

WHAT'S THE DIFFERENCE? CORPORATE RESPONSIBILITY REPORT 2007



INTRODUCTION

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

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

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

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

ABOUT THIS PUBLICATION

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

This Report complements our [summary report](#) and covers our Australian, New Zealand and Asia Pacific banking operations for the year to 30 September 2007.

We have used the [Global Reporting Initiative G3 guidelines](#) and the finance sector social and environmental supplement as a reference in the preparation of these publications.

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

Chairman's message	4
CEO's message	5
2007 Performance summary	6
Profile	11
Corporate responsibility governance	14

Stakeholder engagement	18
Section 1 People	19
Section 2 Customers	34
Section 3 Community	54
Section 4 Environment and supply chain	73

New Zealand	85
Asia Pacific	92
Our performance	95
Recognition	97
Assurance	98
More information & Contacts	103

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

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

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

MICHAEL SMITH, CHIEF EXECUTIVE OFFICER

CHAIRMAN'S MESSAGE

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



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

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

We have continued to focus on the needs of our customers and our retail [customer satisfaction](#) score remains high.

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

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

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

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

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

A handwritten signature in black ink that reads "Charles Goode". The signature is written in a cursive, flowing style.

CHARLES GOODE
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S MESSAGE

Leading a responsible business is personally important to me.

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

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

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

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

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

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

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

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

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

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



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

MICHAEL SMITH
CHIEF EXECUTIVE OFFICER

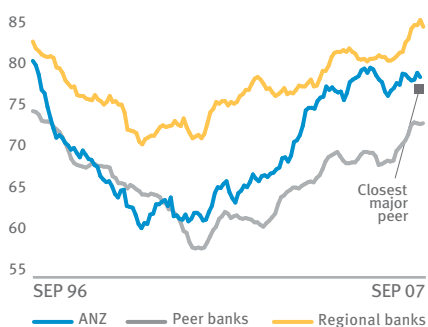


PUTTING OUR CUSTOMERS FIRST

2007 Performance summary

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

CUSTOMER SATISFACTION %



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

2008 GOALS

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



CREATING VALUE FOR OUR SHAREHOLDERS

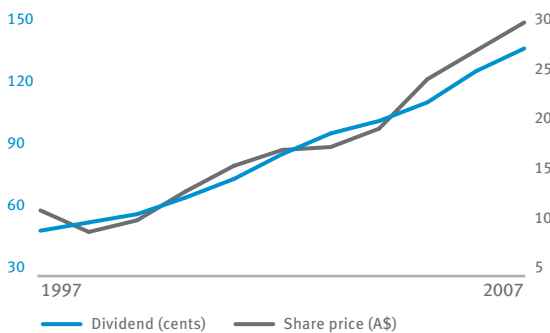
2007 Performance summary

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

IMPROVING OUR GOVERNANCE

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

SHARE PRICE AND DIVIDEND PERFORMANCE BY YEAR



2008 GOALS

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

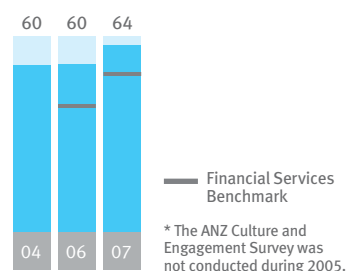


LEADING AND INSPIRING OUR PEOPLE

2007 Performance summary

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

ANZ EMPLOYEE ENGAGEMENT*



2008 GOALS

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



EARNING COMMUNITY TRUST

2007 Performance summary

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

ANZ'S COMMUNITY INVESTMENT

Types of Contributions

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

* According to London Benchmarking Group methodology.

2008 GOALS

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



MANAGING OUR ENVIRONMENTAL IMPACT AND SUPPLY CHAIN

2007 Performance summary

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

PERFORMANCE AGAINST TWO-YEAR GOALS

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

2008 GOALS

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

PROFILE

ABOUT ANZ

ANZ is one of the five largest and most successful companies in Australia, the leading bank and largest company in New Zealand, the leading bank in the South Pacific and Australia's leading bank in Asia. ANZ shares and related securities are listed on the Australian and New Zealand exchanges.

Our businesses serve more than five million customers and we employ more than 37,000 people. We are represented in our primary markets of Australia and New Zealand, as well as Asia, the Pacific, the United Kingdom, Europe and the United States.

[Our history](#) dates back to 1835, and the values we live by today are helping to build a strong future for [our business, shareholders, staff, customers and communities](#). We also make every effort to achieve and maintain the highest standards of [corporate governance](#) and [continuous disclosure](#) obligations to our shareholders.

REGULATION

ANZ is authorised to operate as a bank by the Australian Prudential Regulatory Authority (APRA), the Australian prudential regulator responsible for maintaining the stability and safety of the Australian financial system.

ANZ holds an Australian Financial Services Licence, issued by the Australian Securities and Investments Commission (ASIC), which carries minimum standards relating to disclosure, advice and adviser training. As the financial services regulator, ASIC licenses and monitors financial services businesses to ensure that they operate efficiently, honestly and fairly.

ANZ is also subject to oversight by the Australian Transaction Reporting and Analysis Centre (AUSTRAC), Australia's anti-money laundering and counter-terrorism financing regulator and financial intelligence unit.

Australian competition laws are administered by the Australian Competition and Consumer Commission and ANZ is also subject to regulation under State law in relation to consumer lending and fair trading.

ANZ National Bank Limited operates under Conditions of Registration set by the Reserve Bank of New Zealand (RBNZ), which has a supervisory function to encourage the soundness and efficiency of the financial system as a whole.

ANZ National is subject to competition laws contained in the Commerce Act which is administered by the Commerce Commission, as well as legislation regulating consumer lending and fair trading.

BUSINESS STRATEGY AND STRUCTURE

ANZ operates a series of specialist businesses in key segments: Personal, Institutional, Wealth Management and Private Bank, and its major geographic businesses in New Zealand and Asia Pacific.

ANZ's future focus will be on sharpening our performance in the intensely competitive markets of Australian and New Zealand while building on the growth opportunities in Asia.

PERSONAL

[ANZ's Personal Division](#) comprises the retail branch network, Regional, Rural and Small Business Banking, Banking Products, Mortgages, Consumer Finance, Investments and Insurance and Esanda.

It is Australia's second largest retail bank (Roy Morgan Research – Traditional Banking Products 12-month average to June 2007) with approximately 19% market share. ANZ has approximately 14% market share in mortgages (APRA statistics September 2007), 20% in credit cards (APRA statistics September 2007) and 13% household deposits (APRA statistics September 2007 and ANZ Banking Products Cash Management Trust account research).

INSTITUTIONAL

[ANZ Institutional](#) encompasses businesses providing a full range of financial services to ANZ's corporate and institutional customers across the globe. Its businesses include Working Capital Solutions, Markets, Corporate and Structured Financing, Business Banking, and Financial Institutions.

ANZ Institutional Division in Australia and New Zealand holds the [No 1 lead Relationship bank](#) status (Peter Lee Associates, 2007) with 37% lead customer market penetration.

PROFILE CONTINUED

NEW ZEALAND

Our [New Zealand](#) business is conducted across similar business units to Australia, encompassing Retail Banking, Mortgages, Consumer Finance, Private Bank, Rural, Small Business Banking, Corporate and Commercial, UDC (a finance company) and Central business units.

ANZ National Bank Limited has approximately 35% of total customer market share, and is the leading player in most market segments of the New Zealand banking market.

ASIA PACIFIC

Asia Pacific is a newly created Division covering ANZ's representation in the Asian region including Greater China, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Thailand and Vietnam and retail networks in 12 countries across the Pacific region. The International Partnerships business in this Division is responsible for developing new and existing partnerships with local banks across Asia.

ANZ has strong market share in the major Pacific retail markets of Fiji (44%), Papua New Guinea (37%), Vanuatu (51%) and Samoa (50%).

PRIVATE BANK

[Private Bank](#) manages the top one per cent of ANZ's individual client base, specialising in providing clients with a complete range of financial solutions.

ING AUSTRALIA

ANZ has a joint venture with ING Group which provides integrated manufacture and distribution of wealth creation, management and protection products and services.

- Australia**
- New Zealand**
- Asia**
 - Cambodia
 - Hong Kong
 - Japan
 - Laos
 - Philippines
 - Taiwan
 - Vietnam
 - China
 - Indonesia
 - Korea
 - Malaysia
 - Singapore
 - Thailand
- Pacific**
 - American Samoa
 - Cook Islands
 - East Timor
 - Fiji
 - Guam
 - Kiribati
 - New Caledonia
 - Papua New Guinea
 - Samoa
 - Solomon Islands
 - Tonga
 - Vanuatu
- India**
- Europe**
- United Kingdom**
- United States of America**



PROFILE CONTINUED

ECONOMIC PROFILE

This year has seen another solid financial performance from ANZ. Our [profit](#) was up 13% to a new record of \$4,180 million, and we increased our 2007 [dividend](#) by 9% to 136 cents per share.

However, the economic contribution we make to society is more than financial profits. We create jobs, pay salaries and invest in the skills of our people. We also pay taxes in the countries where we operate, support business in our supply chain and provide products that satisfy the needs of our customers.

Economic value generated and distributed (EVG&D), as defined in the [Global Reporting Initiative's Sustainability Guidelines \(G3\)](#), provides a basic indication of how an organisation has created wealth for stakeholders.

ANZ's EVG&D information is derived from our audited financial statements and community investment figures calculated using the [London Benchmarking Group](#) methodology.

In 2007, direct economic value generated was \$30,293 million and total economic value distributed was \$27,957 million.

ECONOMIC VALUE GENERATED AND DISTRIBUTED (2007)	
COMPONENTS	\$M
Direct economic value generated: Revenues	30,293
Total direct economic value generated:	30,293
Economic value distributed:	
Operating costs	1,962
Employee wages and benefits	2,991
Payments to providers of capital	21,308
Payments to government	1,678
Community investments	18
Total economic value distributed:	27,957
Economic value retained/reinvested:	2,336

TOTAL TAX CONTRIBUTION

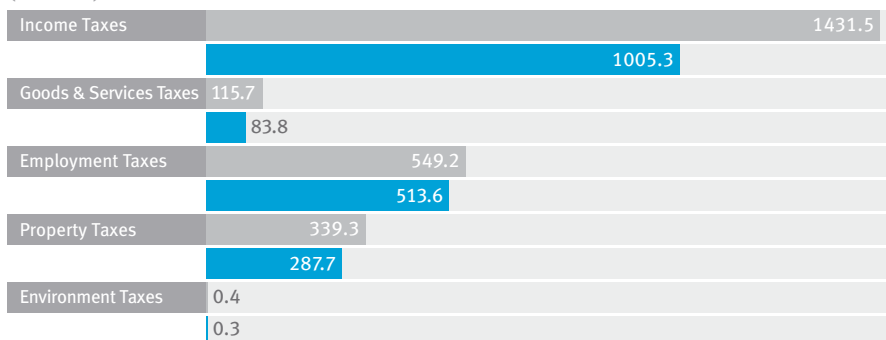
In 2006, ANZ participated in a Total Tax Contribution Survey in conjunction with the Business Council of Australia and the Corporate Tax Association. The Survey provided a framework to enable the collection and publication of information based on taxes paid and taxes collected.

ANZ has used this framework to communicate our economic tax contribution, manage tax-operating risk and optimise our tax strategy to create shareholder value. Further, a disclosure of this kind supports our tax strategy, being to maintain a low-risk tax appetite and a transparent tax culture.

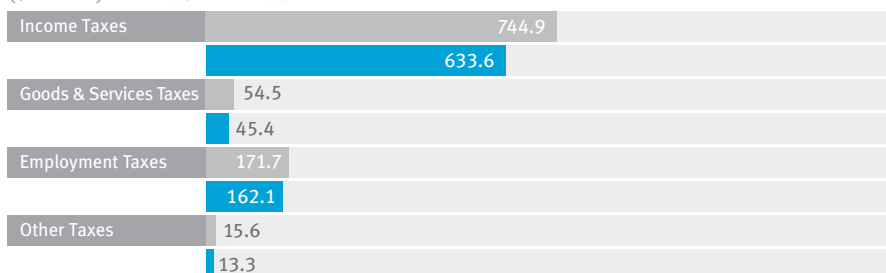
During 2007, taxes borne in Australia amounted to more than \$1.6 billion, with income tax and GST combining to contribute 92% of this amount. In New Zealand, taxes borne totalled \$350 million, with income tax and GST contributing 97% of this amount.

Taxes collected in Australia amounted to \$825 million with more than half relating to employee PAYG. New Zealand's taxes collected figure was \$608 million with resident withholding tax and employee PAYG making up 94% of the total.

AUSTRALIAN TAXES BORNE AND COLLECTED BY CATEGORY¹



NEW ZEALAND TAXES BORNE AND COLLECTED BY CATEGORY¹



¹ Note taxes borne and collected have not been audited. Withholding tax amounts collected and remitted by ANZ in its capacity as a nominee for a number of investments are not included. Definitions of all taxes are available at www.anz.com/cr2007

CORPORATE RESPONSIBILITY GOVERNANCE

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

LEADERSHIP

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

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

Following considerable work by management to address the issues identified in the review, the Board announced its support for the Guidelines as a framework for our [Group-wide](#)

[approach to human rights](#) and [responsible business management](#).

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

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

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

Additional forums also exist to drive specific issues, for example the [Diversity Council](#), [Occupational Health and Safety Committee](#), and [Disability Action Plan Committee](#).

DEVELOPING OUR APPROACH

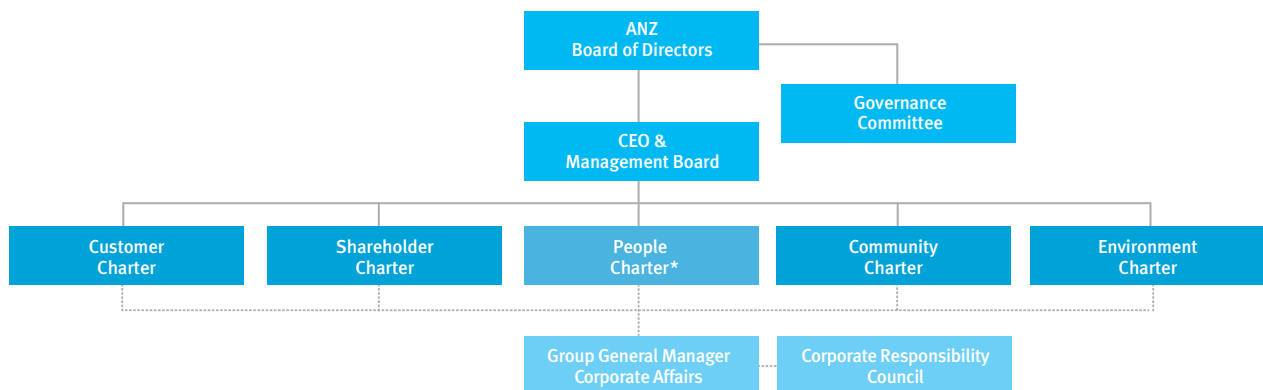
ANZ's Corporate Responsibility Charters guide our approach and are supported by specific policies and initiatives. We continue to review and develop the charters to reflect what our stakeholders, including our [employees](#) and [customers](#), consider should be distinctive to ANZ's approach and their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

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

Other significant policy developments in 2007 included:

- The release of [ANZ's Reconciliation Action Plan](#), the first of any major corporate in Australia. This plan aims to assist Indigenous inclusion through employment, financial literacy, cultural recognition and awareness, and capacity building. It includes the most significant Indigenous employment targets of any major Australian company.
- The release of [ANZ's Disability Action Plan](#). This Plan sets out the steps we will take to ensure our workplace welcomes and supports people with a disability and that our products and services are inclusive and accessible to everyone.

ANZ'S ORGANISATIONAL AND STRATEGIC APPROACH TO CORPORATE RESPONSIBILITY



* The People Charter will be launched in 2008

CORPORATE RESPONSIBILITY GOVERNANCE CONTINUED

- The review of ANZ's Global Anti-Bribery Policy to align it with Australian and overseas requirements. This Policy prohibits the involvement of ANZ staff globally in bribery and will be implemented in 2008.
- A Group-wide project to implement the new Australian Anti-Money Laundering and Counter Terrorism Financing Act. A new Correspondent Banking Due Diligence Policy was implemented during 2007 and an updated Group Anti-Money Laundering Policy and training program has been developed.
- The adoption of the [Equator Principles](#) to apply consistent best practice social and environmental standards to our consideration of project finance transactions.
- The development of our new [Forests Policy](#), the first in a series of sector-specific policies designed to provide greater consistency in the integration of social and environmental factors in our lending decisions to major corporates.

CODES OF CONDUCT

Three codes of ethical conduct help ensure we are responsible, trustworthy and law-abiding:

- [ANZ Directors' Code of Conduct](#) guides directors in pursuing the highest ethical standards in the interests of shareholders, our people, customers and the communities in which ANZ operates.
- [ANZ Employee Code of Conduct](#) sets out the ethical standards and principles to guide the conduct of all ANZ people. It seeks to create an environment where our people can excel regardless of race, religion, age, disability or gender.
- [ANZ Code of Conduct for Financial Officers](#) guides the Chief Financial Officer and financial staff in their everyday dealings.

An online course helps ensure our business standards and Code of Conduct are understood by our people. Almost 9,000 employees completed this course in 2007. We also ask all employees to complete a Code of Conduct Declaration course every two years to confirm they understand and agree to abide by the principles set out in the Code. More than 8,000 employees completed this course this year.

In addition to ANZ's compulsory Code of Conduct course, we have issue-specific training for employees on topics such as money laundering, identification of terrorist money, fraud and privacy. A new program of risk and compliance courses is also being rolled out to staff in New Zealand covering General Security Awareness Training, Business Continuity Awareness Program and Introduction to Fraud.

Almost 18,000 employees globally completed courses related to discrimination, harassment and bullying during 2007.

GROUP-WIDE POLICIES

In addition to our Charters and Codes of Conduct, we have Group-wide policies covering:

- anti-money laundering
- corruption and bribery
- confidentiality of information
- conflicts of interest
- employee indemnity
- equal opportunity and harassment
- health and safety
- market disclosure
- prevention of money laundering and terrorist financing
- privacy
- public policy advocacy and political donations
- operation of our compliance framework

- operational risk
- securities trading by employees
- our relationship with external auditors
- whistleblower protection
- wholesale risk social and environmental issues

HUMAN RIGHTS

In May 2007, ANZ announced its public support for the OECD Guidelines for Multinational Enterprises as a comprehensive framework to guide our approach to responsible business management.

In 2006, ANZ commissioned independent consulting firm, Corporate ResponseAbility, to benchmark our policies, practices and management systems against each criterion in a range of internationally recognised human rights standards including the OECD Guidelines, the UN Global Compact and the Business Leaders Initiative on Human Rights. Outcomes of the project were publicly reported in our [2006 CR report](#).

The review found that ANZ complied with, and in many cases, exceeded most criteria in Australia and New Zealand. It highlighted that more work was required to understand and mitigate human rights risks in our supply chain, our lending decisions in our Institutional business and our operations and partnerships outside our core markets

This year, we have made strong progress in addressing the key issues highlighted in the review. Specific actions include the following:

- ANZ's People Charter was developed and will be released in 2008. It aims to ensure our employment practices covering human rights, occupational health and safety, workplace relations, whistleblower protection and anti-discrimination policies are applied to our operations globally where they are applicable and culturally appropriate.

CORPORATE RESPONSIBILITY GOVERNANCE CONTINUED

■ We have adopted new processes to ensure human rights are explicitly considered in [Institutional lending decisions](#). This has included enhancing our screening processes to include specific reference to human rights issues. We have also adopted the Equator Principles which ensure that the International Finance Corporation (IFC) safeguard policies including those relating to human rights are applied to our Project Finance business. ANZ Project Finance staff have also been trained in the Equator Principles including a detailed explanation of IFC Performance Standards which cover issues such as involuntary resettlement, Indigenous rights and cultural heritage.

■ We have upgraded our supply chain management to include specific consideration of human rights issues in our sourcing decisions. Supplier policies and self-assessment tools have been enhanced to ensure there is detailed reference to our standards and criteria on human rights issues.

■ We released our [Disability Action Plan](#) which sets out the actions we will take to ensure our workplace welcomes and supports people with a disability and that our products and services are inclusive and accessible to everyone. It includes specific measures to: ensure our communications with staff and customers are accessible to people with a disability; increase awareness of disability issues through staff communications; ensure our premises, products and services support people with disabilities and comply with recognised disability access standards; and help to improve the financial literacy and inclusion of people with disabilities.

Some of the most challenging issues are still ahead. For example, understanding and addressing compliance with the Guidelines in each of the 31 countries where we operate. Another priority is

to examine opportunities to strengthen our JV due diligence and management processes relative to relevant social and environmental criteria. Our goal is to pursue complete compliance with the Guidelines over time, and to lead the way for others.

RISK MANAGEMENT

The Board sets the ANZ risk policy framework which provides a uniform governance structure for the way risks are discharged from Board to management.

It sets out the role and responsibilities of the Chief Risk Officer and respective Risk Executives in credit, market, operational risk and compliance. In addition, it provides clarity on accountability for setting and implementing policies within the Group.

The ANZ Group Discretions Policy, approved by the Board, outlines the governance framework at the highest level. The Board last approved this Policy in July 2006.

Each ANZ Division is regularly required to review and report portfolio stress testing, and to review asset writing strategies and risk appetite. In addition to the annual stress testing scenario set by the Risk Committee and the IMF stress testing program, 'hot spot' business areas are identified and required to undergo reviews. For the year 2007, Rural and Regional, Resource and Mining and the Building sectors were identified as areas requiring additional attention.

Our Reputation Risk Framework gives staff guidance on issues that have the potential to affect our standing in the community.

We also have a Group-wide crisis management plan that is tested every 18 months by four crisis management teams and regularly assessed by external experts.

A specialist Risk Training/Learning Academy was also established in 2007.

STRENGTHENING COMPLIANCE

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

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

During 2007 we also enhanced our system for reporting both significant and minor Code of Conduct breaches across the Group. Breaches of the Code of Conduct are reported quarterly to ANZ's Management Board and form part of regular risk reporting to Operational Risk Executive Committee.

In 2007 there were 417 serious breaches of the ANZ Code of Conduct (282 for Australia and 135 for New Zealand). These mainly related to breaches of 'Abiding by the law and this code' and more specifically for breaching the ANZ Email and Internet Policy. The outcomes of these breaches were:

- 96 exonerated/no action
- 83 counselled
- 139 reprimands
- 32 resignations
- 67 dismissals

CORPORATE RESPONSIBILITY GOVERNANCE CONTINUED

REVIEW OF TRADE FINANCE TRANSACTIONS

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

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

POLITICAL DONATIONS

ANZ makes political donations each year (disclosed in our Annual Report) to support the democratic process. In 2007, we donated \$100,000 to the Liberal Party of Australia and \$50,000 to the Australian Labor Party. There were no political donations in New Zealand.

REPORTING AND COMMUNICATION

We aim to be an open and transparent bank. We have a comprehensive website, produce [annual and interim Corporate Responsibility Reports](#) and conduct an extensive formal and informal stakeholder engagement program. We produce a monthly update for more than 8,000 stakeholders world-wide, make our [public policy submissions](#) available online and have released detailed position statements on issues such as our approach to lending to the forestry industry, human rights and climate change.

RECOGNITION

IN 2007, ANZ was one of only four companies to receive a 10/10 corporate governance rating from [Governance Metrics International \(GMI\)](#). GMI rates the corporate governance practices of over 4,000 companies around the world, recognising that a company's governance and transparency are closely linked to its overall performance and therefore of interest to potential investors. GMI measures performance on indicators such as board accountability, financial disclosure, shareholder rights and corporate behaviour.

ADDRESSING KEY CHALLENGES AND OPPORTUNITIES

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

[Putting our customers first](#)

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

[Leading and inspiring our people](#)

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

[Earning community trust](#)

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

[Managing our environmental impact and supply chain](#)

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

STAKEHOLDER ENGAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

ANZ'S STAKEHOLDER ENGAGEMENT PRINCIPLES



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



section 1 people

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

WHERE WE'VE BEEN 1999–2006

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

KEY ACHIEVEMENTS 2007

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

FUTURE PRIORITIES

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

OUR APPROACH LEADING AND INSPIRING OUR PEOPLE

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

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

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

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



EMPLOYEES GLOBALLY BY CONTRACT TYPE

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

NUMBER OF ANZ EMPLOYEES (HEADCOUNT)

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

ENGAGING A GLOBAL WORKFORCE

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

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

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

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

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

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

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

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

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

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

FROM SATISFACTION TO ENGAGEMENT

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

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

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

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

TAKING BREAKOUT TO A NEW LEVEL

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

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

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

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

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

DEVELOPING WOMEN IN LEADERSHIP



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

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

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

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

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

INITIATIVES TO IMPROVE LEADERSHIP OPPORTUNITIES FOR WOMEN

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

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

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

INCREASING REPRESENTATION OF FEMALE GRADUATES

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

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

SUPPORTING WORKING PARENTS

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

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

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

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

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

THE FUTURE

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

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

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

PROVIDING FLEXIBILITY FOR A CHANGING WORKFORCE

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

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

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

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

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

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

EXPERIENCES OF FLEXIBILITY AT ANZ

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

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

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

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

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

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

ADDRESSING THE CHALLENGES OF FLEXIBILITY

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

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

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

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

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

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

* According to 2007 My Flexibility Survey

MANAGING THE OPPORTUNITIES AND IMPACTS OF OFFSHORING

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

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

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

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

IMPACT ON OUR STAFF

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

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

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

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

BUILDING THE SUSTAINABILITY OF OUR INDIAN WORKFORCE

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

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

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

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

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



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

in a mentor program with Australia and our [Breakout program](#) is also being offered to managers in India.

