of future regulation on their business model and profitability.

For banks like ANZ, the greatest risk from lending to companies with operations in the thermal coal supply chain is that a reduction in the demand for their product may affect their ability to repay loans. Our analysis revealed varying degrees of resilience for our thermal coal customers in managing the transitional risks. The two scenarios diverge in predicted coal demand over the medium-term (five-year) horizon and risks were found to be higher for those companies with higher revenue reliance on thermal coal and with business strategies less prepared for an early shift to a low carbon economy.

## WHAT NEXT

We will use this work to inform our strategy regarding customer engagement and risk evaluation. We will improve our customer conversations and make more informed decisions on who we bank and how we bank them.

To do this we require better information from our customers. We expect our customers will revise their strategies and disclosures, particularly as more companies adopt the FSB’s disclosure recommendations.

This scenario-based assessment is part of a gradual improvement to our climate-related disclosures. We will consider expanding this over future years to include other sectors exposed to the regulatory, physical and transitional risks of climate change.

## CLIMATE RISK MANAGEMENT

We have disclosed our most material economic, environmental and social sustainability risks on page 15, as well as in our 2017 Annual Review and 2017 Annual Report on [anz.com/annualreport](http://anz.com/annualreport) in accordance with the *ASX Corporate Governance Principles and Recommendations*. Climate risk is discussed in the context of credit risk and we also specifically address climate change as one of our Principal Risks and Uncertainties (available on [shareholder.anz.com](http://shareholder.anz.com)). Our business and our customers could be impacted by climate change related changes to laws, regulations or other policies. This includes carbon pricing and climate change adaptation or mitigation policies.

We consider the climate risk of our customers, particularly those in emissions intensive industries (for example, fossil fuel extraction), through direct engagement with them as part of our due diligence processes. In addition, we assess relevant publicly available information released by the customer.

Our risk assessment may examine, for example, customer exposure to physical climate risk, such as adverse weather events impacting on their business operations. Transitional risk may also be considered — customers in particular industries may be negatively impacted as a result of policy change as governments around the world seek to limit emissions in support of the Paris Agreement. We recognise that levels of risk exposure and potential impacts vary across industry sectors, and within individual businesses, and we build this variation into our risk assessment.

We expect that in the future our customers’ public disclosures in line with the FSB recommendations will help us to understand their preparation for and management of their most likely climate-related risks and opportunities.

Our customers mining for coal, oil and gas, as well as those in coal-fired power generation, and related industries, are increasingly exposed and may experience transitional risk as a result of decreasing demand for fossil fuels and increasing demand for clean energy. We encourage customers in these sectors to plan for, and start making, the necessary changes for climate adaptation.

Our exposure to the most carbon-intensive forms of energy generation has declined over the past year. This decline is partly an outcome of active portfolio management, informed by ANZ’s credit strategies. These industry credit strategies (known as Risk Appetite Statements) reference ANZ’s Climate Change Statement and relevant industry standards. They also reflect risks associated with climate change, influencing decisions about ANZ’s business strategy and capital allocation.

In addition, our exposure to resources, including coal, oil and gas has decreased this year by around 15%. Our portfolio is skewed towards well-capitalised and lower-cost resource producers. 29% of the book is for loans of less than one year duration.

## FINANCED EMISSIONS

We are continuing to reduce the emissions intensity of our direct exposure to electricity generation in our project finance portfolio. We seek to balance the sources of energy generation in this portfolio, and the average emissions intensity of generation we finance continues to be below the grid average in Australia and internationally.

The reduction in Australia is due to new renewable generation projects in our project finance portfolio. New windfarms we finance in Australia increased the amount of electricity we finance that is generated from renewable sources from 30% in 2016 to 35% in 2017.

Tonnes CO <sub>2</sub> -e per MWh electricity generated	Australia	Outside Australia
2017	0.58	0.24
2016	0.62	0.16
2015	0.64	0.20
2014	0.77	0.25
<b>Movement 2014–2017</b>	<b>-25%</b>	<b>-4%</b>

### CASE STUDY

## AGRIBUSINESS AND CLIMATE CHANGE



Agribusiness is an important part of our history in New Zealand and Australia. Dairy, cropping, sheep, cattle, cotton, rice, sugar — we do business with farmers in a wide variety of food sources.

In 2016, ANZ's Regional Business Banking team began work on strengthening ANZ's position in regional Australia through local-area stakeholder engagement. The program, known as ReGen, is designed to help our Regional Business Banking team to become leaders within their local communities, helping to address regional social and economic challenges. This thought leadership will in future include discussions on climate change and how communities are preparing for the inherent challenges and opportunities.

All types of agriculture require different weather and soil and farmers congregate in locations that have historically provided the right conditions. However, the climate is changing and

consequently some of our customers might find they are not able to cope with the magnitude or frequency of the climatic 'down periods' which result in lost or lower income.

To help overcome this uncertainty we work with our Agribusiness customers to understand any significant climatic changes in their region. Over the past three years, we have held annual meetings with the Australian Bureau of Meteorology (BoM) to determine a climatic outlook for the next 12 months. We examine variability in average annual rainfall in recent decades to see how climate change may affect the suitability of farming land for crops or livestock. This informs discussion with our customers on how they are responding, possibly by changing their produce; investing in scientific advances, for example, crop technology and water management; and also how they are structuring their finances to ensure that their business is sustainable through seasonal variations.

## BUSINESS LENDING EXPOSURES

This is the second year we have provided disclosures of our combined business lending exposures across the Australian and New Zealand economies by key industry sectors. By overlaying this information against the greenhouse gas emissions attributable to these sectors, it provides improved transparency of sectors that may be at greater risk of climate-related transitional risks. Our lending to business makes up 49% of our exposure (the other 51% is consumer lending, including residential mortgages). We have focussed on our business customers, given the impacts of their operations on overall carbon emissions.

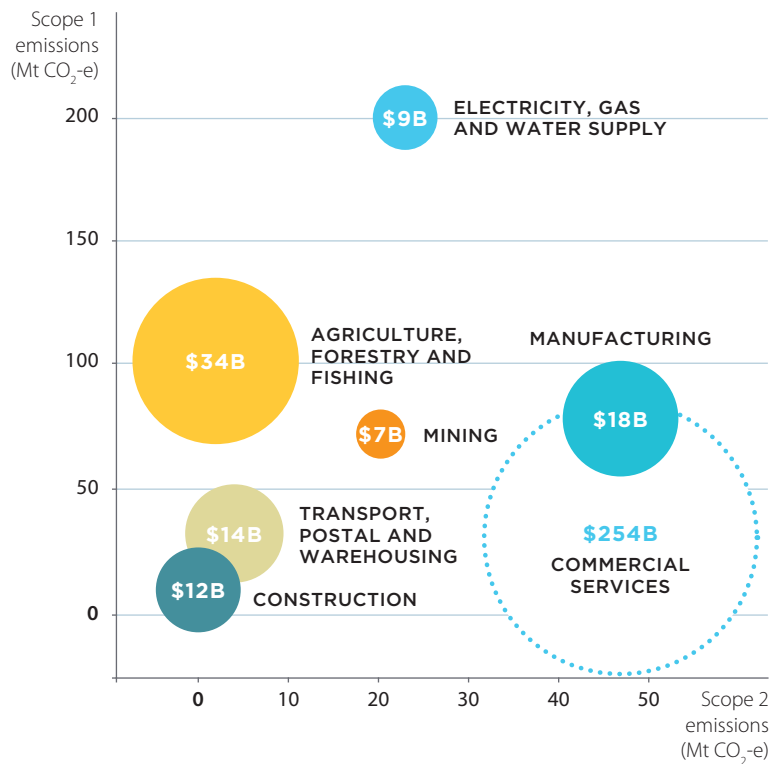
Our largest exposure remains commercial services (including, for example, buildings, food and beverage services, media and telecommunication services). Agriculture, forestry and fishing is the sector to which we have the second highest exposure.

