

A close-up photograph of a woman with dark hair, smiling broadly. She is wearing a light brown short-sleeved top with intricate white, pink, and green embroidery along the neckline and shoulders. The background is a blurred outdoor setting with rocks and foliage.

CORPORATE
SUSTAINABILITY
REVIEW 2016

CONTENTS

Chairman's Message	2
CEO's Message	3

How we do Business

About our Corporate Sustainability Review	4
Sustainability highlights	5
Our markets of operation	6
ANZ's purpose	7
Our strategy	8
Our Corporate Sustainability Framework	9
Identifying our most material sustainability issues	10
Stakeholder engagement	13
Corporate governance and risk management	16
Our sustainability targets	18

Fair and Responsible Banking

20

Rebuilding customer trust	21
Digital transformation	28
Improving accessibility	30
Social and environmental impacts of our operations	31

Social and Economic Participation

34

Workplace participation and diversity	35
Building financial inclusion	44
Giving and volunteering	49
Tax transparency	52

Sustainable Growth

54

Responsible business lending	55
Climate Change — managing risks and opportunities	58
Reducing the environmental footprint of our operations	62

Sustainability Performance Summary 2016

65

CHAIRMAN'S MESSAGE



DAVID GONSKI, AC
CHAIRMAN

A handwritten signature in black ink, appearing to read "David Gonski".

**"IT MAKES SENSE
FOR US TO RESPOND
AND REBUILD OUR
COMMUNITY STANDING
OURSELVES, RATHER
THAN IGNORE OUR
CRITICS AND INVITE
OTHERS TO IMPROVE
OUR STANDING FOR US."**

This year has been one of transition for the bank. We are reshaping the Group and our revised Corporate Sustainability Framework, reported on here, is part of that work.

Our transition comes at a time of growing community discontent with big business in Australia, and with the banking sector in particular.

There are many reasons for this discontent, including highly publicised cases of corporate misconduct and community concern over the social and economic effects of the changing economy.

Large institutions such as ANZ have been slower than we should have been to identify and respond to our failings.

Genuine sustained change takes time, but we have begun the process. We have formally recognised the Board's oversight of our most material sustainability risks and opportunities by broadening the Governance Committee's charter and changing its name. Our new Environmental, Sustainability and Governance Committee, which I chair, will bring a greater focus on, and accountability for, achieving our sustainability goals.

A focus of our revised Sustainability Framework is to deliver fair and responsible banking. We want to do better than just meet basic expectations. We want to provide products and services which are responsible and transparent in their costs and benefits.

We also have a complementary role to play in enabling the social and economic participation of people in the communities in which we operate. For example, ANZ's MoneyMinded financial education program has helped more than 420,900 people build their money management skills and savings. Tens of thousands of low-income Australians have also developed a savings habit through our Saver Plus program.

I am confident that by improving customer and community engagement we will create a more successful organisation — one with a longer term, more equitable and sustainable view of company performance.

CEO'S MESSAGE



SHAYNE ELLIOTT
CEO

A handwritten signature in black ink, appearing to read "Shayne Elliott".

**"WE HAVE AN
IMPORTANT INFLUENCE
ON THE COMMUNITIES
IN WHICH WE OPERATE
AND THAT COMES
WITH AN ENORMOUS
RESPONSIBILITY."**

This year I was honoured to become ANZ's Chief Executive Officer and to begin a process of reshaping our strategic focus to create a simpler, better capitalised and more balanced bank.

The banking industry is facing a number of significant challenges. Technology is redefining our business and customer expectations, with political, social and regulatory demands of banks changing rapidly. Left unmanaged, these challenges will restrict our ability to fulfil our core purpose in society — to shape a future where people and communities thrive.

While acknowledging the challenges ahead of us, this report provides an opportunity to reflect on the positive contributions ANZ has made this past year to the communities in which we operate. We helped over 168,000 people in Australia buy a home, and have continued to support small business, providing more than \$2 billion in lending to help Australians start new businesses and to grow their existing businesses.

We stepped up the pace of innovation with new initiatives to compete successfully in the digital age, such as the launch of Apple Pay™ in Australia and New Zealand. In addition, almost 100,000 new digital banking customers are now registered for goMoney™ in rural communities across the Pacific, many of whom were previously unable to access banking services.

We have maintained our focus on understanding and managing the social and environmental impacts of our business decisions. I am pleased that this year we have substantially raised our standards with respect to human rights, clearly articulating our zero tolerance approach to 'land grabs' and forced labour.

We could not have achieved all this without the hard work and commitment of our people, and I thank them all for their contribution.

ABOUT OUR CORPORATE SUSTAINABILITY REVIEW

The purpose of our Corporate Sustainability Review is to inform stakeholders about how we manage and anticipate current and future social, environmental and economic risks and opportunities. We also report our performance against the sustainability targets we set for 2016, our targets for 2017 and the way in which we identify and manage the issues considered most material to our business by us and our stakeholders.

REPORT STRUCTURE

This report is structured in four sections. The first outlines how we do business, including our revised Corporate Sustainability Framework, our approach to the identification and prioritisation of material issues, our engagement with stakeholders, and governance and risk management. The following three sections detail our management approach and performance relevant to materially significant issues aligning with our revised Sustainability Framework.

This document is part of our reporting suite. An overview of our performance in our three focus areas of the sustainability agenda is included in ANZ's 2016 Shareholder Review. A complete set of 2016 financial disclosures is contained in ANZ's Annual Report and ANZ's Consolidated Financial Report, Dividend Announcement and Appendix 4E. Our website, anz.com/cs, also contains information about ANZ, our Corporate Sustainability Framework and our governance structures.

GLOBAL REPORTING INITIATIVE

ANZ is a GOLD Community member of the Global Reporting Initiative (GRI). We have been reporting using the GRI framework for more than a decade, and since 2014 we have been preparing our report in accordance with the GRI G4 Guidelines. This is our second year of reporting to the 'comprehensive' level. This report also contains material disclosures required by the G4 Financial Services Sector Supplement. A complete GRI Index can be found on our website at anz.com/cs.

CLIMATE DISCLOSURE STANDARDS BOARD FRAMEWORK

In 2015, ANZ became a signatory to the Climate Disclosure Standards Board (CDSB) Statement on fiduciary duty and climate change disclosure. Accordingly, when preparing the environmental information in this report we applied the principles of the CDSB Climate Change Reporting Framework.

SUSTAINABLE DEVELOPMENT GOALS

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

ANZ is committed to the SDGs and our revised Sustainability Framework, together with public sustainability targets which we set annually, supports their achievement. In recognition of the important role business will play in achieving these ambitious goals, our CEO Shayne Elliott has joined over thirty leaders from the Australian business community and signed a public CEO Statement of Support for the SDGs. Throughout this report we have indicated where our sustainability targets are aligned to relevant SDGs.

REPORT SCOPE

Our 2016 Corporate Sustainability Review covers all ANZ operations worldwide over which, unless otherwise stated, we have had operational control for the financial year commencing on 1 October 2015 and ending 30 September 2016. In accordance with GRI G4, our reporting boundaries for material aspects are disclosed on page 12. Monetary amounts in this document are reported in Australian dollars, unless otherwise stated.

EXTERNAL ASSURANCE

KPMG has provided independent assurance in respect of this Corporate Sustainability Review, including considering whether the appropriate indicators have been reported in accordance with the GRI G4 Comprehensive Level of Disclosure. A copy of KPMG's Assurance Report is on page 79.

SUSTAINABILITY HIGHLIGHTS



\$2.5B

funded and facilitated
in low carbon and
sustainable solutions



113,071

hours volunteered
by employees



41.5%

women in management
positions¹



1ST

on the Relationship Strength
Index (Institutional customers)²



420,900+

people reached through our financial
education program MoneyMinded³



17%

reduction in Greenhouse
Gas emissions in Australia⁴



\$89.8M

in community investment
(includes foregone revenue)⁵



169,300+

customers registered for ANZ goMoney™
mobile banking in the Pacific⁶



336

people employed from
under represented groups⁷

1. Includes all employees regardless of leave status excluding contractors (which are included in FTE).
2. Roy Morgan Research. Base: MFI Customers, aged 14+, 6 months rolling average.
3. This is the estimated number of people who have benefited from ANZ's MoneyMinded financial education program since 2003.
4. From premises energy against a 2013 baseline.
5. Figure includes foregone revenue of \$69.3 million, being the cost of providing low or fee free accounts to a range of customers such as government benefit recipients, not for profit organisations and students.
6. Cumulative total since launch in 2013.
7. Includes Aboriginal and Torres Strait Islander people, people with a disability and refugees.

OUR MARKETS OF OPERATION



1	Australia	13	Japan	25	Singapore
2	American Samoa	14	Kiribati	26	Taiwan
3	Cambodia	15	Korea	27	Thailand
4	China	16	Laos	28	Timor Leste
5	Cook Islands	17	Malaysia	29	Tonga
6	Fiji	18	Myanmar	30	United Arab Emirates
7	France	19	New Caledonia	31	United Kingdom
8	Germany	20	New Zealand	32	United States of America
9	Guam	21	Papua New Guinea	33	Vanuatu
10	Hong Kong	22	Philippines	34	Vietnam
11	India	23	Samoa		
12	Indonesia	24	Solomon Islands		

ANZ'S PURPOSE

Our purpose is to shape a world where people and communities thrive. That is why we strive to create a balanced, sustainable economy in which everyone can take part and build a better life.

From our earliest days in the 1830s, financing commerce and facilitating trade, our focus has always been on unlocking opportunity for individuals, families, businesses and communities. With fast changing technologies, demographic shifts, climate change and globalisation bringing both opportunities and challenges, we now have an important role to play in enabling economic participation and encouraging sustainable growth.

AT ITS HEART, OUR BUSINESS IS TRANSFORMATION

We use our insights, products and services, and our banking network in Asia, to help individuals and businesses to grow. We convert savings into investment, build small businesses into large, take domestic enterprises international, and evolve old industries into new. We transform ideas, hard work and ambition into reality.

WE BELIEVE BANKING IS ABOUT MORE THAN JUST FINANCE

Our business is about building relationships that create value. By connecting people and businesses, and playing a leading role in workplace participation and diversity, we create a strong, cohesive and vibrant community.

We combine the energy and commitment of our people with the power of technology and data to deliver innovative and convenient services that make the greatest difference for customers, and for the communities and countries in which we operate.

WE CARE ABOUT WHO WE BANK AND HOW WE BANK THEM

We recognise that to earn trust we need to continuously raise standards in everything we do. We must go beyond complying with laws and regulations to considering the evolving needs and expectations of our stakeholders in every decision we make, including the social and environmental impacts. We do this through the fair and balanced deliberation and actions that our customers, employees and society expect from us.

OUR STRATEGY

Our strategy is to use our strong Australian and New Zealand foundations, distinctive geographic footprint, and market-leading service and insights to better meet the needs of customers and capture opportunities linked to regional trade and capital flows.

In doing this, ANZ provides shareholders with access to a unique combination of high-returning franchises and direct exposure to long-term Asian growth.

Our strategy has three elements — creating the best bank in Australia and New Zealand for home owners and small business customers, building the best bank in the world for clients driven by regional trade and capital flows, and establishing common, digital-ready infrastructure to provide great customer experience, scale and control. The strategy is underpinned by strong expense, capital and risk management disciplines and the quality of our people.

ANZ'S STRATEGIC PRIORITIES

Create a simpler, better capitalised, better balanced and more agile bank

Reduce operating costs and risks by removing product and management complexity, exiting low-return and non-core businesses and reducing our reliance on low-returning aspects of Institutional Banking in particular.

Focus our efforts on attractive areas where we can carve out a winning position

Make buying and owning a home or starting, running and growing a small business in Australia and New Zealand easy, and to be the best bank in the world for customers driven by the movement of goods and capital in our region.

Drive a purpose and values led transformation of the Bank

Create a stronger sense of core purpose, ethics and fairness, investing in leaders who can help sense and navigate a rapidly changing environment.

Build a superior everyday experience for our people and customers to compete in the digital age

Build more convenient, engaging banking solutions that simplify the lives of customers and our people.

OUR BUSINESS

Customers				
	Transactional banking services	Lend money/ hold deposits	Superannuation, insurance and financial planning/ investment advice	Risk mitigation products to manage market volatility
Employees and partners				
	Invest in our people to build a diverse and inclusive workforce	Invest in technology, digital solutions and our branches and offices	Collaborate with partners to innovate, build capacity and support economic growth	
Contribution				
	Paid \$10.1B in interest on deposits	Paid wages and salaries of \$5.5B	Paid dividends of \$5B to our 545,256 shareholders ⁸	Paid taxes of \$2.7B to government
				Invested \$89.8M in communities

8. Excludes employees where only ANZ shares are held in trust under ANZ employee share schemes.

OUR CORPORATE SUSTAINABILITY FRAMEWORK

ANZ's Corporate Sustainability Framework supports the delivery of ANZ's business strategy. This year, we revised our Sustainability Framework so as to better reflect our most material social and environmental issues, and to align with the bank's purpose.



FAIR AND RESPONSIBLE BANKING

Earn trust by keeping pace with the changing expectations of our stakeholders, maintaining high standards of conduct and understanding the social and environmental impacts of our business decisions.



SOCIAL AND ECONOMIC PARTICIPATION

Build strong customer relationships and connect with our communities, supporting a diverse and inclusive society in which everyone can participate.



SUSTAINABLE GROWTH

Create opportunities for all of our customers and enable sustainable growth for individuals, businesses and industry.

IDENTIFYING OUR MOST MATERIAL SUSTAINABILITY ISSUES

Our annual materiality assessment assists us to identify, review and prioritise material social, environmental and governance risks and opportunities.

In addition to guiding our reporting, the process also informed the review of our Corporate Sustainability Framework and the development of our FY17 sustainability targets. It also enabled us to identify our most material social and environmental risks, in line with Principle 7.4 of the ASX Corporate Governance Principles and Recommendations in our 2016 Corporate Governance statement available on anz.com/shareholder. Also see the Material Risks section of the Operating and Financial Review of the Directors Report (pages 30–31 of the Annual Report) and the Principal Risks and Uncertainties (pages 179–187 of the Annual Report).

THE KEY STEPS IN OUR 2016 MATERIALITY PROCESS:

- Engaged key internal stakeholders to discuss existing information that could be used to guide the materiality process and determine the internal and external stakeholders with whom we should engage
- Compiled a detailed internal list of issues for review and discussion, and assessed our operating environment, including a detailed media scan to identify key issues and megatrends in our sector. This resulted in a shortlist of key material issues and opportunities for review and discussion by our internal and external stakeholders
- Independent external sustainability consultants facilitated workshops, supplemented by one-on-one interviews, with more than 100 stakeholders (internal and external). Prior to the workshops, stakeholders were asked to complete a short survey identifying what they considered to be the most material social and environmental risks and opportunities facing ANZ. The range of stakeholders consulted included customers, employees, investment managers, research providers and representatives of government, superannuation funds and non-government organisations from Australia, New Zealand, Fiji, Vietnam and Hong Kong
- Analysed survey responses, workshop discussions and interview responses, distilling themes into a broader materiality review summary, resulting in a matrix that depicts the issues of significance to our business and stakeholders
- Reported and discussed the results of the process with our Corporate Sustainability and Diversity Executive Committee and Environmental, Sustainability and Governance Board Committee.

OUTCOMES

Evolution of our material issues

Sixteen areas of material significance were identified in the early stage of the process. We updated the list of issues used in 2015, improving clarity and alignment of issues and introducing new issues. New issues include Fairness and Ethical Conduct and Digital Innovation.

Stakeholder engagement and analysis

We asked our stakeholders to rank the list of issues according to importance. We also asked them to discuss their ‘top three’ issues.

Quantitative feedback from the participants was used to produce a materiality matrix, enabling us to determine the relative importance of each issue in the combined view of our internal and external stakeholders.

We have rated these according to the following categories:

- Material issues rated as ‘very high importance’ by internal and external stakeholders
- Key issues rated as ‘high importance’ by internal and external stakeholders
- Key issues for our business rated as ‘lower in priority’ by internal and external stakeholders.

Qualitative feedback from stakeholders during the workshops and interviews was recorded to inform our interpretation of the matrix and ensure key issues were fully explored.

Key themes from stakeholder engagement

Fairness and ethical conduct is the issue of highest importance to both internal and external stakeholders. Our stakeholders told us that ethical and fair conduct must be at the heart of everything we do. Stakeholders pointed to examples of poor conduct, particularly in Australia, leading to consumer detriment and commented that the banking sector had lost community trust. Many of the comments made by stakeholders on this issue directly fed into the development of our new Sustainability Framework, specifically the focus area of Fair and Responsible Banking.

Responsible lending to business continues to be ranked highly and stakeholders view the way in which we manage the social and environmental impacts of our lending decisions as core to our risk management. This issue refers primarily to large-scale business lending, particularly to corporate customers whose activities have a potentially significant impact on communities and the environment. Stakeholders also emphasised the importance of considering the social impacts arising from our corporate lending decisions, particularly in developing economies.

Digital Innovation, Customer Experience and Talent, Attraction and Retention are collectively viewed as key to the long-term success of our business. Technology is rapidly changing the way our customers bank, the way our business operates and the way we live. Accelerating technological change and disruptive business models present operational risks that require effective and strategic management. Stakeholders also noted that Talent, Attraction and Retention underpins our ability to deliver a positive customer experience and manage our brand reputation.

The potential for significant negative impacts on reputation and the loss of customer and community confidence, as a result of poor processes and controls, was emphasised by stakeholders. **Anti-Money Laundering (AML) and Terrorism Financing (TF), Fraud and Data Security, Financial System Stability and Regulation** and **Corporate Governance**, were all 'rated' in the top half of our most material issues.

Due to the complex regulatory environment in which the Group operates across Asia and the Pacific, stakeholders considered AML and TF critical reputational and operational risks.

Community expectations for greater transparency was reflected in the high rating of **Corporate governance**. The volatility in global capital and banking markets is seen as a threat to the global economy, highlighting the need for robust governance.

The importance of data protection was also raised by stakeholders, especially given that threats to data security are dynamic and evolving with the increased sophistication of technology. Stakeholders want comfort that we will respond effectively to cyber threats and that we will use the personal data we hold for the benefit of the customer.

We have used the prioritisation of issues in the materiality matrix to guide the content of this report and to determine the applicable GRI G4 material aspects. The table on the following page outlines our material issues against corresponding GRI G4 material aspects, where appropriate. In accordance with GRI G4 requirements, it also indicates where the primary impacts of this issue occur in terms of our stakeholders, and whether they are internal or external to our business.

2016 ANZ MATERIALITY MATRIX – AVERAGES (UNWEIGHTED)

Level of importance

- Material issues rated as 'very high importance'
- Material issues rated as 'high importance'
- Key issues rated as 'lower in priority'

Priority areas

- Fair and responsible banking
- Social and economical participation
- Sustainable growth
- Other



MAPPING MATERIAL ISSUES

ANZ Material Issue	GRI Material Aspect	Boundary ⁹
● Access to services	Local communities ¹⁰	External (customers, communities) Internal (employees)
● Anti-money Laundering and Terrorism Financing	Anti-corruption	External (customers, communities) Internal (employees)
● Consumer protection	Product and service labelling	External (customers)
● Digital innovation	We report on ANZ-specific indicators	External (customers)
● Fairness and ethical conduct	General standard disclosures — ethics and integrity	External (shareholders, customers, communities) Internal (employees)
● Financial System stability and regulation	We report on ANZ-specific indicators	External (customers, shareholders) Internal (employees)
● Fraud and data security	Customer privacy	External (customer) Internal (employees)
● Labour rights	Key issue rated as 'lower in priority'	External (shareholders) Internal (employees)
● Customer experience	We report on ANZ-specific indicators	External (customers)
● Diversity and inclusion	Diversity and equal opportunity	External (customers, communities) Internal (employees)
● Investing in the community	Local communities ¹⁰ Product portfolio Product and service labelling ¹⁰	External (customers, communities, suppliers) Internal (employees)
● Sustainable supply chain	Key issues rated as 'lower in priority'	External (customers, communities, suppliers) Internal (employees)
● Talent, attraction and retention	Employment Training and education Equal remuneration for men and women	External (customers, communities) Internal (employees)
● Environmental footprint	Key issue rated as 'lower in priority'	External (customers, communities, suppliers) Internal (employees)
● Responsible business lending	Product portfolio Economic performance	External (customers, communities, environment)
● Corporate governance	General standard disclosures — Governance	External (shareholders, customers, communities) Internal (employees)

 Fair and responsible Banking Social and economical participation Sustainable growth Other

9. Internal boundary refers to entities over which ANZ has direct control and the people and contractors employed by those entities. External boundary refers to people and entities outside of ANZ's direct control.

