

# WHAT'S THE DIFFERENCE? CORPORATE RESPONSIBILITY SUMMARY REPORT 2007



ANZ's full 2007 Corporate Responsibility Report is available at [www.anz.com/cr2007](http://www.anz.com/cr2007)

#### INTRODUCTION

ANZ is one of four major Australian-based banks and is the largest bank and company in New Zealand. Headquartered in Melbourne, ANZ's Australian operations began in 1835 and its New Zealand operations in 1840.

As at 30 September 2007, ANZ has total assets of \$392.6 billion and shareholders' equity of \$22 billion. We have a market capitalisation of approximately \$55.4 billion and are the fifth largest Australian company by market capitalisation listed on the Australian Stock Exchange.

We operate in 31 countries worldwide with the majority of our operations in Australia and New Zealand. This year we announced a new Asia Pacific division to reflect the growing importance of the region to ANZ.

To support its strategy, ANZ has had a consistent focus on key areas: the quality of its people and culture; its customers; and the communities in which it operates.

#### ABOUT THIS PUBLICATION

This publication 'What's the difference?' is a summary of ANZ's annual Corporate Responsibility (CR) Report. It focuses on our performance against the publicly stated goals from our 2006 CR Report (see [www.anz.com/cr2006](http://www.anz.com/cr2006)) and CR issues material to our business and stakeholders.

Our full CR Report provides more detail about our CR activities and is available on our website at [www.anz.com/cr2007](http://www.anz.com/cr2007). It covers our Australian, New Zealand and Asia Pacific banking operations for the year to 30 September 2007.

We have used the Global Reporting Initiative G3 guidelines and the revised finance draft sector supplement as a reference in the preparation of these publications.

The Corporate Citizenship Company has provided an external assurance statement in keeping with the International Standard on Assurance Engagements ISAE 3000 and AA1000 Assurance Standard.

Chairman's message	2	Stakeholder engagement	11	Section 4 Environment and supply chain	30
CEO's message	3	Section 1 People	12	Our performance	36
2007 Performance summary	4	Section 2 Customers	18	Assurance, reporting, recognition and contacts	37
Corporate responsibility governance	9	Section 3 Community	24		

‘Leading a responsible business is personally important to me...

The nature of our business means we will potentially become involved in clients and transactions that raise controversial issues. Clarifying and understanding our role in these circumstances is part of being a responsible corporation...

Our role is to work with our clients, helping them to pursue their goals and improve their social and environmental performance. In some cases, where a client’s commitment does not seem evident, we must be prepared to discuss why and whether our relationship is sustainable.’

MICHAEL SMITH, CHIEF EXECUTIVE OFFICER

# CHAIRMAN'S MESSAGE

**This Report is concerned with our responsibilities to all our stakeholders: our staff, our customers, the community, the environment and our shareholders.**



It reviews our progress in these areas and sets new targets for the future and we are pleased that we have made significant progress in 2007. We are embracing the challenges and seeking innovative ways to address them. Our aim is to be a respected, responsible corporate citizen that recognises and constructively faces up to our responsibilities to all of our stakeholders.

Our people are becoming more engaged with our corporate responsibility agenda. Our financial literacy programs are assisting thousands of vulnerable Australians. We are lowering our lost time injury frequency rate, responding to the needs of an increasingly diverse workforce, focusing on increasing the number of women in leadership positions and building employment opportunities for Indigenous Australians.

We have continued to focus on the needs of our customers and our retail customer satisfaction score remains high.

The Equator Principles have become a standard part of our assessment of project finance proposals and are providing a useful framework for our consideration of social and environmental issues in other parts of our Institutional business.

We are involved in the global response to climate change, assisting our clients to understand and manage the risks and opportunities. While our own environmental footprint is not significant, we are making progress in reducing the bank's direct impact and this is receiving considerable attention in the plans for our new office at Docklands in Victoria.

We have had another solid year for our shareholders with a higher profit and higher dividends. We have plans to continue to be a satisfactory investment for our shareholders in the future.

This year the Board supported the OECD Guidelines for Multinational Enterprises as a framework to help us further develop our corporate responsibility approach. The commitment to the Guidelines will be reflected in the bank's policies and practices. I anticipate the Guidelines will be particularly useful as we expand our existing interests and pursue new opportunities in Asia.

On a final note, we are very pleased that we were assessed as the leading bank globally on the Dow Jones Sustainability Index. This provides recognition of the efforts of our staff to create a successful and responsible corporation.

A handwritten signature in dark ink, which appears to read 'Charles Goode'. The signature is fluid and cursive, written in a professional style.

CHARLES GOODE  
CHAIRMAN

# CHIEF EXECUTIVE OFFICER'S MESSAGE

Leading a responsible business is personally important to me.

I have been with ANZ for about a month at the time of this Report's preparation. It is clear that much has been achieved in ANZ's core markets of Australia and New Zealand:

- A great culture and workplace policies that support it
- A strong focus on retail customer service and responsible lending standards
- Innovative programs to improve financial literacy

I have also been impressed by the genuine connection between our employees – particularly our branch network – and their local communities.

These themes are on the right track and have created a very strong foundation for the bank.

As we prepare for our next phase, we are deeply conscious that doing business, especially with larger corporate clients, is becoming increasingly complex. Many forces are at play. These include social, ethical and environmental considerations, as well as the more familiar and direct concerns of an economic, financial and industrial character.

The nature of our business means we will potentially become involved in clients and transactions that raise controversial issues. Clarifying and understanding our role in these circumstances, and acting accordingly, is part of being a responsible corporation.

We must balance a diverse range of responsibilities, especially to our people, customers and shareholders. Our work will be guided by considerations including community sentiment, the decisions and policies of governments and regulators, and the views of social and environmental interest groups.

Our most important role is to work with our clients, helping them to pursue their goals and improve their social and environmental performance. In some cases, where a client's commitment does not seem evident, we must be prepared to discuss why and whether our relationship is sustainable.

We are also growing in Asia. We have our own operations and joint ventures and we are looking for the right opportunities to expand our presence there. Some of the governance and standards in these markets are quite different to what we expect in our "home" markets. I believe we can and will play, over time, an important role in contributing to the further development of these standards and the financial services sector in the region.

I want to thank you for your support for ANZ. I hope you will stay engaged in our journey and assist us in providing true leadership in responsible business management in the coming years.



A handwritten signature in black ink, appearing to read 'M. Smith', written over a horizontal line.

**MICHAEL SMITH**  
CHIEF EXECUTIVE OFFICER



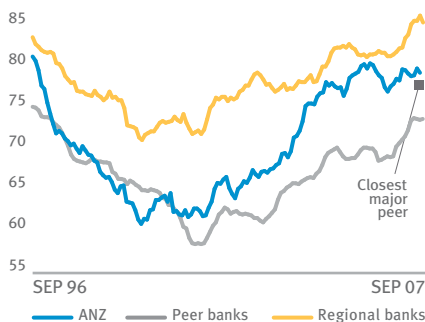
## PUTTING OUR CUSTOMERS FIRST

### 2007 Performance summary

GOAL	COMMENTARY	PERFORMANCE
Continue to improve our customer satisfaction and match the performance of community and regional banks	ANZ's retail customer satisfaction at 77.2% (September 07) continues to lead major bank peers in Australia according to the Roy Morgan Finance Monitor. Overall our customer satisfaction has increased by 1.7% since September 2006, and is 4.7 points higher than the average for major banks. Against the regional banks, ANZ continues to perform well but is 15.4 points behind the regional bank leader in customer satisfaction.	Partially achieved
Meet or exceed the performance standards set out in our Customer Charter	We met or exceeded the performance standards on the majority of our Customer Charter promises. Significant efforts to improve our performance on fast account openings in Mortgages resulted in 98.5% of standard home loan applications being answered in two working days, up from 96.1% in 2006.	Partially achieved
Maintain our position as Number 1 Lead Bank for Major Corporate and Institutional clients	ANZ continues to perform strongly in the large corporate and institutional banking market in Australia and New Zealand. ANZ maintained or gained leadership in 11 measures including No.1 Most Trusted Adviser according to research of Treasurers and Chief Financial Officers conducted by Peter Lee Associates.	Achieved
Develop and implement social and environmental management policies for forestry, mining and energy for our Institutional business	We developed and conducted extensive consultation on our draft Forests Policy, the first in a series of sector-specific policies designed to provide greater consistency in the integration of social and environmental factors into our lending and business decisions. ANZ Institutional Division is engaged in a final round of stakeholder discussions prior to finalising the Policy. Policies on water, mining and energy are being developed and will be the subject of stakeholder consultation in 2008.	Did not achieve
Implement the Equator Principles across our Project Finance business	Since we adopted the Equator Principles in December 2006, we have reviewed 26 projects for social and environmental impact under the Principles and approved 16. Projects did not proceed for a range of reasons, including their inability to meet the Principles. Equator Principles training has been provided to 75% of our Project Finance staff in Melbourne, Sydney, Hong Kong and Singapore. Further work is being undertaken to implement a specific Equator Principles toolkit, training program and reporting process across our global Project Finance business.	Partially achieved

For more detailed information: see pages 18 to 23 or our full Corporate Responsibility Report at [www.anz.com/cr2007](http://www.anz.com/cr2007)

#### CUSTOMER SATISFACTION %



Source: Roy Morgan Research – Aust MFI Pop'n aged 14+, % Satisfied (Very or Fairly Satisfied), 6mth moving average

#### 2008 GOALS

- Continue to improve our retail customer satisfaction and match the performance of community and regional banks
- Meet or exceed the performance standards set out in our Customer Charter and conduct a review of its commitments
- Implement a new Personal Division policy and processes to assist retail customers facing financial difficulty
- Maintain our position as the Number 1 Lead Bank for major Corporate and Institutional clients
- Achieve Equator Principles reporting for 100% of ANZ's Project Finance transactions
- Implement Institutional social and environmental lending policies for forests, mining, energy and water



## CREATING VALUE FOR OUR SHAREHOLDERS

### 2007 Performance summary

GOAL	COMMENTARY	PERFORMANCE
Achieve annual revenue growth of 7 to 10%	We achieved revenue growth of 9.7% and a record profit of \$4,180 million for the year ended 30 September 2007, up 13.3% on the previous year. Cash earnings per share (excluding non-core items) were 210.3 cents, up 8.1%. Total Shareholder Return was 15.6%.	Achieved
Over time reduce our cost-to-income ratio to 40%	We reduced our cost-to-income ratio from 45.6 to 44.8%, while continuing to invest in the business. This investment is consistent with our long-term approach to reduce our cost-to-income ratio by maintaining revenue growth in excess of expense growth rather than merely cutting costs.	Partially achieved

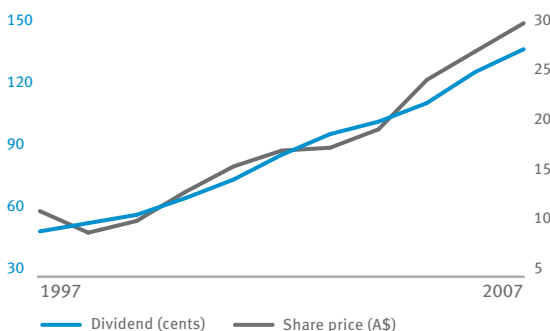
For more detailed information: see our 2007 Annual Report at [www.anz.com/shareholders](http://www.anz.com/shareholders) or our full Corporate Responsibility Report at [www.anz.com/cr2007](http://www.anz.com/cr2007)

## IMPROVING OUR GOVERNANCE

GOAL	COMMENTARY	PERFORMANCE
Address the findings of the independent human rights review conducted in 2006 and make a public commitment to one or more human rights instruments during 2007	In April 2007, the ANZ Board supported the OECD Guidelines for Multinational Enterprises as a comprehensive framework for the integration of responsible practices across our business. We have made strong progress in addressing the findings of the independent review of our business against the Guidelines. Significant achievements included the launch of ANZ's Disability Action Plan and the development of our People Charter, containing specific human rights commitments and performance indicators. More work is required to integrate the guidelines into our due diligence procedures for joint ventures and acquisitions.	Partially achieved

For more detailed information: see pages 9 to 10 or our full Corporate Responsibility Report at [www.anz.com/cr2007](http://www.anz.com/cr2007)