Agriculture makes a significant contribution to the New Zealand economy and we are supporting customers in rural businesses to address climate change and environmental issues such as waterway rehabilitation and water efficiency.

Electricity, water and gas supply maintains an emissions intensive profile. The Mining sector (where we had a 19% decrease in exposure for our Australian and New Zealand customers) increased its scope 1 emissions due to growth in Australian Liquefied Natural Gas production and the associated fugitive emissions.

Refer to page 90 for explanatory notes relating to financed emissions and business lending graph.

## BUSINESS LENDING AND TOTAL CARBON EMISSIONS OF KEY INDUSTRY SECTORS IN AUSTRALIA AND NEW ZEALAND

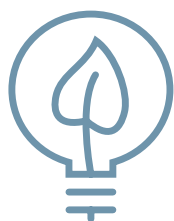


## FINANCING THE TRANSITION TO A LOW CARBON ECONOMY

**The provision of finance to support the transformation of the energy sector is essential if the objectives of the Paris Agreement are to be met. We are working with our customers to support the transition to cleaner energy and more environmentally sustainable practices.**

Around 41% of the world's electricity comes from coal-fired power stations.<sup>37</sup> While coal remains a cheap and reliable energy source, a low carbon transformation of the power sector is underway as the cost of renewables falls and policy makers focus on improving environmental outcomes. ANZ's support of new electricity generation projects reflects this:

- in the past year, in Australia, ANZ has provided direct funding for three renewable projects in wind and solar power generation; and
- we have not provided direct funding to any new coal-fired power generation projects this year, although we do provide some general finance to these sorts of customers to allow them to pay staff salaries, ensure a safe workplace and operate day to day to provide power to their local energy market.



# \$6.9BN

**funded and facilitated in low carbon and sustainable solutions since 2015**

### LOW CARBON AND SUSTAINABLE FINANCE OPPORTUNITIES

#### → FY17 Target

Fund and facilitate at least \$10 billion by 2020 in low carbon and sustainable solutions including renewable energy generation, green buildings and less emissions intensive manufacturing and transport.

#### Commentary

ANZ has funded and facilitated almost \$7 billion in low carbon and sustainable solutions, such as green buildings, renewable energy, energy efficiency, water, waste, and transportation, since October 2015.

#### Relevant United Nations Sustainable Development Goals



From 2018 we have increased the amount of the target from \$10 billion to \$15 billion while retaining the same five-year timeframe for its achievement. This uplift represents a stretch target for our business and demonstrates our commitment to help drive investment in the low carbon transition and environmental sustainability more broadly.

Our Sustainable Finance Solutions team continues to extend ANZ's capabilities and identifies opportunities with new and existing customers across sectors including clean energy, energy efficiency, water, waste and sustainable agriculture. The team is using its subject matter expertise to tailor ANZ's existing products, forming ANZ-wide teams of relationship, product and risk specialists to capture emerging sustainable opportunities.

One area that ANZ has continued to lead the regional market on during 2017 is Green and Sustainable Bonds. We have delivered on multiple joint or sole lead roles for Green and Social Bond issuances across a range of issuer types, assisting our clients to issue more than \$2 billion of volume during 2017. We are widely recognised for our expertise in providing value-add 'green' structuring services to our clients in conjunction with our well-established debt and capital markets execution and distribution capability. Recent transactions include Investa Office Fund's \$150 million green bond (the first corporate green bond in Australia), Impact Investment Exchange's US\$8 million Women's Livelihood Bond (world's first sustainability bond to be listed on a stock exchange) and Contact Energy's Green Borrowing Program (the first such program globally).

37. International Energy Agency, Excerpt from Energy Technology Perspectives 2017, Tracking Clean Energy Progress, page 7.



## GREEN BOND IMPACT REPORT – SUMMARY

**ANZ issued a \$600 million, five year fixed rate green bond to wholesale investors in June 2015 (the Green Bond).<sup>38</sup> This year, for the first time, we are reporting on the environmental impact and other benefits of the Green Bond proceeds.<sup>39</sup>**

The Green Bond finances in part a portfolio of approximately \$1 billion loan assets in renewable energy projects and commercial low carbon buildings in the Asia Pacific region (Eligible Assets).

Since our initial issuance, we have examined what can be done to enhance the transparency and usefulness of related reporting to investors. Following extensive engagement with the Climate Bonds Initiative (CBI) and investors, we have undertaken detailed research into best practice impact reporting to better understand key considerations when reporting on the impact of asset investment on communities and the environment.

Given the Eligible Assets in our Green Bond are low carbon buildings and renewable energy projects, we have focussed on the following best practice impact reporting indicators:



**Annual renewable energy produced**



**Annual energy savings from low carbon buildings**



**Annual greenhouse gas (GHG) emissions reduced or avoided**

We are willing to share any detailed methodologies and calculations that underpin these indicators with investors.

The full Green Bond Impact Report is available on [debtinvestors.anz.com](http://debtinvestors.anz.com).

### RENEWABLE ENERGY PROJECTS

The 13 wind power projects financed in part by ANZ's Green Bond are helping to displace electricity generated from the burning of fossil fuels. This helps to lower the overall emissions intensity of the grid that final energy users draw their electricity from.

#### PROJECT IMPACT



13 wind projects financed by ANZ generated

**4.4m MWh**

of renewable energy



which is the equivalent of households powered by renewable energy



**903,000**

TOTAL IMPACT

**292,800**

ANZ PROPORTIONAL IMPACT

Overall the projects are estimated to have saved

**2.8m**

tonnes in greenhouse gas emissions



which is the equivalent of cars off the road for a year



**884,000**

TOTAL IMPACT

**256,295**

ANZ PROPORTIONAL IMPACT

## LOW CARBON BUILDINGS

Buildings financed in part by ANZ's Green Bond have been specifically designed to minimise operational energy use and the associated emissions arising from that use of energy. The portfolio of low carbon buildings has a weighted-average energy rating of 4.92 stars — well above the average of 4.10 stars for equivalent sized buildings in the same asset locations.

The low carbon buildings achieve combined energy savings of almost 9.9 million kWh compared to the average equivalent office building in the cities that they are located. This is enough power to meet the electricity needs of 1,446 Australian households<sup>40</sup> for a year.

The lower energy use of the buildings combined with switching to lower carbon sources of energy such as gas and renewables translates into greenhouse gas emissions savings of 11,417 tCO<sub>2</sub>-e. This is equivalent to taking 3,609 cars off the road<sup>41</sup> for an entire year.

38. This material does not constitute an offer or invitation to subscribe for or buy any securities and is provided as an illustration only. It does not take into account the investment objectives, financial situation or needs of any investor and does not constitute financial product advice. ANZ's Green Bond was issued in 2015 and it, and the related reporting, is for distribution only to professional investors who are not a "retail client" within the meaning of the Corporations Act 2001 (Cth).
39. Climate impact indicators are tracked on a project/asset level basis and have not been pro-rated for the portion of ANZ's contribution to the overall funding of the projects or buildings, unless otherwise stated.
40. The equivalent number of households powered by renewable energy and energy efficiency savings is based on average household electricity data available from the World Energy Council, using 2014 data (see [worldenergy.org/data/efficiency-indicators](http://worldenergy.org/data/efficiency-indicators)).
41. An average Australian passenger vehicle is assumed to emit 3.16 tonnes of CO<sub>2</sub>-e per year (based on 2016 data from Australian Bureau of Statistics, in '9208.0 — Survey of Motor Vehicle Use, Australia' available at [abs.gov.au/AUSSTATS/abs@.nsf/Lookup/9208.0Main+Features112%20months%20ended%2030%20June%202016?OpenDocument](http://abs.gov.au/AUSSTATS/abs@.nsf/Lookup/9208.0Main+Features112%20months%20ended%2030%20June%202016?OpenDocument)).