10. GRI G4 Finance Sector Supplement.

STAKEHOLDER ENGAGEMENT

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



CUSTOMERS

How we engaged

- 'Your Say' Research Community online customer panel
- Stakeholder forums
- Real Time Customer Feedback program
- Customer research
- Customer Advocate Office
- Complaints Resolution Centre
- Social media

Key issues raised

- Interest rates
- Access to banking
- Customer service
- Fees and charges
- ANZ responsible business lending practices, including human rights
- Ethics and business conduct
- Business conduct

Comment

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



EMPLOYEES

How we engaged

- Annual 'My Voice' survey of employee engagement
- Direct communication and formal performance appraisals with line managers
- 'Town Hall' team meetings with senior executives
- ANZ intranet, MAX, a resource for our employees to receive updates and information about developments and initiatives at ANZ
- ANZ's internal collaboration tool, MAX Connect, which connects our people in real-time
- Meetings with the Financial Services Union (FSU)

Key issues raised

- Strategic focus and business priorities
- Employee health, safety and wellbeing
- Training and development
- Workplace diversity
- Access to flexible working conditions
- Organisational restructuring
- Performance and remuneration
- Negotiation of Enterprise Agreements

Comment

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



SHAREHOLDERS

How we engaged

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

Key issues raised

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

Comment

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



GOVERNMENT AND REGULATORS

How we engaged

- Regular meetings with political stakeholders, officials and regulators by our CEO and senior executives
- Submissions to parliamentary committee inquiries and other government and regulatory consultations
- Participation in industry engagement and forums
- Meetings with trade negotiators regarding free trade agreements
- Providing information and technical advice on international practices to regulators in developing countries

Key issues raised

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

Comment

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

- Financial advice; education and professional standards
- Life Insurance
- The Impairment of Customer Loans
- Forestry Managed Investment Schemes
- Credit card interest rates
- Foreign bribery
- Data Access
- New Zealand's approach to organised crime
- Financial Advice in New Zealand
- Restrictions on residential property lending in New Zealand
- The Reserve Bank of New Zealand's outsourcing policy

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

Public submissions are available at the respective inquiry websites.



INDUSTRY ASSOCIATIONS

How we engaged

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

Key issues raised

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

Comment

In 2016 we engaged with industry associations, including the Australian Bankers' Association (ABA) and the Financial Services Council (FSC) to develop strategies for addressing industry reputation issues at a senior executive level and at a business level. ANZ joined with the other Australian banks to develop and implement the industry reform program, a comprehensive set of new measures to protect consumer interests, increase transparency and accountability and build trust and confidence in banks.

We have also contributed to the BCA's climate change policy working group to develop a revised policy platform for business to engage with governments who are working to reduce emissions following the COP21 climate negotiations and ensuing Paris Agreement.

We provided input into the development of industry submissions including:

- Inquiry into Scrutiny of Financial Advice
- Inquiry into the Impairment of Customer Loans
- Inquiry into Credit Card Interest Rates
- Productivity Commission Inquiry into Data Availability and Use

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



NON GOVERNMENT ORGANISATIONS (NGOs)

How we engaged

- Direct engagement with relevant human rights, consumer and environment NGOs
- Regular engagement with peak bodies for professional community services such as financial counselling
- Regular partnership meetings with community organisations delivering MoneyMinded, Saver Plus and MoneyBusiness programs
- Engagement with NGOs providing oversight of key social commitments such as our Reconciliation Action Plan, Accessibility & Inclusion Plan and Financial Inclusion Action Plan
- A regular program of CEO and senior executive meetings with civil society leaders to exchange ideas and discuss material social, economic and environmental issues of mutual interest

Key issues raised

- Climate change, carbon risk management and the role of banks in supporting the transition to a low carbon economy
- ANZ's provision of finance in the extractive and energy sectors, including coal and gas mining and coal-fired power generation
- Finance to customers in 'soft commodities', such as sugar production and forestry in Asia and the Pacific, who are alleged by NGOs to have engaged in 'land grabs' or other human rights abuses
- Customer hardship and consumer protection
- Strategies to tackle unemployment and build social and economic participation
- Remediation and compensation schemes in the financial services sector
- Challenges associated with homelessness in Australian society
- How best to support people affected by family violence
- Governance and strategic focus of our community investment approach
- Issues around the impact, scale and sustainability of our financial inclusion programs

Comment

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

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Failure to manage our most material sustainability risks has the potential to erode community trust, ultimately impacting on our ability to do business.

THE BOARD

ANZ's governance structure provides oversight of the risks and opportunities arising from our activities. The Board is responsible for setting the direction, strategies and financial objectives for ANZ and for monitoring the implementation of those strategies and financial objectives.

The Board monitors compliance with regulatory requirements, ethical standards and external commitments, and the implementation of related policies. The Board also oversees the effectiveness of workplace health and safety in the Group. The Board has delegated responsibility to the Environmental, Sustainability and Governance Committee for reviewing and approving ANZ's corporate sustainability objectives and monitoring progress in achieving them. Ultimate responsibility for ANZ's Corporate Sustainability Framework and performance against it rests with the Board.

ENVIRONMENTAL, SUSTAINABILITY AND GOVERNANCE COMMITTEE

The Environmental, Sustainability and Governance Committee, led by ANZ's Chairman, is responsible for ensuring an appropriate set of corporate governance principles/arrangements are developed and maintained for application across ANZ. It approves ANZ's Corporate Sustainability objectives and reviews progress in achieving them. In addition, it has responsibility for monitoring the effectiveness of ANZ's approach to diversity to the extent it relates to the Board, and reviewing and approving measurable objectives for achieving gender diversity on the Board.

RISK COMMITTEE

The duties of the Risk Committee include reviewing reports from management concerning the implications of new and emerging risks. This may include reputational issues that arise from social and environmental impacts of our lending decisions. It also advises the Board on ANZ's overall current and future 'risk appetite' and oversees management's implementation of ANZ's risk management strategy.

AUDIT COMMITTEE

The Audit Committee's responsibilities include oversight and review of ANZ's financial reporting principles and policies, controls and procedures, and the effectiveness of ANZ's internal control and risk management framework.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee assists the Board in relation to remuneration matters and senior executive succession, including for the Chief Executive Officer. Its responsibilities include reviewing the effectiveness of ANZ's Remuneration Policy and the approach taken in relation to diversity and inclusion. It also reviews the Annual Employee Engagement Survey Results and Action Plan, and the cultural alignment with ANZ strategy and values.

DIGITAL BUSINESS AND TECHNOLOGY COMMITTEE

The Digital Business and Technology Committee's responsibilities include monitoring progress of, and approving and providing guidance on matters relating to ANZ's digital transformation information technology, and technology-related innovation strategies.

EXECUTIVE OVERSIGHT

The Board has delegated to the Chief Executive Officer, and through the Chief Executive Officer to other senior management, the authority and responsibility for managing the everyday affairs of ANZ. The Group Executive Committee is structured to make the most of diverse backgrounds and experience, ensuring a well-rounded and committed leadership team. The Board monitors management and its performance on behalf of shareholders.

CORPORATE SUSTAINABILITY AND DIVERSITY COMMITTEE

The Corporate Sustainability and Diversity Committee (CSD), chaired by the Chief Executive Officer, is responsible for leading the development of ANZ's Group-wide Sustainability Framework. The CSD provides strategic leadership on ANZ's Corporate Sustainability risks and opportunities, agenda, and monitoring progress against our targets on a quarterly basis.

Our Corporate Sustainability targets and priorities, which cover our most material issues, are reviewed annually by the CSD and approved by the Environmental, Sustainability and Governance Committee.

REPUTATION RISK COMMITTEE

Executive leadership relating to reputational risk is provided by the Reputation Risk Committee (RRC). Chaired by our Chief Risk Officer, the RRC is responsible for assisting our businesses to manage reputational risk in relation to social, environmental, economic, business and regulatory issues. The RRC meets at least four times a year to approve or decline products, transactions and activities that may give rise to reputation risk. It also approves principles, policies, processes and guidelines for the management of reputational risk.

Our Reputation Risk Policy requires all employees and contractors to consider our reputation and the expectations of our stakeholders when making decisions about what business we will do and with whom. The Policy recognises that risks may arise from any of our products and services, transactions, relationships, communications or strategies. Risks arising from all activities must be identified as part of regular assessment and escalated to the appropriate level for decision. We use our Reputation Risk Radar tool to identify and monitor allegations of customer activities with potentially adverse social or environmental impacts.

Regular screening informs who we do business with and what decisions we make. Where an existing customer is the subject of allegations, we investigate the issue and the RRC considers the appropriate course of action.

OPERATIONAL RISK EXECUTIVE COMMITTEE

Executive leadership relating to operational risk and compliance risk is provided by the Operational Risk Executive Committee (OREC). Compliance and Operational Risk Frameworks define how we conduct our business in accordance with applicable laws, regulations and codes in the countries where we operate. Breaches of these obligations are identified and escalated, as appropriate.

GOVERNANCE FRAMEWORK

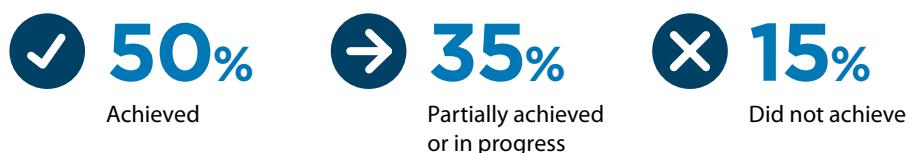


OUR SUSTAINABILITY TARGETS

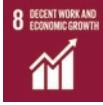
Each year we set public sustainability targets and a corresponding Group wide program of work to support the delivery of our business strategy and respond to our most material sustainability issues. Progress against our targets¹¹ is reviewed by the Corporate Sustainability and Diversity Committee, chaired by our CEO, and twice a year by the Board Environmental, Sustainability and Governance Committee, led by our Chairman. Our 2017 targets, many of which are aligned with the United Nations Sustainable Development Goals, are outlined below. Performance against our 2016 targets is discussed throughout this report.

2016 SUSTAINABILITY TARGETS

This year we have achieved or made good progress against 85% of our targets.



2017 SUSTAINABILITY TARGETS

 FAIR AND RESPONSIBLE BANKING	Targets	Relevant United Nations Sustainable Development Goals
Implement our revised Human Rights Standards in 2017		 
Apply a strengthened third party ESG screening process to all suppliers in high-risk countries, ¹² including ongoing monitoring of compliance with ANZ's Supplier Code of Practice by 2017		
Create the best experience for our customers, measured by:	<ul style="list-style-type: none"> • improving Net Promoter Score relative to peers (Retail, Commercial and large Corporate/Institutional customers, Aus & NZ) 	
Improve customer cyber security awareness through pro-active engagement and provision of simplified cyber education materials and programs, reaching >60,000 customers in 2017		

11. Unless stated targets are at Group level.

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



SOCIAL AND ECONOMIC PARTICIPATION

Targets

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

- reaching >519,000 participants through delivery of MoneyMinded and Saver Plus, employment and community programs (coming off a baseline of >420,900 participants in financial inclusion programs up to end 2016)
- supporting >70,000 new small businesses through our 'start up' banking packages

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

Build an engaged, diverse and inclusive workforce by:

- increasing the representation of Women in Management by 3% from 2015 to 2018
- extending flexible working policies in place for a minimum of 90% of ANZ geographies by 2018
- recruiting >1,000 under-represented groups including Aboriginal and Torres Strait Islanders, people with a disability and refugees by 2020¹³
- improving employee engagement by 3% to 77% in 2019

Increase employee volunteering participation rate in 2017 to 30%

Relevant United Nations Sustainable Development Goals



SUSTAINABLE GROWTH

Targets

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

By 2017, reduce the direct impact of our business activities on the environment by:¹⁴

- reducing absolute GHG emissions from premises energy by 1 to 3% (against a 2013 baseline) and maintaining carbon neutrality
- reducing paper consumption by 15% across material operations (against a 2013 baseline)
- expanding number of recycling programs across material commercial offices and establish a waste baseline
- applying eco-efficient design standards to improve water efficiency in our material branches and offices
- developing a weather and natural disaster property resilience strategy

Relevant United Nations Sustainable Development Goals



13. This will also contribute to the 'Help enable social and economic participation of 1 million people' target.

14. All environment targets are three-year targets. Environmental reporting year is 1 July–30 June in line with Australian regulatory reporting year.



FAIR AND RESPONSIBLE BANKING



MATERIALITY REVIEW KEY THEMES



Ethical, fair and responsible conduct is critical to building trust and confidence of stakeholders, and maintaining a social licence to operate.



Customers want their interactions with the bank, whether they are in person, over the phone or digitally, to be easy.



ANZ needs to protect customer privacy and prevent financial crime as it responds to advances in technology and disruptive business models.

REBUILDING CUSTOMER TRUST

The values and behaviours of our people, combined with our standards, policies and procedures, are critical to meeting our goal of delivering fair and transparent banking services.

"ANZ STANDS FOR SIX IMPORTANT PRINCIPLES AGAINST WHICH WE SHOULD BE JUDGED:

1

We should offer services that are easy to understand, competitively priced and designed to meet customers' needs

2

We need to ensure customers get the right products for their individual circumstances

3

When customers get into difficulty, or when we fail them, it is our responsibility to work with them to find a fair and balanced resolution

4

We should be quick to fix mistakes and stop them happening again

5

When making decisions that affect our customers, we need to explain them clearly

6

We need to ensure that our culture, systems and processes are aligned to produce the right results for customers."

Shayne Elliott, CEO — 5 October 2016, House of Representatives Standing Committee on Economics.

Recognising that we have not always met the standards expected of us by the community, most notably in Australia, this year we commenced a purpose- and values-led transformation of the bank, seeking to create a stronger sense of core purpose, ethics and fairness.

We have been defining the attributes and capabilities that our leaders will need in order to embed our purpose. Our leadership training and development programs will be reviewed to ensure they focus on the key leadership skills and behaviours that will deliver the cultural shift required to transform the bank.

This period of cultural transformation is occurring simultaneously with a technological transformation of the banking sector, which is redefining our business and customer expectations. Political, social and regulatory expectations of banks are also evolving. Failure to meet those expectations puts at risk our social licence to operate. Stakeholders expect us to understand and manage the social and environmental impacts of our business operations — encompassing everything from who we lend to, who we source our goods and services from and how we treat our employees.

TRANSPARENT FEES AND CHARGES

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

Certain fees we charge customers have recently been the subject of litigation in Australia. Class actions were commenced against ANZ, challenging certain 'exception fees' charged by the bank. In July this year, the High Court found in ANZ's favour deciding that ANZ's late payment fees were lawful. In addition, ANZ's honour, dishonour and over limit fees had earlier been found to be valid by the Full Federal Court, which also stated that "there was no lack of good faith by ANZ...no dishonesty, no trickery, no victimisation, predation or taking advantage of the applicants. The fees were fully and not unfairly disclosed".

PROCEEDINGS AND REGULATOR INVESTIGATIONS — BBSW AND FOREIGN EXCHANGE TRADING

The Australian Securities and Investments Commission (ASIC) has brought actions against ANZ and two of our peers in relation to certain transactions in the Australian interbank market, known as the Bank Bill Swap Rate (BBSW) market, over the period from March 2009 to December 2012. Following on from the ASIC proceedings, a class action relating to bank trading and BBSW was launched in the United States against two international broking houses and 17 global banks, including ANZ. ANZ is defending the actions.

Since 2014, ASIC and the Australian Competition and Consumer Commission (ACCC) have been investigating foreign exchange trading conduct of various banks, including ANZ. ANZ expects the ACCC to confirm that it has concluded its investigation and will not take further action. ASIC's investigations are ongoing.

In November this year ANZ announced that a settlement had been agreed with the ACCC in relation to conduct in 2011 associated with certain foreign exchange contracts for the Malaysian Ringgit. ANZ has acknowledged that three Singapore-based employees, who have since left ANZ, engaged in conduct that contravened Australia's Competition and Consumer Act. As part of the resolution with the ACCC, ANZ has agreed to a \$9 million penalty which is subject to Court approval.

AUSTRALIAN BANKING INDUSTRY REFORMS

Together with our Australian banking peers, earlier this year we announced a program of reform initiatives aimed at lifting bank standards in order to regain customer confidence and trust. Implementation is being overseen by an independent expert, with quarterly public reports on progress.

These reform initiatives are intended to make it easier for customers to do business with banks and to give people confidence that when things go wrong, their bank will do the right thing. We are working with our industry on improving remuneration and incentives, whistleblowing, complaints handling, customer hardship and the Banking Code of Practice.

With regard to remuneration, an independent review has been established examining product sales commissions and product-based payments for bank staff or third parties selling bank products, including deposits, mortgages, credit cards, general insurance products and small business lending. The Sedgwick Review aims to identify whether these payments should be removed or changed in order to improve customer outcomes.

We will use the findings of the Review, which is due to report by March 2017, to examine our own remuneration framework to ensure that there is alignment between remuneration and incentives and customer outcomes.

During 2016, we have:

- Improved the repayment options available for our customers experiencing financial hardship
- Trained frontline employees on empathy and identifying issues such as family violence and elder abuse
- Advocated for a last resort compensation scheme, to be funded by the financial advice industry, which will assist victims of poor financial advice
- Strengthened our whistleblowing policy, making it easier for employees and contractors to raise concerns on issues such as unethical or dishonest conduct and
- Supported broadening of small business access to external dispute resolution, as a cheaper and simpler alternative to the courts.

PROMOTING RESPONSIBLE BEHAVIOUR

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

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

All ANZ employees and contractors are required to complete the ANZ Essentials training course. The course is divided into:

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

The Living the Code course reinforces the importance of our values and ethics and seeks a declaration of compliance with our Code of Conduct and Ethics. By completing ANZ's Living the Code course, participants are confirming they understand the Code's principles and have complied with them over the previous 12 months. In 2016, 98% of our employees and contractors completed the training.

CODE OF CONDUCT AND ETHICS

It is a requirement that all ANZ employees comply with our Code of Conduct and Ethics. This applies equally to employees who are permanent or temporary, contractors and consultants. Our Code of Conduct and Ethics comprises eight guiding principles that set the standards for the way we do business at ANZ.

In 2016, there were 1,408 alleged breaches of our Code of Conduct and Ethics across our operations, down from 1,629 alleged breaches in 2015. Breaches ranged from conflict of interest through to allegations of fraud, bullying, discrimination and email misuse. Outcomes following investigations of breaches this year included 133 resignations, 254 terminations and 1,021 warnings. Breaches of the Code of Conduct and Ethics are reported to the Environmental, Sustainability and Governance Committee and form part of regular risk reporting to the Operational Risk Executive Committee.

"ETHICAL AND FAIR CONDUCT MUST BE AT THE HEART OF EVERYTHING WE DO. HOW WE TREAT OUR CUSTOMERS, EMPLOYEES AND THE COMMUNITIES IN WHICH WE OPERATE SPEAKS TO THE VALUES WE HOLD AS AN ORGANISATION."

Shayne Elliott, CEO

WHISTLEBLOWER POLICY

ANZ actively encourages openness, integrity and accountability. Our Whistleblower Protection Policy (WPP) provides a means by which our employees and contractors can raise concerns regarding actual or suspected contraventions of our ethical and legal standards, without fear of repercussions. We appointed Country CEOs and Business Unit Heads to undertake the role of Whistleblower Protection Champion, to provide employees with information about the policy, including who to contact should they wish to make a complaint.

Employees raising a complaint through the WPP process have a number of channels available including internally through a Whistleblower Investigations Officer, and externally via confidential phone, email and web-based mechanisms, operated by a third party. Where the whistleblower has concerns about the resolution of the matter, an escalation avenue to the Chief Compliance Officer is available.

This year we have strengthened our policy so that whistleblowers are kept better informed on the progress and outcomes of the disclosure they have made. We have also extended protections to those assisting with investigations. In addition, we have explicitly stated in the policy that employees and contractors have the right to contact regulators at any time to raise concerns on matters such as unethical or dishonest conduct. We have also made it easier for our people to report a matter by developing a Quick Response code, so for those with smart phones, they can simply scan the code and submit a report.

Reports under our WPP in 2016 remained steady with 71 reports (2015: 72). The majority of the reports did not uncover any significant issues. In those cases where our policies were breached, we took appropriate action, including dismissal.

FRAUD

ANZ's Fraud Policy establishes a consistent understanding of fraud across our business. It outlines each person's responsibilities to prevent and detect fraud and how to report suspected or actual fraud. The policy directs that all instances of fraud (whether internal or external) must be reported in accordance with defined reporting requirements.

ANTI-MONEY LAUNDERING AND COUNTER TERRORISM FINANCING

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

The Policy requires a risk-based approach to the development and management of key anti-bribery controls including due diligence, approval and recording systems for gifts, entertainment and donations, accounting record review and training.

Our Anti-Money Laundering (AML) and Counter Terrorism Financing (CTF) Policy establishes minimum standards, guiding and directing our Group-wide approach to detecting and deterring money laundering and terrorism financing activities. We apply mandatory standards relating to customer due diligence. Verification of identity is undertaken using independent and reliable documents or electronic data. Customers identified as posing a high risk of money laundering or terrorism financing are subjected to enhanced due diligence measures and monitoring, senior management review and compliance approval.

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

We conduct enterprise-wide Anti-Bribery and Anti-Corruption risk assessments to identify key jurisdictions and/or businesses where our exposure to bribery and corruption risk may be high, to inform the understanding of ANZ's senior management of the ABAC environment and to provide an enterprise-wide overview of ANZ's bribery and corruption risk management. ANZ operational Risk Measurement and Management Framework governs the risk assessment process and the identification of key risks. The ABAC framework provides additional guidance on the identification of bribery and corruption risks and the additional controls that may be considered. Key risks are documented in our Compliance and Operations Risk (COR) tool.