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

THE FUTURE FOR ANZ IN BANGALORE

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

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

OUR RESULTS

ENGAGING OUR EMPLOYEES THROUGH BREAKOUT

EMPLOYEE ENGAGEMENT

[Employee engagement](#) is measured as part of our annual Engagement and Culture Survey conducted in partnership with Hewitt Associates and Cultural Transformation Tools. It provides all ANZ employees with the opportunity to have their say on what it's like to work at ANZ. The results give us insight into our employees' views on ANZ, as well as issues ranging from leadership to individual opportunities for career development and progression.

The ANZ staff engagement score increased from 60% in 2006 to 64% in 2007 – well above the benchmark of 58% for Australasian financial services organisations and making ANZ one of the more engaged workforces of any large banking organisation according to Hewitt Associates (2007).

Almost 32,000 employees participated in this year's Survey. Our engagement score is too close to Hewitt Associates' Global High Performance Benchmark.

BREAKOUT PROGRAM

Our [Breakout cultural transformation program](#) continued in 2007, with 3,054 staff completing the Breakout Foundation workshop and a further 1,024 participating in other Breakout programs including Breakout Recharge and Breakout Coaching. This means that 27,236 ANZ employees have participated in Breakout Foundation workshops since 2000 and a further 2,957 have completed other Breakout programs, including Breakout Recharge and Breakout Coaching.

Breakout workshops are a core component of our cultural transformation strategy as they focus on personal transformation, with an emphasis on building trust and collaboration to enable our people to perform at their best.

Breakout Live and Breakout Festival, both new initiatives in 2007, were designed to help us to continue to create a high performing workplace with a culture that is values-driven and creates opportunity for our people.

Breakout will continue to be rolled out globally in 2008.

ENGAGEMENT SCORE BY COUNTRY/ REGION¹

COUNTRY/ REGION	2007 SCORE	FINANCIAL SERVICES AVERAGE
Australia	64%	58%
New Zealand	65%	58%
India	63%	57%
Asia	58%	57%
Pacific	72%	–
Americas	52%	–
UK/Europe	41%	–
Total Group	64%	60%²

¹ These engagement scores are based on survey participants' responses to the question 'In which country or region do you work?'

² Hewitt Associates 2007 benchmark for Financial sector globally.

ANZ CULTURE AND ENGAGEMENT SURVEY*

PERCENTAGE OF EMPLOYEES WHO AGREE OR STRONGLY AGREE WITH THE FOLLOWING STATEMENTS:

	2007	2006	2005
This organisation takes its societal responsibilities seriously	75%	–	–
This organisation takes its environmental responsibilities seriously	65%	–	–
We are making a positive difference in the community	70%	–	–
I value the opportunity this organisation provides for me to make a personal contribution to my community	71%	68%	64%
People in this organisation take corrective action if standards of behaviour fall below the levels set by our business principles and values	62%	–	–
People in this organisation maintain high standards of ethics and integrity	69%	73%	71%
Workplace safety and security is considered important here	80%	81%	77%
I can take action that I think will meet the needs of our customers	65%	72%	69%
Our people policies are used effectively in my work area	66%	50%	54%

* Survey of 31,982 ANZ employees globally in March 2007

OUR RESULTS

MEETING THE NEEDS OF A DIVERSE WORKFORCE

DIVERSITY STRATEGY

Managing [diversity](#) provides ANZ with the variety of talent, perspectives and experiences we need to value and utilise to succeed in a global marketplace. Research clearly indicates that diverse teams operating in inclusive workplaces are better at innovation, problem solving and creating new products.

ANZ DIVERSITY COUNCIL

The [ANZ Diversity Council](#) was established in 2004 to generate and guide policies and initiatives that create an inclusive culture at ANZ. It includes staff representatives and executives from across the organisation.

In 2006–2007, the Diversity Council funded initiatives to increase global diversity, awareness and employee engagement including:

- ‘Creating Inclusive Teams’ pilot workshop to help increase employee awareness of the business case for diversity and build more inclusive teams

- International Women’s Day events in Sydney, Melbourne, Brisbane, Darwin and Perth
- a women’s intranet site
- an ANZ float in the Sydney Gay and Lesbian Mardi Gras
- promotion of Disability Awareness Week and an staff awards program
- production of the ‘Welcoming Disabled Customers’ booklet
- a Diversity Symposium held in New Zealand.

During the year, the Council commissioned research to inform strategy development including the [‘My Flexibility Survey’](#) in Australia and divisional flexibility studies in Consumer Finance and Markets, as well as ‘Women in Leadership’ research in New Zealand.

The Council also supports a number of employee interest groups including the Disability Network, Parents Network, ForWARD Forum, Gay, Lesbian, Bisexual and Transgender (GLBT) Networking Group and the Indigenous Network.

FLEXIBILITY

We understand that employees want flexible working arrangements to enable them to effectively balance their work and personal commitments.

The ‘My Flexibility’ Survey conducted in November 2006, found that 52% of respondents already benefited from flexible working arrangements. It also helped to identify some of the barriers and problems with accessing flexible arrangements at ANZ.

After a successful pilot earlier this year with 1,200 employees, ANZ is rolling out the ‘My Flexibility’ program from late 2007 which will encourage employees and managers to discuss flexible working arrangements and promote flexibility across the organisation.

Some of the flexible options at ANZ include: lifestyle leave providing an additional four weeks unpaid leave; flexible long service leave – where employees can take double long service leave at half pay; career breaks – providing extended unpaid leave; job sharing; carer’s leave – to care for family members in illness or emergencies and telecommuting.

ANZ offers Australian staff 12 weeks paid parental leave with no minimum service period to qualify – and staff can request an extension of up to two years. In addition, we support employees with children through our partnership with ABC Learning Centres in Australia. There are seven centres in operation and 73 families using the child care service.

DIVERSITY OF ANZ’s GOVERNANCE BODIES

	MALE %	FEMALE %	<30 YRS	30-50 YRS	>50 YRS
Group Board of Directors	87%	13%	0%	0%	100%
Group Management Board	100%	0%	0%	50%	50%
Group CR Council	54%	46%	0%	85%	15%
Group Diversity Council	67%	33%	20%	60%	20%
NZ Board of Directors	100%	0%	%	%	%
NZ Management Board/EXCO	86%	14%	0%	50%	29%
NZ Diversity Council	50%	50%	0%	79%	14%
NZ CR Council	50%	50%	11%	78%	11%

MEETING THE NEEDS OF A DIVERSE WORKFORCE CONTINUED

DISABILITY

In September 2007, ANZ launched its updated Disability Action Plan. The Plan outlines ANZ's strategy to increase support for customers, staff and other community members with a disability.

The Disability Action Plan Oversight Committee is responsible for monitoring implementation of the Plan and reports to the ANZ Management Board.

The action items contained in our Disability Action Plan address the issues of accessibility and usability of:

- communications with customers, staff and the community
- property and premises
- services, including technology-based banking services
- systems, policies, procedures and culture to ensure inclusion and availability for all staff.

ANZ set up a [Disability Network](#) in 2005 which includes staff from all levels of the organisation interested in finding ways to better support disabled customers and staff. Recent achievements include running Disability Awareness Week at ANZ, increasing awareness among staff through regular presentations and meetings and contributing to ANZ's Disability Action Plan and the Technology Accessibility Initiative. The Network also led the establishment of the Reasonable Accommodation Kit and Policy for staff members with disabilities.

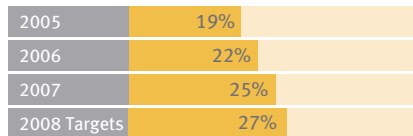
GENDER DIVERSITY

Women make up approximately 61% of our workforce globally. We continue to focus on increasing the number of women in management positions across our business.

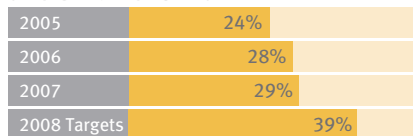
In Australia, [female representation in management](#) at the executive level has increased from 19% in 2005 to 25% in 2007. While this is a positive outcome, we did not achieve our targets for women in senior manager and managerial positions in Australia.

WOMEN IN MANAGEMENT (AUSTRALIA)

EXECUTIVES



SENIOR MANAGERS



MANAGERS

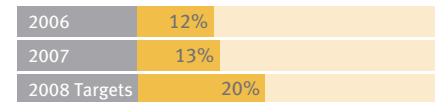


Our New Zealand operations have also seen some improvement in this area, achieving their target at the senior manager level but not at the executive and manager level.

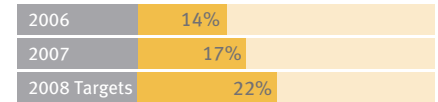
This year we also began tracking women in management positions in Asia, the Pacific and India. However targets are not set for these regions.

WOMEN IN MANAGEMENT (NEW ZEALAND)

EXECUTIVES



SENIOR MANAGERS

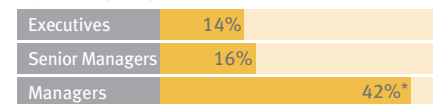


MANAGERS

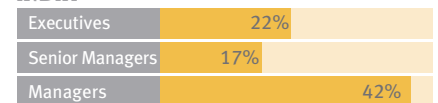


WOMEN IN MANAGEMENT (ASIA PACIFIC & INDIA)

ASIA PACIFIC



INDIA



* Manager figure has been restated on 6 February 2008 due to a reporting error

MEETING THE NEEDS OF A DIVERSE WORKFORCE CONTINUED

AGE DIVERSITY

ANZ was the first Australian company to introduce a [Career Extension program](#) which guarantees part-time work for employees aged 55 and over.

The program gives mature-aged employees the flexibility to adapt their career to suit their changing lifestyle – whether they are gradually moving towards retirement or are looking to change their career.

CULTURAL DIVERSITY

ANZ's Group-wide diversity survey (2005), [My Difference](#), showed that ANZ is a [culturally diverse organisation](#) with employees born in more than 130 different countries. The majority of employees who responded were born in Australia (45%) and New Zealand (28%) and other countries included India, Fiji, United Kingdom and Malaysia.

The Survey also found that approximately 32% of employees speak a language other than English, with the top languages being Hindi, Italian, Greek, French, Tamil, Cantonese and Mandarin.

In April 2006, ANZ was the first major corporation to announce its [Reconciliation Action Plan](#). The Plan includes the most significant targets

for the employment of Indigenous Australians of any major Australian company and a commitment to improve awareness of Indigenous issues and culture amongst our employees (for more information, see pages [55–56](#) and [59](#)). We have 35 Indigenous school-based trainees and have committed to the recruitment of 300 Indigenous trainees by 2009. ANZ is also a member of the Corporate Leaders for Indigenous Employment Project.

Our teams play an active role in celebrating our cultural diversity. For example, ANZ's Payments team holds an annual Cultural Week at sites across Australia and in Bangalore. Staff participate by wearing cultural dress, decorating work areas and enjoying food from different cultures.

ANZ EMPLOYEES OVER 55 YEARS OF AGE

	AUSTRALIA	NEW ZEALAND
Employees over 55 years of age	10%	7%
Employees 55+ who are full-time	58%	66%
Employee 55+ who are part-time	41%	23%
Employee 55+ who are temporary	1%	11%
Annual total turnover of 55+	16.2%	8.98%

OUR RESULTS

BEING A LEADING EMPLOYER

REMUNERATION

We review salaries annually to ensure we remain a premium employer in the financial services sector. We also monitor the pay differential between men and women at all levels and our internal audit team conducts an annual review of remuneration outcomes to ensure that ANZ's fixed pay and variable rewards are appropriate and aligned with ANZ's pay philosophy and guidelines.

There are disparities in average salaries between men and women because fewer women are in senior management positions within our salary bands and a greater proportion of men occupy roles that command market premiums (e.g. Investment Banking roles). We are gradually seeing a positive change and anticipate it will continue to improve as we develop and support women into more senior roles.

ANZ's 'Flexible Pay Choices' initiative allows Australian employees to tailor their salary to suit their own needs and includes items such as child care, workplace giving and superannuation contributions. Our online calculator,

'Model My Pay' assists Australian staff to determine the impact of flexible pay choices on their take-home pay, enabling them to make more informed decisions.

EMPLOYEE BENEFITS

We offer a range of [employee benefits](#) including discounts on ANZ products and services, salary packaging choices and access to discounted ANZ shares.

Since 1999, ANZ has given each permanent full-time or part-time employee (excluding senior executives and permanent employees with less than one year's service) \$1,000 in shares as part of our Employee Share Acquisition Program. In 2006, more than 900,000 shares were issued to 28,023 staff in 28 countries. This included 560,509 shares to 17,165 Australian staff and 268,920 shares to 7,992 New Zealand staff.

Employees who have participated in this program every year in the 10 years since its inception would now own shares worth more than \$20,000 including re-invested dividends. Around 79% of staff now own ANZ shares.

GENDER PAY DIFFERENTIAL – SALARIES BY EMPLOYEE GROUP

EMPLOYEE GROUP	AUSTRALIA		NEW ZEALAND	
	DIFFERENTIAL	FAVOURS	DIFFERENTIAL	FAVOURS
Executives	4%	Males	1%	Females
Senior Managers	6%	Males	6%	Males
Managers	2%	Males	6%	Males
Non-managers	2%	Females	4%	Females
Overall weighted average	0%	Gender Parity	2%	Females

- The Differential represents the difference between average male and female remuneration. For example, if average remuneration = \$100,000 for females and \$103,000 for males, then the differential is +3% in favour of males.
- In Australia, the Group Heads (who report directly to the CEO) have not been included in the executive gender differential analysis due to the absence of female Group Heads for comparison purposes. Similarly, in New Zealand, Group 1 Executives are not included as there are no females in this category.
- In Australia, the predominance of males in Investment Banking roles (which command a market premium, has notably skewed the gender differential in favour of males at the manager level and above. If we exclude Investment Banking roles, gender pay parity improves at all levels, specifically the differential in favour of males is 0% for Executives, 2.5% for Senior Managers and 1.5% for Managers.

BEING A LEADING EMPLOYER CONTINUED

WORKPLACE RELATIONS

The [employment conditions](#) of our staff are covered by the ANZ/Financial Services Union (FSU) Agreement (1998) and the Workplace Relations Act (1996) in Australia and the Collective Employment Agreement, the Workplace Relations Act (2000) and the Health and Safety in Employment Act (1992) in New Zealand.

ANZ respects the right of employees to join unions of their choice and consults with staff unions prior to organisational or structural change impacting our employees.

For example in 2006, ANZ and the FSU worked closely on developing a joint arrangement on working conditions for employees who work in retail branches on a Saturday.

Other 2007 initiatives include:

- obtaining FSU support for a Sunday Trading Licence in Lismore NSW (ANZ's first seven day a week operation in NSW)
- FSU led training of ANZ branch managers and staff on the requirements of effective staff rostering within Retail Banking NSW
- regular consultations on employee satisfaction and on stress testing initiatives to best meet the needs of ANZ staff and businesses.

COMMUNICATION AND COMPLAINTS

ANZ encourages a culture of open and honest communication where employees feel comfortable raising issues with their line managers. We conduct regular employee surveys and our company intranet provides channels for employee feedback including a 'CEO Chat' site and bureaucracy blogs.

Serious grievances, problems and complaints can be submitted under our Employee Assistance Program, [FORUM](#) and the [Whistleblower Protection Policy](#). Some business units also use external mediators to help resolve disputes.

The [ANZ Employee Assistance Program](#) is a confidential counselling service free to all ANZ staff. Employees can seek professional assistance and guidance to resolve or better manage personal and professional problems. Just over 900 employees used this service in the past year.

The Whistleblower Protection Policy provides employees, contractors and consultants with a mechanism to escalate serious issues on a confidential basis. There were no investigations undertaken in the past year under this Policy.

RECRUITMENT, RETENTION AND TURNOVER

We aim to attract and nurture the very best people through our recruitment and retention programs. It is common practice to hire local residents in our significant areas of operation. We also encourage secondment opportunities and transfers between our businesses in different geographic locations.

In the past year, 8,810 new employees joined ANZ globally. This includes 4,722 in Australia and 1,666 in New Zealand. During the reporting period, 5,658 left ANZ voluntarily (2,909 in Australia and 1,109 in New Zealand).

ANZ seeks to avoid redundancies, but when restructuring and redeployment are unavoidable, our processes and guidelines aim to minimise the impact on those affected. Priority for internally advertised positions is given to those on redeployment. We also provide access to outplacement services to help affected employees find suitable roles outside the bank.

In Australia, at least 12 weeks notice is provided to employees who are impacted by significant operational changes. This includes six weeks' redeployment and six weeks' notice of retrenchment. Employees are entitled to a minimum of one day off per week to find a new job outside of ANZ. Retrenchment and redeployment procedures are specified in the ANZ Group Award (1998) and the ANZ/FSU Agreement (1998).

ANNUAL TOTAL TURNOVER RATE BY GENDER AND AGE¹

COUNTRY	FEMALE	MALE	<30YRS	30-50YRS	>50YRS	TOTAL
Asia	25.2%	28.3%	24.2%	27.3%	27.2%	26.3%
Australia	16.6%	19.1%	26.8%	15.0%	11.8%	17.6%
India	15.5%	23.1%	17.5%	27.8%	0.0%	20.1%
New Zealand	12.0%	13.1%	18.9%	10.7%	8.5%	11.1%
Pacific	8.4%	9.8%	9.8%	8.1%	6.3%	8.9%

¹ Total turnover includes voluntary and involuntary staff turnover

BEING A LEADING EMPLOYER CONTINUED

In New Zealand, an employee whose position becomes redundant and is not redeployed receives a minimum of six weeks' written notice of termination or payment in lieu thereof. Before an employee is given formal notice of redundancy, the Bank examines all alternative job options and makes every reasonable endeavour to identify and offer at least one job option. Redundancy and redeployment are specified in the ANZ National Bank's Collective Employment Agreement, the Individual Employment Agreement, and the Managerial Employment Agreement.

PERFORMANCE MANAGEMENT

The [performance](#) of each person at ANZ is linked to remuneration and rewards with assessments covering financial and non-financial criteria such as customer satisfaction, employee engagement, community involvement and environmental performance.

All managers are required to take their staff through the performance development process. Key performance indicators are established in consultation with the individual and performance reviews are conducted informally half yearly and formally at least once every year. Line managers are encouraged to regularly discuss development with staff.

All staff members have access to the 360 Degree feedback tool which helps employees understand their performance. This feedback is also used to inform the development of our top 100 executives.

GRADUATE PROGRAMS

[ANZ's graduate programs](#) aim to attract, develop and retain talented individuals who want to embark on a challenging career within the banking and finance industry. ANZ offers graduate programs in Australia, New Zealand, Asia and India. All graduates have an ANZ coach to help them to build networks, improve their influencing skills and navigate the organisation.

In 2007, we recruited 367 graduates worldwide including 229 in Australia, 56 in New Zealand, six in Asia and 76 in India.

Gender diversity in our graduate recruitment has been a focus in recent years. Four years ago, only 39% of our Australian graduates were women – today it's 51%. The focus now is to ensure that we help support our female graduates through the career pipeline at ANZ.

The graduate intake has increased by 37% compared to the previous year.

TALENT PROGRAMS

The ANZ Talent Radar aims to develop a strong leadership pipeline of talented employees across ANZ. Employee potential is identified via line managers and confirmed via divisional People days.

The program offers networking opportunities, increased visibility to senior leaders, career opportunities and world-class development programs designed to help us retain our future leaders. Individuals are also earmarked for future roles and alerted to 'hot' job vacancies.

In 2007, a new global Talent Radar was launched replacing previous talent programs that existed at Group, functional, divisional and business unit level.

There are currently 850 employees worldwide on the Radar and 40% of those employees are women.

OUR RESULTS

DEVELOPING OUR EMPLOYEES

LEARNING AND DEVELOPMENT

ANZ continues to invest heavily in the development of our people. In 2007, the spend was over \$63 million globally. ANZ employees completed more than 16,000 self-paced study courses and 26,000 facilitated courses. On average, the total learning time investment per annum is approximately 25 hours per employee.

The [Learning and Development](#) priority is to build capability for growth, efficiency and leadership in an increasingly global workforce.

Capabilities for growth: ANZ will launch a learning facility called the ANZ Learning and Breakout Centre in late 2007. The centre is designed to encourage our staff to think differently and to provide a supportive learning environment.

Some of the other key initiatives in 2007 include:

- Establishing ANZ Learning Academies for functional skill building (for example a Finance Academy, an Operations Academy, a People Capital Academy and a Risk Academy)
- Ongoing partnerships with universities to build professional skills (Melbourne University, Deakin, AGSM)
- New programs for leadership development including 'Igniting

Leadership – Deep Smarts' aimed at rapid acceleration of high potential employees and Leadership Essentials aimed at new managers

- A pilot of Breakout Inclusion – a team based learning event focused on inclusion and diversity.

Capabilities for efficiency: In 2007, ANZ has invested almost \$2 million in learning programs to support LEAN and six sigma methodologies. These programs have delivered \$26 million of savings for the bank.

Global capabilities: In 2007, a key priority has been to roll out the interactive learning and knowledge platform known as e-train throughout Asia and the Pacific. There are currently more than 30,377 active learners using e-train at ANZ, and employees completed an average of 10 e-learning courses over the past year. In total, more than 325,766 e-train courses were completed in 2007.

ANZ and partner organisations now have access to the global suite of leadership and culture programs. During 2007 programs were delivered in China, Vietnam, Cambodia, India and the Pacific.

OUR RESULTS

SUPPORTING THE HEALTH, SAFETY AND WELLBEING OF EMPLOYEES

APPROACH AND STRATEGY

ANZ is committed to providing a workplace that is safe, secure and supports the physical and mental wellbeing of our employees. Our approach goes beyond compliance, to proactively supporting the physical, emotional and financial wellbeing of our people. Our aim is to be the safest financial institution in the world.

Our [health and safety program](#) and our Lost Time Injury Frequency Rate (LTIFR) are externally audited on an annual basis. Our Australian LTIFR was 3.0 as at September 2007, down from 3.8 in 2006, a 21% reduction. In New Zealand, our LTIFR is 1.6 – a 50% decrease on the past year. However, New Zealand has restated its 2006 figure to 3.6 as the previously reported figure of 1.5 was found to be inaccurate.

We aim to reduce our LTIFR by another 20% in Australia and New Zealand over the next 12 months.

[ANZ's health and safety strategy](#) has been applied globally and tailored for individual countries. Health and Safety Committees exist in each state in Australia and in New Zealand. We have also developed a global health promotion program which provides relevant and accurate health information and activities for our employees in all countries.

Three-year Health, Safety and Environment (HS&E) Strategic Plans and Annual Operational Plans have been developed for all ANZ Divisions to reduce injury and illness and better integrate activities so that H&SE becomes part of the way we do business. Every Division has a HS&E champion to act as an ambassador and roll out operational plans. Progress is reported to senior management on a regular basis.

Development of HS&E Strategic Plans and Operational Plans has also commenced in countries outside Australia – with full-time health and safety resources engaged for New Zealand and India.

ANZ's union agreements in Australia and New Zealand include health and safety topics. Our Australian agreement covers health and safety committees and representatives and breaks for branch staff. Our New Zealand agreement covers management of hazards, secure environment and safety working techniques.

HEALTH, SAFETY AND WELLBEING PROGRAMS

Leadership in Safety is a training program for Senior Managers introduced in July 2006. The program is an interactive session focusing on the leadership role that senior management must take on to make the workplace safer. Twenty-three Leadership in Safety sessions have been held to date for ANZ senior managers from Australia and Pacific Divisions.

The My Health program continued in 2006/2007, giving all Australian ANZ employees the opportunity to register for access to an online health and wellbeing site as well as participating in health checks. There have been more than 9,000 health checks and over 10,000 registrations to MyHealth Online since the program was launched in 2005.

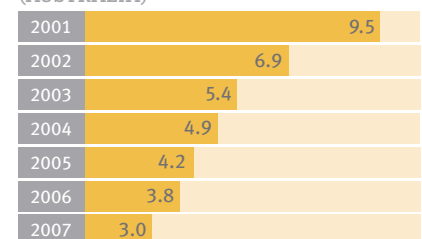
ANZ has continued to focus on mental health during 2006/2007. In October 2006, ANZ promoted Mental Health Week by running activities and events to help raise awareness. Experts provided staff with information on a variety of mental health and related topics. ANZ will be implementing Mental Health Week promotions globally in 2008.