### CASE STUDY

## COLLINS SQUARE



Collins Square integrates commercial office space with retail space over a city block in Melbourne. At completion, it will have the highest concentration of environmentally sustainable buildings in the southern hemisphere.

Four towers have been completed, and compared to average office buildings in Melbourne, the Goods Shed Building and Tower 1 have achieved annual energy savings of 156MWh and over 3,080 tonnes of CO<sub>2</sub> emissions. Construction created over 3,500 jobs with the final tower due for completion mid-2018 employing a further 1,200 workers. The Goods Shed South, built in 1889, has also been refurbished within the development and is one of the oldest heritage buildings to achieve a 5 Star Green Star "As Built Rating".

# REDUCING THE ENVIRONMENTAL FOOTPRINT OF OUR OPERATIONS

**While supporting our customers to achieve sustainable outcomes, we are also taking actions to reduce the environmental footprint of our own operations. We continue to measure and reduce our impacts, undertaking environmental initiatives that make sense to our customers, our employees and our business.**

We measure and track our environmental impact across the 34 markets in which we operate. This assists us to identify and prioritise areas for continuous improvement in our environmental performance. We meet the requirements of the National Greenhouse and Energy Reporting Act 2007 (Cth) (NGERS), which imposes reporting obligations where energy production, use or greenhouse gas emissions (GHG) trigger specified thresholds. We also disclose our environmental performance via the CDP (formerly the Carbon Disclosure Project).

This year marks the end of our three-year environmental footprint target period covering 2015–2017. We satisfied and, in some instances, exceeded our targets. A review of our material issues and our business strategy, together with feedback received from our stakeholders, has informed the development of new targets for the three-year period to 30 June 2020.



**decrease in emissions associated with premises energy consumption**

## PREMISES ENERGY

- FY17 Target**  
 Absolute reduction in GHG emissions from premises energy by 1% to 3% by 2017 (off a 2013 baseline) and maintenance of carbon neutrality.

### Commentary

GHG emissions associated with premises energy consumption reduced by 20% against our 2013 baseline. We have continued to maintain our net zero carbon status through a combination of reduction and offsetting activities.

Relevant United Nations Sustainable Development Goals



Our performance has significantly exceeded this target primarily due to our continuing consolidation of our building portfolio and ongoing implementation of energy saving initiatives.

Over time, we have successfully decoupled our carbon footprint from our business growth. We have been able to maintain a footprint which is no larger than our impact in 2010, despite significant business growth. We have achieved this through consolidating our premises and introducing technologies which help reduce our energy and carbon in our workplaces. We are also applying the principles of internationally recognised green building schemes to our building design and operation to minimise the impact of our growing digital business.

Over the past six years we have seen a notable shift in where our energy is used. Previously our most energy intensive component of our portfolio was our commercial buildings however in 2017 our data centres are now our most energy intensive facilities.

This changing profile illustrates the significant structural shift that has occurred across the banking sector to satisfy our customers' online banking needs and expectations. With the majority of our customers located in Australia and New Zealand, this has necessitated significant expansion in local data centre capacity. At the same time, we have managed to reduce energy consumption in our commercial and retail portfolios.

The key challenge ahead is to contain further increases in energy use at our data centres and to continue to shift to lower carbon sources of energy to power our building portfolio. Our commitment to increasing the use of renewable energy in our Australian facilities combined with new efficiency improvements across our portfolio will ensure our carbon emissions will continue to reduce further over time.

Our efforts to achieve and maintain our net zero carbon status since 2010 has resulted in ANZ offsetting approximately two million tonnes of carbon emissions. We continue to invest in carbon offset projects which deliver meaningful and positive environmental and social impacts, and improve the lives of people living in communities across the markets in which we operate. One example of this is our ongoing support of the Ceramic Water Purifier Project in Laos. This project uses locally manufactured ceramic filters to remove bacteria, parasites and suspended solids from drinking water. The distribution of water filters to Laotian communities avoids GHG emissions by removing the need for households to boil unfiltered water with charcoal or wood.

## REDUCING OUR EMISSIONS 2018 AND BEYOND

We have adopted a science-based target (SBT) to reduce our operational carbon footprint, in line with our support for the Paris Agreement and our commitment to environmental sustainability. Targets adopted by organisations to reduce GHG emissions are considered 'science-based' if they are consistent with the level of decarbonisation required to keep global temperature increase below 2°C compared to pre-industrial temperatures, according to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. This is undertaken by allocating a proportion of the required global emissions reduction targets to an individual company based on the expected emissions trajectory of the sector in which it operates, as well as the level of accessibility the company has to efficiency improvements and new technologies.

Our target has been prepared using scope 1 and scope 2 methodologies endorsed by the Science Based Targets Initiative (SBTI) to allow fair comparisons against our banking and financial sector peers. This target was submitted to the SBTI for informal review, and they have confirmed it can be considered science-based.

We have also set a target to increase the consumption of renewable energy in our Australian properties supporting the renewable energy commitment made in our 2015 Climate Change Statement. Adopting a renewable energy target is necessary to achieve the longer-term carbon reductions required to satisfy our science-based target 2025 and 2030 milestones. The Australian focus of this target is attributable to approximately 75% of ANZ's annual global electricity consumption.

We have not set a target for Scope 3 emissions, as there is currently no standard framework or science-based targets methodology for our finance-related activities.

## PAPER CONSUMPTION



### FY17 Target

Reduce paper consumption by 15% by 2017 across material operations (against a 2013 baseline).

### Commentary

Paper consumption reduced by 32% against the 2013 baseline across our material operations.

Relevant United Nations  
Sustainable Development  
Goals



Continued demand from our customers to receive electronic statements and communications, coupled with an increased level of digitisation across the Group and awareness programs for employees on printing behaviours, have driven the reduction in paper consumption.





Fiji Climate Change Resilience project.  
Photo: WWF Pacific

**CASE STUDY**

**ANZ IN THE COMMUNITY  
— NATIONAL CAMPAIGN FOR  
SUSTAINABLE RIVERS, FIJI**



In late 2016 ANZ Fiji, in partnership with World Wildlife Fund for Nature (WWF-Pacific) established the ANZ Fiji Climate Change Resilience project to improve community resilience in response to extreme weather events.

The program, undertaken on Fiji's largest island, Viti Levu, facilitated the development and implementation of three critical activities, assisting local communities to rehabilitate the banks of the Nailaga River, degraded by unsustainable land use practices and the impact of 2016's Tropical Cyclone Winston.

Coir logs made from coconut sennit fibre were used to provide temporary protection for river banks from floods and high tides experienced during heavy rainfall periods. Importantly, this helped revive the traditional art of magimagi weaving, a skill fast disappearing amongst the Fijian people.

Coir logs and mats were laid by ANZ employees along the Nailaga riverbank. Mangroves, vetiver grass and other local species were also planted to providing support and stability to the river bank. A mangrove nursery was established in the village of Natutu where ANZ employees and local villagers planted over 1,000 mangrove seeds into polyurethane bags which were then placed in boxes for germination.



## WASTE MANAGEMENT

- ✓ **FY17 Target**  
Expand the number of recycling programs across material commercial offices and establish a waste baseline by 2017.

### Commentary

We qualitatively defined our waste baseline and implemented waste avoidance and recycling initiatives.

Relevant United Nations Sustainable Development Goals



Third party analysis of waste streams from our material commercial offices revealed a waste profile including disused electronic equipment (e-waste), furniture and fittings, organics, waste disposed directly to landfill, co-mingled materials for recycling and secure documentation requiring destruction.