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

IMPROVING CUSTOMER EXPERIENCE

Improve customer experience [Australia and NZ]

FY16 Target

Improve customer satisfaction ranking (relative to our peers) in our Retail and Commercial businesses.

Commentary

- Retail (Aus): Ranking increased to second from third at end of 2015¹⁵
- Commercial (Aus): Ranking decreased to fourth from third at end of 2015¹⁶
- Retail (NZ): Ranking of fourth remained steady from end of 2015 to end of 2016¹⁷
- Commercial (NZ): Ranking of third remained steady from end of 2015 to end of 2016.¹⁸

FY16 Target

Maintain #1 ranking on the Relationship Strength Index (RSI) for large Corporate and Institutional Banking.

Commentary

Our Institutional Divisions in Australia and New Zealand maintained their #1 rankings for the Relationship Strength Index.¹⁹

The way our customers interact with us is changing, as many embrace digital banking and move away from face-to-face interactions in branches. In response, our strategy is focused on building more convenient, engaging and simple everyday banking solutions, helping us to improve customer experience and reduce our operational costs.

Putting our customers at the centre of everything we do is our biggest priority. We seek to understand our customers' behaviours and attitudes better in order to tailor our products and services.

We measure customer satisfaction across our markets to gauge whether our products and services are meeting the needs and expectations of our customers, and to track performance against our peers. While we have improved our customer satisfaction ranking amongst our retail customers in Australia this year, we recognise that we have work to do in our other markets.

Recognising that our customers are our most effective advocates, from 2017 we will be publicly reporting our Net Promoter Score (NPS), with a target to improve our score relative to peers.

15. Roy Morgan Research. Base: MFI Customers, aged 14+, 6 months rolling average.

16. DBM Business Financial Services Monitor. Base: MFI Commercial Banking Customers, <\$100M annual turnover, 6 months rolling average.

17. Camorra Research Retail Market Monitor (2016). Base: ANZ main bank customers aged 15+, rolling 6 months moving average to September 2016. Based on responses of excellent, very good and good.

18. TNS Research, Business Finance Monitor. 4 Quarter rolling average, Sept 2016.

19. Peter Lee Associates. Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand 2016.

NPS is a customer loyalty metric used to evaluate the likelihood of a customer recommending a company's brand, product or service.

We supplement customer satisfaction and NPS metrics with qualitative research, such as customer focus groups and our Real Time Customer Feedback program. Now in its third year, the program seeks feedback from our customers when one of the following interactions has taken place: home loans, contact centre, A-Z reviews and financial planning.

Customers receive an invitation to provide feedback via email and in some instances SMS usually within 48 hours of their interaction with ANZ. The feedback questions are specific to their interaction with ANZ rather than their banking relationship with ANZ more broadly.

Responses are displayed in the Customer Feedback portal for staff to review and acknowledge the feedback, as well as address any issues requiring follow-up. Obtaining feedback in real time allows for a quick response to dissatisfied customers, retention and improvement of performance.

MANAGING CUSTOMER COMPLAINTS²⁰

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

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

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

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

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

Data relating to complaints is available on page 76 of this report.

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

AUSTRALIA RETAIL AND COMMERCIAL

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

A 10% increase in complaints received in 2016 was driven by events primarily in the first half of the year, including: customer response to the new layout of internet banking (implemented in December 2015); contact centre wait times; branch closures; and a spike in activist campaigns concerning issues such as the financing of fossil fuels and 'land grabs'. As a result, the percentage of complaints resolved within five business days decreased from 92% in 2015 to 74% in 2016. We therefore took steps in 2016 to reshape our CRC so that we can continue our strong focus on delivering the right outcomes in the coming year.

AUSTRALIA – WEALTH

Our Wealth Division provides customers with investment, insurance and advice solutions, and up until April 2016, private banking services. Quarterly performance reporting on complaints volumes and initiatives to improve customer experience is provided to the Wealth Leadership Team.

Wealth complaint volumes decreased 2.4% in 2016, attributable to process improvements implemented during the year. Key contributors of complaints related to the transition of customers to the new My Super wealth management products and an increase in issues relating to the technology platform for the ANZ Share Investing site.

ANZ CUSTOMER ADVOCATE

ANZ was the first major Australian bank to appoint a Customer Advocate to review and resolve the most difficult customer complaints. Since its establishment in 2003, the role has evolved and in addition to reviewing unresolved complaints, now plays a part in making it easier for customers when things go wrong, facilitating fair complaint outcomes and minimising the likelihood of future problems. The introduction of a Customer Advocate in each of the banks is one of the reform initiatives announced by the ABA earlier this year.

Retail, small business and wealth customers in Australia can request a review of their dispute, if they are not satisfied with the outcome of ANZ's dispute resolution process. On some occasions, particularly complex complaints may be referred directly to the Customer Advocate for resolution.

The Customer Advocate operates autonomously of ANZ business units and reports to the Group Executive, Australia. ANZ is bound by the Customer Advocate's findings in all cases. The Customer Advocate's Office provides guidance to frontline staff on the support of vulnerable customers, particularly those who may have diminished capacity to manage their financial affairs. In 2016, the majority of the completed reviews undertaken by the Customer Advocate related to disputes about general banking products (eg. mortgages, savings accounts and credit cards), with a much smaller number relating to insurance, superannuation and investments.

FAMILY VIOLENCE

Our approach to family violence has been developed on an integrated model of three pillars — customers, employees and community.

Victims of family violence generally experience financial hardship — in many cases, extreme and long-lasting, with negative effects on health and compromised capacity to secure housing and employment. In helping our customers to address the financial implications associated with family violence, our response is cognisant of the emotional and physical trauma often being experienced by the customer. We will continue to improve our processes for assisting customer experiencing hardship, including those whose hardship is caused or compounded by family violence.

We are supporting our employees through situations of family violence in a number of ways. In addition to our Group-wide Special Leave Policy, which provides various support measures for employees experiencing family violence including uncapped paid special leave, this year we launched the Domestic and Family Violence Support Service. This is a specialist Employee Assistance Program (EAP) created to address the unique needs of employees, their immediate family members and their managers exposed to family violence situations in Australia. The service is provided by expert clinicians that have an extensive background in family violence.

In recognition of the widespread occurrence of family violence in Papua New Guinea, family violence awareness sessions were held at multiple ANZ workplaces in PNG. We also engaged a specialist EAP provider in PNG to provide counselling and crisis support to women and children experiencing family violence.

We have investigated the role of financial education in empowering women in the community who are in situations of family violence. Evaluation of a pilot run by our community partner, Berry Street, shows financial education through our MoneyMinded program, delivered in the appropriate way and at the right time, contributes to improving confidence and financial independence during recovery from family violence. Financial education can also contribute to protecting against the financial abuse that often accompanies family violence.

NEW ZEALAND — RETAIL, BUSINESS BANKING AND WEALTH

In 2016, we exceeded our target to resolve 90% of retail and business banking complaints within five business days.

Due to a focus on capturing and logging complaints by frontline staff, this year complaints have increased by 38% on the previous year. Credit cards, transaction accounts and home loans were the most complained about products, while complaints related to service made up four of the top five complaint types.

There was an increase in the number of complaints relating to customers seeking early withdrawals from their Kiwisaver superannuation accounts and customers dissatisfied with ANZ's investments in fossil fuels, tobacco and weapons. ANZ New Zealand has reviewed its position and removed direct investments in tobacco companies and companies involved in the manufacture of controversial armaments.

The Customer Relations team acts as the second tier of the complaints process, giving customers the opportunity for independent review of their complaint if they remain dissatisfied. These dedicated case managers conduct their own investigation of the issue and recommend a resolution.

CUSTOMER HARDSHIP

Support customers who are experiencing financial hardship [Australia]

FY16 Target

Complete development of improved repayment options for customers in hardship holding secured loans (such as mortgages).

Commentary

We have continued to add to the loan restructure options introduced in 2015, creating a revised process to assist our Customer Connect staff to negotiate long-term repayment options with customers in hardship. A new hardship assessment tool, for use by Customer Connect staff, will be introduced in early 2017 to facilitate further restructuring options.

Relevant United Nations Sustainable Development Goals



FY16 Target

Enhance the support provided to vulnerable customers by improving staff capability through additional training of at least 80% of Customer Connect employees on empathy and identifying issues such as family violence and elder abuse.

Commentary

A training program, developed with one of our community partners, Kildonan UnitingCare, has been delivered to more than 80% of Customer Connect employees.

Relevant United Nations Sustainable Development Goals



**FY16 Target**

Conduct a review of referred hardship customers who have completed MoneyMinded training (online) to assess the contribution of financial literacy support on customer outcomes.

Commentary

A process has been established to track MoneyMinded registrations, enabling analysis of the effectiveness of the program for customers receiving hardship assistance. A review was conducted and we are now looking at opportunities to lift participation rates and make it easier for hardship customers to complete the program.

Relevant United Nations Sustainable Development Goals

There are times when our customers may be unable to meet their financial commitments. For some customers, it may be a short-term difficulty, caused by job loss, unexpected medical needs or a relationship breakdown, while for others it may be sustained financial hardship. Whatever the reason, we seek to treat our customers with respect when they advise us of payment difficulties.

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

This year we have reduced response time for online hardship assistance applications in Australia from 14 days to one day, reducing uncertainty for vulnerable customers by ensuring faster access to assistance. We have also been working on improving processes related to joint accounts, helping women to achieve financial independence from abusive partners.

Collaboration with Kildonan UnitingCare has continued through their CareRing program, which is tackling the complex needs of people experiencing financial hardship. Working alongside other program partners, including government agencies, we are referring hardship customers directly to CareRing. Through the program, customers benefit from a centralised, single point of contact that connects them to a coordinated range of support services, including financial counselling, energy efficiency advice, housing, and drug and alcohol services.

ANZ's Financial Inclusion Action Plan (FIAP), discussed in the Social and Economic Participation chapter of this report, focuses on those vulnerable to financial exclusion, such as customers experiencing financial hardship. The FIAP outlines a range of actions we will be taking in the coming year to improve support for vulnerable customers.

Data relating to requests for hardship assistance is available on page 76 of this report.



CASE STUDY RURAL LENDING PRACTICES UNDER SCRUTINY

The Joint Parliamentary Committee Inquiry into impairment of loans continued in 2015 and the Committee delivered its Report in May 2016. The key focus of the Inquiry related to the alleged practice of banks using constructive or engineered defaults to impair loans and commence enforcement action. A number of former Landmark customers lodged submissions with the Inquiry. ANZ filed two written submissions and also appeared before the Committee in April 2016 to give evidence.

In its Report, the Committee welcomed ANZ's acknowledgment that its treatment of customers could be improved and that ANZ is now implementing better practices.

The Committee also commented positively on developments in ANZ's approach (open and constructive) to helping borrowers resolve their financial difficulties, and action taken by ANZ to resolve matters with some former Landmark customers with whom ANZ had been in dispute.

Legal action to recover debt is always a last resort and we aim to work with our customers to explore options available to them. Our submission to the Inquiry noted some of the actions we have taken to assist rural customers in financial difficulty, including our drought support measures that placed a moratorium to December 2016 on farm repossessions in any drought declared regions throughout Australia.

DIGITAL TRANSFORMATION

One of our strategic priorities is to create a superior everyday experience for our people and customers to compete in the digital age. We are focused on building more convenient, engaging banking solutions to simplify the lives of customers and our people.

Customers are increasingly using digital payment channels and internet banking, with the number of digitally active Australian retail customers — using ANZ goMoney™, Grow or internet banking — up from 55% in 2014 to 60% in 2016.²¹ We have continued the roll out of our digital branches, refurbishing 36 in 2016, bringing the total to 41. Digital branches provide customers with access to Wi-Fi, electronic queueing and open plan spaces for customers and bankers to meet. Our digital branches are experiencing 29% more 'new-to-bank' customers than a comparable traditional branch.

Branches are becoming more specialised as customers use the internet and other channels for basic transactions. Retail customers are tending to come into branches for major transactions, such as home loans, or where a bank staff member is required, for example, in verifying a new customer's details. As a result of these trends, we are consolidating our network. The number of branches in Australia has reduced by 30 this year²² with two-thirds of this reduction in metropolitan areas. We are conscious of the impact branch closures may have on customers. We are making sure that customers continue to have local access to ATMs and face-to-face banking services through Bank@Post, and have provided help to individual customers with problems as a result of changes.

We are experiencing similar trends in New Zealand, where interaction with the bank through our branches is also declining. 60% of our retail customers are active digital users and 78% of these customers use our digital platforms from a mobile device. As a result of falling visitor numbers in some locations, the total number of ANZ branches has reduced to 215 from 225.



ANZ launched Apple Pay™ in Australia and New Zealand

As we respond to the digitalisation of the banking sector, we are focused on improving our digital capability and this year we have:

- established a new Digital Banking Division, led by Maile Carnegie (former Google Australia CEO), to support growth in priority areas;
- launched Apple Pay™ in Australia and New Zealand and Android Pay™ in Australia;
- implemented a multi-channel digital platform for Australian retail banking, with more than 1 million customers using goMoney™ apps on the new platform;
- launched Digital Customer Identity Verification, which enables customers to conduct transactions online, for example, apply for a savings account and have their identity verified without attending a branch; and
- invested in the MIT Digital Business Transformation Program. More than 120 senior leaders from across the organisation have participated to date, with their improved digital and leadership capabilities helping to inform our digital strategy.

21. Roy Morgan Research, proportion of ANZ customers aged 14+ conducted Internet Banking using ANZ app or Website in last 4 weeks. 12 months to September 2016 compared to September 2014.

22. This figure represents the net reduction of branches and covers the period 1 July 2015–30 June 2016.

CYBER SECURITY

Improve customer confidence in the security of their information

FY16 Target

Strengthen cyber security support across all customer channels to facilitate customer reporting of suspicious cyber events to ANZ [Australia].

Commentary

We continue to improve the ability of front line staff to talk to customers about cyber security by providing new educational material (for example, through internal cyber awareness online webinar training and factsheets for frontline staff). We have also updated our online cyber security resources, delivered direct to customers through [anz.com](#) and social media channels. Options for simpler customer reporting of suspicious cyber events will be completed in 2017.

FY16 Target

Extend customer cyber security awareness to at least five other countries in which ANZ operates.

Commentary

We have delivered cyber security awareness education through our Institutional business channels in more than five countries. For example, we have delivered client briefings across major cities in Australia, New Zealand and Cambodia, and rolled out the Corporate Treasurer's Cyber Guide.

While technology presents many opportunities for our business and our customers, it also gives rise to a number of risks, with the most obvious being cybercrime and fraud. Banks are ready targets for cyber criminals, and failure to prevent and respond to cyber attacks could materially impact our operations and our reputation.

We are committed to preserving the trust that our customers have in the quality and security of our banking services. This year we have continued to strengthen the cyber security support we offer to our customers, increasing their understanding of the potential threats associated with their digital habits.

Cyber criminals are becoming more sophisticated in the execution of their crimes and are opportunistic with respect to their targets. To help fight financial crimes, we are building strong and collaborative relationships across industry and government to share information on specific threats as well as preventative measures.

We have systems in place for internet and phone banking that allow us to detect unauthorised transactions on a customer's accounts and intervene where possible. New or emerging trends of attempted fraud are detected, so that we can take steps to minimise the impact. Our Falcon system monitors all consumer and commercial credit card transactions for fraudulent activity in Australia, Singapore, Taiwan, Fiji, Papua New Guinea, Vietnam, Cambodia, and Indonesia. We apply an equivalent system called 'Proactive Risk Manager' in New Zealand.



CASE STUDY FOSTERING COLLABORATION AND INNOVATION

We have built partnerships with universities, strategic vendors, government bodies and community partners to deliver programs that support a culture of innovation and promote thought leadership.

This year, ANZ jointly organised an innovation challenge with the National University of Singapore Business Analytics Centre. This event challenged students to explore how emerging technologies, such as blockchain, cognitive analytics and Application Programming Interfaces, can bring innovation to trade and supply chains in Singapore and the Asia-Pacific region.

"Trade is core to ANZ's regional strategy and we've been a trade bank for over 180 years now. To stay in the game you have to adapt and constantly look for better ways to service our customers. This Innovation Challenge is a great way for us to support the students that are potential future leaders of Singapore and industry, while at the same time benefiting from their fresh perspectives..." said Mike Lim, Head of Trade, Institutional Banking.

Throughout the weekend in September, the students worked on their solutions, as well as practised their pitch presentations. The weekend was the culmination of five weeks of preparation, which included ANZ trade finance and technology experts in Singapore teaching the students about the trade and supply chain finance industry.

David Green, CEO of Singapore and Head of South East Asia and India, said: "We're delighted with the outcomes from the innovation challenge. Singapore is proving to be a great base for finding new ways of doing things — tapping into the country's growing position as a global 'fintech' centre and the environment that is being built around it. That environment is creating an ecosystem of talent, energy, diverse thinking and partners that we're proud to be a part of. Our event was a great platform to foster collaboration and innovation, by exposing a group of incredibly smart students to some of our real-world challenges and encouraging them to come up with practical solutions."

IMPROVING ACCESSIBILITY

We are committed to ensuring that our products, services and workplaces are supportive of people with a disability. The actions we are taking to meet this goal are set out in our Accessibility and Inclusion Plan.

We also have a Technology Accessibility Policy, which mandates compliance with disability discrimination legislation and the ABA's Industry Standards on Accessibility of Electronic Banking, a set of voluntary standards aimed at improving accessibility.

Advances in technology, including smartphones, offer great potential for creating accessible services for customers with a disability. Apple Pay™ provides an easy and convenient method of payment for all customers. It also offers independence to visually impaired users who are able to use voiceover to tell them what they have spent, eliminating the need to have someone read their payment receipt.

"APPLEPAY™ IS AMAZING. IT IS THE FIRST TIME I HAVE EVER BEEN ABLE TO ACTUALLY KNOW WHAT I HAVE SPENT WITHOUT HAVING TO GET SOMEONE TO READ THE RECEIPT AFTER THE FACT."

Hamish MacKenzie, Global Accessibility Manager



CASE STUDY KEEPING PAYMENTS ACCESSIBLE FOR ALL



The pace of change in the payments space is unprecedented. As society moves closer to becoming cashless and disruptors offer an increasingly wide number of payment options, the old ways of buying are losing relevance. Amid all this change, there is a risk that some people may be left behind if new technologies are not designed to be inclusive and accessible by everyone.

According to the former Australian Disability Discrimination Commissioner, Graeme Innes, ensuring accessibility goes beyond inclusion — it goes to the sustainability of companies and the broader economy.

"It's critical," he says. "As we're interacting more with an economy that is not cash-based, if facilities like this are not accessible, then you are actively locking people out of economic participation."

This year ANZ developed a card with accessibility features aimed at making payments easier for the vision impaired. ANZ Access cards utilise larger font and tactile indicators, as well as high-visibility leading edges.

When designing the card, we worked with members of the blindness and low vision community to workshop new designs. Vision Australia supported the focus groups and said participants were impressed with the idea of a big company speaking with consumers who are blind or have low vision to get their input.

"It's really important for a customer with vision impairment to be able to interact with their bank independently," Innes says. "ANZ's card, with these new features means you know exactly what you're doing when you're inserting it in the ATM or when buying in a store."

"This is just a little detail which will make the lives of about 360,000 Australians who are blind or vision impaired a little bit easier."

SOCIAL AND ENVIRONMENTAL IMPACTS OF OUR OPERATIONS

Integral to our focus on fair and responsible banking is the need to keep pace with stakeholder expectations regarding the social and environmental impacts of our business.

Throughout this report we discuss our approach to these impacts within specific stakeholder contexts. This chapter focuses on our retail and small business customers. The Social and economic participation chapter focuses on our employment practices and community investment activities and the Sustainable Growth chapter focuses on our corporate lending and operational footprint.

Fundamental to our overall approach to understanding and managing our impacts, regardless of which part of our operations or which stakeholder group is impacted, is our commitment to the observance of human rights.

CASE STUDY FINANCIAL CRIME AND HUMAN RIGHTS ABUSES

ANZ's Financial Crime Unit (FCU) uses public and private sector partnerships and ANZ data to identify suspicious behaviours arising from the financial activity of customers. ANZ participates in national and international criminal investigations, providing assistance to authorities to help prosecute alleged human rights abuses such as human trafficking and child exploitation. Recently, the FCU worked with authorities to help uncover a network of human trafficking in the Pacific.

The trafficked individuals were subjected to human rights abuses, including exploitation, failure to pay a minimum wage or holiday pay, and breaches of workers' visa conditions. Those involved were caught and charged.

ANZ's FCU has also partnered with Liberty Asia, which aims to prevent human trafficking and slavery through legal advocacy and collaboration with NGOs and financial institutions based throughout South East Asia.

HUMAN RIGHTS

Integrate social and environmental considerations into our business decisions:

 **FY16 Target**

Review and update our Human Rights Standards.

