

what's the difference?

**About this report** This is ANZ's second Corporate Responsibility Report covering our Australian and New Zealand banking operations for the year to 30 September 2006. It's also online with more detail at [www.anz.com/cr](http://www.anz.com/cr).

The report is designed to inform our stakeholders of how ANZ manages its corporate responsibilities (CR) in our everyday business operations. It also details our performance against the goals set out in our 2005 report.

In response to stakeholder feedback we have included divisional reports – including our New Zealand operations – to broaden the scope of our reporting and illustrate the integration of CR into our business. Key issues such as engaging our employees, financial literacy and inclusion and responsible lending are also discussed in detail.

The Global Reporting Initiative (GRI) G3 guidelines and the finance sector social and environmental supplements have been used as a reference in the compilation of this report. A GRI index is included in the online version of the report.

KPMG has provided an external assurance statement on the key performance indicators in accordance with the International Standard on Assurance Engagements ISAE 3000 and AA1000 AS. Assurance statements can be found at [www.anz.com/cr](http://www.anz.com/cr).

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From left to right: Brendan Wagner, Manager, Elsterwick branch; Maren Lueersen-Stabrin, Senior Relationship Manager, Institutional; Dr Howard Fearn-Wannan, Director – Victorian Board, Habitat for Humanity; Anoop Vaghani, Breakout Consultant; and Huyen Le Thi, Process Stream Manager, Pacific Operational Excellence and her son, Ryan.

Living our values delivers significant outcomes for our customers, people, shareholders and communities.

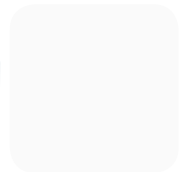


From left to right: Vinita Godinho, Head of Personal Division Compliance; Guy Mendelson, Head of Personal Loans; Rick Howe, General Manager Insurance, Investment and Insurance Products; Dawn Dalgarno, Saver Plus Project Worker, Brotherhood of St Laurence; Aranka Buza and her three daughters; Kayla, Shannon and Melanie, Habitat for Humanity program recipients; and Alan Wong, Manager, Melbourne Airport.



# our approach

CHAIRMAN AND CEO REPORTS



## chairman's report A MESSAGE FROM CHARLES GOODE

I am this year pleased that our work to improve our social and environmental agenda and performance is now catching up with our economic achievements, which have been particularly strong in recent times.

This movement towards a greater balance of staff, customer, community and shareholder interests has been recognised nationally and internationally.

The debate about corporate responsibility has intensified during the last 12 months. We have participated in this debate and the Board Governance Committee has guided ANZ's developing agenda.

ANZ's values, established more than five years ago, have proved a sound framework to guide the Group's approach to these issues.

Some achievements at ANZ with which we are pleased include:

- Improved customer satisfaction levels, the best we have seen in a decade
- The continued development and expansion of policies to facilitate a workplace of greater flexibility, allowing for more part time work and leave to enable our staff to 'recharge' or care for others
- Our financial literacy and other work in the community was recognised by the Prime Minister.

This year we have put in place systems to help us reduce our direct environmental impact. However, we do have more to do to improve how we work with our clients to assist them in achieving lower social and environmental impacts. This is a complex area, but we need to hasten our efforts.

There is also a significant challenge in ensuring our policies, practices and management systems are appropriately applied in our operations outside Australia and New Zealand.

This report, our second, uses the Global Reporting Initiative guidelines to illustrate our progress and performance.

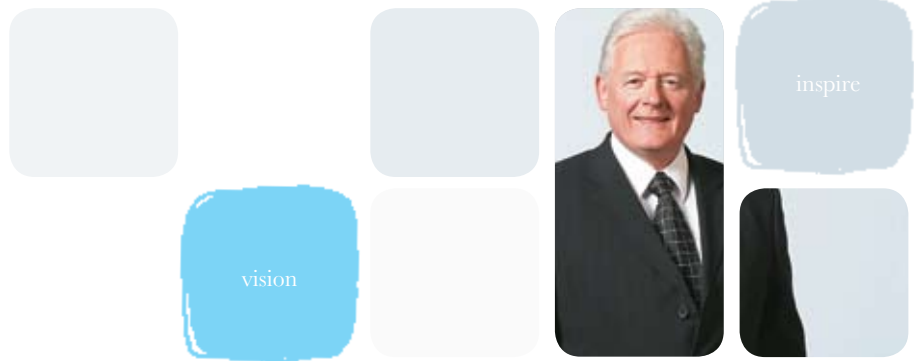
We have developed it after consultation with non-government organisations and other groups, including shareholders, who are interested in our work.

Charles Goode - Chairman



Great organisations are truly unique. We must make it compelling why a customer should deal with us and not with someone else, why the community should trust us, why shareholders should invest in us, and why people should devote their working lives to us. We are building a bank and a culture that is not easily replicated. As our foundation with each of our stakeholders advances, and the progress becomes evident, we will then know that we have created a very different bank at ANZ. As we stand, we are well on our way to this end.”

John McFarlane, Chief Executive Officer



## chief executive officer's report A MESSAGE FROM JOHN MCFARLANE

We commenced our journey to make ANZ a very different bank six years ago.

Our starting point was a determination that ANZ would be a role model for how successful corporations work with, and behave towards, their staff, customers and communities.

We established a set of values and integrated these into our business strategies and actions, primarily through a program called 'Breakout'. Breakout encourages our people to build strong, responsive and trusted relationships with all our stakeholders.

We have made significant gains on our People, Customer and Community agendas. Our initiatives in these areas have clear momentum – some are recognised as “best in class”. In this report we provide details of how these programs are delivering real business value to ANZ and real results for our stakeholders. We also outline ANZ's future challenges and our response to the most pressing issues raised with us by our stakeholders in recent years.

One topic that has become an increasingly important part of public discussion in our society is climate change. This is a difficult subject for us as while we are not a significant emitter

of greenhouse gases, some of our most important clients are. Those same clients are also major suppliers to our society of jobs, electrical power and dollars earned from exports.

In some ways, this is a similar situation to Australia. Our country is not a significant contributor to global emission levels, but our economy is currently benefiting greatly – in jobs and income – from the enormous demand for raw materials from countries like Indonesia, China and India, which are significant and growing greenhouse gas emitters.

This year I decided we needed to do more than largely watch the public discussion. We have:

- become increasingly involved in discussions with our clients about their efforts to introduce carbon-reducing technologies
- spoken with our national leaders about the need to encourage lower demand for carbon-emitting energy
- signalled our willingness to be involved in markets to manage climate risk
- supported our clients who are investing in energy alternatives

This is the beginning of our effort – in which we have been encouraged by the

forums we conducted with stakeholders over 2006 – to become more deeply and constructively engaged in this issue and to contribute to pragmatic change which recognises Australia's unique circumstances.

I also acknowledge there is still more for us to do and this has been particularly made clear to us by environmental non-government organisations this year. We have heard and understood their concerns and are now seeking to work more closely with them to improve how social and environmental issues are accounted for in our Institutional lending decisions. I expect we will be able to report substantial outcomes on these issues across our operations in 2007.

Finally, I welcome your feedback on this report and thank all our stakeholders, especially our people, for their contributions to the outcomes we have achieved this year.

John McFarlane - Chief Executive Officer

# our profile

STRUCTURE AND STRATEGY



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

## Our Aspiration Our Values

To be the bank with a human face

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

### A VERY DIFFERENT BANK

ANZ is one of the largest and most successful banking and financial services organisations in Australia and the number one bank in New Zealand. We have more than six million customers and are represented in 30 countries worldwide.

Our operations in Australia and New Zealand are the largest contributors to our performance. In 2006 these locations accounted for 90% of our profit, 87% of our workforce and 94% of our points of representation.

In April 2006, we simplified our organisation structure into major divisions focused around our customer groups and geographies. The new structure aims to increase cross-selling opportunities and operational synergies between the specialist businesses that make up each division.

The divisions are:

- **Personal**, which primarily serves retail customers in Australia and the Pacific, and includes Australia's leading finance company, Esanda.
- **Institutional**, which provides a full range of financial services to ANZ's business, corporate and institutional customers.
- **New Zealand**, which provides a full range of banking services for customers through our two brands: ANZ and The National Bank of New Zealand.

In addition:

- **Partnerships and Private Bank** is responsible for ANZ's joint venture with ING – ING Australia, our international partnerships with other institutions in Asia, and our Private Bank business.

#### Other significant developments for the Group in 2006 included:

- A strategic partnership with China's Tianjin City Commercial Bank (TCCB). ANZ completed its 20% investment in TCCB in July 2006.
- A memorandum of understanding with Sacombank to establish a credit card joint venture in Vietnam.

- We announced the sale of our vehicle fleet leasing and management business, FleetPartners – part of our Esanda subsidiary – to Nikko Principal Investments Australia, in September 2006.

ANZ aims to be recognised in our core markets and internationally as a unique company that consistently delivers superior returns to all of its stakeholders. This includes being a global leader in business and financial performance, employee engagement, organisational culture and corporate responsibility.

This aspiration, underpinned by our values, translates into a clear set of priorities for the Group:

**Maintain a regional focus.** We are the leading bank in New Zealand and have a number of other leading positions in Australia and the Asia Pacific region. We intend to maintain our regional focus by building a stronger strategic presence in Australia through organic growth, strengthening our leadership position in New Zealand and expanding selectively in Asia Pacific markets.

**Actively manage our portfolio of specialist businesses.** ANZ continues to invest for growth in Personal Banking by reallocating resources to attractive customer segments and markets. We are also focused on increasing our investment in faster growth Institutional segments, leveraging our strong Corporate position into relationship Business and Small Business Banking, building on momentum in Private Banking, and strengthening our position in Wealth Management and Insurance over the medium term.

**Invest in rapidly growing segments to create revenue growth of 10% per annum.** Our performance before 2005 involved moderate revenue growth and significant efficiency gains. We have now focused on generating superior revenue growth through defending and deepening our relationships with existing clients, attacking adjacent markets by leveraging

tried and tested capabilities, positioning for next growth wave segments and acquiring selectively where it is value-enhancing and the timing is right.

**Lowering our cost-to-income ratio to below 40%.** ANZ aims to reduce its cost-to-income by growing revenues faster than costs, as well as targeting further cost reductions without compromising our customer service. We have a program to achieve this, including realising the benefits of New Zealand integration; reducing back office costs through process redesign and leveraging our capability in our Bangalore operation in India; increasing automation; and simplifying our technology architecture to improve agility and speed to market.

ANZ has set clear and stretching goals to measure the success of our strategy:

#### Customers

- Highest customer satisfaction in market for each of our businesses
- Leading market share in Australia and New Zealand
- Leading Australasian bank in Asia Pacific

#### Shareholders

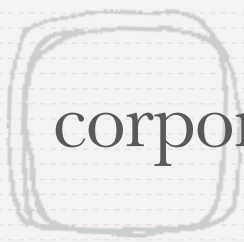
- Revenue growth of between 7 to 10%
- Cost-to-income ratio below 40%

#### People

- Employee engagement at 65%
- Most engaged workforce of all major companies in Australia and New Zealand
- Recognised as an employer of choice

#### Community

- Top five globally for banks on the Dow Jones Sustainability Index
- Number one on the Australian Corporate Responsibility Index



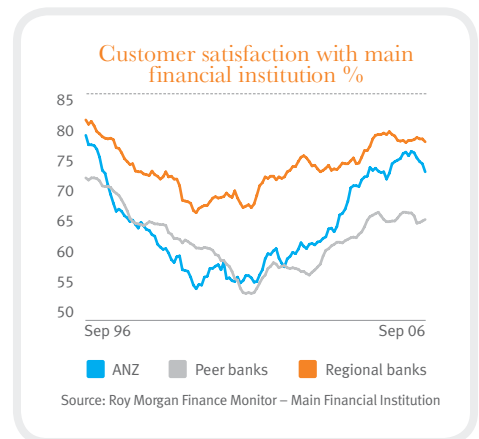
# corporate responsibility highlights

## Putting our customers first

Our aim is to offer our customers clear and tangible reasons why they should deal with us. This means making banking as convenient and simple as possible; providing leading, trusted and responsible financial advice, solutions and services; and investing in the development of our people so that we become known for our customer service and showing the 'human face' of banking.

We are also focused on understanding the social and environmental issues that impact our customers and society and integrating these into our products and services and business practices and decisions.

This year our retail customers were the most satisfied of all major banks in Australia and we regained our position as the Number 1 Lead Bank for Major Corporates and Institutions in Australia and New Zealand.



2006 Goal	Commentary	Performance
Continue to improve our customer satisfaction and match the performance of community and regional banks.	ANZ's retail customer satisfaction continues to be well ahead of its major bank peers in Australia at 75.5% (September 2006). Overall, our customer satisfaction decreased by 1.1 percent this year consistent with a decline across the industry, according to the Roy Morgan Finance Monitor. Our performance is 4.4 percentage points higher than the sector average and we have also matched or exceeded the customer satisfaction levels of some of the community and regional banks. See pages 44–51. During 2006, ANZ also regained its position as the Number 1 Lead Bank for Major Corporates and Institutions according to research by Peter Lee Associates (August 2006).	partially achieved
Meet or exceed the performance standards set out in our 2006 Customer Charter.	This is the fifth year ANZ has been managing and measuring performance on each of the promises in our Customer Charter. We revised the Charter in November last year to include Responsible Lending commitments – a first for banks in Australia. This year we met or exceeded the majority of performance indicators in the new Charter. Our Mortgages business continues to face challenges in meeting our commitment for fast account opening due to unexpectedly high business volume. See pages 45–50.	partially achieved
Continue to expand our branch and ATM network particularly in high-growth areas.	We opened 25 new branches and added 330 new ATMs across Australia. See page 46.	achieved
Use our environmental and social screening tool to assess non-financial risk in 100% our Institutional and Corporate Banking clients in Australia, New Zealand and Asia.	86% of all new Institutional transactions and annual client reviews underwent social and environmental impact screening this year. This screening now forms part of the credit approval process for all of Institutional's Australian client relationships, with more work required to fully integrate this process into performance management reporting. See pages 35–37.	partially achieved

### 2007 Customer Goals

- Continue to improve our customer satisfaction and match the performance of community and regional banks.
- Meet or exceed the performance standards set out in our Customer Charter.
- Maintain our position as Number 1 Lead Bank for Major Corporate and Institutional clients.
- Develop and implement Social and Environmental Management Policies for Forestry, Mining and Energy for our Institutional business.

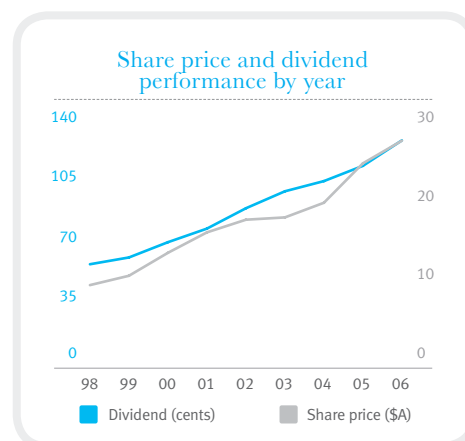


## Creating value for our shareholders

We aim to deliver superior shareholder returns over the long term by balancing our short and long-term objectives and responding to the social and environmental issues inherent in our business decisions and operations. We also aim to be innovative and open in reporting on our economic, social and environmental performance.

Total Shareholder Return in 2006 was 17.1% and 123% over the past five years.

This year we were also recognised as one of the top five banks globally on the Dow Jones Sustainability Index and we ranked third on the Australian Corporate Responsibility Index.



### 2006 Goal

Achieve annual revenue growth of 7% to 9%.

### Commentary

We achieved revenue growth of 8.4% and a record profit of \$3,688 million for the year ended 30 September 2006, up 16% on the previous year. Cash earnings per share (excluding non-core items) was 195 cents, up 13%. Total Shareholder Return was 17.1%.

### Performance

achieved

Over time reduce our cost-to-income ratio to 40%.

We reduced our cost-to-income ratio from 46.6% to 45.6%.

partially achieved

Introduce a Shareholder Charter.

The ANZ Board introduced a new Shareholder Charter this year. It outlines our commitment to creating value for our shareholders; good corporate governance; clear and open communication; and ethical and responsible decision making. See page 11.

achieved

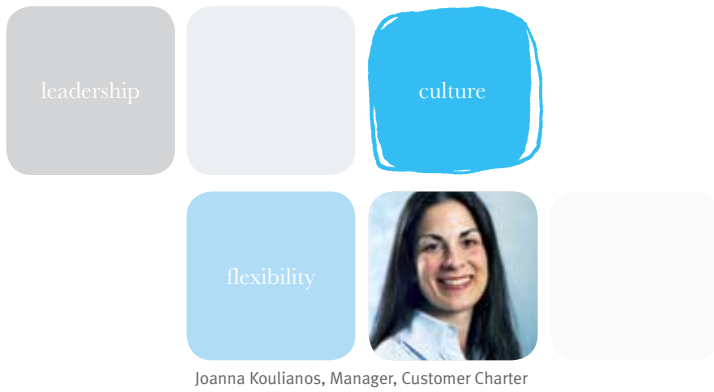
Assess opportunities to make a formal commitment to human rights instruments and enhance existing policies and practices.

We conducted an independent review of performance against guidelines set out in global human rights instruments, including the OECD Guidelines for Multi-National Enterprises, the UN Global Compact and the Business Leaders Initiative on Human Rights. ANZ complied with, and in many cases exceeded, most criteria in Australia and New Zealand. More work is required to understand and mitigate human rights risks and opportunities in our supply chain, our lending decisions in our Institutional business, and all our operations and partnerships. Over the next 12 months we will further investigate and address the findings of the review to ensure there is a clear understanding of human rights issues and obligations, as well as our principles and supporting policies in each of the 30 countries where we operate. See pages 12 and 15.

achieved

### 2007 Shareholder Goals

- Achieve annual revenue growth of 7 to 10%.
- Over time reduce our cost-to-income ratio to below 40%.
- 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.



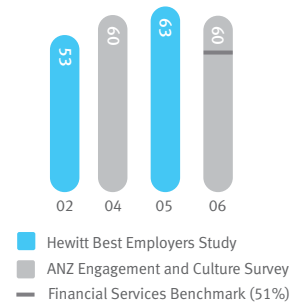
Joanna Koulianos, Manager, Customer Charter

## Leading and inspiring our people

We aim to attract and retain the very best people at ANZ by creating a vibrant, energetic and high-performing culture. We listen to the feedback of our people and provide programs and opportunities to ensure they feel a sense of purpose and personal connection to their work and career with us.

In 2006, we continued to have the highest employee engagement of all major corporations in Australia and New Zealand. Employee engagement measures the extent to which our people speak positively about ANZ and are motivated to contribute their best to our business. It also directly impacts the bottom line with research by Hewitt Associates showing that employee engagement is linked to higher shareholder returns and customer satisfaction.