During 2017 we launched our *#KickTheCup* campaign encouraging employees to use reusable coffee cups. We are also trialling special bins in our head office which collect disposable coffee cups to build a business case for the development of a future specialist recycling facility in Australia. To date, more than 200 employees have pledged their support to discontinue single-use coffee cups in favour of reusable options.

## WATER CONSERVATION

- ✓ **FY17 Target**  
Apply eco-efficient design standards to improve water efficiency in our material branches and offices.

### Commentary

We have applied sustainable design standards where feasible to improve water efficiency in both our commercial and retail portfolios.

Relevant United Nations Sustainable Development Goals



## CLIMATE CHANGE RESILIENCE

- ✓ **FY17 Target**  
Develop a weather and natural disaster property resilience strategy.

### Commentary

We have defined practices to mitigate and restore business locations impacted by natural disasters.

Relevant United Nations Sustainable Development Goals



In 2015, we commissioned the development of a report that assessed the physical locations of our built assets against predictive modelling data for future changes to precipitation rates and extreme weather events. In 2017 this report continues to inform our decision-making related to property fitouts and retrofits. For example, the fitout of our Kiribati branch in Fiji has adopted a number of principles to increase resilience against the physical impacts of climate change. These include investigating the feasibility of rainwater harvesting, water recycling for split air-conditioning system and the use of ceramic finishes versus carpet or vinyl to better endure flooding and tidal surge.

By considering resilience in the planning and operation of our physical assets, we are able to better prepare for extreme weather events through the types of materials used and the methods of construction employed, to ensure a quicker return to operations for our customers. This is particularly important for persons affected by these events who require access to funds in order to purchase essential supplies for recovery including food, clothing and medical supplies.



**CASE STUDY**

**6 STAR GREEN STAR INTERIORS CERTIFICATION**



Since 2010, our business operations have been carbon neutral and we have reduced our carbon footprint by over 36,000 tonnes in Australia. By applying the principles of internationally recognised green building schemes to our building design and operation we are able to reduce the impact of our growing digital business.

During 2017, our flagship retail branch located at 20 Martin Place Sydney was awarded a 6 Star Rating by the Green Building Council of Australia (GBCA), reflecting a ‘world excellence’ standard in environmentally sustainable building practices. This is our first green star accreditation for a retail branch and follows the 6 star Green Star rating we achieved in 2012 for our Melbourne head office, which still remains the largest single-tenanted 6 Star Green Star rated office in Australia.

The environmental initiatives and design considerations implemented at 20 Martin Place directly relate to our commitment to reduce our carbon emissions and energy use, as well as minimising our waste and water across our entire global portfolio, in line with our targets.

The 6 Star certification was the result of implementing several key initiatives in the building, which included the purchase of third party environmental certified furniture and finishes, the use of low VOC-based paints, sealants and adhesives, the installation of efficient LED lighting, and the provision of indoor plants and use of FSC-certified timber. We also ensured that energy-efficient appliances and water-efficient taps and fixtures were installed throughout the facility.



# 2017 SUSTAINABILITY PERFORMANCE SUMMARY

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## RESPONSIBLE BUSINESS LENDING

<b>Group lending profile</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total group EAD (\$B) <sup>42</sup>	902.7	894.7	897.7	795.9
<b>Exposure at default (EAD) as a % of group total<sup>42</sup></b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Consumer Lending	41.5%	40.6%	38.6%	39.5%
Finance, Investment and Insurance	17.2%	17.4%	18.8%	17.6%
Property Services	6.6%	6.8%	6.6%	6.9%
Manufacturing	4.5%	5.2%	6.3%	6.3%
Agriculture, Forestry, Fishing	3.8%	3.9%	3.7%	3.9%
Government and Official Institutions	7.2%	6.2%	4.6%	4.0%
Wholesale Trade	3.0%	3.1%	3.9%	4.0%
Retail Trade	2.3%	2.4%	2.6%	2.7%
Transport & Storage	2.0%	2.2%	2.3%	2.3%
Business Services	1.7%	1.7%	1.9%	1.9%
Resources (Mining)	1.5%	1.8%	2.2%	2.2%
Electricity, Gas and Water Supply	1.3%	1.3%	1.4%	1.6%
Construction	1.4%	1.4%	1.6%	1.7%
Other	6.0%	6.0%	5.5%	5.5%
<b>Group Resources (mining) exposure by sector (\$B)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Oil and Gas Extraction	7.0	7.8	8.6	6.8
Metal Ore Mining	3.5	4.0	4.9	4.0
Coal Mining	1.1	1.5	2.3	2.7
Services to Mining	1.4	1.7	2.9	3.1
Other Mining	1.0	1.1	1.3	1.0
<b>Total</b>	<b>14.0</b>	<b>16.1</b>	<b>20</b>	<b>17.6</b>

42. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel classes and manual adjustments. Data provided is as at Sep 17 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral.

<b>Group Electricity, Gas and Water Supply exposures by sector (\$B)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Electricity Generation	4.8	5.4	5.6	5.6
Electricity Transmission	2.9	1.9	1.9	1.7
Gas Supply	1.6	1.8	1.8	1.8
Electricity Distribution and Supply	1.4	1.4	1.7	2.6
Water Supply	1.1	0.9	1.7	0.9
Sewerage and Drainage Services	0.1	0.1	0.1	0.5
<b>Total</b>	<b>11.8</b>	<b>11.5</b>	<b>12.8</b>	<b>13.1</b>

<b>Group Agriculture exposures by sector (\$B)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Dairy	12.8	13.6	13.0	12.0
Grain/Wheat	5.7	5.6	5.4	5.3
Beef	4.8	4.7	4.6	4.3
Sheep and Other Livestock	3.1	3.2	3.1	3.1
Horticulture/Fruit/Other crops	4.2	4.0	4.0	3.6
Forestry and Fishing/Agriculture Services	3.3	3.4	3.1	3.0
<b>Total</b>	<b>34.0</b>	<b>34.5</b>	<b>33.2</b>	<b>31.3</b>

<b>Average emission intensity of generation financed (tonnes CO<sub>2</sub>-e per megawatt hour of electricity generated)<sup>43</sup></b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Australia	0.58	0.62	0.64	0.77
Outside Australia	0.24	0.16	0.20	0.25

43. Refer to page 90 for calculation methodology.

<b>Project finance portfolio</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Renewables	70%	63%	60%	44%
Coal	16%	19%	18%	33%
Gas	13%	18%	22%	23%
<b>Project finance commitment to renewable energy<sup>44</sup> (\$M)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Renewables	1,141	875	881	835
<b>Equator principles</b>	<b>Category A<sup>45</sup></b>	<b>Category B<sup>46</sup></b>	<b>Category C<sup>47</sup></b>	
		10	1	
<b>By sector</b>				
Natural Resources		2		
Infrastructure		4		
Power & Utilities		3	1	
Diversified		1		
<b>By region</b>				
Australia and New Zealand		7	1	
Asia		3		
Europe, Middle East & Africa				
Americas				
<b>By country designation<sup>48</sup></b>				
Designated		7	1	
Non-designated		3		
<b>Independent review<sup>49</sup></b>				
Yes		10	1	
No				

44. Refers to ANZ's lending commitments as at 30 September 2017 to renewable energy projects made only on a non or limited recourse basis to the ultimate sponsors. This figure does not include ANZ lending made to renewable energy projects that may be funded under corporate debt facilities or through other lending products.

45. Category A: Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.

46. Category B: Projects with potential limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

47. Category C: Projects with minimal or no social or environmental impacts.

48. Designated Countries are defined by the Equator Principles as "those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment." The list of Designated Countries can be found on [equator-principles.com](http://equator-principles.com).