Commentary

- Updated Standards were approved by the Board Environmental, Sustainability and Governance Committee, effective from 1 October 2016.
- The Standards and supporting FAQs have been translated into Bahasa Indonesian, Vietnamese, Chinese and Taiwanese, and are available on anz.com/cs

Relevant United Nations Sustainable Development Goals



Failing to respect human rights and to adequately manage human rights-related risks can have negative reputational, legal, financial and operational consequences for our business. Respecting and promoting human rights supports our business strategy and our relationships with key stakeholders.

This year we reviewed and strengthened our human rights standards, *Respecting People and Communities: ANZ's approach to Human Rights*, to ensure they continue to meet stakeholder expectations and reflect developments in human rights, including the UN Guiding Principles on Business and Human Rights and the Sustainable Development Goals. Our Code of Conduct and Ethics, and a number of Group-wide policies and internal training programs which aim to respect and promote human rights, support our standards.

As part of the review, we benchmarked our standards against domestic and international peers, and other multinational businesses. We conducted a due diligence assessment with an external expert regarding ANZ's salient human rights issues, examining rights holders who would be most at risk of having their human rights infringed.

This assessment enabled us to identify risks and determine mitigation actions. We also engaged with internal and external stakeholders, including NGOs, investors, customers, academics and industry bodies. Feedback indicated that, generally, the commitments embodied in our standards reflect expectations and we should focus our efforts on effective implementation. Stakeholders also highlighted the need to clarify our expectations regarding improper land acquisition and forced labour, to reflect our zero tolerance approach. We addressed this by amending our standards to articulate our approach to land acquisition, which is further supported by our new Land Acquisition Position Statement (available on [anz.com/cs](#)).

Some stakeholders also suggested we improve the grievance mechanisms available to affected communities who may want to raise concerns about our customers' or suppliers' activities. Our Land Acquisition Position Statement clearly identifies the ways in which concerned external parties can engage with us.

Other key areas of the standards we have strengthened include:

- remediation, aligning more closely with the UN Guiding Principles on Business and Human Rights, if we identify we are involved in adverse human rights impacts;
- improved customer screening and due diligence, covering issues such as the provision of a safe and fair working environment, free of bribery and corruption; and
- improved due diligence processes to screen material suppliers for social and environmental impacts.

We have also introduced a new commitment to empowering women to achieve financial independence and equality, in support of the Women's Empowerment Principles.

Our standards are embedded in our everyday business activities through many of our human resources policies. The standards are also embedded in customer and supplier screening tools, lending policies and training initiatives that support and guide our business lending decisions. The Reputation Risk Committee plays an important role in the identification and remediation of human rights issues in our business dealings.

We are focusing on implementing the strengthened standards and have established a program of work for the next three years to meet our commitments.

ADDRESSING MODERN SLAVERY

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

SUSTAINABLE PROCUREMENT

Identify and manage the environmental, social and governance (ESG) risks of our procurement decisions

→ FY16 Target

Apply a strengthened third party ESG screening process to all suppliers in high-risk countries, including ongoing monitoring of compliance with ANZ's Supplier Code of Practice.²³ (To be completed by 2017.)

Commentary

- We have identified 12 countries as high risk in our supply chain
- ANZ's Supplier Code of Practice (SCOP) is under review (to be completed by calendar year end) to ensure alignment with contract terms and conditions and requirements under the Modern Slavery Act (2015) UK
- We have engaged a third party to issue questionnaires on behalf of ANZ to a selection of suppliers in countries identified as high risk for attestation of compliance to the revised SCOP.

Relevant United Nations Sustainable Development Goal



Increase our support of Indigenous businesses [Australia]

✓ FY16 Target

Significantly increase (by at least 50%) our spend with Indigenous suppliers.

Commentary

This target has been met, with our spend increasing by 150% this year. Indigenous suppliers have been engaged for stationery, print and design, with additional categories being considered.

Relevant United Nations Sustainable Development Goals



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

Our 2016 statement is to be released within six months of the financial year end and will be available on [anz.com](#)

ANZ's Supplier Code of Practice (SCOP) outlines our minimum requirements for suppliers in relation to governance and general compliance, workplace relations, occupational health and safety, ethical business practices and environmental management. It includes a number of commitments in relation to human rights, including that the supplier will not tolerate forced or child labour and will compensate employees in compliance with all applicable domestic wage laws. This year we reviewed the SCOP with a view to enhancing its slavery and human trafficking protections. The SCOP aligns with ANZ's Code of Conduct and Ethics. It is also based on the OECD Guidelines for Multinational Enterprises and the UN Global Compact. For major suppliers which are managed at a Group level, an annual attestation to adherence to the SCOP is sought.

In addition, ANZ has committed to seeking these attestations from suppliers considered to be at high risk of impacting human rights, with specific focus on suppliers located in those countries where ANZ considers there is potentially a greater level of risk.

"ONE OF THE KEY WAYS ANZ CAN CONTRIBUTE TO THE FINANCIAL INDEPENDENCE OF ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLES IS BY SOURCING STRATEGICALLY. WE HOPE THIS WILL BUILD CAPACITY, CREATE WEALTH AND LEAD TO FURTHER OPPORTUNITIES."

Piero Curcio, Chief Procurement Officer

Last year we completed a three-year independent screening program in which suppliers were selected (based on spend and potential risk) and screened for compliance against our SCOP. More than 8,600 suppliers went through this process, with suppliers identified as 'high risk' and non-compliant being subjected to a deeper level of screening.

Having reviewed the outcomes of the three-year screening program, this year we have focused on identifying suppliers operating in countries assessed as high-risk by Transparency International. Twelve countries have been identified, predominantly in south-east Asia, where legal and regulatory frameworks governing issues such as occupational health and safety and labour rights are sometimes less mature.

In addition to managing the risks associated with our supply chain, we also have an opportunity to collaborate with some of our suppliers to progress priority areas of our Sustainability Framework, particularly social and economic participation. Through ANZ's procurement decisions we assist businesses to grow, stimulating economic growth in our communities.

During the year, ANZ became a member of Supply Nation, an organisation which connects corporates and government with certified Indigenous businesses across Australia. According to Supply Nation, 'research shows that Indigenous businesses ... employ Indigenous people, reconnect their employees to culture, instil pride and aspiration in Indigenous communities, invest back into communities and help heal the trauma of the stolen generations.' Through our membership, we have explored the range of Indigenous suppliers available and have identified areas in which to increase spend. Our 2016–2019 Reconciliation Action Plan continues this commitment to increase spend with Indigenous suppliers.



CASE STUDY SUSTAINABLE SOURCING IN LAOS

In Laos, ANZ has been working to improve the sustainability of its supply chain and increase engagement with female-owned businesses.

Since 2014, ANZ Laos has been seeking to shift their vendor company list from 5% female-owned businesses to 40% by 2017. To date, they have increased it to 36%. By supporting the entrepreneurship of women in their local communities, they are supporting the Sustainable Development Goals and the Women's Empowerment Principles, as well as encouraging diversity within ANZ's supply chain.

During the year, under the guidance of ANZ Laos CEO, Anna Green, they also reviewed their vendor company list and the social and environmental standards vendors were required to meet. Vendors are required to demonstrate a commitment to training and mentoring their local staff, with specific vendor requirements in the cleaning and construction industries. For example, cleaning vendors must only use 'environmentally friendly' products and source, where possible, from local manufacturers, ensuring that ANZ is supporting both environmental sustainability and local communities.

Above: Anna Green with a participant at ASEAN Women's Business Forum.



SOCIAL AND ECONOMIC PARTICIPATION

MATERIALITY REVIEW KEY THEMES



As a large employer, ANZ is able to provide employment opportunities to people from under represented and disadvantaged groups.



ANZ should be striving to create a workforce which reflects the diverse society in which we live.



It is important that ANZ acts as a 'good corporate citizen', supporting the wellbeing of its customers and local communities through financial education programs, workplace volunteering, employee giving and natural disaster relief.

WORKPLACE PARTICIPATION AND DIVERSITY

We invest in a diverse and inclusive workforce, providing opportunities to under-represented groups, and recognising both the opportunities and challenges presented by digitisation for the workforce we need now and in the future.

To meet the needs of our customers and to compete effectively, we need a workforce that reflects the diversity of the communities in which we operate. Diversity of thought is a driver of growth, profitability and risk management and a diverse workforce fosters creativity and innovation.

ATTRACTING THE BEST AND MOST DIVERSE TEAM OF PEOPLE IS CRITICAL TO ANZ'S FUTURE.

Diversity at ANZ encompasses gender, ethnicity, culture, language, education, disability, age, family/relationship status, sexual orientation, socio-economic background and religious beliefs. It also includes the many ways people differ in terms of their life experience, education, job function, work experience, ways of thinking and working, personality, location, marital status and caring responsibilities. Inclusion refers to the extent to which diversity is valued, accessed and capitalised on in terms of innovation and decision-making.

Our approach to diversity is underpinned by a strong suite of people systems, processes and policies covering equal employment opportunity, bullying and harassment, part-time work and flexible working, reasonable accommodation for staff with a disability, and parenting, childcare and other caring responsibilities. A summary of our policy position on Diversity and Inclusion can be found at anz.com/corporategovernance

ACHIEVING GENDER BALANCE IN OUR BUSINESS

Achieve gender balance in all aspects of our operations

→ **FY16 Target**

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

Commentary

Group-wide representation of Women in Management is 41.5% as at 30 September 2016, up from 40.4% at 30 September 2015.

Relevant United Nations Sustainable Development Goal



→ **FY16 Target**

Increase women on ANZ's Board to 30% by calendar year end 2017.

Commentary

As at 30 September 2016 the number of women on ANZ's Board was two, representing 25% of the Board. Following the appointment of Ms Jane Halton to the Board in October 2016, female representation is now 33%.

Relevant United Nations Sustainable Development Goal



Our CEO is a Male Champion of Change (MCC), an initiative established in 2010 by the Australian Sex Discrimination Commissioner. ANZ participates in the Chief Executive Women initiative and we are also a founding member of the Diversity Council of Australia and a member of the Australian Network on Disability. This year we also became a signatory to the Women's Empowerment Principles and we report on our progress annually. Involvement in these initiatives supports our focus on diversity and ensures we are aligned with best practice policies and programs.

As we seek to achieve diversity within our workforce a key focus continues to be on improving the gender balance within our business.

Annual Group targets are set for improving the representation of women in management and creating a vibrant, diverse and inclusive workforce. Progress is reviewed monthly by the CEO and Group Executive Committee, and results inform the Group's bonus pool and performance outcomes. This year's increase in the percentage of women in management puts us on track against our target of an increase of at least 3% by 2018. We have achieved this year's increase through a sustained focus on our recruitment activities, employee training and development programs, supported by expansion of our flexible working policies.

We have increased the representation of women at our senior executive and executive levels (by 0.6% and 1.9% respectively) and our pipeline of entry level managers by 1.1%. We now have three women on our Group Executive Committee; the Chief Financial Officer, Chief Human Resources Officer and Group Executive, Digital Banking.

There has, however, been a slight decrease of women at the senior manager level. Low employment growth in our home markets of Australia and New Zealand, as well as the current operational transformation of our business as we simplify our structure and work practices, are among the challenges we face in meeting our goal.

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

RECRUITMENT INITIATIVES

We are addressing unconscious bias and systemic prejudice in recruitment processes by focusing on female representation on recruitment shortlists and interview panels.

We now require:

- at least one female to be formally interviewed for every role;
- every management interview panel to include at least one female interviewer; and
- for all entry level management roles, interview lists to be gender balanced.

We have done this as our hiring data showed that only around half the management roles we filled each year included women in the interview slate. These changes challenge the argument that there are not enough female candidates to achieve a 50:50 balance. Appointments are based on the best candidate for the role, but these changes ensure we now have a more gender-diverse group to select from.

We have briefed our recruitment agency panel providers on our requirements, as we find that they too may have stereotyped views of the type of people banks are looking for.

Since the introduction of these recruitment policies over the past two years, external female promotions and hires have increased.

Our focus on gender-balanced recruitment complements other diversity initiatives we have in place, such as our target to achieve 50:50 gender representation in key leadership learning programs and the promotion of flexible working.



RECRUITING FOR THE WORKFORCE OF THE FUTURE

"Roles are changing quickly. I need people for the roles of the future. This means hiring for core capabilities — not technical capability which can be taught or bought. I need agility, broad-mindedness, ability to operate in an unknown environment."

Shayne Elliott, CEO

As the financial services industry undergoes significant transformation in the coming years, we recognise the need for a new set of employee capabilities such as digitisation, industry disruption and customer service.

In order to identify candidates with these capabilities, we are extending the search for talent beyond the banking industry. We are also thinking about the future workforce — what skills will the students of today need to enable them to participate in the banking industry of tomorrow?



CASE STUDY ROBOGALS

ANZ is working in partnership with Monash University and a number of other universities on a range of technology initiatives, including Robogals. Robogals is an international not-for-profit organisation which aims to increase female participation in STEM (Science, Technology, Engineering and Mathematics).

The program, which is comprised of workshops introducing children to basic computer programming and robotics, is made possible by volunteers from universities and young professionals. The workshops focus on encouraging girls from primary to secondary school to explore an interest, as well as cultivate self-confidence, in these areas. Introducing female engineering students to girls at a young age also provides female role models.

"Statistics show employment in the sector is dominated by men at all levels, from education to boardrooms", said Carina Parisella, senior manager in Digital Banking. Yet a recent report by the Office of the Chief Scientist²⁵ finds that the majority of the fastest-growing occupations in the world now require STEM skills and knowledge.

ANZ is supporting Robogals not only because we believe that all businesses can tangibly benefit from an increase in gender diversity, but also because it is important that gender disparity in STEM fields is addressed to enable greater female participation in the workforce of the future.

Right: Robogal participants.



**"WHAT WE'RE DOING HERE IS
ENCOURAGING YOUNG PEOPLE TO
EXPLORE INNOVATION IN A FUN AND
INTERACTIVE WAY — IT'S ABOUT
NURTURING THEIR CREATIVE AND
ENTREPRENEURIAL SKILLS, WHICH
WILL BE CRITICAL IN THE FUTURE."**

Carina Parisella, Digital Banking

25. See http://www.chiefscientist.gov.au/wp-content/uploads/Australias-STEM-workforce_full-report.pdf.

TALENT DEVELOPMENT AND ADVANCEMENT

Achieve gender balance in all aspects of our operations

→ FY16 Target

50:50 gender representation on recruitment of graduates and key enterprise talent programs (Building Enterprise Talent, Generalist Bankers) and no less than 40% women on Leadership Pathways.

Commentary

Our 2016 Graduate, Building Enterprise Talent and Generalist Bankers programs are gender balanced, with 55%, 53% and 48% female participation respectively. There was a 50:50 gender split for participants in the Leadership Pathway programs this year.

Relevant United Nations Sustainable Development Goal



We continue to use our influence at conferences and other events we sponsor to ensure there is an appropriate gender balance of speakers and attendees. Our Notable Women initiative continues to provide senior female leaders with the skills and opportunities to confidently speak publicly on their areas of expertise.

Now in its fourth year, Accelerating Banking Experiences for Women is an initiative designed to give more of our talented women the opportunity to develop broad-based banking careers with us. It aims to build breadth of experience, confidence and capability across core banking disciplines. Participants move through three six-month rotations to build their practical experience across Frontline, Credit Risk, Operations and Products.

EMBEDDING FLEXIBILITY IN OUR BUSINESS

Mainstream flexibility across Australia and New Zealand, and extend flexibility to other geographies

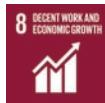
✗ FY16 Target

Maintain 80% or more of staff using flexible working options.

Commentary

In the My Voice survey, 69% of staff indicated they are working flexibly (down from 87% in 2015).

Relevant United Nations Sustainable Development Goal



Mainstream flexibility across Australia and New Zealand, and extend flexibility to other geographies

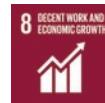
✓ FY16 Target

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

Commentary

ANZ's Flexibility Policy has been implemented in 8 of 33 countries in which we operate.

Relevant United Nations Sustainable Development Goal



Providing our employees with the opportunity to work flexibly supports their career and life goals, enabling them to participate in the workforce in a manner which best meets their personal needs. We have implemented a number of initiatives in the past few years, most notably 'All Roles Flex' in 2015 whereby all roles are considered flexible 'for anyone, for any reason'. However, we acknowledge there is further work required to ensure that 'flexibility' is truly understood by our senior leaders and employees.

In 2016, 69% of our employees told us they have used flexible working arrangements (which includes informal arrangements), down from 87% in 2015. We believe this indicates that our workforce is gaining a better understanding of what working flexibly really means; it is not about leaving work an hour early to go to the dentist, or occasionally working from home while caring for a sick family member — rather, it is about fundamentally re-thinking how we design and approach work in order to improve customer experience and support our people.

A major challenge to embracing workplace flexibility fully is workplace culture. We continue to shift from a culture focused on presenteeism to one focused on outcomes. To do this, collaboration, trust and openness must be fostered within teams and embraced by leaders who are provided with the right tools and resources to keep employees engaged and accountable. As we continue to roll out our flexible working policies across our operations, we are working with line managers to tackle some common misconceptions, including that flexibility should only apply to working mothers, that 'out of sight' equates to 'shirking' responsibility or that flexibility limits career progression.

We have extended our Flexible Work Arrangements Policy to 8 of the 33 countries in which we operate, positioning us well to achieve our target of the policies being in place in 90% of our geographies by 2018. Continued expansion requires large scale organisational cultural change, tailored to the needs of each country. We need to take into account issues such as jurisdictional workplace laws and regulations, cultural nuances and sensitivities, data security protocols, technology capability (ie. internet bandwidth and security), health and safety requirements (particularly for employees working away from the office) and workforce planning and rostering.

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

PARTICIPATION OF UNDER-REPRESENTED GROUPS IN OUR WORKFORCE

Provide employment opportunities for disadvantaged and under-represented groups to support social inclusion in our communities

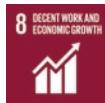
FY16 Target

Increase both the number of people with a self-disclosed disability and the number of people with a disability recruited through traineeships, graduate programs and permanent employment opportunities by 15% from 2015.

Commentary

Self-disclosure of disability has increased to 7.3% (up from 7.2% in 2015). 216 people with a disability have been employed across the region, against a target of 146.

Relevant United Nations Sustainable Development Goals



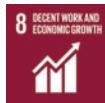
FY16 Target

Increase the number of Aboriginal and Torres Strait Islanders recruited through traineeships, graduate programs and permanent employment opportunities by 15% from 2015.

Commentary

We have recruited 87 Aboriginal and Torres Strait Islanders (18 employees and 69 trainees) this year, against a target of 124 (a 19% decrease on 2015).

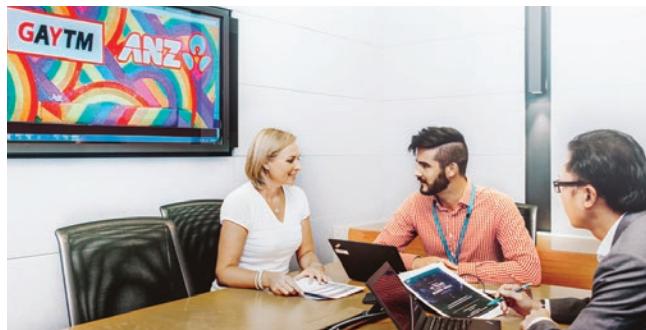
Relevant United Nations Sustainable Development Goals



Promoting the participation of under-represented groups in our workforce, including people with a disability, Aboriginal and Torres Strait Islander peoples and refugees, contributes to our goal of creating a diverse and inclusive workforce. We aim to provide employment opportunities to people who may otherwise find it difficult to get a foothold within the corporate sector, which has flow on effects with respect to their ability to participate fully in society. In addition to the direct economic benefits employment provides, meaningful workplace participation gives people a sense of purpose and the opportunity to engage socially with others.

Increasing our employment of under-represented groups forms part of our new 2017 target to enable social and economic participation of 1 million people through our targeted inclusion, employment and community programs by 2020. Over the next four years, we aim to recruit more than 1,000 people from under-represented groups.

Meeting this target will require close collaboration with our community partners. We will also need to identify new opportunities, given that many of the people on our traineeship programs have commenced their career within our branch network, which is now shrinking as a result of the bank's digital transformation. Flexible work practices may also offer employment opportunities for under-represented groups.



ANZ PRIDE NETWORK – BUILDING A CULTURE OF RESPECT

Building a culture of respect for all people and communities is one of our organisational values. Having an open, inclusive and accepting culture, which is respectful of individual differences helps us to ensure our people feel safe to be who they are when they come to work.

ANZ's Pride Network aims to be a voice, contact point and support mechanism for Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) employees and their allies. The Network, active across our whole business and in multiple countries, engages in a range of activities supporting the LGBTI community, including social media and the development of educational resources. This year the Network launched the 'Let's Talk Gender' guide, the purpose of which is to raise awareness about the transgender community and the challenges they face.

2016 marked ANZ's 10th year of support for Sydney Gay and Lesbian Mardi Gras. Over 300 employees, family and friends participated throughout the festival, including marching in the parade.