ANZ Employee Engagement %



2006 Goal	Commentary	Performance
Implement a zero harm approach to health, safety and security.	Strategic Health and Safety plans have been introduced to each division to support our zero harm approach to health, safety and security. Annual Operational Health, Safety and Environment plans are also being rolled out across all business units. Our Lost Time Injury Frequency Rate reduced from 4.2 to 3.8 in Australia. See page 21.	achieved
Continue our focus on achieving 20% female representation at executive level.	The percentage of females in executive positions increased from 19% in 2005 to 22% in 2006 in Australia. We also achieved an equal split of gender in our graduate recruitment for 2007 with 52% female graduates in Australia and 47% female graduates in New Zealand. See pages 18–19.	exceeded
Further improve our 'best employer' standing in the globally recognised Hewitt Employee Engagement study.	Employee engagement remains steady at 60% according to research conducted by Hewitt Associates. Our engagement score remains the highest of all major corporations in Australia and New Zealand and nine percentage points ahead of the banking and financial services sector benchmark. See pages 17–18.	steady
Enable 6,000 frontline employees to complete our Breakout program.	This year 5,985 Personal division employees completed Breakout. We exceeded the target of 6,000 employees when the program completed on 12 October 2006. Overall, 6,905 people in Personal Division have completed the program since it commenced in July 2005. See page 51.	achieved
Introduce accelerated development programs for the top 20% of manager level employees.	Our 'My Potential' program provides the top 20% of manager level employees with access to accelerated development programs including the Accelerated Learning Laboratory – a joint initiative of the Australian Graduate School of Management, ANZ and other leading business organisations. See page 22.	achieved
Introduce an annual 360 degree feedback mechanism for all senior leaders.	Our 360 degree feedback tool is now made available to all staff through our company intranet. It is also used to inform the development of our top 100 executives. In total, 905 employees used the tool in 2006. See page 22.	exceeded

### 2007 Employee Goals

- Reduce our Lost Time Injury Frequency Rate by a further 20% in Australia and New Zealand.
- Close the gap on pay differential between men and women at all levels.
- Improve our performance on the ANZ Engagement and Culture Survey.
- Achieve our 2007 targets for women in management roles including 24% female executives.
- Employ 50 Indigenous Australians, as part of our Indigenous Employment Strategy.

# ANZ received the Special Award for Impact on the Community in the 2006 Prime Minister's Awards for Excellence in Community Business Partnerships.

## Earning community trust

Our community investment strategy aims to enhance the social and economic wellbeing of the communities where we live and work. The heart of our approach involves developing innovative programs and partnerships with clear aims and results.

We are leaders in addressing the major social issues that involve the financial services industry – in particular financial literacy and inclusion. We also provide our people with opportunities to support the causes that are important to them.

### ANZ's Community Investment

#### Types of Contributions

Cash	\$7,324,110
Time (volunteering)	\$2,556,880
In-kind	\$2,075,038
Management costs	\$1,893,897
<b>Total contributions*</b>	<b>\$13,849,925</b>

\*An approximate 60% increase on 2005 due to improved reporting and new community initiatives in Australia and New Zealand. Calculated using the London Benchmarking Group model for corporate community investment.

2006 Goal	Commentary	Performance
Enable a further 1,000 families to participate in our Saver Plus matched savings and financial literacy program.	Over 700 participants were involved in Saver Plus this year. New agreements with our community partners will see the program expanded nationally so that up to 5,400 people can participate in Saver Plus over the next three years. See page 28.	partially achieved
Fund the delivery of our MoneyMinded financial education program to reach 15,000 Australians.	This year, 15,279 people participated in MoneyMinded workshops and one-to-one sessions. ANZ funded MoneyMinded facilitator training for more than 530 community educators and financial counsellors who deliver the program. We also provided financial support for eight community partners to offer the program at a grass-roots level throughout Australia. See page 27.	exceeded
Implement a national rollout of the MoneyBusiness financial literacy program for use with community organisations who work with Indigenous Australians.	MoneyBusiness is being piloted in six remote sites in the Northern Territory and Western Australia. The evaluation will be used to inform next steps to be undertaken by ANZ with the Australian Government. MoneyBusiness education materials are already being used by a range of training, community and government organisations nationally. See page 31.	partially achieved
Achieve 20% staff participation in our ANZ Volunteers program including 40,000 hours of volunteer time.	24% of Australian and 12% of New Zealand staff lodged a total of 50,735 hours of volunteering activity this year. See pages 22–23.	exceeded
Achieve 10% employee participation in Community Giving, ANZ's workplace giving program.	10.6% of Australian employees donated money as part of our Community Giving program. Their contributions were matched dollar-for-dollar by ANZ, totalling \$537,499. See pages 22–23.	exceeded

### 2007 Community Goals

- Enable 1,500 people to participate in Saver Plus, and reach 20,000 people through MoneyMinded.
- Achieve 60,000 hours of staff volunteering and 15% participation in workplace giving.
- Evaluate the Progress Loans Victorian pilot and extend the program to three additional States, writing at least 200 new loans.
- Work with Indigenous organisations and other stakeholders to develop and implement a Reconciliation Action Plan.

“ ANZ has set itself apart among the FT500 by enacting a commendable response to global climate change.”

Paul Dickinson, Carbon Disclosure Project Co-ordinator

## Managing environmental impact and supply chain

ANZ’s Environment Charter outlines our commitment to operating in a way that advances sustainability and reduces our environmental impact.

We have in place an Environment Management System to help us monitor and improve our performance.

We are also working with our suppliers to minimise the social and environmental consequences of our business operations.

ANZ was honoured as ‘Best in Class’ for its approach to climate change in a report released by the Carbon Disclosure Project (CDP). ANZ was one of 50 FT500 companies included on the CDP Climate Leadership Index.

### Progress towards our two-year goals\*

Electricity	▲
Paper	▲
Water	✘
Waste and recycling	▲
Greenhouse gas emissions	●
Key:	
Favourable	▲
Minimal change	●
Unfavourable	✘

\* See page 38–42 for more detailed outcomes and analysis.

2006 Goal	Commentary	Performance
Integrate our new Sustainable Procurement Policy into tender requirements, new supplier contracts and existing contracts with key strategic suppliers.	Our Sustainable Procurement Policy and the Sustainability Self-Assessment Tool, have been integrated into our sourcing processes. Our tools have enabled us to begin assessing existing and potential suppliers. More than 100 of our suppliers have received the tool for completion. See page 42.	achieved
Reduce ANZ’s environmental footprint (electricity, paper, waste, water, greenhouse gases) by a minimum of 5% per full-time equivalent staff member over a two-year period (October 2005 – September 2007)	Our energy consumption per full-time equivalent staff member reduced in 2006. Due to changes in Government measurement standards, our greenhouse gas emissions increased slightly. We are continuing to implement new environmental policies and initiatives to help us achieve our two-year goal. See pages 39–42.	partially achieved

### 2007 Environment Goals

- Achieve our target to reduce our environmental footprint by a minimum of 5% by 2007.
- Continue to improve supply chain reporting and expand the reach of our Sustainable Procurement Policy.
- Engage with internal and external stakeholders to establish ANZ’s environmental performance targets for 2008–2010.

# governance

Corporate responsibility is integrated into the way we manage our business and recognise and reward our people. In recent years we have formalised this commitment through enhancements to our charters, codes of conduct, policies, practices and performance assessment criteria at Board and management levels. All now reflect the importance of our relationships with our customers, shareholders, employees, the community and the environment. This policy framework is designed to help our people make informed decisions that take into account the needs and interests of all our stakeholders.

## CORPORATE RESPONSIBILITY LEADERSHIP

The Board's Governance Committee has a number of responsibilities including the review of ANZ's corporate responsibility strategy and programs. ANZ management reports to the Board on these issues bi-monthly.

The executive level Corporate Responsibility Council has an advisory and oversight role. Council membership includes Group Executives accountable for key aspects of corporate responsibility including our Customer Charter, our Financial Literacy program and the Institutional and Corporate Sustainability Initiative. Members work across the Group and within their businesses to help promote and achieve our objectives.

Other Councils and Steering Committees guide specific programs and ANZ's response to important corporate responsibility issues. These include a Diversity Council; and Steering Committees covering our Environment program, Occupational Health and Safety, and New and Emerging Risks.

## Our approach

Our organisational and strategic approach to corporate responsibility is guided by our values and reflected in our governance structures, charters and policies.



The Governance Committee, from left to right: David Meiklejohn, David Gonski AO, Charles Goode AC and Dr Gregory Clarke.

## Charters

Our Customer, Shareholder, Community and Environment Charters describe the way we behave towards our stakeholders.

The ANZ Board approved a new Shareholder Charter this year. It outlines our commitments to creating value for our shareholders, good corporate governance, clear and open communication, and ethical and responsible decision making.

Our Customer Charter was relaunched and now includes stronger commitments to provide convenient, simple and responsible banking services for our personal and small business customers. It includes public and auditable Responsible Lending commitments – a first for Australian banks.

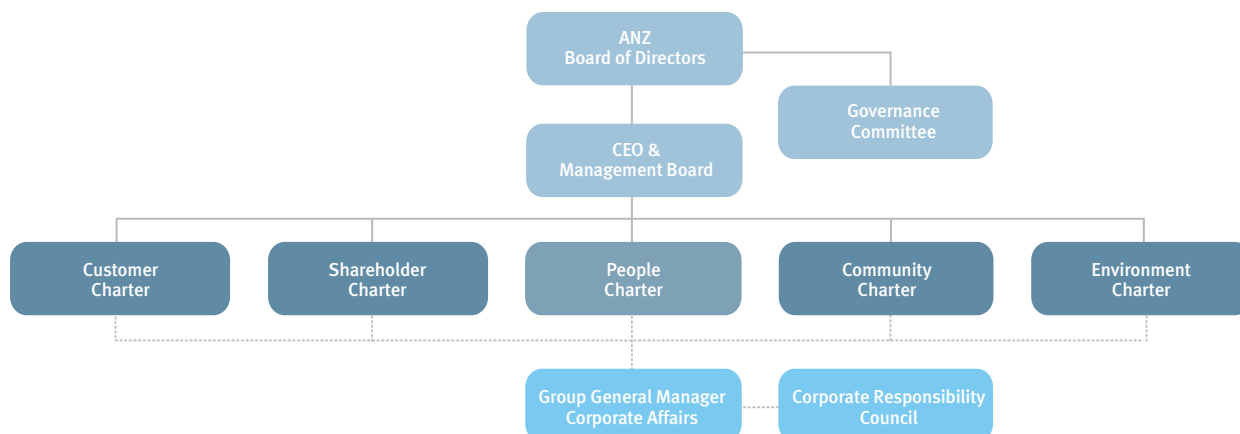
We continue to work with our stakeholders to develop a People Charter. Our priority this year has been to introduce a specific People Charter to guide our decisions and behaviour in transferring selected IT and operations roles in Australia to our team in Bangalore.

## 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 18,000 employees completed this course in 2006. 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 17,500 employees completed this course this year.

## ANZ's organisational approach to corporate responsibility



### Policies and practice

We have Group-wide policies covering:

- anti-discrimination
- corruption and bribery
- confidentiality of information
- conflicts of interest
- employee indemnity
- 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.

ANZ's Global Anti-bribery Policy was reviewed and is being enhanced in 2007 to align it with current Australian and overseas legal requirements. It clearly defines the behaviours required of all employees. ANZ is also implementing a program to ensure that we comply with the requirements of Australia's new anti-money laundering legislation, including enhancements to our policy, business processes and technology systems.

The ANZ Equal Opportunity and Harassment Policy aims to ensure that every person at ANZ is treated with dignity and respect and our staff, customers and visitors can interact in an environment free from discrimination, harassment, bullying or victimisation.

This year we updated these policies to more comprehensively address the issue of bullying. We also introduced contact officers who are available to provide employees with information and answer questions about these policies.

### Human rights

This year we reviewed ANZ's performance against guidelines set out in global human rights instruments, such as the OECD Guidelines for Multi-National Enterprises, the UN Global Compact and the Business Leaders Initiative on Human Rights. ANZ complied with, and in many cases exceeded, most criteria in Australia and New Zealand.

We have more work to do to understand and mitigate human rights risks and opportunities in our supply chain, our lending decisions in our Institutional business and our operations and partnerships in Asia, Pacific and India

Over the next 12 months we will further investigate and address the findings of the review to ensure there is a clear understanding of human rights issues and obligations, our principles and supporting policies in each of the 30 countries where we operate.

### Compliance

Compliance is assessed as a key part of ANZ's performance management process. Our Employee Code of Conduct and relevant policies are referenced in all employee contracts.

Employees can access confidential advice about ANZ policies, procedures

and performance management via our online and telephone service, 'People Assist'.

We conduct six-monthly reviews of business and functional areas, which cover operational risk and compliance-related requirements. Breaches of operational risk, regulatory and compliance requirements are identified and tracked using an online reporting and case management system, and the progress of corrective actions taken is closely monitored.

In 2006, 165 significant breaches of ANZ's Code of Conduct in Australia and New Zealand were investigated at a Group level, with 97 cases resulting in dismissal and 68 in reprimand. 34% of these cases related to employees using their access to ANZ's systems for inappropriate personal transactions and gain.

During 2006 we also enhanced our system for reporting both significant and minor Code of Conduct breaches across the Group. This system will enable more detailed public reporting of all breaches of the Code from April next year.

### Risk management

The Board sets the policy for ANZ's risk management framework which is reviewed by senior management and via independent business unit monitoring.

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

## ANZ risk management framework

### ANZ Board

- **Risk Committee** – oversees principles, policies, strategies, processes and control frameworks for the management of risk and approves credit transactions beyond the approval discretion of executive management
- **Audit Committee** – reviews financial control frameworks and compliance

### Senior Management

- **Credit and Trading Risk Committee** – oversees credit policy, major lending decisions, asset writing strategies and traded and non-traded market risk
- **Group Asset and Liability Committee** – oversees regulatory capital, balance sheet structure, liquidity and funding
- **Operational Risk Executive Committee** oversees operational risk and compliance strategy

### Business Unit Level

- **Business Unit Risk Management** – discharge responsibilities for business, market, credit, operational, liquidity and reputational risk and compliance with internal and external obligations

Specific areas of focus for risk management this year have included:

- Achieving accreditation under the proposed regulatory capital regime known as Basel II. ANZ is in regular communication with Australian Prudential Regulation Authority and the Reserve Bank of New Zealand as part of the accreditation review process. ANZ is implementing an extensive program of work to ensure compliance with the proposed prudential standards. The Risk Committee has oversight of this work and receives regular reporting and information on the status of ANZ's Basel II program.

- Completing a financial stress test as part of the Reserve Bank of Australia and International Monetary Fund's review of the Australian financial system. The stress test was designed to assess ANZ's capacity to withstand an unexpected and severe economic downturn in Australia. The subsequent analysis highlighted ANZ's ability to withstand an economic shock, with ANZ's Australian operations forecast to remain profitable throughout the three-year period of the stress event.
- Developing a response strategy and precautionary measures to safeguard the health of our staff and ANZ's business operations in the event of an avian influenza pandemic.
- Establishing a steering committee and management system to identify, monitor and address new and emerging risks. 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.

### STAKEHOLDER ENGAGEMENT

ANZ has used the AA1000 Assurance Standard (AA1000 AS) to ensure this report addresses the need and interests of our stakeholders. A full statement of the steps taken to comply with AA1000 AS principles of materiality, completeness and responsiveness can be found in the Assurance section of our online CR report.

We consider ongoing, open dialogue and relationships of trust, integrity and respect as the markers of successful stakeholder engagement.

Our approach is guided by a set of principles established in 2005 (see page 14) where stakeholder engagement is considered integral to development and enhancement of our Group policies and programs, our products, services and communication.

Examples of how stakeholder insights have assisted in developing our approach to important corporate responsibility issues this year include:

- We relaunched our Customer Charter in November 2005 including Responsible Lending commitments. This was a first for Australian banks and formed part

of our response to feedback from our stakeholders, particularly financial counsellors, and ANZ's own 2005 research into the causes of financial difficulty.

- Our Engagement and Culture and Diversity surveys provide us with insights into the ideas and views of our people. Survey outcomes are addressed at a team level, with Group-wide initiatives put in place to address consistent themes across the organisation. For example, survey outcomes have assisted the development of people policies and programs such as life balance and family-friendly benefits.
- We have worked with the Finance Sector Union in Australia to redefine the way our organisations work together and create different and better outcomes for our people. This has included discussions about our People Charter for offshoring.
- Together with the Brotherhood of St Laurence (BSL), we launched our 'Progress Loans' pilot, providing small loans of between \$500 and \$3,000 to Australians who have difficulty accessing safe, affordable credit from mainstream banks. Progress Loans was developed in response to ANZ's 2004 research into financial inclusion and extensive consultation with our Consumer Finance business, BSL and our community partners.
- We regularly brief the investment community on our financial performance together with details of our customer, community, people and culture, and environmental programs and outcomes. An investor/analyst tour of our Asian operations this year aimed to improve understanding of the unique growth opportunity we have in Asia, our expertise and the quality of our management in the region. Some stakeholders have expressed concern about the timing and efficacy of new social and environmental criteria to guide our Institutional and Corporate lending decisions in controversial areas such as forestry. These stakeholders have also requested greater transparency on our approach and outcomes achieved. We have provided more detail on our approach and progress on this issue on pages 35–37 of this report.

### Stakeholder forums

Forums structured around the themes of community, people and environment were held this year providing our stakeholders with an opportunity to understand and influence our business priorities. These forums identified the following key opportunities for ANZ:

- prioritising the development of sectoral and issues-based policies to guide and better inform our Institutional and Corporate lending and investment practices
  - reviewing our direct environmental performance indicators and metrics to enhance the scope and relevance of performance reporting
  - continuing our leadership in research and initiatives to address financial literacy and inclusion
  - working with the community, industry and Government to address concerns regarding the increasing demand for financial counselling services
  - working with community partners to develop a more sophisticated approach to corporate volunteering, aimed at better leveraging our corporate knowledge and expertise
  - providing leadership on key employment issues such as flexible working hours, diversity and workplace bullying
- Insights from the forums have also been used to inform development of this report.

### Public policy-making process

A number of stakeholders are interested in our approach to public policy-making and political advocacy. We are an active participant in these processes and seek to constructively shape our operating environment by understanding the perspectives of our elected representatives, policy makers and regulators.

Our CEO meets formally with political, policy-making and regulatory leaders in Canberra twice-yearly. At the policy development level, ANZ is engaged on an ongoing basis with regulators and Governments through:

- participation in Government advisory bodies such as our CEO's membership of the Australian Government's Financial Literacy Foundation, Business Regulation Advisory Group and Foreign Affairs Council;
- regular, issue-specific discussion with elected representatives, policy makers and regulators; and

- research-based submissions on business, economic, social and environmental issues. This year, these included submissions to and supporting dialogue with:

- Federal House of Representatives Economics, Finance and Public Administration Committee on the Reserve Bank of Australia's reforms to the payment system
- Federal Government's Taskforce on Reducing the Regulatory Burden on Business and the Federal Government on its response to the Taskforce's recommendations
- Joint Standing Committee on Foreign Affairs, Defence and Trade on Australia's relationship with India as an emerging world power
- House Standing Committee on Aboriginal and Torres Strait Islander Affairs Inquiry into Indigenous Employment
- Federal Attorney-General's Department regarding Australia's Anti-Money Laundering and Counter-Terrorist Financing legislation
- Corporations and Markets Advisory Committee's Discussion Paper on Corporate Social Responsibility
- Victorian Government on its Consumer Credit Review
- Northern Territory Department of Justice on the practice of "Book-up" in Indigenous communities

Key memberships include the Australian Bankers' Association, Business Council of Australia, Australia New Zealand Business Council, the United Nations Environment Program Finance Initiative, the Global Reporting Initiative and the World Business Council for Sustainable Development.