### SHARE PRICE AND DIVIDEND PERFORMANCE BY YEAR



### 2008 GOALS

- Examine how best to build relevant social and environmental criteria into joint venture due diligence processes
- Achieve Disability Action Plan employment and banking access targets



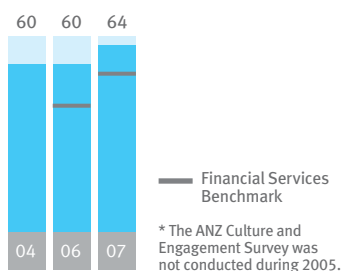
## LEADING AND INSPIRING OUR PEOPLE

### 2007 Performance summary

GOAL	COMMENTARY	PERFORMANCE
Reduce our Lost Time Injury Frequency Rate (LTIFR) by a further 20% in Australia and New Zealand	ANZ achieved its goal of a 20% reduction in Australia's Lost Time Injury Frequency Rate (LTIFR) from 3.8 in September 2006 to 3.0 in September 2007.  In New Zealand, as a result of improved data, the LTIFR for 05/06 has changed from 1.5 to 3.6. The LTIFR for 06/07 is 1.6 resulting in a 56% reduction. The New Zealand LTIFR is calculated using only LTIs that become a workers' compensation claim.	Achieved
Close the gap on pay differential between men and women at all levels	Following the 2006/07 Remuneration Review the weighted average differential between male and female management salaries in Australia has improved from 3.1% in favour of males to 2.6% in favour of males. For all Australian employees, the weighted average differential has moved from 0.4% in favour of males to 0.2% in favour of females.	Partially achieved
Improve our performance on the ANZ Engagement and Culture Survey	Eighty-seven per cent of staff participated in our annual Engagement and Culture Survey. Employee engagement increased from 60 to 64%, solidly above the Australasian financial services sector benchmark of 58%.	Achieved
Achieve our 2007 targets for women in management roles including 24% female executives	We continue to focus on achieving our three year targets for women in management. While the percentage of females in executive positions increased from 20% in September 2006 to 22% at the end of September 2007, we did not achieve our target of 24%.  Our programs and initiatives to advance women within our organisation were again acknowledged by Equal Opportunity in the Workplace Agency which recognised ANZ as an Employer of Choice for Women for the sixth consecutive year.	Did not achieve
Employ 50 Indigenous Australians, as part of our Indigenous Employment Strategy	We have 35 Indigenous school-based trainees including eight in metropolitan Sydney and the remainder in rural New South Wales and Western Australia. By December 2007 we plan to have 81 additional Indigenous school-based trainees in Regional and Rural Banking and 50 in Retail Banking. We also announced the most significant Indigenous employment targets of any Australian company as part of our Reconciliation Action Plan. This includes the recruitment of at least 300 young Indigenous trainees by 2009 and the promotion of 20 Indigenous employees on merit to ANZ management positions by 2014.	Partially achieved

For more detailed information: see pages 12 to 17 or our full Corporate Responsibility Report at [www.anz.com/cr2007](http://www.anz.com/cr2007)

#### ANZ EMPLOYEE ENGAGEMENT\*



#### 2008 GOALS

- Achieve our targets for women in management
- Close the gap on pay differential between men and women at all levels of the organisation
- Reduce our Lost Time Injury Frequency Rate (LTIFR) by a further 20% in Australia and New Zealand and report performance globally
- Improve our performance in the ANZ Engagement and Culture Survey
- Employ 100 Indigenous Australians, as part of our Indigenous employment strategy



## EARNING COMMUNITY TRUST

### 2007 Performance summary

GOAL	COMMENTARY	PERFORMANCE
Enable 1,500 people to participate in Saver Plus, and reach 20,000 people through MoneyMinded	<p>ANZ's Saver Plus matched savings and financial literacy program is running in 19 locations with 1,385 new participants this year. Research shows that 75% of participants from the initial pilot continue to save the same amount or more one to two years after completing the program.</p> <p>A total of 22,458 people participated in our MoneyMinded financial education program this year. An additional 1,040 facilitators were trained to deliver MoneyMinded throughout Australia. We also extended the reach of the program, launching five online courses and a monthly newsletter for MoneyMinded subscribers.</p>	Partially achieved
Achieve 60,000 hours of staff volunteering and 15% participation in workplace giving	<p>This year, 27% of all ANZ staff contributed a total of 73,098 hours of volunteering as part of our ANZ Volunteers program.</p> <p>Fifteen per cent of Australian and 11.6% of New Zealand employees participated in our workplace giving programs – Community Giving and the New Zealand Staff Foundation. Their contributions were matched dollar for dollar by ANZ, in total providing \$1,108,733 in funding for more than 100 community organisations.</p>	Achieved
Evaluate the Progress Loans Victorian pilot and extend the program to three additional States, writing at least 200 new loans	<p>Progress Loans has been extended to two more locations around Melbourne following the completion of the initial 12-month pilot in May this year. We have deferred further expansion to other States pending recommendations from the full evaluation of the pilot program, including its social impact, which will be released in early 2008.</p> <p>In 2007, 245 applications for Progress Loans were received with 165 (67%) being approved for a total lending value of \$288,260. The average loan size was \$1,796.</p>	Partially achieved
Work with Indigenous organisations and other stakeholders to develop and implement a Reconciliation Action Plan.	<p>We launched our Reconciliation Action Plan in April and achieved our commitments for 2007. The Plan includes the most significant Indigenous employment targets of any major Australian company and a focus on improving financial literacy and inclusion amongst Indigenous Australians.</p>	Achieved

For more detailed information: see pages 24 to 29 or our full Corporate Responsibility Report at [www.anz.com/cr2007](http://www.anz.com/cr2007)

#### ANZ'S COMMUNITY INVESTMENT

##### Types of Contributions

Cash	\$10,737,964
Time (volunteering)	\$3,335,940
In-kind	\$2,443,766
Management costs	\$1,292,417
Total contributions*	\$17,810,087

\* According to London Benchmarking Group methodology.

#### 2008 GOALS

- Release ANZ's bi-annual financial literacy research
- Meet our financial literacy and inclusion program targets: enable 1,500 people to participate in Saver Plus, reach 30,000 people through MoneyMinded and achieve 300 Progress Loans participants
- Achieve 70,000 hours of staff volunteering across the Group and 15% participation in payroll giving
- Achieve the commitments in our Reconciliation Action Plan including staff training, financial literacy and assisting to build the capacity of Indigenous organisations



## MANAGING OUR ENVIRONMENTAL IMPACT AND SUPPLY CHAIN

### 2007 Performance summary

GOAL	COMMENTARY	PERFORMANCE
Achieve our target to reduce our environmental footprint by a minimum of 5% by 2007	We met or exceeded our two-year targets to reduce electricity and paper consumption, greenhouse gas emissions and waste by 5%. We did not meet our water reduction target.	Partially achieved
Continue to improve supply chain reporting and expand the reach of our Sustainable Procurement Policy	One hundred and seventy suppliers have completed our supplier self-assessment tool (an increase of 70 from the previous year) and 90% of tenders for ANZ goods and services have included sustainability criteria.  New sustainable sourcing standards were introduced to support our Sustainable Procurement Policy and guide purchasing decisions. These cover printed matter and office paper.  We customised our supplier self-assessment tool to suit the needs of large and small businesses. Data from completed assessments will be aggregated and reported in 2008.	Achieved
Engage with internal and external stakeholders to establish ANZ's environmental performance targets for 2008–2010	We established new two-year environmental performance targets to achieve a 5% reduction in electricity and water usage per Full Time Equivalent (FTE) and a 10% reduction in paper purchased and waste to landfill per FTE. The targets were set following an international review of current and emerging practices in environmental management amongst leading financial institutions and other sectors globally, together with engagement with our key environmental stakeholders in Australia and New Zealand. The new targets will also be reflected in our updated Environment Charter which will be released next year.	Achieved

For more detailed information: see pages 30 to 35 or our full Corporate Responsibility Report at [www.anz.com/cr2007](http://www.anz.com/cr2007)

#### PERFORMANCE AGAINST TWO-YEAR GOALS

Electricity	▲
Paper	▲
Water	✘
Waste and recycling	▲
Greenhouse gas emissions	▲
Key: Achieved	▲
Did not achieve	✘

#### 2008 GOALS

- Work towards our two-year goals to: achieve a 5% reduction in electricity and water usage per FTE; achieve a 10% reduction in paper purchased and waste to landfill per FTE; and become carbon neutral in Australia and New Zealand by the end of 2009
- Increase the number of suppliers undergoing detailed social and environmental screening by 50%
- Ensure sustainability clauses are included in 100% of tenders issued by our Sourcing Alliances team
- Review our sustainable procurement policy, develop sector-specific social and environmental standards for our suppliers and audit suppliers' performance against these standards

# CORPORATE RESPONSIBILITY GOVERNANCE

## Responsible business management

ANZ has developed leading practice corporate governance structures where corporate responsibility is integrated into the way we manage our business. Our organisational and strategic approach is reflected in our governance structures, charters, codes of conduct, policies and approach to remuneration and rewards.

### LEADERSHIP

The ANZ Board's Governance Committee reviews ANZ's corporate responsibility strategy and programs. Ian Macfarlane was named Chair of the Governance Committee following David Gonski's resignation as a Director of ANZ in May this year.

The Governance Committee's corporate responsibility focus in 2007 has included the review of ANZ's policies, practices and management systems against the OECD Guidelines for Multinational Enterprises.

Following considerable work by management to address the issues identified in the review, the Board announced its support for the Guidelines as a framework for our Group-wide approach to human rights and responsible business management.

The Board has endorsed ANZ's Corporate Responsibility Charters setting specific commitments and targets across all stakeholders. The Board has also supported the establishment of an Executive Corporate Responsibility Council, which, with the CEO and Management Board members, provides strategic leadership and performs an oversight and advisory role in achieving the Group's CR agenda and priorities.

Members are responsible for agreeing on our public targets, integrating policies and management systems, and delivering results in their business.

This year, our Chief Financial Officer, Peter Marriott, was appointed Chair of the Council. Peter's priorities are to ensure we strengthen our leadership positions and anticipate and respond to emerging CR risks and opportunities, particularly as we build our business beyond our core markets of Australia and New Zealand.

### DEVELOPING OUR APPROACH

ANZ's Corporate Responsibility Charters guide our approach and are supported by specific policies and initiatives. We continue to review and develop the charters to reflect what our stakeholders, including our employees and customers, consider should be distinctive to ANZ's approach and their expectations of a leading financial services company.

We conducted extensive internal and external engagement to develop a People Charter for ANZ and to review the commitments in our Environment Charter.

Other significant policy developments in 2007 included:

- The release of ANZ's Reconciliation Action Plan, the first of any major corporate in Australia. This plan aims

to assist Indigenous inclusion through employment, financial literacy, cultural recognition and awareness, and capacity building. It includes the most significant Indigenous employment targets of any major Australian company.

- The release of ANZ's Disability Action plan. This plan sets out the steps we will take to ensure our workplace welcomes and supports people with a disability and that our products and services are inclusive and accessible to everyone.
- The review of ANZ's Global Anti-Bribery Policy to align it with Australian and overseas requirements. This Policy prohibits the involvement of ANZ staff globally in bribery and will be implemented throughout 2008.
- A Group-wide project to implement the new Australian Anti-Money Laundering and Counter-Terrorism Financing Act. A new Correspondent Banking Due Diligence Policy was implemented during 2007 and an updated Group Anti-Money Laundering Policy and training program has been developed.

### STRENGTHENING COMPLIANCE

Compliance with ANZ's codes of conducts and relevant policies are referenced in all employee contracts and confidential advice on ANZ policies, practices and management systems is available via our hotline, People Assist.

Breaches of operational, regulatory and compliance requirements are tracked using an online reporting system and case management, with corrective action closely monitored.

In 2007, there were 417 serious breaches of the ANZ Code of Conduct (282 for Australia and 135 for New Zealand). These mainly related to breaches of 'Abiding By The Law And This Code' and more specifically for breaching the ANZ Email and Internet Policy.



# CORPORATE RESPONSIBILITY GOVERNANCE CONTINUED

This year, we conducted a detailed review of ANZ's compliance with US policy on trade sanctions following the identification of a small number of trade finance transactions with parties from US-sanctioned countries.

Key actions taken by ANZ in response to the review include curtailing these financial transactions, strengthening management and compliance procedures and upgrading automatic sanction filters. ANZ made full disclosures to all relevant regulators and, at the time of this Report's publication, discussions were continuing with US authorities.