ATMs were again transformed into GAYTMs. We donated ATM operator fees from non-ANZ card holders to Twenty10, a charity supporting LGBTI people, their families and communities. We view Mardi Gras as a great opportunity to celebrate the diversity of our people and customers, and to join the community in one of Australia's largest festivals.

Our achievements and continuous progress at ANZ are acknowledged through high placement in workplace inclusion benchmarking in Australia (Australian Workplace Equality Index), New Zealand (Rainbow Tick), and Hong Kong (LGBT+ Inclusion Index).

Above: ANZ employees planning for Mardi Gras.

WELCOMING EMPLOYEES OF ALL ABILITIES

Creating a workplace that is welcoming and accessible for staff of all abilities provides us with an insight into the needs of customers with a disability, their carers and families.

In collaboration with the Australian Network on Disability, we have developed a comprehensive set of accessibility and inclusion commitments, to be delivered through our Accessibility and Inclusion Plan (AIP) available on anz.com/cs. Our 2016–18 AIP focuses on the following objectives:

- create an inclusive culture at ANZ where staff of all abilities and carers feel supported and included
- make everyday banking fully accessible for personal customers in Australia and New Zealand
- factor universal design and accessibility into all aspects of product development; and
- improve access to basic banking services for people with disability.

We have progressed many of our AIP commitments this year, including meeting our targets to increase the number of employees recruited with a disability and the self-disclosure of a disability by our employees. We have provided our external recruiters with disability confidence training and expanded the delivery of mentoring programs supporting people with disability to find and retain employment.

Advances in technology are affording greater potential for creating accessible banking services for customers with a disability. Refer to the Fair and Responsible Banking chapter for further details on the accessibility of our products and services to our customers.

SUPPORTING ABORIGINAL AND TORRES STRAIT ISLANDERS

We recognise we have a role to play in helping to address the social and economic disadvantage experienced by many Aboriginal and Torres Strait Islander people in Australia. We are directing our efforts to initiatives where we have the capacity to make the most impact, focusing on:

- creating employment opportunities;
- supporting the career progression of our Aboriginal and Torres Strait Islander employees; and
- building the capacity of Aboriginal and Torres Strait Islander organisations through our procurement decisions (see page 32).

We have released our 2016–2019 ANZ Reconciliation Action Plan (RAP) available on anz.com/cs, in which we acknowledge our support for Reconciliation Australia and its aims. The RAP outlines the actions we are taking in relation to Aboriginal and Torres Strait Islander employment, cultural recognition and capability, as well as financial capability and inclusion. Given the challenges experienced in meeting recruitment targets, we have expanded our focus to include retention and promotion of Aboriginal and Torres Strait Islander employees. We will report publicly on our progress against our RAP commitments.

This year in support of Aboriginal and Torres Strait Islander cultural awareness and reconciliation, we made our online cultural awareness training (see indigenousculturalawareness.anz.com) publicly available. The training program has since been used by a number of organisations who do not have their own 'in house' programs.



CASE STUDY BUILDING CAPABILITIES THROUGH MENTORING

Nadine Maroney, District Manager ACT, recently participated in a 12-week program called Positive Action towards Career Engagement (PACE), a mentoring program supporting students and jobseekers with a disability to develop their skills and confidence in a workplace setting.

The program is run in partnership with the ANZ Abilities Network and the Australian Network on Disability. Nadine mentored student Shirley Sjaputra, working together on Shirley's goal of gaining a CPA qualification and entering the accounting industry.

"It's been empowering to see Shirley build self-confidence, grow her network and have clarity about the path to take towards achieving her goals", said Nadine.

"Personally, Nadine helped me to build confidence with networking and connecting with people who work in the financial services industry. The mentoring sessions really helped me to prepare for the future", said Shirley.

The PACE Program provides ANZ staff with an opportunity to mentor a person with a disability, providing them with career advice and helping them develop skills required to be workforce ready. Through the PACE program, ANZ staff develop their mentoring skills, break down unconscious bias and build an understanding of the importance of accessibility and inclusion in the workplace.

With the PACE Mentor Program extending to Perth and Adelaide in 2016, ANZ now runs two programs a year in six cities across Australia, with a pilot program planned for Singapore in 2017.

Since the program started in 2013, over 200 ANZ volunteer mentors and job seekers with a disability have been successfully matched. In 2016, the combined efforts of program organisers and mentors equated to more than 2,000 hours of volunteer time.



CASE STUDY PROVIDING EMPLOYMENT OPPORTUNITIES TO ABORIGINAL AND TORRES STRAIT ISLANDERS

In 2004, Rian Boney, at the age of 15, participated in ANZ's Indigenous School Based Trainee program. The traineeship equips participants with the skills and experience necessary to help them complete their education and gain entry to the workforce.

On completion of her traineeship, Rian worked part time while undertaking additional studies. The opportunity to participate in the traineeship and obtain further education, as well as her own determination, saw Rian progress her career at ANZ. Eleven years after commencing the trainee program she is now an ANZ branch manager.

Rian is a proud Kamaroi woman and a member of the ANZ Reconciliation Network, playing an active role in welcoming Aboriginal and Torres Strait Islander employees to ANZ.

When advising new recruits Rian tells them to make use of all of the resources at their disposal and learn as much as they can about the business. Reflecting on her own experiences she said, "Being paired with a mentor opened up my professional networks and assisted in my professional development, which allowed me to achieve the goal I had set out to achieve as a young teenager."

In 2016 we celebrated our 1,000th Aboriginal and Torres Strait Islander employee at ANZ.

Above: Rian Boney.



CASE STUDY SUPPORTING REFUGEES THROUGH WORKFORCE PARTICIPATION

**"WHEN WE INCLUDE REFUGEES,
WE'RE RICHER, WE'RE STRONGER
AND WE'RE MORE SUCCESSFUL."**

Bob Santamaria, Group General Counsel

Sediqa, a Brotherhood of St Laurence's Given the Chance program participant, was born in Afghanistan and came to Australia by boat as a refugee 15 years ago. Settling in Adelaide with her family, Sediqa completed a Bachelor of Management at the University of South Australia, with a view to a career in banking. She has recently completed a 12-month traineeship with ANZ in Mildura, in North-West Victoria.

Sediqa says she found her first few weeks in the bank challenging. 'Everything was so new to me and there was so much to take in, but slowly it all started making sense. I started adjusting really well into the teller position and really started loving it too as I took a bit of control and knew what I was doing. And, of course, the best part of it all was meeting customers and building relationships and working effectively as a team.'

So successful was Sediqa's traineeship, she has now joined ANZ as a permanent employee in one of our Adelaide branches.

"I am really excited to be here and very thankful to ANZ for offering such an amazing opportunity", she said.

Above: Tony Nicholson – Executive Director, Brotherhood of St Laurence, Alisha Fernando – Inclusion Program Manager, ANZ, Bob Santamaria – Group General Council, ANZ, Shayne Elliott – CEO, ANZ, Kon Karapanagiotidis – CEO & Founder, Asylum Seeker Resource and Danielle Curry – Head of Contact Centre Sales, ANZ.

OPENING THE DOOR TO REFUGEES

In 2016, through our participation in The Brotherhood of St Laurence's Given the Chance program, we have provided 33 refugees (in Australia) the opportunity to learn vital job skills. The program, first piloted in 2007, tackles one of the key barriers to employment faced by refugees — their lack of relevant local work experience. Over almost a decade, the program has supported more than 100 candidates to undergo six-month work placements at ANZ, with many resulting in permanent positions. 60% of people that have gone through the program go on to permanent work at ANZ.

This year we have employed 336 people from disadvantaged and under-represented groups.

EMPLOYEE HEALTH, SAFETY AND WELLBEING

We have policies and practices to support health, safety and wellbeing, ensuring we provide an environment that enables our employees to participate fully in the workplace and perform at their best. Our Health and Safety Policy applies to everyone who works at ANZ, including contractors. Health and safety risks vary across our business. Each of our Divisions has identified risks and implemented controls to minimise them. Measurable objectives and targets are set through strategic and operational health and safety plans across all Divisions. The Board endorses the health and safety strategy, which includes long-term objectives and undertakes twice yearly performance overviews. The Policy is reviewed every three years and approved by our CEO.

We have programs in place to support mental health awareness, including managing stress and pressure, and education on common mental health conditions, such as depression and anxiety. Our mental health program includes a range of information, tools, resources and training for our employees.

In Australia, this year we have delivered refreshed training to support branch staff who may experience robberies or are faced with inappropriate and extreme customer behaviour. This training will roll out across other markets in the coming year. Branch managers in Australia and New Zealand also completed resilience training, aimed at equipping them to support their teams who may be dealing with difficult customer situations on a daily basis. This training complements our existing 'Managing Customer Conflict' program which is made available to all branch employees.

Support services are also available to employees through our Employee Assistance Program (EAP). The EAP is a confidential, short-term assistance program provided by qualified professionals that provides counselling face-to-face, over the phone or over the internet. It is available to all ANZ employees and their immediate family members for both work-related and personal problems.

OUR HEALTH AND SAFETY PERFORMANCE

Ensure the safety and wellbeing of our people

 **FY16 Target**

A reduction of 1–5 % in Lost Time Injury Frequency Rate (LTIFR) in Australia and New Zealand (against 2015 performance).

Commentary

The LTIFR in Australia reduced 13% (to 1.36) and the LTIFR in New Zealand reduced 25% (to 1.09).

 **FY16 Target**

Stay equal to or under a LTIFR of 1.00 in India and Asia Pacific.

Commentary

Both India and Asia Pacific remain under 1.00, with LTIFRs of 0.19 and 0.68 respectively.

We use two key measures to track our health and safety performance: Lost Time Injuries (LTI) and Lost Time Injury Frequency Rate (LTIFR). We have achieved our LTIFR targets across our geographies in 2016.

This year we have been communicating the importance of a proactive safety culture through our 'See Something, Do Something' campaign, which aims to increase awareness about workplace hazards and the need to act on them once they have been identified.

Data relating to health and safety is available on page 75 of this report.

EMPLOYEE ENGAGEMENT

Build a values-led, vibrant, diverse and inclusive workforce

 **FY16 Target**

Improve employee engagement to 78%.

Commentary

Overall employee engagement decreased by 2% to 74% for 2016.

 **FY16 Target**

Improve perceptions of 'values-based leadership' amongst ANZ employees to 73%.

Commentary

Perceptions of 'values-based leadership' improved from last year's score of 71% to 72%.

We track employee engagement and give our employees the opportunity to provide feedback about working at ANZ through our annual My Voice survey.

2016 has been a year of transition for the bank with a new CEO and organisational restructuring taking place as we focus on simplifying our structure and rethinking the way we work. The banking sector more broadly, particularly in Australia, has also been under intense scrutiny as a result of highly publicised cases of poor conduct. We consider that some of these issues may have contributed to the decrease in overall employee engagement this year.

Across the Group in 2016, organisational changes resulted in 1,329 roles being retrenched, which equates to less than 15% of total employee departures. We have engaged with our employees and the Finance Sector Union (FSU) about workplace changes that may arise to meet our cost management and productivity agendas. In October 2015, we successfully concluded negotiations with the FSU for a new two-year Enterprise Bargaining Agreement (EBA) to replace the previous EBA. The new EBA commenced in December 2015 and provides pay increases for eligible employees for 2015 and 2016, along with a range of other employee benefits.

BUILDING FINANCIAL INCLUSION

A person's financial inclusion is generally defined as their access to safe and affordable financial products and services. Financial inclusion contributes to individual wellbeing and community connectedness, leading to greater social and economic participation. This in turn helps enable economies to grow.

Levels of financial inclusion vary across the markets in which ANZ operates. For example, in some of our Pacific markets up to half of the population is unbanked, with many unbanked people living in rural or remote locations. Financial Literacy — knowing how to use financial products and services, save and make sound financial decisions — is also essential to financial inclusion. In markets with high numbers of unbanked people, levels of financial literacy tend to be low. In our home markets of Australia and New Zealand, our regular research identifies groups most likely to have low levels of financial literacy: young people, people with low levels of education, people in 'blue collar' occupations and people with low levels of assets and savings.

FINANCIAL INCLUSION ACTION PLAN

In Australia, we committed to developing a Financial Inclusion Action Plan (FIAP), under a program managed by Good Shepherd Microfinance and supported by the Australian Government. The program stems from Australia's commitment to the G20 goal of alleviating poverty through financial inclusion.

In addition to our customers, there are people in the community who are vulnerable or at risk of becoming financially excluded. Thanks to the outstanding work of our community partners, since 2003 more than 420,900 people from disadvantaged backgrounds have benefited from our money management and savings programs, MoneyMinded and Saver Plus (which was developed in partnership with the Brotherhood of St Laurence). Regular program evaluations show more control over their finances and higher savings are among the positive outcomes for people who participate. These positive outcomes for individuals have been shown to result in wider benefits for their families and the communities in which they live. Our research also shows significant impacts on participants in terms of increasing levels of confidence in dealing with financial issues and also in developing financial knowledge and skills. These benefits in turn promote a future orientation for participants — an important element in developing financial wellbeing.



CASE STUDY MAI NU'S STORY

Mai Nu was keen to join Saver Plus to help cover some of her daughter's school costs. Prior to joining the program, Mai Nu said, "I didn't do a budget and my habits with money were not great." She enjoyed the MoneyMinded financial education workshops that were run by her local program coordinator, Amanda from Bethany. "I learnt lots of things and now I have so much more control over my money. Now when I need money, there's no stress."

Mai Nu has remained involved in Saver Plus, referring friends and family members to the program. She also assists Amanda with translation so that more members from her local Karen (Burmese) community can benefit. Most recently, she has become an accredited MoneyMinded facilitator and through her employer, has started running workshops for local families. "This program is very beneficial to me, so I want people in my community to know about it as well."

Above: Mai Nu, Saver Plus Participant. Photography: Mary Thompson.

MONEYMINDED

Build the money management skills of people across the Region

 **FY16 Target**

Reach 60,000 lower-income and low-financial capability people through delivery of MoneyMinded across the Region.

Commentary

60,988 people are estimated to have participated in MoneyMinded across Australia, Asia Pacific and New Zealand.

Relevant United Nations Sustainable Development Goals



 **FY16 Target**

Deliver MoneyMinded Business Basics to 600 participants across the Pacific.

Commentary

MoneyMinded Business Basics has been delivered to 1,222 participants across the Pacific.

Relevant United Nations Sustainable Development Goals



MoneyMinded is a financial education program delivered by community partner organisations in Australia and a mix of community organisations and accredited employees in other markets to people with low levels of financial literacy on lower incomes.

More than 60,000 people participated in MoneyMinded in 2016, many of them women: 72% and 75% participants in Australia and New Zealand respectively, and 59% in the Pacific.

Customers requesting hardship support in Australia have the option of MoneyMinded online training to assist them in building their money management skills. Refer to the Fair and Responsible Banking chapter for further information on our approach to customers experiencing financial hardship.

To support and encourage small business entrepreneurship in the Pacific, we have continued to rollout MoneyMinded Business Basics for SMEs. The program is designed for both 'start up' and existing small businesses wanting to improve their operation or expand. The program has been extended from PNG to other Pacific markets, including Vanuatu, Solomon Islands and Kiribati.

No matter where it is delivered, a defining feature of MoneyMinded is its flexibility. This enables a large network of facilitators from a variety of community organisations (and in some cases, our own employees) to use the program to address the specific needs of their clients. Over many years, the program has been used by community organisations providing services to diverse groups, including migrants, 'at risk' youth, people with a disability and people with health issues.

In 2016 we have undertaken research in Australia into the role of financial education programs in a context of family violence. Economic abuse and financial hardship are often closely linked (as either a cause or effect) to family violence. We are seeking to better understand our role in addressing this. In doing so we are drawing upon our experience with MoneyMinded and the expertise of our longstanding community partners.

One of our partners, Berry Street, is piloting the use of MoneyMinded within their family violence support services. The pilot is ongoing, but some useful insights are detailed on page 26 of this report and in the 2016 MoneyMinded Impact report at anz.com/cs

 **CASE STUDY
SUPPORTING AND
ENCOURAGING
SMALL BUSINESS
ENTREPRENEURSHIP**

Abel and his brother planned to open a hardware shop in their home province of Jiwaka, Papua New Guinea. After purchasing equipment, their plans fell through due to financial difficulties and the lack of a robust business plan.

After attending a MoneyMinded Business Basics workshop Abel said, "My key takeaway from the workshop was the session where we learned about creating a business plan. We created sample business plans as part of an activity and my presentation was well received by my fellow participants.

"This gave me the courage and determination to pursue my dream of starting a business.

"This workshop is a great initiative by ANZ as there are many Papua New Guineans who think of starting up a business but they do not know or have a guide to follow and help them start their business. For example, I wasn't aware of requirements and services available to assist me and my family continue our small business until I attended the workshop and this has provided me with a roadmap to follow."



CASE STUDY IAN'S STORY

Ian is a third year metal fabricator apprentice in regional Victoria. He heard about Saver Plus through his local program coordinator, Sue from Ballarat Group Training.

He decided to join Saver Plus because the program gave him the opportunity to get up to \$500 from ANZ to purchase a new welder that he wanted for his studies but couldn't afford to buy.

Prior to joining, Ian says that he had "no financial guidance growing up. He tried to save but always spent a lot."

Through Saver Plus, Ian got into the habit of saving \$12.50 each week and finds that because he doesn't miss this amount, it slowly adds up out of sight.

"Once it was set up, it was easy, and I'm still saving into the same account."

Since Saver Plus, Ian has been able to save \$1000 to visit his grandmother interstate.

He is "more aware of where my money goes" and loves sharing his story about how he got his new welder with other apprentices, encouraging them to join the program.

Above: Ian. Photography: Michelle Dunn Photography & Video.



CASE STUDY GLORIA'S STORY: "I'VE BEEN ON BOTH SIDES OF THE FENCE"

When Gloria, with her two children, left her abusive and alcoholic partner three years ago, her financial circumstances were dire. Gloria describes this time as a year of living off donations, uncertain accommodation and being chased by bank debt collectors. She was not receiving income from the children's father (now her ex) and had no access to joint bank accounts. "My ex was playing the money game — sometimes he'd pay the child maintenance, sometimes he wouldn't".

Sometime later, Gloria's family in New Zealand organised and assisted her with funds for legal representation. After the financial settlement, Gloria had some assets but without a regular income, she was unable to obtain a housing loan. She tried to find part time work and volunteered in a community organisation.

In early 2016, Gloria completed a MoneyMinded course through a domestic violence service. She says the course helped her get back on track.

"Because when you're in a position where it's really dark and you don't know which way you're going, sometimes it's really hard to focus on the logics of things. I found that the MoneyMinded course helped me get back on track." Gloria also said that the budgeting tips and sharing stories and experiences with other participants were of most use to her at the time. "It was just finding the little ways to approach things that could actually make you gain headway".

A few months later, Gloria went on to complete the MoneyMinded facilitator training and now delivers the program to other victims of domestic violence.

Her own experience has been very valuable. "When women come through on the MoneyMinded [program] I can understand where they're coming from". She recognises the difficulties and knows where to refer clients for additional support and advocacy. She observes that the program not only teaches skills, but provides women with important support networks.

SAVER PLUS

Build the money management skills of people across the Region

→ **FY16 Target**

Enrol 16,750 people in our Saver Plus matched savings program in Australia from 2015–2020.

Commentary

On track, with 4,649 (28% of long-term target) people recruited to Saver Plus since July 2015.

Relevant United Nations Sustainable Development Goals



Saver Plus is a financial education and matched savings program developed jointly in Australia by the Brotherhood of St Laurence and ANZ to assist low-income earners develop a savings habit. Program participants open an ANZ savings account, set a savings goal and save towards it regularly over 10 months. Savings are matched dollar for dollar up to \$500 and must be spent on education. The program is delivered in partnership with community organisations and the Australian Government.

In 2016, 4,649 participants enrolled in Saver Plus. Since 2004, Saver Plus has reached 32,154 lower-income participants, 86% of them women. Participants have saved over \$17.4 million, and 87% of those participants continue to save the same amount or more after completing the program. Based on the increased ability of participants to save, RMIT University estimates a Social Return on Investment of \$5.39 for every dollar of Government investment in Saver Plus. Together with the Australian Government we made a commitment to support community partners to reach a further 16,750 people across Australia by 2020.

ACCESS TO BANKING IN RURAL AND REMOTE AREAS

Promote access to banking services for customers in the Pacific

→ **FY16 Target**

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

Commentary

169,363 customers are registered for goMoney™, with more 98,710 being new ANZ customers.

Relevant United Nations Sustainable Development Goals



We are providing accessible banking services in rural and remote areas, including through the support of Microfinance institutions in Asia. Our rural banking services in the Pacific enable economic participation for thousands of customers in remote locations.

In 2015 we signed a three-year Memorandum of Understanding (MoU) with the Australian Government to support economic growth and sustainable development in the Pacific. Key areas of support under the MoU include: financial inclusion, financial literacy and economic empowerment of women. This MoU builds on the agreements already in place to increase financial inclusion in the Solomon Islands and Papua New Guinea through expanding access to goMoney™ and financial education for people in rural areas.