49. An independent review may not be required for all Projects e.g. an Independent Review is not required for Category C Projects. Please refer to the Equator Principles for details on what is required for each Category and product type.

## ENVIRONMENT<sup>50</sup>

<b>GHG emissions scope 1 &amp; 2 (tonnes CO<sub>2</sub>-e)<sup>51</sup></b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Australia	126,881	136,751	147,499	154,922	163,206
New Zealand	6,992	7,910	9,189	10,008	11,955
Asia Pacific, Europe and America	47,120	48,908	52,843	47,347	44,984
<b>Scope 1 &amp; 2 GHG emissions (tonnes CO<sub>2</sub>-e)</b>	<b>180,993</b>	<b>193,569</b>	<b>209,531</b>	<b>212,277</b>	<b>220,145</b>
<b>GHG emissions scope 1, 2 &amp; 3 (tonnes CO<sub>2</sub>-e)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Scope 1</b>					
Premises Energy	3,361	3,688	3,618	3,981	3,603
Vehicle transport	15,527	17,290	18,920	13,478	12,297
Other <sup>52</sup>	136	144	150	152	138
<b>Scope 2</b>					
Premises Energy	161,969	172,447	186,844	194,666	204,108
<b>Scope 3</b>					
Premises Energy	27,218	34,812	38,678	43,562	43,306
Vehicle Transport	2,824	3,035	3,716	4,472	4,266
Travel — Flights & Accommodation	35,166	38,886	53,268	54,688	53,079
Employee Commuting <sup>53</sup>	21,231	22,437	22,888	NA	NA
Paper	3,300	4,270	4,930	5,854	6,160
Waste	2,154	2,215	2,073	1,967	2,189
Water <sup>54</sup>	329	NA	NA	NA	NA
<b>Total global GHG emissions (tonnes CO<sub>2</sub>-e)</b>	<b>273,216</b>	<b>299,224</b>	<b>335,085</b>	<b>322,820</b>	<b>329,146</b>
<b>Premises energy use (global)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Electricity (MWh)	226,948	236,144	243,228	260,713	261,807
Natural Gas (MWh)	16,185	16,650	17,350	18,128	17,117
Diesel (MWh)	2,897	2,308	1,589	1,133	1,423
<b>Total (MWh)</b>	<b>246,030</b>	<b>255,102</b>	<b>262,167</b>	<b>279,974</b>	<b>280,347</b>

50. Environmental reporting year runs 1 July — 30 June to align with environmental regulatory reporting requirements.

51. Incorporates Scope 2 emissions calculated in accordance with the 'location-based' method as outlined in the 'GHG Protocol Scope 2 Guidance' that amends the GHG Protocol Corporate Standard. When applying the 'market-based' method to calculate ANZ's Scope 2 emissions, the combined Scope 1 and 2 emissions for Australia in 2017 are 99,941 tonnes. There are no changes to the reported figures for ANZ's New Zealand and APE&A operations.

52. Indicates estimated emissions arising from the operation of a black water treatment plant at ANZ's Global Headquarters in Melbourne, Australia.

53. Represents employee commuting emissions from staff working in key commercial office locations in Australia and New Zealand. This was calculated and externally assured for the first time in 2015.

54. Represents water emissions from key commercial office locations in Australia and New Zealand. This was calculated and externally assured for the first time in 2017.



<b>Road transport energy use (global)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Vehicle Fuel (MWh)	61,727	67,741	66,251	52,909	49,683
<b>Paper use (Australia &amp; New Zealand)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Office Paper (tonnes)	709	876	988	1,055	1,149
Customer Paper (tonnes)	2,652	3,009	3,274	3,705	3,805
<b>Total (tonnes)</b>	<b>3,361</b>	<b>3,885</b>	<b>4,262</b>	<b>4,760</b>	<b>4,954</b>
<b>Waste (Australia &amp; New Zealand)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Waste to landfill (tonnes)	991	1,099	1,183	1,199	1,310

## EMPLOYEES<sup>55</sup>

### EMPLOYEE PROFILE

Employee headcount	2017	2016	2015
Group total	47,774	49,349	51,823

Employees by contract type and gender	2017			2016			2015		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
<b>Permanent</b>									
Full time	19,114	20,495	<b>39,609</b>	20,261	21,522	<b>41,783</b>	20,866	22,258	<b>43,124</b>
Part time	5,210	712	<b>5,922</b>	5,288	665	<b>5,953</b>	5,317	626	<b>5,943</b>
<b>Fixed-term</b>									
Full time	543	861	<b>1404</b>	301	436	<b>737</b>	701	939	<b>1,640</b>
Part time	104	39	<b>143</b>	100	20	<b>120</b>	253	44	<b>297</b>
Casual	541	155	<b>696</b>	595	161	<b>756</b>	640	179	<b>819</b>
<b>Total</b>	<b>25,512</b>	<b>22,262</b>	<b>47,774</b>	<b>26,545</b>	<b>22,804</b>	<b>49,349</b>	<b>27,777</b>	<b>24,046</b>	<b>51,823</b>

Employees by gender and region	2017			2016			2015		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Asia Pacific	6,241	4,725	<b>10,966</b>	6,934	5,202	<b>12,136</b>	7,628	5,880	<b>13,508</b>
Australia	11,940	9,842	<b>21,782</b>	12,154	9,913	<b>22,067</b>	12,521	10,275	<b>22,796</b>
New Zealand	4,921	3,473	<b>8,394</b>	5,075	3,517	<b>8,592</b>	5,263	3,565	<b>8,828</b>
EAMEI <sup>56</sup>	2,410	4,222	<b>6,632</b>	2,382	4,172	<b>6,554</b>	2,365	4,326	<b>6,691</b>
<b>Total</b>	<b>25,512</b>	<b>22,262</b>	<b>47,774</b>	<b>26,545</b>	<b>22,804</b>	<b>49,349</b>	<b>27,777</b>	<b>24,046</b>	<b>51,823</b>

55. Employee headcount is used as the basis for these disclosures. Includes all employees regardless of leave status but not contractors (which are included in FTE).

56. Europe, America, Middle East and India.

Employee new hires by gender, age and region	2017		2016		2015	
	Number	Rate (% of total employees)	Number	Rate (% of total employees)	Number	Rate (% of total employees)
<b>Employee new hires by gender</b>						
Female	3,664	7.7%	3,420	6.9%	4,591	8.9%
Male	3,472	7.3%	2,973	6.0%	4,526	8.7%
<b>Total</b>	<b>7,136</b>	<b>14.9%</b>	<b>6,393</b>	<b>13.0%</b>	<b>9,117</b>	<b>17.6%</b>
<b>Employee new hires by age</b>						
<20	120	0.3%	114	0.2%	99	0.2%
20–24	1,412	3.0%	1,302	2.6%	1,651	3.2%
25–34	3,404	7.1%	3,299	6.7%	4,581	8.8%
35–44	1,514	3.2%	1,231	2.5%	2,014	3.9%
45–54	537	1.1%	353	0.7%	637	1.2%
55–65	133	0.3%	88	0.2%	131	0.3%
>65	16	0.0%	6	0.0%	4	0.0%
<b>Total</b>	<b>7,136</b>	<b>14.9%</b>	<b>6,393</b>	<b>13.0%</b>	<b>9,117</b>	<b>17.6%</b>
<b>Employee new hires by region</b>						
Asia Pacific	2,081	4.4%	1,617	3.3%	3,317	6.4%
Australia	2,766	5.8%	2,533	5.1%	3,026	5.8%
New Zealand	1,032	2.2%	1,035	2.1%	1,276	2.5%
EAMEI	1,257	2.6%	1,208	2.4%	1,498	2.9%
<b>Total</b>	<b>7,136</b>	<b>14.9%</b>	<b>6,393</b>	<b>13.0%</b>	<b>9,117</b>	<b>17.6%</b>
<b>Turnover</b>			<b>2017</b>	<b>2016</b>	<b>2015</b>	
Voluntary turnover			6,339	6,870	7,293	
Involuntary turnover			2,454	2,084	1,597	
<b>Total</b>			<b>8,793</b>	<b>8,954</b>	<b>8,890</b>	
<b>Rate</b>			<b>18.4%</b>	<b>18.1%</b>	<b>17.2%</b>	