The physical wellbeing of our staff is important to us and over the past three years, ANZ has participated in the Global Corporate Challenge – a six-month fitness initiative where participants undertake a virtual walk around the world. Last year, 266 teams earned ANZ the Gold Award Trophy for overall outstanding company performance. This year we have funded 298 teams globally, with an additional 60 self-funded teams.

We continue to support the financial wellbeing of our employees through our Financial Fitness sessions, a comprehensive intranet site and [online MoneyMinded courses](#). This year 1,400 employees participated in MoneyMinded online including two new courses – Investment Basics and Super Future.

In October 2006, Financial Fitness Week focused particularly on branches and call centres, where each member of staff was sent a financial fitness pack. The pack included a DVD (containing information on budgeting, saving, investing and superannuation) and information cards with useful tips about finance.

NUMBER OF WORK RELATED LOST TIME INJURIES PER MILLION HOURS WORKED (AUSTRALIA)





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

section 2 customers

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

WHERE WE'VE BEEN 1999–2006

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

KEY ACHIEVEMENTS 2007

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

FUTURE PRIORITIES

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

OUR APPROACH PUTTING OUR CUSTOMERS FIRST

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

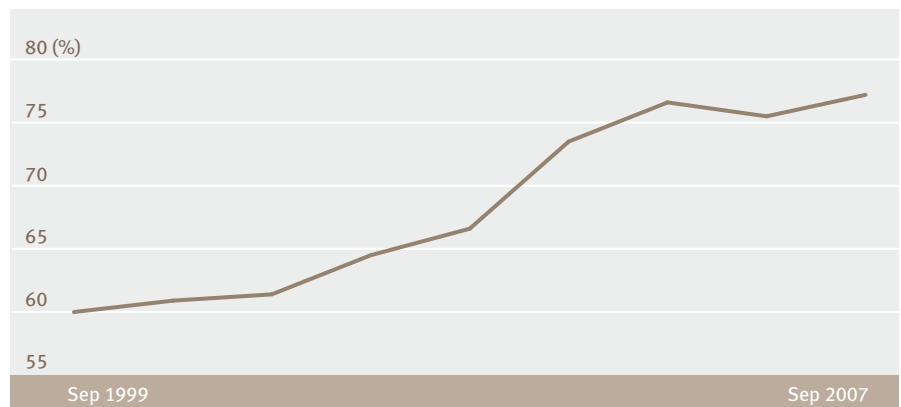


We introduced our [Customer Charter](#) in 2001, a time when the banking industry was rebuilding the trust of customers which had eroded due to rural branch closures, increasingly complex products and a decline in customer service. The Customer Charter was a statement that we needed to do better and,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

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

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

ANZ CUSTOMER SATISFACTION



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

RESPONSIBLE LENDING AND CUSTOMERS IN DIFFICULTY

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

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

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

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

OUR APPROACH

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

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

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

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

SUPPORTING CUSTOMERS IN HARDSHIP

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

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

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

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

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

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

TAKING PREVENTATIVE MEASURES

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

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

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

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

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

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

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

Sue Fraser, Senior Manager, Social Advocacy Services, Kildonan Uniting Care

IMPLEMENTING FAIRER FEES

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

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

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

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

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

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

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



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

EXCEPTION FEES POLICIES

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

- **Reducing the fees for low-income customers**
We reduced to \$10, from \$35, all exception fees on [ANZ Access Basic](#), our concession account for health care card holders and Centrelink payment recipients. Over 47,000 ANZ customers currently hold this account. We have now extended this reduced fee so it also applies to all credit card accounts held by these customers.
- **Helping customers avoid the fees**
While these fees are avoidable, there are steps a bank can and should take to assist all customers to better understand the fees and arrange their finances so they do not incur them in the first place.

Customers have for some time been able to avoid dishonour fees by "turning off" their ability to overdraw their transaction account with electronic transactions. We are now making this same option available on credit card limits as part of the exception fee policies.

We will also continue to provide customers with the option of taking up the 'safety net' of an overdraft on their transaction account and the ability to

set up automatic monthly payments to their credit card to avoid accidentally incurring late payment fees.

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

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

WHAT'S NEXT?

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

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

MANAGING THE SOCIAL AND ENVIRONMENTAL RISKS IN OUR LENDING DECISIONS

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

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

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

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

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

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

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

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

A CONSISTENT PROCESS

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

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

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

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

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

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

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

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

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

PUBLIC STANDARDS

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

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

MANAGING THE SOCIAL AND ENVIRONMENTAL RISKS IN OUR LENDING DECISIONS CONTINUED

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



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

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

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

PREPARING FOR FUTURE DILEMMAS

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

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

Our plan was to take a proactive approach and set up clear standards before we embarked on this activity

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

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

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

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

OUR RESULTS

OUR CUSTOMER CHARTER AND BEYOND

Our [Customer Charter](#) sets the benchmark for service to our retail customers. It describes in specific terms how we provide convenient, simple and responsible banking products and services. We've also made ourselves publicly accountable for meeting the targets in the Charter and improving our performance every year since 2001.

A summary of our performance in 2007 is detailed below including some information on other customer and consumer policy issues we've grappled with this year. All Customer Charter results disclosed in this report have been audited by ANZ's internal audit department as well as The Corporate Citizenship Company.

INVESTING IN CONVENIENCE

Over the last three years we have made a concerted effort to expand our branch and ATM network in metropolitan, regional and rural areas of Australia to make it easier for our customers to do business with us.

In this time we opened 79 new branches, increasing our total number of branches (including agencies) to 819. Over the same period, we increased our Australian ATM network by to 2,287.

In 2007 we continued on this program opening six new ANZ branches in rural Australia in Mittagong, Kingscliffe, Lismore Square (NSW), Albany (WA), Port Augusta (SA), and Highfields (Qld). In addition we added 33 branches in metropolitan areas.

This year we opened our first two full-service branches which are open seven days a week, in Melbourne's Bourke Street Mall and in Brisbane's Queen Street Mall. We now have extended banking hours in 164 branches. There are now 142 branches open on Saturdays and 83 open on Thursdays and 21 on Fridays for extended hours (until 7pm).

We also announced some further initiatives for the next three years as part of our commitment to providing more convenient banking for our customers, including:

- providing more ATM locations than any major bank;
- rolling out seven days per week banking in every capital city;
- establishing 50 new local agencies in rural towns;
- adding even more small business specialists in our branches; and
- maintaining a 24-hour, seven days per week help desk for Internet Banking customers.

MAKING OUR ATMS MORE ACCESSIBLE

All new ANZ ATMs are equipped with an audio-enabling feature to allow visually-impaired customers to listen to an audio translation of information as it appears on the screen. Over 1,700 ANZ ATMs have this feature and it will be included on a further 300 as they are upgraded due to age or wear and tear. The design specifications for new ATMs allow for wheelchair access by keeping the screen and keypad a certain distance from the floor. We also avoid placing ATMs in locations that require stair only access.

[ANZ's Disability Action Plan](#) contains further commitments to ensure our products and services remain accessible to customers with a disability, including:

- ensuring internet banking system developments are trialled by people with varying disabilities prior to implementation;
- improving online information to help people with disabilities access ANZ services; and
- developing guidelines and escalation processes to help call centre staff respond to enquiries or issues about disability access.

PROVIDING QUICK, FRIENDLY AND RELIABLE SERVICE

This year we achieved a 77.3% overall customer satisfaction rating for our customer service in branches, compared to 76.9% in 2006. Our friendly and reliable service is measured by an outbound calling program with new and existing customers throughout Australia, who have opened a new account in a branch in the last two weeks. The program aims to obtain real feedback from real customers about their account-opening experience.

ANZ BRANCH NUMBERS 2004-2007

Sept 2004	746
Sept 2005	760
Sept 2006	785
Sept 2007	819

Total figures include four regional agencies, branch mergers and closures

OUR CUSTOMER CHARTER AND BEYOND CONTINUED

2007 CUSTOMER CHARTER PERFORMANCE

PROMISE	KEY RESULTS	PERFORMANCE
CONVENIENT		
Convenient access	<ul style="list-style-type: none"> Extended our branch network with 39 new branches, six of those in rural areas and 390 new ATMs Met availability targets of 99% for our anz.com and EFTPOS and reached 100% availability for our customer contact centre Phone banking availability was 98.9%, slightly below the 99% availability target Internet banking was available 99.5% of the time based on unscheduled outages only. Including all scheduled outages needed to upgrade the internet banking platform, availability was 97.5%, below the 99% target. All scheduled outages occurred outside business hours 	Partially achieved
Quick, friendly and reliable service	<ul style="list-style-type: none"> 85% of branch customers served within five minutes, 98% served within 10 minutes Average waiting time in branches steady at 2.35 minutes, compared to 2.26 in 2006. Wait time in branches is based on figures from the 213 branches using the Q-matic system 91% of calls to our retail call centre number answered within 60 seconds. 92% of calls to the dedicated credit cards call centre answered within 60 seconds 	Achieved
Swift resolution of complaints	<p>Complaints received by our central customer complaints channel:</p> <ul style="list-style-type: none"> 100% responded to within 48 hours (98% in 2006¹) 87% resolved within 48 hours (84% in 2006). Target 80% 92% resolved within five working days (90% in 2006). Target 90% Average of 2.57 days to resolve a complaint (3.21 in 2006) 	Achieved
SIMPLE		
Simple products	<ul style="list-style-type: none"> Continued to offer clear and simple choices in personal banking accounts, including ANZ Access Basic with unlimited ANZ transactions and no monthly fee for seniors, health care cardholders, people under 18 and eligible Centrelink payment recipients Internet banking transactions remain fee-free for all personal banking accounts 	Achieved
Fast account opening	<ul style="list-style-type: none"> 100% of personal banking accounts available within 24 hours of satisfying identity requirements 100% of personal loan and car loan applications were answered in one working day and over 99% of credit card applications answered within four business days Significant improvement in the performance of our Mortgages business, with 98.5% of standard home loan applications answered within two working days, up from 96.1% in 2006 	Partially achieved
Simple and clear communications	Customers rated their overall satisfaction with ANZ's communication in letters, statements, brochures, ATM and website messages at 7.9 out of 10 - the same result as last year	Partially achieved
RESPONSIBLE		
Privacy	Eighty-eight privacy complaints to our Customer Response Centre, with 57 breaches, compared to 50 complaints and 32 breaches in 2006 ²	Ongoing
Financial Literacy	<ul style="list-style-type: none"> Saver Plus matched savings program delivered to 1,385 low-income families Trained an additional 1,040 financial counsellors and community educators to deliver ANZ's adult financial literacy program, MoneyMinded Assisted the delivery of MoneyMinded, to 22,458 Australians <p>More information on ANZ's financial literacy and inclusion programs is available on pages 54–72.</p>	Achieved
Responsible lending	<ul style="list-style-type: none"> No breaches of ANZ's responsible lending promises to protect certain vulnerable customers from credit card limit increase offers No breaches of commitment to respond within 48 hours to customers who advise us by phone of their financial hardship. One breach of promise to respond to customers within five days where they provide written advice of their hardship 	Partially achieved

1 All 2006 data has been restated to rectify a data collection error which excluded some complaints with a resolution time longer than one month

2 2006 statistics have been restated to rectify a data collection error

OUR CUSTOMER CHARTER AND BEYOND CONTINUED

RESOLVING COMPLAINTS SWIFTLY

In 2007 the number of customer complaints to our Customer Response Centre (CRC), the first step in our customer complaints resolution process, increased to 33,903 from 21,483 last year³. This increase may be due to a combination of factors. First, we have made it easier for customers to [lodge complaints through our website](#) and this is now the second most used channel by customers to raise concerns, after the telephone. Email complaints this year accounted for 69% of all written complaints, compared to 51% for the six months to September 2006. A new product error which affected some customers' ability to use their credit card drove a sharp increase in complaints from December 2006 to February 2007 as did a consumer organisation-led public campaign against exception fees in the middle of the year.

The most common complaints were again related to fees and charges. However our analysis shows that 61% of complaints we received in 2007 were 'non-avoidable' – in other words were not related to a product or service failure but general discontent about fees and charges or some other product feature.

While the number of total complaints has increased, we continue to meet our targets for resolving complaints in a timely manner. We resolved 87% of complaints in 48 hours (against a target of 80%) and 92% within five days (against a target of 90%).

This year we continued to streamline the complaints process in the CRC. In January 2007 we introduced a 'phone prompt' to automatically divert telephone enquiries to the most appropriate area for response so the CRC team could concentrate on complaints resolution.

PROVIDING SIMPLE PRODUCTS

We continue to work on making our products and services as simple and convenient as possible, both in response to community concerns about complexity in banking and also because there are real business opportunities in providing clear, accessible choices for customers.

In July, we responded to changes in Australian superannuation laws to give customers over 60 years of age more convenient access to their retirement funds. New tax rules introduced in July 2007 allow people over 60 to access their retirement savings tax-free. Accessing superannuation can be a complex and lengthy process. However, the [ANZ Prime Cash Management Account](#) was introduced to allow customers of the ING OneAnswer pension product to make withdrawals directly from their superannuation 'at call' and tax-free, at a branch or through ATM, EFTPOS or Internet Banking. This gives customers more flexibility, enabling them to access their retirement funds without needing to transfer them into a separate and taxable bank account first.

We have also simplified the way customers nominate a Personal Identification Number (PIN) on their account. Previously all customers were required to visit their local ANZ branch to select their PIN. From September, customers will now have the option of selecting their PIN 24 hours a day, seven days a week, at any ANZ ATM in Australia.

We were the first bank to simplify the pricing of basic bank accounts and continue to offer concessions on these accounts for eligible customers.

The [ANZ Access Advantage account](#) provides unlimited ANZ transactions for \$5 a month, waived for students, seniors, people under 18 and eligible customers with a disability. [ANZ Access Basic](#) is available to health care card holders and eligible government benefit recipients and provides an unlimited number of ANZ transactions each month and carries no monthly fee.

FASTER ACCOUNT OPENING

All standard [personal loan](#) and [car loan](#) applications were answered within one business day, continuing the improvement from the past three years.

PERSONAL LOAN APPLICATIONS 2005 – 2007

DATE	APPLICATIONS	BREACHES
Sept 2005	125,038	23
Sept 2006	148,668	0
Sept 2007	159,116	0

CAR LOAN APPLICATIONS 2005 – 2007

DATE	APPLICATIONS	BREACHES
Sept 2005	135,747	127
Sept 2006	137,548	12
Sept 2007	129,041	0

³ 2006 data has been restated to rectify a data collection error which excluded some complaints with a resolution time longer than one month

OUR CUSTOMER CHARTER AND BEYOND CONTINUED

Our [Mortgages](#) business has worked hard this year to improve performance on its fast account-opening commitment. This work has translated into a significant drop in breaches of the commitment to answer standard applications within two working days. Last year, of 278,257 application received, 10,790 breaches were identified, resulting in a total of \$107,900 in refunds to customers. That number has dropped this year to 4,079 breaches out of a total of 266,142 applications, with \$40,790 refunded.

This improvement was aided by an increased focus on the Customer Charter commitment by leaders in our Mortgages business, as well as enhanced monitoring of applications in progress to identify potential breaches before they happen.

Five out of 325,503 credit card applications were not answered within four business days, resulting in \$50 in customer refunds.

SIMPLE AND CLEAR COMMUNICATION

We again measured our performance on this promise through research conducted by the Social Research Centre. Overall satisfaction with ANZ's customer communication in letters, statements, brochures, ATM messages and on the website was 7.9 out of ten, the same rating as last year.

Customers were also asked to rate their satisfaction on more specific questions about ANZ's letters, brochures, ATM messages and other notices. Customer satisfaction on the question of whether our communications are written in plain language was rated at 8 out of 10, up from 7.9 last year.

All ANZ communication with customers and the broader community (including advertising) must comply with relevant laws, voluntary codes and standards. These include the [Code of Banking](#)

[Practice](#), Corporations Act, Trade Practices Act and standards relating specifically to advertising, including those of the Advertising Federation of Australia, Australian Association of National Advertisers and the Advertising Standards Bureau. Communication material must be approved by legal, risk and brand compliance representatives within ANZ prior to production and distribution.

We have also focused this year on providing our customers with simple and clear information on fees and consumer debt. In addition to the Exception Fees Policies, we published a guide on our website on how to avoid exception fees on both [transaction accounts](#) and [credit cards](#).

This will be accompanied in 2008 by a customer brochure including tips on managing credit card debt and a dedicated credit card 'microsite' containing a [budget planner](#), the [new credit card payoff calculator](#) and information about where customers can get assistance if they are uncomfortable with their credit card balance.

In July, we made our [MoneyMinded](#) adult financial literacy program widely available to the broader community, including our customers, by launching the full set of training modules online.

DISASTER RELIEF ASSISTANCE FOR CUSTOMERS

We continue to provide access to relief packages for customers impacted by natural disasters or other unforeseen events that threaten their jobs, businesses and/or homes.

This year we assisted customers affected by:

- [the drought, especially customers and communities in farming districts experiencing low water allocations](#)
- [a series of bushfires in Western Australia, including the communities of Dwellingup and Toodyay](#)
- [Cyclones George and Jacob which caused significant damage in Port Headland, South Headland and surrounding areas in Western Australia](#)
- [an outbreak of equine flu which threatened businesses in the Australian horse racing industry.](#)

The measures in our support packages include:

- cash grants for mortgage customers whose homes, business premises or farms have been totally or partially destroyed
- suspended repayments on loans for three months
- fee waivers for loan restructures and early withdrawals from term deposit accounts
- temporary adjustments to customer lending limits including credit cards to assist customers to cope with unexpected expenses.

This year ANZ has paid out a total of \$15,000 in cash grants as part of various disaster relief packages. This amount does not include benefits provided in the form of fee and interest waivers.

OUR CUSTOMER CHARTER AND BEYOND CONTINUED

KEEPING PERSONAL INFORMATION PRIVATE AND SECURE

The number of privacy-related enquiries and complaints we receive from our customers to our Customer Response Centre (CRC) is used to measure our performance on privacy. The CRC is the first step in our internal customer complaints resolution process.

In 2007, 88 complaints were received, 57 of these were confirmed as breaches and all matters were resolved. This compares to 50 complaints received last year and 32 breaches.⁴

IMPROVING FINANCIAL LITERACY

This year we continued our investment in financial literacy programs. Information on our progress in 2007 is available in the Community section of this report, from page 54.

RESPONSIBLE LENDING – KEEPING OUR PROMISES AND BEYOND

ANZ was the first bank in Australia to introduce Responsible Lending commitments as part of our Customer Charter. Under these promises ANZ will not offer a credit card limit increase to customers with a recent poor credit performance or who are struggling to make repayments on their card or to customers we know are on a fixed income (e.g. receiving a government benefit).

With these promises now embedded into our credit card lending practices, our Consumer Finance business has been working on two further initiatives to assist customers to better manage their credit card debt.

ANZ Paydown Plan

ANZ Paydown Plan is a new credit card account feature which allows customers to isolate a portion of their credit card balance and pay down that portion by monthly instalments. The instalment amount is subject to a slightly reduced

interest rate and the customer chooses a repayment term to suit them, usually six, 12 or 24 months.

The aim of the product is to provide customers a tool to control their credit card balance without having to take out a separate principal and interest loan product such as a personal loan. As the instalment plan is listed separately on their credit card statement, they can track their repayment progress separately from their credit card activity.

The offer has been welcomed by customers, with anecdotal evidence from our call centre suggesting customers understand the offer and appreciate the opportunity to organise their credit card payments in a more structured way.

Since it was first offered to selected customers in October 2006, around 1,150 customers have taken up ANZ Paydown Plan. While we are still monitoring the health of accounts to determine whether the feature assists customers in the long term, early signs suggest the product is helping customers reduce their balance over time.

In October 2006, the average balance transferred by customers onto an instalment plan was \$3,963. This figure has reduced to \$2,538 as at 30 September 2007, meaning customers have on average used the feature to pay off over 36% of their instalment balance.

Customers who took up the feature in October 2006 have now, as an aggregate figure, reduced the amount they initially transferred to an instalment plan by 57%.

While it appears these customers are paying off the amount they transferred to the instalment plan, a more important question is whether they are reducing their overall credit card balance. The early indications on this measure are positive – customers who entered a

Paydown Plan in October 2006 and November 2006 have, on average, decreased their overall credit card balance by 8.1% and 14.6% respectively.

We will be conducting further analysis of this initiative over the coming months to determine whether it should be introduced as a standard product feature and to identify possible changes we should make to the offer. A possible future product modification could be to offer a limit decrease to customers at the time they take up the instalment plan.

Calculating repayments

Many credit card customers carry an outstanding balance from one month to the next. It is important for these customers to understand how their credit card balance can grow over time and what level of monthly repayment they need to make to ensure their debt remains manageable. With this in mind, we developed a [credit card calculator](#) on our website to provide customers with tailored information to assist them plan their credit card repayments.

The online tool allows customers to calculate:

- the monthly payment they would need to make on their credit card account to pay off their balance within a nominated time frame; or
- the time it would take to pay off their balance with a nominated monthly payment.

We developed this calculator partly in response to a proposal raised in the Victorian Government's 2006 review of credit laws to require credit card providers to include on all statements a 'health warning' setting out the length of time it would take a customer to pay off their balance based on minimum payments (usually 2% of their balance).

In our view, this information is relevant to a very small proportion of customers

⁴ 2006 statistics have been restated to rectify a data collection error

OUR CUSTOMER CHARTER AND BEYOND CONTINUED

– we estimate around only 2.5% of customers are in the habit of making minimum monthly payments. On the other hand, the calculator provides customers with easy access to the information that is relevant to them when they want it.

We are currently promoting the availability of the calculator in regular communications with customers.

[View the Credit Card Payoff Calculator](#) (see under 'Tools and calculators')

SUPPORTING CUSTOMERS IN DIFFICULTY

The review of our approach to customers in hardship covers all areas of our retail business, being [Mortgages](#), [Consumer Finance](#), [Banking Products](#), [Esanda](#) and [Small Business Banking](#). Included in this review will be the adoption of one consistent definition of hardship across the bank, which incorporates:

- a definition of hardship based on what the customer can afford to pay rather than the cause of their financial difficulty
- greater flexibility for ANZ staff to offer hardship relief to customers without waiting for the customer to make a formal application or until it becomes apparent the customer fits into a pre-determined 'category' of hardship such as illness or unemployment
- where possible tailoring repayment plans to what the customer states they can afford to pay at the time
- cutting back on the delay and paperwork involved in settling hardship arrangements, finalising them directly with the customer over the phone where possible.

A three-month pilot of this new approach, including training of staff, commenced in August 2007. We are using the results of this pilot to judge

the effectiveness of the approach and whether any changes are needed. The revised Policy and procedures will be implemented by June 2008.

The review has been conducted with the assistance of financial counselling experts from [Kildonan Uniting Care](#) and the involvement of the Australian Financial Counselling and Credit Reform Association.

The early assistance program in our credit cards business has resulted in customers entering temporary payment plans which mostly involve a reduction in their minimum monthly payment and a waiver of fees and interest.

Most of these customers are so far making repayments in excess of their repayment plan. We will continue to monitor the accounts of these customers over the long term to assess whether the temporary repayment plans have helped.

As part of this review, the credit card behaviour of participating customers will be compared with a control group of credit card customers who have either not been offered early assistance, or who declined our offer. We are also exploring the viability of offering customers coming off a repayment plan an ANZ Paydown Plan as a more permanent offer to control their credit card balances.

BANK OF THE YEAR AWARDS

ANZ was proud to be named as the inaugural 'Socially Responsible Institution of the Year' by rating agency CANNEX and consumer publication Money as part of their Annual Bank of the Year awards.

The award seeks to assess the impact of socially responsible products and projects on the broader community, including low-income consumers, youth, Indigenous Australians and on the environment.

ANZ received the following additional awards as further [recognition](#) of our commitment to quality customer products and services:

- Bank of the Year
- Business Bank of the Year
- Home Lender of the Year
- Online Lender of the Year (through One Direct)
- Readers' Choice Service Excellence Award

We were also recognised as having the best call centre in Australia for the third year in a row by the International Customer Service Professionals.



OUR CUSTOMER CHARTER AND BEYOND CONTINUED

REVERSING THE TREND

ANZ has been piloting a reverse mortgage since late 2006 in conjunction with the Over Fifty Group (OFG). Reverse mortgages allow customers to borrow cash against the equity in their home and are gaining popularity in Australia. The principal and interest is not repaid until the home is sold (usually on the customer's death or when the owner voluntarily vacates the home).

These products have been the cause of some negative consumer experiences in the United Kingdom and the United States. Chief among concerns is the exposure of customers to downward trends in property prices, and the risk that the customer's debt at the end of the loan may exceed the value of their property.

Before we launched a pilot of the joint ANZ-OFG product, we consulted with consumer organisations, the industry regulator ASIC and the Banking and Financial Services Ombudsman (BFSO) to make sure we understood their concerns with reverse mortgages and to explain our approach.

An important aspect of ANZ's product is the 'no negative equity guarantee', which ensures that whatever happens to the value of the property over time, the borrower or the borrower's estate will never owe more than the value of the property when the loan matures. This is a common feature of reverse mortgages. However a concern expressed to us by our stakeholders was that some products contain complex and technical exceptions to the guarantee, potentially

leaving customers exposed to loss for simple contract breaches such as not signing a document.