## ADDRESSING KEY CHALLENGES AND OPPORTUNITIES

ANZ's Board and executives access a range of systems and sources to assist them in anticipating, understanding and managing emerging issues and risks. The following Group-wide material corporate responsibility issues for ANZ and our stakeholders have been identified and reported upon in this document:

### Putting our customers first

- Responsible lending and supporting customers in difficulty
- Implementing fairer fees
- Managing the social and environmental risks in our lending decisions

### Leading and inspiring our people

- Engaging a global workforce
- Developing women in leadership
- Providing flexibility for a changing workforce
- Managing the opportunities and impacts of offshoring

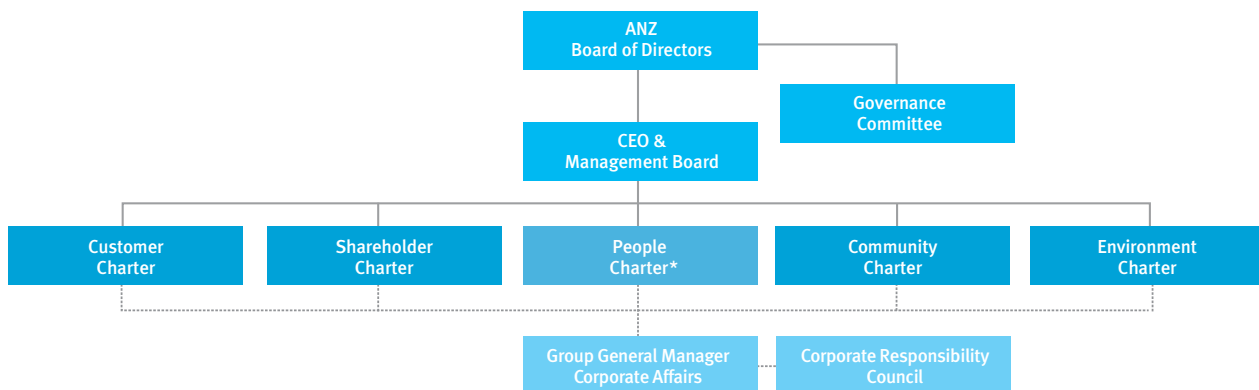
### Earning community trust

- Working with our community to improve financial literacy and inclusion
- Making progress on small loans
- Improving Indigenous financial literacy and employment opportunities

### Managing our environmental impact and supply chain

- Responding to climate change challenges and opportunities
- Creating more environmentally-friendly workplaces
- Influencing our supply chain

## ANZ'S ORGANISATIONAL AND STRATEGIC APPROACH TO CORPORATE RESPONSIBILITY



\* The People Charter will be launched in 2008

# STAKEHOLDER ENGAGEMENT

ANZ's approach to stakeholder engagement reflects our long-term aim to create relationships of trust, integrity and mutual respect with all of our stakeholders.

Our Stakeholder Engagement Principles, developed in 2005, support the AA1000 Assurance Standard. By consulting widely we are able to consider a broad range of perspectives, develop policies that balance competing needs and interests of stakeholders and foster strong partnerships to achieve shared goals.

In 2007 we held specific forums for our People, Community and Environment stakeholders.

Our People Forum focused on work-life balance for employees. It explored opportunities for the workplace to become more adaptable to people's changing needs, particularly those with caring responsibilities. Participants, including representatives from the Finance Sector Union, government agencies, educational institutions and recruitment organisations also provided feedback on ANZ's draft People Charter which will be launched in 2008.

The Community Forum was attended by our community partners including not-for-profit organisations, State and Federal government departments and consumer advocacy groups. It focused on the topic of community business partnerships and discussed issues

such as program targets and evaluation; increasing the scale of our programs; and differences in philosophy, language and cultures between corporate and community organisations.

A Community Forum was also held in New Zealand with our community partners and national bodies representing not-for-profit and volunteering groups. The forum focused on community leadership, successful partnerships and overcoming barriers to working together.

The Environment Forum was attended by a number of environmental organisations, expert consultants and suppliers. It explored topics such as the meaning of carbon neutrality; the need to focus on reductions in energy use; ANZ's Environment Charter and targets; our new building in Melbourne's Docklands; and how ANZ might approach emerging issues such as the growing trend of staff working from home.

Many of the issues discussed in the forums are covered in more detail in this Report.

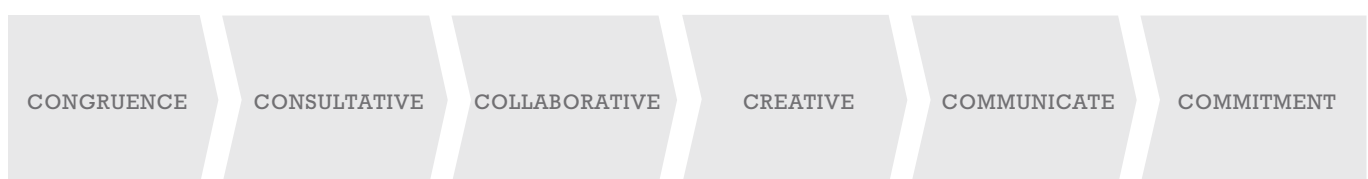
Additional specific stakeholder engagement activities in 2007 included a review of our Environment Charter; the development of our Reconciliation Action Plan; new policies to ease the burden of exception fees for low-income earners; and a review of how we support customers facing financial hardship.

We also contribute to public policy-making process through regular engagement with regulators and governments. Our CEO formally meets with political and regulatory leaders twice a year. Some of our key contributions in the past year included submissions to:

- The Prime Ministerial Task Group on Emissions Trading
- The Productivity Commission's Review of Australia's Consumer Policy Framework
- The House of Representatives Economics Committee's Inquiry into Home Lending
- The Australian Law Reform Commission's Inquiry into Australia's Credit Reporting System.

Our submissions, together with outcomes of our engagement processes are shared with our stakeholders via our interim and annual Corporate Responsibility Reports, our monthly 'What's the difference?' stakeholder update and our corporate responsibility website.

## ANZ'S STAKEHOLDER ENGAGEMENT PRINCIPLES



ANZ employees, Cameron and Kellie Stirling, use ANZ's flexible work arrangements so that they can spend more time with son Darcy.



# section 1 people

OUR FOCUS ON EMPLOYEE ENGAGEMENT AND CULTURE HAS HELPED US TO CREATE A STRATEGIC COMPETITIVE ADVANTAGE FOR ANZ.

## WHERE WE'VE BEEN 1999–2006

- Employees describe culture as 'bureaucracy', hierarchical', 'long hours' and 'risk averse' in 2000
- Culture program begins in 2000 and 26,000 employees complete Breakout workshops by 2006
- Staff satisfaction moves from 49% in 1999 to 85% in 2004
- Australian LTIFR decreases from 9.5 in 2001 to 3.8 in 2006

## KEY ACHIEVEMENTS 2007

- Employee engagement reaches 64%
- Employees describe cultural values as 'customer satisfaction', 'customer focus', 'profit' and 'community involvement'
- LTIFR reduces by a further 20%
- Women in management positions gradually increasing

## FUTURE PRIORITIES

- Access the talents of our increasingly global workforce
- Build on the Breakout program's success for sharpening business performance
- Continued focus on women in management
- Improve staff usage of flexible working arrangements

## OUR APPROACH LEADING AND INSPIRING OUR PEOPLE

The passion of our people is extremely important to our business. We understand that the workforce is changing and people have different career goals. Our people policies and programs are embracing changes in the diversity of employees and preferred working arrangements and these initiatives are helping us manage our workforce into the future.

The ANZ People Charter was developed this year and will be launched in 2008. The Charter acknowledges that ANZ is its people and they are responsible for the customer satisfaction, energy and innovation that enables the bank to grow and prosper. The Charter includes a series of public commitments to our employees. Specific performance indicators have also been designed to help determine whether we have met our commitments.

The Charter features the themes of values, opportunities, recognition and performance. Its performance standards include having the lowest levels of voluntary staff turnover in the industry, ensuring every employee has a professional development plan and increasing the use of flexible working practices across ANZ.

It also focuses attention on some of our most challenging people issues. During the past year, for instance, we have sought to improve our organisational culture and employee engagement, improve opportunities for women to develop their careers at the senior levels within the company, help our employees to achieve better work-life balance and minimise the impact of offshoring on our employees.



### EMPLOYEES GLOBALLY BY CONTRACT TYPE

Full-time	28,335
Part-time	7,775
Temporary	927

### NUMBER OF ANZ EMPLOYEES (HEADCOUNT)

COUNTRY	2007	2006	2005	2004
Australia	21,772	21,012	20,542	19,229
New Zealand	10,102	10,292	10,329	9,672
Asia	1,307	901	833	686
Pacific	1,971	1,780	1,696	1,638
UK & Europe	204	226	226	277
Americas	86	86	90	277
Middle East & South Asia (includes India)	1,595	1,247	664	495
<b>Total</b>	<b>37,037</b>	<b>35,544</b>	<b>34,380</b>	<b>32,274</b>



# ENGAGING A GLOBAL WORKFORCE

ANZ aims to engage its employees in the organisation by helping them to understand the important role they play in our success. Our experience is that organisational culture and employee engagement are key elements of our business strategy. In fact, they are a critical success factor and part of our competitive advantage.

'Culture' has been a key performance area for ANZ for several years. Rather than a 'soft' issue, it formed part of a three-pronged business strategy launched in 2000 called Perform, Grow and Breakout. This strategy matched the organisation's focus on performance and growth with an equal emphasis on people and culture.

Extensive research at the time showed that our people were not satisfied working at ANZ. They did not identify with ANZ's culture which was seen as hierarchical, overly bureaucratic and inconsistent with the personal values of the people who worked here. This was limiting the performance of the organisation.

Employees said they wanted to differentiate ANZ by being 'The bank with a human face'. This meant developing relationships of trust with our customers, shareholders, employees and the community. Together we developed ANZ's values to reflect this:

- Put our customers first
- Perform and grow to create value for our shareholders
- Lead and inspire each other
- Earn the trust of the community
- Breakout, be bold and have the courage to be different

According to Siobhan McHale, Head of Breakout, the Breakout personal transformation workshops were the first step in changing our culture. Staff examine the thoughts and values that drive their behaviour and the impact

this has on the culture at ANZ. They are also given the tools they need to make values-based decisions.

'The word Breakout was consciously selected as it symbolised a breaking out from the current paradigm – changing mindsets, symbols and behaviours – with a strong force and energy,' says Siobhan.

This year Harvard Business School Professor, John Kotter, introduced Breakout as a case study for organisational change and leadership. According to Professor Kotter, Breakout may be the most important addition to his learning materials in the past decade.

But Breakout is more than a series of workshops. It has also led to the establishment of new initiatives in various areas of ANZ including our diversity strategy; employee benefits such as share schemes and product discounts; health, safety and wellbeing programs; talent and graduate programs; learning and development and community programs. These programs have contributed to improved staff satisfaction and engagement results.

## FROM SATISFACTION TO ENGAGEMENT

By 2004, staff satisfaction had increased from 49% in 1999 to 85%. So we started focusing on 'employee engagement' – which is the extent to which staff are willing to be advocates for their employer, are committed to staying with their employer and are motivated to contribute their best every day.

Research by Hewitt Associates shows companies that have an engagement score of 60% or higher have an average five-year Total Shareholder Return of greater than 20%.

Today, our engagement score is 64% which is well above the benchmark for Australasian financial services organisations (58%) and close to Hewitt Associates' Global High Performance benchmark of 79%. This makes ANZ one of the more engaged workforces of any large banking organisation (Hewitt Associates 2007).

Employee perceptions of our culture have also changed for the better. Our people now consider the following values as reflective of our culture: customer satisfaction, customer focus, profit and community involvement.

## TAKING BREAKOUT TO A NEW LEVEL

This year, we held an event called Breakout Live, which gave 1,000 employees the opportunity to deepen their understanding of emotional intelligence, our values and self-awareness through a series of mini workshops and experiences.

We also held our first Breakout Festival – a five-month global culture initiative which encouraged our people to depict what our Breakout culture means to them, through art, film and song.

The Festival celebrated the creativity and diversity of our people. There were more than 500 entries from around the world and employees voted for their favourite entries. A special event was held in Melbourne where 1,300 staff celebrated the winning entries.