Employee turnover by gender, age and region	2017		2016		2015	
	Number	Rate (% of employee category)	Number	Rate (% of employee category)	Number	Rate (% of employee category)
<b>Employee turnover by gender</b>						
Female	4,783	18.7%	4,783	18.0%	4,671	16.8%
Male	4,010	18.0%	4,171	18.3%	4,219	17.5%
<b>Total</b>	<b>8,793</b>	<b>18.4%</b>	<b>8,954</b>	<b>18.1%</b>	<b>8,890</b>	<b>17.2%</b>
<b>Employee turnover by age</b>						
<20	70	49.3%	80	58.0%	42	30.4%
20–24	959	33.1%	1,123	36.4%	1,009	27.4%
25–34	3,793	20.4%	3,978	19.9%	4,101	19.0%
35–44	2,293	15.8%	2,135	14.7%	2,234	15.3%
45–54	1,049	13.4%	1,004	12.8%	924	11.4%
55–65	547	15.9%	560	16.3%	476	13.7%
>65	82	23.6%	74	24.3%	104	39.7%
<b>Total</b>	<b>8,793</b>	<b>18.4%</b>	<b>8,954</b>	<b>18.1%</b>	<b>8,890</b>	<b>17.2%</b>
<b>Employee turnover by region</b>						
Asia Pacific	3,237	29.5%	2,991	24.6%	3,162	23.4%
Australia	3,249	14.9%	3,407	15.4%	3,169	13.9%
New Zealand	1,190	16.8%	1,318	15.3%	1,259	14.3%
EAMEI	1,117	14.2%	1,238	18.9%	1,300	19.4%
<b>Total</b>	<b>8,793</b>	<b>18.4%</b>	<b>8,954</b>	<b>18.1%</b>	<b>8,890</b>	<b>17.2%</b>



## DIVERSITY AND INCLUSION

Women in management	2017	2016	2015
Total women in management (%)	41.5	41.5	40.4

Employees by category and diversity	2017		2016		2015	
	Female	Male	Female	Male	Female	Male
<b>Employees by category and gender</b>						
CEO-1: ANZ Executive Committee	33.3%	66.7%	27.3%	72.7%	18.2%	81.8%
CEO-2 Senior Executives <sup>57</sup>	27.2%	72.8%	26.4%	73.6%	25.8%	74.2%
CEO-3: Executive <sup>58</sup>	27.9%	72.1%	25.5%	74.5%	23.6%	76.4%
Senior Manager <sup>59</sup>	32.3%	67.7%	31.5%	68.5%	31.7%	68.3%
Manager <sup>60</sup>	43.0%	57.0%	43.3%	56.7%	42.4%	57.8%
<b>Total in Management roles<sup>61</sup></b>	<b>41.5%</b>	<b>58.5%</b>	<b>41.5%</b>	<b>58.5%</b>	<b>40.4%</b>	<b>59.6%</b>
Non-management <sup>62</sup>	62.3%	37.7%	62.9%	37.1%	62.9%	37.1%
<b>ANZ overall</b>	<b>53.4%</b>	<b>46.6%</b>	<b>53.8%</b>	<b>46.2%</b>	<b>53.6%</b>	<b>46.4%</b>

Employees by category and age (% of total employees 2017)	<20	20-24	25-34	35-44	45-54	55-64	>65
CEO-1: ANZ Executive Committee	0.0%	0.0%	0.0%	8.3%	66.7%	25.0%	0.0%
CEO-2 Senior Executives <sup>57</sup>	0.0%	0.0%	0.0%	12.8%	57.6%	28.0%	1.6%
CEO-3: Executive <sup>58</sup>	0.0%	0.0%	0.9%	34.1%	54.3%	10.7%	0.0%
Senior Manager <sup>59</sup>	0.0%	0.0%	4.5%	46.5%	40.6%	8.2%	0.2%
Manager <sup>60</sup>	0.0%	0.3%	29.6%	42.8%	19.6%	7.1%	0.5%
Non-management <sup>62</sup>	0.5%	10.4%	48.4%	21.3%	11.6%	7.0%	0.9%
<b>ANZ overall</b>	<b>0.3%</b>	<b>6.1%</b>	<b>38.9%</b>	<b>30.4%</b>	<b>16.4%</b>	<b>7.2%</b>	<b>0.7%</b>

Recruitment of under-represented groups	2017	2016	2015
Aboriginal and Torres Strait Islander peoples	100	87	108
People with a (self-disclosed) disability	109	216	127
Refugees	41	33	28
<b>Total</b>	<b>250</b>	<b>336</b>	<b>263</b>

57. Senior Executive comprises persons holding roles within ANZ designated as Group 1. These roles typically involve leading large businesses, geographies or the strategy, policy and governance of business areas (excludes Group Executive Committee).

58. Executive comprises persons holding roles within ANZ designated as Group 2.

59. Senior Manager comprises persons holding roles within ANZ designated as Group 3.

60. Manager comprises persons holding roles within ANZ designated as Group 4.

61. Total in Management represents all ANZ Group Executive Committee roles and roles within ANZ designated as Group 1 to 4.

62. Non-Management comprises women holding roles within ANZ designated as Group 5 and 6.

Parental leave <sup>63</sup>	2017		
	Female	Male	Total
Employees who took parental leave during the year	1,091	525	<b>1,616</b>
Employees returning to work after parental leave during the year	1,009	519	<b>1,528</b>
Parental leave return to work rate	89%	91%	<b>90%</b>
Employees who returned to work after parental leave and were still employed 12 months after return	659	387	<b>1,046</b>
Parental leave retention rate 12 months after return	70%	80%	<b>74%</b>

## TRAINING

Average hours of training per employee	2017	2016	2015
Senior Manager	10.7	15.6	16.7
Manager	13.6	15.4	17.8
Non-management	22.0	21.8	27.7

Average hours of training by gender	2017	2016	2015
Female	19	20	26
Male	17	18	21

Investment in learning and development	2017	2016	2015
Investment in learning and development (\$M) <sup>64</sup>	45.9	50.8	58.7

## EMPLOYEE CONDUCT

Code of conduct and ethics	2017	2016	2015
Code of conduct breaches	1,443	1,408	1,629
Whistleblowing reports	121	71	72

63. Parental leave data is available for Australia, New Zealand and India only.

64. Includes learning and development cost base (i.e. salary and on-costs of employees within learning and development cost centre).

## HEALTH & SAFETY

Lost time injury frequency rate <sup>65</sup>	2017	2016	2015
Australia	1.5	1.4	1.6
– Australia <sup>66</sup>	0.9	0.9	1.0
New Zealand	1.1	1.1	1.5
APEA	0.2	0.7	0.6
India	0.3	0.2	0.3

Absenteeism rate <sup>67</sup>	2017	2016	2015
Australia (%)	2.0%	2.0%	1.9%
New Zealand (%)	1.6%	1.5%	1.6%
India (%) <sup>68</sup>	1.9%	1.9%	–

## REMUNERATION

Female to male salary ratios <sup>69</sup>	2017	2016	2015
Executive	1:1.07	1:1.06	1:1.08
Management	1:1.02	1:1.02	1:1.02
Non-management	1:0.98	1:0.98	1:0.98

## EMPLOYEE ENGAGEMENT

	2017	2016	2015
Employee engagement survey results (%) <sup>70</sup>	72	74	76

65. Lost time injury frequency rate, the number of lost time injuries per million hours worked.

66. LTIFR claims: an Australian financial industry benchmarking measure which includes LTIs that result in claims. This measure is not applicable in other countries.