In response we worked with OFG to ensure our 'no negative equity guarantee' was as clear as possible, especially in relation to when it did not apply, and did not become void due to minor, technical breaches of the credit contract.

We have also developed with OFG a sales accreditation course which must be completed by product specialists before they provide product information

or sell the product. This recognises that the decision to acquire a reverse mortgage is an important decision, and the sale of this product should only be carried out by specialists with in-depth knowledge of its features and risks.

ANZ and OFG are both members of the Senior Australians Equity Release Association of Lenders (SEQUAL) and therefore adhere to the SEQUAL Code of Conduct.

More information is available at www.sequal.com.au

KEEPING PACE WITH CUSTOMER SECURITY

ANZ was this year recognised as a leader in internet banking security for the development of a fraud detection system.

ANZ received the Innovation in Security and Fraud Management award at the 2007 Financial Insights Innovation Awards. FraudLink BillPay is designed to identify and flag potentially fraudulent internet banking transactions, allowing ANZ to take action to minimise any potential loss to customers. The system has cut ANZ's Internet Banking fraud losses by 40%.

ANZ assisted Carreker Corporation in the development of the system, which is now being offered to other banks. This follows the substantial investment we have made in fraud detection systems across all channels of electronic banking over the last few years. Our credit card system Falcon monitors the credit card accounts of our customers for suspect or unusual transactions worldwide which may suggest the customer's card has been stolen or used for unauthorised transactions. Similar systems are now in place to cover ATM and EFTPOS transactions.

We have this year continued to work on 'two factor' authentication for ANZ Internet Banking and have commenced piloting 'one-time password' tokens to provide this second factor for identifying customers.

OUR CUSTOMER CHARTER AND BEYOND CONTINUED

CONSUMER POLICY ISSUES

This year we contributed to two public inquiries dealing with important consumer policy issues.

The Australian Law Reform Commission is conducting an inquiry into [Australia's credit reporting system](#). Among the issues covered in the inquiry is whether Australia should move to 'comprehensive' or 'positive' credit reporting. We see this as a critical consumer policy issue, involving customer privacy and responsible lending.

Research has shown that positive credit reporting has the potential to lead to lower default rates or an increase in the availability of credit, but not both. Given this, our submission to the inquiry recommended that the Australian Government take into consideration the current availability of credit in Australia, as well as the broader social and economic impacts of an expanded credit market which may result from comprehensive credit reporting. These impacts may include an increase in the actual number of consumers who experience financial difficulty as a result of the wider availability of credit.

We also contributed to the [Productivity Commission's review of consumer policy in Australia](#). Our submission highlights the need for consumer protection law to be consistent across all States and Territories wherever possible and also emphasises the importance of voluntary corporate initiatives in the overall consumer policy framework. ANZ's work in

financial literacy is an example of a voluntary initiative designed to address the link shown in research between socio-economic status and levels of financial literacy. In our view, Governments have a role in encouraging organisations to pursue these types of initiatives, recognising that regulation may not always be the most appropriate response.

Subject to the rules of parliamentary committees and other bodies, we publish our major submissions on consumer and other issues on our website and in our regular stakeholder update.

[See previous submissions](#)

[See stakeholder updates](#)

ACCC PROCEEDINGS

ANZ is currently the subject of Federal Court proceedings brought by the Australian Competition and Consumer Commission (ACCC) for alleged price-fixing behaviour. The proceedings are about the way ANZ interacted with a Queensland mortgage broker which offered customers 'refunds' in relation to ANZ products.

The ACCC's allegation is that by reaching an agreement with the broker to cap the amount of refund passed on to customers who acquired ANZ products from the broker, ANZ was engaging in price-fixing behaviour with a competitor in breach of the Trade Practices Act.

ANZ has made public statements outlining its position that the behaviour in question did not amount to price fixing, and will defend the proceedings, which have commenced in the Federal Court.

COMMERCE COMMISSION INTERCHANGE PROCEEDINGS

In November 2006, the Commerce Commission in New Zealand brought proceedings under the Commerce Act 1986 against Visa, MasterCard and all New Zealand issuers of Visa and MasterCard credit cards, including ANZ National Bank. The Commission alleges price fixing and substantially lessening competition in relation to the setting of credit card interchange fees and is seeking penalties and orders under the Commerce Act.

Subsequently, several major New Zealand retailers have issued proceedings against ANZ National Bank Limited and the other abovementioned defendants seeking unquantified damages, based on allegations similar to those contained in the Commerce Commission proceedings.

ANZ National Bank is defending the proceedings.

OUR RESULTS

CUSTOMER ADVOCATE REPORT 2007

MESSAGE FROM THE CUSTOMER ADVOCATE

It is now five years since my role as [Customer Advocate](#) was established. My job is to complement the existing complaints resolution process at ANZ. I become involved in disputes that have been through the ANZ's internal complaints resolution processes and where the customer is not satisfied with the outcome. On some rare occasions, a particularly difficult complaint may be referred directly to me for resolution.

In those five years, a real commitment to develop a problem-solving culture within ANZ has taken shape.

There has been a steady decrease in the number of complaints to ANZ being closed by the Banking and Financial Services Ombudsman (BFSO) scheme, which means ANZ is getting better at resolving customer concerns in the first instance.

A project underway in ANZ's Personal Division aims to improve the way complaints data is reported across the Division, so that it can be used more effectively by the business to avoid errors in the future and improve our service to customers. I am confident this focus on prevention will lead to positive results in the near future.

I welcome and encourage feedback from our customers and staff on issues or concerns they have with ANZ's products and services. This feedback can help us continually improve our service and prevent the same problems from arising in the future.



Bill Robinson
ANZ Customer Advocate

ABOUT THE CUSTOMER ADVOCATE

The Advocate operates independently from ANZ's businesses and reports directly to the Chief Executive Officer. The objective of the Advocate is to provide an independent and impartial approach to negotiating resolution of personal customer complaints and disputes.

BFSO REPORT OF CASES CLOSED

In terms of escalated complaints, 2007 saw a further decrease in the number of ANZ cases 'closed within terms of reference' by the Banking and Financial Services Ombudsman (BFSO) scheme, to 513. More importantly, 93% of these matters referred to ANZ by the BFSO were resolved by ANZ without the need of a further investigation by the BFSO. This is the second highest resolution rate of the four major banks during 2007.

This year we also worked on resolving two customer issues raised with us by the BFSO.

The first concerned customers who had taken out a special purpose student loan

to fund computer training. The provider of this training had later become insolvent and ceased operations. Some of these customers did not receive alternative training upon the collapse of the company, meaning they were left with an outstanding ANZ debt with no benefit received.

Following discussion with the BFSO about some individual customer complaints arising out of this issue, we contacted all relevant customers to confirm those who had been adversely affected by the collapse of the training provider.

We are now in the process of reviewing all cases and have suspended all debt collection activity in respect of these loans until the issue has been finalised. Where a student has not received a benefit from their ANZ loan due to the insolvency of the training provider, we will write off the loan entirely. The review of customer cases is expected to run for three months.

The BFSO also raised some concerns this year about our processes for identifying and responding effectively to customers in financial hardship, in particular the circumstances in which banks alert

customers to the availability of relief under the Uniform Consumer Credit Code.

This has coincided with an internal review of ANZ's hardship policy and processes across our entire Personal Division. The review has led to the introduction of a more flexible and proactive approach to consumer hardship and the BFSO has welcomed ANZ's progress in this area. For more information on ANZ's review, please refer to pages [36](#) and [45](#).

MATTERS REFERRED TO THE CUSTOMER ADVOCATE

2003	70
2004	
2005	68
2006	85
2007	106

NUMBER OF BFSO CASES CLOSED (TO 30 JUNE OF EACH YEAR)

2002	1032
2003	887
2004	695
2005	552
2006	552
2007	513

CUSTOMER ADVOCATE REPORT 2007 CONTINUED

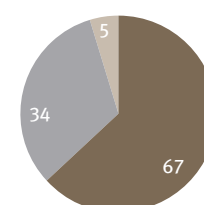
REVIEWING OUR PROCESSES

This year we are commencing a review of our internal complaints handling processes. The project aims to improve the internal reporting of customer complaints and their outcomes so corrective action plans to address potential systemic issues are addressed quickly and efficiently. We are also taking this opportunity to review all complaints processes throughout the retail business and identify improvements in accordance with the Australian Standard 10002-2006 Guidelines for complaints handling in organisations.

In 2008 we will also be reviewing processes within the Customer Advocate office to identify ways we might better meet our objective to resolve disputes quickly. The number of days required for completion of the Advocate's review exceeded our target of 20 days in a little over 50% of complaints. In a number of instances the complexity of the complaint (at times across several different business units) and the need to obtain additional information and ANZ files contributed to the delay in early completion. Where any significant delay was likely the customer was kept informed of the progress of the Advocate's review.

MATTERS RECEIVED: 106

- Matters completed
- Matters referred back to Business Unit as a first instance complaint
- Open files



BREAKDOWN OF COMPLETED MATTERS

BUSINESS UNIT	NO. OF COMPLAINTS	FINDING FOR			OUTCOME		TIME FOR COMPLETION	
		CUSTOMER	ANZ	BOTH	COMPENSATION AMOUNT	NON-FINANCIAL OUTCOME	<20 DAYS	>20 DAYS
Banking Products	24	11	8	5	25,280	15	12	12
Consumer Finance	19	4	11	4	3500	16	10	9
Mortgages	13	7	4	2	19,820	5	6	7
Small Business	3	1	2	—	30,000	2	1	2
Esanda	1	1	—	—	3000	—	—	1
Private Bank, ING, Trustees, Wealth	5	1	3	1	5000	3	2	3
Other	2	1	1	—	1000	1	1	1
TOTALS	67	26	29	12	87,890	42	32	35

CUSTOMER ADVOCATE REPORT 2007 CONTINUED

CASE STUDIES

CASE STUDY 1 – NEGOTIATED SETTLEMENT OF A DEFAULT IN A LOAN REPAYMENT.

This case highlights the need for a flexible approach to be adopted by ANZ when there is a significant change in the circumstances of a customer.

Situation:

A loan of \$10,000 had been sought and was approved to an ANZ customer – the loan was stated to be for the purpose of home improvements. The loan fell into default and recovery proceedings were instituted. In the meantime, the customer's affairs had been taken over by a State Protective Office and it was then put that ANZ could not establish that the loan had been properly approved, particularly having regard to the subsequent change in circumstances.

Review:

The Customer Advocate was able to establish that the loan advance had been made to the customer after a formal application process through a branch. However the particular loan file was not able to be located. The proceeds of the loan had been paid to the customer and were withdrawn from her account shortly after the advance. At the time of approval of the loan, there was no indication that the customer did not properly appreciate the nature and obligations of the loan application, or that she was unable to meet the repayments from available reported income, or that the reported purpose of the loan was inappropriate.

Resolution:

It was accepted by ANZ that there had been a change in circumstances and that the customer's affairs were now being managed by the Protective Office. At the same time, the Advocate established that the loan was validly and properly made at the time of application. A negotiated solution resulted in ANZ agreeing to the repayment of an amount of 50% of the loan, that credit charges

would be waived and that the payment would be made upon the sale of the property owned by the customer.

CASE STUDY 2 – AGENCY LISTING FOR CREDIT CARD DEFAULT

This case resulted in ANZ being required to review the wording of letters and advices to customers as to what action may be taken to advise credit reference agencies of 'settle for less' settlements reached for credit card defaults.

Situation:

A former ANZ customer had accrued substantial credit card debts with a number of institutions, including ANZ. In negotiations through a financial counsellor on his behalf, ANZ agreed to a 'settle for less' outcome where part of the outstanding debt was written off. In advising the outcome of these negotiations, advice had been given that ANZ reserved the right to list customers with credit reference agencies in such circumstances. In fact, ANZ had already advised such a listing. Settlement was reached on the basis that such a listing had not been made, and a review was sought when it became known that the listing had already been made.

Review:

The Customer Advocate was not asked to revisit the basis of the settlement of the payment of outstanding arrears but was asked to investigate the actions taken to list the defaults, given the form of wording used that such action 'may' be taken. The Customer Advocate's review confirmed that the listing had in fact been made at the time of settlement.

Resolution:

The Customer Advocate was satisfied that the customer believed he was negotiating for a 'without prejudice' settlement and had he been aware of the fact that a listing would be made, he may have taken a different view of the advantages of settlement. Consequently arrangements were made with ANZ Consumer Finance for the listing to be recalled and the

customer and his counsellor were advised accordingly. Subsequently ANZ Consumer Finance was advised of the need to review the wording of standard letters to ensure that accurate information is being given to customers.

CASE STUDY 3 – FAILURE TO CLOSE JOINT ACCESS ACCOUNT

In this case, a failure to properly implement a customer's request to close an account led to a breach of privacy and payment of compensation by ANZ. In assessing compensation, there needs to be recognition of the nature and duration of the privacy breach and the consequences flowing from that breach.

Situation:

A customer visited a branch to close a joint access account with her former husband and opened an individual account. She later ascertained that her former husband continued to be a joint card holder, was issued with a new card, and was able to use the card to withdraw cash from the account and to check balances in his former wife's individual account. She complained to ANZ that this involved both a loss of cash from her account and a breach of her privacy in that the former husband still had access to her new account. She sought compensation.

Review:

Upon review it had been confirmed that her former husband had made withdrawals from the account over a period of time and had also accessed the account balance on a number of occasions. ANZ replaced the amount of cash that had been withdrawn. The Customer Advocate was then required to assess the amount of compensation that should be paid to recognise the ongoing breach of privacy that had occurred. After a negotiation with the customer, an amount of \$3,000 was agreed upon and this amount was paid to the customer as compensation for the privacy breaches that had occurred over a significant period of time.

OUR RESULTS

RESPONSIBLE DECISIONS

The assessment of social and environmental issues is now an integral part of our lending and investment decisions in our Corporate and Institutional businesses. This year we continued to develop the [decision-making framework](#) to ensure our staff make balanced and informed decisions based on sound social and environmental standards.

SOCIAL AND ENVIRONMENTAL MANAGEMENT POLICIES AND GUIDELINES

As at September 2007, our [Forests Policy](#) was in the final stages of approval for public release. The Policy is the first in what will be a series of sector-specific social and environmental management policies to guide our lending decisions.

When finalised, the Forests Policy will set out the requirements that must be met before ANZ will enter into a transaction that has a potential impact on forests or forest biodiversity.

Under the core standards in the Policy, ANZ will:

- not support illegal logging
- not fund logging of areas of high conservation value or areas protected by specified legislation or international environmental treaties and conventions
- require clients to conduct social and environmental assessments, develop action plans and management systems and actively monitor impacts of their proposed project.

We consulted with over 85 stakeholder groups on the Policy in 2007 and received over 55 written submissions. We also met face to face with over 35 stakeholders, including clients, environmental NGOs, politicians, government representatives and forest industry associations.

Key issues raised by stakeholders during the consultation were:

- ANZ's position on contentious issues such as forest conversion versus sustainable forestry
- the scope of the policy, including its application to activities which take place outside forests yet have an impact on forests
- the approach of the Policy to forest certification schemes.

The Policy consultation process was more complex, and therefore lengthier, than we had expected. Given the technical nature of many issues raised, we have followed up many submissions directly with stakeholders to ensure we have understood all feedback. As a result, we did not meet our target to release the Policy before September 2007.

Work on further policies has commenced and stakeholder consultation is expected to begin in November 2007 with the policies finalised for approval during 2008.

SCREENING OUR CLIENTS

Our [client screening tool](#) provides a practical way for our staff to assess the social and environmental impact of our wholesale clients. It takes staff through a series of questions designed to gauge the social and environmental risks associated with the client's business and therefore the implications of ANZ supporting that business. Where issues are identified during screening, we evaluate the nature of the issue, any existing or potential stakeholders concerns, and the capacity and commitment of the client to manage the issues.

The tool is now fully integrated into the normal credit assessment processes for new facilities and clients in our Institutional business. The screen is applied to existing Institutional clients on an annual basis and again before entering any major new transaction.

Following an independent review of ANZ's compliance with the OECD Guidelines for Multinational Enterprises this year, we updated the screening tool to ensure a more comprehensive assessment of human rights issues. This year we also conducted an internal audit of the tool and its application in the business. It was designed to assess the quality of screening conducted by our staff and identify opportunities to improve employee understanding of social and environmental issues in business decisions. In response we improved the information available to staff about the risks associated with different sectors, including providing access to United Nations Environment Program – Financial Institutions Sector Guidelines on our intranet site. The audit findings also encouraged the development of our own Industry Guidance Notes.

INDUSTRY GUIDANCE NOTES

This year we have been working with the Victorian Environment Protection Authority (EPA) to develop [Industry Guidance Notes](#) to provide guidance for our staff on the social, human rights and environmental issues that are commonly associated with the industry sectors we service.

The Guidance Notes contain an overview of a sector's regulatory requirements, key social and environmental issues facing the sector and the measures we would expect a client from that sector to take in order to effectively identify and manage their social and environmental risks.

RESPONSIBLE DECISIONS CONTINUED

We have so far developed Guidance Notes for:

- agriculture
- aquaculture
- forestry
- fishing
- mining (coal, metal ore, non-metallic and mineral)
- oil and gas extraction and exploration

ASSESSING ENVIRONMENTAL IMPACT OF ANZ'S LENDING IN AUSTRALIA

Last year we reported on a detailed analysis⁵ we conducted of our lending portfolio to identify clients most affected by social and environmental factors like heavy reliance on water or fossil fuels. This analysis used an existing methodology developed by the CSIRO and the University of Sydney.

This year we continued to use this analysis to improve our decision making and understand the risks our clients are exposed to. ANZ will be refining this analysis in 2008 by developing a benchmark for our clients' performance in key high-impact sectors. We will proactively contact clients with a high level of reliance on water and energy to encourage them to acknowledge their exposure to water and energy risk and to develop strategies to manage these business risks.

STAFF TRAINING AND EDUCATION

In addition to this guidance, we have this year invested substantially in measures to raise awareness of these issues among ANZ Institutional staff.

We have developed an Eco-Literacy program for all ANZ staff in partnership with WWF Australia. The program includes face-to-face workshops focusing on environmental issues in lending, including how staff can improve their assessment of environmental risks in lending, and opportunities to offer clients products and services to improve their own environmental performance. Over 300 staff in our Institutional business have participated in this program and 750 have registered to receive additional online information and news on environmental issues.

An intranet site has also been developed this year, also in partnership with WWF Australia, containing a resource library of reports, papers, data and studies on environmental issues such as climate change, sustainable banking and biodiversity.

ANZ has also made use of external experts to improve employee expertise on these issues. For example, expert briefings were delivered to Institutional staff on:

- emerging business opportunities in sustainable banking
- global trends in sustainability, including developments in North America and European financial institutions
- improving processes for the screening of clients
- stakeholder engagement
- environmental risk communication.

There is also 'on the job' support for our staff. The ANZ Institutional and Corporate Sustainability team provides an internal advisory desk service to support the implementation of social and environmental assessment tools and processes and consults with the business on the social and environmental assessment of large and/or complex transactions and projects.

NO. 1 RELATIONSHIP BANK

ANZ has retained the position as No. 1 Relationship Bank in Australia for the second consecutive year in the 2007 Peter Lee Associates Large Corporate and Institutional Relationship Banking survey. The survey covers Institutional Banking, Financial Institutions, and larger Corporate Banking clients and is based on the views of COOs, CFOs, and Treasurers from around 750 companies.

ANZ National Bank Limited won the same award for the New Zealand survey.

⁵ ANZ first conducted an assessment of the social and environmental impacts of its Australian Institutional lending portfolio in 2006. The analysis was based on the methodology established in the 'Balancing Act: A Triple Bottom Line Analysis of the Australian Economy' (CSIRO/University of Sydney, 2005). ANZ was advised by Integrated Sustainability Analysis at the University of Sydney in carrying out this assessment.

RESPONSIBLE DECISIONS CONTINUED

IMPLEMENTING THE EQUATOR PRINCIPLES

The [Equator Principles](#) were established to provide a common and well-respected framework for banks around the world to apply sound social and environmental standards to project finance decisions. This framework is particularly important for projects in emerging economies with developing legal and governance structures.

ANZ adopted the Principles in December 2006 and they are now being implemented fully across the project finance areas of our Institutional business.

Training on the Equator Principles has been provided to 69 ANZ staff in Hong Kong, Singapore, Sydney and Melbourne, including 75% of our Project Finance

staff. The training was provided by international Equator Principles experts Sustainable Finance Limited and aims to raise awareness of the purpose of adopting the Principles, how they are applied to proposed transactions and the likely impact on our financing activities.

While the Equator Principles have improved the way projects are assessed by banks, we found during their implementation at ANZ that they largely reflect what we were already doing to manage the overall risks of projects we finance. This is because social and environmental risks in project finance are so intimately related to financial risk – if not managed properly, these risks can threaten the long-term viability of a project by causing delays, costly changes to project design and cost overruns.

However adoption of the Equator Principles has brought a structure to our assessment processes and we are extending the approach to other parts of our business. We are using the IFC Performance Standards which underpin the Principles as a reference in the development of our social and environmental policies. For example, our Forests Policy will require all clients, regardless of jurisdiction, to conduct social and environmental assessments, develop action plans and management systems and actively monitor impacts of their proposed project in line with the requirements of Principle 1 of the IFC Performance Standards.

PROJECTS REVIEWED FROM DECEMBER 2006 TO 30 SEPTEMBER 2007

	REVIEWED	CONFORM TO EQUATOR PRINCIPLES*	FINANCED
Category A	5	5	4
Category B	18	17	10
Category C	3	3	2
Total	26	25	16 ^o

LOCATION OF PROJECTS REVIEWED

	PROJECTS IN HIGH INCOME OECD COUNTRIES	PROJECTS OUTSIDE HIGH INCOME OECD COUNTRIES
Category A	3	2
Category B	14	4
Category C	1	2
Total	18	8

PROJECTS REVIEWED BY SECTOR

	NATURAL RESOURCES	INFRASTRUCTURE	POWER & UTILITIES	DIVERSIFIED
Category A	4	0	1	0
Category B	4	6	3	5
Category C	0	0	1	2
Total	8	6	5	7

EQUATOR PRINCIPLES – 2007 REPORT

Since our adoption of the Equator Principles in December 2006, we have reviewed 26 projects. Eight of these projects were in developing or Non-High Income OECD countries. Sixteen of the 26 projects reviewed were financed during the year. Projects did not proceed for a range of reasons, including their inability to meet the Principles.

* Projects which met the requirements of the Equator Principles at the time of review

^o One of these 16 projects did not meet the full reporting requirements of the Equator Principles however, and has therefore been assessed as non-compliant.

The non-compliant project, although financed after ANZ adopted the Equator Principles, was negotiated prior to the Bank's adoption of the Principles and the client was permitted to continue managing its environmental and social performance to ANZ's pre-Equator Principles internal standards. The variance was considered minor and related to a process rather than material environmental and social issue.



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

section 3 community

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

WHERE WE'VE BEEN 1999–2006

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

KEY ACHIEVEMENTS 2007

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

FUTURE PRIORITIES

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

OUR APPROACH EARNING COMMUNITY TRUST

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



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

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

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

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

TOTAL VALUE OF COMMUNITY INVESTMENT

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

COMMUNITY INVESTMENT PER EMPLOYEE

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

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

WORKING WITH OUR COMMUNITY TO IMPROVE FINANCIAL LITERACY AND INCLUSION

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

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

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

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

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

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

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

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

PARTNERSHIPS FOR CHANGE

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

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

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

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

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

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

WORKING WITH OUR COMMUNITY TO IMPROVE FINANCIAL LITERACY AND INCLUSION CONTINUED

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



BUILDING ON OUR STRENGTHS

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

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

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

worked closely with Reconciliation Australia on our [Reconciliation Action Plan](#) in support of Indigenous Australians.

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

WORKING THROUGH CHALLENGES

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

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

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

IDENTIFYING AND RESPONDING TO NEW OPPORTUNITIES

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

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

MAKING PROGRESS ON SMALL LOANS

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

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

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

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

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

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

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

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

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

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

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

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

PROGRESS LOANS (MAY 2006 – SEPTEMBER 2007)

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

IMPROVING INDIGENOUS FINANCIAL LITERACY AND EMPLOYMENT OPPORTUNITIES

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

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

Community organisations and governments cannot address these issues alone.

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

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

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

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

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

A SHARP FOCUS AND TIME FRAMES

The Action Plan includes specific objectives and details about how we were going to achieve them. For example, we aim to:

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

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

IMPROVING OUR UNDERSTANDING

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

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



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

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

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

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

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

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

OUR RESULTS

UNDERSTANDING THE VALUE OF OUR COMMUNITY PROGRAMS

ANZ contributed just over \$17.8 million to the community during the past year. This represents a 28% increase on last year's figures due to improved reporting in more locations and new initiatives in the Group.

An important focus of our community investment strategy is assessing the value of our work. We conduct independent evaluations of our flagship programs and report both our inputs and the community impacts using the London Benchmarking Group (LBG) model – the global standard for reporting corporate community investment.

