SAM Sustainable Asset Management

Company Benchmarking Report for Australia and New Zealand Banking Group

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October 2004
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Summary

• Corporate sustainability is becoming more integrated into corporate strategy and focused on long-term shareholder value.

• Social and environmental issues shaping competitive landscape.

• ANZ Banking Group (ANZ) is very well positioned in the banking industry globally as well as in the Australian market. However, competition on a global and Australian level is intense within the industry.

• ANZ’s most important strengths are corporate governance, risk & crisis management policies and processes, codes of conduct and compliance systems, customer relationship management, environmental policy and management, stakeholder engagement.

• ANZ’s could improve its potential to leverage value creation in embedding core values of the social responsibility strategy in the charter of the responsible board of directors committee and in the codes of conduct, in public reporting, such as key performance in anti-corruption & bribery. In addition, controversial issues related to lending policies in (e.g. defense/armaments, GMO) might need to be addressed explicitly.
ANZ: Well integrated corporate sustainability strategy...
...reflected in above average cluster scores across all dimensions

<table>
<thead>
<tr>
<th>DJSI Industry Group: Banks</th>
<th>Economic</th>
<th>Environmental</th>
<th>Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westpac Banking Corp</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>ASB-AMC Holding N.V.</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Barclays Plc</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Canadian Imperial Bank of Commerce</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Credit Suisse Group</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Deutsche Bank AG</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>HBOS plc</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>HSBC Holdings Plc</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Hypovereinsbank AG</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Royal Bank Of Scotland Group</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Australia &amp; New Zealand Banking Group Ltd</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Bank Monte Del Pascho Di Sicilia</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Banco Bilbao Vizcaya Argentaria</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Dexia</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Foerderungs Sparbanken Ab</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Groupe Société Générale</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Grupo Santander Central Hispano</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Hochschi Bank Ltd</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Lloyds TSB Group Plc</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>National Australia Bank Ltd</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>UniCredit Italiano S.p.A.</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Banco Iau Holding Finanzas S.A.</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Nedcor Limited</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Standard Bank Group Limited</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>UBS Group</td>
<td>p</td>
<td>a</td>
<td>b</td>
</tr>
</tbody>
</table>

Companies with identical cluster scores are grouped and listed alphabetically, these groups are separated by lines. The sector leader is listed first.

Next company in line for selection should a component be deleted from the DJSI World:

<table>
<thead>
<tr>
<th>Sumitomo Mitsui Financial Group Inc.</th>
<th>Economic</th>
<th>Environmental</th>
<th>Social</th>
</tr>
</thead>
</table>

Legend: p = poor, a = average, b = best

The relative positioning of companies within the DJSI industry group Banks on a global basis is illustrated based on cluster scores around the economic, environmental and social dimensions.

* DJSI World members effective as of September 20, 2004, data as of September 2, 2004
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SAM Corporate Sustainability Analysis™
Focus on Value Creation

- Reveal potential for value creation / destruction
- Look for integration of sustainability strategy into value based management
- Emphasize performance over systems
- Reward evidence of strategic initiatives
- Reflect regional and cultural differences
- Emphasize industry-specific criteria as issues related to sustainable development vary across sectors
Key challenges in the banking industry

• Trust and accountability, e.g. tackling dilemma situations

• Leadership, e.g. corporate culture of integrity

• Leadership in strategic planning and execution

• Liability risks in value chain, e.g. how financial services/products are used by customer

• Innovation capabilities to integrate new risks, business opportunities in overall corporate strategy
SAM Corporate Sustainability Analysis™ Weighting Scheme

Banking: Reflecting importance of customers, human capital, processes

<table>
<thead>
<tr>
<th>Strategy &amp; Governance</th>
<th>Customer &amp; Product</th>
<th>Human Process</th>
<th>Total Criteria</th>
<th>Industry Specific</th>
<th>General Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>16%</td>
<td>20%</td>
<td>20%</td>
<td>25%</td>
<td>40%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Company Benchmarking Service ANZ Banking Group, October 2004
Assessment based on a wide variety of information sources, including Media & Stakeholder Verification

Corporate Sustainability Performance

- Questionnaire
- Interaction with company
- Company documents
- Media
- NGOs Stakeholders
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### Key Sustainability Challenges in the Banking Industry

| 1. | Build trust via accountability and transparency |
| 2. | Capitalize on operational excellence |
| 3. | Capitalize on Human resources |
| 4. | Capitalize on intellectual capital |
| 5. | Capitalize on customer relationships |
| 6. | Prevent liability risks in value chain |
| 7. | Capitalize on environmental and social trends |