67. Absenteeism is calculated as actual absenteeism hours lost (excluding carers leave) as a percentage of total hours scheduled to be worked by the workforce.

68. India started to calculate in 2016.

69. The pay equity ratio for each year is based on the previous financial year's compensation due to timing of Group remuneration review. Based on weighted average salary. Australia only. Excludes casuals and trainees/interns.

70. The 2017 engagement survey was run as a pulse survey sent to 10% of the bank's employees with a 57% response rate. Previously, the employee engagement survey was sent to all staff.

## COMMUNITY

<b>Giving &amp; volunteering</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Volunteer hours	113,127	113,071	108,142	101,801
Community Investment (\$M) <sup>71</sup>	131.1	89.8	74.8	75.6
<b>Financial inclusion programs</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
MoneyMinded — estimated number of people reached	>76,000	>60,900	>67,000	>54,000
Saver Plus — number of people reached	4,074	4,649	2,826	5,461

71. Includes foregone revenue, being the cost of providing low or fee free accounts to a range of customers such as government benefit recipients, not for profit organisations and students.



## CUSTOMERS

<b>Net Promoter Score Ranking (relative to peers)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Australia Retail <sup>72</sup>	4	2	4	4
Australia Corporate & Commercial <sup>73</sup>	4	4	4	3
Australia Institutional <sup>74</sup>	2	1	–	–
New Zealand Retail <sup>75</sup>	4	4	5	5
New Zealand Corporate and Commercial <sup>76</sup>	4	4	4	4
New Zealand Institutional <sup>77</sup>	3	1	–	–
<b>Customer complaints</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Retail and Commercial Australia	45,596	51,771	47,140	57,776
Wealth Australia <sup>78</sup>	20,092	20,972	21,405	–
Retail and Business Bank New Zealand	18,343	18,595	13,283	10,804
Wealth New Zealand	173	459	567	395
<b>Complaints referred by customers to external dispute resolution bodies</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Retail and Commercial Australia <sup>79</sup>	2,839	2,472	2,360	2,303
Wealth Australia <sup>80</sup>	342	335	345	–
Retail, Business Bank and Wealth New Zealand	50	84	98	84
<b>Privacy complaints</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Australia	169	174	205	104
New Zealand	59	95	69	74
<b>Customer Advocate completed reviews (Australia)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
General banking product reviews	1,128	1,294	1,032	1,015
Resolved wholly or partially in favour of the customer	45%	52%	58%	51%
Insurance, superannuation and investments reviews	423	398	401	392
Resolved wholly or partially in favour of the customer	44%	49%	50%	41%
<b>Hardship</b>	<b>2017<sup>81</sup></b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Customer requests for hardship assistance (Australia)	40,470	49,150	43,385	44,089

72. Roy Morgan Research Single Source, Australian population aged 14+, Main Financial Institution, six month rolling average to Sep'13, Sep'14, Sep'15, Sep'16 & Sep'17.

73. DBM Business Financial Services Monitor. Base: Corporate & Commercial Banking (<\$500m annual turnover) customers. Data based on 6 month average to Sep'13, Sep'14, Sep'15, Sep'16 & Sep'17.

74. Peter Lee Associates Large Corporate and Institutional Relationship Banking surveys, Australia 2016–17, ranked against the Top 4 competitors.

75. Retail Market Monitor, Camorra Research, Sep'13, Sep'14, Sep'15, Sep'16 & Sep'17 (monthly).

76. Business Finance Monitor, TNS Kantar Research, Q3'13, Q3'14, Q3'15, Q3'16 & Q3'17 (quarterly).

77. Peter Lee Associates Large Corporate and Institutional Relationship Banking surveys, New Zealand 2016–17, ranked against the Top 4 competitors (2016 rank based on question 'which bank would you be most likely to recommend').

78. Wealth Australia complaints numbers for FY16 have been restated due to database revision.

79. Based on volumes reported by Financial Ombudsman Service.

80. Commenced reporting externally in 2015.

81. Decrease in customer hardship requests between 2016 and 2017 is largely attributed to the Esanda Dealer Finance divestment in 2016.

## VOLUNTARY TAX TRANSPARENCY

	A\$M			
	Australia	New Zealand	APEA	Total
Profit before income tax (PBT) <sup>82</sup> as reported in the financial statements	6,549	2,313	765	9,627
Prima Facie income tax expense based on local statutory tax rate <sup>82</sup>	1,965	648	238	2,851
<b>Permanent differences</b>				
Share of Associates' profit	(89)	(1)	–	(90)
Reclassification of SRCB to held for sale	82	–	–	82
Wealth Australia — policyholder income and contributions tax	194	–	–	194
Interest on Convertible Instruments	69	–	–	69
Other	19	2	(14)	7
<b>Income tax expense relating to current year liability</b>	<b>2,240</b>	<b>649</b>	<b>224</b>	<b>3,113</b>
<b>Temporary differences (movement)</b>				
Collective provision for loans and advances	(8)	(12)	(10)	(30)
Individual provision for impaired loans and advances	10	–	(4)	6
Other provisions	(24)	(11)	6	(29)
Software	26	(4)	22	44
Lease finance	29	(12)	–	17
Other	(5)	6	(19)	(18)
<b>Total temporary differences (movement)</b>	<b>28</b>	<b>(33)</b>	<b>(5)</b>	<b>(10)</b>
	<b>2,268</b>	<b>616</b>	<b>219</b>	<b>3,103</b>
Other adjustments impacting current tax payable <sup>83</sup>	(9)	–	–	(9)
<b>Current year income tax payable</b>	<b>2,259</b>	<b>616</b>	<b>219</b>	<b>3,094</b>
<b>Total income tax expense (ITE)</b>				
Income tax expense relating to current year liability	2,240	649	224	3,113
Prior year adjustments to amounts provided	1	–	(20)	(19)
Other	108	(6)	10	112
<b>Total income tax expense as reported in the financial statements</b>	<b>2,349</b>	<b>643</b>	<b>214</b>	<b>3,206</b>
Effective tax rate (ITE/PBT)	35.87%	27.80%	27.97%	33.30%
Statutory tax rate <sup>84</sup>	30%/15%/0%	28.00%	Various	

82. Statutory legal view of the geographies, representing basis of local income tax return filings.

83. Represents estimated tax offsets.

84. Wealth Business (super/pension members) statutory tax rates at 15%/0%.

## EXPLANATORY NOTES

### \$10B TARGET TO FUND AND FACILITATE LOW CARBON AND SUSTAINABLE SOLUTIONS (THE TARGET)

'Low carbon and sustainable solutions' is defined as the products and services provided to ANZ customers across the markets in which we operate, to the extent they are related to the defined activities below.

The target is reported as at 30 September 2017 and is a five-year Group-wide target, from 2016 to 2020. It includes all financing either funded or facilitated by ANZ through its products and services, including, but not limited to, loans, guarantees and bonds, markets products and advisory services.

ANZ's approach to our low carbon and sustainable solutions target:

- draws on the Climate Bonds Initiative (CBI) criteria (available at [climatebonds.net/standards](http://climatebonds.net/standards)) and the expertise of our internal specialist teams to guide which activities qualify for the target. The CBI criteria is designed to be consistent with the Intergovernmental Panel on Climate Change (IPCC) AR5 report and is intended for broad guidance only;
- takes into account the nature of a customer's business such that where only part of a customer's operations or activities met the criteria, ANZ will determine what proportion of general purposes financing provided to that customer is included in the target. (General purposes financing is financing provided for application to a customer's general expenditure requirements and not specifically identified projects for example, capital or operational expenditure); and
- includes conducting an annual review of activities and methodologies used to guide activities that qualify for the target. This may result in the inclusion of new activities and any material changes will be transparently disclosed. Changes in methodology will not be applied retrospectively.