ANZ has applied the LBG model since 2005. We are one of 150 companies globally and one of 32 in Australia and New Zealand which report and evaluate community investment using LBG.

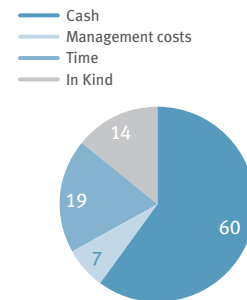
The LBG model's independent, defined criteria enable us to accurately measure our contribution in a range of areas and determine the real outcomes resulting in the community. It also enables us to strategically plan our community investment activities in an informed way, and to benchmark our

performance against other corporate members locally and internationally.

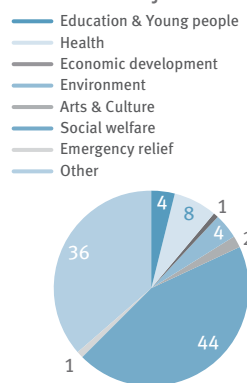
The LBG model is based on the reporting of charitable donations, community investment and commercial initiatives. The model also includes reporting any leverage, defined by LBG as third party-resources attracted as a direct result of the company's initiative or participation.

Mandatory contributions and business basics (including foregone revenue through waived fees) are not reported under the model.

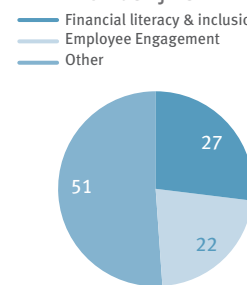
TOTAL CONTRIBUTION BY TYPE %



TOTAL CONTRIBUTION BY LBG SUBJECT AREA %



TOTAL CONTRIBUTION BY ANZ SUBJECT AREA %



CATEGORY	DEFINITION	PROGRAM EXAMPLES	% OF INVESTMENT	TOTAL	LBG AVERAGE ¹
Community investment	Strategic investment in programs and partnerships to address issues that will benefit both the community and the business over the long term	Saver Plus MoneyMinded MoneyBusiness	58%	\$10,254,580	\$2,393,510
Charitable donations	Donations made from a sense of moral responsibility, with no long-term implications or strategic intent	Community Giving Volunteering	36%	\$6,353,788	\$836,531
Commercial initiatives	Initiatives to promote the business while also including a community contribution	Blue Week Comic Relief	6%	\$1,201,719	\$822,971
Total ANZ contribution				\$17,810,087	\$4,400,000
Percentage of pre-tax profit				0.29%	

¹ London Benchmarking Group average for Australia and New Zealand

OUR RESULTS

FINANCIAL LITERACY AND INCLUSION PROGRAMS

SAVER PLUS – CREATING THE HABIT OF A LIFETIME

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

Saver Plus was developed in partnership with the Brotherhood of St Laurence (BSL) in 2002 and is delivered by our partners The Smith Family, Berry Street Victoria, The Benevolent Society and BSL.

This year the program was expanded from four to 19 locations across Queensland, Victoria, ACT and New South Wales. In Victoria, this has been achieved through a unique tri-sector partnership with ANZ, BSL and the Victorian Department of Planning and

Community Development, which has contributed \$1.5 million over three years.

In extending Saver Plus this year with our existing partners, 2,247 people have now participated in the program – 1,385 this year alone. They have saved more than \$1.5 million and each person is eligible for up to \$1,000 in matching on completion of the program. [Research](#) conducted by RMIT University showed that 75% of participants continued to save the same or more 12 to 24 months after completing the program and approximately 95% are reaching their savings goal during the program.

But the impact is much more than having a little extra cash.

One participant was stressed and nervous about her finances when she joined Saver Plus. After taking part in the program, she says her family's life changed for the better.



Saver Plus participant Ruth and her children after completing the program this year.

'Learning how to save has meant I now have more say over what products are purchased for my daughter's education. It has also meant neither of us has experienced the usual high levels of stress usually associated with finding the money for these costs.'

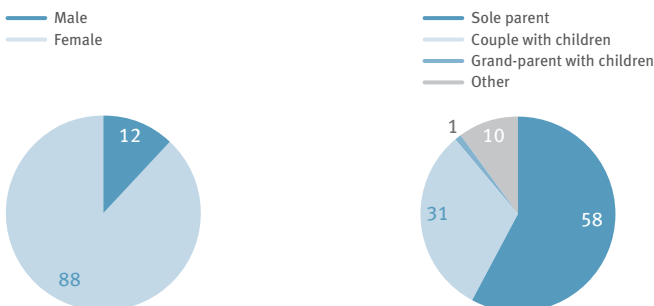
This experience is backed up by evaluation carried out by RMIT University which found participants were more confident about managing their money and saw the difference Saver Plus made to their lives.

ANZ and BSL are now looking to grow Saver Plus to reach more people in more locations. The challenge is to do this while maintaining the integrity of the program which has so far made such a positive impact on families that were once struggling to make ends meet.

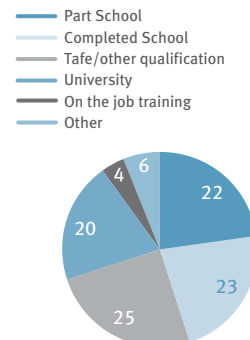
SAVER PLUS	2003/04	2004/05	2005/06	2006/07
ANZ investment (including resources/admin and matching funds for participants)*	\$810,310	\$972,218	\$844,159	\$2,007,558
Number of participants	248	303	311	1,385
Total amount deposited by participants	\$201,512	\$353,512	\$258,601	\$1,129,799

* ANZ provides \$1 for every \$1 saved, up to \$1,000 per participant

INFORMATION ABOUT SAVER PLUS PARTICIPANTS %



EDUCATION LEVELS



FINANCIAL LITERACY AND INCLUSION PROGRAMS CONTINUED

MORE WAYS FOR PEOPLE TO GET MONEYMINDED

ANZ's [MoneyMinded](#) is a financial education program and resource designed to help people, especially those on low incomes, make better and more informed choices about their money. It contains no ANZ branding or product information.

It is delivered in [workshops](#) conducted throughout Australia by our partners Berry Street Victoria, The Smith Family, The Benevolent Society, the Brotherhood of St Laurence, Mission Australia, Anglicare SA, Kildonan Child and Family Services and The Salvation Army (NSW).

MoneyMinded is also an important resource for [financial counsellors](#) and hundreds of community organisations who use it every day in their work. More than 1,000 facilitators have been trained this year to deliver the program at a grass roots level around Australia. Its flexibility allows it to be used in many situations with very different people.

More than 20,000 people have participated in MoneyMinded this year and more than 40,000 in total since the program began in 2004. An additional 1,040 people were trained to deliver the workshop this year, bringing the total number of people trained to 1,972.

Berry Street Victoria's Ian Murray uses MoneyMinded to teach basic financial skills to young people in residential care who are not participating in mainstream education.

'We use the program to talk about setting SMART goals. One of our guys was saving up for an MP3 player. And exactly as per the goal, he saved his money and very proudly went and bought his MP3 player.

'It was a big deal for him and it was a bit of an eye-opener to the rest of the group as well.'

The expertise of our partners and experiences such as Ian's have been captured in a booklet called 'MoneyMinded: Sharing the Stories', launched in July this year.



Berry Street's Ian Murray during a MoneyMinded workshop.

There are also five MoneyMinded courses available to our staff and the general community at www.moneyminded.com.au.

They include [Planning and Saving](#), [Everyday Finances](#), [Loans and Credit](#), [Super Future](#) and [Investment Basics](#). All courses are free.

Regular content [reviews of MoneyMinded](#) are undertaken to ensure it remains relevant and continues to be a useful resource for the community.

ANZ has successfully completed a pilot of MoneyMinded for mothers with young children in New Zealand in partnership with Plunket, a provider of support services for the development, health and wellbeing of children under the age of five. More than 100 people have already completed the program and the partners are planning to extend the program across New Zealand next year.

PARTICIPANTS

2004/05	3,500
2005/06	15,279
2006/07	22,458

FACILITATORS

2004/05	400
2005/06	564
2006/07	1040

FINANCIAL LITERACY AND INCLUSION PROGRAMS CONTINUED

SAFE, AFFORDABLE SMALL LOANS

[Progress Loans](#) is a small loans program available to [people who have had difficulty accessing affordable, fair and safe credit from mainstream providers](#).

It was developed by ANZ and the Brotherhood of St Laurence (BSL) in response to ANZ's 2004 research into financial exclusion in Australia, and BSL's previous experience in delivering similar small loans programs to low-income earners.

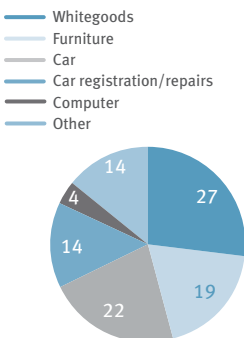
The program aims to reach people, such as those identified in our research, who either go without essential items or are forced to use high cost and 'unsafe' alternatives such as payday lenders and loan sharks, often leading to unmanageable debt.

A pilot commenced in May 2006 providing small loans (between \$500 and \$3,000) to people on low incomes. The pilot's success has resulted in Progress Loans being extended in Victoria.

Since Progress Loans started, 209 people have obtained credit to purchase essential household items and services – 165 this year. The majority of these people (71%) are women using the loans to purchase whitegoods (27%) with an average loan size of \$1,722.

ANZ is seeing a solid performance from the first loans written, with credit quality and arrears comparing well with the overall personal loan portfolio.

PURPOSE OF LOANS



GETTING ON WITH MONEYBUSINESS

[MoneyBusiness](#) is a unique financial literacy and money management program tailored specifically to help improve Indigenous people's confidence with money and develop a stronger savings culture.

ANZ is working in [partnership](#) with the Australian Government Department of Families, Community Services and Indigenous Affairs (FaCSIA) to deliver MoneyBusiness in six remote communities – Geraldton and Kununurra in Western Australia; and Katherine, Galiwinku, Tennant Creek and Nguiu in the Northern Territory.

ANZ and the Brotherhood of St Laurence are also piloting the matched savings program Saver Plus in Katherine, Tennant Creek and Geraldton. Like Saver Plus elsewhere in Australia, this program provides financial education and rewards participants by matching their savings.

This year new resources including training materials, workshops, facilitator notes and games have been produced for use by the MoneyBusiness team. These tools help workers to build their own skills and more easily engage participants in the program and its content. The materials are flexible and durable enough to support discussions in many different locations around the communities, including remote outstations, where English is often not the first language.

Susan Djamirri Djamkminy, a MoneyBusiness worker in remote Galiwinku (Elcho Island, NT) has seen many positive outcomes in the community,

'People are starting to save and budget their money. They are happy to see how they can save and watch their money grow – which is encouraging for us.'

In Geraldton, MoneyBusiness has made a difference for a mother of five children, who was on a Centrelink pension and \$4,000 in debt. After working with the MoneyBusiness team for six months, the woman paid off her debts, and is now saving to buy her own home. The woman says MoneyBusiness 'has changed her life' and now brings other young mothers to the office to get them help managing their money.

Another significant outcome of MoneyBusiness has been the personal and professional development opportunities available for Indigenous workers through participation in the Certificate III in Financial Services training.

Over the term of the partnership, ANZ has committed over \$1 million to MoneyBusiness, with the Government also committing \$4.4 million over four years.

ANZ and FaCSIA are now working together to extend MoneyBusiness to other communities, ensuring the program continues to help Indigenous people in remote areas improve their financial skills.

'People are starting to save and budget their money. They are happy to see how they can save and watch their money grow – which is encouraging for us,' says Susan Djamirri Djamkminy, MoneyBusiness worker in remote Galiwinku.

FINANCIAL LITERACY AND INCLUSION PROGRAMS CONTINUED

FINANCIAL LITERACY EXTENDS TO REMOTE NORTHERN TERRITORY

The Traditional Credit Union (TCU) is an Indigenous-owned credit union with 11 branches in remote communities throughout the Northern Territory. It aims to give people better access to financial services in remote areas, and financial literacy education to assist them in managing their money effectively.

ANZ has provided support to the TCU to pilot a financial literacy program in the communities of Milingimbi and Ngukurr.

Our investment over the past two years has been more than \$200,000 and we have recently committed an additional \$150,000 to enable TCU to continue the program in 2008.

As part of the program, a Financial Literacy Co-ordinator is employed to assist TCU members understand different banking services, learn how to develop budgets, understand the value of money and plan for their family's future.

'Rapport building is a crucial component to the success of this project, as relationships are very important in Indigenous communities. If you have managed to gain people's trust then they are more likely to want to hear what you have to say,' says Dianne Bessell, TCU Financial Literacy Co-ordinator and a qualified financial counsellor.

Relationships have been forged with various stakeholders in both Milingimbi and Ngukurr: 'In time that I have spent in the communities, I feel there has been an impact made as many people

are now approaching me and asking questions about financial literacy. There's a definite need in these communities and now we are able help them in a constructive way.'

Charles Darwin University will conduct an independent evaluation of the TCU financial literacy program by July 2008, and this will inform future financial literacy activities in communities where TCU operates.

LINKING FINANCIAL LITERACY WITH PERSONAL DEVELOPMENT

My Moola: Opening Financial Pathways is a pilot financial literacy and personal development program being delivered to Indigenous communities in the Goulburn Valley region of Victoria.

Developed in partnership with First Nations Foundation, it links personal development and goal setting with financial literacy and is specifically designed for regional centres with a large Indigenous population.

Local focus groups, including community organisations and local government, were held to inform design and delivery of the program.

ANZ's contribution to the partnership included skilled secondments and funding for community consultation, design of the pilot and development of all materials for the program.

Three ANZ staff members have worked on secondment in Shepparton for the past 12 months, helping develop the program that also incorporates some of the ANZ Breakout philosophies.

Locally, ANZ staff have also participated in program design and actively support it in their branches.

The pilot started in June 2007 and David Murray was one of the first people to complete the workshops. He has already seen a difference in his confidence with money.

'My Moola has really opened my eyes about how managing your money better can impact all areas of your life. I really enjoyed the workshop on Goal Setting, because I now have goals in my work and at home plus a savings goal.

'I feel proud of myself for completing this program and I can already see the difference it is making to not just my life, but my family too.'

A new intake of 60 people will participate in the next series of workshops.

OUR RESULTS

RECONCILIATION ACTION PLAN

AN AUSTRALIAN FIRST

Our [Reconciliation Action Plan](#), the first for any major Australian company, sets out specific and measurable steps ANZ will take to increase employment opportunities; [improve financial literacy and inclusion](#); develop better

understanding of local Indigenous culture(s) within ANZ; and help build the capacity of Indigenous communities and organisations.

Progress on each of the commitments in the plan is detailed below.

Note: The Reconciliation Action Plan is not included in ANZ's overall community investment figure. Each program is reported individually.

ANZ RECONCILIATION ACTION PLAN: SEPTEMBER 2007 PROGRESS REPORT

COMMITMENT	PROGRESS	TARGET
EMPLOYMENT		
Provide opportunities for Indigenous school-based trainees with an intake of at least 100 trainees p.a. with at least 33% being offered full-time roles	On track to employ 110 trainees in 2007, including 70 from our Regional and Rural business and 40 from Retail Banking.	January 2009
Recruit Indigenous staff so at least 3% of Regional and Rural Banking staff are from an Indigenous background	Forty Indigenous trainees are working in our regional branches, which represents 3% of our Regional and Rural Banking workforce.	December 2011
Work with Aboriginal Employment Strategy (AES) to expand to all States and participate in Corporate Leaders for Indigenous Employment Program (CLIEP)	We have established service agreements for all states with the AES and we continue to participate in the CLIEP program to build avenues for talented Indigenous employees.	April 2008
Retain, develop and promote Indigenous employees to leadership positions, including 20 Indigenous staff in management positions	Our Indigenous Employment and Training team includes a Career Development Management role, to ensure trainees are appropriately skilled to secure roles at the conclusion of their traineeship. On securing permanent roles, career development management will continue enabling suitable candidates to reach management positions based on merit.	December 2014
IMPROVING FINANCIAL LITERACY AND INCLUSION		
In partnership with the Australian Government, continue implementing the MoneyBusiness program in six pilot sites	MoneyBusiness continues to run in six locations: Geraldton and Kununurra in Western Australia; and Katherine, Galiwinku, Tennant Creek and Nguiu in Northern Territory providing money management skills to remote Indigenous communities. ANZ and the Australian Government are conducting a review of MoneyBusiness to evaluate the program and consider opportunities to extend it.	July 2008
Research, design and implement Opening Financial Pathways my Moola program pilot in Shepparton in partnership with First Nations Foundation and local community organisations	Thirty participants were involved in a 10-week long pilot program from June to August 2007 and another 45 will participate in a second series of workshops from October to December 2007. The evaluation of the pilot program will be released in early 2008.	September 2007
Offer the financial literacy program , MoneyMinded , to Indigenous peoples in relevant urban and regional centres	A range of community partners, including The Smith Family and Mission Australia, together with financial counsellors are using MoneyMinded for Indigenous clients. We are also reviewing opportunities to extend the use of financial literacy education materials specifically tailored for Indigenous communities.	October 2007
Implement a financial literacy project in partnership with Traditional Credit Union in Northern Territory and review for effectiveness	A review of outcomes from the financial literacy project with the Traditional Credit Union is now underway by Charles Darwin University and due for completion in mid-2008.	July 2008
Integrate the Saver Plus program with the MoneyBusiness and Opening Financial Pathways my Moola programs in relevant locations	A Saver Plus pilot is now operational in Katherine, Tennant Creek and Geraldton. Participants of the Opening Financial Pathways program who are eligible for participation in Saver Plus are being referred between the programs.	October 2008

RECONCILIATION ACTION PLAN CONTINUED

COMMITMENT	PROGRESS	TARGET
CULTURAL RECOGNITION AND AWARENESS		
Offer ANZ staff cultural awareness training and counselling to improve our understanding	A new program, Breakout Inclusion, has been developed and offered to promote diversity, inclusion and cultural understanding. A variety of locally relevant Indigenous cultural awareness programs are under consideration.	November 2007
Establish a mutual mentoring program for ANZ leaders – pairing of five ANZ leaders with five Indigenous leaders for mutual mentoring	The program is now under development, with participants expected to be paired in early 2008. A mentoring resource kit will be provided for participants.	December 2007
Develop local action plans developed by five regions to help ANZ frontline staff to ‘know your customer	Local action plans with specific and measurable ‘actions’ are being implemented in NSW North Coast, North West SA, North Qld, North WA, NT and other regions.	August 2007
Support local Indigenous events, particularly focused on Indigenous economic development and job markets	Support of the Darebin Economic and Job Market Summit (Vic) and Indigenous job markets in NSW, Qld and SA.	November 2007 and ongoing
Create and develop ANZ Indigenous Network Group raise Indigenous cultural awareness within ANZ	The network is being established to include Indigenous staff and others from across ANZ with experience in working with Indigenous people.	December 2007
Promote and support The Long Walk campaign to improve awareness of Indigenous affairs and culture.	ANZ supported The Long Walk event ‘Dreamtime @the G’ in Melbourne on 25 May and was principle supporter of The Long Walk Women’s Lunch. Over 200 staff have been involved in these events.	December 2007
Support national campaigns, where appropriate, to promote reconciliation and cultural celebration	ANZ is involved in The Long Walk, the Australian Government’s Reconciliation Action Plan program and the Darebin Indigenous Job Summit.	Ongoing
Promote our programs to staff through information sessions to raise awareness of our approach to reconciliation.	Regular updates on our Reconciliation Action Plan are provided to staff via our intranet and employee newspaper. All employees in Australia were given the opportunity to participate in our Indigenous Home Ownership workshops.	Every June
CAPACITY BUILDING		
Establish Reconciliation Action Plan Governance Group to guide, implement and manage our programs. Members from ANZ businesses, secondees, Indigenous partner organisations, Reconciliation Australia, ANZ leadership, ANZ Indigenous staff	A Governance Group has been established and is chaired by Rob Goudsward, Managing Director of ANZ Regional, Rural and Small Business. The first meeting was held on 10 September 2007.	June 2007
Consult on factors associated with Indigenous home ownership including barriers, opportunities and solutions	Discussion paper released in July 2007 and more than 150 staff and 100 community stakeholders have participated in our consultation workshops in seven locations across Australia. The report on the consultation will be available in early 2008.	May 2007
Help ANZ staff participate in volunteering and secondment opportunities with Indigenous organisations to the value of 50 staff months (annual four FTE)	Five ANZ staff participated in secondment opportunities with Indigenous organisations including Reconciliation Australia, The Long Walk and First Nations Foundation. This combined with volunteering opportunities for other staff totalled approximately 80 months.	September 2007

OUR RESULTS

LOCAL COMMUNITY PROGRAMS

MAKING MORE OF ANZ VOLUNTEERS

[ANZ Volunteers](#) offers staff at least one day's paid volunteer leave each year to support causes that are important to them.

Launched in Australia and New Zealand in 2001, the program commenced in India in July this year.

In 2007, more than 8,800 staff in Australia and New Zealand contributed 73,098 volunteer hours – an increase of 44% from the previous year.

The ANZ Volunteers program is flexible and grows at a grass-roots level. This helps ensure that each volunteer makes a meaningful impact on the organisation they are helping.

Shelley Bullock from Consumer Finance and her 12-member team volunteered to help the Brotherhood of St Laurence (BSL) build a balcony at a retirement home and give it a much needed make-over. The ANZ volunteers raised \$3,000 needed for the materials, and spent two days renovating the balcony for residents.

'It was really rewarding, especially when we saw how excited the residents were – we knew all our hard work had paid off', said Shelley. 'It was a fun day for all involved!'

Nicola Ballenden, BSL's General Manager for Communication and Development, said the residents of the home have been enjoying their new surrounds.

'At last residents have a place where they can enjoy the sunshine and do a little bit of light gardening, it has been very special for all of them to have this beautiful space in which to relax. Many of them now take their visitors up to the balcony and they love to show off the superb views of the city. This would never have happened in the past, when the balconies were bleak and unwelcoming concrete boxes!'

Nicola added 'We are always thrilled with the commitment of the ANZ volunteers. They showed real ownership of the project and it simply wouldn't have happened without their fundraising and time. The most exciting thing from our point of view, was that every single one of the volunteers showed such enthusiasm for the project and demonstrated real care toward the residents.'

Our people in India have also embraced the ANZ Volunteers program, with 389 people volunteering more than 3,000 hours in the program's first four months following its official launch.

'It is very encouraging to see the support ANZ offers volunteers in India so that they can make an impact to the community. Personally, it is a very rewarding experience to be able to touch so many lives and make a difference to them,' said Vinaya Sridhar, Project Manager, ANZ Bangalore.



ANZ Volunteers help raise money for Startlight Foundation Star Day.

An emerging challenge for volunteering, particularly in Australia, is a potential over-supply of corporate volunteers for community organisations. With corporate volunteering numbers increasing annually, it is important to ensure the administrative impact on the community host is limited, and the outcomes of our contributions are worthwhile. We are working with community organisations to ensure ANZ's contribution continues to be meaningful for both the community and ANZ employees.

In 2008, we will further develop our skills-based volunteering program. ANZ volunteers will have the opportunity to spend longer periods of time with organisations, contributing particular skills on a project or initiative that could not be completed in a one-day assignment.

HOURS OF VOLUNTEERING BY ANZ EMPLOYEES (AUST & NZ)

2003/04	7,337
2004/05	24,934
2005/06	50,735
2006/07	73,098

VALUE OF VOLUNTEERING (AUST & NZ)

2003/04	\$220,110
2004/05	\$748,020
2005/06	\$1,522,050
2006/07	\$2,192,940

LOCAL COMMUNITY PROGRAMS CONTINUED

MORE WAYS TO GIVE

Our [Community Giving](#) program offers staff, customers and shareholders the opportunity to donate to charities of their choice.

All Australian staff can donate directly from their pay to a number of selected charity partners, with ANZ matching donations dollar for dollar up to \$1,000 per person and \$1 million per year.

In response to a nation-wide staff survey, six new charity partners were added to our community giving list this year. Our list is reviewed each year and is determined in response to the staff survey.

In 2007, 15% of staff donated \$1,654,668 to our 25 partners in Australia – including ANZ’s matched funding.

In October 2006, ANZ became the first company in Australia to launch child sponsorship as an option for staff through payroll giving. More than 450 staff now sponsor children through World Vision, with ANZ matching their donations.

We also support teams that prefer to contribute to smaller or local charities that are not on the payroll giving list. ANZ matches all staff donations to charity during a team fundraising event (up to \$1,000 per collection). This year staff donated \$504,900 to more than 100 charities through this initiative.

Corporate and Community Manager at Kids Help Line, Marie Bryan, loves the concept of Community Giving as it’s a cost-effective way for them to raise much needed funds.

‘Corporate payroll giving is the best possible way for us to raise money. There is no cost to the charity and, because ANZ match donations, we receive double the impact.’

‘We received more than \$13,000 from ANZ staff this year, which helps Kids Help Line answer more cries for help from children and young people across Australia.’

