

ANZ



ANZ Corporate Responsibility Reporting 2010

**Assurance statement and
commentary**

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Assurance statement

ANZ has commissioned Corporate Citizenship to provide external assurance and a commentary on its *Shareholder and Corporate Responsibility Review 2010* and on the accompanying material contained in anz.com/cr, referred to hereon in as the Reporting.

The scope of our assurance

The assurance provides the reader with an independent, external assessment of the report and, in particular, with how it corresponds with the AA1000 standard. It is intended for the general reader and for more specialist audiences who have a professional interest in ANZ's corporate responsibility performance, most particularly the shareholders of ANZ.

ANZ has chosen to use the AA1000 assurance standard AA1000AS (2008). Our assurance is a Type 2 assurance as defined by the standard, in that it evaluates the nature and extent of adherence to the AA1000AS principles of inclusivity, materiality and responsiveness. It assures the performance of the organisation as reported here. Our assurance used disclosed information as its starting point and then investigated the underlying systems, processes and sustainability performance information to arrive at its conclusions. In addition, it has assured the reliability of sustainability performance information and progress against targets. This is more fully described in our methodology statement.

In conducting the assurance we have given consideration to the Global Reporting Initiative Principles for Defining Report Content and Ensuring Report Quality and the guidance offered by ISO26000. The level of assurance is high, that is to say that we believe there to be sufficient evidence to support the statement such that the risk of the conclusion being in error is very low but not zero.

ANZ is entirely and solely responsible for the contents of the report, Corporate Citizenship for its assurance. As noted above, our assurance is confined to the

Shareholder and Corporate Responsibility Review 2010 and the accompanying material contained in anz.com/cr.

A detailed note of our assurance methodology appears at the end of this statement.

Opinion and conclusions

In our opinion ANZ's 2010 Reporting reflects the principles of AA1000AS (2008): inclusivity, materiality and responsiveness.

Inclusivity is the commitment to be accountable to those on whom ANZ has an impact and who have an impact on ANZ, and to enable their participation in identifying issues and finding solutions. It is central to ANZ's current CR framework which is built upon significant and widespread stakeholder engagement.

The framework identifies the issues that are material to ANZ's core business and geographies.

This assurance yielded sufficient evidence for us to confirm that, in living out its corporate responsibility commitments and executing its corporate responsibility program, ANZ acts in a way that is responsive to its stakeholders.

The specified sustainability performance information is reliable and accurate. The level of assurance is that defined by AA1000AS as high.

Commentary

Our assurance of ANZ's previous report focussed on the forming and the introduction of ANZ's CR framework. That framework is now complete and operating. This year's assurance engagement gave us confidence that the framework was being embedded into the operations of ANZ, albeit that the rate of progress varies by priority and geography.

The key need now is for ANZ to continue to challenge itself. The framework should be treated as an enabling mechanism, not as an end in itself. In particular, ANZ needs to maintain a strong focus on what it means to be a super-regional bank, to maintain a lively and productive interchange with stakeholders and to spot and respond to key emerging trends.

Super-regional bank

All parts of the bank are engaged with delivering the CR framework. How that implementation, and the engagement with stakeholders, in all the bank's geographies is influencing and changing the CR framework is not yet fully apparent. Specific local responses are evident, taken across the whole organisation the nature of the change is less clear. ANZ should, in future reports, explain how its super-regional nature and aspirations are changing what it does and how it acts.

Stakeholders

As the section on Stakeholder Engagement on anz.com shows this is an area of activity where ANZ continues to have a lively, ordered and comprehensive approach. The principles of engagement, devised in 2005 and consistent with the AA1000 principles, are being implemented. They are imparting focus, direction and relevance to ANZ's actions.

Each year ANZ conducts extensive engagement with internal and external stakeholders to understand its material issues. This informs the development of specific and public Group-wide targets reported on an interim and annual basis. In its reporting, ANZ points to the difference that the stakeholder engagement has made. We recognise the thorough-going engagement in China. We note the transparent engagement with the government stakeholder, particularly in Australia and New Zealand, a stakeholder that many corporate responsibility reports ignore.

Emerging trends: foot-printing and time-horizons

The external corporate responsibility environment is changing. Best practice is changing too. Many of the most significant changes are incremental, but nonetheless profound.

Two trends have significant implications for ANZ. They are particularly pertinent in the light of ANZ's statement that the bank: "...includes consideration of 'silent' stakeholders such as future generations and the environment."

Firstly, it is becoming common for companies to report on the whole footprint of their activity. Such footprints almost always address the environmental aspects, though best practice examples consider the economic and social aspects too.

Secondly, many companies, particularly those adopting signature sustainability plans, are setting their corporate responsibility in a longer-timeframe through comprehensive five to ten year targets.

Future reporting should consider how to react to these two trends, in particular how a bank, as distinct from a manufacturing company, can assess indirect impacts over time.

Employee engagement

Banking is a people and skills based business. Our assurance highlighted some areas of good and improving practice. Overall there is room for ANZ to make more progress with engaging staff with the business strategy and direction of travel of the bank. ANZ should set itself the target of being able to report on progress on this in its 2011 reporting.