The next step is to build on Breakout to deliver a high performance culture.

'Of the materials I use to help people learn about leadership and change, the Breakout case study may be the most important addition in the last decade.' Professor John Kotter, Harvard Business School

# DEVELOPING WOMEN IN LEADERSHIP



Cathryn Carver, Managing Director, Corporate Finance, and Chair of the Institutional Talent Council, is a strong advocate of advancing women in the workplace.

ANZ is actively seeking to boost the number of women in leadership positions. With a predicted skills shortage and more than 50% of university graduates being female, it is imperative for ANZ to enable women to contribute in different and flexible ways at a senior level.

Women make up approximately 61% of our workforce and are more highly engaged than their male counterparts, but they continue to be under-represented at the senior leadership levels of the organisation.

According to Cathryn Carver, Managing Director, Corporate Finance, and Chair of the Institutional Talent Council, the problem goes beyond the boundaries of the organisation.

‘Our top clients in key segments are mostly male, and historically we have appointed senior relationship bankers and product specialists that match our clients’ profiles, including gender. These outdated perspectives are increasingly shifting, and we now aim to appoint the best person, regardless of gender,’ says Cathryn.

## INITIATIVES TO IMPROVE LEADERSHIP OPPORTUNITIES FOR WOMEN

ANZ’s Diversity Council is taking a multi-faceted approach to dealing with gender diversity issues. The response has been designed to address the findings of a 2005 survey which identified some of the barriers for women including a lack of understanding of issues related to women, women being assessed on ‘style issues’ rather than performance, and a ‘blokey’ culture. This year we’ve continued to build on the following initiatives:

- Setting and tracking our gender targets for women in management and in talent and graduate programs
- Ensuring women are put on job short-lists and selection panels for senior positions

- Providing coaching and support for women during critical role transitions
- Introducing transparent processes for reviewing an individual’s career potential
- Reviewing gender pay equity on an annual basis and identifying and resolving discrepancies in pay equity
- Providing managers with better guidance on setting appropriate pay levels for all employees.

## INCREASING REPRESENTATION OF FEMALE GRADUATES

Recently, we have refocused our graduate recruitment strategy to be more attractive to women. Four years ago, only 39% of our Australian graduates were women – today it’s 51%. Now we are concentrating on retaining and supporting our female graduates throughout their careers.

Many of these graduates are involved in employee-led programs which are helping to address specific issues in different parts of our business. For example, in our Institutional business, a reverse mentoring program called Trading Places helps executives understand the issues facing people from different backgrounds. Programs such as the ForWARD Forum and Banking on Women also provide opportunities for female employees and clients to network and share their experiences.

## SUPPORTING WORKING PARENTS

Another way we are improving leadership opportunities for women is by supporting them as parents. For example, our staff receive 12 weeks paid parental leave regardless of years of service and they can also request an extension of up to two years.

This year, we’ve focused on parental leave as the first critical point where female employees experience barriers to career advancement. Some women returning from parental leave experience a lack of flexibility or believe that their career progress has stalled.

Improvements to our flexible work arrangements are helping to address this issue. Both men and women can access flexible working hours, part-time work and job sharing. A My Flexibility hotline also assists employees and managers to find flexible work solutions.

This year our Women@ANZ intranet site was redeveloped, providing women with information about career development, health and wellbeing, flexible work policies and progress on our women in management targets. Working parents also have the opportunity to participate in Staying in Touch lunches and the Working Parents Network and receive ANZ Baby Bags when they have a new addition to the family.

In 2007, 82.5% of Australian employees on parental leave returned to employment at ANZ.

## THE FUTURE

The tide is changing according to Rebecca Griffin, Head of the Office of the CEO: ‘More and more strong female candidates are coming up through the ranks and our hiring training programs are helping executives to identify and overcome natural biases.’

While ANZ did not meet its 2007 targets for women in management, there are signs that our focus on this issue will deliver results in the future. We will have succeeded when we see the pipeline of talented women at ANZ flowing more strongly into senior leadership positions.

We know that supporting women’s careers is a complex issue but we have a solid foundation, a culture that supports women to bring their whole selves to work, an engaged female workforce and excellent female talent. We are confident that positive outcomes will follow.



# PROVIDING FLEXIBILITY FOR A CHANGING WORKFORCE

ANZ understands that the workforce is changing and business must adapt. A skills shortage is on our doorstep, baby boomers are leaving the workforce, Generation Y is choosy and working parents want to share family responsibilities.

Our experience is that flexibility makes good business sense. Research has found it helps retain talented employees, reduces absenteeism, improves customer service and retention, and enhances employee productivity and performance.

Our employee engagement and culture surveys have also consistently shown that employees desire better balance between their work and home life.

Shane Freeman, our Group General Manager of People Capital and Breakout, says initiatives to make flexibility a standard way of working are essential.

'In the 1980s and 1990s it was all about workers being flexible for companies; now it's about companies being flexible for workers.'

'Our flexibility strategy has been designed to deliver a more inclusive work environment, improved career opportunities and work-life balance, enhanced employment, a distinctive brand and great business results,' he said.

## EXPERIENCES OF FLEXIBILITY AT ANZ

ANZ offers a range of flexible work arrangements including flexible working hours, working offsite, job sharing, extended unpaid leave and guaranteed part-time work for employees aged 55 and over.

Research conducted with employees in 2007 found that just over half of respondents benefited from flexible arrangements in the past year. However, it found a gap between employees who would like to access flexibility and those who are able to do so – 15% of respondents said they had seriously considered leaving ANZ due to a lack of flexibility.

The survey found that effective implementation of flexibility initiatives makes a positive difference to an employee's engagement, trust and personal wellbeing.

In 2006/2007 a My Flexibility pilot with 1,200 employees found that overall satisfaction levels with flexible work practices were high across all Divisions. It found the most popular practices are flexible start and finish times, multiple arrangements like working part-time and working off site, flexible work locations and flexible hours across a week.

Many employees commented on their positive experiences and attitudes towards work when the work-life balance was improved. They also reported greater productivity when free to determine their own work schedule.

Simon Nowakowski, an EFT Fraud Investigation Officer in ANZ's Personal Division, was able to adjust his working hours to allow him one day off a week, while still working full-time: 'It means I have more of a personal life. I live a good distance from work and with not having to travel five days, I save time and money.'

## ADDRESSING THE CHALLENGES OF FLEXIBILITY

The pilot also identified the challenges of workplace flexibility initiatives. In particular, a lack of employee coverage and perceived difficulty in some customer-facing roles, a narrow or rigid view of flexibility in some areas of ANZ and administration and technological constraints.

Internal communication and cultural change programs and administration and technological solutions are being implemented to address the challenges identified in our research.

We also consulted key stakeholder groups on the topic of work-life balance at our People and Employment Forum in July 2007. The feedback will be used to further develop our flexible work policies and systems and to address the gap between employees who would like to access flexibility and those who are able to do so.

My Flexibility is being rolled out globally across ANZ business units from late 2007.

### EMPLOYEES THAT AGREED OR STRONGLY AGREED WITH THE FOLLOWING STATEMENTS\*:

Leave arrangements flexible to enable me to handle important family/personal issues	83%
Satisfied with flexibility in hours	76%
Job allows flexibility I need to meet my work and family/personal commitments	78%

\* According to 2007 My Flexibility Survey

# MANAGING THE OPPORTUNITIES AND IMPACTS OF OFFSHORING

ANZ is the only major Australian bank which fully owns its operations in India. This is now starting to deliver real benefits to our bottom line and our culture.

ANZ has been operating in Bangalore since 1989 and employs 1,800 people including 60 employees who are seconded to Melbourne. Our operations provide a specialist capability in developing and managing software and technology, as well as support and back-office processing services.

According to Fred Bertram, Managing Director, Operations, Technology and Shared Services (OTSS) India, the Bangalore operation has provided ANZ with a highly skilled workforce while also helping us to remain cost competitive and supporting our growth in Australia, New Zealand and the Asia Pacific region.

‘We are building up a resource base that is ANZ’s – not a third party’s. The people are ANZ people, and that ownership and the cultural connection will position us well as we extend into Asia.’

## IMPACT ON OUR STAFF

We have made a series of commitments to our employees who are impacted by the offshoring of functions to our Bangalore team.

These include ongoing communication about proposed changes, retraining staff who wish to continue their careers at ANZ and giving them priority for vacant roles within ANZ.

We also offer workshops on resume writing and interview techniques, advice on career goals and planning and case management support. In our Technology area, staff were also offered up to \$5,000 for retraining to assist with securing their next opportunity either internally or externally. Our goal is to retain as much talent and experience for other areas of the business as possible, while also minimising the impact on staff.

Since October 2005, a total of 538 permanent employees have been impacted by offshoring – this includes 256 employees in Operations and 282 in Technology. Of the employees impacted, 38.5% (207 people) were redeployed into other positions at ANZ.

## BUILDING THE SUSTAINABILITY OF OUR INDIAN WORKFORCE

We offer one of the best recruitment and onboarding programs in India. Employees are attracted to our brand values and improved work-life balance. Most of our employees work fewer hours than those required by other major Indian employers.

We have a highly qualified workforce with strong career aspirations. In fact, almost all of our employees have a tertiary qualification and the majority have a technology or Masters degree.

This presents unique challenges and opportunities. Wage increases are growing rapidly to meet employee aspirations (15% per year over the past three years) and there are shortages in good quality leadership talent. Employee turnover is high compared to Australia and New Zealand – but still lower than the local industry average.

We have responded to these challenges in a number of ways.

For example, our high performers are offered a range of career and development opportunities. These include management and leadership skill development, career acceleration, secondments to Australia and additional investment in professional development. There are 30 employees from Bangalore participating in the Group’s Talent program, 15 employees participating



Buvana Sharma and Sushma Shetty from ANZ OTSS India talking about their local community programs.

in a mentor program with Australia and our Breakout program is also being offered to managers in India.

We are establishing our local community investment strategy to help increase employee engagement. We have partnered with Parikrma Humanity Foundation, a school for underprivileged children and our people development program includes secondments with our community partners. Staff are also encouraged to take paid volunteer leave to assist local community organisations.

## THE FUTURE FOR ANZ IN BANGALORE

ANZ will continue to leverage our technology and operations centre in Bangalore to build a world-class capability consistent with ANZ values and practices.

Nidhi Nikum, Technical Analyst in Bangalore says: ‘ANZ’s culture in India is just starting to take off. It has a vision towards operational excellence and it’s serious about things like diversity and work-life balance. I think this will help us to retain the right people to get us where we want to be.’



A customer speaks to an ANZ service consultant at our branch in Bendigo, Victoria.

## section 2 customers

WE CONTINUE TO INVEST IN MEASURES TO ENSURE OUR CUSTOMERS RECEIVE SIMPLE, CONVENIENT AND RESPONSIBLE PRODUCTS AND SERVICES AND OUR LENDING AND INVESTMENT DECISIONS ARE GUIDED BY SOUND SOCIAL AND ENVIRONMENTAL STANDARDS.

### WHERE WE'VE BEEN 1999–2006

- Customer Charter released in 2001
- Simple personal banking accounts and fee-free account for low-income customers
- Customer satisfaction moves from 60% in 1999 to 75.5% in 2006
- Developed framework to assess social and environmental risk in lending
- Adopted the Equator Principles

### KEY ACHIEVEMENTS 2007

- Maintained highest customer satisfaction of four major banks at 77.2%
- Opened 79 new branches since 2004 and installed 400 new ATMs
- Consumer hardship policies reviewed and new Exception Fee Policies introduced
- Implementation of the Equator Principles

### FUTURE PRIORITIES

- Improve our customer satisfaction rating
- Build towards our goal of being Australia's most convenient bank
- Continued focus on supporting customers in financial difficulty
- Review of Customer Charter
- Development of Institutional social and environmental policies

## OUR APPROACH PUTTING OUR CUSTOMERS FIRST

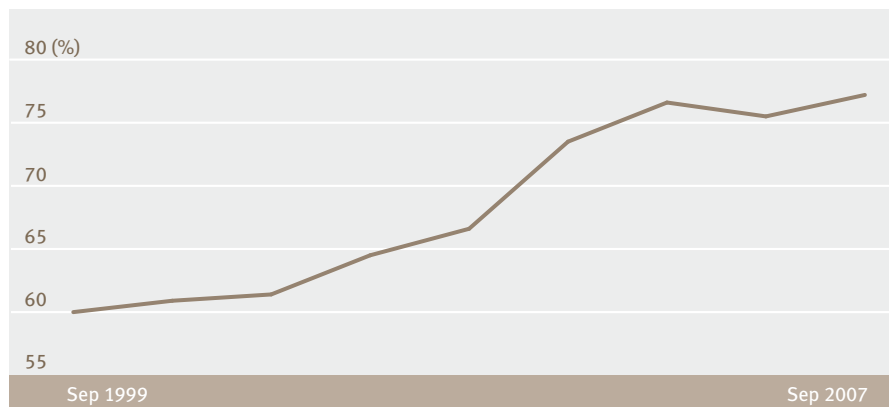
Our Customer Charter spells out our commitment to simple, convenient and responsible retail banking. We are developing a similar approach in our Institutional business to respond to the growing social and environmental issues facing our clients.