In addition, the [ANZ Staff Foundation](#) in New Zealand and Australia also enable staff to donate directly from their pay. The Foundations awarded

more than 100 grants to community organisations this year. They are both managed by ANZ staff representatives in each country and donations are matched by ANZ.

Next year Community Giving will also be launched for our staff in India.

Our shareholders also have an option to donate to charity through the Dividend Donation Scheme. This year, ANZ facilitated \$165,839 in donations from our shareholders to a range of charities, which were matched by ANZ. Our customers also donated \$101,732 to charity through ANZ’s online banking facility.

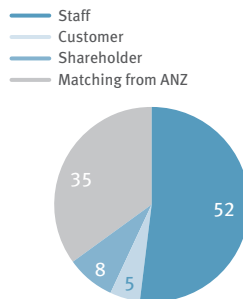
In total, \$2,592,978 was donated to charity through ANZ’s Community Giving program from our [staff](#), [customers](#) and [shareholders](#) during 2007.

TOTAL CONTRIBUTIONS THROUGH COMMUNITY GIVING (AUST & NZ)

2004/05	\$1,110,000*
2005/06	\$833,019
2006/07	\$2,592,978

* Includes one-off Tsunami donations in 2005

BREAKDOWN OF COMMUNITY GIVING



LOCAL COMMUNITY PROGRAMS CONTINUED

INVESTING IN LOCAL COMMUNITIES

The [ANZ Community Fund](#) is used by our branches to support their local communities. They are encouraged to use the Fund to give something back to the areas in which they operate.

Our branches can also offer in-kind support such as volunteering, access to business networks, in-branch promotions or expertise, in addition to financial assistance.

In 2007, more than 100 organisations have been supported by our branches using the Community Fund, including cash contributions of \$440,716.

The Community Fund is a great vehicle for branches to make an impact and support causes that are important to their community. Whether it's a small sponsorship or a large donation, the Community Fund's flexibility is what makes it so effective.

The ANZ Boronia local market in Victoria used the Community Fund to develop a local program called Kids First. It was designed by ANZ staff to help the children in local schools learn about good financial habits and physical fitness. Local CEO, Gary Conner, has been thrilled at the outcomes the team has achieved in the community.

'Kids First is a program that incorporates basketball clinics and financial literacy clinics for children, parents and staff. It is proving to be a unique, special and powerful way for us to add value to the

communities around us which will have a lasting benefit. We use the Community Fund so there is no cost to the school', said Gary

'By including both basketball clinics and a financial literacy game, learning about the importance of good financial habits and physical fitness have never been so much fun for the kids.

'Our team is very excited by the potential of this project and the impact we have made already made in our local area. So far, there have been 11,000 children participate in the physical or financial elements of the Kids First.'

STEPPING UP TO THE CHALLENGE

The Corporate Charity Challenge is an event that combines fundraising with a fitness challenge and encourages team building for staff. Sixty ANZ staff participated in Challenges this year which took them to Vietnam and remote north Western Australia.

ANZ supports the Corporate Charity Challenge teams by providing project management support, two and a half days of volunteer leave for the Challenge trip, and by matching fundraising up to \$1,000 per team member.

Participants each raised more than \$4,000 for the selected charity before travelling to the communities they are helping. It tests their fitness and is a unique opportunity for our staff to experience something new and create real benefit for the community.



Children from Boronia celebrate the Kids First program supported by the ANZ Community Fund.

For example, 30 ANZ staff travelled to Vietnam in November 2006 and raised \$100,000 for the International Women's Development Agency (IWDA) charity to build a school.

'Without the funding generated by the ANZ Charity Challenge, this project would have come to an end in 2006. The substantial support enabled the 'Rural Development for a Future without Poverty' project to provide women in the Tuyen Quang district of Vietnam additional micro-credit, training in small business establishment, and support,' said Jane Sloane, Executive Director of IWDA.

'Incomes increased substantially as a result, for example going from 50 cents to \$13 per day (Australian), improving the quality of life and the health of women and their families, and enabling their children to attend school – and possibly even university!'

TOTAL COMMUNITY FUND SPEND (AUST)

2003/04	\$395,255
2004/05	\$350,000
2005/06	\$396,810
2006/07	\$440,716

LOCAL COMMUNITY PROGRAMS CONTINUED

A second group of 30 staff raised more than \$116,000 for the Ian Thorpe Fountain for Youth who are supporting the Bidyadanga Community Library project in Western Australia (south of Broome). This project enables young Indigenous children in the community access to a library so they can learn to read and write.

Peter Dalton, Chief Information Officer of ANZ returned from the Challenge inspired.

‘The Corporate Community Challenge was one of the most powerful and rewarding things I have done recently. Raising money to open a library for a remote Indigenous community was difficult at times but after spending a couple of days with the community, it became very clear to us the important difference this will make to the lives of many children.

‘The physical part of the Challenge was also terrific. We live in such a beautiful, and at times harsh, country that we should all take the time to get out and see more of it. A very rewarding and worthwhile experience.’

GRANTS FOR DROUGHT-AFFECTED AREAS

[Seeds of Renewal](#) is a grants program for rural communities run by the [Foundation of Rural and Regional Renewal \(FRRR\)](#) and supported by the Regional and Rural business. Community groups from towns with populations of less than 15,000 people can apply for grants of up to \$10,000.

This year, Seeds of Renewal has supported projects which help small rural communities affected by drought. The grants focus on helping them to foster enterprise and renewal following the severe drought conditions.

ANZ has been supporting this program for five years, contributing more than \$1.4 million over this time – \$451,800 this year alone. More than 280 projects have received Seeds of Renewal grants including, 83 projects in drought-affected areas across Australia this year.

ANZ’s continued support for the program helps drought-affected areas like Gayndah in Queensland. The local Kindergarten Association received a grant of \$4,140 to purchase a water tank which

is much needed in these difficult times. Suze MacGregor from the Gayndah Kindergarten said the grant had come at a great time for the children.

‘We wanted to purchase a water tank and pump to water the natural tree, garden and lawn area at the kindergarten. The drought has really taken its toll on the kid’s outdoor play area. We needed some help.

‘We have also used this project as an opportunity for a teaching exercise in water conservation and recycling strategies, which we hope will have a long-term impact on our children’.

In 2008, the focus of Seeds’ project grants will continue to be on drought-affected areas.

SEEDS OF RENEWAL INVESTMENT (AUST)

2003/04	\$277,000
2004/05	\$358,000
2005/06	\$314,496
2006/07	\$451,800

LOCAL COMMUNITY PROGRAMS CONTINUED

ANZ PAINTS THE TOWN BLUE FOR CHARITY

A commercial initiative can also have a significant impact on the community. Even if a company receives a brand benefit from its activities, there is also a contribution to the community that may result in positive outcomes.

According to the LBG model, 6% of ANZ's total community contribution is in this category. Blue Week and Comic Relief are examples of ANZ's commercial community initiatives.

Blue Week

ANZ Blue Week is a national initiative to support our local community, while raising ANZ's profile and showing that we really are a very different bank. Each branch around Australia selects a local charity to support and spends the week fundraising, while also introducing new customers to ANZ.

Started by Regional and Rural Banking last year, Blue Week expanded to all ANZ branches in 2007. During the week, our staff and customers raised over \$500,000 for charities across Australia.

Local CEO for the Sunshine Coast, Vicki Clark said: 'ANZ is committed to supporting our local communities, and Blue Week provides us with another opportunity to do this. Not only do our staff enjoy it, the community benefits.'

In 2008, ANZ Blue Week will take place from 18 to 22 February.

Comic Relief

ANZ is the principal sponsor for Comic Relief, an annual TV appeal which supports Volunteering Australia and Oxfam Australia in raising funds and allocating these to various charitable initiatives in Australia and Asia Pacific.

ANZ provides funding (\$300,000) and in-kind support, including fee-free business banking services and merchant services, volunteers and use of the ANZ call centre (\$1 million). In 2006, ANZ also provided a charitable donation of \$100,000.

Overall, the TV appeal raised \$700,000 for Comic Relief.

SUPPORTING COMMUNITIES IN TIMES OF NEED

ANZ supports the communities in which we operate – especially in times of particular crisis or need. This year, we continued to provide assistance to communities affected by natural disasters like drought, bushfires, storms, cyclones and the equine flu.

This year ANZ has given \$15,000 in cash grants as part of various disaster relief packages to customers in affected communities.

ANZ has also provided support to our customers in these communities including, waiving fees and suspended loan repayments.

During an unexpected event or natural disaster, more than ever, communities are in need of understanding and support from the businesses that operate there. Managing Director of Regional and Rural Banking, Rob Goudswaard, says that supporting communities in good times and bad is a priority for ANZ.

'As a bank and as a team of people, we are committed to supporting the communities in which we live and work in their time of need. We are very aware of the devastating impact natural disasters have on many small communities and our focus is on helping these communities survive and rebuild for the future as quickly as possible.'

Read more about our [disaster relief packages on page 43](#).



More than 80 ANZ staff have volunteered for Habitat for Humanity.

HABITAT FOR HUMANITY

The [ANZ Mortgages](#) business is a major sponsor of Habitat for Humanity Australia. Together, we help construct simple, decent and affordable housing for families with low incomes.

ANZ Mortgages invests \$290,000 to Habitat for Humanity plus \$241,900 worth of in-kind management services and more than 80 [ANZ staff volunteer](#) to build houses across Australia.

With ANZ's support, Habitat has constructed four homes in 2007 and plans to build another for next year. In addition, ANZ also supports families in developing their money management skills and confidence through participation in [MoneyMinded](#).

LOCAL COMMUNITY PROGRAMS CONTINUED

ANZ NOW REACHING MORE COMMUNITIES

Strategic community investment programs are now being established in India and the Pacific. Programs in New Zealand are also being extended following the success of the last two years.

New Zealand

Following ANZ's acquisition of The National Bank in 2003, the focus for the amalgamated ANZ National Bank was to take a 'best of both' approach in establishing a number of [core community programs](#).

Starting with a formal [volunteering program](#), New Zealand's community investment program has gone from strength to strength. The most recent initiative has seen ANZ partner with [Plunket](#) to deliver our financial literacy program, [MoneyMinded](#) to young families.

More than 2,200 staff in New Zealand volunteered 16,643 hours to the community this year, an increase of 66% since 2006. More than 1,100 staff, 11.6% of our New Zealand people, now contribute to the [New Zealand Staff Foundation](#).

The extension of MoneyMinded into New Zealand complements the community investments already in place, including ANZ's new sponsorship of Plunket's annual appeal and The National Bank's sponsorship of Daffodil Day where staff raised more than \$1 million for the Cancer Society.

In total, ANZ New Zealand invested over \$1.3 million in the local community.

India

This year ANZ Operations, Technology and Shared Services in India began work on a local community engagement strategy and contributed \$83,177 to the Group's overall community investment.

In addition to offering staff paid volunteer leave and driving charitable fundraising, ANZ has developed a relationship with the charitable organisation, Parikrma Humanity Foundation.

Parikrma is a non-profit organisation that aims to empower children from urban slums to break the cycle of poverty through education. This year, ANZ provided funding for Parikrma to conduct an impact study on the Parikrma Model of Teaching.

The focus for the study was the unique education model leveraged by The Parikrma Humanity Foundation. The Parikrma model enables children from under-served communities to access quality teaching, advance their studies and compete with peers from more privileged backgrounds.

In addition to this support, ANZ has recently provided two staff members to work at Parikrma on secondment for three months. The secondees will help in building the capacity of the Parikrma schools and will provide a skill exchange between our two organisations.

After taking these first steps in a partnering relationship with the Parikrma Humanity Foundation, our aim is to extend and deepen this relationship next year.

Pacific

Our commitment to invest in the communities in which we operate is vitally important in developing [countries in the Pacific](#). This year, ANZ has invested more than \$921,000 in countries including, Fiji, Samoa, Papua New Guinea and East Timor.

A combination of donations, volunteering activities, local sponsorships and relief to Tsunami-affected areas comprises ANZ's investment in this area.



ANZ is supporting the Parikrma Humanity Foundation in Bangalore, India.

'Community investment in countries like Fiji is vital for large companies like ANZ – it gives us a licence to operate here', said Vosawale Tamani from ANZ Fiji.

'The support ANZ gives organisations like the Dilkusha Children's Orphanage makes it possible for us to help people less fortunate than ourselves. The impact is huge.'

In addition to financial support for local organisations, ANZ also runs Banking the Unbanked – an initiative which offers mobile banking services to those in remote areas. These people wouldn't normally be near a bank and can now have better access to mainstream services. Since October 2004, we have delivered basic banking products to more than 300,000 people in remote Pacific villages through this program.

Asia

This year our operations in Asia contributed \$70,666 to the Group's community investment spend. Their contribution included staff volunteering activities, charitable donations and community-based commercial initiatives. For example our staff in Taiwan participated in a reading program with the children of newly arrived immigrants and we sponsored the Australia Friendship Library in China which aims to help bridge the culture gap between Australia and China.



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

section 4 environment and supply chain

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

WHERE WE'VE BEEN 1999–2006

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

KEY ACHIEVEMENTS 2007

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

FUTURE PRIORITIES

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

OUR APPROACH MANAGING OUR ENVIRONMENTAL IMPACT AND SUPPLY CHAIN

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

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

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

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

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

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

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

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



ENVIRONMENTAL RESULTS FOR 2007

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

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

LEADING AND RESPONDING TO CLIMATE CHANGE CHALLENGES AND OPPORTUNITIES

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

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

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

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

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

SUPPORTING CLIENTS

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

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

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

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

BACKING RENEWABLE ENERGY

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

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

LEADING AND RESPONDING TO CLIMATE CHANGE CHALLENGES AND OPPORTUNITIES CONTINUED



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

GOING CARBON NEUTRAL

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

In May 2007 we announced our intention to [become carbon neutral](#) in Australia and New Zealand by 2009.

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

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

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

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

CONTINUING OUR FOCUS ON EFFICIENCY

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

INFLUENCING OUR SUPPLY CHAIN

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

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

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

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

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

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

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

EXPANDING OUR INFLUENCE

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

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

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

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

through the development of social and environmental performance improvement plans.

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

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

FUTURE CHALLENGES

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

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

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

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

CREATING MORE ENVIRONMENTALLY FRIENDLY WORKPLACES

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

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

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

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

IMPROVING EXISTING BUILDINGS

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

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

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

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

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

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

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

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

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

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



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

NECESSITY BREEDS INNOVATION IN THE PACIFIC

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

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

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

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

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

OUR RESULTS

MANAGING OUR DIRECT IMPACT IN AUSTRALIA

Our plans to [become carbon neutral](#) make up only part of our commitment to reduce our environmental footprint. Two years ago we committed to a series of targets to reduce the impact of our Australian operations by 30 September 2007.

Our goal was to cut the consumption of electricity, water and paper by 5% per full time equivalent employee (FTE) and reduce greenhouse gas emissions and waste by 5% per FTE.

We have met or exceeded our targets in relation to electricity, greenhouse gas emissions, paper consumption and waste management. We are below target on water consumption.

The knowledge we have developed during the past two years will inform and sharpen our focus on continuous improvement.

One of the challenges we have faced in regard to power consumption is the growth of our business. During the target period, ANZ's contact centre moved to 24 hour, seven days a week operations, we opened 79 more branches and installed 1,040 more ATMs.

We have now set targets for the next 2 years, with the objective of a further 5% reduction in electricity and water consumption per FTE, as well as a 10% reduction in paper purchasing per FTE and a 10% reduction in waste to landfill per FTE.

To reduce carbon emissions ANZ will focus on:

- reducing energy (electricity, gas and diesel) consumption per FTE by 5% over the two years from 2007 to 2009
- continuing our focus on understanding and reducing energy consumption through improved monitoring and reporting
- pursuing energy efficiency opportunities in our retail, commercial and data centres beyond our 5% target
- continuing engagement with suppliers for mutual education and joint footprint reduction
- providing quarterly reporting of energy consumption of each ANZ Division to assist business units identify opportunities to reduce energy consumption.

The following explains our performance in 2007 against [key environmental indicators](#). An assurance review was undertaken by SGS, an independent inspection, verification, testing and certification company, to validate the factual accuracy of all environmental data published in this report.

ENERGY USE

[Coal-fired electricity](#) costs ANZ approximately \$16 million a year and is responsible for approximately 95% of our greenhouse gas emissions. Our incentive to reduce our consumption is therefore financial as well as environmental.

This year we reduced our consumption of electricity per FTE by 1.5% through a series of energy-saving initiatives, including:

- the removal of screensavers from PCs and laptops, replacing them with 'sleep mode' when the computer is not in use;
- the decommissioning and consolidation of several IT servers; and
- efficiency upgrades of the lighting system at our head office building at 100 Queen Street, Melbourne.

These initiatives also contributed to a reduction in total greenhouse gas emissions per FTE in 2007 of 8.5%. ANZ uses the Australian Greenhouse Office 'Factors and Methods Workbook' for calculating emissions. This method is consistent with international greenhouse accounting standards and protocols.

WASTE

Over the last two years we have introduced a number of [measures to reduce the amount of waste](#) we generate that goes to landfill.

Waste audits and assessments were undertaken by consultants at 10 major commercial sites in June 2007. They found that ANZ had opportunities to improve at all sites through better use of existing recycling facilities and introducing new processes such as organic recycling.

TWO-YEAR TARGET CATEGORIES (AUST)	UNIT/FTE	2007	2006	2005	PERFORMANCE 2006-2007	PERFORMANCE 2005-2007	STATUS AGAINST 2 YR TARGET
Electricity	mWh	6.89	6.99	7.25	-1.5%	-5.0%	↑
Water	kL	14.43	15.50	14.34	-6.9%	0.7%	↓
Waste	kgs	0.24	n/a	0.36	n/a	-32.7%	↑
Paper	tonnes	0.20	0.17	0.22	-19.3%	-9.6%	↑
Greenhouse gas emissions	tonnes CO ₂ -e	8.58	9.37	9.32	-8.5%	-8.0%	↑

Note: Water and waste results based on figures from ten key sites

MANAGING OUR DIRECT IMPACT IN AUSTRALIA CONTINUED

We continued to expand co-mingled recycling of glass, aluminium and plastics across the organisation and ran a pilot to recycle obsolete computers and electronic office equipment, which we plan to roll out more broadly in 2008.

Last year we reported on the launch at ANZ of 'Cartridges 4 Planet Ark' – a program to recycle printer, fax and copier cartridges. Collection boxes have been deployed nationally. Since October 2006, more than 13,000 items have been collected, saving 14.2 tonnes of material from going to landfill.

PAPER

We have taken a [multi-faceted approach to paper based on recycling](#), reducing use and the ordering of stock with higher recycled content. Our people now also have the option of purchasing FSC-certified office paper through our stationery supplier, Corporate Express.

Overall, we have reduced paper consumption per FTE by 9.6% since 2005. While our paper consumption in 2007 increased by 19.3% per FTE, related largely to greater use of print materials, 23% of this paper was from recycled content, up from 19% last year. We recycled 1,276 tonnes of paper and cardboard and 16% of paper consumed was FSC-certified.

Our central supply chain management area has reduced by 10 pages all supplier contracts and we have converted employee police checks to an electronic process, saving an estimated 70,000 sheets of paper per year.

In May, our Mortgages business announced plans to cut paperwork by making greater use of computer 'imaging' technology when assessing

applications and preparing documentation for settlements.

Changes in Australian credit law this year will also give credit providers greater opportunity to communicate with their customers electronically and we will be looking to capitalise on this paper-saving opportunity throughout 2008.

WATER

[Water use](#) is a minor part of ANZ's total environmental footprint but in light of the severe water shortages being experienced in Australia, we share a responsibility with the rest of the community to use this resource responsibly.

Water consumption per FTE fell by 6.9% this year, helped in part by some practical initiatives such as:

- encouraging staff to save water at work through awareness campaigns;
- installing flow restrictors and low-flow showerheads at major sites;
- trialling waterless urinals, dual-flush toilets and other water-saving technology in the fit-out of five floors at 55 Collins Street, Melbourne (these measures are expected to save approximately 750,000 litres per year)

Through 2008 and 2009 we are aiming to develop a greater understanding of the drivers of our water consumption. We have monitored a number of our commercial buildings and branches to measure water consumption, and aim to improve the precision of the data we collect by installing 'smart' water meters at these sites. This will allow us to monitor water consumption, wastage and leaks on a regular basis and identify water saving opportunities.

TRANSPORT

This year we have worked on reducing the environmental impact we have on the road.

ANZ currently leases more than 600 vehicles for use by staff as part of their role. To reduce the environmental impact of this fleet, we introduced a policy specifying fuel-efficient 4-cylinder cars as the preferred lease vehicle for staff. These vehicles will replace 6-cylinder cars as leases expire over the next four years.

Our Corporate Banking business took a further step in 2007 by announcing it would convert its fleet of 11 pool cars to petrol-electric hybrid vehicles. The model chosen by ANZ delivers a fuel economy figure of 4.4 litres per 100km and produces only 106 grams of CO₂ per kilometre, around half that of a 6-cylinder sedan.

We have recently invested in an improved video conferencing system to reduce our reliance on air travel between our headquarters in Melbourne and our operations in Bangalore, India. The new system will be launched in December 2007.

MANAGING OUR DIRECT IMPACT IN AUSTRALIA CONTINUED

KEY ENVIRONMENTAL INDICATORS	UNIT	AUSTRALIA			NEW ZEALAND	
		2007	2006	2005	2007	2006
Fulltime Equivalent	FTEs	19,720	18,656	17,806	9,467	9,379
Occupied Building Space	m ²	530,039	514,828	510,778	236,897	237,771
Energy						
1. Total energy consumed in premises	MWh	148,617	141,890	139,128	56,674	56,909
1.1 Electricity consumed		135,846	130,461	129,173	52,923	53,439
1.1.a Electricity consumed/FTE		6.89	6.99	7.25	5.59	5.70
1.1.b Electricity consumed/m ²		0.26	0.26	0.25	0.22	0.22
1.2 Natural gas		11,265	11,106	9,470	3,740	3,427
1.3 Fuels for emergency power units (petrol, diesel)		1,506	324	484	11	42
2. Non-premises energy (road transport)	MWh	12,923	16,432	15,445	17,980	17,448
3. Renewable electricity	%	0%	0%	0%	65%	65%
Transport						
4. Total corporate transport	km	109,294,036	94,106,286	91,361,735	49,584,968	50,908,845
4.a Total corporate transport/FTE		5,542	5,044	5,131	5,238	5,428
4.1 Road transport		12,504,320	15,532,767	14,634,792	19,712,268	18,919,307
4.2 Air travel (domestic)		53,696,225	47,588,319	41,303,604	16,411,530	17,201,546
4.3 Air travel (international)		43,093,491	30,985,200	35,423,339	11,568,587	12,951,402
Paper						
5. Total paper consumed	tonnes	3,927	3,114	3,921	1,646	1,679
5.a % FSC chain of custody certified paper		16%	0%	0%	94%	n/a
5.b % Recycled content		23%	19%	1%	0%	0%
Water						
6. Total water consumed from 10 key sites	kL	122,859	126,049	116,852	n/a	n/a
Recycling						
7. Total material recovered, recycled or reused	tonnes	1,317	1,387	1,329	631	582
7.1 Total paper and cardboard recycled		1,276	1,383	1,329	625	582
7.2 Total other recycled		42	3	-	7	-
Waste to landfill						
6. Average daily waste from 10 key sites	kgs	2,025	n/a	2,806	n/a	n/a
Greenhouse Gas Emissions						
8. Total GHG emissions	tonnes CO ₂ -e	169,145	174,814	166,001	13,138	13,014
8.a Total GHG emissions/FTE		8.58	9.37	9.32	1.39	1.39
8.1 GHG emissions of premises energy use		165,611	169,975	161,452	8,642	8,660
8.2 GHG emissions of non-premises energy use		3,534	4,839	4,549	4,496	4,353

NOTES ON PAGE 82

MANAGING OUR DIRECT IMPACT IN AUSTRALIA CONTINUED

STAFF RESOURCES

This year we invested in measures to increase our staff's awareness and understanding of environmental issues.

Cool Change is an intranet site available to all ANZ staff developed in [partnership with WWF Australia](#). The site includes a resource library of industry reports, information, data and studies and a blog to encourage communication, between interested ANZ staff and between ANZ staff and WWF, about environmental issues.

A six weekly e-bulletin also provides subscribers with regular news, editorials, views on current developments and tips on reducing environmental footprints at work and at home. There are currently 1,000 ANZ employees signed up to receive the bulletin.

An online staff training course was also launched this year to give staff a better understanding of ANZ's environment targets and how they can contribute to ANZ reducing its environmental impact. As at September 2007, 248 staff had completed the course.

RESPONSIBLE OPTIONS FOR INVESTORS

In April this year we launched three offers of the [ANZ Sustainable Protected Responsible Investment over Term \(ASPRIT\)](#), a wholesale fixed term interest investment trust linked to the performance of the Sustainable Asset Management (SAM) Sustainable Leaders Australia Fund, also known as SAM Australia Fund.

It gives investors the opportunity to benefit from the performance of approximately 70 Australian companies considered leaders in integrating environmental and social factors into their business strategies. There is currently a total of \$90 million of funds under management in the ASPRIT trust.