### Political donations

ANZ makes political donations each year (disclosed in our annual report) to support the democratic process. In 2006, 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

We released an interim Corporate Responsibility Report detailing progress on our Customer, People, Community and Environment goals in line with our half-year financial results in April this year. The report was a first in Australia.

Updates on specific programs and outcomes are also provided to relevant stakeholder groups. We issue regular electronic updates on our financial literacy and inclusion and people programs, annual Customer Charter and Customer Advocate reports, and ANZ-commissioned research.

## ANZ's stakeholder engagement principles

### Congruence

We engage with our stakeholders on matters that are aligned with our agenda, priorities and the issues associated with our business.

### Consultative

We consult widely to achieve the best outcome through consideration of a diverse range of perspectives and experiences.

### Collaborative

We aim to establish deep partnerships with organisations with which we can develop a shared vision. We balance the competing needs and interests of all stakeholders.

### Creative

We create innovative programs, initiatives and responses designed to make a significant and lasting difference. We aim to be bold and have the courage to be different.

### Communicate

We value dialogue and open, honest and ongoing communication with all stakeholders. We lead with action and share our approach and outcomes widely.

### Commitment

We are committed and persistent in our efforts to achieve a common understanding and real outcomes on challenging issues and opportunities.





# key challenges and opportunities

CORPORATE RESPONSIBILITY COUNCIL REPORT



ANZ's Corporate Responsibility Council was established in 2005 and has an advisory and oversight role. Its membership includes Group Executives accountable for key aspects of our agenda. Pictured from left to right are Council members: **Jenny Fagg**, Managing Director, Consumer Finance, Personal; **Geoff Cohen**, Managing Director Investment & Insurance Products, Personal; **Judith Downes** (Chair), Chief Financial and Operating Officer, Institutional; **Gerard Brown**, Group General Manager, Corporate Affairs.

Council members not pictured are: **Mike Grime**, Managing Director, Operations, Technology and Shared Services; **Mike Guerin**, Managing Director Pacific, Personal; **John Harries**, Managing Director Banking Products, Personal; **Mark Jankelson**, Head of People Capital, Institutional; **Gavin Murray**, Head of Sustainability, Institutional; **Susan Peterson**, General Counsel and Company Secretary, ANZ National Bank Limited (NZ); and **Thuy Dam**, General Manager, Vietnam.

We aim to be a leader in responsible business practice and are prepared to pursue ideas and innovations that challenge the traditional mindset of a large organisation. It's part of how we have evolved as a bank with a different attitude.

On the following pages we have detailed ANZ's approach to some of the most important long-term challenges we are currently focused on. These include:

- engaging and inspiring our workforce
- improving the financial literacy and inclusion of our communities
- ensuring our lending practices are socially and environmentally responsible.

We have also included divisional reports to demonstrate how we integrate corporate responsibility across our business.

ANZ has a range of systems in place to ensure we are able to anticipate, innovate and manage emerging challenges.

These include regular cross-business unit forums, independent research, global issues scanning, ongoing dialogue with our people, customers, shareholders and communities, together with more formal and systematic stakeholder engagement activities.

Through these systems we have identified the following key future challenges for ANZ:

- Formalising ANZ's human rights policies, practices and management systems particularly in our operations outside Australia.
- Extending our corporate responsibility agenda and reporting to include our Asia and Pacific businesses and our international partnerships where appropriate.
- Strengthening our decision-making frameworks for environmental and social issues associated with our Institutional and Corporate lending globally.
- Reviewing our international employment practices to ensure they are consistent with ANZ Group practices. This includes occupational health and safety, workplace relations, whistleblower and anti-discrimination policies, where applicable and culturally appropriate.
- Implementing our ANZ Discrimination Action Plan and assessing our performance against the plan's commitments.
- Providing our suppliers with better guidance on the social and human rights issues we expect them to be managing such as anti-discrimination, health and safety and personal security.

We will continue to monitor and report our progress in addressing current and future challenges, and our performance against ANZ's publicly stated goals, throughout 2007.

See [anz.com](http://anz.com) to find out more about our:

Governance, charters and policies [www.anz.com/corporategovernance](http://www.anz.com/corporategovernance)

Stakeholder engagement framework [www.anz.com/cr/approach](http://www.anz.com/cr/approach)

Human rights review [www.anz.com/cr/futurechallenges](http://www.anz.com/cr/futurechallenges)

Reporting [www.anz.com/resources](http://www.anz.com/resources)

ANZ has the most engaged employees of all major companies in Australia and New Zealand. Source: Hewitt Associates

Alan Wong, Manager, Melbourne Airport



The Melbourne Airport team is one of the most engaged teams at ANZ with staff engagement at 93% in our annual Engagement and Culture Survey. This is 42 percentage points above the financial services industry benchmark.

According to Manager, Alan Wong, the secret to their success is teamwork.

“We’re a new branch so we’ve invested time in building our team. Before we opened, we spent one month in training together – that really put us on the right path to engagement.”

“We’re the only bank with customer service branches in Australian airports. Our customers include everyone from arriving tourists and Australians leaving on holiday to sports teams and business people.

“As there are 22 business hours in our day, it’s important to factor in regular team catch-ups. Our team works towards business and service targets, encouraged by small competitions each week,” Alan said.

Alan joined ANZ in 2002 in our New Zealand Graduate Program. He has worked in both frontline and managerial roles. Now, at the age of 27, he manages over 30 people.

He took part in ANZ’s Future Leaders program in 2004: “which really helped me to improve my skills in emotional intelligence”.

“We’ve all participated in Breakout which I think has helped us to embed our team ethic early on. We’ve also collectively made use of our volunteer leave with work for the Cancer Council, the Lions Club and the Melbourne Foodbank,” said Alan.

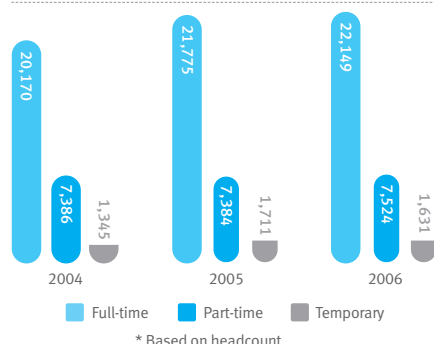
### Number of ANZ Employees\*

Country	2004	2005	2006
Australia	19,229	20,542	21,012
New Zealand	9,672	10,329	10,292
Asia	686	833	901
Pacific	1,638	1,696	1,780
UK and Europe	277	226	226
Americas	277	90	86
Middle East and South Asia	495	664	1,247
<b>Total</b>	<b>32,274</b>	<b>34,379</b>	<b>35,544</b>

### Leading and inspiring our people

Our people serve our customers, create new ideas and make our company a great place to work. We believe our six-year focus on developing our people and culture has created a strategic advantage that is difficult to replicate. We care how our people feel about working for ANZ. We want them to be passionate and engaged in our business. In turn, we provide them with opportunities to develop personally and professionally.

### Full-time, part-time and temporary employees in Australia and New Zealand\*



### A DIFFERENT BANK REQUIRES A DIFFERENT CULTURE

More than six years ago ANZ recognised that to become a high-performing, values-driven organisation, we needed to engage our people in building a different bank.

A strategy was developed to match our focus on financial performance with an equal emphasis on people and culture. Cultural transformation had to come from the inside because organisations don't transform – people do.

We started by engaging staff in the development of a vision for ANZ. The result was the desire to be 'The Bank with the Human Face' – an aspiration that resonated strongly with our employees, customers and the community. We also developed a set of five values which remain unchanged today.

Initially, much of the program was aimed at increasing accountability, freedom and openness in our culture. Today, the focus is on a program called Breakout Recharge, which works on enhancing teamwork and collaboration across the organisation.

#### Breakout workshops

Breakout workshops are a core component of the cultural transformation strategy. They focus on personal transformation, with an emphasis on building trust and collaboration.

Since 2000, more than 26,000 employees have participated in these workshops. We developed a tailored Breakout program for employees in our Personal division customer-facing roles and this year a further 5,985 employees participated in this program.

#### Breakout charters

Since 2000, we have undertaken over 70 Breakout Charters – specific commitments and initiatives to support ANZ's cultural transformation. They include our financial literacy and inclusion programs, volunteering, the diversity strategy and many other employee policies and benefits such as subsidised home computers.

## Employee engagement

In the first four years of our cultural transformation strategy, staff satisfaction moved from 49% (1999) to 85% (2004).

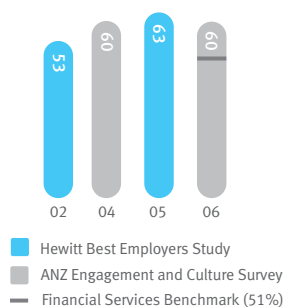
In 2004, we switched to measuring employee engagement as it is considered a stronger and more meaningful measure than employee satisfaction.

As well as providing a measure of the proportion of ANZ employees who are engaged, it also provides insight into our employees' perceptions of ANZ's culture and our approach to corporate responsibility.

In 2006, we achieved 60% employee engagement, the highest of all major companies in Australia and New Zealand and higher than the financial services benchmark of 51%. 'Profit', 'customer focus' and 'community involvement' were voted by employees as the top three words that best reflect ANZ's current culture.

At the same time, there have been corresponding innovations in our products and services, the way we interact with and support our communities and importantly, increasing shareholder returns.

ANZ Employee Engagement %



### What is employee engagement?

Employee engagement is the extent to which staff are willing to be advocates for their business, are committed to staying with their employer, and are motivated to contribute their best to the organisation they work for every day.

Global human resources firm, Hewitt Associates, estimates that every 'engaged' employee is worth about \$5,000 each year in additional profit. Its research shows that companies that score 60% or higher have an average five-year shareholder return of 20.2%.

## Diversity

ANZ supports an inclusive workplace where employee difference, such as gender, age, culture, disability and lifestyle choice are valued.

Our first voluntary diversity survey, the 'My Difference Survey', was run in December 2005 and 11,000 employees participated worldwide. It found that 88% of staff accept the importance of diversity.

The survey 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.

It also found that: work/life balance was important to employees, with more than 50% of respondents having caring responsibilities; employees are not always open about disability; employees and customers with a disability need greater support; and ANZ has great diversity policies but they are not always accessible. Our Diversity Council and business units are now leading our response to the issues and opportunities identified in the survey.

### Diversity Council

The ANZ Diversity Council was established in 2004 to identify and prioritise diversity issues, implement interventions and share best practice across the business. In 2006, six staff representatives joined the Council in addition to the existing seven executive representatives.

The focus for the Council has been to give employees a consistent experience of diversity policies across the bank, as well as raising awareness about diversity issues.

Councils have also been established at a divisional level to support ANZ's diversity programs. The Council has a budget of \$1 million to fund staff innovations during the next financial year.

Some of our progress on diversity programs includes:

- Indigenous employment:** In February 2006, ANZ signed an Indigenous Employment Agreement with the Australian Government to provide more employment opportunities for Indigenous Australians. Based on the success of ANZ's Indigenous traineeships in the Northern Territory, and as part of the Aboriginal Employment Scheme in New South Wales, we plan to expand the program to other states. Consistent with our Statement of Commitment to Reconciliation, we aim to employ 50 Indigenous Australians in 2007.

We are also developing other initiatives to build the social and economic capabilities of Indigenous communities through financial literacy education. (See pages 30–31).

## ANZ Engagement and Culture Survey\*

Percentage of ANZ employees who agree with the following statements:

	2004	2006
Workplace safety and security is considered important here	77%	81%
I value the opportunity this company gives me to make a personal contribution to the community	64%	68%
This company takes its social and environmental responsibilities seriously	N/A	74%
I can take action that I think will meet the needs of our customers	69%	72%
This organisation has high standards of ethics and integrity	71%	73%
Our people policies are used effectively in my work area	54%	50%

\* Survey of 78% of ANZ employees globally in March 2006

- **Mature-aged workers:** ANZ was the first Australian company to introduce guaranteed part-time work for employees aged 55 and over. Currently 41% of ANZ employees aged over 55 work part-time with turnover of employees in the 55 and over age group reducing from 18% in 2003 to 13% in 2006. ANZ also received a Certificate of Recognition as a Mature Age Employer Champion from the Australian Government this year.
- **Women in management:** Women make up 60% of our workforce in Australia and 66% in New Zealand. ANZ exceeded its first targets to have 20% female representation in executive positions by 2006. We have been an Employer of Choice for Women since 2002 and in late 2005 were named the Leading Organisation for the Advancement of Women (among organisations with more than 500 employees).
- **Disability advocacy:** ANZ will launch an updated ANZ Disability Action Plan in December 2006. The Plan is being revised in line with the outcomes of the 'My Difference Survey', as well as input from ANZ Careers, the ANZ Disability Network group and consultants, Diversity at Work. The new Plan includes our approach to the recruitment of people with a disability.

### Flexibility

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

ANZ doubled parental leave in 2005, from six to 12 weeks of pay, with no minimum service period to qualify. Since the introduction of the policy, parental leave take-up has increased by 13%. Staff now have the right to request an extension to parental leave of up to two years. We have also made unpaid parental leave available for eligible casual employees. We continued our partnership with ABC Learning Centres Ltd to build and operate childcare services for ANZ staff in Australia. Seven centres are now in operation with more than 82 families using this service.

Our Carer's Leave policy was updated to increase from 36 to 76 hours the leave available to employees to provide care and support to family members in illness or emergencies.

Other flexible options 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; and telecommuting.

### Remuneration

ANZ pays equal wages for equal work. We track starting salaries and compensation to ensure that women and men are paid equally. Disparities in average salaries between men and women currently occur because generally there are fewer women holding the more senior positions within our wage bands. We anticipate that this situation will change in the coming years as we continue to develop and support women into more senior roles.

We monitor salaries annually to ensure we remain a premium employer in the financial services sector. We aim to pay at the median of the market with the capacity to pay above this for our top performers.

ANZ's 'Flexible Pay Choices' initiative allows Australian employees to tailor their salary to suit their own needs. 'Flexible Pay Choices' now include child care, Community Giving (our workplace giving program), the Employee Share Save Scheme, laptop computers, lifestyle leave, novated leases for motor vehicles, Personal Digital Assistants and superannuation contributions. We also introduced 'Model My Pay', an online calculator which helps Australian staff to take advantage of ANZ's 'Flexible Pay Choices'.

### ANZ targets for women in management positions

Employee group	Actual			Target		
	2005*	2006*	Dec 2006	Sep 2007	Sep 2008	
Executives	19%	21%	22%	24%	27%	
Senior managers	24%	28%	30%	34%	39%	
Managers	36%	39%	40%	44%	49%	

\* Figures are at 30 September for each year and include Australia and New Zealand only

### Gender pay differential – salaries by employee group

Employee group	Australia		New Zealand	
	Differential	Favours	Differential	Favours
Executives	+3%	Males	+1%	Males
Senior managers	+6%	Males	+6%	Males
Managers	+3%	Males	+6%	Males
Non-managers	+1%	Females	+5%	Males*
Overall weighted average	+0.3%	Males	+1.9%	Males**

\* excludes Award employees \*\* includes Award employees

- 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.

- The eight male Group Heads (who report directly to the CEO) have not been included in the executive gender differential analysis due to the absence of a female Group Head for comparison purposes.

- 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, then the differential in favour of males is 0% for Executives, 2.5% for Senior Managers and 1.5% for Managers.

### Employee benefits

We offer a range of benefits to ANZ employees. These include discounts on ANZ products and services, salary packaging choices and access to discounted ANZ shares.

Since 1999, ANZ has made an annual allocation of up to \$1,000 of shares to each permanent full-time or part-time employee (excluding senior executives) with a minimum of one year's continuous service as part of our Employee Share Acquisition Program. In 2005, more than one million shares were issued to 26,885 staff in 27 countries. This included 625,196 shares to 16,432 Australian staff and 308,919 shares to 7,845 New Zealand staff.

Employees who have participated in this program every year in the nine years since its inception would now own shares worth more than \$19,000 including dividends re-invested.

The Employee Share Save Scheme provides permanent full-time or part-time employees in Australia the opportunity to purchase ANZ shares at a discounted price, using their pre-tax pay through salary sacrifice at a 5% discount.

Around 79% of staff now own ANZ shares.

### Workplace relations

ANZ respects the right of employees to join associations of their choice. Around 27% of Australian staff are members of the Finance Sector Union (FSU) and 28% of New Zealand staff are members of the Finsec. ANZ consults with the unions prior to organisational or structural change impacting our employees. Our staff are covered by the ANZ/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.

In 2005/2006 we developed a specific People Charter for employees affected by decisions to transfer selected technology and operations functions to our Bangalore team (see right).

### Communication and complaints

ANZ encourages a culture of open and honest communication where employees feel comfortable raising issues with their line managers. There are many ways for our employees to contribute to our business. 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. 678 employees used this service in the past year.

### Our approach to jobs in India

The true test of our commitment to 'living our values' lies in how they are applied to the most difficult business dilemmas. Offshoring is one such issue.

We are making better use of our IT and operations capability in India to ensure we reduce costs, therefore helping us to grow our business and jobs in key markets.

We have been transferring selected roles and activities to our team in Bangalore, which has been part of ANZ for the past 17 years.

We consulted widely with our stakeholders, including our people and the FSU, to ensure we manage this change in a way that is consistent with our values and their expectations of us. As a result, we introduced a specific 'People Charter' to guide our approach. It includes the following commitments:

- All customer contact roles, including call centre roles, will remain in Australia.
- Our people in Bangalore operate under the same policies and controls ANZ has in place in Australia, including high standards of privacy and confidentiality. Central records for Australian customers are located in Australia and will remain located in Australia.
- We will share information with our employees as early as possible and keep them informed at all stages throughout the change process.
- At least four months notice will be given to employees directly affected by offshoring plans. Staff will have every opportunity, including the necessary training, to find other roles within ANZ and will be supported at all stages through outplacement services and our Employee Assistance Program.
- We will share information with all our stakeholders regularly, including early and frequent consultation with the FSU.
- The working conditions of our people in India will meet best practice standards and we will continue to pay competitively against the market in India, exceeding the minimum employment terms under India's labour laws.

An important outcome flowing from these commitments is that, of the 209 permanent employees affected by decisions to transfer selected Technology and Operations roles and activities to our team in Bangalore this year, 38% have already found other positions within ANZ.

“It made me look at work and life in a completely different way. I’d always thought my career path was pretty much set, but Breakout made me realise that there are more opportunities and that I can apply myself in other ways.”

David Gainsford, Sales Consultant, New Norfolk (Tasmania)

FORUM (Facilitating Outcomes and Resolutions Under Mediation) is an internal dispute resolution process for all employees providing a confidential service for staff to resolve difficult work-related issues, with the option of independent mediation.