We introduced our Customer Charter in 2001, a time when the banking industry was rebuilding the trust of customers which had eroded due to rural branch closures, increasingly complex products and a decline in customer service. The Customer Charter was a statement that we needed to do better and, by establishing a set of clear and measurable commitments, we set a course for us to improve our service to customers.

The Customer Charter is a living document that adapts to changing circumstances and customer needs. In 2005, we added promises to protect certain low-income customers from unsolicited credit card offers, as well as a commitment to respond to growing customer demand for extended branch opening hours. The Charter will be reviewed again in 2008 to ensure we focus on, and remain accountable for, the issues that are most important to our retail customers.

We are also seeing the value of a transparent commitment to public standards in our Institutional business. New and complex social and environmental issues pose risks to us and our customers. We are more likely to successfully manage the expectations of staff, customers, shareholders, governments, and non-governmental organisations (NGOs) if the process and guiding principles for our decisions are clear. This can also help our clients understand how they can further improve their practices, especially those in countries with developing legal frameworks.

### ANZ CUSTOMER SATISFACTION



Source: Roy Morgan Research – Aust MFI Pop'n aged 14+, % Satisfied (Very or Fairly Satisfied), 6 mth moving average



# RESPONSIBLE LENDING AND CUSTOMERS IN DIFFICULTY

Rising interest rates and high living costs in Australia are placing pressure on many households. We are acting to improve the way we identify and support ANZ customers who find themselves in financial difficulty.

Research shows the vast majority of households repay their debt comfortably and two thirds of all households have little or no debt at all.

But while the majority of households are comfortable, some are clearly struggling. Increased fuel and debt servicing costs fall more heavily on those with low incomes. There is also evidence that the number of households experiencing difficulty is growing. This year we again saw a rise in bankruptcy rates and further increases in demand for the services of financial counsellors.

For ANZ, an important part of being a responsible lender is looking beyond the aggregate data and understanding how consumer credit can impact people in their daily lives, in particular those on low incomes. We then take steps to support these customers.

## OUR APPROACH

Last year we reported on our Responsible Lending commitments. We no longer make unsolicited credit card limit increase offers to customers we know are on a government benefit or who have shown recent signs of struggling to make repayments on their card.

This responded to our research into financial difficulty which found that some customers can accept these offers without fully considering affordability. For some, the offers can create a perception that 'if the bank sent it to me, it must be okay'.

This was an important step, but we know our responsibility does not end at how we market credit.

Regardless of the controls we put on ourselves, or the information we provide to our customers, there will always be customers whose circumstances change and who will get into financial difficulty. Providing the right support and guidance is not only important to the customers involved, but is crucial to control the level of credit losses to our business, especially if more households are struggling to make ends meet.

## SUPPORTING CUSTOMERS IN HARDSHIP

This year we worked with Kildonan UnitingCare, a community-based organisation with expertise in consumer hardship, to review the way we interact with retail customers who are falling behind on repayments.

The review we conducted with Kildonan found ways we could be more proactive about offering assistance rather than waiting for the customer to tell us they are in hardship. In the past, we have been too focused on the cause of a customer's difficulty, only offering assistance if their circumstances fit into a pre-determined category, such as unemployment or illness.

We are now introducing a more consistent and flexible approach across our entire retail business. If a personal loan customer has a genuine desire to pay off their loan but needs more time, it should not matter why they are struggling in the first place. It should be as easy as possible to enter a repayment arrangement they can afford to pay – this is in our interests as much as the customer's.

Our staff are being trained to more proactively identify customers who may benefit from an alternative payment plan

or other relief to help them get back on track. Subjective judgements about whether the customer's circumstances are deserving of relief will be avoided.

Payment plans, where possible, will be based on what the customer indicates they can afford and not dictated by the bank. We are also working to cut paperwork, finalising payment plans over the phone where we can.

## TAKING PREVENTATIVE MEASURES

While responding effectively to customers in difficulty is vital, prevention is better than cure.

Our credit cards business commenced a pilot in June 2007 to contact customers who may be showing early signs of financial difficulty.

For the pilot, we are choosing customers who are close to or have exceeded their credit limit, even though they may not yet be missing payments. We offer them options like temporary fee and interest waivers or reduced minimum monthly payments to help them stabilise their finances and hopefully pre-empt credit problems.

This is uncharted territory for us and we are testing the approach. Calling customers with this offer could easily be seen as intrusive, especially where the customer has not yet defaulted on their account.

We have been encouraged by the early results, and in particular the positive response from our customers.

Throughout the pilot we will continue to monitor the accounts of customers who have taken up offers to see whether this early intervention can make a difference to default rates.

'Kildonan is encouraged by ANZ's desire to develop such important and innovative approaches to consumers who may be in difficulty.'

Sue Fraser, Senior Manager, Social Advocacy Services, Kildonan UnitingCare



# IMPLEMENTING FAIRER FEES

There has been a major debate in Australia this year about bank 'exception fees', with some stakeholders stating that they are too high and in some cases applied unfairly. ANZ is taking market-leading steps to reduce the impact of these fees on low-income earners.

We know that most customers accept fees, provided the fees are clear and for a product or service they value.

It follows then that customers can become disgruntled if they believe fees are 'hidden', or disproportionate to the value they receive.

Exception fees (also referred to as penalty or default fees) are charged by banks when a customer does not have enough funds in their account for a payment or withdrawal, when a credit card limit is exceeded or when a customer is late with a payment to their account.

Consumer advocates argue banks 'profiteer' from these fees, with the greatest impact being felt by customers who are least able to afford them.

It's on the agenda in other countries. In early 2006 the UK Office of Fair Trading issued industry guidance effectively capping default fees on credit cards at £12. Some UK banks have now joined with regulators in a legal action to ask the UK courts to clarify the legal position of overdraft fees.

While there remain some unresolved legal questions about how banks apply these fees, we decided to act now, rather than risk losing touch with our customers. A failure by the banking industry to adequately respond to community concerns might also build the case for inappropriate regulation.



Branch Manager, Cameron Russell, serves a customer at the Bathurst and Castlereagh Streets branch in Sydney.

## EXCEPTION FEES POLICIES

ANZ has introduced two new consumer fee policies. The ANZ Exception Fees Policy – Consumer Cards and the ANZ Exception Fees Policy – Consumer Transaction Accounts set out public commitments to respond to what we understand to be the most important issues to our customers, including:

- **Reducing the fees for low-income customers**  
We reduced to \$10, from \$35, all exception fees on ANZ Access Basic, our concession account for health care card holders and Centrelink payment recipients. Over 47,000 ANZ customers currently hold this account. We have now extended this reduced fee so it also applies to all credit card accounts held by these customers.
- **Helping customers avoid the fees**  
While these fees are avoidable, there are steps a bank can and should take to assist all customers to better understand the fees and arrange their finances so they do not incur them in the first place. Customers have for some time been able to avoid dishonour fees by "turning off" their ability to overdraw their transaction account with electronic transactions. We are now making this same option available on credit card limits as part of the exception fee policies. We will also continue to provide customers with the option of taking up the 'safety net' of an overdraft on their transaction account and the ability to set up automatic monthly payments

to their credit card to avoid accidentally incurring late payment fees.

### ■ Communicating effectively

A fee may not always be well understood by our customers just because it appears in product terms and conditions. For the most part a customer does not expect to overdraw their account or go over their credit card limit. They may only become aware of a dishonour fee when it appears on their statement for the first time – which is precisely when information about exception fees would be most helpful.

ANZ's Policy therefore commits us to waiving the first exception fee a customer incurs, provided they contact us. At that point we will discuss with the customer why the fee was charged and options to help the customer avoid the fee in the future. We have also committed to providing this information in writing to all customers who incur an honour fee on their ANZ transaction account.

### WHAT'S NEXT?

These changes will not satisfy the concerns of all stakeholders. However we believe we have reached some common ground, in particular by addressing the impact exception fees can have on the most vulnerable customers.

We are also exploring how we can be more proactive in talking to customers about these fees, especially those who are incurring more than the average number of exception fees per year.



# MANAGING THE SOCIAL AND ENVIRONMENTAL RISKS IN OUR LENDING DECISIONS

*Banks are more than ever being held to account for the conduct of their clients. How should banks respond to this scrutiny? A transparent decision-making process guided by clear policies and expert advice are key.*

We finance some socially and environmentally sensitive industries, and our increasing presence in Asia and the Pacific means doing business in some countries with developing legal and governance frameworks.

Some stakeholders would prefer us to exclude entire sectors or cut ties with clients who are facing challenging social and environmental issues with their business. This approach can be counter-productive, especially if we fail to assist a client with all the good intentions to improve their practices.

Deciding whether to fund a new project such as a coal mine illustrates the complex questions we face. Coal is a finite resource and its processing into energy generates significant carbon emissions.

Yet while Australia's economy transitions from its heavy reliance on fossil fuels, the coal industry continues to have significant socio-economic value, delivering substantial benefits to Australian communities through jobs, electrical power that underpins our industries and dollars earned through exports.

So what is our role in these circumstances? First, we screen our clients for opportunities to help those operating in sensitive sectors manage their impact effectively.

In the case of a coal mining client, this could be, for instance, through finance for investment in clean coal technology or carbon trading services to help them reach emissions performance targets.

Second and most important, any time we do decide to become involved in these projects, we have a responsibility to apply sound social and environmental standards to our decisions, ensuring the client is either developing the project in line with those standards or has measures in place to improve their performance. And it is important these standards are applied consistently and transparently.

## **A CONSISTENT PROCESS**

Our commitment to the Equator Principles is consistent with this philosophy. The Principles set out a step-by-step process for project financiers to ensure the proper assessment and mitigation of social and environmental issues, such as pollution, conservation of endangered species and sensitive ecosystems, and impacts on affected communities and Indigenous peoples.

The value of the Principles was highlighted in 2007 when we were asked to consider financing a pulp mill proposal in Northern Tasmania.

The proposal has attracted wide-spread attention over concerns about the potential social and environmental impacts of the mill and government approval processes were the subject of heavy scrutiny.

We have been the target of email protest campaigns co-ordinated by environmental organisations throughout the year and a number of shareholders and customers questioned our commitment to responsible lending.

This issue has posed significant risks to ANZ and has highlighted for us the need to be clear with our stakeholders about the process we would take to make a decision on funding the mill.

Equally important was clearly articulating the issues that were relevant to us as a potential financier (and by implication, those we were not involved in).

Our focus is on ensuring that any significant social or environmental issues posed by the mill can and will be managed by the client in line with government regulations. The Equator Principles have provided the framework for this assessment.

We commissioned an independent expert review of social and environmental risks which is focused on the issues our client needs to manage. As at the end of September 2007, we are using this review to examine our client's proposed response to issues raised in public State and Federal Government assessments.

We continue to communicate our progress to stakeholders throughout the process, via our monthly stakeholder update, direct contact with interested parties and public statements posted on our website. We have put in place measures to ensure all correspondence to us about the mill received a response which included information about our decision-making process.

## **PUBLIC STANDARDS**

We are also making public the social and environmental standards that guide our business decisions. This year we consulted widely on our Forests Policy, the first of what will be a series of social and environmental management policies for Institutional clients.

Feedback from clients on our draft Forests Policy suggests they are seeking this certainty – not only to help them secure finance with ANZ, but also to better understand what they need to do to improve their social and environmental performance, and ensure the long-term sustainability of their business – especially clients in emerging economies, where environmental management practices are still developing.