ANZ goMoney™ in the Pacific is transforming lives in rural communities by giving customers access to deposits, withdrawals and person-to-person transfers through merchants, many of whom are existing shopkeepers. Before goMoney™ was introduced, many customers had to travel to access branches or ATMs, in some cases very long distances from rural areas.

Others had no choice but to remain 'unbanked'. Since goMoney™ was launched in 2013, more than 169,300 customers have registered. Of these, more than 98,700 are new customers bringing new deposit funds.

"ANZ'S MOBILE BANKING PRODUCT HAS...HAD A DRAMATIC EFFECT ON FINANCIAL INCLUSION ACROSS THE POPULATION AND CHANGED THE LIVES OF THOUSANDS OF SOLOMON ISLANDERS."

International Finance Corporation²⁶

SUPPLEMENTARY REPORTING ON HOW WE HELP ENABLE PARTICIPATION

Recognising the role we can play in collective actions to support an inclusive society, we have also developed the following action plans, which are underpinned by measurable and time-bound targets:

- Our Reconciliation Action Plan: outlines our commitments to addressing Indigenous disadvantage in Australia
- Our Financial Inclusion Action Plan: outlines our commitments to financial inclusion in Australia
- Our Accessibility & Inclusion Plan: outlines our group-wide commitments to create a diverse and inclusive society in which people with a disability are supported and able to progress.

Detail on our progress against these plans is available at anz.com/cs



CASE STUDY BROTHERHOOD OF ST LAURENCE AND THE VALUE OF PARTNERSHIP

"Partnership is very much at the heart of Saver Plus. Over the past 13 years BSL and ANZ have worked closely together to develop a highly effective matched savings program that has delivered enormously positive benefits for thousands of people on low incomes. In doing so, both organisations have come to understand more about the other's strengths and how they each contribute to the success of the program.

This same strong sense of partnership guides BSL and ANZ in the oversight of Saver Plus and drives the continuous improvement that we seek in the program's delivery. Just as people on low incomes look to the program to develop their savings and money management capability, BSL and ANZ look to each other to find ways of making the program even more effective. This is important not just because the funding environment has become more challenging but because both organisations are committed to learning from our program experience.

Both BSL and ANZ have been greatly assisted over the past decade through the support of the Australian Government and key delivery partners including

The Smith Family, The Benevolent Society, Berry Street, and other local community organisations. Like BSL, these agencies are driven by a sense of mission and all have contributed valuable advice as to how program delivery works best in specific locations.

Continuous inquiry is a trait of BSL from the organisation's earliest days in depression-era Melbourne. Understanding the causes of poverty is vital if effective alleviation is to be developed. BSL's strong tradition of research-based policy and advocacy was applied to Saver Plus from its earliest days. In ANZ we found a great partner, the bank already having made considerable investment in testing and shaping a financial literacy resource that has become a key element of Saver Plus.

Ahead of us lie new challenges including the potential for on-line program delivery. BSL and ANZ are committed to making Saver Plus more accessible but only where the key benefits of program participation can be retained. In this sense partnership is not just the reason for the program's success to date but, equally, the reason why we will continue to make the program accessible to thousands of Australians looking to build their money management skills and confidence in the future."

Tony Robinson, Senior Manager, Financial Inclusion
Brotherhood of St Laurence.

GIVING AND VOLUNTEERING

Through our giving and volunteering programs we are investing in and connecting with local communities, helping them thrive.

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

CONTRIBUTION BY TYPE²⁷

Type	\$
Cash	13,517,057
Time	3,867,121
In kind	197,066
Management costs	2,908,577
Foregone revenue	69,305,589
Total	89,795,410

GIVING

Workplace giving program

Our matched workplace giving program enables employees in Australia to make contributions to any of our 22 nominated charity partners through regular pre-tax payroll deductions. In 2016, together with our staff, we donated approximately \$946,000.

ANZ Staff Foundation

The Australian ANZ Staff Foundation is a registered trust that provides small grants of up to \$5,000 to charities around Australia. Staff elect to donate from their fortnightly pay and ANZ Australia matches their donations dollar-for-dollar. A National Advisory Board and State Committee comprising of ANZ volunteers manage the Foundation and is responsible for assessing the grants for funding. In 2016, the Australian ANZ Staff Foundation provided 45 grants, totalling nearly \$219,000 to community organisations across Australia.

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

A board of ANZ Staff Foundation volunteer members is responsible for assessing the grants for funding. In 2016, the New Zealand ANZ Staff Foundation provided 94 grants, totalling over \$591,000NZD to community organisations across the country.

CUSTOMER DONATIONS PROGRAM

Our customer donations program provides our internet banking customers in Australia with a convenient and simple way to donate to charitable organisations. In 2016, our Australian customers donated more than \$539,000 to charity.

SHAREHOLDER GIVING PROGRAM

Our shareholder giving program allows shareholders to donate some or all of their cash dividends to any of our community partners. ANZ shareholders donated approximately \$47,000 this year.



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

28. Figure includes foregone revenue of \$69.3M, prepared in accordance with GRI G4 Financial Services Sector Supplement.



CASE STUDY SUPPORTING LOCAL COMMUNITIES IN NEW ZEALAND

Through our New Zealand Staff Foundation grants program we are supporting local community projects, such as the 'Kids can Cook' program, which provides cooking classes for children from low-income families in the Waikato region, in the upper North Island of New Zealand. The program teaches the children how to cook, budget, shop, set the table, eat a meal and clean up in a family setting.

John and Melinda, both youth coordinators at the Paeroa Community Support Trust, run the cooking classes, supported by volunteers. While Paeroa is a "really neat town," John says, it is one of New Zealand's most deprived areas. Some families survive on value packs of fish and chips for dinner every night of the week.

Children pay a gold coin donation (known as 'koha' in Māori) to join the class, with a "no koha, you have to do the mahi" philosophy — if they don't bring their money they stack chairs or help out in some way around the centre.

A \$5,000 grant from the New Zealand Staff Foundation has enabled Kids can Cook to upgrade their kitchen equipment and utensils.

The new equipment injected some much-needed morale into the children and the volunteers at the program. "It's amazing what they've done for us, and it really means a lot to these kids" said John. More than 200 primary-school aged children have now been through the 10-week program.

Above: Kids can Cook participant.

SEEDS OF RENEWAL PROGRAM

Since 2003, ANZ has supported the Seeds of Renewal community grant program in Australia, which provides grants to selected community organisations to receive funding or technology equipment to support education and employment programs. This year ANZ funded \$300,000 in community grants, shared between 36 projects across regional Australia.

CASE STUDY A LITTLE EXPERIENCE WILL GO A LONG WAY IN ATHERTON

The agricultural town of Atherton, located 1,700 kilometres north of Brisbane, Queensland, has high youth unemployment.

A Seeds of Renewal grant will enable the Community Services Tablelands (CST) Inc to implement a Rural Operations, Leadership and Education (ROLE) program, to help equip disadvantaged and disengaged youth in Atherton with some basic qualifications, practical skills, and a bit more confidence.

Ten local participants will be supported for a ten-week agricultural focused program — obtaining a Certificate II in Rural Operations, a White Card qualification (induction for construction) and a First Aid certificate, as well as undertaking work placements. The program will help disadvantaged youth gain a foothold in the local industry, readying participants for agricultural work and making them more attractive to rural employers.

The Foundation for Rural and Regional Renewal (FRRR) Chairman the Rt Hon Ian Sinclair AC said: "The projects funded this year will continue to build skills and capacity in regional communities, which is essential to developing sustainable economies. Rural and regional communities are adept at solving their own challenges, because they know what suits their capacity and local culture. Small grants, like those awarded through this program, are vital funding injections into communities where fund-raising is really challenging. This year nearly 60% of applications came from towns with fewer than 5,000 people, which shows small communities highly value this kind of support."

VOLUNTEERING

Actively engage with and invest in communities where we operate to help build opportunity and prosperity

FY16 Target

>100,000 hours (12,500 days) of paid volunteer leave recorded by our staff.

Commentary

ANZ employees contributed 113,071 hours to community volunteering activities across the Group, an increase of 4,929 hours on 2015.

Relevant United Nations Sustainable Development Goal



Our Volunteer Leave Policy, which applies to permanent, regular and fixed-term employees, provides for at least one day of paid volunteer leave each year. Our 2016 Group-wide target was to provide 100,000 volunteer hours. We exceeded this target, with our people volunteering 113,071 hours to community organisations. This represents more than 14,100 working days and more than \$3.9 million in value to the community.

EMERGENCY RELIEF

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

In 2016, we responded to natural disasters in our region by:

- waiving fees for International Money Transfers into Fiji and Tonga in the wake of the devastation of Tropical Cyclone Winston, equating to foregone revenue of over \$24,000;
- donating \$100,000 to Australian Red Cross Tropical Cyclone Winston Relief Appeal; and
- activating our customer assistance package for those affected by Tropical Cyclone Winston, storms in eastern states of Australia and Tasmania, floods in New South Wales, and bushfires in Western Australia, South Australia and Victoria.

TAX TRANSPARENCY

The community rightly expects us to pay our fair share of taxes — and we do. Across the countries in which we operate, ANZ contributes directly to the economy by paying taxes, money which is then used by governments to provide public services and amenities for the benefit of the wider community.

ANZ committed to meet the requirements under the Australian Board of Tax, Voluntary Tax Transparency Code (TTC) introduced in May this year. We have prepared our tax transparency disclosures in this report in conformance with this, complementing voluntary tax disclosures we have made in previous years. Refer to page 77 for additional disclosures.

In 2016, ANZ global net taxes borne amounted to \$2.745 billion (2015: \$3.366 billion). ANZ also directly remitted an additional \$5.154 billion (2015: \$5.477 billion) in taxes which were collected (primarily relating to GST/VAT and employee remuneration) on behalf of and paid to the governments of the countries in which we operate.

TOTAL TAXES BORNE BY ANZ GROUP (AUD MILLIONS)

	2016	2015
Income Tax Expense ²⁹		
Consisting of:		
Australia	\$1,538	\$1,960
New Zealand	\$533	\$627
APEA	\$169	\$253
	\$2,240	\$2,840
Unrecovered GST/VAT	\$262	\$275
Employee Related Taxes	\$193	\$193
Other Taxes/Duties	\$50	\$58
Total Tax Payments Borne	\$2,745	\$3,366

ANZ operates in 34 markets through branches and subsidiaries. We have five subsidiaries in countries which the Australian Taxation Office (ATO) classifies as 'specified countries' (ie. tax havens). This is fully disclosed to the ATO.

OUR TAX STRATEGY AND GOVERNANCE FRAMEWORK

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

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

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

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

AUSTRALIAN TAX TRANSPARENCY

In line with Australian legislation requiring the ATO to publish specific income tax return data of corporate tax entities that report a total income of \$100 million or more, the following table provides further transparency on our 2015 Australian income tax return data, expected to be published by the ATO in December 2016.

30 September 2015			
AUD Millions	Total ³⁰	Banking Business ³³	Wealth Business ³⁵ Super/pension members
Total Income ³¹	\$30,004	\$30,004	—
Taxable Income ³²	\$8,674	\$6,814	\$1,860
Statutory Tax Rates		30%	15%/0%
Tax Liability	\$2,072	\$1,948³⁴	\$124

INTERNATIONAL RELATED PARTY DEALINGS

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

ANZ's IRPDs are conducted in a manner consistent with Australian taxation law and international taxation norms (the 'arm's length principle').³⁶

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

The main IRPDs that impact ANZ are:

- cross-border funding transactions — whereby ANZ related parties undertake short-term transfers of surplus liquidity and longer-term funding transactions to support normal business operations of the borrower;
- provision of support services by ANZ Hubs located in India, the Philippines, China and Fiji to ANZ businesses (to obtain cost, risk management and enhanced customer service advantages through the centralisation of such services);
- provision of support and technology services principally from Australia to businesses located outside of Australia; and
- cross border trading and sales transactions (resulting primarily from serving our Global Markets customers).

Consistent with the principles of the ANZ Tax Transfer Pricing governance policy, ANZ applies internationally recognised transfer pricing approaches to all material IRPDs, including ensuring that arm's length compensation is paid for IRPDs.

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

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

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

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

34. The 2015 tax liability includes tax offset reductions of \$38M relating to franking credits and foreign income tax offsets. A research and development (R&D) net tax claim of \$10M is also included. This is calculated by including in taxable income an increase in respect of R&D eligible expenditure of \$159M, resulting in additional tax of \$48M and claiming a 40% tax offset of this amount, being \$64M. Consequently, this gives rise to a net claim of \$16M however the claim has been limited to the \$10M cap by reducing the tax offset by \$6M.

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

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



SUSTAINABLE GROWTH

MATERIALITY REVIEW KEY THEMES



Increased civil society and investor scrutiny of social and environmental issues.



ANZ's lending decisions carry long term reputational, legal and financial risks and opportunities for investors.



Climate change is becoming a material financial issue with increasing focus on how companies are governing and disclosing climate change risks.

RESPONSIBLE BUSINESS LENDING

We want to ensure that the economies in which we do business grow sustainably. Understanding and managing the social and environmental impacts of our business lending decisions is critical, as is giving balanced consideration to stakeholder needs and concerns.

A key part of our risk management framework is assessment of customers and transactions for possible social and environmental issues. It is a requirement that the screening process is applied to all new customers, all material new transactions of existing customers and annual reviews of all customers. The screening tool assists our employees to:

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

Social and environmental risks of our business customers are monitored on a continual basis through our 'Reputation Risk Radar'. Notable incidents and allegations inform regular Early Alert Review meetings, which consider social, environmental, governance and credit risks. The meetings are attended by ANZ Risk Officers and banking relationship managers. We also rely on regular dialogue between relationship managers and their customers to alert us to issues.

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

SENSITIVE SECTOR POLICIES

The primary way we identify and manage the risks associated with lending to business customers is through employee training and the application of our Sensitive Sector Policies.

These policies incorporate social and environmental considerations into lending decisions before we enter into a banking relationship with a customer. As required by our credit policy, customer relationships, including social and environmental considerations, are reviewed annually.

ANZ'S SIX SENSITIVE SECTOR POLICIES



Energy



Extractives



Forestry and forests



Hydropower



Military equipment



Water

We review the policies annually and any proposed changes must be approved by the Reputation Risk Committee. As part of each review, we benchmark against peers; consider international and national frameworks, standards and guidelines; and engage with a broad range of internal and external stakeholders, including NGOs and customers.

This year we focused on applying our strengthened customer due diligence for coal used for power generation, including our mining and transport customers. We have increased our focus on stakeholder engagement in all of the sensitive sectors, with the expectation that our customers will implement appropriate stakeholder engagement strategies and plans. This expectation is not confined to customers operating in socially and environmentally sensitive industries. We have included this consideration in the screening process applied to all companies.

Information about our policies is available on anz.com/cs.

EMPLOYEE SUSTAINABILITY TRAINING

Engage with and support our customers to manage their environmental, social and governance (ESG) risks and opportunities



FY16 Target

Deliver social and environmental banking risk training to at least 250 bankers in our Institutional and Corporate & Commercial Divisions.

Commentary

We trained 272 bankers in Asia (Singapore, Hong Kong) and Australia (Sydney, Melbourne, Perth) this year from our Institutional and Corporate & Commercial Divisions.

Relevant United Nations Sustainable Development Goal



We have a range of social and environmental training programs for our employees. This year more than 780 employees completed our foundation course: the online Social and Environmental Risk training, which covers our Corporate Sustainability Framework, Sensitive Sector Policies and our approach to human rights. This training is available to all ANZ staff and is mandatory for new business lending employees able to make credit decisions. Combined with ANZ's customer screening processes, this equips them with the knowledge to make balanced and informed decisions.

In addition, 272 bankers participated in the advanced Social and Environmental Banking training course, assisting them to better identify, report and manage social and environmental risks. The issues are complex and the risks can be hidden within a customer's supply chain, so an understanding of what to look for and knowing the right questions to ask is critical.

EQUATOR PRINCIPLES

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

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

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

Information on 2016 Project Finance advisory services and transactions is available on page 68.

CASE STUDY APPLYING THE EQUATOR PRINCIPLES

ANZ was approached this year to provide financing to a customer developing a large infrastructure project in Asia. Due to the potential impacts, it was assessed as a 'Category A' project requiring the highest level of due diligence under the Equator Principles.

During our discussions with the customer, we stated that our requirements included the ability for independent monitoring of social and environmental impacts by external assessors. The customer confirmed it had internal expertise and dedicated resources to manage its impacts, such as a health and safety management team, and did not see the need for independent monitoring as a condition of ANZ providing finance.

As a result, we commissioned our own independent social and environmental impact assessment by an international firm with local expertise in assessing these projects. The report identified some significant potential impacts, which reinforced the need for ongoing independent monitoring. Ultimately, as the customer was not prepared to agree to this, we declined to finance the project as we were not satisfied it would comply with the Equator Principles.

**WE BELIEVE ALL COMPANIES NEED
TO ENGAGE WITH THEIR LOCAL
COMMUNITIES AND RESPOND
TO STAKEHOLDER CONCERNS**



**CASE STUDY
BEST PRACTICE
STAKEHOLDER ENGAGEMENT**

ANZ has a long history in Western Australia, supporting local companies, including Woodside.

When working with our customers, our Sensitive Sector policies provide the framework against which we assess their stakeholder engagement and sustainability practices. These policies specify the social and environmental expectations we place on our customers, including how they engage with their local communities and stakeholders through their own policies and practices. If customers are not prepared to meet these expectations we will first consider how to help them comply, and if this is not possible, we may consider ending our banking relationship.

Woodside's External Stakeholder Engagement Procedure defines the minimum requirements for engagement and makes specific commitments to the frequency and type of engagement.

Their local and Indigenous community engagement activities encourage open and transparent communication and feedback. This approach is demonstrated by the implementation of cultural projects with traditional owners on the Burrup Peninsula in Western Australia under the \$34 million Auto LNG Conservation Agreement with the Australian Government.

In our view, these stakeholder engagement activities are indicative of a company seeking to implement best practice stakeholder engagement procedures. This is critical to maintaining a social licence to operate within local communities.

Above: Nathan Evans, Murujuga Ranger conducting a regular patrol on Murujuga, also known as the Burrup Peninsula.
Photography: Woodside.

CLIMATE CHANGE – MANAGING RISKS AND OPPORTUNITIES

As part of our business strategy and approach to sustainability, we address the risks and opportunities associated with climate change. ANZ's Climate Change Statement sets out the actions we are taking to support the transition to a low carbon economy.

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

Climate risk reporting is evolving and we acknowledge it can be difficult for stakeholders to compare information being reported. During the year, we have engaged with stakeholders, including investors and analysts, to understand what disclosures they would find most useful. We have also responded to the work of the Financial Stability Board's Task Force on Climate-related Financial Disclosures. We expect that the recommendations, to be announced shortly, will assist in overcoming reporting inconsistencies arising from the existing range of regulatory and voluntary reporting requirements.

In addition, we have continued our participation in the Portfolio Carbon Initiative, which aims to develop guidance for banks and asset owners on 'climate performance indicators', including financed emissions. The Initiative is led by the United Nations Environment Programme Finance Initiative (UNEP FI) and the World Resources Institute (WRI).

As part of our UNEP FI membership, together with the three other major Australian banks, we have formed the Australian Portfolio Carbon Working Group. The purpose of the working group is to share insights and alternative approaches to enable financial institutions to measure and disclose their climate performance. The outputs from this Australian working group will inform the work led by UNEP FI and WRI.

CLIMATE RISK MANAGEMENT

We have disclosed our most material economic, environmental and social sustainability risks in our 2016 Annual Report on [anz.com/shareholders](#) in accordance with the ASX Corporate Governance Principles and Recommendations. Climate risk is discussed in the context of credit risk. Our customers could be impacted by climate change related changes to laws, regulations or other policies. This includes carbon pricing and climate change adaptation or mitigation policies, which could potentially manifest as credit risks for the bank.

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

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

As part of our due diligence processes, we may request information from customers, for example:

- their policies on climate change and whether they support government efforts to limit global warming to less than 2 degrees above pre-industrial levels;
- the actions they are taking to address the challenge of climate change, such as investments in lower carbon manufacturing processes, power generation and transport;
- their resilience to future policy scenarios that may regulate greenhouse gas emissions;
- whether they are 'stress testing' their portfolio against a range of possible policy scenarios that may impact their business model and profitability;
- whether they factor a future carbon price into capital expenditure decisions;
- their ability to diversify their business to invest in more efficient resource use and less emissions intensive products or processes; and
- the cost of future regulation on their business model and profitability.

Another way we assess our customers' exposure to climate risk is by conducting portfolio analysis to identify changes in the financial position of customers in those sectors most exposed. We want to support companies with the capacity to manage change successfully — including climate change.

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

We also use expert reports such as Moody's Environmental Impacts Heat Map³⁷, which assess industry sectors for their exposure to climate risk. The Moody's report, when overlaid to industry sectors we support, identifies 'elevated' risk for the Mining sector, and 'moderate' risk for three other sectors: Manufacturing; Transport, postal and warehousing; and Electricity, gas and water supply. Climate risk assessments are factored into our lending decisions primarily through assessment of our customers' capacity to deal with climate change and changes in regulation.