The Whistleblower Protection Policy provides employees, contractors and consultants with a mechanism to escalate serious issues on a confidential basis. No formal investigations were initiated during the past year.

#### Staff retention and turnover

In the past year, 3,673 new employees joined in Australia and 1,242 in New Zealand. During the reporting period, 3,671 people left ANZ voluntarily including 2,538 in Australia and 1,133 in New Zealand. This represents a staff turnover of 12.9% in Australia and 12.6% in New Zealand.

ANZ seeks to avoid redundancies.

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.

#### Health, safety and wellbeing

ANZ proactively supports the physical, emotional and financial wellbeing of its people – rather than simply adhering to a compliance-based approach to Health, Safety and Security.

Our Australian Lost Time Injury Frequency Rate (LTIFR) was 3.8 as at September 2006, down from 4.2 in 2005. In New Zealand, our LTIFR is 1.5. We aim to reduce our LTIFR by another 20% in Australia and New Zealand over the next 12 months.

Health, Safety and Environment plans have been introduced to each division and annual Operational Health, Safety

and Environment plans are being rolled out across all business units. Health and Safety committees exist in all States and meet regularly.

The My Health program provides a free physical check-up during working hours to all Australian staff every two years as well as being a source of comprehensive online health information. More than 6,000 employees have taken advantage of My Healthcheck and 7,028 people have signed up for My Health Online since it was launched in 2005.

ANZ has focused on increasing understanding and awareness of mental health during 2006. A mental health site on our intranet now provides information about mental illnesses and tips for good mental health. We also ran 10 mental health awareness sessions for staff and distributed an information booklet called ‘Mental Health: Creating a Supportive Workplace’ to all major buildings and branches in Australia.

We introduced a new Community Services Directory which provides information for all ANZ employees who wish to seek professional and confidential information on a range of matters related to their work or home life. The site also provides information about various health promotion weeks including National Diabetes Week, National Asthma Week and National Heart Week.

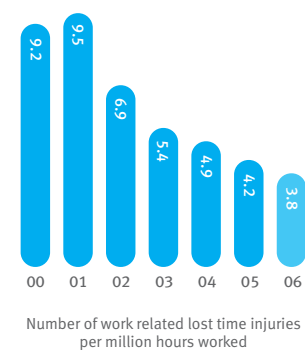
The physical wellbeing of our staff is important to us and over the past two years, ANZ has participated in the Global Corporate Challenge – a six-month fitness initiative where participants undertake a virtual walk around the world. This year we funded more than 200 teams in Australia and New Zealand, as well as additional teams in eight other countries.

ANZ has taken precautionary measures against the avian influenza. We have a Pandemic Planning Group, crisis plans and information materials for our staff. We also provide advice and tips for our people travelling in Asia and Europe.

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 we had a specific focus on making our Financial Fitness sessions available to our retail banking staff throughout Australia. More than 70% of branch staff participated in more than 500 sessions conducted during 2006.

#### Lost Time Injury Frequency Rate (Australia)



#### Talent and graduate programs

We nurture our people with leadership coaching, mentoring, development opportunities and training. Our Talent Radars also give emerging leaders greater access to senior staff while accelerating career progression. Last year, around 300 staff took part in our Future Leaders Radar, Emerging Leaders Radar, Specialist Talent Radar and the Leadership, Evaluation, Assessment and Development (LEAD) Program.

In 2006, we recruited 229 graduates in Australia and 57 in New Zealand and achieved our target of a 50/50 gender split in graduate hiring (52% female in Australia and 47% female in New Zealand). The majority of graduates will commence in January 2007. The 2007 graduate intake has increased by 34% compared to 2006.

The graduates take part in a 12-month development program which involves a one-week residential orientation in Melbourne and a series of learning labs through out the year. One of the learning labs involves working on a project for four months where they are assigned a 'live' business issue and receive coaching.

### Learning and development

Over the past 12 months, \$50 million was invested in learning and development in Australia and New Zealand. This represents an investment of \$1,662 per employee, a figure that is above the industry average.

etrain, an interactive learning and knowledge platform, is available on the company intranet. There are 28,700 active learners using etrain at ANZ and employees completed an average of 10 e-learning courses over the past year. In total more than 306,000 etrain courses were completed.

In addition ANZ employees completed more than 19,300 self-paced study courses and 30,100 facilitated courses in 2006. On average the total learning time investment per annum is approximately 38 hours per employee.

ANZ's new learning initiatives include:

- The 'My Development' program, an online tool which helps managers and individuals to have planning and performance management conversations. The tool helps identify behaviours, skills and knowledge for particular job roles. Over 500 staff have attended information sessions on how to use this program.
- The Management Essentials program which is designed for people managers and provides essential capability development for first-time people managers. More than 300 people have enrolled in the workshop component of the program since it

was launched in July 2006. The program includes extensive pre-work, workshop and post-workshop activity.

- The Accelerated Learning Laboratory is a joint initiative between the Australian Graduate School of Management, ANZ and other leading companies designed to fast-track development of competencies, such as critical thinking skills and collaboration. The program is offered to employees on our talent programs. ANZ is investing in team-based learning with more than 80 major team-based learning programs running in 2006.

This year, we have also progressed the development of a number of new initiatives including the ANZ Learning and Innovation Centre which will be launched in late 2007. The conceptual design of this world-class education and training facility is well underway following a rigorous benchmarking and research exercise. Our goal is to provide an inspirational physical space where people can think differently, where ideas can flourish and where leadership and innovation can emerge.

### Performance management

The performance of each person at ANZ is linked to remuneration and rewards and assessment covers financial and non-financial criteria such as customer satisfaction, employee engagement, community involvement and environmental performance.

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

All staff 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.

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## Connecting with our communities

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ANZ provides opportunities for our people to lead and support local community programs and causes that are important to them. In 2006, we invested almost \$3.5 million on employee community engagement programs which equates to 25% of our total spend on community investment.

### Volunteering

We introduced our volunteering program in 2001 giving all Australian and New Zealand employees the equivalent of one day of paid volunteer leave per year. The program recognises and supports those who are already community volunteers and encourages others to get involved.

Our people volunteer in a variety of ways including team projects, individual interests and ANZ-led activities. This year, 24% of our Australian and 12% of New Zealand employees used their volunteer leave contributing more than 50,735 hours to not-for-profit organisations. This represents an increase of 36% in volunteering hours compared to 2005.

### ANZ Community Giving

We provide our employees, customers and shareholders with opportunities to support the causes that are important to them through our Community Giving program.

Our Australian employees can make contributions to any of our 18 community partners and the ANZ Staff Foundation through

regular payroll deductions. Teams of employees can also raise funds for local charities as part of the program.

ANZ then matches each employee contribution and team fundraising collection dollar-for-dollar up to \$1,000, to a total of \$1 million per year.

More than 10% of our employees currently participate in the program. Together with ANZ's matched funding, we contributed \$537,499 to our community partners in 2006.

In July this year, we extended Community Giving to our shareholders, through our new Shareholder Dividend Donation Program. ANZ will match their donations dollar-for-dollar up to a total of \$250,000. More community organisations will benefit from this program when it commences in December 2006.

We also provide customers with the opportunity to donate to one of 27 charities online via internet-banking.



## ANZ employees go back to school

Almost 100 ANZ employees have volunteered to go back to primary school this year. These dedicated volunteers are helping 70 children in seven schools across Australia improve their reading skills as part of the 'Reading for Life' program.

This community reading program, developed by Learning Links, supports teachers and gives one-to-one assistance to children who are struggling to read in a classroom environment.

ANZ's support for Reading for Life is closely linked to our commitment to financial literacy. Helping children learn basic literacy skills and encouraging the enjoyment of reading are extremely important in developing fully literate young people who will in-turn become financially literate members of our society.

ANZ Executive Assistant Jacqueline Tilsed volunteers on a weekly basis during work hours at the Richmond West Primary School in Victoria.

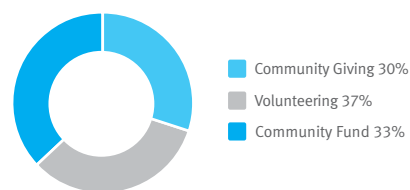
"The most rewarding part of the program for me, aside from the obvious feeling of good that volunteering gives you, is the fact that I have seen a huge improvement in Michael's confidence since the start of the program. I definitely feel we have achieved a lot in a short space of time, and Michael and I have now also reached a stage where he is increasingly comfortable with me and therefore more open to learning. I also love the fact I have been able to build a relationship with a child and make a difference in the life of someone I would otherwise never have met," says Jacqueline.

ANZ's Reading for Life pilot in Term 2 of 2006 found that students gained up to 18 months in reading comprehension and on average learnt 27 new words.



ANZ employee Jacqueline Tilsed with student Michael.

## ANZ investment in Employee Community Engagement Programs\*



\* Calculations based on London Benchmarking Group model for corporate community investment

## ANZ's Community Giving Partners

### Staff Giving

Alheimers Australia  
ANZ Staff Foundation  
Benevolent Society  
Berry Street Victoria  
beyondblue  
Brotherhood of St Laurence  
Cancer Council of Australia  
CanTeen  
Diabetes Australia Research Trust  
Foodbank  
Greening Australia  
Habitat for Humanity Australia  
Kids Help Line  
National Heart Foundation  
Reconciliation Australia  
RSPCA  
Starlight Children's Foundation  
The Smith Family  
World Vision

### Customer Giving

Amnesty International  
Australian Conservation Foundation  
Comic Relief Australia  
Intensive Care Appeal  
Lifeline  
McGuinness McDermott Foundation  
National Breast Cancer Foundation  
Oxfam Australia  
Reach  
Royal Flying Doctor Service  
Howard Florey Institute

See [anz.com](http://anz.com) to find out more about our:

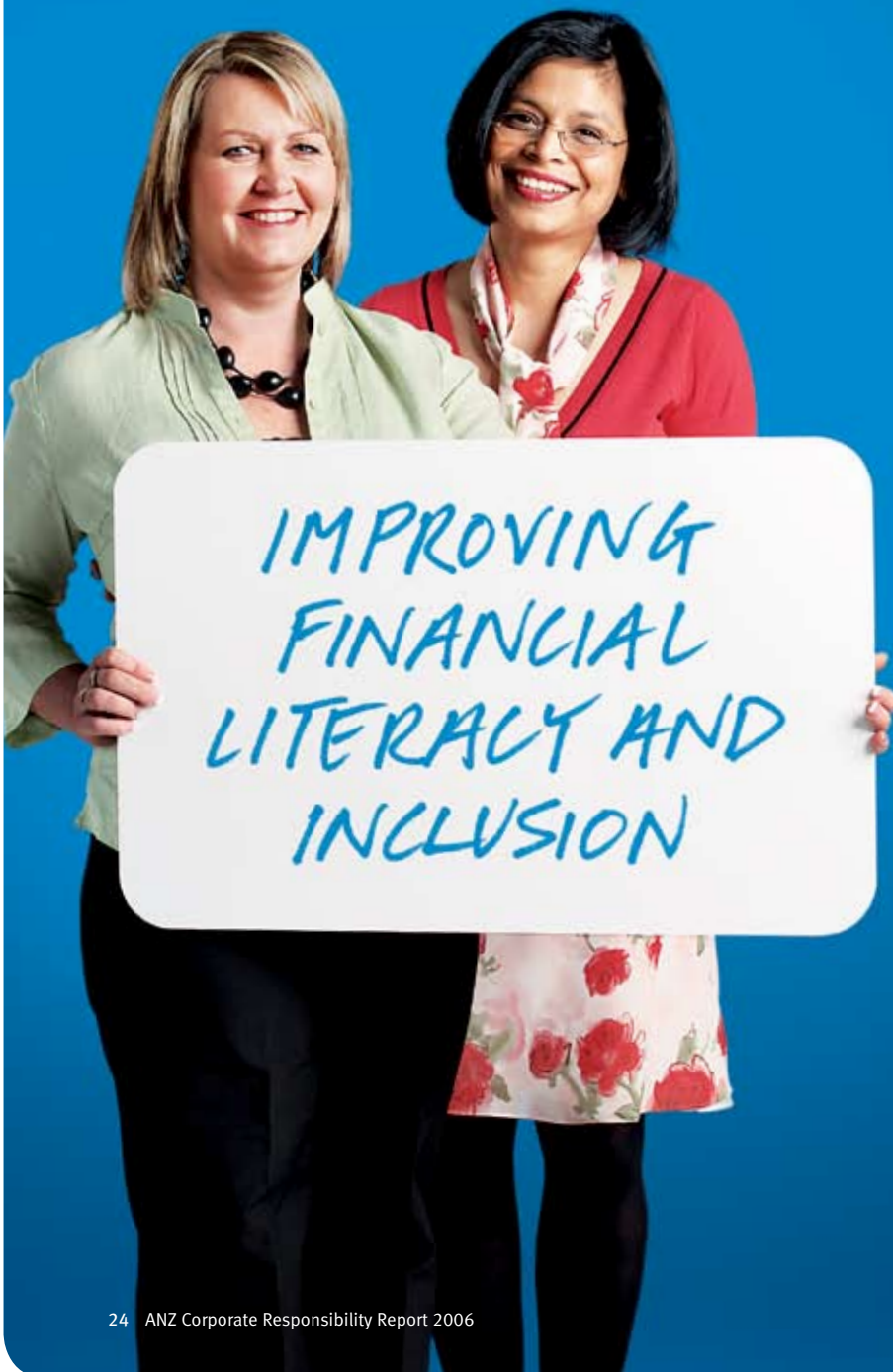
People programs [www.anz.com/cr/people](http://www.anz.com/cr/people)

Breakout [www.anz.com/cr/breakout](http://www.anz.com/cr/breakout)

Community programs [www.anz.com/community](http://www.anz.com/community)

## ANZ received the Special Award for Impact on the Community in the 2006 Prime Minister's Awards for Excellence in Community Business Partnerships.

Dawn Dalgarno, Brotherhood of Saint Laurence and  
Vinita Godinho, Head of Personal Division Compliance



Vinita Godinho (pictured right with Dawn Dalgarno, from the Brotherhood of St Laurence) is one of five ANZ employees seconded to work with Indigenous organisations this year. Vinita's primary role is as Head of Personal Division Compliance. She also spends one day each week with the First Nations Foundation on their 'Opening Financial Pathways' project.

"We are developing a financial literacy program for the local Indigenous communities in the Shepparton region," says Vinita.

"It is designed to help individuals, families and communities better understand the way finances can impact their lives, while supporting them to improve their own economic and financial wellbeing.

"We've adapted some of the materials from ANZ's MoneyMinded and Saver Plus programs, but we realised pretty quickly in the pilot phase that this program had to offer more than financial education.

With the help of one of ANZ's Breakout facilitators, Anoop Vaghani, the program has been expanded to help participants focus on their values, needs and aspirations and how these could relate to "wealth" creation – incorporating cultural, economic and financial wealth.

In this manner, the program will be designed to allow people to create financial pathways to achieve their personal and group goals.

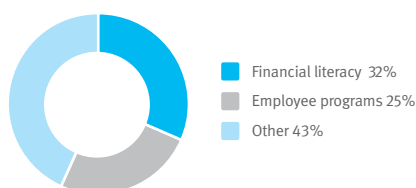
"It's still early days but the project is showing very promising signs. Our hope is that the Shepparton pilot will be a forerunner for something that can be used in Indigenous communities throughout Australia," says Vinita.

### Earning community trust

Our community investment strategy focuses on enhancing the social and economic wellbeing of the communities where we live and work. We are leaders in addressing the major social issues that involve the financial services industry – in particular, financial literacy and access to mainstream banking.

A significant proportion of ANZ's community investment is directed to programs and partnerships that aim to improve financial literacy and inclusion in Australia.

#### Value of community investment by focus area\* %



\* Calculated using the London Benchmarking Group model for corporate community investment

### IMPROVING FINANCIAL WELLBEING FOR A DIFFERENT FUTURE

Improving financial literacy in our community is a core social responsibility for ANZ and essential to the long-term success of our business.

Financial literacy is the ability to make informed judgements and effective decisions about the use and management of money. It's an essential skill for functioning in modern society and is becoming increasingly important to the wellbeing of individuals and the community.

We recognise that while developments in the financial services industry over the past 20 years have given the majority of consumers unprecedented access to a range of financial products and services, not everyone in our community has benefited from these changes.

Poor financial literacy and the inability to access mainstream financial services can lead to low levels of savings, unsustainable levels of personal debt, financial stress and the personal distress this can create.

These issues can overlap and reinforce each other, with devastating consequences for individuals, families and communities. While certain groups are clearly more at risk than others, very few people will be completely immune to these problems throughout their life.

ANZ has made a significant commitment to work with researchers, community groups and Government bodies to find long-term responses to the issues of financial literacy, financial exclusion and financial difficulty.

Insights from this work have led to innovative programs to help people, particularly some of the most vulnerable groups in society, improve their financial capability.

#### Understanding the issues

ANZ has invested in primary, independent research in Australia and New Zealand to better understand the nature, cause and consequences of low levels of financial literacy, financial exclusion and financial difficulty. We use this research to develop innovative solutions and improve our operations and business practices.

## Financial literacy and inclusion: understanding the issues

Our research indicates a strong link between socio-economic status and levels of financial literacy and inclusion.

Issue	Impact	Insights from ANZ's research	Our response
Financial Literacy	People with low levels of financial literacy may lack the knowledge, skills and confidence to effectively manage their finances or understand the wide range of financial products or services on offer. The most vulnerable groups can be exploited through scams or fraud or, through misjudgements, make decisions for which the personal and financial costs can be high.	ANZ commissioned Australia's first national survey into adult financial literacy in 2003 and repeated it in November 2005. The survey revealed that most people are reasonably skilled at managing their money – but there are distinct groups who are not. Most understand that higher returns mean higher risks, but many may be susceptible to misleading claims. While people generally understand their bank account/credit card fees and charges and statements, far fewer understand fees, charges and statements for managed investments and superannuation. Similar research, conducted by ANZ National and the Retirement Commission in New Zealand was released in March this year (see page 58 for more detail on the research findings and our response).	<p><b>ANZ research</b> Original research to inform our business and improve understanding of financial literacy and related issues within the community.</p> <p><b>MoneyMinded</b> Adult financial literacy program delivered by financial counsellors and community educators.</p> <p><b>Saver Plus</b> Financial literacy and matched savings program for people on low incomes.</p> <p><b>Products and services</b> New simple, accessible and responsible products and services for our customers.</p>
Financial Exclusion	People have difficulty accessing appropriate low-cost, fair and safe products from mainstream financial service providers. Some may not have a relationship with a bank to draw upon when expenses arise. Others may be too intimidated to apply for a loan or even visit a bank. Their bankers are 'loan sharks' or payday lenders who can charge interest rates of up to 1,000% just to pay a gas bill.	In 2004, research conducted for ANZ by Chant Link and Associates found there are around 120,000 people considered to be totally excluded from mainstream financial services. Six per cent of adult Australians have minimal access, only owning a transaction account. There are also specific groups such as people on low-incomes, unemployed people, sick and disabled people, and Indigenous communities, who find it most difficult to get access to low cost, fair and safe financial products.	<p><b>MoneyBusiness</b> Improving money management skills and savings culture in Indigenous communities.</p> <p><b>Progress Loans</b> Fair, safe and affordable credit for people on low incomes.</p> <p><b>Capacity building</b> Sharing our financial literacy and business resources and expertise with community organisations.</p>
Financial Difficulty	Most of us have experienced some form of financial difficulty. When people lose control of their finances, impacts can range from severe personal hardship to a family in crisis.	A further ANZ study in 2005 identified three key reasons why Australians get into financial difficulty. They may be 'keeping up with the Joneses' or ignoring the consequence of today's spending, dealing with job losses and marriage failure or simply lacking the necessary financial literacy to effectively conduct their affairs. In many cases, a combination of factors contributes to financial difficulty. The study identified that lenders could be seen as influencing an individual's path to financial difficulty, for example through offering unsolicited credit card limit increases, to certain groups such as those on fixed incomes: e.g. Government pension holders.	<p><b>ANZ Responsible Lending commitments</b> ANZ was the first Australian bank to introduce Responsible Lending commitments to help reduce credit card over-commitment among the most vulnerable in our community. Our performance on these commitments will be audited and publicly reported each year (see pages 33–34 for more detail).</p>

“ I want to congratulate ANZ's continued commitment to the issue of financial literacy. These [research] reports, along with ANZ's initiatives to improve literacy and foster responsible lending practices, are a clear example of corporate Australia making a real contribution to Australian society.”