Josh Maddock, Vijay Satkunasingam and Daina Lambert from ANZ's Project Finance team undertaking online training on the Equator Principles.

And while our strong preference is to help clients improve their understanding and management of these issues, we must also be prepared to walk away from the business relationship if they are unwilling or unable to respond to the standards we set.

We also hope these policies will focus our interaction with non-governmental organisations (NGOs), removing doubt about our lending standards and clearing the way for more constructive conversations about how these standards are being applied in practice.

In addition to our Forests Policy, Institutional lending policies on water, mining and energy are currently being developed and will be the subject of consultation with stakeholders in 2008.

#### PREPARING FOR FUTURE DILEMMAS

We are now using this approach to set the 'ground rules' for our involvement in emerging markets. For example, this year we set out to establish the principles upon which we might finance the production of palm oil.

Demand for palm oil is growing internationally, both as an edible oil and for use in the production of biofuels. However, as oil palm can only be cultivated in tropical areas of Asia and the Pacific (mostly Malaysia and Indonesia), its development has raised social and environmental implications, including tropical forest conversion, soil erosion and conflicts between local communities and landowners and developers.

Our plan was to take a proactive approach and set up clear standards before we embarked on this activity rather than wait to respond to issues as they arise. We consulted with clients,

expert consultants and key NGOs on what our guiding standards should be. After considering the feedback, we decided to adopt best practice principles developed by the Roundtable on Sustainable Palm Oil (RSPO). The RSPO is a global initiative established to promote the sustainable growth and use of palm oil, and includes representatives across the palm oil chain, including growers, manufacturers, banks and investors and environmental and development NGOs.

The principles cover issues such as the preservation of soil fertility in oil palm nurseries, mitigation of impacts on natural resources and biodiversity (including forests) and responsible consideration of employees and communities affected by oil palm plantations and mills.

**'Setting a clear policy is far better than over-promising what business can and should do and, worse still, bragging about claims of environmental virtue.'**

George Littlewood, Adjunct Professor, Corporate Citizenship Research Unit, Deakin University, Melbourne, Australia

Susan Gribble from the Brotherhood of St Laurence facilitates a MoneyMinded workshop in regional Victoria.



## section 3 community

WE ARE WORKING TO HELP IMPROVE THE SOCIAL AND ECONOMIC WELLBEING OF OUR COMMUNITIES, ESPECIALLY FOCUSING ON SOME OF THE MOST DISADVANTAGED PEOPLE IN SOCIETY. OUR GOAL IS TO EARN COMMUNITY TRUST.

### WHERE WE'VE BEEN 1999–2006

- Research into Adult Financial Literacy in Australia
- Partnership approach to community investment strategy aligned with social issues affecting the financial services industry
- Recognised with 2006 Prime Minister's Special Award for Impact on the Community

### KEY ACHIEVEMENTS 2007

- Successful pilot of a loans program for low-income earners
- Corporate Australia's first Reconciliation Action Plan
- 73,000 hours of employee volunteering time and total community investment of \$17.8 million
- Programs and partnerships recognised again with Prime Minister's Award

### FUTURE PRIORITIES

- Release financial literacy research
- Enable 1,500 people to participate in Saver Plus, 30,000 in MoneyMinded and 300 in Progress Loans
- Achieve 70,000 hours of staff volunteering and 15% participation in payroll giving
- Achieve the commitments in our Reconciliation Action Plan

## OUR APPROACH EARNING COMMUNITY TRUST



ANZ has made genuine, long-term commitment to improving financial literacy and inclusion – the issues most relevant to our retail business. We also encourage and enable our people to use their skills and expertise to support the causes that are important to them – in the process supporting hundreds of local community charities.

Our Community Charter describes our approach to Corporate Community Investment. The Charter was introduced in 2004 and we've since made strong progress in delivering on its commitments. The results of innovative programs, such as Saver Plus, speak for themselves with research showing it continues to achieve its primary objective of helping low-income earners establish a long-term savings habit.

The response from our people has also been inspiring. For example, ANZ employees have contributed more than 156,000 hours of paid volunteering leave since this initiative was introduced in 2001. This year, our total community investment was more than \$17.8 million.\*

We also know times have changed since the Charter was introduced. Next year we will engage our people, partners and stakeholders to review it. We envisage more specific commitments to improve the financial capabilities and wellbeing of Indigenous Australians and people with disabilities as we sharpen our focus on assisting the most vulnerable people in society. Both the community sector and our people are also calling for a greater focus on skill-based volunteering and secondments. The Charter will evolve to reflect this.

\* ANZ uses the London Benchmarking Group model (LBG) which is an international standard for measuring corporate community investment programs.

### TOTAL VALUE OF COMMUNITY INVESTMENT

2003/04	Aust	\$6,580,173
2004/05	Aust	\$8,261,025
2005/06	Aust/NZ	\$13,849,925
2006/07	Global	\$17,810,087

### COMMUNITY INVESTMENT PER EMPLOYEE

2003/04	Aust	\$342
2004/05	Aust	\$402
2005/06	Aust/NZ	\$442
2006/07	Global	\$481

London Benchmarking Group benchmark for Australia and New Zealand (\$213)



# WORKING WITH OUR COMMUNITY TO IMPROVE FINANCIAL LITERACY AND INCLUSION

National research conducted by ANZ over several years has consistently shown a strong link between socio-economic status and levels of financial literacy and inclusion in Australia. We have used the findings of this research to inform our business strategy and guide our responses to the key issues identified.

Our community investment strategy focuses on developing and delivering innovative programs to help some of our community's most vulnerable people improve their lives by building their financial knowledge, skills and confidence. For example:

- **Saver Plus** was developed by ANZ and the Brotherhood of St Laurence (BSL) to help families on low incomes improve their financial literacy, set and achieve a savings goal, and establish a long-term savings habit. ANZ matches every dollar saved by participants (up to \$1,000) towards primary, secondary or vocational education costs.

A total of 2,247 people have now participated in the program – 1,385 this year alone. Together, they have saved more than \$1.5 million and each person is eligible for up to \$1,000 in matching on completion of the program. Research conducted by RMIT University showed that 75% of participants continued to save the same or more 12 to 24 months after completing the program and approximately 95% are reaching their savings goal during the program.

- **MoneyMinded** is a financial education program and resource designed to help people, especially those on low incomes, make better and more informed choices about their money. It contains no ANZ branding or product information. A total of 22,458 people have participated in MoneyMinded this year and more than 40,000 in total since the program began in 2004. An additional 1,040 people were trained to deliver the workshop this year, bringing the total number of people trained to 1,972.

- **Progress Loans** is a loans program developed with BSL and available to people who have had difficulty accessing affordable, fair and safe credit from mainstream providers. Since Progress Loans started, 209 people have obtained credit to purchase essential household items and services. The majority of these people (71%) are women. The average loan size is \$1,722 and all loans are performing ahead of the mainstream rate.

- **MoneyBusiness** is a unique financial literacy and money management program tailored specifically to help improve Indigenous people's money skills and develop a stronger savings culture. The program was developed in partnership with the Australian Government and is being piloted in six communities in remote Australia, assisting participants to better understand money problems and put in place strategies to address them.

Research shows these programs are making a real, positive difference to the lives of adult Australians and their families. More savings, a better understanding of money issues and access to effective money management techniques and tools are helping low-income earners become more financially capable and confident into the future.

## PARTNERSHIPS FOR CHANGE

A cornerstone of our community investment strategy has been the development of deep partnerships with a range of community organisations who share a mutual interest in improving financial literacy amongst some of the most vulnerable groups in our society.

Our initial aim was to help those people in segments of the community who in the past had been excluded from mainstream banking. We recognised early that these people were unlikely to trust us and approached experienced and forward-thinking community organisations to assist in reaching the people we wanted to help.

It has taken time to establish strong relationships with these community partners. Some were strong critics of the banking sector. Others were wary of the level of commitment from corporations.

All welcomed our long-term commitment to helping to change the systemic issues that contribute to social and economic disadvantage. For us, this included a willingness to listen and respond to 'hard truths' about how banks had in part contributed to these issues.

Today, we partner with organisations such as BSL, The Benevolent Society, The Smith Family and Berry Street Victoria in the design and delivery of specific programs. We also have valued relationships with a range of other organisations that enable us to understand issues in the community and our role in addressing them.

Our approach and results have been recognised in consecutive years by the Prime Minister's Awards for Excellence in Community Business Partnerships and as leading practice globally on the Dow Jones Sustainability Index.

A partnership meeting between Michelle Wakeford and Cath Scarth from the Brotherhood of St Laurence, and ANZ's Kate Millar and Michelle Commandeur.



### **BUILDING ON OUR STRENGTHS**

While ANZ has financial knowledge, expertise and resources, our partners know intimately the people who need help and the issues that matter to them. They also have the expertise to deliver appropriate services. These are highly valuable resources – just as important as a financial investment – required to achieve our shared objectives.

Our community partners value ANZ's strong leadership – especially our support for comprehensive research into the issues of financial literacy, financial exclusion and financial difficulty in Australia, which both inform and affirm the solutions we develop.

Seeing the value of partnerships as broader than any one particular program is also important. For example, we consulted closely with a range of partners, community organisations and the financial counselling sector when we reviewed our practices related to the marketing of credit limit increases to low-income earners, and the cost and application of exception fees. Similarly, when developing our approach to Human Rights we were able to draw upon the Brotherhood of St Laurence's expertise on these issues. We also worked closely with Reconciliation

Australia on our Reconciliation Action Plan in support of Indigenous Australians.

Our partners have also accessed professional expertise from ANZ people on issues such as marketing and information technology, as well as general volunteer support for a range of initiatives.

### **WORKING THROUGH CHALLENGES**

We have been working with our partners to understand how to effectively measure the success of our programs. Together, we have recognised they should not be judged solely by output, and are now focusing our research to determine the social and economic benefits of our programs for participants and their families.

Our partnerships with the Australian and Victorian Governments bring our financial literacy programs to people and communities that would otherwise have been difficult to reach, such as Indigenous communities in remote Australia. Over time we have developed a better understanding of the respective roles that each sector - government, corporate and community - can play in this process.

We are contributing to international discussions on the challenges facing cross-sector partnerships through our involvement with the Partnership Brokers' Accreditation Scheme (PBAS). This includes sharing case-studies that may help other organisations draw upon our experience in tackling similar issues and opportunities through a partnership approach.

### **IDENTIFYING AND RESPONDING TO NEW OPPORTUNITIES**

Looking ahead, our partners are considering ways they can use our approach to respond to emerging issues such as social exclusion in Australia.

Our Reconciliation Action Plan was cited as an example of such an approach, while the impact of carbon pricing for low-income earners was identified as an immediate issue requiring deeper research and a considered response.

# MAKING PROGRESS ON SMALL LOANS

A significant achievement in 2007 was the completion of our Progress Loans pilot. This program was developed in partnership with the Brotherhood of St Laurence and provides loans to people on low incomes who otherwise have difficulty accessing credit from mainstream providers. It is now one of the most successful programs of its kind in Australia.

ANZ commissioned Australia's first research into the issue of financial exclusion in 2004. The findings revealed that many Australians struggle to access appropriate low-cost, fair and safe financial services from mainstream providers and around 6% of adults have minimal access to financial services.

Some people are often forced to rely on predatory lenders for emergency finance. They include loan sharks, pay day lenders and pawnbrokers who charge very high interest rates, and in some cases, use threatening collection methods.

In response, ANZ and the Brotherhood of St Laurence launched Progress Loans in May 2006 to provide people on low incomes with access to loans of between \$500 and \$3,000 to pay for household goods and services, self-improvement, medical and car expenses.

Since it commenced, 209 people have benefited from Progress Loans in Victoria. The majority of loans were provided to women. The average loan size is \$1,722 and the repayment performance of Progress Loans customers currently exceeds that of mainstream personal loan customers.

Some customers also have the opportunity to participate in ANZ's MoneyMinded and Saver Plus financial literacy programs. Here they can learn about saving and the 'mechanics' of loans such as signing a contract, the structure of a personal loan and making repayments.

Consistent with evaluations of Saver Plus and MoneyMinded, feedback from participants in the Progress Loans pilot program shows the real benefit is more than simply access to money. The loans help to increase their confidence, their sense of inclusion in society and their own ability to improve their circumstances.