### Competences to build required capitals*

- **Governance & Stakeholder**
  - Corporate Governance
  - Stakeholder Engagement
- **Strategic**
  - Strategic Planning
  - Scorecards Systems
  - Brand Management
- **Process**
  - Risk & Crisis Management
  - Codes of Conduct
  - Anti-Crime Policy/Measure
- **Customer & Product**
  - CRM/Advanced CRM
  - Business Opportunities / Risks
- **Human**
  - Talent Attraction & Retention
  - Knowledge Management

*Highlighted criteria indicate focus, not related to results.

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**How competent is ANZ in addressing these challenges?**
ANZ: Strong competences to address challenges
Results 2004 – Benchmarking Competences

Governance & Stakeholder

Strategic & Financial

Human

Customer & Product

Process

Industry Average  ANZ Banking Group  Best Global
ANZ: Well integrated corporate sustainability strategy...

- Total Score: Lower than the industry average, ANZ Banking Group is ahead of the lowest company.
- Economic Dimension: ANZ Banking Group is behind the industry average, but ahead of the lowest company.
- Environmental Dimension: ANZ Banking Group is behind the industry average, but ahead of the lowest company.
- Social Dimension: ANZ Banking Group is ahead of the industry average, but slightly behind the lowest company.

Legend:
- Lowest Company
- Industry Average
- ANZ Banking Group
- Best Company
...reflected in above average cluster scores across all dimensions

The relative positioning of companies within the DJSI industry group Banks on a global basis is illustrated based on cluster scores around the economic, environmental and social dimensions.

*DJSI World members effective as of September 20, 2004, data as of September 2, 2004

Companies with identical cluster scores are grouped and listed alphabetically, these groups are separated by lines. The sector leader is listed first.

Next company in line for selection should a component be deleted from the DJSI World.
Comparison Results 2001 – 2004:
Corporate sustainability performance continuously improved

<table>
<thead>
<tr>
<th>Year</th>
<th>ANZ Banking Group</th>
<th>Best Company Global</th>
<th>Industry Average Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>43</td>
<td>56</td>
<td>42</td>
</tr>
<tr>
<td>2002</td>
<td>49</td>
<td>78</td>
<td>31</td>
</tr>
<tr>
<td>2003</td>
<td>53</td>
<td>79</td>
<td>48</td>
</tr>
<tr>
<td>2004</td>
<td>59</td>
<td>84</td>
<td>42</td>
</tr>
</tbody>
</table>
## Media / Stakeholder Analysis for ANZ

### September 2003 – September 2004

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Cases found</th>
<th>Impact analysis</th>
</tr>
</thead>
</table>
| Illegal commercial practices    | Anti competitive: Mortgage broker – Mr. Wayne Ormond | • Judged as no case.  
• Allegations from Mr Ormond, not supported by evidence.  
• Good Track record. |
| Human rights                    | ANZ and Thai Military Bank                        | • Judged as no case.  
• However could be in conflict with Codes of Ethics. |
| Layoffs /workforce conflicts    | no cases                                         |                                                                  |
| Disaster / accidents            | no cases                                         |                                                                  |
Challenge 1: Trust & Accountability

Competence/s: Governance & Stakeholder, Financial

Results and comment on ANZ’s performance

- “License-to-operate” supported by corporate governance framework, fostering coherent corporate culture
- Corporate Governance: Split role CEO/chairman since several years
- Excellent stakeholder engagement framework
- Improved integration of sustainability issues in IR communication
- Area/s for improvement:
  - Corporate Governance more prominent on group-website; CSR embedded in charter
  - Integration relevant environmental, social/socio-economic issues in IR communication

![Chart showing performance metrics]

- Corporate Governance: 82%
- Stakeholder Engagement: 78%
- Investor Relations: 53%
- Environmental Reporting: 42%
- Social Reporting: 80%

Industry Average | ANZ Banking Group | Best Company
Challenge 1 (contd.) : Leadership in Corporate Social Responsibility