Jeffrey Lucy, Chairman, Australian Securities and Investments Commission

## 2005 Financial Literacy Research

ANZ released the findings of its second national survey of Adult Financial Literacy in Australia in November 2005.

Overall the results confirm that there is a high level of banking inclusion in Australia and our community is reasonably financially literate about basic banking products and services. However, the research also reveals that Australians are less knowledgeable about more complex financial issues. For example, 47% of people would invest in an opportunity advertised as having a return 'well above market rates with no risk', ie. an investment scam. This is the same level as in 2003. The research also consistently indicates a strong link between socio-economic status and levels of financial literacy.

## INNOVATIVE PROGRAMS

We know that we can't solve the problems identified in our research alone. Instead we have focused on helping some of the most vulnerable people by developing deep partnerships over the past four years with community partners such as the Brotherhood of St Laurence, Berry Street Victoria, The Smith Family and The Benevolent Society.

### MoneyMinded

We supported the development of MoneyMinded, a comprehensive financial education program, to improve financial literacy and help people make better and more informed decisions about their money.

The program includes workshops on topics such as Planning and Budgeting, Credit Providers, Dealing with Debt, and Rights and Responsibilities. The Financial Literacy Foundation has recognised the program as 'good quality' under its assessment requirements for financial education materials. Importantly, the materials contain no ANZ branding or product references.

This year we funded MoneyMinded facilitator training for 532 community educators including 97 financial counsellors through our relationship with the Australian Financial Counselling and Credit Reform Association (AFCCRA). AFCCRA has been instrumental in supporting the development and delivery of the program over the past three years including regular content reviews.

We also provide financial support for a further eight community partners who offer the program at a grass-roots level across Australia.

An evaluation by RMIT University found that 15,279 people participated in MoneyMinded in the past year, exceeding our target. Focus group research showed that the most significant impact of MoneyMinded was increased confidence in dealing with financial issues, including creditors and banks.

This year we also launched MoneyMinded online for our customers and our communities.

## MoneyMinded – a different perspective

The Smith Family's Financial Literacy Program Manager, Gregory Mowle, says MoneyMinded provides useful tools and techniques to help people get on top of managing their money.

“Rather than dictating to them how they should use money, MoneyMinded helps people to make their own informed decisions and judgements. Bringing people together in groups allows participants to share their experiences and learnings in a friendly setting, often drawing strength and inspiration from the life stories of fellow participants,” says Gregory.

In addition to delivering workshops to participants, The Smith Family offers training to other community educators so they can also access and deliver MoneyMinded.

Community educator Linda Stacey now runs workshops on the Sunshine Coast and loves the simplicity of MoneyMinded.

“MoneyMinded provides crucial empowering information. I think financial literacy, along with numeracy and literacy, are the underpinning skills needed for quality of life.

“One of the best things about MoneyMinded is it offers real solutions to financial problems. For example – what do you do when debt collectors come calling? And importantly it encourages personal accountability, leaving the choices squarely in the hands of the participant,” says Linda.



The Smith Family's National Financial Literacy Program Manager, Gregory Mowle (left), at a MoneyMinded workshop in Sydney.

## Saver Plus

Saver Plus was developed by the Brotherhood of St Laurence and ANZ in 2002 to help families on low-incomes improve their financial literacy, set and achieve savings goals and establish a long-term savings habit. ANZ matches every dollar saved by program participants with an additional \$1 (up to \$1,000 in matched savings) towards primary, secondary or adult vocational education costs.

Our MoneyMinded program is used in the Saver Plus workshops to help participants improve their financial literacy and money management skills.

Between 2003 and 2005, Saver Plus has helped over 660 families save towards their goals.

There is also strong evidence this program is achieving its core objective of helping participants develop a 'savings habit'. An evaluation by RMIT University revealed that 71% of participants in the original Saver Plus pilot were still saving, the same amount or more, 12 months after completing the program.

There are more encouraging results emerging from the second savings period:

- 95% of participants met or exceeded their savings goal (up from 92.4% in 2003/04)
- 36% of participants exceeded their savings goal
- The average amount saved was \$1,214
- 86% of focus group participants continued saving three months after finishing the program
- 99% of participants reported a positive experience of Saver Plus

Our goal is for Saver Plus to reach a further 5,400 individuals and families on low incomes by 2009. ANZ has pledged \$3 million to match participants' savings over that period.

Our investment also includes financial support for our community partners who will deliver the program in 18 sites in Victoria, New South Wales, Queensland and the Australian Capital Territory. The Victorian Government will contribute \$1.35 million over three years to extend Saver Plus to a further 1,800 Victorians on low incomes.

### ANZ's Financial Literacy and Inclusion partners

The Brotherhood of St Laurence

Berry Street Victoria

The Benevolent Society

The Smith Family

Commonwealth Department of Families,  
Community Services and Indigenous Affairs

Traditional Credit Union

Department for Victorian Communities  
(Victorian Government)

Kildonan Child and Family Services

Anglicare South Australia

Mission Australia

The Salvation Army

Independent research by RMIT University shows that 71% of Saver Plus participants continue to save the same amount or more 12 months after completing the program.

### Saver Plus – building a different future

Donna Jackson joined the Saver Plus program delivered by The Benevolent Society in Sydney. She had separated from her husband, and with two boys to raise she was constantly worried about making ends meet.

The Saver Plus workshops "turned the lights on" for Donna. She gave up smoking to save money, found new ways to pay off debt and earn a regular income. By the end of the program, Donna had her own cleaning business and now even does her own record-keeping.

"For the first time in years I didn't feel overwhelmed by financial stress. We set a savings goal to get a computer for my son. With the matched funds from ANZ it was no time before Owen was working on his own computer," she said.

Like Donna, many participants say the boost in confidence and self-esteem that came with getting control of their finances and achieving their savings goals was the most rewarding aspect of the program.



Saver Plus participant Donna Jackson with her sons Owen and Ryan.

## Progress Loans

In May this year, ANZ and the Brotherhood of St Laurence launched 'Progress Loans', a pilot program which provides small, affordable loans of between \$500 and \$3,000 to people on low incomes for essential household items such as whitegoods, furniture, computers, cars, car repairs and hot water systems.

Progress Loans was developed in response to ANZ's 2004 research into financial exclusion which showed that some Australians struggle to access appropriate, low-cost, fair and safe financial services from mainstream providers.

Early results from our Victorian pilot are encouraging. Fifty-seven loans totalling \$70,387 had been approved by the end September 2006 with a 70% approval rate and no loans were in arrears.

The program, currently being piloted in Victoria, will be extended to other States and community partners in 2007.

In addition to providing funding and our financial knowledge and expertise to the program, one of our staff, Rosalie Arnold, a Personal Lending Manager in Retail Banking, has been seconded to join the Brotherhood of St Laurence for 12 months as a Progress Loans Officer.

More detail on personal banking products and services developed in response to our financial literacy and inclusion research and stakeholder feedback can be found on page 48 of this report.

## LEADING CHANGE

ANZ shares its financial literacy and inclusion resources widely amongst industry, Government, regulators and community stakeholders.

Our CEO, John McFarlane, is a Board member of the Australian Government's Financial Literacy Foundation. This year, the Foundation launched an Australia-wide education campaign called 'Understanding Money', a financial skills program for schools and workplaces, and a financial literacy resource site.

We have supported a number of international leaders in financial literacy and inclusion to visit Australia to share best practice and inform our thinking around these issues with our people and stakeholders. In 2006, we hosted Peter Kelly, Head of Financial Inclusion for the Barclays Group, UK; Professor Elaine Kempson, Professor of Personal Finance and Social Policy at Bristol University, UK; and Dan Iannicola, Deputy Assistant Secretary for Financial Education at US Federal Treasury.

We have also made a two-year commitment to provide financial support for the financial counselling State and national conferences facilitated through the Australian Financial Counselling and Credit Reform Association (AFCRA).

We produce a regular Financial Literacy and Inclusion electronic newsletter and, along with our research, share these resources with our industry, Government, regulators and community stakeholders. Register to receive these updates on [www.anz.com](http://www.anz.com).

## Prime Minister recognises ANZ

ANZ received the Special Award for Impact on the Community in the 2006 Prime Minister's Awards for Excellence in Community Business Partnerships.

This national award was for the outcomes and achievements of our financial literacy and inclusion partnerships and programs including Saver Plus, MoneyMinded and MoneyBusiness, as well as other major partnerships like Habitat for Humanity, Seeds of Renewal, Comic Relief, The Long Walk and our ANZ Volunteers and Community Giving programs.

The award recognises the depth and breadth of our community involvement – which is only possible through our partnerships with community organisations such as the Brotherhood of St Laurence, The Smith Family, Berry

Street Victoria, The Benevolent Society, the Traditional Credit Union and many others.

Over time we have established close relationships with these groups, where we share a common goal and our resources and expertise to make a significant and lasting difference to the lives of some of the most disadvantaged people in our communities.

From left to right: Sylvia Admans (CEO, Foundation for Rural & Regional Renewal), Peter Sprott (CEO, Comic Relief Australia), Deborah Keeley (Relationships Manager, Reconciliation Australia), Keith Bryant (Chief Operating Officer, The Benevolent Society), Hon. John Howard MP, Prime Minister of Australia, Paul Henderson (Chief Operating Officer, The Smith Family), Cath Scarth (General Manager Community Services, Brotherhood of St Laurence), Kate Bowman (Project Director, The Long Walk), Marg Hamley (Director of Services, Berry Street Victoria), Hon. Mal Brough MP, (Minister for Families, Community Services and Indigenous Affairs), John McFarlane (CEO, ANZ). Absent from photo but attending on the night - George MacDonald (CEO, Habitat for Humanity).



“After consulting about the causes and effects of hardship the bank is taking action to tackle some of the more fundamental points of financial exclusion for low-income consumers. Initiatives like Saver Plus and Progress Loans are important developments that could deliver long-term benefits to the financial counselling client base.”

David Tennant, Chair, Australian Financial Counselling and Credit Reform Association

“ The journey towards reconciliation will only be complete when Indigenous Australians enjoy the same opportunities as other Australians. I pay tribute to ANZ ... for their efforts.” The Hon. John Howard MP, Prime Minister of Australia

Priorities and programs that form part of ANZ’s Statement of Commitment to Reconciliation

**INDIGENOUS FINANCIAL LITERACY AND INCLUSION PROGRAMS**

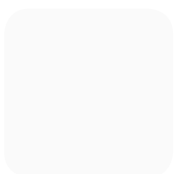
Research has identified Indigenous people as among the most financially disadvantaged groups in our community.

We have worked with the Australian Government and Indigenous communities to develop a range of innovative programs, partnerships and initiatives to help improve the financial capability and money management skills of Indigenous people.

This year, we formalised this commitment with a Statement of Commitment to Reconciliation. As part of this commitment we are also developing a detailed Reconciliation Action Plan.

The Statement includes our public pledge to continue our work to advance money management skills and confidence and build a stronger savings culture in Indigenous communities.

Commitment	ANZ programs/actions
Improve financial literacy, capability and inclusion among Indigenous communities	MoneyBusiness program in partnership with the Australian Government Traditional Credit Union partnership Opening Financial Pathways program with First Nations Foundation
Share our resources and expertise to strengthen and support local Indigenous organisations	Capacity building in Indigenous communities in collaboration with Indigenous organisations including ANZ secondments
Develop products and services that consider the needs of Indigenous Australians	Progress Loans Indigenous home ownership (discussion paper)
Employ, develop and promote Indigenous people in our business	Corporate Leaders for Indigenous Employment Program (CLIEP) Aboriginal Employment Scheme partnership Indigenous employment targets
Play a role in raising awareness of the aspirations, culture and achievements of Indigenous Australians among our people, our customers and the communities we serve	Partnership with The Long Walk Support for the Sir Douglas Nicholls Fellowships for Indigenous Leadership



Paul Briggs, Chairman of the First Nations Foundation and ANZ secondee, Kate Bowman, Project Director for The Long Walk.



## MoneyBusiness

MoneyBusiness is a new and different way to build the money management skills and confidence of Indigenous people and develop a stronger savings culture in their communities.

A number of local Indigenous people have been employed as MoneyBusiness workers, providing Indigenous individuals and families with coaching in financial literacy, budgeting, bill paying and developing savings plans.

The MoneyBusiness pilot sites are in Katherine, Tennant Creek, Nguiu (Tiwi Islands) and Galiwinku (Elcho Island) in the Northern Territory and Geraldton and Kununurra in Western Australia.

It's a team approach involving ANZ, the Australian Government Department of Families, Community Services and Indigenous Affairs (FaCSIA) and local community partners including:

- Nguiu – Tiwi Islands Training and Employment Board
- Tennant Creek – Centacare NT
- Katherine – Mission Australia
- Galiwinku – Galiwinku Council
- Kununurra – Kununurra Warringarri Aboriginal Corporation
- Geraldton – Geraldton Resource Centre

Experience gained through the development of ANZ's flagship financial literacy and inclusion programs will be applied to the MoneyBusiness program. This includes tailoring of elements of MoneyMinded to recognise local Indigenous cultures and learning styles and the introduction of a matched savings program based on Saver Plus.



Maggie Vigona is the MoneyBusiness Team Builder in Nguiu (Bathurst Island)

## Traditional Credit Union partnership

We are working with the Traditional Credit Union (TCU), the only Australian Indigenous credit union, to help build social and economic capacity in remote Indigenous communities through financial education.

ANZ is initially funding the development of a strategy to deliver ongoing financial literacy training to TCU members in Milingimbi and Ngukurr in the Northern Territory.

We have commissioned an evaluation of the program in both communities throughout the 18-month pilot with a view to developing a longer-term relationship between our two organisations.

## Capacity building

ANZ employees have the opportunity to contribute their knowledge and expertise to important projects underway in a number of Indigenous organisations. In turn, they develop improved understanding of Indigenous cultures and ways to promote a more inclusive Australian society – knowledge that can then be shared and promoted within ANZ.

- Neil McPhie, from our Retail Banking team, is working with Indigenous Enterprise Partnerships (IEP), an organisation which aims to foster the economic and social development of local Indigenous communities. IEP focuses on long-term sustainable activities that help to break the cycle of welfare dependency. ANZ is the banking partner for IEP's Victorian program.
- Vinita Godinho, from our Personal Division, and Anoop Vaghani, one of our Breakout Facilitators, are working on First Nations Foundation's 'Opening Financial Pathways' project which aims to improve financial literacy for Indigenous communities with a specific focus on personal development and goal setting. The pilot program is being developed and delivered in the Goulbourn Murray region in Victoria (see Vinita's story on page 24).
- Deslin Foster, from our Margin Lending Business, has been seconded to Reconciliation Australia to assist with the development and implementation of a National Indigenous Money Management Agenda in consultation with Indigenous leaders and multi-sector partners.
- Kate Bowman, from Esanda, is working for 12 months as Project Director for The Long Walk – an annual event to raise the profile of Indigenous Australians and celebrate Indigenous leaders and culture. ANZ is also a principal partner of The Long Walk, providing volunteers, financial support and other services.

See [anz.com](http://anz.com) to find out more about our:

Financial literacy [www.anz.com/cr/finlit](http://www.anz.com/cr/finlit)

Saver Plus [www.anz.com/cr/saverplus](http://www.anz.com/cr/saverplus)

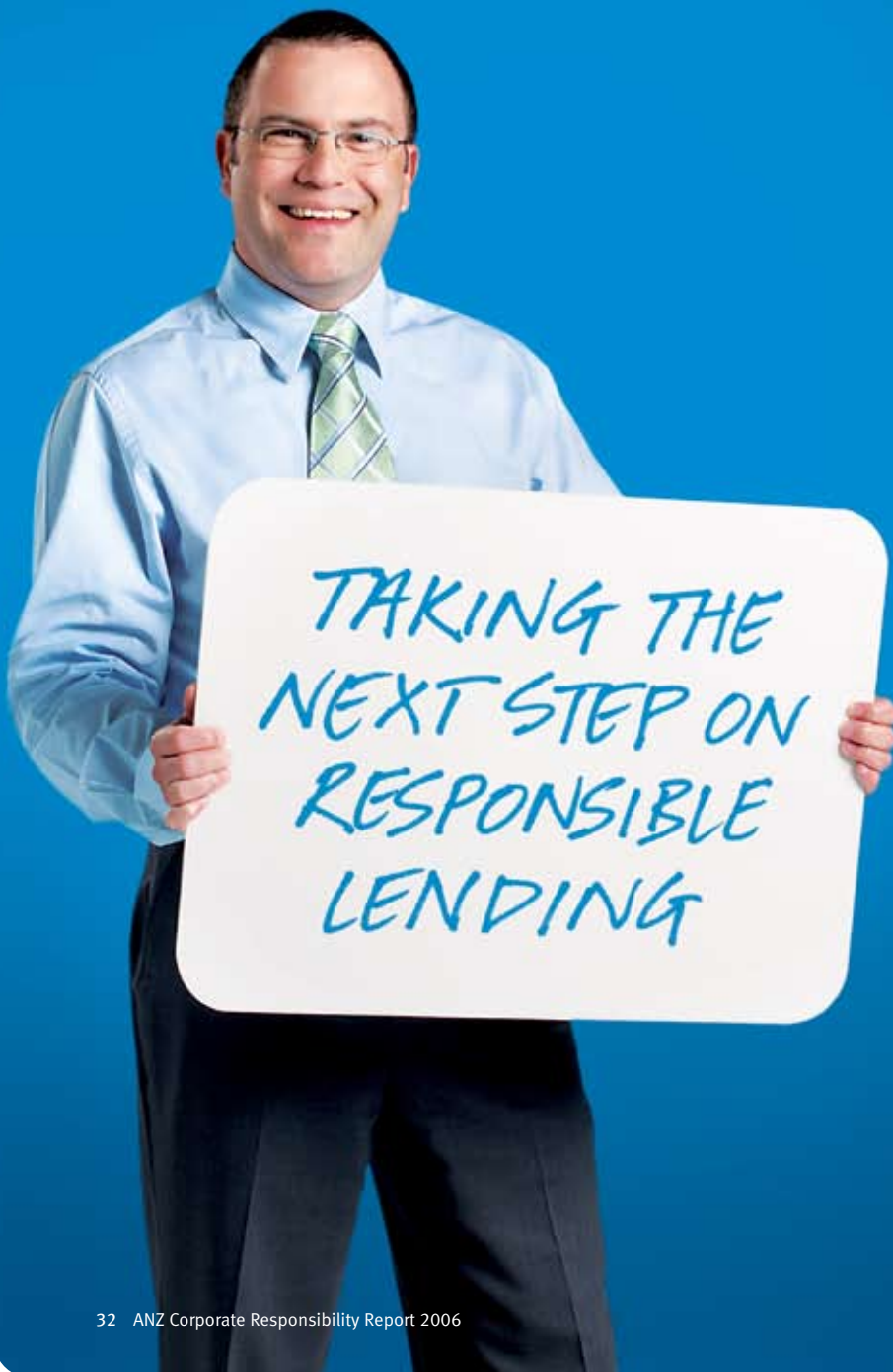
MoneyMinded [www.anz.com/cr/moneyminded](http://www.anz.com/cr/moneyminded)

MoneyBusiness [www.anz.com/cr/moneybusiness](http://www.anz.com/cr/moneybusiness)

Progress Loans [www.anz.com/cr/progressloans](http://www.anz.com/cr/progressloans)

ANZ was the first Australian bank to introduce Responsible Lending commitments as part of its enhanced Customer Charter.