Our exposures to the most carbon-intensive forms of energy generation have declined over the past year, partly as an outcome of active portfolio management, informed by ANZ's credit strategies. These industry credit strategies (referred to as Risk Appetite Statements) reference ANZ's Climate Change Statement and relevant Sensitive Sector Policies, and reflect risks associated with climate change, influencing decisions about ANZ's business strategy and capital allocation.

In addition, our exposure to resources, including coal, oil and gas has decreased this year by 10%. Our portfolio is skewed towards well-capitalised and lower-cost resource producers. 22% of the book is for loans of less than one year duration.

LOW CARBON AND SUSTAINABLE FINANCE OPPORTUNITIES

Support transition to a low carbon economy

→ FY16 Target

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

Commentary

ANZ has funded and facilitated \$2.5 billion in low carbon and sustainable solutions, such as green buildings, renewable energy, energy efficiency, water, waste, and transportation, since 1 October 2015.³⁸

Relevant United Nations Sustainable Development Goals



In the first year of our five-year \$10 billion low carbon and sustainable solutions target, we have funded and facilitated \$2.5 billion in a diverse range of projects, including efficient irrigation, sustainable residential developments and green star buildings in Australia, geothermal energy in Indonesia, a green bond in India and a water treatment plant in the Philippines.

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

During the year, we worked with The Asia Investor Group on Climate Change (AIGCC) to help identify low carbon opportunities in the region and to understand the state of the finance industry's response to climate change. Research undertaken by AIGCC found that to keep the world below a two degree warming target, from 2014 to 2035, more than \$USD 7.7 trillion is needed for renewable energy and energy efficiency projects to meet the energy demands of China, India, Japan, and South-East Asia.³⁹ Given our presence in these markets, ANZ is well placed to capitalise on these opportunities and to support sustainable economic growth across the region.



CASE STUDY ANZ ENVIRONMENTAL LOAN

Focus is increasing, in part due to the impacts of climate change, on ensuring that farming practices are more environmentally sustainable. The ANZ Environmental Loan, available in New Zealand, is a lower-interest product helping agribusiness customers invest in environmental systems to improve the sustainability of their farms or meet local council environmental by-laws. Customers have used this loan to invest in water quality initiatives, dairy effluent management and energy conservation projects.

After taking over the running of the family farm in North Canterbury, Grant and Kerry undertook a review of the farm operating model in order to identify opportunities for future growth. They used the ANZ Environmental Loan to upgrade their irrigation system, reduce their environmental footprint on the land and protect areas of wetland on the farm. These measures also improve the climate resilience of their farm.

The new irrigation system is designed specifically for their soil type. Moving from traditional 'gun style' irrigation to the use of pivots has less impact on the soil structure and maintains the right level of soil moisture and fertiliser. This allows Grant and Kerry to achieve good productivity, requiring fewer resources and minimising the amount of fertiliser entering the water system.

37. Moody's Sector In-depth: Environmental Risks (30 November, 2015).

38. See low carbon and sustainable solutions target methodology on page 78.

39. AIGCC, Investing for the climate in Asia, <http://aigcc.net/wp-content/uploads/2016/09/AIGCC-Report-Final.pdf>.

FINANCED EMISSIONS

The reduction in emissions intensity this year in Australia can be attributed to an increase in output from the renewable generation projects financed by ANZ. 30% of the overall electricity generated from projects financed by ANZ came from renewable sources in 2016, up from 21% in 2015.

We are continuing to reduce the emissions intensity of our direct funding of electricity generation in our project finance portfolio. We seek to balance the sources of energy generation in this portfolio, and the average emissions intensity of generation financed by ANZ is below the average in Australia and internationally.

	Australia	Outside Australia
2016	0.62	0.16
2015	0.64	0.20
2014	0.77	0.25
Movement 2014–2016	-19%	-36%

BUSINESS LENDING EXPOSURES

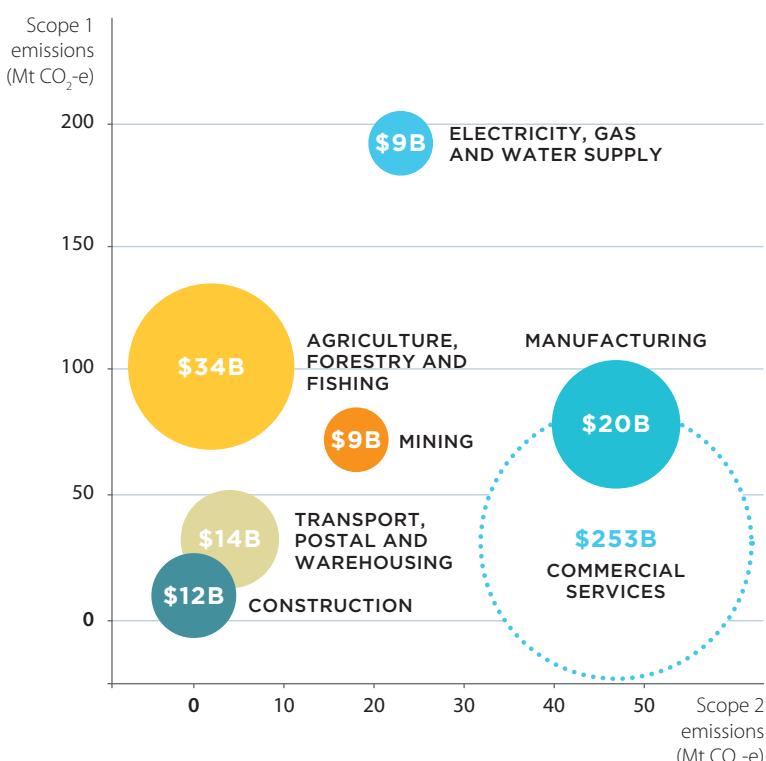
We have also increased the scope of our carbon disclosure, by now including ANZ's business lending exposure in New Zealand and the relevant New Zealand sectoral greenhouse emissions. These sectors account for approximately 51% of our total exposure in Australia and New Zealand, with consumer lending (including residential mortgages) accounting for the remaining 49%. We have focused on our business customers, given the impacts of their operations on overall carbon emissions.

Our largest exposure remains commercial services (including, for example, buildings, food and beverage services, media and telecommunication services). With the inclusion of our New Zealand business, agriculture, forestry and fishing is the sector to which we have the second highest exposure at default (replacing Manufacturing). Agriculture makes a significant contribution to the New Zealand economy and we are supporting customers in rural businesses to address climate change and environmental issues such as waterway rehabilitation and water efficiency.

Electricity, water and gas supply maintains an emissions-intensive profile — particularly for scope 1 (emissions from energy used). Our exposure to that sector has not increased significantly with the inclusion of our New Zealand business lending.

Refer to page 78 for explanatory notes relating to financed emissions and business lending graph.

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



TRANSITIONING TO SUSTAINABLE ENERGY GENERATION

Transforming the energy sector will be essential to meet the objectives of the Paris Agreement. We are working with our customers to support the transition to cleaner energy.

Today, around 40% of the world's electricity comes from coal-fired power stations. While coal remains a cheap and reliable energy source, a low carbon transformation of the power sector is underway. ANZ's support of new electricity generation projects reflects this:

- in the past year, in Australia, ANZ has provided project advisory services that will enable over 180MW of new renewable generation capacity, which can reduce emissions by 550,000 tonnes per annum and provide enough electricity to power the annual needs of approximately 75,000 homes
- we have not provided direct funding to any new coal-fired power generation projects this year, although we have assessed a number of proposals as outlined below.

De-carbonisation of the energy sector has increased debate over energy market design, as evidenced by the current Australian government inquiry into the National Electricity Market (the Finkel Review), with concerns over affordability, reliability and system stability at its heart.

ASSESSMENT OF COAL-FIRED PLANTS

In the past 12 months, ANZ has been approached by several groups of companies to provide finance for new coal-fired power plants in Asia. We assessed these projects against our relevant policies.

In addition, as part of our enhanced due diligence for coal-related finance, we considered the companies' strategies for the transition to a low carbon future. This involved using an independent social and environmental consultant to identify possible risks, including greenhouse gas emissions, population relocation and stakeholder engagement.

Our due diligence processes also require any new coal-fired power plant to have an emissions intensity of less than 0.8t CO₂/MWh. Given the proposed power plants were likely to exceed this threshold, we did not proceed to finance any of the projects.



CASE STUDY SUPPORTING RENEWABLE ENERGY IN REMOTE COMMUNITIES

We were approached to provide funding to Energy Developments Pty Ltd (EDL), a clean energy company based in Queensland. EDL provides low emission and renewable energy through its network of distributed power generation sites and off-grid energy solutions for remote mine sites, towns and communities not connected to a regional electricity grid.

EDL is developing a renewable energy generation project in the remote town of Coober Pedy in South Australia.

The Coober Pedy Renewable Hybrid project will supply reliable and secure energy to the town. Power will be supplied through a combination of wind, solar, battery and other technologies, integrating approximately 70% renewable energy with the existing diesel power supply. Diesel usage will decline by approximately 70%, with an estimated 130,000 tonnes reduction in greenhouse gas emissions over the life of the project. The project provides opportunities for local job creation, community investment and a more reliable and secure energy supply.

ANZ is funding the company's existing operations as well as this new project, which is also receiving funding support from the Australian Renewable Energy Agency. During the credit approval process, EDL's projects were assessed against ANZ's Energy policy and screening tools to ensure best practice standards and environmental, social and governance elements were considered.

REDUCING THE ENVIRONMENTAL FOOTPRINT OF OUR OPERATIONS

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

We measure and track our environmental impact across the 34 countries in which we operate. This assists us to identify and prioritise areas for continuous improvement in our environmental performance. ANZ meets the requirements of the National Greenhouse and Energy Reporting Act 2007 (Cth) (NGERS), which imposes reporting obligations where energy production, use or greenhouse gas emissions trigger specified thresholds. We also disclose our environmental performance via the CDP. This year we received a CDP climate score of A-.

We are in the second year of our three-year environmental targets, all of which have the objective of reducing the direct impact of our business activities on the environment.⁴⁰

PREMISES ENERGY

Absolute reduction in GHG emissions from premises energy



FY16 Target

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

Commentary

GHG emissions continue to track ahead of forecast, with a 15% reduction against a 2013 baseline. We maintained our carbon neutral status.

Relevant United Nations Sustainable Development Goals



Premises energy is our most significant environmental impact, with energy use in our data centres expected to reach around 35% of our global carbon footprint by 2017.

Annual emissions from the energy we use in our Australian and New Zealand building portfolio has reduced by more than 19% over the last five years. This reduction has been achieved in spite of significant business growth over the same time period.

There has also been a marked shift in where our energy is used. At the end of September 2011, ANZ's Australia and New Zealand energy-related emissions profile was split across the commercial, retail (ie. branch network) and data centre building stock as 43%, 25% and 32% respectively. Comparing this to our current profile, data centres are now responsible for 39% of energy usage while commercial offices have reduced to 30% and retail remains relatively stable.

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

This is partly attributable to the consolidation of our building portfolio in response to changing business needs and ANZ's promotion of flexible working practices.

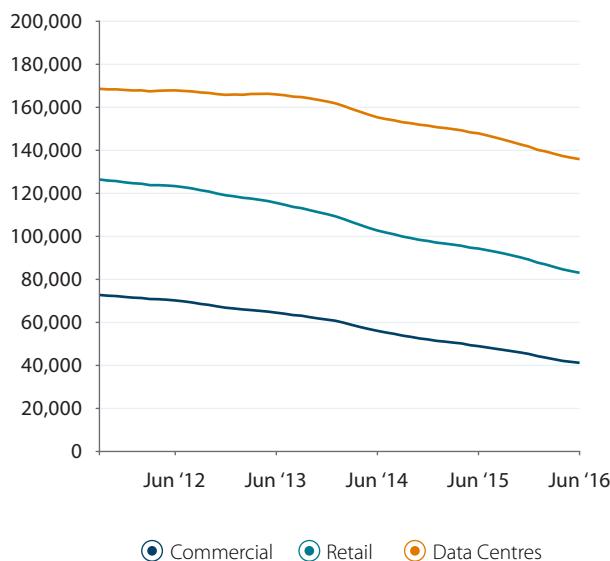
We remain focused on improving the energy efficiency of our building portfolio and shifting to low carbon energy sources. This includes the commissioning of a tri-generation plant at our Melbourne headquarters that generates around 20% of the building's energy needs and has reduced our reliance on carbon-intensive grid electricity.

The key challenge ahead is to contain the growth in energy use at our data centres and to continue to shift to lower carbon sources of energy to power our building portfolio.

40. All environment targets are group-wide three-year targets (2015–17) unless otherwise stated. Environmental reporting year 1 July–30 June in line with Australian regulatory reporting year.

BUILDING ENERGY EMISSIONS (SCOPE 1 & 2) – AUSTRALIA AND NEW ZEALAND

Emissions (t CO₂-e)



PAPER CONSUMPTION

Reduce paper consumption

→ FY16 Target

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

Commentary

We are on track to meet our paper reduction target, with a 22% decrease across Australia and New Zealand against a 2013 baseline.

Relevant United Nations Sustainable Development Goal



We continue to decrease paper consumption as more of our customers elect to receive electronic communications and online banking. The 22% reduction in paper consumption is equivalent to more than 433,000 reams of A4 paper — enough to fill 60% of an Olympic-sized swimming pool.

WASTE MANAGEMENT

Expand the number of recycling programs

→ FY16 Target

Expand the number of recycling programs across material commercial offices and establish a waste baseline by 2017.

Commentary

We have established a waste baseline which categorises material sources of waste across our material offices. A new waste management provider has been engaged in Australia to assess commercial sites and recommend how to increase recycling programs.

Relevant United Nations Sustainable Development Goal



Our most significant sources of waste have been identified to establish ANZ's waste baseline — namely, electronic waste, aged furniture, waste to landfill, comingle, paper and document destruction. With the commissioning of a new waste services provider, we will identify and implement additional waste diversion and recycling programs targeted at these waste streams across material commercial sites (>500 desks) and our retail branches. This work is anticipated to enhance the existing waste sorting and recycling programs across our key commercial offices.

WATER CONSERVATION

Apply Eco-Efficient Design Standards

→ FY16 Target

Apply Eco-Efficient Design Standards to Improve Water Efficiency in our Material Branches and Offices.

Commentary

Water conservation efforts continued this year with sustainable design standards to improve water efficiency applied where possible in both our commercial and retail portfolios.

Relevant United Nations Sustainable Development Goal



CLIMATE CHANGE RESILIENCE

As part of the development of a weather and natural disaster property resilience strategy

→ FY16 Target

As part of the development of a weather and natural disaster property resilience strategy, produce guidance for higher impact locations to inform decision-making on property fit-out.

Commentary

The report commissioned by ANZ in 2015, whereby the physical locations of our built assets were overlaid with weather data sets capturing sea level rise, cyclone and precipitation increases, is informing decision-making associated with site selection/relocation, capital upgrades and insurance negotiations.

Relevant United Nations Sustainable Development Goals



By considering resilience in the planning and operation of our physical assets, ANZ can better prepare for extreme weather events, with types of materials specified and methods of construction, to ensure a faster return to operations for our customers. This is particularly important to provide access to funds for people seeking to purchase food, clothing and supplies essential for recovery.

TRAVEL

Develop a baseline in 2016

✓ FY16 Target

Develop a baseline in 2016 to measure the impact of improved use of technology to reduce and mitigate the need to travel and reduce associated emission levels.

Commentary

This is a one year target, which has been met.

Relevant United Nations Sustainable Development Goal



We track emissions associated with our air travel, fleet, car rentals and business travel undertaken in personal vehicles. Travel is our second most material GHG impact after electricity use. We have introduced more efficient fleet vehicles wherever possible. Staff travel decreased during the year, achieving more than a 27% reduction in associated costs and a 28% reduction in emissions.

During 2016 we analysed flight and technology data, establishing a measurement baseline for the most frequently used short and long-haul travel paths. An action plan to communicate the advantages of video conferencing (including reduced business costs and emissions) versus travel will be undertaken in 2017.



CASE STUDY CARBON NEUTRALITY

As part of our commitment to carbon neutrality, we support carbon abatement projects that assist communities in the markets in which we operate.

This year we supported the Ceramic Water Purifier Project in Laos as part of the bank's ongoing carbon neutral commitment. ANZ is the sole buyer of carbon offsets generated by this project, which uses locally manufactured ceramic filters to remove bacteria, parasites and suspended solids from drinking water. Some households have been able to save around 20% of their monthly budget as a result of no longer requiring bottled water, fuel to boil water, or medicines to treat illnesses caused by drinking unfiltered water.

The distribution of more than 8,000 water filters to Laotian communities has avoided more than 9,000 tonnes of greenhouse gas emissions by removing the need to boil unfiltered water with charcoal or wood — the equivalent of removing more than 2,000 cars from the road for one year.

Above: Ceramic Water Purifier Project in Laos.

SUSTAINABILITY PERFORMANCE SUMMARY 2016

Responsible Business Lending	66
Environment	69
Employees	70
Community	75
Customers	76
Voluntary Tax Transparency	77

RESPONSIBLE BUSINESS LENDING

Group lending profile	2016	2015	2014
Total group EAD (\$B) ⁴¹	894.7	897.7	795.9
Exposure at default (EAD) as a % of group total⁴¹	2016	2015	2014
Consumer lending	40.6%	38.6%	39.5%
Finance, Investment and Insurance	17.4%	18.8%	17.6%
Property Services	6.8%	6.6%	6.9%
Manufacturing	5.2%	6.3%	6.3%
Agriculture, Forestry, Fishing	3.9%	3.7%	3.9%
Government and Official Institutions	6.2%	4.6%	4.0%
Wholesale Trade	3.1%	3.9%	4.0%
Retail Trade	2.4%	2.6%	2.7%
Transport & Storage	2.2%	2.3%	2.3%
Business Services	1.7%	1.9%	1.9%
Resources (Mining)	1.8%	2.2%	2.2%
Electricity, Gas and Water Supply	1.3%	1.4%	1.6%
Construction	1.4%	1.6%	1.7%
Other	6.0%	5.5%	5.5%
Group Resources (mining) exposure by sector (\$B)	2016	2015	2014
Oil and Gas Extraction	7.8	8.6	6.8
Metal Ore Mining	4.0	4.9	4.0
Coal Mining	1.5	2.3	2.7
Services to Mining	1.7	2.9	3.1
Other Mining	1.1	1.3	1.0
Total	16.1	20.0	17.6

41. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel classes and manual adjustments. Data provided is as at Sep 16 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Note that APS330 disclosure is reported on a Post CRM basis from 30 June 2016.

Group Electricity, Gas and Water Supply exposures by sector (\$B)	2016	2015	2014
Electricity Generation	5.4	5.6	5.6
Electricity Transmission	1.9	1.9	1.7
Gas Supply	1.8	1.8	1.8
Electricity Distribution and Supply	1.4	1.7	2.6
Water Supply	0.9	1.7	0.9
Sewerage and Drainage Services	0.1	0.1	0.5
Total	11.5	12.8	13.1

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

Average emission intensity of generation financed (tonnes CO₂-e per megawatt hour of electricity generated)⁴²	2016	2015	2014
Australia	0.62	0.64	0.77
Outside Australia	0.16	0.20	0.25

Project finance portfolio	2016	2015	2014
Renewables	63%	60%	44%
Coal	19%	18%	33%
Gas	18%	22%	23%
Project finance commitment to renewable energy⁴³ (\$M)	2016	2015	2014
Renewables	875	881	835
Equator principles	Category A⁴⁴	Category B⁴⁵	Category C⁴⁶
	2	1	
By sector			
Natural Resources	2		
Infrastructure		1	
Power & Utilities			
Diversified			
By region			
Australia and New Zealand		1	
Asia	2		
Europe, Middle East & Africa			
Americas			
By country designation⁴⁷			
Designated		1	
Non-designated	2		
Independent review⁴⁸			
Yes	2	1	
No			

43. Refers to ANZ's lending commitments as at 30 September 2016 to renewable energy projects made only on a non or limited recourse basis to the ultimate sponsors. This figure does not include ANZ lending made to renewable energy projects that may be funded under corporate debt facilities or through other lending products.
44. Category A: Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.
45. Category B: Projects with potential limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
46. Category C: Projects with minimal or no social or environmental impacts.
47. Designated Countries are defined by the Equator Principles as "those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment." The list of Designated Countries can be found on <http://equator-principles.com/>
48. An independent review may not be required for all Projects eg. an Independent Review is not required for Category C Projects. Please refer to the Equator Principles for details on what is required for each Category and product type.