Competence/s: Governance&Stakeholder, Process

Results and comment on ANZ’s performance

- Strong commitment towards corporate social responsibility reflected in performance in all three criteria
- Strategic approach towards Corporate Citizenship
- Financial inclusion of less fortunate amongst leading companies
- Environmental issues very well integrated, reduction of direct impact achieved
- Area/s for improvement: Evaluation of social responsibility strategy
Challenge 2: Leadership Strategic Planning
Competence/s: Strategic & Financial

Results and comment on ANZ’s performance

- ANZ’s approach towards value based management framework improved
- Scorecards/Measurement Systems: scope widened and new perspectives integrated
- Brand Management: new branding launched
- Media & Stakeholder Analysis: no cases
- Area/s for improvement: - Brand valuation
Challenge 3&4 : Human/Intellectual capital
Competence/s: Human

Results and comment on ANZ’s performance

- ANZ in place to capitalize on its human and intellectual capital.
- Very strong focus on employee satisfaction.
- Labor Practice Indicators amongst leading companies, reflecting strong focus on corporate culture.
- Area/s for improvement:
  - Talent Attraction&Retention: Tracking of remuneration data
  - Labor Practice: Communication and grievance solution
Challenge 5: Capitalize on customer relationship
Competence: Customer & Product

Results and comment on ANZ’s performance

- Strong emphasis on client satisfaction. Customer advocate in place.
- Customer satisfaction tracked.
- Strong strategic focus on multi-channel: E-banking solutions attractive to customers.
- Area/s for improvement:
  - Advanced CRM:
    - E-banking solutions
    - Customers using e-banking
Challenge 6: Liability risks in value chain
Competence: Process

Results and comment on ANZ’s performance

- Excellent risk controlling systems in place to prevent liability risks.
- Codes of conduct: Excellent focus and compliance systems in place
- Standards for Suppliers: Integration of environmental and key human rights.
- Media & Stakeholder Analysis: - no cases
- Area/s for improvement:
  - Transparency in Corruption & Bribery
  - Core values of social responsibility strategy embedded in codes of conduct

<table>
<thead>
<tr>
<th></th>
<th>Industry Average</th>
<th>ANZ Banking Group</th>
<th>Best Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk &amp; Crisis Management</td>
<td>65</td>
<td>76</td>
<td>100</td>
</tr>
<tr>
<td>Codes of Conduct/Corruption &amp; Bribery</td>
<td>55</td>
<td>70</td>
<td>80</td>
</tr>
<tr>
<td>Anti-Crime Policy &amp; Measures (S)</td>
<td>62</td>
<td>74</td>
<td>100</td>
</tr>
<tr>
<td>Standard for Suppliers</td>
<td>60</td>
<td>95</td>
<td>100</td>
</tr>
</tbody>
</table>
Challenge 7: capitalize on environmental/social trends
Competence: Customer & Product / Human

Results and comment on ANZ’s performance

- ANZ not yet fully capitalizing on its strong sustainability expertise. Active engagement with key stakeholder in product development.
- Business Opportunities: Integration of environmental criteria in lending policies. But more potential.
- Increasing public scrutiny towards controversial issues. No formal Code of Ethics.
- Area/s for improvement:
  - Business Risks: reporting
  - Code of Ethics
Key insights: Strong competences, ANZ in place to capitalize on relevant sustainability challenges


- **Well positioned** in its industry, but other financial institutions closing gap.

- **Strong competences** to build required capitals in order to execute on corporate social responsibility strategy. Value based management framework improved further to support strategy execution and to foster a corporate culture of integrity.

- **Very high standard in core corporate governance framework.**
  Together with active stakeholder engagement sustained „licence to operate“.

- **Very good core processes to prevent liability risks** in value chain.
  MSA did not reveal any serious cases underpinning pro-active engagement with customers and other stakeholders.

Potential to leverage strengths to value creation:

- **Governance&Stakeholder competence:** Diversity, CSR embedded in Charter of the Nominations & Corporate Governance Committee
  Corporate Governance: visibility on website

- **Process competence:** KPIs-reporting in Anti-Corruption & Bribery

- **Human competence:** Labor Practices: Grievance process
  Talent Attraction & Retention: Remuneration

- **Customer&Product competence:** Business Opportunities
  Code of Ethics: position papers
## Insights: Key strengths - Potential to leverage value creation