Guy Mendelson, Head of Personal Loans



Some banks believe being a responsible lender simply means meeting their legal obligations.

ANZ is taking the next step to ensure we are doing what we can to prevent our retail customers from getting into financial difficulty, and to better manage the social and environmental risks in our Institutional lending decisions.

This year, for example, we were the first Australian bank to introduce Responsible Lending commitments covering our Consumer Finance practices.

“We now have a better understanding of the behaviours and circumstances that can lead to people falling into financial difficulty, and we know there are things we can and should do to help our customers,” says Guy Mendelson, ANZ’s Head of Personal Loans.

“This year we’ve introduced new practices specifically designed to identify and protect people most at risk.

“We also know that managed properly, consumer finance products can empower people to build better lives for themselves. Our team has worked with the Brotherhood of St Laurence to develop a loan product that aims to provide fair, safe and affordable credit to people on low incomes. These people typically have trouble accessing credit from mainstream providers, and are forced to use unscrupulous lenders or ‘loan sharks’.

“It’s early days, but there is evidence these programs are working. The challenge for us now is to embed our commitments into everything we do from products and services to clear and open customer communications,” says Guy.

### Putting our customers first

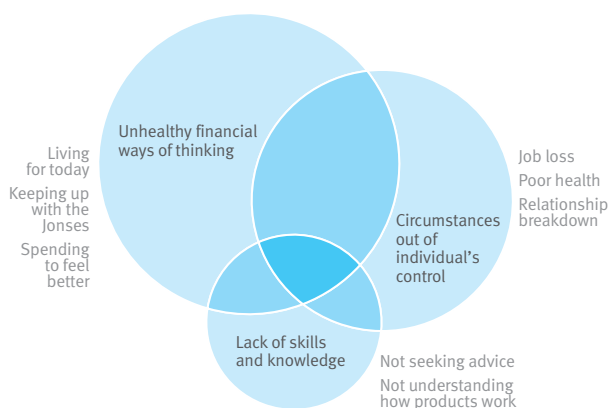
Household debt, relative to household income, has risen strongly in Australia over the past decade and ANZ's research shows that around 2% of Australians have borrowings and feel 'out of control' about their finances most or all of the time.

We know the community expects banks to play their part in addressing these issues by improving their lending practices.

ANZ has responded in two ways:

- undertaking research to better understand the causes of financial difficulty and the role of lenders in creating financial difficulty; and
- committing to public promises of responsible lending.

### Factors leading to financial difficulty



Source: Understanding Personal Debt and Financial Difficulty in Australia, ANZ Research, November 2005

### RESEARCH INSIGHTS INSPIRE A DIFFERENT RESPONSE

We released our study into the causes of financial difficulty in November 2005 as part of our broader national survey of adult financial literacy.

It revealed:

- Financial difficulty is most often caused by a combination of factors: for example, people with unhealthy ways of thinking are often left without a savings 'buffer' and are therefore unprepared for an unexpected event which limits income or increases expenses, leading to financial difficulty.
- Financial difficulty is closely related to the behaviour, traits and circumstances of the individual rather than a lack of information or knowledge. Many in difficulty have reasonable financial literacy skills.
- Lenders can influence an individual's path to financial difficulty. The majority of people in the study with credit cards had received unsolicited credit limit increase offers and around half had accepted them. Acceptance in many cases occurred where there were pre-existing unhealthy ways of thinking and the offer provided the opportunity to access credit. Acceptance was also underpinned by the perception that 'it must be okay because a bank sent it to me'.

Financial counsellors have told us that people on fixed incomes can become overcommitted through these offers and lose control of their finances.

### Taking action

In response to our research and consultation with financial counsellors, we adopted formal Responsible Lending commitments as part of our new Customer Charter launched in November 2005.

## ANZ Responsible Lending commitments

ANZ will:

- not make a credit limit increase offer to customers with a recent poor credit performance or who are struggling to meet repayments on their ANZ credit card;
- not offer a credit card limit increase if we know the customer is on a fixed income (e.g. receiving a Government pension);
- with any credit limit increase offer: outline how much the minimum monthly payment would increase if the offer was accepted; recommend the customer reject the offer if their personal circumstances have changed; and include information about how to request a lower limit; and
- ensure the minimum monthly credit card payment does not fall below 2% of the outstanding balance (unless the customer has accepted a special offer or is in financial difficulty and we are assisting the customer with a tailored repayment plan).

Our customers must pass through a series of 'filters' before they can receive a credit card limit increase offer. As part of our normal selection process, we undertake behavioural scoring which eliminates customers with unreliable credit behaviour over the preceding 12 months or who display signs that they are struggling with their finances.

Following the introduction of our responsible lending promises, customers must also pass through a second series of 'filters'. Customers will not receive a limit increase offer if they:

- have been repeatedly overdue in making repayments in the last six months;
- have made only minimum payments (or slightly above) for the past six consecutive months;
- have an ANZ deposit account receiving Centrelink or Department of Veterans Affairs benefits; or
- have a deeming account or other ANZ account specifically designed to receive benefit payments.

In practice, the commitments means that ANZ will only lend to people who we believe will be able to manage and repay the debt.

The real value of the commitments are that they are public promises which we are accountable for. Our performance against these promises will be reviewed by an independent auditor and reported upon each year.

The commitments demonstrate to our stakeholders that we are committed to a minimum standard of behaviour which we will not fall below.

### Results

At 30 September 2006, the pool of customers to whom ANZ would have otherwise issued credit card limit increase offers had reduced by around 11% following the introduction of our Responsible Lending commitments and ongoing improvements to our behavioural score filtering. This included:

- 7% reduction due to the exclusion of customers on fixed incomes.
- 2% reduction due to enhancements to our behavioural scoring filters.
- 2% reduction due to the exclusion of customers who have repeatedly missed payments or made only the minimum payment for the previous six months.

We continue to improve our processes to ensure we don't miss anyone we should be excluding from offers.

### Next steps

We are also looking at other ways we can reduce financial difficulty among ANZ customers with further responsible lending practices and by encouraging responsible consumer behaviour.

### Spotting customers in financial difficulty

We are determined to be proactive in offering assistance to customers in difficulty at an early stage.

When we know a customer is having trouble paying their credit cards, we can help by: rescheduling repayments; offering a repayment holiday; amending payment dates so they coincide with the customer's pay dates; and asking the customer if they would like to see a financial counsellor to help them sort out their finances.

We will be conducting research using existing customer data to identify the type of behaviour on credit cards and other accounts statistically associated with early stages of financial difficulty. Our goal is to make early and effective contact to help customers who appear to be struggling with their finances.

We have also established a project to enhance our policies to support customers experiencing financial hardship across our Personal division including Consumer Finance, Banking Products, Mortgages and Esanda.

### New products

We are also looking at new products to encourage responsible consumer behaviour. For instance, we have commenced piloting a new payment option on some credit cards which allows the cardholder to transfer a portion of their outstanding balance to an instalment plan so they can pay the amount over a set period of time.

### Transparency

We want to be transparent about the cost of credit. We will keep our disclosure documents clear and concise and provide our customers all the information and tools they need to make the right decisions.

We are considering new and convenient ways to give customers access to information they want and need. We could for instance, provide an online calculator which customers could use to find out how long it would take to pay off a credit card balance.

### Promoting financial literacy and inclusion

We will continue to invest in innovative financial literacy and inclusion programs, particularly for the most vulnerable groups in society (see pages 24-31).

## Social and environmental risks in Institutional lending

We seek to operate in a way that minimises the social and environmental impacts associated with our business, while at the same time enabling opportunities for positive social and economic development. This includes ensuring social and environmental considerations are taken into account in the business activities and financing decisions in our Institutional division, which serves ANZ's business, corporate and institutional customers.

Some stakeholders call for banks, including ANZ, to 'redline' or exclude particular clients or sectors. While we have defined some areas we will not lend to – for example the manufacture of certain types of armaments – our approach and preference is to work with our clients to help minimise or mitigate social and environmental impacts and, where appropriate, provide financial support to help them improve their performance.

Our experience is that when a strong and trusted banking relationship exists, we can make a difference by offering new ideas, perspectives and financial solutions to help our clients address these issues. It also takes time.

### ANZ's Institutional and Corporate initiative

Our Environmental Finance Steering Committee meets bi-monthly and is responsible for overseeing the development of our decision-making frameworks, product innovation and strategic initiatives. The Steering Committee has approved the social and environmental issues screening tools, and guided the development of the Wholesale Risk policies which were subsequently approved by Group Risk.

### A principles-based approach

Four key business principles guide our Institutional lending and investment decisions. These are:

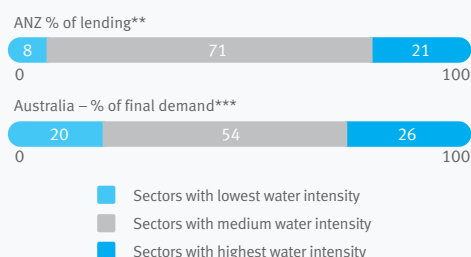
- Sustainable economic development requires environmental constraints to be acknowledged, addressed systematically and embraced as opportunities for business innovation and solutions.
- Companies committed to continuous improvement in environmental performance via an integrated strategy are more likely to build sustainable businesses that maximise shareholder value over time.
- The financial sector is key in formulating innovative solutions and incentives to help customers and partners align their actions and behaviours with enhanced social and environmental outcomes.
- As a business leader, ANZ commits to the above principles and will demonstrate its own continuous improvement in social and environmental performance through engagement with all relevant stakeholders.

### Assessing environmental impact of ANZ's lending in Australia\*

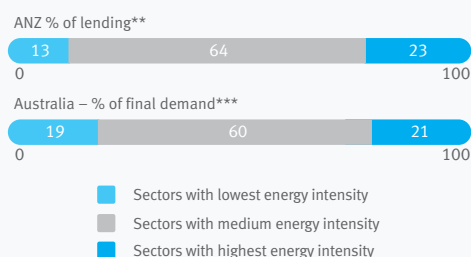
This year we completed a detailed analysis of the social and environmental impacts of our lending portfolio, using an existing methodology developed by the CSIRO and the University of Sydney. The results demonstrate that the majority (79%) of our Institutional loan portfolio is within sectors with low-to-medium social or environmental impacts.

Using this analysis we have been able to identify and assess those clients most affected by social and environmental factors. For example, if the cost of water increased then this would increase the risk associated with a client heavily reliant on water. We then use the information to engage our clients on how we can assist them by providing financial solutions to mitigate their environmental risks (e.g. providing capital to improve water or energy efficiency) and to capture new market opportunities (e.g. water or carbon trading).

#### Water intensity %



#### Energy intensity %



\* ANZ has assessed the social and environmental impacts of its Australian Institutional lending portfolio based on the methodology established in the "Balancing Act: A Triple Bottom line Analysis of the Australian Economy" (CSIRO/University of Sydney, 2005). ANZ has been advised by Integrated Sustainability Analysis at the University of Sydney (<http://www.isa.org.usyd.edu.au/>) in carrying out this assessment.

\*\* Percentage of ANZ's Institutional Lending Portfolio (Australia) in these sectors.  
 \*\*\* The intensity (water and energy) per \$ of final (i.e. consumer) demand for the Australian economy.

## Stakeholder engagement

During the year we undertook engagement with external organisations, selected clients and government departments through one-on-one meetings and as part of our formal stakeholder engagement program. An Environment Roundtable was held in early June to seek feedback on our approach and priorities. An outcome of this forum was a commitment to develop both sectoral and issue-based policies to better inform our lending and investment practices, focusing primarily on sectors considered to be high impact, including forestry, water, energy and natural resources.

## Management policies and processes

During 2006, a Wholesale Risk Social and Environmental Issues Policy was developed to ensure we understand and manage our potential exposure to social and environmental issues through our wholesale credit approval processes. The policy goes beyond the standard legal and regulatory requirements to also include technical evaluations of transactions with significant social and environmental issues where necessary.

Where issues are identified, we evaluate the nature of the issue, any existing or potential stakeholder concerns, and the capacity and willingness of the client to manage the issues. Based on this assessment, we will determine any potential mitigation required prior to supporting the client and/or their transaction.

To supplement this approach, a Controversial Issues Policy has been approved which will require business units to identify and, where appropriate, escalate approvals to ANZ's senior management.

## Portfolio assessment and client screening tools

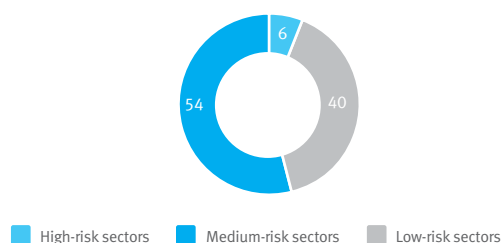
A portfolio assessment tool has been developed to quantify ANZ's social and environmental risk exposures at an industry sector level. The risks are determined based on the Australian and New Zealand Standard Industry Classification (ANZSIC) codes covering around 500 industry groups.

The tool provides a rating of the possible impact on credit worthiness or asset values of businesses and any associated reputation impact on ANZ.

The aggregate risk profile for ANZ's loan portfolio for our largest clients (Institutional and Corporate) in Australia is highlighted above right based on portfolio data at 30 September 2006.

Assessing social and environmental issues at a client and transaction level requires new skills and mindsets for many of our people. A client screening tool has also been established to assist in the credit approval process in our Institutional business. While we had a goal of achieving 100% screening by September 2006, 86% of all new clients, new material transactions and annual reviews of existing Institutional clients in Australia were screened through this formal process; the discrepancy of 14% occurring in the 'low risk sectors' identified above.

## Environmental and social risks of institutional and corporate loan portfolio %



\* Qualitative assessment of ANZ's Australian lending portfolio indicating the aggregate outstandings (%) in industry sectors which have environmental and social risks (High, Medium and Low) that could potentially impact on ANZ (i.e. reputation, credit and asset values).

## ANZ and the Equator Principles

ANZ has monitored the progress of the Equator Principles over the past few years and we are pleased that our policies and processes are now sufficiently advanced to adopt the Principles over 2007. To support our implementation of the Principles, we have developed our own social and environment policies that are being applied across all of our lending and investment decisions, including Project Finance activities in developing countries which are the focus of the Equator Principles.

Our objective is to go further with the intent of the Equator Principles through the development of a whole-of-business approach including all business relationships, products and geographies.

## Looking ahead

Our social and environmental priorities associated with our Institutional financing activities in 2007 include:

- Implementation of the Social and Environmental issue management wholesale risk policies for all new Institutional and Corporate transactions and annual reviews in Australia, New Zealand and Asia
- Completion of forestry, energy, water and mining Social and Environmental Management Policies and the identification of quantitative sector benchmarks to guide our decision-making and client engagement in high impact sectors
- Improving employee awareness of the issues and capacity to take into account social and environmental considerations in their lending decisions
- Further engaging our clients on these issues to identify business opportunities while managing or mitigating any significant social and environmental risks to ANZ.

## Key Issues

Some stakeholders question the effectiveness of our new policies and assessment tools, particularly their application in high impact sectors.

A result was a complaint lodged under the OECD Guidelines for Multi-National Enterprises in August this year.

The Australian Conservation Foundation (ACF) and four community groups from Australia and Papua New Guinea (PNG) requested that the OECD Australian National Contact Point (ANCP) consider whether our PNG

client, Malaysian forestry company, Rimbunan Hijau (RH), and ANZ were acting in accordance with the Guidelines.

ANZ had been aware of these concerns and had engaged with our client and a number of environmental groups about these issues over the past 18 months.

A team headed by ANZ's Managing Director Pacific, Mike Guerin, worked with the ANCP to share our views on this matter.

On 29 September 2006, the ANCP advised that it would not proceed

with the complaint against ANZ as a 'specific instance'. However, we acknowledge more needs to be done to engage our stakeholders on our approach to these issues. As an example, we have offered to host a delegation of environmental organisations to meet with our client and visit their operations in PNG in the near future.

Full details of the ACF's complaint, ANZ's response, and the ANCP's finding are available at [www.ausncp.gov.au](http://www.ausncp.gov.au)

## Forests and Biodiversity Policy

In response to stakeholder feedback, we have prioritised the development of a set of sector and issue-based social and environmental policies and guidelines.

The Forests and Biodiversity Policy will be the first of these. It will act as a reference point for future ANZ decision-making on any transaction that has the potential to significantly impact intact forests and/or biodiversity values. The draft policy will be circulated for external consultation with a view to implementing it in mid 2007. This extended deadline is to ensure we have time to fully address the views of all our stakeholders.

We propose to:

- Use our influence to achieve higher standards of sustainable forest management in developing countries.

- Investigate all material claims made by stakeholders of unsustainable forestry management practices undertaken by our clients.

- Engage with these clients, interested stakeholders and appropriate authorities to resolve the issues to our satisfaction.

- Consider denying or withdrawing any financial support from a client where it is established that the client is unwilling to commit to change practices that are inconsistent with our policy.

ANZ also commits to engaging and collaborating with stakeholders to:

- Obtain input on a case-by-case basis to ANZ's decision-making criteria for individual transactions;
- Increase our understanding of developments relating to sustainable

forest management practices and certification as a means of market differentiation; and

- Regularly review, develop and update our own forestry-related policies and guidelines.

### Policy timeline:

- Draft policy circulated for internal and public comment by November 2006.
- Comment period on the draft policy open until the end of January 2007.
- Summary report of comments and feedback circulated by end of February 2007.
- Stakeholder workshops to discuss our proposed response conducted by mid March 2007.
- Public release of the final policy by 30 March 2007.