One customer, Kevin, used his Progress Loan to buy a fridge while also building a repayment history with a major bank.

'You can't imagine life without a fridge. I suppose an esky would have been the next best thing. The loan was just a godsend. Knowing you've got a fridge, you can stock up on specials,' said Kevin.

'It was a really good sense of achievement. When I finished, ANZ sent me a letter thanking me. It's usually us against the banks. I found this a pleasant relationship. I guess my credit rating's pretty good now.'

Another customer was able to repair his car which was essential to gaining employment and a mother used Progress Loans to purchase a car to give her disabled child the opportunity to access appropriate health care on a regular basis.

ANZ and the Brotherhood will continue to monitor and enhance Progress Loans over the next 12 months, refining aspects to improve its commercial sustainability and ensure a positive customer experience. This will include a comprehensive evaluation and an assessment of the social impact of the program. The goal remains to grow the Progress Loans program and make it available in all states and territories across Australia.

## PROGRESS LOANS (MAY 2006 – SEPTEMBER 2007)

Number of loans approved	209
Number of loans drawn	179
Number of applications	301
% of approvals	69%
Number of defaults	0
% men versus women	29% vs 71%

# IMPROVING INDIGENOUS FINANCIAL LITERACY AND EMPLOYMENT OPPORTUNITIES

This year ANZ launched its Reconciliation Action Plan – the first of any major Australian company. The Action Plan sets out specific commitments to assist Indigenous inclusion through employment, financial literacy, cultural recognition and awareness, and capacity building. It includes the most significant Indigenous employment targets of any major Australian company.

Indigenous disadvantage is one of the most pressing social problems facing Australia, touching on a range of socio-economic issues such as health, education, employment and housing.

Community organisations and governments cannot address these issues alone.

Taking action also assists the continued growth of our business. Establishing a higher representation of Indigenous people in our workforce and better understanding and responding to the needs of Indigenous consumers will only make ANZ more relevant – particularly in some of our communities where Indigenous people make up 40% of the population.

In developing our Action Plan, we sought input from Reconciliation Australia as well as a number of Indigenous leaders, community organisations and government agencies. They encouraged us to build on the work we were already doing in financial literacy and focus on our strengths.

For example, ANZ is a large national employer with reach into metropolitan, regional and remote communities across Australia. It was therefore clear to us that creating more employment for Indigenous people would form a core part of our Reconciliation Action Plan.

Continuing our work to improve the financial literacy and money management skills of Indigenous

Australians was also vital. The Plan builds on current partnerships with Indigenous and community organisations and the Australian Government, which deliver innovative programs such as MoneyBusiness.

## A SHARP FOCUS AND TIME FRAMES

The Action Plan includes specific objectives and details about how we were going to achieve them.

For example, we aim to:

- Recruit 300 young Indigenous trainees (100 each year) by end 2009
- Promote 20 Indigenous employees on merit to management positions by end 2014
- Expand the reach of ANZ's financial literacy and inclusion programs for Indigenous communities
- Develop better understanding within ANZ of Indigenous perspectives.

There are public time frames for each action, ensuring we are accountable for follow-through on our commitments. And each commitment has an owner at ANZ – someone who is personally responsible for maintaining momentum and delivering results on the promise.

## IMPROVING OUR UNDERSTANDING

We have much to learn about the issues facing Indigenous Australians and we rely on the feedback of Indigenous community partners and other stakeholders to ensure our initiatives remain appropriately targeted. The experience of our branch staff is also vital.

Our involvement in the development of the My Moola: Opening Financial Pathways pilot in the Goulburn Valley region of Victoria has given us a deeper appreciation of the concept of communal ownership in Indigenous communities and what this means for financial literacy programs. My Moola includes a series of workshops to help young participants and their families understand that having personal goals and life objectives,



International service consultant, Benson Saulo, presents to the Reconciliation Action Plan Governance Group.

including those relating to personal finances, is not inconsistent with a commitment to family and community.

Another important initiative this year has involved improving our understanding of the issues related to Indigenous home ownership, which is low (28%) relative to non-Indigenous Australians (71%) and also when compared to Indigenous peoples in other developed countries.

Home ownership has been linked to broader social and community benefits and has been recognised by many experts as an important element to improving the lives of Indigenous Australians. But our role is not as simple as offering more home loans to Indigenous consumers.

We have conducted in-depth consultation with Indigenous people, community groups, housing groups and government agencies to better understand specific actions we might take. Should the focus be on encouraging saving? Is home ownership a common aspiration of Indigenous people?

Early feedback suggests we need to do more to understand what is important to Indigenous people and that housing needs can differ from community to community. It is clear there will be no 'one size fits all' solution. In 2008, we will use this and other feedback to develop specific responses to help improve Indigenous home ownership in the coming years.



Representatives from ANZ and Toyota take the new petrol-electric hybrid vehicles for a test drive.



## section 4 environment and supply chain

OUR COMMITMENT TO REDUCING OUR ENVIRONMENTAL FOOTPRINT IS FOR THE LONG TERM – WITH NEW TARGETS TO IMPROVE OUR RESOURCE EFFICIENCY AND PLANS TO GO CARBON NEUTRAL THROUGH INVESTMENT IN RENEWABLE ENERGY.

### WHERE WE'VE BEEN 1999–2006

- Began measuring energy, water and paper consumption in 2004
- Introduced Environment Management System in 2005
- First participated in Carbon Disclosure Project in 2004
- Set two-year environmental footprint targets in 2005
- Developed Sustainable Procurement Policy in 2005

### KEY ACHIEVEMENTS 2007

- Announced plans to become carbon neutral by 2009
- Met or exceeded two-year energy, paper and carbon emissions targets
- Began construction of our new environmentally friendly office building
- Member of Climate Disclosure Leaders Index for second consecutive year

### FUTURE PRIORITIES

- Release an updated Environment Charter
- Meet new environmental footprint targets
- Expand supply chain assessment framework for top suppliers by 50%
- Expand reporting on our supply chain to include human rights and OH&S performance measures

## OUR APPROACH MANAGING OUR ENVIRONMENTAL IMPACT AND SUPPLY CHAIN



Our Environment Charter sets out our approach to assessing and managing the environmental issues in our business from the environmental impact of our operations and products and services to the indirect impact we have through the activities of our clients and suppliers.

This year we reviewed our Environment Charter to ensure it remains relevant to the current environmental challenges facing society and our business.

Feedback internally and externally was that the Charter could be more distinctive to ANZ's approach and specific about what we see as the most important environmental issues facing our business.

Our impact on the environment is largely indirect, and our public commitments should focus on ensuring we make responsible business decisions and assist clients and suppliers to improve their response to environmental issues. We are also taking an innovative approach to becoming carbon neutral by investing in renewable energy sources. The commitments in our Charter should reflect these priorities.

We were encouraged to include our environmental footprint targets in the Charter, to make the commitments more meaningful and measurable. Stakeholders also saw the value in making a senior ANZ executive publicly accountable for the delivery of results, to show we are genuine and maintain momentum internally.

Finally, we were reminded of the importance of our people in achieving our environmental objectives. Committed staff can help us reduce our environmental impact and are our most valuable public advocates. It is therefore vital for them to understand the issues that apply to ANZ, and how we are responding to them.

This year we developed an online training course for staff outlining our public targets to reduce our footprint and how they can help and collaborated with WWF Australia to launch an intranet site containing news and views on environmental issues facing ANZ. So far over 1,000 ANZ employees have signed up to receive a regular e-bulletin containing news and views about environmental issues.

We will release a revised Environment Charter in early 2008, incorporating this and other feedback we have received during the review.

ENVIRONMENTAL RESULTS FOR 2007				
ASPECT	AUSTRALIA		NZ	
	2007	CHANGE 06-07	2007	CHANGE 06-07
Electricity (MWh per FTE)	6.89	-1.5%	5.59	-1.9%
Paper consumption (tonnes) per FTE	0.20	19.3%	0.17	-2.9%
Water consumed (kL) per FTE	14.43	-6.9%	Not measured	Not measured
Greenhouse gas emissions (tonnes co2-e) per FTE*	8.58	-8.5%	1.39	0%

\* Text has been restated on 6 February 2008 owing to incorrect reporting. A previous incorrect reference to 'Waste recycled (tonnes) per FTE' was removed and replaced with 'Greenhouse gas emissions (tonnes co2-e) per FTE'



# LEADING AND RESPONDING TO CLIMATE CHANGE CHALLENGES AND OPPORTUNITIES

Our impact on the environment is largely indirect, through the activities of our clients. It follows that our primary response to climate change should be to assist those clients reduce their carbon footprint.

Climate change is a real risk that we now factor into our business decisions. Many of our clients have exposure to the effects of climate change, whether they be involved in agriculture and vulnerable to the risk of water shortages, or industries that will be heavily impacted by carbon regulation like electricity, mining, chemicals, transport and plastics manufacturing.

As constraints on carbon become a reality, the importance of investment in energy efficiency and renewable energy alternatives grows. Businesses that fail to adapt will incur higher energy costs and lose opportunities to profit from cuts in energy use. And from a broader perspective, it is particularly important for high-impact sectors such as the power generation and transport industries to take responsibility for managing their emissions.

This is where we make our most important contribution. Through the right financial products and advice, we can help our clients make the most of opportunities to reduce their carbon footprint. This can include facilitating investment in carbon-reducing technologies and energy-efficiency measures and helping clients meet voluntary or mandated limits on carbon emissions.

This grows our business but also manages a risk for us. Companies not responsive to climate change are unlikely to be profitable in the long term and our business reputation can suffer if we support clients who do not manage their environmental impact responsibly.

## SUPPORTING CLIENTS

The first way we assist clients is through financing measures to reduce their carbon footprint. For example, this year we have worked with an engineering firm to develop an innovative energy-efficiency financing product.

The product is designed to incorporate advice to clients on potential improvements they can make to their energy efficiency, design of measures to achieve that efficiency and finance to fund the implementation of those measures. Clients of the product would at the outset be guaranteed an agreed level of energy savings and a linked reduction in their greenhouse gas emissions.

We can also assist clients to offset those emissions they cannot avoid. ANZ is an active participant in carbon markets – both in Australia and internationally. An emerging issue in Australia, where a ‘cap and trade’ emission trading scheme will be phased in over the next five years, is the credibility of offset schemes.

We have developed a set of criteria to make it easier for our clients to choose credible and effective schemes that best suit their circumstances. For instance, our criteria recommend that any project generating a carbon offset must be ‘additional’ or beyond ‘business as usual’ activity to be credible.

## BACKING RENEWABLE ENERGY

Assisting clients to reduce their carbon footprint is the focus of our response to climate change, but in addition, we are supporting the continued development of renewable energy, both through direct investment and through our plans to become carbon neutral.

ANZ Infrastructure Services (ANZIS), a specialist adviser and investment manager, has established two special-purpose investment trusts to encourage investment in environmentally sustainable energy sources and infrastructure. In 2007 our project finance team arranged financing for the production of biofuels (ethanol and biodiesel), waste gas projects and landfill gas production.



David Cartwright, Group Managing Director, Operations Technology and Shared Services, pictured next to one of 96 solar panels installed on the roof of the ANZ data centre, near Melbourne Airport.

#### GOING CARBON NEUTRAL

Our carbon footprint is relatively small but as one of the largest companies in Australia and New Zealand, we have an opportunity to show leadership, not only by setting public targets to reduce our environmental footprint, but also in the way we go about achieving those targets.

In May 2007 we announced our intention to become carbon neutral in Australia and New Zealand by 2009.

Credibility of carbon offset strategies is as much an issue for us as our clients and it is vital our approach meets the standards we recommend to our clients.

As part of our approach, we will seek to acquire our electricity, which accounts for the majority of our carbon footprint, from renewable energy sources.

We also plan to invest in the projects that generate the renewable power we use. We have commenced a tender process to identify preferred suppliers and projects we could finance to help us achieve this aim. Further carbon credits will be acquired to offset emissions generated by our travel and motor vehicles.

This approach to carbon neutrality involves substantial up-front investment, but is ultimately more sustainable, both environmentally and financially. By investing in renewable sources, we can reduce our carbon footprint while at the same time support the financing needs of the growing renewable energy sector.

#### CONTINUING OUR FOCUS ON EFFICIENCY

Going carbon neutral is only part of the work we need to do to reduce our footprint. The best way to bring our emissions down is still to use less energy. Over the last two years we have reduced the electricity used per full-time employee by 5% and have set new targets for energy efficiency for the next three years.