<table>
<thead>
<tr>
<th>Competence</th>
<th>Key strengths</th>
<th>Potential to leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance&amp; Stakeholder/ Financial</td>
<td>• Excellent Stakeholder Engagement Framework</td>
<td>• CSR further embedded in Corporate Governance</td>
</tr>
<tr>
<td></td>
<td>• IR: perception studies integrated in business processes</td>
<td>• Visibility of Corporate Governance on web</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Environmental reporting (underway)</td>
</tr>
<tr>
<td>Strategic</td>
<td>• Scorecard system as basis for a value based management approach</td>
<td>• Brand management: valuation</td>
</tr>
<tr>
<td></td>
<td>• Environmental Policy/ Management framework</td>
<td>• Coverage of certification of EMS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• EMS: coverage of internal audit</td>
</tr>
<tr>
<td>Process</td>
<td>• Codes of Conduct/Compliance</td>
<td>• CoC: Whistleblowing</td>
</tr>
<tr>
<td></td>
<td>• Risk &amp; Crisis Management</td>
<td>• Corruption&amp;Bribery: reporting</td>
</tr>
<tr>
<td></td>
<td>• Anti-crime/money laundering policies/processes</td>
<td>• Environmental Performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Standard for suppliers: currently under review</td>
</tr>
<tr>
<td>Customer&amp; Products</td>
<td>• CRM: e.g. Customer Advocate</td>
<td>• Business Opportunities</td>
</tr>
<tr>
<td></td>
<td>• Experts in socio-economic, environmental related areas, active engagement</td>
<td>• Business Risks: reporting</td>
</tr>
<tr>
<td></td>
<td>• remuneration: employee satisfaction</td>
<td>• Code of Ethics/Business Principles</td>
</tr>
<tr>
<td></td>
<td>• Knowledge Management</td>
<td></td>
</tr>
<tr>
<td>Human</td>
<td>• Labor Practice Indicators</td>
<td>• Labor Practice Indicators: Grievance policies/systems</td>
</tr>
<tr>
<td></td>
<td>• Human Capital Development</td>
<td>• Talent Attraction &amp; Retention: Data on remuneration</td>
</tr>
<tr>
<td></td>
<td>• Talent Attraction &amp; Retention: remuneration: employee satisfaction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Knowledge Management</td>
<td></td>
</tr>
</tbody>
</table>
Financial Sector: future challenges

- Build trust via accountability and transparency
  - Increased reporting on critical issues key
  - Impartial assurance of business practices
  - Transparency in commission, fees

- Excellent relationships with stakeholders a necessity

- Active corporate citizen
  - Synergies from corporate philanthropy strategies

- Capitalize on intellectual capital

- Prevent liability risks in value chain
  - Consumer pressure towards selling practices
  - Strategic alliances, joint ventures
  - E-banking new risks beyond national legislation

- Capitalize on environmental and social trends
  - New business opportunities, risks

Financial sector needs to engage with stakeholders and to become transparent.
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Governance & Stakeholder Competences Performance – Radar Diagram
Strategic / Financial Competences Performance – Radar Diagram
Human Competence Performance – Radar Diagram

- Human Capital Development
- Talent Attraction & Retention
- Labor Practice Indicators
- Knowledge Management
- Expertise (IS)
- OHS (IS)

- Industry Average
- ANZ Banking Group
- Best Global
Customer & Products Competence Performance – Radar Diagram

- Customer Relationship Management
- Code of Ethics in investments/financing (IS)
- Advanced CRM (IS)
- Business Opportunities (IS)
- Business Risks (IS)

Industry Average  ANZ Banking Group  Best Global
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SAM Corporate Sustainability Analysis™ Weighting Scheme
Banking: Based on TBL
Comparison Results 2001 – 2004:
Continuous improvements in economic and social dimension
Economic Performance – Radar Diagram
Environmental Performance – Radar Diagram

Environmental Policy/Management

Environmental Performance

Advanced Eco-Efficiency (IS)

Business Risks (IS)

Business Opportunities (IS)

Environmental Reporting

Industry Average

ANZ Banking Group

Best Company
Social Performance – Radar Diagram

- Human Capital Development
- Labor Practice Indicators
- OHS (IS)
- Standard for Suppliers
- Code of Ethics in investments/financing (IS)
- Social Reporting
- Financial Inclusion/Capacity Building (IS)
- Knowledge Management
- Talent Attraction & Retention
- Corporate Citizenship/Philanthropy
- Stakeholder Engagement

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Industry Average | ANZ Banking Group | Best Company
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