A copy of the draft policy is available on [anz.com/cr/environment](http://anz.com/cr/environment).

See [anz.com](http://anz.com) to find out more about our:

Financial literacy program [www.anz.com/cr/finlit](http://www.anz.com/cr/finlit)

Customer Charter [www.anz.com/customercharter](http://www.anz.com/customercharter)

Social and Environmental risks and lending [www.anz.com/cr/environment](http://www.anz.com/cr/environment)

## ANZ was one of 50 FT500 companies included in the Carbon Disclosure Project's Climate Leadership Index.

David Barnard, Head of Property, ANZ National Bank



ANZ National Bank in New Zealand has made energy conservation a part of its standard operating procedure with a range of practical initiatives.

Five years ago the bank partnered with Smart Power Limited to develop an energy policy for lighting, air conditioning, office equipment and staff training.

ANZ National Bank's demand for energy has since increased with the addition of new premises for the retail and corporate businesses.

"Despite this, energy consumption savings of approximately 2.5GWh of consumption (5% of current consumption levels) have been achieved over the past two years," said David Barnard, Head of Property for ANZ National Bank (left).

Initiatives include more efficient lighting with different lamps and automatic light switching. Air conditioning has been reset to a wider temperature band, and a 365-day timer turns building services off at weekends and public holidays.

"We also have a number of workplace initiatives in place, such as urging staff to switch off screens on their personal computers when not in use.

"Energy management is included in monthly and quarterly reporting. We undertake close monitoring of initiatives and monthly checking of consumption to ensure that network providers supply energy in accordance with their contracts and that we are reducing our consumption," David said.

ANZ National Bank's approach and outcomes have seen it become a case study for the New Zealand Energy Efficiency and Conservation Authority following its repeated participation in their Energy Achiever assessment.



### Environmental results for 2006

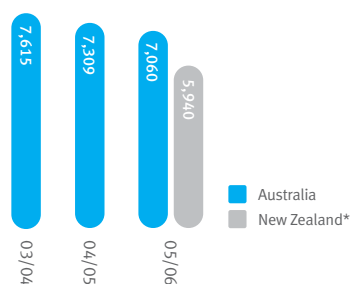
Aspect	Australia		Change 05 to 06	NZ*
	2006	2005		2006
Energy (MWh per FTE)	8.55	8.73	-2%	5.94
Paper purchased (tonnes)	3,114	3,921	-21%	1,679
Total paper recycled (% of paper purchased)	44%	34%	31%	35%

### Our environment

ANZ's Environment Charter outlines the responsibility we have to our stakeholders to operate in a way that advances sustainability and reduces our environmental impact.

We know that some aspects of our operations have an impact on the environment including our energy use, water use, paper use, transport and waste generation and we are seeking to reduce those impacts.

### Electricity consumption per full-time equivalent employee (kWh per FTE)



\* New Zealand commenced reporting in 2006

### A DIFFERENT APPROACH FOR BETTER OUTCOMES

Our focus is on understanding our environmental impacts and developing strategies to manage and minimise them. Key initiatives during the year included:

- A review of the ANZ's energy management system and the development a new Energy Efficiency Strategy.
- Introduction of ANZ's Health, Safety and Environment plans, which are implemented at a business unit level and include monthly reporting.
- Introduction of social and environmental requirements in the selection of our suppliers including the tender process for ANZ fleet cars.
- Development of business unit environment scorecards to measure how individual areas of ANZ are performing against environmental indicators. To date scorecards were prepared for two business areas.
- Integration of environmental priorities into ANZ's Operational Risk Scorecard, which is part of ANZ's Operating Risk Capital Allocation process.
- Development of a 'Green Office' intranet site established to provide employees with suggestions on how to reduce their environmental impact in their local workplace.
- Reduction of waste to landfill through the roll-out of a co-mingling recycling program to our commercial offices and metropolitan branches.

### Environment Management System

A cornerstone of our environmental program has been the development of a robust framework for managing and tracking our environmental impacts through our Environment Management System (EMS).

During 2006, the reporting capability of our EMS was significantly improved, allowing us to better identify, measure and report on our direct and indirect environmental performance.

The EMS has now been documented in accordance with international environmental management standard ISO14001 and this documentation has been independently verified by Sinclair Mertz Knight.



Tim Davies, Environmental Sustainability Analyst, Operations Technology and Shared Services

### Energy use

ANZ's energy management approach highlights energy management objectives and action to be undertaken within Property Operations. In 2006 we undertook a detailed review of existing energy strategies, policies, targets, management and reporting systems. In response to this review, we developed an ANZ Energy Efficiency Strategy which will form the framework for our continued focus on improving our energy management over the next five years.

In the past financial year, ANZ achieved a reduction by 2% in total energy use per full-time equivalent, made up of a reduction of 3% in electricity consumption and a 12% increase in the use of natural gas, as part of the drive to move away from our reliance on coal-based electricity.

With an annual electricity spend of around \$13 million and annual greenhouse emissions of 171,571 tonnes in Australia, energy use presents a range of opportunities and risks to the organisation.

Some of the initiatives implemented in 2006 to reduce our energy consumption include:

- Auditing of energy use in our major commercial and property buildings.
- Converting 12,000 computer monitors to LCD screens, with all remaining monitors to be converted during 2007–08. This has reduced our CO<sup>2</sup> emissions by more than 1,000 tonnes in the first 12 months.
- PCs in our branches automatically turn off after-hours and we have commenced work on implementing the same in our commercial offices.
- Implementing new server hardware, to further reduce electricity consumption. In addition, our data and transaction processing centres currently account for

almost 40% of ANZ's energy use and we are focused on reducing consumption in these areas by:

- Installing energy efficient chillers for the cooling systems in ANZ's data and transaction processing centres. The new installation will save 40% in cooling energy for the transaction processing centres.
- Upgrading existing building management and control systems to further improve performance in the transaction processing centres.
- Adjusting air conditioning temperatures in our data centres.
- Implementing after hours 'lights-out' initiatives in our data centres.

### Waste generation

We have developed a waste improvement plan to assist in reducing our total waste and quantity sent to landfill. We have introduced a number of key initiatives that will improve our performance:

- The introduction of co-mingled recycling of glass, aluminium, and plastics in all commercial offices and our metropolitan branches. This process has commenced for all our metropolitan branches (excluding Tasmania and the Northern Territory) and will be completed in our commercial offices by end of 2006. This will significantly reduce our waste to landfill.
- A mobile phone recycling program was piloted at our head office in Melbourne. A further roll-out to all of our commercial offices and retail branches is planned by the end of 2006.
- A new toner cartridge recycling program, 'Cartridges 4 Planet Ark', was implemented in our retail branch network. More than 1.3 tonnes of waste was recycled in the first three months of the program. Given its success, we have extended the program across ANZ, with collection boxes being distributed to our commercial buildings across Australia.

- A series of reuse and recycle programs with suppliers has been developed to reduce the amount of office waste including the reduction of packaging, and manuals which have been put onto CDs for our desktop computers.
- We have also recycled and reused the copper and fibre cables from our data centres and all unwanted office furniture across multiple ANZ sites.
- The establishment of contracts with cleaning companies to audit the waste generated by 10 large commercial offices and 10 freehold branches has commenced. This will enable us to report our waste data in 2007.

### Paper usage

Paper is a key aspect of our daily business. We aim to reduce usage and seek to procure our paper stock from best practice sustainable sources. We have far exceeded our reduction target of 5%, but we have nevertheless developed a paper improvement plan to help achieve further improvements especially in the use of office paper.

Our paper usage has decreased over the past year by 21%, and we increased the volume of total paper recycled from 34% to 44%. Below are some of the improvements we have made in paper-saving initiatives:

- Sourcing environmentally friendly paper stocks. 95% of the plain copy paper used in Australia was sourced from Australian managed plantations.
- Increasing our electronic faxing capabilities, minimising hard copy faxes.
- Changing standard printer default settings to print double-sided as the ANZ standard.
- Continuing our internal Great Paper Chase program to enlist the support of staff to identify and deliver paper-saving initiatives.

## Key environmental indicators

Environmental Aspects	Units	Australia		New Zealand
		2006	2005	2006
<b>FULLTIME EQUIVALENT</b>				
FTEs <sup>1</sup>	FTEs	18,656	17,806	9,365
<b>OCCUPIED BUILDING SPACE</b>				
Metres squared (m2)	m2	514,829	510,778	231,014
<b>ENERGY</b>				
Total energy consumed in premises	MWh	143,158	140,088	56,961
Electricity consumed		131,727	130,134	53,439
Electricity consumed/FTE		7.06	7.31	5.71
Electricity consumed/m2		0.26	0.25	0.23
Fossil fuels consumed in premises		11,430	9,954	3,522
Natural gas		11,106	9,470	3,427
Fuels for emergency power units (diesel)		324	484	95
Non-premises energy (fleet road transport)	MWh	16,432	15,445	19,229
Renewable electricity <sup>2</sup>	%	0%	0%	65%
<b>TRANSPORT</b>				
Total corporate transport	km	94,106,286	91,361,735	48,954,201
Total corporate transport/FTE		5,044	5,131	5,227
Road transport		15,532,767	14,634,792	18,913,470
Air travel (domestic)		47,588,319	41,303,604	17,079,724
Air travel (international)		30,985,200	35,423,339	12,961,007
<b>PAPER</b>				
Total paper consumed	tonnes	3,114	3,921	1,679
<b>WATER</b>				
Total water consumed <sup>3</sup>	kL	154,891	114,213	n/a
<b>RECYCLING</b>				
Total paper recycled	tonnes	1,383	1,329	582
<b>GREENHOUSE GAS EMISSIONS</b>				
Total GHG emissions	tonnes CO <sub>2</sub>	176,410	167,185	8,065
Total GHG emissions/FTE		9.46	9.39	0.86
GHG emissions of premises energy use <sup>4</sup>		171,571	162,636	3,450
GHG emissions of non-premises energy use		4,839	4,549	4,615

1 ANZ has changed its reporting methodology for Australian FTEs to better align with public reporting. It now includes contractors and temporary staff. 2005 and 2006 figures above were both calculated under the new methodology. FTE information displayed above is the average of month end figures across the 12 months.

2 Approximately 65% of the electricity consumed in ANZ's New Zealand operations comes from renewable resources (Hydro, Geothermal - steam - and Biomass).

3 In 2006 we are reporting water usage from an extra meter at 85 Spring Street. Comparing like for like with 2005, we have increased our water consumption by 10%.

4 New Zealand's GHG from premises energy has been reduced by 65% to account for electricity from renewable resources. Without the reduction it would be 8,660 with total emissions of 13,275 tonnes.

## Transport

The number of road transport kilometres travelled by ANZ staff increased this year by 6%. Our recently developed Transport Improvement Plan identifies the opportunities for reduced usage and will help shape our response.

A positive milestone, indicative of our evolving approach, was achieved during the fleet car tender in April 2006. For the first time, the selection criteria included fuel efficiency, greenhouse gas emission rates, air pollution ratings and alternative fuels. The inclusion of these aspects will help to reduce total CO2 emissions across the fleet portfolio.

We have also developed a fuel-efficiency and CO2 emissions monitoring tool to better manage environmental performance across the fleet.

## Water

We have developed a water improvement plan to identify all possible activities or changes we can undertake to better manage our consumption and use of water. ANZ has audited 10 large commercial sites and 10 freehold branches to establish water consumption.

This information will allow us to monitor water consumption on a quarterly basis and identify water saving opportunities at those sites.

We have identified the need to reclaim water consumed during essential routine fire testing, with work currently underway to identify solutions across all premises.

ANZ has installed rain sensors for building grounds at data centres in Victoria. This enables better control of the irrigation system and minimises water consumption.

Overall, ANZ's water usage at monitored sites has increased by 10% this year. We are currently investigating the cause, which we expect is in part due to an increase in staff numbers at these sites. We are working on improving our data collection and reporting and implementing a range of water-saving initiatives such as fire and safety testing process improvements, optimisation of water consuming equipment, improvements to leak management processes and a staff awareness campaign.

## Industry participation

We participate in a number of industry and Government initiatives to promote sustainable development and environmentally sound business practices.

These include:

- The Greenhouse Challenge Plus, a partnership between the Australian Government and industry, which builds on the successful Greenhouse Challenge program.
- The United Nations Environment Program Finance Initiative which focuses on the financial services sector.
- The Carbon Disclosure Project 4, a survey of the world's top 500 companies on their management of climate-related risks and opportunities (see page 10).

## Supply chain

Our supply chain includes approximately 9,000 suppliers, covering a broad spectrum of industries in Australia and New Zealand. It delivers products and services with an annual value of approximately \$1.6 billion.

In the second half of 2005 we developed a Sustainable Procurement Policy, through a consultative process involving our suppliers, stakeholders and key environmental groups.

Eighteen key suppliers attended our first supplier sustainability forum in early 2006. At the forum, ANZ presented its plan for implementing the Sustainable Procurement Policy and provided an opportunity for suppliers to share their experiences and ask questions.

To date we have communicated with 88 suppliers (who represent 80% of our total supplier spend) about our commitment to sustainable procurement. We have made each supplier aware of our new approach to the contract and tender process and our desire to engage more with them on minimising social and environmental impacts.

Our Sustainability Self-Assessment Tool is an online questionnaire which allows us to assess the sustainability of our suppliers' operations.

The tool is issued during tenders and at regular intervals during the life of a contract to encourage and monitor continuous

improvement. This year, 100 of our suppliers completed the Sustainability Self-Assessment Tool as part of ANZ's tender and contract process. Data from the tool will be used by ANZ for reporting and to improve our supply chain strategies.

Work is currently underway to integrate Human Rights considerations into the tool and evaluation process and will be completed during 2007.

During 2006 category specific policies for Energy, Waste, IT and Office Equipment, Transport, Office Paper and Printed Material were developed. These policies have been updated to ensure environment and sustainability is considered in the sourcing process. We plan to roll-out a communications pack on these policies to our employees and suppliers during 2007.

The results of these efforts include:

- Increased the number of 'green' products on our e-procurement catalogue by 180% from 26 to 74.
- Sourced approximately 4,800 re-manufactured toner cartridges in Australia last year.
- Converted 117 paper-based forms to online forms, with more in line to be converted in 2007.
- Introduced a new specification for envelopes, which resulted in paper savings of 75 tonnes per year.

## A bold and different new global headquarters

ANZ is developing Australia's largest office building on the extension of Collins Street in the Docklands precinct in Melbourne. Home to 5,500 ANZ staff, the new building will be one of the most environmentally sustainable commercial business offices in Australia, with a minimum 5-star Green Star rating, however our goal is to achieve a 6-star rating.

Green Star is a national, voluntary environmental rating scheme that evaluates the environmental design and achievements of buildings, recognising environmental leadership and aiming to raise awareness of green building benefits. A 5-star rating recognises "Australian Excellence" for a commercial office.

Features making this building best practice include: rainwater collection; greater use of fresh air and natural light; landscaped roof; and improved energy efficiency to reduce greenhouse emissions.

The new building will also offer many facilities to help our people manage work-life balance and their personal health and wellbeing, including a crèche, gymnasium and substantial bicycle parking. By the time the building is ready, the precinct will be developed with retail outlets and many other facilities, including parkland and restaurants.

In Adelaide, ANZ is relocating its office to the city's new 5-star Green Star building, City Central. The most energy-efficient building in Adelaide,

City Central will set the benchmark for environmentally sustainable commercial developments. ANZ's office fit-out will have a 5-star Green Star rating offering water and energy-saving initiatives, materials with a low environmental impact and a design that maximises natural light.

"We are creating a leading-edge, vibrant and environmentally sustainable workplace that will inspire and energise our people to make ANZ a very different bank."

ANZ CEO John McFarlane



Artist's impression of ANZ's new global headquarters to open in 2009.

excellence

different



Peter Shelley, Environmental Sustainability Manager, Operations Technology and Shared Services

See [anz.com](http://anz.com) to find out more about our:

Environment programs [www.anz.com/cr/environment](http://www.anz.com/cr/environment)

Environment definitions [www.anz.com/cr/define](http://www.anz.com/cr/define)



# personal report



convenience



responsible



simplicity



“We want to deliver convenience and simplicity for our customers in a responsible manner.”

Brian Hartzer,  
Group Managing Director, Personal



We have built great staff engagement in our business with people who are passionate about serving their customers and their community every day.”  
 Brian Hartzler, Group Managing Director, Personal

### About Personal

Our Personal division provides retail banking services to approximately 3.9 million customers in Australia through our five specialist business units: Retail Banking, Regional, Rural Banking and Small Business Banking, Consumer Finance (including credit cards and personal loans), Mortgages, Investment and Insurance Products, and Banking Products. Our asset finance business, Esanda and our Pacific team also form part of the division.

We have 781 branches and 1,887 ATMs in Australia alone and are represented in 11 countries throughout the Pacific.

ANZ’s retail customer satisfaction continues to be well ahead of its major bank peers in Australia according to the Roy Morgan Finance Monitor.

#### Key Indicators:

Customer satisfaction*	75.5%
NPAT	\$1,256 million
Staff numbers (FTE)	12,795
Employee engagement	66%
Volunteering	14,563
Community investment	\$5,503,512

\* Source: Roy Morgan Research – Main Financial Institution

### CONVENIENCE. SIMPLICITY. RESPONSIBLE.

Our business strategy is built around our responsibilities to our customers, people, the community and our shareholders.

Our customers expect us to provide convenient, simple and responsible banking products and services and to contribute to the vibrancy and success of the hundreds of communities where we do business. To do this, we aim to attract, develop and retain the best people in Australia. We invest heavily in creating an engaged and passionate team that aims to distinguish itself as ‘the human face of banking’.

Much of our approach is encapsulated in our Customer Charter which was first launched in 2001. Through the Charter we publicly prioritise the things that are most important to our customers and other key stakeholders. For example, the Charter includes our commitment not to leave rural communities and to provide fee-free Internet Banking services on all every day, personal banking accounts. Our performance against the Charter has been audited and publicly reported every year since it was launched.

In November 2005, we released a revised Customer Charter in response to the evolving expectations of our customers. It sets new benchmarks for service to our personal and small business customers. Importantly, it includes a formal commitment to lend in a responsible and transparent way. There are three specific promises in the Charter which make up our Responsible Lending commitments – a first for Australian banks.

The Charter promises are comprehensive and designed to challenge us to deliver superior products and service and a very different banking experience every day. Achieving the targets set is certainly not easy, but we know that a focus on the little and big things that matter to our customers is essential to our growth and continued success.

## Keeping our promises delivered outcomes and awards.

- We opened 84 branches on Saturdays and 88 for extended hours on some weekdays (Thursday and/or Friday).
- We installed a total of 330 new ATMs during the year.
- We served 88% of our branch customers within five minutes, and 99% within 10 minutes\*.
- We are the only bank in Australia to introduce public and auditable Responsible Lending commitments.
- At 75.5% our customer satisfaction continues to be the highest of any major bank in Australia, according to the Roy Morgan Finance Monitor.
- Money Magazine (with Cannex) awarded ANZ the Readers' Choice for Service Excellence. We were also named Home Loan Lender of the Year for the eighth year in a row.
- Our Australian Call Centre was recognised as the best call centre in Australia for the third year in a row by the International Customer Service Professionals Awards.