# INFLUENCING OUR SUPPLY CHAIN

With a supplier network of over 9,000, we have an opportunity to influence the social and environmental practices of a range of businesses. We are talking to more suppliers about these issues and one of our largest suppliers has now adopted our approach to manage its own supply chain.

Any effort to manage our direct environmental footprint must necessarily address the impact we make through our choice of goods and services. Since 2005, we have included social and environmental considerations into our choice of suppliers.

We ask suppliers to provide us with information about how they manage the social and environmental issues associated with their business as a standard part of our tender process and conduct regular contract reviews. This includes how they identify and manage risks to their business, whether they have systems to minimise their environmental impact, details of their employment and health and safety practices and whether they engage with their stakeholders.

This year the number of suppliers who completed this assessment grew from 100 in 2006 to 170.

We also applied a more detailed assessment process to 30 suppliers who make up a high proportion of our total annual spend and whose products and services have a potentially high environmental impact.

This year we met with each of these suppliers to review their social and environmental assessments so we could help them understand some of the issues raised and what remedial action might be required. In many cases we invited a subject matter expert with knowledge of the supplier's area of business to these meetings to further inform the discussion.

Ninety-three per cent of these suppliers have now agreed on a social and environmental performance improvement plan and we will continue to work with them to further develop and implement these plans.

## EXPANDING OUR INFLUENCE

As a measure of our potential influence on other businesses, one of ANZ's most important suppliers, property and facilities manager, Jones Lang LaSalle (JLL), is now using ANZ's supply chain management approach on its own suppliers.

JLL manages 38 commercial sites, 800 ANZ branch sites and more than 2,000 ANZ ATMs. JLL's role ranges from identifying suitable new ANZ sites to the day-to-day management of security, cleaning, fixtures and fittings, general maintenance, air conditioning and electrical services. The activities of JLL and its suppliers therefore heavily influence ANZ's overall environmental footprint.

JLL has asked 32 of its own suppliers involved in providing products and services to ANZ to complete ANZ's self-assessment questionnaire and now tracks and reports monthly to ANZ on the social and environmental performance of these suppliers in addition to its own progress. The commitment of JLL suppliers to this process has grown over the year, with 88% now responding to JLL's request to complete the ANZ questionnaire, up from 65% in March.

Based on these assessments, we identified those key JLL suppliers that we should work with more closely

through the development of social and environmental performance improvement plans.

As well as influencing the way JLL interacts with its suppliers, we are also learning from JLL's expertise in building sustainability and engineering to reduce our direct environmental impact.

This year we have worked with JLL's National Sustainability Director on ways to better measure energy use in our buildings and identify energy efficiency opportunities that will make a real difference to our footprint. The Environmental Performance Working Group comprises representatives from both ANZ and JLL and meets monthly to review the recent environmental performance of ANZ buildings and agree on the most appropriate measures to improve that performance.

## FUTURE CHALLENGES

We have the framework in place to assess the social and environmental performance of our suppliers. Now we are working on gathering better information and using the information we gather more effectively.

Our focus so far has been on environmental issues, but this year we expanded our supplier questionnaire to include more specific questions about employment practices and human rights. In the coming year we will begin gathering more information about how our suppliers manage these wider business issues.

We also plan to develop sector-specific social and environmental standards to provide suppliers with guidance which is more relevant to their type of business.

**'What ANZ expects of its suppliers, we're now expecting of ours.'**  
Dino Fornito, National Procurement Manager, JLL ANZ Account

# CREATING MORE ENVIRONMENTALLY FRIENDLY WORKPLACES

ANZ is building one of the most environmentally friendly commercial office buildings in Australia. We are also improving the environmental performance of the buildings we currently occupy and some special challenges in the Pacific are also driving innovation.

ANZ's new building in Melbourne's Dockland's precinct, due for completion in late 2009, is designed to achieve world-wide best practice environmental standards for an office building.

Innovations such as the use of solar power and wind turbines to supplement energy supply and the reuse of stormwater and grey and black water are designed to deliver real results through reductions in greenhouse gas emissions, water savings and energy efficiency. We are seeking to achieve the highest current Green Star rating from the Green Building Council of Australia.

The building will be a powerful symbol of our commitment to improve our environmental performance. However there is also a real business case for this investment. Investment in energy efficiency measures today, such as those reflected in the design of our new building, can pay off in the long term, not only through lower energy costs but also in the form of carbon credits.

## IMPROVING EXISTING BUILDINGS

While the building is an important step forward for ANZ, it will address only part of our footprint. ANZ occupies over 33 large office buildings around the world, including 12 in Melbourne alone, and we also need to address the environmental performance of these buildings to make real progress on reducing our footprint and adapting to a carbon-constrained future.

However, this can pose challenges. The latest environmental technology cannot always be incorporated into an older

commercial building. In many cases we are only one tenant in a building, and our capacity to influence the infrastructure changes to make these buildings more receptive to environmentally friendly measures can be limited.

This means our approach to 'retrofitting' environmental technology must be flexible according to what is a reasonable investment in each building.

'Sustainability considerations are now part of our business-as-usual approach,' says Keith Woodward, Head of ANZ Property Operations.

'Specific initiatives occur wherever they are technically appropriate and provide value.'

This year we completed an eco-efficient fit-out of five floors of 55 Collins Street Melbourne, a 20-year old office building in Melbourne's CBD. The fit-out is intended to showcase a variety of innovations which can be incorporated in other ANZ buildings.

Water-saving measures, including low-flush toilets, flow restrictors, AAA showerheads and water sensors on basin taps, are expected to save an estimated 750,000 litres of water a year.

The installation of waterless urinals has highlighted the challenges of adapting older infrastructure to new technology. Waste generated by these units is undiluted and therefore has a higher acidity. The existing copper piping at 55 Collins Street would corrode with this increased acidity and so needed to be replaced with PVC as part of the installation.

Energy efficiency has been another focus of the 55 Collins Street project. New-generation fluorescent lamps, which consume 25% less power than industry standard T8 lamps, have been installed, and lighting sensors ensure they automatically switch off when the floors are unoccupied or dim when there is sufficient natural light on the floor.



Employees from ANZ and Lend Lease discuss plans for ANZ's environmentally friendly commercial office building at Docklands, Melbourne.

## NECESSITY BREEDS INNOVATION IN THE PACIFIC

The short supply of mains electricity has accelerated our investment in renewable energy in many of our Pacific operations. This year we launched solar-powered banking services in the Solomon Islands and Cook Islands.

Our first solar ATM was unveiled in the Solomons village of Tetere in April 2007. The village has no mains electricity, so solar power is a cost-effective way of delivering banking services. Four more solar ATMs will be rolled out in the Solomons by the end of 2007 to connect remote communities with mainstream banking.

ANZ is now taking renewable energy to other parts of the Pacific. Our first solar branch opened in September at Aitutaki in the Cook Islands.

The branch generates 100% of its power from 48 solar panels. These run the ATM, lighting, alarm system and computer. In order to minimise the branch's power demand, the teller uses a laptop and the computer server is based in Rarotonga.

A second solar branch on Christmas Island in Kiribati is scheduled to open by the end of 2007 and is also designed to be 100% carbon neutral.



# OUR PERFORMANCE <sup>1</sup>

ANZ has identified a number of indicators to measure our corporate responsibility performance. This chart includes a selection of these indicators - globally and for our Australian and New Zealand businesses.

	2007	2006	2005	2004
<b>Financial Indicator</b>				
Net profit (\$m)	4,180	3,688	3,175	2,815
Cash earnings per share (cents) <sup>2</sup>	210.3	194.5	171.8	161.1
Cost to income ratio (%) <sup>2</sup>	44.8	45.6	46.6	45.3
Dividend per share (cents)	136	125	110	101
Total shareholder return (%)	15.6	17.1	32.6	17.0
<b>Customers Indicator</b>				
AUST – Number of branches (including agencies) <sup>3</sup>	819	785	760	746
AUST – Number of ATMs	2,287	1,887	1,557	1,240
AUST – Retail customer satisfaction (%) (Source: Roy Morgan Research – Main Financial Institution)	77.2	75.5	76.6	73.5
NZ – Number of branches	312	309	307	303
NZ – Number of ATMs	745	705	–	–
NZ – Retail customer satisfaction – National Bank (%) (Source: AC Neilsen)	72	71	73	73
NZ – Retail customer satisfaction – ANZ (%) (Source: AC Neilsen)	64	59	59	54
<b>People Indicator</b>				
Permanent and temporary employees (FTE)	34,353	32,256	30,976	28,755
Total employee headcount	37,037	35,544	34,380	32,274
Employee engagement (ANZ Culture and Engagement Survey) (%)	64	60	–	60
AUST – Women in executive management positions (%)	25	22	19	17
NZ – Women in executive management positions (%)	13	12	–	–
<b>Community<sup>4</sup> Indicator</b>				
Total value of contributions (\$m)	17.8	13.8	8.3	6.6
Financial literacy and inclusion (\$m)	4.7	4.4	2.4	–
Volunteering time (hours)	73,098	50,735	24,934	7,337
<b>Environment Indicator</b>				
AUST – GHG emissions (tonnes CO <sub>2</sub> -e)	169,145	174,814	166,001	–
AUST – Total energy consumed (MWh) <sup>5</sup>	148,617	141,890	139,128	–
NZ – GHG emissions (tonnes CO <sub>2</sub> -e) <sup>6</sup>	13,138	13,014	–	–
NZ – Total energy consumed (MWh)	56,674	56,909	–	–
NZ – Renewable electricity (%)	65	65	–	–

<sup>1</sup> As at 30 September 2007, figures are global unless otherwise stated and figures expressed in millions of dollars have been rounded.

<sup>2</sup> Adjusted for non-core items (including significant items, ANZ National Bank incremental integration costs and non-core income arising from the use of derivatives in economic hedges and fair value through profit and loss)

<sup>3</sup> Numbers have been restated to include agencies.

<sup>4</sup> Community indicators represent global operations in 2007, Australian and New Zealand operations in 2006, and Australia only in 2005 and 2004.

<sup>5</sup> The 2005 and 2006 energy detail for ANZ Australia has been updated to exclude a non-ANZ tenant located within one of our buildings in Perth.

<sup>6</sup> The GHG data for ANZ New Zealand 2006 has been updated with a corrected renewable energy conversion rate.

# ASSURANCE AND REPORTING

## REPORTING

This Report is a summary version of our full 2007 Corporate Responsibility Report. Our full Report is available on our website at [www.anz.com/cr2007](http://www.anz.com/cr2007). The full Report includes our assurance statements, Global Reporting Initiative Index and further information about the progress of our CR programs during 2007.

## ASSURANCE

ANZ has used the AA1000 Assurance Standard (AA1000AS) principles to report on our progress in addressing the needs and interests of our stakeholders. The Corporate Citizenship Company has provided an external assurance

statement in keeping with the International Standard on Assurance Engagements ISAE 3000 and AA1000 Assurance Standard. This statement is available in our full CR Report at [www.anz.com/cr2007](http://www.anz.com/cr2007).

## GLOBAL REPORTING INITIATIVE

The Global Reporting Initiative (GRI) provides a generally accepted framework for reporting on an organisation's economic, environmental and social performance. ANZ has used the GRI Sustainability Reporting Guidelines (G3) in our 2007 reporting. Our GRI Index is published online at [www.anz.com/gri2007](http://www.anz.com/gri2007).

## LONDON BENCHMARKING GROUP

ANZ began using the London Benchmarking Group (LBG) framework for measuring and reporting our community contributions and achievements in 2005. The LBG model encourages greater accountability and is recognised as best practice in reporting on corporate community investment. Positive Outcomes has provided an assurance statement on LBG which is available in our full CR Report at [www.anz.com/cr2007](http://www.anz.com/cr2007).

# RECOGNITION

## AUSTRALIAN CORPORATE RESPONSIBILITY INDEX

Gold medal score of 96.9%



## CARBON DISCLOSURE PROJECT

'Best in Class' and member of the Climate Disclosure Leadership Index



## DOW JONES SUSTAINABILITY INDEX

Number 1 Bank globally



## FTSE4GOOD

Member of the FTSE4Good



## MONEY MAGAZINE AWARDS

Bank of the Year and Socially Responsible Bank of the Year



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