Ordinary customers and small businesses

In the major markets served by ANZ the percentage of the population using banking services is high. ANZ reports upon how it services individual and business customers. It has an exemplary record in engaging with the needs of the unbanked and customers in financial difficulty. Coverage of activity forms an integral part of the Reporting. How it addresses the needs of the ordinary low-to-middle income customers and small businesses is less clear. While some policies and actions, such as those in the Disaster Relief and Recovery Policy, clearly do address these groups, what is required is as clear an explanation of ANZ's benefits to low-to-middle income customers and small businesses as is already given for the unbanked and customers in financial difficulty.

Last year's recommendations

We wish to comment on two of last year's recommendations.

We noted that the release of the new Group-wide human rights standard and management system was due in 2010 and looked forward to reading of the launch and the implementation of both standard and management systems in future reports. In the event the policy was launched in the spring of 2010. The standard is deft and judicious and is built upon high-quality engagement with informed stakeholders. Going forward, we believe ANZ should report transparently and informatively about the operation of the standard. This should include the dilemmas that implementing the standard throws up, how these are resolved and how ANZ continues to engage with relevant stakeholders.

Finally, we drew attention to issue of readers' understanding of how banking functions and how ANZ's business is structured. We recommended that this be dealt with more fully in the Report. Publishing the *Shareholder and Corporate Responsibility Review 2010* assists in the achieving of this objective but does not complete it. ANZ could consider how future reporting can more thoroughly outline the core purposes of banking, the structure of the banking industry sector and address the current key-issues, using the simplest and most direct language available. Market practice in this area is improving. ANZ can contribute to this improvement.

Corporate Citizenship

London

11 March 2011

Methodological notes

The assurance work was commissioned in August 2010 and was completed on 11 March 2011. Detailed records were kept of meetings, assurance visits and correspondence relating to the inclusivity, materiality and responsiveness of the report, as well as to technical matters relating to the accuracy and presentation of data. A team of three, led by an Associate Director, undertook the assurance and commentary process. A Director acted as adviser to the group. The team has a variety of professional and technical competencies and experience. For further information please refer to our website www.corporate-citizenship.com.

Our external assurance and commentary process for ANZ's 2010 reporting has involved, but not been limited to, the following elements:

- Understanding ANZ, its own and broader cultural contexts; its approach to and understanding of corporate responsibility; how it identifies issues material to its operations and in particular how this was shown through its Corporate Responsibility strategy development and the devising of the current ANZ Corporate Responsibility framework;
- An analysis of best practice among seven peer banks, notably regarding governance, commitment to external standards, corporate responsibility management and reporting, stakeholder engagement, and corporate responsibility performance targets;
- An analysis of best practice among companies issuing a so-called 'integrated' report;
- An analysis of best practice of treatment of corporate responsibility issues in the annual letters CEO's issue to shareholders;
- Detailed discussions with a broad cross section of employees including ANZ's Corporate Responsibility and Corporate Affairs staff about reporting the company's approach, policies, governance, performance measures, benchmarks, stakeholder relations and future plans and with staff involved in the implementation of policy. This was principally with staff based in the corporate headquarters in Melbourne but included engagement with employees responsible for implementing the policies in New Zealand and Asia Pacific, Europe and America;
- Interview of Australian Volunteers International, a key external partner in ANZ's corporate responsibility program;

- A detailed evaluation of ANZ's 2010 Reporting against the principles of AA1000;
- A detailed evaluation of ANZ's 2010 Reporting against the Global Reporting Initiative's Principles for Determining Report Content and Quality;
- A detailed evaluation of ANZ's 2010 Reporting against the ISO 26000 Guidance on Social Responsibility;
- Reviews of external audit of the environment data by SGS; and audit of community performance data by Positive Outcomes; we have relied upon these in coming to our conclusions;
- An ISAE 3000 assurance of tabulated 2010 corporate responsibility performance data other than that covered by the SGS and Positive Outcomes audits mentioned above against the GRI *Principles for Ensuring Report Quality*, most particularly, accuracy, clarity, comparability, reliability and timeliness;
- Examination of the operation of ANZ's Enablon-based, group-wide CR data management system;
- Examination of the reporting at set stages in its development and testing of the assertions throughout on a section-by-section basis, drawing from evidence and supporting documentation, reporting mechanisms, frameworks and processes;
- Checks on a sample basis of elements of the Reporting's contents to underlying records.

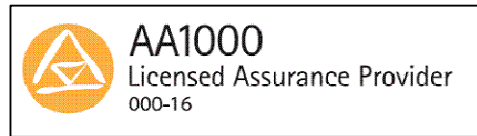
Our work did not extend to a complete audit of the report's contents. We have not been responsible for the preparation of any part of ANZ's 2010 reporting nor in devising the internal management and reporting systems that yielded the data contained therein.

The opinions expressed in this external assurance statement and commentary are intended to extend understanding of ANZ's non-financial performance and should not be used or relied upon to form any judgments, or take any decisions, of a financial nature.

Corporate Citizenship is a leading assurator of corporate responsibility reports. The company is a member of AccountAbility (Institute for Social and Ethical AccountAbility).

We have worked with ANZ since 2005 and have provided assurance since 2007. During 2010, except as noted below, our work with ANZ focused exclusively on assurance.

ANZ is a member of the LBG (London Benchmarking Group www.lbg-online.net), an evaluation framework for corporate community involvement which we manage on behalf of its members and adherents.



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