ENVIRONMENT

GHG emissions scope 1 & 2 (tonnes CO₂-e)^{49,50,51}	2016	2015	2014	2013	2012
Australia	136,751	147,499	154,922	163,206	163,912
New Zealand	7,910	9,189	10,008	11,955	13,363
Asia Pacific, Europe and America	48,908	52,843	47,347	44,984	44,826
Scope 1 & 2 GHG emissions (tonnes CO₂-e)	193,569	209,531	212,277	220,145	222,101

GHG emissions scope 1, 2 & 3 (tonnes CO₂-e)	2016	2015	2014	2013	2012
Scope 1					
Premises Energy	3,688	3,618	3,981	3,603	4,018
Vehicle transport	17,290	18,920	13,478	12,297	12,410
Other ⁵²	144	150	152	138	—
Scope 2					
Premises Energy	172,447	186,844	194,666	204,108	205,462
Scope 3					
Premises Energy	34,812	38,678	43,562	43,306	37,757
Vehicle Transport	3,035	3,716	4,472	4,266	4,506
Travel — Flights & Accommodation	38,886	53,268	54,688	53,079	46,883
Employee Commuting ⁵³	22,437	22,888	NA	NA	NA
Paper	4,270	4,930	5,854	6,160	6,544
Waste	2,215	2,073	1,967	2,189	2,433
Total global GHG emissions (tonnes CO₂-e)	299,224	335,085	322,820	329,146	320,013

Premises energy use (global)	2016	2015	2014	2013	2012
Electricity (MWh)	236,144	243,228	260,713	261,807	257,529
Natural Gas (MWh)	16,650	17,350	18,128	17,117	14,428
Diesel (MWh)	2,308	1,589	1,133	1,423	985
Total (MWh)	255,102	262,167	279,974	280,347	272,942

49. In 2013 we changed our environmental reporting year to 1 July–30 June to align to environmental regulatory reporting requirements. Prior years' data is reported in the previous 1 October–30 September year.
50. Incorporates Scope 2 emissions calculated in accordance with the 'location-based' method as outlined in the 'GHG Protocol Scope 2 Guidance' that amends the GHG Protocol Corporate Standard. When applying the 'market-based' method to calculate ANZ's Scope 2 emissions, the combined Scope 1 and 2 emissions for Australia in 2016 are 100,429 tonnes. There are no changes to the reported figures for ANZ's New Zealand and APE&A operations.
51. From 2013 onwards we have included India in our reported emissions from Asia Pacific, Europe and America. Comparative information has been restated for FY13.
52. Indicates estimated emissions arising from the operation of a black water treatment plant at ANZ's Global Headquarters in Melbourne, Australia.
53. Represents employee commuting emissions from staff working in key commercial office locations in Australia and New Zealand. This was calculated and externally assured for the first time in 2015.

Road transport energy use (global)	2016	2015	2014	2013	2012
Vehicle Fuel (MWh)	67,741	66,251	52,909	49,683	50,791
Paper use (Australia & New Zealand)	2016	2015	2014	2013	2012
Office Paper (tonnes)	876	988	1,055	1,149	1,207
Customer Paper (tonnes)	3,009	3,274	3,705	3,805	3,809
Total (tonnes)	3,885	4,262	4,760	4,954	5,016
Waste (Australia & New Zealand)	2016	2015	2014	2013	2012
Waste to landfill (tonnes)	1,099	1,183	1,199	1,310	1,417

EMPLOYEES⁵⁴

EMPLOYEE PROFILE

Employee headcount	2016	2015	2014
Group total	49,349	51,823	50,824

Employees by contract type and gender	2016			2015			2014		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Permanent									
Full time	20,261	21,522	41,783	20,866	22,258	43,124	19,744	21,108	40,852
Part time	5,288	665	5,953	5,317	626	5,943	5,313	657	5,970
Fixed term									
Full time	301	436	737	701	939	1,640	1,251	1,383	2,634
Part time	100	20	120	253	44	297	451	45	496
Casual	595	161	756	640	179	819	650	222	872
Total	26,545	22,804	49,349	27,777	24,046	51,823	27,409	23,415	50,824

Employees by gender and region	2016			2015			2014		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Asia Pacific	6,934	5,202	12,136	7,628	5,880	13,508	9,325	9,429	18,754
Australia	12,154	9,913	22,067	12,521	10,275	22,796	12,704	10,144	22,848
New Zealand	5,075	3,517	8,592	5,263	3,565	8,828	5,241	3,545	8,786
EAMEI ⁵⁵	2,382	4,172	6,554	2,365	4,326	6,691	139	297	436
Total	26,545	22,804	49,349	27,777	24,046	51,823	27,409	23,415	50,824

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

55. Europe, America, Middle East and India.

Employee new hires by gender, age and region	2016		2015		2014	
	Number	Rate (% of total employees)	Number	Rate (% of total employees)	Number	Rate (% of total employees)
Employee new hires by gender						
Female	3,420	6.9%	4,591	8.9%	4,643	9.1%
Male	2,973	6.0%	4,526	8.7%	4,711	9.3%
Total	6,393	13.0%	9,117	17.6%	9,354	18.4%
Employee new hires by age						
<20	114	0.2%	99	0.2%	145	0.3%
20–24	1,302	2.6%	1,651	3.2%	1,919	3.8%
25–34	3,299	6.7%	4,581	8.8%	4,712	9.3%
35–44	1,231	2.5%	2,014	3.9%	1,833	3.6%
45–54	353	0.7%	637	1.2%	608	1.2%
55–65	88	0.2%	131	0.3%	130	0.3%
>65	6	0.0%	4	0.0%	7	0.0%
Total	6,393	13.0%	9,117	17.6%	9,354	18.4%
Employee new hires by region						
Asia Pacific	1,617	3.3%	3,317	6.4%	4,940	9.7%
Australia	2,533	5.1%	3,026	5.8%	3,039	6.0%
New Zealand	1,035	2.1%	1,276	2.5%	1,289	2.5%
EAMEI	1,208	2.4%	1,498	2.9%	86	0.2%
Total	6,393	13.0%	9,117	17.6%	9,354	18.4%
Turnover						
Voluntary turnover	6,870		7,293		6,707	
Involuntary turnover	2,084		1,597		2,221	
Total	8,954		8,890		8,928	
Rate	18.1%		17.2%		17.6%	

Employee turnover by gender, age and region	2016		2015		2014	
	Number	Rate (% of employee category)	Number	Rate (% of employee category)	Number	Rate (% of employee category)
Employee turnover by gender						
Female	4,783	18.0%	4,671	16.8%	4,949	18.1%
Male	4,171	18.3%	4,219	17.5%	3,979	17.0%
Total	8,954	18.1%	8,890	17.2%	8,928	17.6%
Employee turnover by age						
<20	80	58.0%	42	30.4%	33	17.6%
20–24	1,123	36.4%	1,009	27.4%	969	24.6%
25–34	3,978	19.9%	4,101	19.0%	4,067	19.0%
35–44	2,135	14.7%	2,234	15.3%	2,070	15.0%
45–54	1,004	12.8%	924	11.4%	1,059	13.4%
55–65	560	16.3%	476	13.7%	581	17.3%
>65	74	24.3%	104	39.7%	149	62.3%
Total	8,954	18.1%	8,890	17.2%	8,928	17.6%
Employee turnover by region						
Asia Pacific	2,991	24.6%	3,162	23.4%	3,701	19.7%
Australia	3,407	15.4%	3,169	13.9%	3,599	15.8%
New Zealand	1,318	15.3%	1,259	14.3%	1,556	17.7%
EAMEI	1,238	18.9%	1,300	19.4%	72	16.5%
Total	8,954	18.1%	8,890	17.2%	8,928	17.6%

DIVERSITY AND INCLUSION

Women in management	2016	2015	2014
Total women in management (%)	41.5	40.4	39.2

Employees by category and diversity	2016		2015		2014	
	Female	Male	Female	Male	Female	Male
Employees by category and gender						
CEO-1: ANZ Executive Committee	27.3%	72.7%	18.2%	81.8%	18.2%	81.8%
CEO-2 Senior Executives ⁵⁶	26.4%	73.6%	25.8%	74.2%	25.2%	74.8%
CEO-3: Executive ⁵⁷	25.5%	74.5%	23.6%	76.4%	22.0%	78.0%
Senior Manager ⁵⁸	31.5%	68.5%	31.7%	68.3%	30.2%	69.8%
Manager ⁵⁹	43.3%	56.7%	42.2%	57.8%	41.1%	58.9%
Total in Management roles⁶⁰	41.5%	58.5%	40.4%	59.6%	39.2%	60.8%
Non-management ⁶¹	62.9%	37.1%	62.9%	37.1%	64.2%	35.8%
ANZ overall	53.8%	46.2%	53.6%	46.4%	54.2%	45.8%

Employees by category and age (% of total employees 2016)	<20	20–24	25–34	35–44	45–54	55–64	>65
CEO-1: ANZ Executive Committee	0.0%	0.0%	0.0%	18.2%	54.5%	27.3%	0.0%
CEO-2 Senior Executives ⁵⁶	0.0%	0.0%	0.0%	14.0%	64.3%	20.9%	0.8%
CEO-3: Executive ⁵⁷	0.0%	0.0%	0.8%	38.2%	50.6%	10.4%	0.0%
Senior Manager ⁵⁸	0.0%	0.0%	4.6%	50.9%	36.6%	7.5%	0.4%
Manager ⁵⁹	0.0%	0.3%	32.0%	41.6%	19.2%	6.5%	0.4%
Non-management ⁶¹	0.5%	10.6%	49.4%	20.2%	11.5%	7.1%	0.8%
ANZ overall	0.3%	6.2%	40.6%	29.4%	15.9%	7.0%	0.6%

Recruitment of under-represented groups	2016	2015	2014
Aboriginal and Torres Strait Islander peoples	87	108	141
People with a (self-disclosed) disability	216	127	86
Refugees	33	28	26
Total	336	263	253

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

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

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

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

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

61. Non-management comprises persons holding roles within ANZ designated as Group 5 and 6.

Parental leave⁶²	2016		
	Female	Male	Total
Employees who took parental leave during the year	1125	505	1,630
Employees returning to work after parental leave during the year	941	481	1,422
Parental leave return to work rate	89%	98%	92%
Employees who returned to work after parental leave and were still employed 12 months after return	757	332	1,089
Parental leave retention rate 12 months after return	78%	86%	80%

TRAINING⁶³

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

Average hours of training by gender	2016	2015
Female	20.4	26.5
Male	18.4	20.6

Investment in learning and development	2016	2015	2014
Investment in learning and development (\$M) ⁶⁴	50.8	58.7 ⁶⁵	46.3

EMPLOYEE CONDUCT

Code of conduct and ethics	2016	2015	2014
Code of conduct breaches	1,408	1,629	1,718
Whistleblowing reports	71	72	80

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

63. ANZ's Learning Management System (The EDGE) is used to capture formal learning. Average training hours is calculated as the total training hours captured in The EDGE divided by employee headcount as at 30 September. The EDGE captures online, instructor-led, blended and compliance training. It does not include all courses conducted by external providers or any informal learning.

64. From 2015 this includes learning and development cost base (ie. salary and on-costs of employees within learning and development cost centre).

65. 2015 investment has been restated to include learning and development cost base from all ANZ locations.

HEALTH & SAFETY

Lost time injury frequency rate⁶⁶	2016	2015	2014
Australia	1.4	1.6	2.0
– Australia ⁶⁷	0.9	1.0	1.0
New Zealand	1.1	1.5	1.8
APEA	0.7	0.6	0.9
India	0.2	0.3	0.1

Absenteeism rate⁶⁸	2016	2015
Australia (%)	2.0%	1.9%
New Zealand (%)	1.5%	1.6%
India (%) ⁶⁹	1.9%	–

REMUNERATION

Female to male salary ratios⁷⁰	2016	2015
Executive	1:1.06	1:1.08
Management	1:1.02	1:1.02
Non-management	1:0.98	1:0.98

EMPLOYEE ENGAGEMENT

	2016	2015	2014
Employee engagement survey results (%)	74	76	73

COMMUNITY

Giving & volunteering	2016	2015	2014
Volunteer hours	113,071	108,142	101,801
Community Investment (\$M)	89.8	74.8	75.6

Financial inclusion programs	2016	2015	2014
MoneyMinded — estimated number of people reached	>60,900	>67,000	>54,000
Saver Plus — number of people reached	4,649	2,826	5,461

66. Lost Time Injury Frequency Rate (LTIFR), the number of lost time injuries per million hours worked.

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

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

69. Commenced reporting externally in 2016.

70. Based on FY15 compensation due to timing of Group remuneration review. Based on weighted average salary. Australia only. Excludes casuals and trainees/interns.

CUSTOMERS

CUSTOMER SATISFACTION

Retail customer satisfaction	2016	2015	2014
Australia ⁷¹ (%)	81.3	82.1	82.6
New Zealand ⁷² (%)	89	89	85

Institutional relationship strength index ranking ⁷³	2016	2015	2014
Australia	1	1	1
New Zealand	1	1	1

Customer complaints	2016	2015	2014
Retail and Commercial Australia	51,771	47,140	57,776
Wealth Australia ⁷⁴	20,896	21,405	–
Retail and Business Bank New Zealand	18,595	13,283	10,804
Wealth New Zealand	459	567	395

Complaints referred by customers to external dispute resolution bodies	2016	2015	2014
Retail and Commercial Australia ⁷⁵	2,472	2,360	2,303
Wealth Australia ⁷⁴	335	345	–
Retail, Business Bank and Wealth New Zealand	84	98	84

Privacy complaints	2016	2015	2014
Australia	174	205	104
New Zealand	95	69	74

Customer Advocate completed reviews (Australia)	2016	2015	2014
General banking product reviews	1,294	1,032	1,015
Resolved wholly or partially in favour of the customer	52%	58%	51%
Insurance, superannuation and investments reviews	398	401	392
Resolved wholly or partially in favour of the customer	49%	50%	41%

Hardship	2016	2015	2014
Customer requests for hardship assistance (Australia)	49,150	43,385	44,089

71. Roy Morgan Research. Base: MFI Customers, aged 14+, 6 months rolling average.

72. Camorra Research Retail Market Monitor (2016). Base: ANZ main bank customers aged 15+, rolling 6 months moving average to September 2016. Based on responses of excellent, very good and good.

73. Peter Lee Associates. Large Corporate and Institutional Banking Relationship Survey, Australia 2014–16/New Zealand 2014–16.

74. Commenced reporting externally in 2015.

75. Based on volumes reported by FOS.

VOLUNTARY TAX TRANSPARENCY

	A\$M			
	Australia	New Zealand	APEA	Total
Profit before income tax (PBT)⁷⁶ as reported in the financial statements	5,518	1,969	691	8,178
Prima Facie income tax expense based on local statutory tax rate ⁷⁶	1,655	551	202	2,408
Permanent differences				
Share of Associates' profit	(161)	(1)	–	(162)
Write-down of investment in Ambank	78	–	–	78
Wealth Australia — policyholder income and contributions tax	152	–	–	152
Interest on Convertible Instruments	70	–	–	70
Other	15	(1)	(22)	(8)
Income tax expense relating to current year liability	1,809	549	180	2,538
Temporary differences (movement)				
Collective provision for loans and advances	(27)	9	13	(5)
Individual provision for impaired loans and advances	20	–	(1)	19
Other provisions	25	16	(2)	39
Provision for employee entitlements	(4)	1	–	(3)
Software	114	32	(5)	141
Insurance related deferred acquisition costs	(5)	(20)	–	(25)
Lease finance	37	(21)	–	16
Other	26	(19)	20	27
Total temporary differences (movement)⁷⁷	186	(2)	25	209
	1,995	547	205	2,747
Other adjustments impacting current tax payable ⁷⁸	(9)	–	–	(9)
Current year income tax payable	1,986	547	205	2,738
Total income tax expense (ITE)				
Income tax expense relating to current year liability	1,809	549	180	2,538
Prior year adjustments to amounts provided	(21)	(2)	–	(23)
Tax provision no longer required	(66)	(5)	–	(71)
Other	30	(9)	(7)	14
Total income tax expense as reported in the financial statements	1,752	533	173	2,458
Effective tax rate (ITE/PBT)	31.75%	27.07%	25.04%	30.05%
Statutory tax rate⁷⁹	30%/15%/0%	28%	Various	

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

77. Movement in Deferred Taxes reported in the Financial Statements includes other amounts not impacting current income tax payable such as unrealised tax movements on equity reserves and prior year adjustments.

78. Represents estimated tax offsets.

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

EXPLANATORY NOTES

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

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

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

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

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

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

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

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

FINANCED EMISSIONS

Reported figures do not include generation under construction.

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

1. Australian Energy Market Operator (AEMO) for generators connected to the National Electricity Market (NEM) grid and the South West Interconnected System (SWIS) in Western Australia
2. 2014–15 National Greenhouse and Energy Reporting (NGER) data for designated generation facilities (available from Australian Clean Energy Regulator website)
3. estimates by ANZ for remaining generators where there was no data available from the first two sources.

Overall, AEMO and NGER data was available for over 98% of electricity generation from projects financed by ANZ in 2016. The proportion of generation attributable to ANZ finance was based on the ratio of ANZ Class 1 Debt Limits to Total Syndicate Debt.

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

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

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

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

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

Size of 'bubbles' in graph on page 60 equates to ANZ's exposure at default in Australia and New Zealand. The 'bubble' for commercial services is not proportional.

Scope 1 and 2 emissions of ANZSIC sectors based on national emissions data submitted to the United Nations Framework Convention on Climate Change (UNFCCC) by the Australian and New Zealand Governments for the 2014 Calendar Year: http://unfccc.int/national_reports/annex_i_ghg_inventories/national_inventories_submissions/items/9492.php

Australian data is sourced from: ageis.climatechange.gov.au

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

EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel classes and manual adjustments. Data provided is as at Sep 16 on a Post CRM basis, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Note that APS330 disclosure is reported on a Post CRM basis from 30 June 2016.



INDEPENDENT ASSURANCE REPORT TO ANZ BANKING GROUP (ANZ)

Conclusion — ANZ's Corporate Sustainability Review 2016

Based on the procedures performed and evidence obtained, we are not aware of any material amendments that need to be made to the ANZ Corporate Sustainability Review for the year ended 30 September 2016, for it to be in accordance with the GRI G4 Principles for Defining Report Content and Quality.

ABOUT KPMG'S ASSURANCE REPORT

What did KPMG's work involve — scope of work

ANZ Banking Group (ANZ) engaged KPMG to perform a limited assurance engagement in relation to ANZ's Corporate Responsibility Review 2016. The Corporate Sustainability Review 2016 covers ANZ's global operations for the year ended 30 September 2016.

KPMG's scope of work included conducting assurance procedures over all text and data contained in ANZ's Corporate Sustainability Review 2016.

What is limited assurance?

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

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

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

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

Key procedures performed included:

- enquiries of relevant ANZ management and staff to understand ANZ's process for determining corporate sustainability material issues
- interviews with relevant ANZ management and staff concerning ANZ's corporate sustainability framework and policies for corporate sustainability material issues, and the implementation of these across the business

- interviews with relevant staff responsible for developing the content (text and data) within the ANZ Corporate Sustainability Review 2016 to understand the approach for management, monitoring, collation and reporting of such information and the accuracy, completeness and existence of reported text and data within the Corporate Sustainability Review 2016
- comparing text and data (on a sample basis) presented in the ANZ Corporate Sustainability Review 2016 to underlying sources. This included considering whether all material matters had been included, whether any had been excluded and whether the reported text and data was accurately drawn from the underlying information
- reading the ANZ Corporate Sustainability Review 2016 (in its entirety) to ensure it is consistent with KPMG's overall knowledge of, and experience with, the corporate sustainability performance of ANZ
- considering that the appropriate indicators have been reported in accordance with the GRI G4 Comprehensive level of disclosures
- reviewing the application of the disclosures in relation to the Climate Disclosure Standards Board's (CDSB) Statement on fiduciary duty and climate change.

Consideration of other sustainability-related information

Other information considered by KPMG comprises ANZ's corporate sustainability-related information contained in the Corporate Governance Statement, Shareholder Review, and Annual Report, for the year ended 30 September 2016. ANZ is responsible for the other information.

KPMG's opinion on the Corporate Sustainability Review 2016 does not cover the other information and we do not express any form of assurance conclusion with regards to this information.

In connection with our assurance of the Corporate Sustainability Review 2016, our responsibility is to read the other ANZ sustainability-related information and, in doing so, check for consistency with the Corporate Sustainability Review 2016 and the knowledge obtained through our assurance engagement.

RESPONSIBILITIES

ANZ is responsible for the:

- preparation and presentation of the ANZ Corporate Sustainability Review 2016 in accordance with the Global Reporting Initiative (GRI) G4 Principles for Defining Report Content and Quality
- determination of ANZ's GRI level of disclosures in accordance with the GRI Guidelines
- determination that ANZ's environmental information in the Corporate Sustainability Review 2016 is prepared by applying the principles of the CDSB Climate Change Reporting Framework.

KPMG is responsible for:

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

Independence and quality control

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

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

Use of this report

This independent assurance report has been prepared for ANZ. KPMG disclaims any assumption of responsibility for any reliance on this report, or the ANZ Corporate Sustainability Review 2016 to which it relates, to any person other than ANZ, or for any purpose other than that for which it was prepared.

KPMG
Melbourne
1 December 2016

FEEDBACK

To provide feedback on our sustainability performance or for any queries about our sustainability reporting, please contact us at corporate.sustainability@anz.com



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM





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