We have also launched the ANZ Climate Change Trust (ACCT), Australia's first wholesale fund that invests in technologies designed to tackle global warming. ACCT is a six-year investment product which uses the SAM Sustainable Climate Fund as the underlying fund for its returns. Investors in this product are given exposure to the performance of 40 to 60 global companies that provide products and services to prevent climate change or alleviate its effects.

INVESTMENT IN SUSTAINABLE INFRASTRUCTURE

We continued our substantial support of renewable energy infrastructure this year through the Energy Infrastructure Trust (EIT), a special-purpose trust to encourage investment in more sustainable energy sources. EIT has over \$475 million of equity invested in a number of projects that seek to respond to key environmental issues. EIT is managed by [ANZ Infrastructure Services \(ANZIS\)](#) and this year acquired the 91MW Wattle Point Wind Farm in South Australia, one of the largest operating wind farms in Australia.

This investment complements EIT's existing investments including:

- a 50% stake in Waubra Wind Farm in north-west Victoria, which will be Australia's largest wind farm when completed in 2008
- 68% ownership in the project to construct and operate a bio-diesel production plant near the border of Victoria and New South Wales
- 71% ownership in the Dalby ethanol refinery in Queensland

NOTES FROM: KEY ENVIRONMENTAL INDICATORS TABLE (PAGE 81)

- 1 Environmental performance reporting has improved in NZ. The 2006 figures for occupied building space and FTEs have been adjusted to improve accuracy.
- 2 NZ 'GHG emissions of non-premises energy use' has been recalculated using 'actual' litres of petrol purchased, rather than estimated based on km travelled.
- 3 The 2006 NZ 'GHG emissions of premises energy use' figures previously published included a 65% offset for renewable energy. Further investigation identified that the NZ GHG conversion factors also accounted for renewable energy. This duplication has since been corrected, resulting in an increase of almost 50%.
- 4 NZ Road transport figures exclude UDC distances as this was not reported in the 2006 baseline. UDC is a subsidiary of ANZ National Bank Limited.
- 5 'Total other recycled' includes mixed sources (glass, aluminium, plastics) and printer/fax/copier waste, which were all introduced in Q3 2006.
- 6 Australian water consumption figures have been adjusted to enable comparison with 2005. Adjustments include only reporting figures from the 10 baseline sites and only including consumption from one water meter at 85 Spring Street, Melbourne.
- 7 Australian electricity consumption contains a small amount of estimation to account for bills that have were not available at time of reporting. This could lead to a variance of plus or minus 1%.
- 8 Australian electricity consumption does not include electricity from sites where the billing is rolled up into lease contracts (e.g. some branches in shopping complexes).
- 9 Road transport figures include fleet and car rental kms travelled.
- 10 Total GHG emissions is calculated based on electricity, gas, diesel and road transport.
- 11 FSC chain of custody for print paper is certified to the paper mills, % FSC for office paper refers to the % of office paper with FSC labelling.
- 12 Electricity from a non-ANZ tenant within one of our buildings, measured by sub meters, has been removed. This caused minor changes in the 2005 and 2006 electricity figures.

MANAGING OUR DIRECT IMPACT IN AUSTRALIA CONTINUED

- 50% shareholding in a project to construct a 336km gas transmission pipeline and 33MW gas-fired power station in Esperance, Western Australia which will replace diesel generation, integrate two wind farms into the electrical system and provide natural gas distribution to the community
- interests in the Breemar and Kwinana gas fired power stations
- 100% ownership of the gas fired 135MW Condamine Power Station development in Queensland.

SOLAR CITIES

ANZ is part of the consortium selected by the [Federal Government's Solar Cities initiative](#), which is designed to demonstrate, through pilots in several sites across Australia, how solar power, energy efficiency and better information on energy use can produce a sustainable energy future in urban locations.

As part of the program, ANZ offers a home loan with a competitive rate that is linked to the purchase of a solar power and hot water system and finance for business and corporate customers for the purchase and installation of large solar power systems and energy efficiency technology.

INDUSTRY PARTICIPATION

We continue to participate in a number of industry and Government initiatives to promote environmentally responsible business practices:

- The Greenhouse Challenge Plus, a partnership between the Australian Government and industry to reduce greenhouse gas emissions and encourage continuous improvement of the information used by industry to report on and manage greenhouse gas emissions
- The United Nations Environment Program Finance Initiative and in particular, the development of an online training tool, 'Climate Change: Risks and Opportunities for the Finance Sector
- UK-based Climate Group's Financial Leaders, including the development of low carbon principles for lending and investing and approaches to assessing the climate risks in loan portfolios
- The [Carbon Disclosure Project 5](#), a survey of the world's top 500 companies on their management of climate-related risks and opportunities.

RECOGNITION FOR DISCLOSURE

ANZ was honoured as 'Best in Class' for our approach to climate change disclosure by the Carbon Disclosure Project. ANZ is one of 68 FT500 companies included in the Climate Disclosure Leadership Index.

In addition we were recognised in a report issued by Net Balance Foundation as the No.1 Australian financial institution for climate change disclosure.

Our improved disclosure was recognised by the Dow Jones Sustainability Index with the Environmental Reporting category score increasing by 20% this year to 95%.

OUR RESULTS

SUPPLY CHAIN MANAGEMENT

We developed a [Sustainable Procurement Policy](#) in 2005 and this year continued to work on improving the management of our supply chain.

Our Policy commits us to:

- integrate social and environmental considerations into our procurement of products and services
- assist our suppliers understand their social and environmental impact
- work with suppliers to improve their management of these risks and monitor their progress.

All new suppliers of ANZ are asked to [complete a self-assessment](#) questionnaire to determine how they are responding to the social and environmental issues facing their business and we are in the process of introducing this process to our existing suppliers. We do this not only to avoid the risk of dealing with irresponsible businesses, but also to share with others what we have learned from responding to our own challenges.

This year we have applied a more focused assessment of the social and environmental performance to our most important suppliers.

However, rather than concentrate on suppliers merely on the basis of their size or the amount we spend on their products and services each year, we identified 30 suppliers based on the following three criteria:

- our annual spend on the supplier;
- the potential environmental impact of the supplier's activities or the products and services provided by the supplier; and
- the nature of the relationship with ANZ.

Suppliers who rated highly on the first two criteria and with whom we have a continuous relationship were chosen for [further analysis](#). These 30 suppliers included a wide variety of organisations, from multinationals to small business specialist service providers and represent approximately 35% of our total supplier spend.

We used the self-assessment questionnaire of these suppliers as the basis for an in-depth discussion about the social and environmental challenges and opportunities facing their business and how they can best address these issues.

External subject matter experts joined many of these discussions so that we had an understanding of what was best practice in the supplier's industry and to ensure all potential environmental issues were identified.

Action plans were then developed, containing specific measures to improve the supplier's performance.

Our focus for 2008 is to follow up our suppliers' performance on their action plans and to assess the actual improvement in our environmental footprint as a result of the measures taken by our suppliers. In the coming year, we also aim to increase by at least 50% the number of suppliers chosen for a more focused social and environmental assessment.

SUPPLY CHAIN STATISTICS – OCTOBER 2006–SEPTEMBER 2007 (AUSTRALIA)

Suppliers that have completed ANZ sustainability self-assessment questionnaire	170
'Key 30' suppliers who have completed ANZ sustainability self-assessment questionnaire	93%
'Key 30' suppliers who have completed a sustainability interview with ANZ	93%
'Key 30' suppliers with an agreed sustainability performance improvement action plan	93%
'Key 30' suppliers with an Environmental Policy or Charter	79%
'Key 30' suppliers with an Environmental Management System	48%
'Key 30' suppliers with their own supply chain management system or strategy	59%

NEW ZEALAND CREATING AN ADMIRABLE COMPANY

ANZ National has set itself three stretching goals: helping New Zealand and New Zealanders succeed, being a recognised leader in the community and creating New Zealand's most admired company.

We're the country's leading financial services company with a portfolio of six brands, offering a full range of financial services. ANZ National, which is also one of New Zealand's leading companies, touches nearly two million people, and is represented in most communities.

Since our [first report in 2006](#), ANZ National has made significant progress, particularly in the community and environmental areas. Our approach has been to focus on action and engage our people in helping shape our program and embed it into our business.

A Corporate Responsibility Council drives and monitors our Corporate Responsibility agenda across the business. Strategy

work continues in our [people](#), [customer](#), [community](#) and [environmental](#) streams, which will feed into the development of our wider corporate responsibility strategy.

Key achievements this year included:

- increasing staff engagement by 5% to 65%
- committing to achieve carbon neutrality by the end of 2009 and establishing a working group to drive our environmental agenda
- launching recycling in all our corporate buildings
- launching our diversity and inclusion agenda

- increasing employee volunteering by 66%
- winning INFINZ Institutional Bank of the Year for the third year running.

'Great companies stand out from the pack and develop a unique presence that ensures success in the longer term. For us that means being an organisation our people feel proud to work at. It means making it compelling for customers to choose us, being recognised for our contribution to the community, and consistently performing for our shareholders'

– ANZ National Bank CEO
Graham Hodges

KEY FACTS

Employee numbers (FTE)	9,134 (FTE) 10,102 (headcount)
Staff engagement	65%
Branches, ATMs	ANZ 150, National Bank 162; ATMs: 745
Customer Satisfaction ANZ Retail	64%
Customer Satisfaction National Bank Retail	72%
Community investment	AUD \$1.3 million

OUR GOALS

Our approach to Corporate Responsibility is outlined in our business goals and underpinned by our values.

GOAL	COMMENTARY	PERFORMANCE
Conduct a formal stakeholder engagement program to understand community expectations of ANZ National	We held a forum with community stakeholders in September 2007. Feedback will inform the development of our three-year community strategy.	Achieved
Work with our stakeholders to embed social and environmental considerations in our policies, practices and standards	Continuing progress towards a sustainable supply chain; working with suppliers through self-assessment and evaluation processes, to ensure our social, ethical and environmental standards are reflected in our procurement of goods and services. Environmental screening has been implemented into our Rural and Institutional businesses.	Achieved
Implement specific programs to reduce our environmental footprint by 5% by 30 Sept 2008	Energy consumption is consistently decreasing and we are moving towards our targeted footprint reduction. A range of environmental initiatives have been implemented to ensure that we can achieve our target by September 2008.	Partially achieved
Develop a program to help New Zealanders increase their financial knowledge, in response to the issues raised in the ANZ-Retirement Commission Financial Knowledge Survey	ANZ's MoneyMinded program has been adapted for new families and piloted with Plunket August to October 2007. We plan to roll out this program to more than 2,000 families in 2008, as well as work with other community partners.	Achieved
Continue our program and policies to ensure staff engagement remains high	Staff engagement is a priority and targeted programs across the business contributed to a 5% increase in staff engagement in 2007, achieving a score of 65%.	Achieved

INVESTING IN OUR PEOPLE

ANZ National Bank has embarked on a journey to be 'New Zealand's most admired company'.

We aim to provide our people with the environment, tools and support they need to realise their full potential. Our focus in 2007 has been on:

ENGAGING OUR PEOPLE

Engaged employees make the extra effort to meet or exceed customers' expectations and contribute to our success. Our annual [Engagement and Culture Survey](#) measures staff engagement and captures feedback from our people. In 2007, 90% of our people took part in the survey. Engagement increased from 60% in 2006, to 65% - well above the Australasian financial services benchmark (58%).

GROWING OUTSTANDING LEADERS

Our staff engagement and business performance depend on our leaders creating and inspiring high-performing teams. This is supported by a comprehensive leadership development curriculum and accelerated talent development programs. In 2007, we've run Leadership Development courses for more than 725 participants, and 150 managers have participated in our talent initiatives.

PROMOTING DIVERSITY AND INCLUSION

We believe that diversity drives innovation, which is key to our growth strategy. We are committed to building an inclusive culture where the ideas, beliefs, attitudes and skills of every person are brought to the surface and valued. Our Diversity and Inclusion Council, made up of senior business leaders, drives our 'Diversity and Inclusion' program which was launched this year. It focuses on three areas:

- **Flexibility** – Making Choices Work – creating an environment which supports and embraces the way our people want to approach work and their life outside of work
- **Respecting and Reflecting the Community** – understanding, respecting and reflecting our diverse nation enables us to better connect with our customers, current and future employees and the community
- **Diversity in Leadership** – to enhance creativity and innovation we need to build a culture where our leadership teams are diverse and we can harness a variety of opinions, experiences and insights.

ANZ National Bank sponsored the New Zealand Equal Employment Opportunities (EEO) Trust's national symposium 'The Diversity Effect'. The event focused on workplace diversity, work-life balance and alternative solutions to lifting business performance.



Matthew Pickering, Rural Regional Manager, won the New Zealand EEO Trust's 2007 'Walk the Talk' award for modelling and championing work-life balance. He balances a team with a busy portfolio, family and involvement in his local Surf Life Saving Club.

MANAGING A CAREER THAT MATTERS IN AN ORGANISATION THAT MATTERS

We've recently launched an online career portal to support our broader organisational strategy of equipping our people with the skills for life-long learning. In 2007, we invested NZ\$9.2 million in Learning and Development and our people completed 48,816 learning initiatives.

CHALLENGES

Our challenge is to lift engagement in parts of the business which support multiple brands. Our people have told us our organisational identity needs to be stronger and more clearly articulated. This is particularly important in our central multi-brand businesses. We have embarked on a project to more clearly articulate what ANZ National stands for, to our people and potential employees.

GETTING IT RIGHT FOR OUR CUSTOMERS

ANZ National has a presence in most New Zealand communities through its 150 ANZ and 162 National Bank branches and 745 (419 ANZ and 326 National Bank) ATMs.

Our aspiration is to 'Help New Zealand and New Zealanders succeed' and our approach to customer service is underpinned by our value: 'Do what's right for the customer'.

In 2006, ANZ launched 'WOW!', an internal cultural change program to inspire and enable staff to deliver a new level of customer experience. In addition to engaging staff with their brand, the program is having a positive impact on customer satisfaction. In 2007, 64%* of customers rated ANZ's service as very good or excellent. This is a considerable increase from 59% in 2006 and an eight-year high. 'WOW!' has been so successful that other parts of the business have been incorporating aspects into their own initiatives.

To support its people in helping customers achieve their financial goals in life, The National Bank refreshed its 'Service First' program in 2006. The program, which aims to identify ways for every staff member to deliver exceptional customer service, is paying dividends – almost three quarters of all National Bank customers rate the service they receive from The National Bank as very good or excellent.

CUSTOMER SATISFACTION

For the third year running, Corporate and Institutional customers have voted ANZ National 'Bank of the Year' at the National Business Review 2007 Institute of Finance Professionals New Zealand Awards.

ANZ National Bank has also maintained its position as number one Lead Relationship Bank for large corporations and institutions in New Zealand for the third year in a row in the Peter Lee Relationship Banking Survey 2007. We also achieved a number one ranking this year on key indicators, including Relationship Strength, Most Trusted Adviser, and Most Creative Ideas and Solutions.

In the institutional markets business, ANZ National Bank was also number one Lead Dealer for both Foreign Exchange and Interest Rates Derivatives (Peter Lee FX and IRD Survey, December 2006).

DISPUTES BEFORE THE BANKING OMBUDSMAN

Robust customer complaint resolution processes are in place in both the ANZ and The National Bank brands, with teams responsible for complaint resolution reporting directly to Retail Executives. ANZ recorded the lowest number of disputes investigated by the Banking Ombudsman among the major banks in New Zealand in 2007.

CUSTOMER SATISFACTION				
	2007	2006	2005	2004
ANZ Retail	64%	59%	59%	54%
National Bank Retail	72%	71%	73%	73%

Based on four quarter rolling data from the ACNielsen Consumer Finance Monitor

DISPUTES BEFORE THE BANKING OMBUDSMAN				
	2007	2006	2005	2004
ANZ	18	19	25	57
National Bank	45	31	23	37

HELPING NEW ZEALANDERS SUCCEED

The ANZ-Retirement Commission Financial Knowledge Survey (2006) found that there are low levels of knowledge among consumers about some aspects of home loans and some basic financial terms are not well understood.

Over the past two years ANZ has focused on simplifying products and customer communications. Twenty-six product brochures have been reviewed and condensed to eight brochures, with the content revised to ensure they are clear, simple and meet the needs of our customers.

A new booklet, '[Your guide to healthy finances](#)', which is available in all ANZ branches, provides simple tips, budgeting tools and information on debt reduction and retirement planning information to help customers understand the basics of money management.

The National Bank launched its 'Home Buyers Centre'. This 'one-stop shop' online resource contains tips, checklists, calculators and a six-step home-buying process for first home buyers. The site has had over 441,500 visits since the launch in December 2006.

A National Bank initiative to make it easier for customers to do business with us has benefited both customers and the environment. Replacing six-page loan applications forms with an online process and a one-page document containing terms and conditions has simplified the process for customers and saved more than 2 million pages of A4 paper in 2007 alone.

ANZ has launched a credit card plan to help customers manage their debt. Customers can now opt for a fixed repayment plan and access special interest rates on specific purchases and balances. Aimed at assisting customers who are having trouble repaying their balances, the plan allows them to spread their payments and pay a lower interest rate over a certain period of time (six to 36 months). By spreading payments and reducing the debt, we're reducing the number of customers entering collections, and helping people get back on track with their credit cards.

FINDING NEW WAYS TO SERVE OUR CUSTOMERS

In 2007, we launched mobile phone banking allowing customers to check balances and make transactions from their mobile phones. [Mobile phone banking](#) offers a convenient solution and a whole new banking channel to New Zealanders, who own more than three million mobile phones.

ANZ and The National Bank were the first banks in New Zealand to introduce multi-lingual ATMs featuring Japanese, Korean, Chinese and English language options. We now provide a unique service to Asian tourists and business people, international students and migrants.

CHALLENGES AHEAD

As a multi-brand company with a diverse customer base, one of our key challenges is to define a corporate responsibility approach that is consistent and relevant across our various brands. Work is already underway on the development of socially responsible customer commitments across our business. In 2008 we aim to implement specific initiatives to support these commitments in our major customer segments.

MAKING A DIFFERENCE IN OUR COMMUNITIES

ANZ National is committed to making a difference in our communities.

Our approach is to invest at a local level, through [volunteering](#), matched giving and [sponsorships](#) which channel funds raised into local activities.

During 2007, our people donated more than 16,600 volunteer hours to help build houses, raise funds, restore nature reserves and assist in many other community projects. This is a 66% increase on 2006. To support New Zealand's National Volunteer Awareness Week, we ran our first ANZ National 'Community Week' in June.

In 2007, we also launched the '[Making a difference](#)' ANZ National Staff Foundation, our payroll matched giving program in which every dollar staff contribute is matched by the bank. Forty-eight New Zealand community groups have received Staff Foundation grants this year.

Following our award-winning '5s for under fives' fundraising campaign for [Plunket](#) in 2005/06, which raised more than NZ\$703,000, ANZ has become a Star Sponsor of Plunket and Principal Sponsor of Plunket's annual appeal. The October appeal saw ANZ branches throughout New Zealand hosting fundraising events for Plunket. Plunket is New Zealand's leading provider of child and family health services and reaches 96% of children under the age of five.

'Raise a million hopes' was the theme for The National Bank's 2007 sponsorship of the Cancer Society's Daffodil Day. For the first time in our 17-year relationship, National Bank staff raised more than NZ\$1 million for the annual appeal. Branches and staff throughout New Zealand have raised more than NZ\$12 million for Daffodil Day since the sponsorship started.

FINANCIAL LITERACY

Media stories about housing affordability, household debt levels and finance company collapses continue to highlight the importance of consumers having good financial skills and knowledge so that they can budget, plan, and save for the future and make the best decisions for their personal situation.

In response to the results of New Zealand's first financial literacy study, the ANZ-Retirement Commission [Financial Knowledge Survey](#), ANZ committed to invest in programs which help New Zealanders increase their [financial knowledge](#) and integrate the findings into our business.

HELPING FAMILIES SUCCEED FINANCIALLY

ANZ is giving new mums and dads a helping hand to better manage their finances. Teaming up with family agency Plunket, ANZ is using the MoneyMinded financial education program as the centrepiece of a pilot in four New Zealand regions.

The MoneyMinded program has been specially tailored to reflect the requirements of new parents.

"We like to look at families holistically so that if they're making good money decisions, then that will benefit the children," says Plunket's National Parenting Education Advisor Claire Rumble.

"The arrival of children and going onto one income can put pressure on family finances, so it's great that we're able to team up with ANZ in this way."

It is anticipated the program will reach more than 2,000 new parents when it is rolled out in 2008.



MANAGING OUR IMPACT ON THE ENVIRONMENT

With the New Zealand Government ratifying the Kyoto Protocol, environmental responsibility has become increasingly important for government, business and consumers.

ANZ National is committed to achieving carbon neutrality by 2009. A working group has been established to drive initiatives towards our 5% footprint reduction goal, and to develop a longer term environmental strategy.

ANZ National is investigating the potential of our business to achieve a world-recognised standard in environmental management.

Water is not reported in our key environmental indicators. As it is not a critical issue or a scarce resource in New Zealand, the infrastructure is not in place to allow us to monitor and report on water consumption.

Acknowledging that our lending activities also have an impact on the environment, environmental risk assessments are carried out for all new lending in the rural sector and environmental and social screening has been in place across our Institutional lending activities since 2006.

ENERGY

Sixty-five per cent of the energy used by ANZ National already comes from renewable resources. To help manage energy consumption, in 2007 we launched the 'Better Off' staff education campaign to all corporate sites and our branch networks to encourage staff to turn off equipment and lighting when not needed.

We have completed energy audits at high-use sites and established energy management plans, including a range of control initiatives like efficient lighting, air conditioning, and building timers for lighting.

WASTE

Improved waste management systems have been introduced to assist in reducing our total waste to landfill. Key initiatives include:

- The introduction of recycling facilities for co-mingled, glass, aluminium, plastics, and paper, across 17 commercial buildings, reaching almost 50% of our workforce. The rollout of this initiative will continue across our retail branch networks and remaining commercial buildings into 2008.
- Agreements with suppliers to enable re-use or recycling of PCs, cell phones, monitors, packaging, envelopes, toner cartridges, other hardware and office equipment.
- Working with suppliers to ensure unwanted electronic and potentially hazardous equipment is disposed of in a safe and environmentally friendly manner.
- Introducing reusable bags to cut down waste associated with branded events and promotions.

PAPER USE

Our paper use has decreased over the past year by 2% and we have increased the volume of paper recycled by 7.4%. These savings have largely resulted from behavioural changes promoted and encouraged with our staff. Options for double-sided and multi-page printing, promoting the use of electronic rather than paper resources, and encouraging recycling or reusing have resulted in a saving of 625 tonnes of paper, equivalent to 8,437 trees.

In addition, 95% of the paper used in our offices and printing comes from sustainable Forest Stewardship Council (FSC) accredited forests and is made from Elemental Chlorine Free (ECF) pulp.

TRANSPORT

Overall transport kilometres travelled by our people decreased this year by 2.6%. A number of initiatives are underway to reduce our kilometres travelled, and greenhouse gas emissions:

- Hybrid, diesel, and downsized engine capacity vehicle options, are now being introduced into our vehicle fleet.
- Taxi sharing is now in place at Auckland and Wellington airports for morning flights to ensure greater efficiency on transport to our CBD offices.
- Promotion of video conferencing and other meeting options has resulted in a significant reduction of 10.7% in international air travel.

SUPPLY CHAIN

During 2007, self-assessment tools were introduced to screen suppliers. We have adopted a targeted approach to our screening of suppliers, ensuring all new tenders, where appropriate, have applied the environmental self-assessment tool. Dialogue is underway with our largest suppliers to ensure that we are working together to explore options for reducing, reusing or recycling resources. With the help of our suppliers, we launched an 'Environmentally Friendly' catalogue of office products to our people, to ensure they can access products that help minimise our impact on the environment.

ENGAGING WITH STAKEHOLDERS

We have regular contact with a number of organisations, such as the Energy Efficiency Conservation Authority (EECA) and Ministry for the Environment, to help ensure that our environmental policies and practices are in line with New Zealand best practice.

MANAGING OUR IMPACT ON THE ENVIRONMENT CONTINUED



WALKING BILLBOARDS

The National Bank has found an innovative use for its advertising billboards. Made from durable vinyl, the billboards have been recycled locally into 100 laptop bags and satchels for staff. All proceeds will be donated to an environmental charity.

'We felt that turning our billboards into bags was a great way for us to do something positive for the environment,' says Senior Manager Retail Strategy Glenn Stevenson. 'By recycling our advertising material, we're letting customers know that we're serious about reducing our impact on the environment. It's a nice bonus that our people will also create some visual impact with their funky bags.'