The target activities specifically include, but are not limited to:

- energy efficiency
- low emissions transport, transport infrastructure
- green buildings — demonstrating 4.5 star National Australian Built Environment Rating System ('NABERS') equivalent and 4 star NABERS rating for retrofits with minimum 2 star upgrade
- reforestation, sustainable forestry and agricultural practices
- renewable energy, battery storage
- emerging technologies (e.g. carbon capture and storage)
- climate change adaptation measures
- water recycling, procurement, treatment and efficiency

The target includes products and services (including refinancing) that have been provided since 1 October 2015 above a threshold of \$1 million.

### FINANCED EMISSIONS

Reported figures do not include generation under construction.

Australian financed emissions is calculated using generation and emissions data from three sources:

1. Australian Energy Market Operator (AEMO) for generators connected to the National Electricity Market (NEM) grid and the South West Interconnected System (SWIS) in Western Australia
2. 2015–16 National Greenhouse and Energy Reporting (NGER) data for designated generation facilities (available from Australian Clean Energy Regulator website)
3. estimates by ANZ for remaining generators where there was no data available from the first two sources.

Overall, AEMO and NGER data was available for around 97% of electricity generation from projects financed by ANZ in 2017. The proportion of generation attributable to ANZ finance was based on the ratio of ANZ Class 1 Debt Limits to Total Syndicate Debt.

Financed emissions outside Australia is calculated using generation and emissions data from three sources:

1. New Zealand Electricity Authority for New Zealand generation assets
2. CARMA database maintained by the Centre for Global Development
3. estimates by ANZ for remaining generators where there was no data available from the first two sources or where it was considered potentially inaccurate.

The proportion of generation attributable to ANZ finance was based on the ratio of ANZ Class 1 Debt Limits to Total Syndicate Debt.

### BUSINESS LENDING AND TOTAL CARBON EMISSIONS OF KEY INDUSTRY SECTORS IN AUSTRALIA AND NEW ZEALAND

Exposure at default (EAD)<sup>85</sup> is the amount ANZ would be owed in the event of a customer defaulting on their loan.

Size of 'bubbles' in graph on page 66 equates to ANZ's exposure at default in Australia and New Zealand. The 'bubble' for commercial services is not proportional.

The Scope 1 and 2 emissions attributable to the ANZSIC sectors is based on national emissions data submitted to the United Nations Framework Convention on Climate Change (UNFCCC) by the Australian and New Zealand Governments for the 2015 Calendar Year: [unfccc.int/national\\_reports/annex\\_i\\_ghg\\_inventories/national\\_inventories\\_submissions/items/10116.php](http://unfccc.int/national_reports/annex_i_ghg_inventories/national_inventories_submissions/items/10116.php)

Australian data is sourced from: [ageis.climatechange.gov.au](http://ageis.climatechange.gov.au)

New Zealand emissions data has been allocated to ANZSIC sectors in accordance with the same methodology as that adopted by the Australian Government.

85. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel classes and manual adjustments. Data provided is as at Sep 17 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral.

# INDEPENDENT ASSURANCE REPORT TO ANZ BANKING GROUP (ANZ)



**Based on the procedures performed and evidence obtained, we are not aware of any material amendments that need to be made to the ANZ Corporate Sustainability Review for the year ended 30 September 2017, for it to be in accordance with the GRI Sustainability Reporting Standards Principles for Defining Report Content and Quality.**

## ABOUT KPMG'S ASSURANCE REPORT

### What did KPMG's work involve — scope of work

ANZ Banking Group (ANZ) engaged KPMG to perform a limited assurance engagement in relation to ANZ's 2017 Corporate Sustainability Review. The 2017 Corporate Sustainability Review covers ANZ's global operations for the year ended 30 September 2017.

KPMG's scope of work included conducting assurance procedures over all text and data contained in ANZ's 2017 Corporate Sustainability Review.

### What is limited assurance?

A limited assurance engagement is restricted primarily to enquiries and analytical procedures. The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with International Standards on Auditing and Assurance Engagements.

Professional standards require our report to be worded around what KPMG has not found, rather than what KPMG has found.

The engagement is aimed at obtaining limited assurance to support KPMG's final assurance report.

### What did KPMG do to support the scope of work — our procedures

Key procedures performed included:

- enquiries of relevant ANZ management and staff to understand ANZ's process for determining material sustainability issues
- interviews with relevant ANZ management and staff concerning ANZ's corporate sustainability framework and policies for material sustainability issues, and the implementation of these across the business
- interviews with relevant staff responsible for developing the content (text and data) within the 2017 Corporate Sustainability Review to understand the approach for management, monitoring, collation and reporting of such information and the accuracy, completeness and existence of reported text and data within the 2017 Corporate Sustainability Review
- comparing text and data (on a sample basis) presented in the 2017 Corporate Sustainability Review to underlying sources. This included considering whether all material matters had been included, whether any had been excluded and whether the reported text and data was accurately drawn from the underlying information
- reading the 2017 Corporate Sustainability Review (in its entirety) to ensure it is consistent with KPMG's overall knowledge of, and experience with, the corporate sustainability performance of ANZ
- considering that the appropriate indicators have been reported in accordance with the GRI Sustainability Reporting Standards Comprehensive level of disclosures
- reviewing the accuracy of the statements in relation to the Financial Stability Board's Task Force on Climate-related Financial Disclosures

### Consideration of other sustainability-related information

Other information considered by KPMG comprises ANZ's corporate sustainability-related information contained in the Corporate Governance Statement, Annual Review, and Annual Report, for the year ended 30 September 2017. ANZ is responsible for the other information.

KPMG's opinion on the 2017 Corporate Sustainability Review does not cover the other information and we do not express any form of assurance conclusion with regards to this information.

In connection with our assurance of the 2017 Corporate Sustainability Review, our responsibility is to read the other ANZ sustainability-related information and, in doing so, check for consistency with the 2017 Corporate Sustainability Review and the knowledge obtained through our assurance engagement.



## RESPONSIBILITIES

### ANZ is responsible for the:

- preparation and presentation of the 2017 Corporate Sustainability Review in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards Principles for Defining Report Content and Quality
- determination of ANZ's GRI level of disclosures in accordance with the GRI Standards

### KPMG is responsible for:

- ensuring our assurance engagement is conducted in accordance with the International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information. These standards require, among others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to provide assurance on sustainability information.

### Independence and quality control

In conducting our assurance engagement, KPMG has complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. KPMG has also complied with ANZ's *Stakeholder Engagement Model for Relationship with External Auditor* (available on [anz.com](http://anz.com)). The policy is aligned to the specific requirements set out in the Australian Corporations Act 2001.

KPMG's applies Australian Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Use of this report

This independent assurance report has been prepared for ANZ. KPMG disclaims any assumption of responsibility for any reliance on this report, or the 2017 Corporate Sustainability Review to which it relates, to any person other than ANZ, or for any purpose other than that for which it was prepared.

KPMG

Melbourne

30 November 2017

## OUR INTERNATIONAL PRESENCE

### Australia

### New Zealand

### International

#### Asia

Cambodia, China, Hong Kong, India, Indonesia, Japan, Laos, Malaysia, Myanmar, the Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam

#### Europe

France, Germany, United Kingdom

#### Pacific

American Samoa, Cook Islands, Fiji, Guam, Kiribati, New Caledonia, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Vanuatu

#### Middle East U.A.E. (Dubai)

#### United States of America



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