LOOKING FORWARD

Our emphasis in 2008 will be to further embed Corporate Responsibility into our 'business as usual' activities. Specific goals include:

Overall	<ul style="list-style-type: none"> Continue to engage with stakeholders to ensure we are responding to issues that are important to New Zealanders
People	<ul style="list-style-type: none"> Improve our performance on the Engagement and Culture Survey
Community	<ul style="list-style-type: none"> Increase participation in community programs – achieve 20,000 volunteer hours and 15% staff membership in the Staff Foundation MoneyMinded financial literacy program: reach 2,000 people through Plunket; develop another partnership for delivery
Customer	<ul style="list-style-type: none"> Develop socially responsible customer commitments across our multi-brand business and implement specific initiatives in our major customer segments
Environment	<ul style="list-style-type: none"> Reduce our environmental footprint by 5% from 2006 levels – by 30 September 2008 Become carbon neutral by 30 September 2009

ASIA PACIFIC

ANZ has a long-term commitment to being a leading financial institution in the Asia Pacific region, reflected this year in the creation of a new Asia Pacific Division.

Increasing ANZ's presence in the region is a strategic priority for the organisation, particularly in Asia, where developing countries are contributing significantly to global economic growth.

For ANZ, being a leading financial institution in the region is not just about growing our business. We believe our presence also provides us with an opportunity to work with our partners, our clients, governments and other stakeholders to positively contribute to the further development of these economies, including the emerging financial services industry.

WORKING WITH OUR PARTNERS IN ASIA

A key role for us in making our partnerships in Asia successful over the long term is sharing our expertise – particularly in risk management – to further strengthen corporate governance and, where possible, improve business practices.

For example, in August 2007, ANZ held a 'masterclass' on credit risk modelling in Singapore for representatives from our partner banks and other financial institutions in the region. The course highlighted the importance of credit scoring in managing overall credit risk and took participants step-by-step through the credit model development process.

We are also working with our partner banks to provide technical assistance in areas such as retail banking products and distribution, and small business banking. These are some of the areas that have been key to the recent success of our Australian and New Zealand businesses.

ANZ Royal was the first bank in Cambodia to offer internet banking and 'offsite' ATMs in addition to those attached to bank branches, and this year the ANZ Royal call centre became the first to provide 24-hour, seven-days-a-week service for customers.

Over the coming years, we will also be working with our partners on the further development of staff policies on occupational health and safety, employee development, training, remuneration, diversity, volunteering and community involvement.

Our presence in Asia's developing markets also means we can, where our contribution is of value, participate in the public policy process of governments in the region as they continue to further develop legal and governance frameworks for the growing financial services sector.

WORKING WITH OUR CLIENTS

We also have a vital role in helping lift the social and environmental performance of our clients in the region, which are operating under governance and management standards which are quite different to what we might expect in our 'home' markets.

We have introduced an 'overlay' to our social and environmental screening of Institutional clients to ensure our lending decisions are informed by the particular conditions and regulatory environment of the relevant country, in particular its practices in relation to the physical environment.

This screening allows us to identify potential risks to our business and to assist our clients to take measures to further improve their own environmental performance, for example through finance for investment in renewable energy.

When finalised, our [Forests Policy](#) will set out the requirements that must be met before ANZ will enter into a transaction that has a potential impact on forests or forest biodiversity. This has particular relevance to our clients in the Asia Pacific region, where environmental protection laws are developing to meet each country's economic, social and environmental goals.

The Policy will not only help clients secure finance with ANZ, but will also provide them with a benchmark to assist them lift their forestry management standards, and ensure the long-term sustainability of their business.

Policies on water, mining and energy are currently being developed and will be the subject of consultation with stakeholders in 2008.

Our adoption of the [Equator Principles](#) has helped ensure our assessments of proposed major projects in the Asia Pacific region are guided by a consistent set of internationally recognised social and environmental standards.

Read more about how we manage social and environmental risks in our lending and investment decisions on pages [38](#) and [39](#) and pages [51](#) to [53](#).

ASIA PACIFIC CONTINUED

OUR PRESENCE

Our presence in the Pacific dates back to 1880 when the Union Bank (a forebear of ANZ) opened a branch in Fiji. Since then we have expanded our operations to include retail and corporate banking services in 12 Pacific countries employing almost 2,000 people.

Our 38-year presence in Asia has positioned ANZ as Australia's leading bank in the region. We have a network of offices in 12 Asian countries, with over 1,000 staff providing corporate and commercial banking, trade finance, corporate finance, treasury and selected personal and private banking services.

This year we have continued to develop strategic partnerships through investments in local Asian banks with established franchises. During 2007 we invested in Malaysia's AMMB Holdings Berhad, China's Shanghai Rural Commercial Bank, Vietnam's Saigon Securities Incorporation (SSI) and ANZ Vientiane Commercial Bank in Laos, to bring our total number of regional bank partnerships to seven, in addition to three regional card partnerships.



Asia*

Cambodia
Hong Kong
Japan
Laos
Philippines
Taiwan
Vietnam

China
Indonesia
Korea
Malaysia
Singapore
Thailand

Pacific

American Samoa
Cook Islands
Fiji
Kiribati
Samoa
Tonga
East Timor
Guam
New Caledonia
Papua New Guinea
Solomon Islands
Vanuatu

*includes locations of representative offices and partnership businesses.

ANZ PARTNERSHIPS IN ASIA

COUNTRY	BUSINESS NAME	PARTNER	ANZ OWNERSHIP
Indonesia	Panin Bank	Panin Bank	30%
	ANZ Panin Bank	Panin Bank	85%
Philippines	Metrobank Card Corporation	Metrobank	40%
Cambodia	ANZ Royal	Royal Group	55%
China	Bank of Tianjin	Bank of Tianjin	20%
	Shanghai Rural Commercial Bank	Shanghai Rural Commercial Bank	19.9%
Vietnam	Sacombank	Sacombank	10%
	Sacombank and ANZ Card Company	Sacombank	40%
	Saigon Securities Incorporation (SSI)	Saigon Securities Incorporation (SSI)	10%
Malaysia	AmBank Group	AmBank Group	24.9%
Laos	ANZ Vientiane Commercial Bank Limited	ANZ Vientiane Commercial Bank Limited	60%

ASIA PACIFIC CONTINUED

DEVELOPING A FRAMEWORK FOR ASIA PACIFIC

This year we established a Reputation Risk Committee to guide this work across the whole region.

The Committee comprises senior executives responsible for our operations in the region as well as relevant support areas such as Finance, Corporate Affairs, Corporate Communications and Risk. It is responsible for the development of strategies and policies to assist reputation risk management, corporate responsibility awareness and corporate governance.

COMMUNITY INVESTMENT IN THE PACIFIC

Access to banking services can be limited for some remote villages in the Pacific. As the largest provider of retail banking services in this region, ANZ has taken the opportunity to improve this access.

Since October 2004, we have partnered with the United Nations Development Program to deliver basic banking products and services to more than 300,000 people in remote Pacific villages through the 'Banking the Unbanked' program.

Under this program, ANZ provides basic mobile banking services to these communities along with simple passbook-based savings and transaction accounts. Micro-loans from \$100 are also available to regular savers to fund start-up enterprises, solar power installations, school fees, boats and improvements to living conditions.

This year we received government approval to expand the program to the Solomon Islands, adding three more mobile banking trucks to service rural communities in the Malaita and Guadalcanal provinces. We have also introduced the world's first solar-powered ATMs in the Solomon Islands, allowing us to deliver convenient banking services in areas where this was not previously possible.

ENCOURAGING RENEWABLE ENERGY DEVELOPMENT

The low availability and relatively high cost of energy is generally recognised as one of the key barriers to economic growth and improvement in quality of life for Pacific Island states.

During 2007 we joined a World Bank Project to encourage the adoption and use of renewable energy in Pacific Island countries. The Project is designed to overcome the reluctance of local financial institutions to finance renewable energy systems and energy efficiency investments on affordable terms.

Our role is to manage the distribution of World Bank funding to help participating local banks provide low-cost loans to rural households and businesses so they can purchase renewable energy equipment such as solar panels or hydro energy equipment. ANZ will also be participating in the program as a lender.

OUR PERFORMANCE¹

ANZ has identified a number of indicators to measure our corporate responsibility performance. This chart provides an overview of our performance indicators.

GLOBAL INDICATORS				
	2007	2006	2005	2004
Financial Indicator				
Net profit (\$m)	4,180	3,688	3,175	2,815
Cash earnings per share (cents) ²	210.3	194.5	171.8	161.1
Cost to income ratio (%) ²	44.8	45.6	46.6	45.3
Dividend per share (cents)	136	125	110	101
Total shareholder return (%)	15.6	17.1	32.6	17.0
Market capitalisation (\$m)	55,382	49,331	43,834	34,586
People Indicator				
Permanent and temporary employees (FTE)	34,353	32,256	30,976	28,755
Total employee headcount	37,037	35,544	34,380	32,274
Employee engagement (Hewitt Associates) (%) ³	64	60		60
Community⁴ Indicator				
Total value of contributions (\$m)	17.8	13.8	8.3	6.6
Cash (\$m)	10.7	8.1	6.4	–
Management costs (\$m)	1.3	1.2	0.7	–
Time (\$m)	3.3	2.5	1.2	–
In Kind (\$m)	2.4	2.1	–	–
Financial literacy and inclusion (\$m)	4.7	4.4	2.4	–
Volunteering time (hours)	73,098	50,735	24,934	7,337
AUSTRALIAN INDICATORS				
	2007	2006	2005	2004
Customers Indicator				
Number of branches (including agencies) ⁵	819	785	760	746
Number of ATMs	2,287	1,887	1,557	1,240
Retail customer satisfaction (%) (Source: Roy Morgan Research – Main Financial Institution)	77.2	75.5	76.6	73.5
Number of retail customer complaints received by our Customer Response Centre ⁶	33,903	21,483	22,429	30,003
People Indicator				
Employee engagement (Hewitt Associates) (%) ³	64	60	–	60
Women in executive management positions (%)	25	22	19	17
Staff turnover (voluntary) (%)	13.3	12.9	11.6	–
Lost Time Injury Frequency Rate	3.0	3.8	4.2	4.9
Environment Indicator				
GHG emissions (tonnes CO2-e)	169,145	174,814	166,001	–
Total energy consumed (MWh) ⁷	148,617	141,890	139,128	–
Paper (tonnes)	3,927	3,114	3,921	–
Water from 10 key sites (kL)	122,859	126,049	116,852	–
Recycling (paper tonnes)	1,276	1,383	1,329	–

OUR PERFORMANCE¹ CONTINUED

NEW ZEALAND INDICATORS

	2007	2006
Customers Indicator		
Number of branches	312	309
Number of ATMs	745	705
Retail customer satisfaction – National Bank (%) (Source: AC Nielsen)	72	71
Retail customer satisfaction – ANZ (%) (Source: AC Nielsen)	64	59
Number of disputes before the Banking Ombudsman – ANZ	18	19
Number of disputes before the Banking Ombudsman – National Bank New Zealand	45	31
People Indicator		
Employee engagement (Hewitt Associates) (%) ³	65	60
Women in executive management positions (%)	13.0	12.0
Staff turnover (voluntary) (%)	10.9	12.6
Lost Time Injury Frequency Rate ⁸	1.6	3.6
Environment Indicator		
GHG emissions (tonnes CO ₂ -e) ⁹	13,138	13,014
Total energy consumed (MWh)	56,674	56,909
Renewable electricity (%)	65	65
Paper (tonnes)	1,646	1,679
Recycling (paper tonnes)	625	582

ASIA PACIFIC INDICATORS

	2007
People Indicator	
Asia-Pacific – Women in executive management positions (%)	14
India – Women in executive management positions (%)	22
Asia – Employee engagement (Hewitt Associates) (%) ³	58
India – Employee engagement (Hewitt Associates) (%) ³	63
Pacific – Employee engagement (Hewitt Associates) (%) ³	72

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

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

3 The ANZ Culture and Engagement Survey was not conducted in 2005.

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

5 Numbers have been restated to include agencies.

6 All 2006 data has been restated to rectify a data collection error which excluded some complaints with a resolution time longer than one month.

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

8 The NZ LTIFR for 05/06 has been restated to 3.6 from 1.5 as a result of improved data.

9 The GHG data for ANZ New Zealand 2006 has been updated with a corrected renewable energy conversion rate.

RECOGNITION

Many of our initiatives and outcomes have been recognised by various award programs and we have also been ranked highly in a number of business surveys. Here are some of our achievements:

ADAGE

One of the top 20 Australian organisations supporting the advancement of mature and experienced employees

AUSTRALIAN SERVICE EXCELLENCE AWARDS

Winner of Large Business category for Victorian Retail Banking and Rural and Regional Banking

AUSTRALIAN CORPORATE RESPONSIBILITY INDEX

Gold medal score of 96.9%



CARBON DISCLOSURE PROJECT

'Best in Class' and inclusion on the Climate Disclosure Leadership Index



DOW JONES SUSTAINABILITY INDEX

Number 1 Bank globally



EQUAL OPPORTUNITY IN THE WORKPLACE AGENCY

Employer of Choice for Women

FTSE4GOOD

Member of the FTSE4Good



FTSE4Good

MONEY MAGAZINE AWARDS

Bank of the Year, Business Bank of the Year, Home Lender of the Year, Socially Responsible Bank of the Year and Service Excellence Award



NET BALANCE FOUNDATION

No 1 Australian financial institution for climate change disclosure and No 4 for disclosures on stakeholder engagement

PETER LEE ASSOCIATES

No 1 for Lead Domestic Relationship Bank and Most Trusted Advisor in New Zealand

No 1 for Overall Satisfaction and Most Trusted Advisor in Australia

PRIME MINISTER'S AWARDS FOR EXCELLENCE IN COMMUNITY BUSINESS PARTNERSHIPS

Winner of the Multi-State Large Business Category and the Victorian Large Business Category

SUSTAINABILITY AWARDS PRESENTED BY ETHICAL INVESTOR

Labour Relations Award

TOP COMPANIES FOR LEADERS 2007 – HEWITT, FORTUNE AND RBL

Ranked 18th out of 500 companies globally

UNITY FOUNDATION

Corporate Responsibility Reconciliation Award

For more information about international awards visit www.anz.com/recognition

ASSURANCE ANZ CORPORATE RESPONSIBILITY REPORT 2007



EXTERNAL ASSURANCE STATEMENT AND COMMENTARY

INTRODUCTION

Australia and New Zealand Banking Group Ltd (ANZ) has commissioned The Corporate Citizenship Company to provide it with external assurance and commentary on its Corporate Responsibility Report 2007. ANZ's management has prepared the report and is responsible for its contents. Our objectives were to review and advise on aspects of its contents and presentation, to conduct selected checks to underlying corporate records, and to provide this statement for which we have sole responsibility. Separately, ANZ reports on its performance against its Customer Charter commitments and we have commented on this in the stand-alone Customer Charter document.

The Corporate Citizenship Company is a specialist management consultancy advising corporations that seek to improve their economic, social and environmental performance around the world. A detailed note describing our relationship with ANZ and the assurance process we have adopted appears at the end of this statement. Further information about our company, our key personnel and our clients is available on our website (www.corporate-citizenship.com).

Our opinion

In our opinion, this year's report provides a fair and balanced representation of the progress ANZ is making in living out its commitments to corporate responsibility. We have examined the strategies, frameworks and processes ANZ has in place for identifying, understanding and managing issues related to corporate responsibility as they arise. Nothing has come to our attention to suggest that information presented in ANZ's Corporate Responsibility Report 2007 by 20 November 2007 has been materially misstated. Where we believe material gaps in performance data and stakeholder views on significant issues exist, they are identified below.

In forming our opinion and making our comments, we have had regard to the principles underlying the international assurance standard AA1000 (www.accountability21.net) notably concerning materiality, completeness and responsiveness. We have also had regard to the reporting guidance for content and the principles for defining quality contained in GRI's G3 sustainability reporting guidelines (www.globalreporting.org). Following the guidelines of the ISAE 3000 (www.ifac.org) standard for the conducting of non-financial audits, we have provided a limited assurance statement.

COMMENTARY

Corporate responsibility reports should explain how a company impacts society, taking account of the key economic, social, and environmental concerns of its stakeholders. Reports should show how crucial decisions are made and differing interests balanced. They should be honest about shortcomings and demonstrate how a company is evolving in response to stakeholder concerns by listening, learning and improving.

Against this goal, we believe that this report demonstrates a further step forward in ANZ's corporate responsibility performance and in its reporting of it. The report continues to highlight those issues that our assessments show to be most material to the bank and its stakeholders. It is well-balanced, containing a mix of data, commentary and examples that show how policies are lived out. It also distinguishes between actions that ANZ has taken purely voluntarily and those that have been triggered by regulation or legislation. Similarly, ANZ is open about issues on which it has been challenged, including in relation to legal proceedings, controversial investments, as well as day-to-day operations, such as women in management and flexible working.

ANZ has again achieved high levels of employee engagement and customer satisfaction in its key markets of Australia and New Zealand. Customer satisfaction rates are not rising at the same rate they were five years ago, but the trend remains positive with this year's satisfaction of 77.2% being the highest rating to-date. The extent of ANZ's efforts to address sustainability issues are represented by the Dow Jones Sustainability Index identifying ANZ as this year's Banking sector leader.

LOOKING AHEAD

In our opinion, ANZ's future reports could be further improved by addressing the following three areas.

ASSURANCE ANZ CORPORATE RESPONSIBILITY REPORT 2007



Reporting scope

The breadth of ANZ's 2007 report has expanded beyond its core markets of Australia and New Zealand to include more detail on operations in the Asia Pacific region. This reflects the formation of the new Asia Pacific business division as well as external stakeholder expectations that ANZ's presence and market share in the region demand fuller coverage in its corporate responsibility reporting. We believe that management systems and future reports should be more integrated across ANZ's international operations. This would enable ANZ to present a more complete and coherent picture of its business and impacts. This is beginning to happen regarding community and employee information, notably around community investment, employee engagement and women in management.

Generally, ANZ reports well on its direct impacts, but ANZ should increase activities regarding its indirect impacts and reporting of this. This should include information about how ANZ engages with and promotes responsible practices with all its customers, including institutional and corporate customers which account for around a third of net profit after tax. It should also detail its relations with small and medium sized business customers who may need greatest support regarding all aspects of the sustainability agenda.

Regarding suppliers, ANZ should increase activities and reporting coverage relating to the management of its procurement processes. ANZ has taken some steps in this regard, but there is much more to be done to incorporate social and environmental considerations into all its procurement processes.

Embedding good practice

Over the past year ANZ has further embedded sustainability considerations into policies and practices throughout the bank. For example, work has been undertaken to address gaps highlighted by the mapping of ANZ's policies against the OECD Guidelines for Multinational Enterprises and to consider project financing in relation to the Equator Principles. An internal audit assessed key projects to test social and environmental screens used in institutional lending. Such assessments should be strengthened and it will be an on-going task to ensure that investment staff fully understand and apply ANZ's responsible lending policies and screening tools.

In our opinion, ANZ's ambitions are best supported when it sets longer term objectives, underpinned by shorter-term goals and targets. More effort should be made to articulate such longer-term objectives and the strategic considerations behind them.

Providing context

This report has presented a more complete understanding of ANZ's impacts on society, including a section on economic value added, showing who benefits from ANZ's wealth generating activities. It should further develop this, detailing how its payments to providers of capital are shared, notably differentiating between investors and lenders.

In our opinion, corporate responsibility reports should explain the sector that a company works in and how that sector's products or services benefit society. They should then explain the role of the reporting company within that sector. Future reports would be enhanced if ANZ explained how the banking and financial services sector impacts on society and ANZ's role within it.

ANZ's reporting would be set in better context if it were to include more information about significant issues it is trying to address and its reasons for doing so. On climate change, for example, ANZ should report on its analysis of climate change risks and opportunities affecting the bank. It should set and report targets for all the regions in which it operates based on emerging scientific consensus on required levels of emissions reduction.

ANZ has risen to many past and current challenges and achieved notable recognition for key elements of its corporate responsibility programme. The more significant challenge will be to ensure its systems are sufficiently robust to identify and address changing circumstances. Ultimately, can ANZ demonstrate through its corporate responsibility reports that it is able to transition from being a responsible bank to one that can promote sustainable development to its own economic advantage?

ASSURANCE ANZ CUSTOMER CHARTER REPORT 2007



EXTERNAL ASSURANCE STATEMENT

INTRODUCTION

Australia and New Zealand Banking Group Ltd (ANZ) commissioned The Corporate Citizenship Company to provide it with external assurance and commentary on its Corporate Responsibility Report 2007. As a distinct aspect of our assurance we examined performance under the commitments made within this document, ANZ's Customer Charter Report 2007.

ABOUT US

The Corporate Citizenship Company is a specialist management consultancy advising corporations that seek to improve their economic, social and environmental performance around the world. In pursuing our business purpose, we have developed our Assurance Services, which assess corporate systems and activities that underpin corporate responsibility and sustainability reporting. Further information about our company, our key personnel and our clients is available on our website (www.corporate-citizenship.com).

Scope

We have reviewed ANZ's Customer Charter Annual Report which covers the period 1 October 2006 to 30 September 2007. The report presents information about ANZ's performance against the nine promises set out in the Customer Charter.

ANZ's management has prepared the Customer Charter Annual Report and is responsible for its contents. Our work covered an assessment of ANZ's performance against its customer charter commitments; a review of the internal audit process and findings; advice on aspects of report content and presentation; selected checks to underlying corporate records; and provision of this statement for which we have sole responsibility.

This limited assurance statement was conducted with regard to the guidelines of ISAE 3000 (available at: www.ifac.org) standard for conducting non-financial audits. This opinion is based on ANZ's performance against its Charter. It does not extend to an opinion of the performance measures selected by management.

Our opinion

We believe that the Customer Charter and the annual audit of ANZ's performance against this charter reflect ANZ's commitment to delivering and improving customer service. In conducting our assurance of ANZ's Customer Charter Report 2007 nothing came to our attention to suggest that information or data has been materially misstated.

ASSURANCE COMMUNITY INVESTMENT



ASSURANCE STATEMENT FROM LBG AUSTRALIA / NEW ZEALAND

The LBG model helps businesses to improve the, measurement, management and reporting of their corporate community involvement programs. It moves beyond charitable donations to include the full range of contributions (in time, in-kind and in cash) made to community causes, and assesses the actual results for the community and for the business (see www.lbg-australia.com for more information).

As managers of LBG Australia/New Zealand, we have worked with ANZ to review its understanding of the LBG model and its application to the wide range of community programs supported. Our aim has been to ensure that the evaluation principles are correctly and consistently applied. Having conducted an assessment, we are satisfied that this has been achieved. Our work has not extended to an independent audit of the data.

This is the third year that ANZ has applied the model, and it has again made good progress in capturing and calculating the cost of a higher proportion of its activities undertaken in the community by its business units, and in classifying these according to the LBG model. Its methodology is commendably clear and transparent, and recording systems robust.

A handwritten signature in black ink that reads 'Jerry Marston'.

Jerry Marston
Positive Outcomes, November 2007
www.positiveoutcomes.com.au



ASSURANCE ENVIRONMENTAL INDICATOR

ASSURANCE STATEMENT

SGS AUSTRALIA PTY LTD'S INDEPENDENT ASSURANCE REPORT ON ENVIRONMENTAL DATA IN THE AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD CORPORATE RESPONSIBILITY REPORT FOR 2007.

NATURE AND SCOPE THE ASSURANCE

SGS Australia Pty Ltd was commissioned by Australia and New Zealand Banking Group Ltd (ANZ) to conduct an independent assurance of the Environmental data contained within their Corporate Responsibility Report 2007. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the 2007 data tables and associated notes, contained pages 79–81 and 90–91 of this report.

The information in the Corporate Responsibility Report of ANZ and its presentation are the responsibility of the directors or and the management of ANZ. SGS Australia Pty Ltd has not been involved in the preparation of any of the material included in the Corporate Responsibility Report. Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines (2006), the AA1000 Assurance Standard (2003) and ISAE3000. These protocols follow differing levels of Assurance depending the reporting history and capabilities of the Reporting Organisation. This report has been assured using our protocol for content veracity. The assurance comprised a combination of interviews with relevant employees in Melbourne, Australia and Wellington, New Zealand; evaluation of systems and processes for collection and collation of data; documentation and record review and validation with external bodies and/or stakeholders where relevant. Key Suppliers and contractors were interviewed and/or visited in relation to Energy Management, Paper Supply, Printing Services and Waste Management.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS Australia Pty Ltd affirm our independence from ANZ, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders. The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised registered EMS, H&S, Quality and Social Systems Lead Auditors, specialists in Greenhouse Gas Emissions and Sustainability Report Assurance.

ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the environmental data contained within Corporate Responsibility Report verified is accurate, reliable and provides a fair and balanced representation of ANZ's environmental performance in 2007. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

SIGNED: FOR AND ON BEHALF OF SGS AUSTRALIA PTY LTD

Philip Hocking, General Manager System & Service Certification
SGS Australia, Noble Park VIC 3174
20th November, 2007
WWW.SGS.COM

MORE INFORMATION

GLOBAL REPORTING INITIATIVE

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

CONTACTS

Gerard Brown

Group General Manager
Corporate Affairs
22/100 Queen Street
Melbourne VIC Australia 3000
Telephone +613 9273 4991
Facsimile +613 9273 4875
gerard.brown@anz.com

Julie Bisinella

Head of Corporate Responsibility
22/100 Queen Street
Melbourne VIC Australia 3000
Telephone +613 9273 4571
Facsimile +613 9273 4899
julie.bisinella@anz.com