\* Based on data from ANZ branches with Q-matic system

Our performance against each of the promises in the Customer Charter is summarised below. More detailed accounts of our Responsible Lending and Financial Literacy commitments can be found on pages 24–34 of this report. The complete Customer Charter Annual Report is available on [anz.com](http://anz.com).

### Convenient access

We continued our commitment to rural Australia, opening three new ANZ branches in Scone, NSW; Dunsborough, WA and Cooktown, QLD. We also installed 63 new ATMs in rural communities throughout Australia.

A further 22 new ANZ branches opened in metropolitan communities in the past 12 months. Our new branches are located in:

- NSW at Thirroul, Warringah, Macarthur Square, Plumpton, Chifley Square, Sydney Airport, Norwest
- WA at Clarkson, Livingston, Melville, Falcon Dawesville
- SA at Woodcroft
- VIC at Diamond Creek, Wyndham Village, Deakin University, Caroline Springs, Waverley Gardens, Somerville
- Qld at Chancellor Park, Miami, Morayfield
- ACT at Gungahlin.

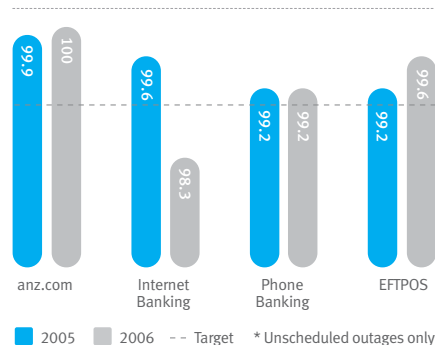
Together with new ATMs in rural communities, we added 330 new ATMs, exceeding our 2005 target of 200.

We extended banking hours in 125 branches. Eighty-four branches have opened on Saturdays, 69 have opened on Thursdays and 19 on Fridays for extended hours (until 7pm).

### ANZ branch representation

	2004	2005	2006
Qld	145	149	153
NSW and ACT	211	217	226
VIC and TAS	231	232	238
SA and NT	82	84	90
WA	72	74	78
<b>Total</b>	<b>741</b>	<b>756</b>	<b>781</b>

### Availability of anz.com, internet banking\*, phone banking and EFTPOS %





## In response to feedback from our people, customers and stakeholders, our new Customer Charter, includes promises to provide the most convenient, simple and responsible banking service in the marketplace.

We continued to meet the availability performance targets for our website, www.anz.com, Phone Banking and EFTPOS being available. However, for Internet Banking, this was available 98.3% (unscheduled outages only) and 95.5% of the time, when we include both scheduled and unscheduled outages. This is due to an increase in scheduled outages, to support the upgrade of our Internet Banking platform. The platform was upgraded to enable ANZ Internet Banking to manage projected increases in customer registrations and transaction volumes and also reduce fraud via enhanced security, making it more convenient for our customers.

### Quick, friendly and reliable service

This year we installed 53 Q-matic systems in selected branches, increasing our total to 187. This Q-matic system allows us to identify how long customers wait to be served and provides us with the ability to react in real time. At these Q-matic branches, 88% of customers were served in less than five minutes and 99% were served within 10 minutes. This means that 12% of our customers waited more than five minutes compared to 10% the previous year.

Results show that the average customer wait time in our branches with the Q-matic system is 2.26 minutes compared to 1.4 minutes last year.

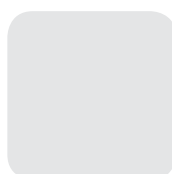
We introduced a new outbound calling program to gain feedback from our customers on our account opening process in branches (for all accounts except mortgages and insurance). We achieved a 76.9% overall customer satisfaction rating since the program was introduced in April 2006.

### Swift resolution of complaints

In the five years since our Customer Charter was established, we have decreased customer complaints by almost 36% or a total of 13,681 complaints.

This year our Customer Response Centre received 24,554 complaints compared to 22,429 last year. We responded to 99% of complaints within 48 hours, compared to 97% last year. Of the complaints received, 90% were resolved within 48 hours and 96% (since December 2005) were resolved in five working days. The average number of days to resolve a customer complaint is 1.15 days, compared to one day last year.

The position of Customer Advocate was established in 2002 to facilitate prompt and impartial conclusions to more difficult complaints with a bias towards our customers. This year, 85 cases were referred to the Customer Advocate, with 64 of these resolved. Five cases remain under review at the time of reporting and a further 16 were referred back to ANZ business units for initial review. In 48% of cases, findings were made in favour of our customers.



Outcomes from the cases resolved by the Customer Advocate resulted in ANZ paying a total of \$68,954 in compensation or goodwill payments. Several significant payments contributed to this larger total which represents an increase of more than 100% on the \$31,445 of the previous year.

Service issues and fees and charges associated with banking products and credit cards remain the theme of most complaints referred to the Customer Advocate, as well as complaints about delays in loan settlements with ANZ Mortgages.

The Customer Advocate reports that the increase in cases both referred to and resolved by his office reflects increased awareness among staff and customers of complaint resolution processes and in particular the availability of an independent review. The increase in total number of complaints received is proportionate to the increase in new customers to ANZ over the past year.

The Banking and Financial Services Ombudsman (BFSO) closed 552 ANZ cases in the year to 30 June 2006. This was exactly the same number as in the previous year, however the percentage of cases resolved by ANZ without investigation by the BFSO rose from 90.8% to 92.4%. This figure has risen further to 94.8% for the quarter to 30 September, 2006. The downward trend in the number of ANZ cases referred to the BFSO has continued and accelerated compared to other major financial institutions. According to BFSO reports, the key issues for ANZ during the year were consumer finance, housing finance, transactions/calculations, service quality and banking practice.

The Customer Advocate's full report for 2006, including case studies of his reviews, is available on anz.com.

### Simple products

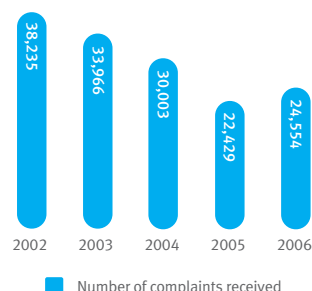
As part of our commitment to improving financial literacy and inclusion, we have identified real business opportunities in providing simple, accessible and responsible products and services for the community.

We were the first bank to simplify basic transaction accounts. The ANZ Access Advantage account provides unlimited ANZ transactions and no monthly fee for students, seniors, people under 18 and customers with a disability. The ANZ Access Basic account provides unlimited ANZ transactions and no monthly fee for health card holders and Centrelink payment recipients.

We continue to offer fee-free Internet Banking for all everyday personal banking accounts.

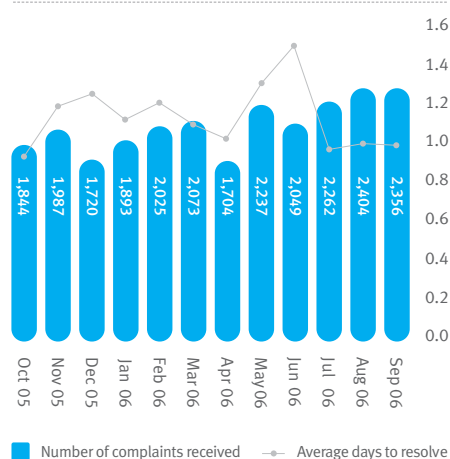
This year we launched a debit card. The ANZ Everyday Visa debit card lets customers use their own savings to make purchases with the benefit of security features previously exclusively available for ANZ credit cards.

### Number of complaints received



Number of customer complaints received by the Australian Customer Response Centre in the past five years.

### Number of customer complaints



### Customer Advocate – breakdown of completed matters in Australia

	2004	2005	2006
Total number of complaints	64	46	64
Finding for customer	20	13	31
Finding for ANZ	31	26	24
Finding for both	13	7	9
Compensation amount	\$54,970	\$31,443	\$68,954
Non-financial outcome	47	37	39
Resolved in <20 days	27	21	24
Resolved in >20 days	37	25	40

In response to stakeholder feedback, we simplified the fees charged when a customer overdraws their account or exceeds an agreed credit limit. Fees were reduced from \$45 to \$10 for ANZ Basic, a low-cost transaction account available to holders of Government benefits.

We also introduced Prime Access to offer financial planning on a fee basis thereby providing greater transparency and an alternative to commission-based advice.

### Fast account opening

We met our commitment for fast account opening for Personal Banking accounts and Personal Loans.

Our Mortgages business continues to face challenges in meeting its targets for fast account opening. Out of a total 278,257 standard home loan applications answered 10,790 breaches were identified, resulting in a refunds of \$107,900 to our customers. Last year \$52,960 was refunded to 5,296 customers.

We answered 137,536 out of 137,548 standard car loan applications within one business day. Twelve breaches were identified, resulting in \$252 being refunded to customers. This represents a significant decrease in breaches on 2005, where 135,620 applications were answered within one business day, 127 breaches identified and \$2,625 was refunded to customers.

### Simple and clear communication

We measured our performance on this promise through research conducted by The Social Research Centre. When customers were asked, "Overall, how satisfied are you with ANZ's communication?" they rated their satisfaction at 7.9 out of 10, compared to 7.4 last year.

Customers were also asked, "How satisfied are you that letters, brochures, ATM messages and other notices are written in plain language?" This year satisfaction was rated at 7.9 out of 10, compared to 7.4 last year.

The majority of our advertising is generated from our Personal division, where we oversee the Group's brand strategy and mass market and targeted advertising campaigns. Our 2006 advertising spend was in excess of \$25 million.

These activities must conform to requirements set out in the Code of Banking Practice, Financial Services Reform Act, Commercial Acceptance Division, Trade Practices Act, and by the Advertising Federation of Australia, Australian Association of National Advertisers and the Advertising Standards Bureau. All communication material must be signed off by a legal, risk and brand compliance representative within ANZ prior to proceeding to production.

Our Group-wide focus on increasing financial literacy extends to the information we make available to our customers. Our MoneyMinded financial education program is now available online, giving our customers and the community access to self-paced training modules, tips and tools to manage money.

Our "Kickstart your financial fitness" booklet, available online and through branches, provides practical information on the essentials of money management. Neither resource contains reference to any ANZ product.

### Privacy

During this year, we received five enquiries or complaints about our practices for ensuring the privacy of customer information from our customers to our Customer Response Centre. We rectified four that required further action. The final case is still being resolved by the business. This compares to 38 enquiries or complaints received last year and 20 cases that required further action.

### Providing disaster relief for our customers

We have developed disaster relief packages to support our customers suffering the devastating consequences of natural disasters including fire, floods, drought and cyclones. While each disaster requires a different response, and individual circumstances are reviewed on a case-by-case basis, our support packages typically includes cash grants for:

- ANZ staff and mortgage customers unable to live in their homes to assist them with temporary accommodation and living expenses.
- Agribusiness customers (where ANZ is their primary lender) for major crop damage.
- Small Business customers who have suffered major loss.

We also offer to:

- suspend repayments on all loans for three months
- waive fees associated with restructuring business loans considered necessary due to disaster impacts
- waive early withdrawal costs for term deposits
- consider temporary adjustments to customer lending limits including credit cards to assist them to cope financially with unexpected costs
- waive fees associated with replacement of damaged business EFTPOS/credit card terminals
- defer interest payments on margin loans for customers who reside in the affected areas.

This year we provided disaster relief support for drought affected farmers in rural communities; and customers affected by Cyclone Larry in Innisfail, Queensland; the Katherine floods in the Northern Territory and the Victorian and New South Wales bushfires.



Deslin Foster from our Margin Lending Business is currently on secondment at Reconciliation Australia

### CONNECTING WITH OUR COMMUNITY

Our people in Personal division are committed members of their local communities. In addition to our work to improve financial literacy and inclusion, we support a number of significant community programs and initiatives at a national, State and grass-roots level. We are also proud volunteers, contributing more than 14,500 hours as part of the ANZ Volunteers program. Much more is also done in addition to what is recorded by our systems as part of our social responsibility to the communities that support our local businesses.

#### ANZ Staff Foundation

The ANZ Staff Foundation was established in 1988 to help meet the needs of Australian communities. More than 1,200 employees donate money to the Foundation which was matched with \$118,631 from ANZ. The Foundation supports many smaller, less well known causes. For example this year, the Foundation made a grant of \$5,000 to Gateways Support Services in Geelong, Victoria. Gateways provides a range of early intervention programs to help children with autism and their families. More than \$1.5 million has been distributed to 143 community organisations throughout Australia since 1998.

#### Seeds of Renewal

Our Rural and Regional Banking team has worked with the Foundation for Rural and Regional Renewal (FRRR) since 2001, providing small grants to increase the sustainability of rural communities with less than 15,000 people.

The program is called Seeds of Renewal and this year 105 grants totalling \$362,342 were made supporting projects that are important to the people who live and work in these areas. For example a small grant was provided to the Kaniva Group of Fire Brigades in Victoria for the purchase of a special pump to enable fire tankers to be filled much more effectively and quickly.

Our local branches also provide volunteer and in-kind support to deliver these projects. ANZ has contributed more than \$1 million to Seeds of Renewal since 2001.

### Habitat for Humanity Australia

Our Mortgages team provides funding, in-kind and volunteer support to Habitat for Humanity Australia. We work with Habitat to provide simple, affordable housing for low-income families.

The program aims to take people from the rental and poverty cycle, giving them the ability to build and own a home of their own.

In addition to our financial and volunteering contribution, ANZ's corporate knowledge and expertise is used to develop processes and strategies to sustain the Habitat program. For example, we provide marketing and communication advice as well as assistance in developing standardised mortgage documentation.

ANZ provided financial support and more than 70 volunteers to build four Habitat homes in 2006, in Shepparton and Ballarat, Victoria, and Logan and Gympie in Queensland. ANZ has helped build seven homes since our partnership began in 2001.



Anushka De Silva and Drazenka Vladusic, Assessment Officers from ANZ Mortgages, volunteer to help build a Habitat home in Dandenong South.

### ANZ Community Fund

The ANZ Community Fund enables our people in ANZ branches throughout Australia to identify, fund and support projects or initiatives that are important to their local communities. Each Local CEO or Rural Market Manager can approve the contribution of funds to projects that help enrich local communities. Every dollar invested into local projects is matched by ANZ, up to \$10,000 per market, or \$350,000 per year. The ANZ Community Fund aims to recognise and strengthen the connection between people, our branch network and the communities in which we operate. In 2006, \$396,810 was distributed to local communities through the Community Fund.

### THE HUMAN FACE OF BANKING

Our people are the human face of our business in hundreds of communities around Australia. If our customers are to recognise ANZ as a very different bank, they must first see it in the approach and attitude we have when we serve them.

For this reason, a focus on people and culture is one of our key strategic priorities in Personal. Over the past few years we have invested heavily to create a safe, inspiring and inclusive working environment where every employee is recognised for their contribution, and has the opportunity to thrive in their position and achieve their career aspirations.

We are improving safety in our branches for our people and our customers. We have developed detailed health, safety and environment strategies in each business. We have also invested approximately \$80 million upgrading our branch network, excluding new branches and minor works. Our NSW Retail team designed a program called 'BranchSafe' that focuses on all aspects of security and robbery prevention. It includes staff training and practice, increased consultation on security matters, and management participation in security assessments. In many branches, additional security measures have been installed. After a successful pilot, the program is now being implemented across the entire branch network.

This year almost 6,000 frontline and support staff members experienced our Breakout program. The Breakout team travelled right across Australia delivering workshops to teams in metropolitan, regional and rural areas. The program focuses on empowering staff to make values-based decisions, building trust and teamwork and setting and achieving goals. This program was a considerable investment, however we consider it absolutely essential to the future success of our business as fundamentally banking is about personal connections and trust.

### Comic Relief

ANZ is the principal partner for Comic Relief, a prime-time TV show on Channel 7 which supports Volunteering Australia and Oxfam Australia in allocating funds raised to support community initiatives in Australia and Asia Pacific. ANZ provides seed funding and in-kind support including fee-free business banking services and merchant services, promotion and fundraising, volunteering and use of our call centre and a cash donation of \$100,000. The first television program raised just over \$872,000, and we will continue our involvement with the next Comic Relief program due to air in late November this year.



ANZ employees volunteer for Comic Relief.

We have established a Personal division Diversity Council to ensure that as a business we value difference within our workplace. A range of resources and training is available to teams and individuals to help create an inclusive workplace. For example, employees returning from parental leave are given access to training seminars on how to manage personal and professional obligations after returning to work in either a full or part-time capacity. We have also set a target to employ 50 Indigenous people in our branch network as part of our involvement in the Commonwealth Government's Leadership in Indigenous Employment Program.



# institutional report

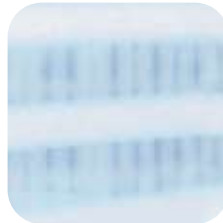
growth



“We are integrating social and environmental considerations into our business activities and lending decisions.”

Steve Targett,  
Group Managing Director, Institutional

focus



service





The policies and initiatives we are developing will help to inform corporate decisions to achieve optimal business performance taking into account social and environmental risk and opportunities.”  
Steve Targett, Group Managing Director, Institutional

### About Institutional

ANZ’s Institutional division services the bank’s corporate, institutional and business banking clients.

In addition to ANZ’s domestic markets of Australia and New Zealand, Institutional has operations throughout Europe, North America and Asia.

Institutional comprises Markets, Corporate and Structured Finance, Corporate Banking, Business Banking, our Trade and Transaction business, Debt Products, Personal and Private Banking Asia, and Institutional Client Relationships.

During 2006, ANZ regained its position as Number 1 Lead Bank for Major Corporates and Institutions in Australia according to Peter Lee Associates (August 2006).

#### Key Indicators:

Customer satisfaction*	No 1 Lead Bank
NPAT	\$1,396 million
Staff numbers	5,675
Employee engagement	48%
Volunteering	9,966
Community investment	\$409,345

\* Number 1 Lead Bank for Major Corporates and Institutions, Peter Lee Associates

### A DIFFERENT PERSPECTIVE ON OUR INSTITUTIONAL BUSINESS

Institutional’s primary contribution to ANZ’s corporate responsibility agenda is to embed social and environmental considerations, including risks and opportunities, into our business activities.

We are working with our clients to link environmental sustainability into the fabric of their decision-making processes. We have formally incorporated these procedures into our screening process which enables us to assess the potential social and environmental impacts of a client’s operations. We engage our clients on these issues to ensure they are able to minimise or mitigate these impacts and identify any financial constraints to improving their ongoing social and environmental performance. More detail on this work can be found on page 35–37 of this report.

#### The CEO Agenda

Institutional has adopted an overarching strategy called ‘The CEO Agenda’ to manage our relationships with large corporations and institutions. It focuses on understanding the strategic agenda facing the CEO as the central decision maker in large organisations.

We believe that by intimately understanding the CEO agenda of each of our clients, we can provide insights, ideas and financial solutions that will help them achieve their long-term objectives.

We have invested significantly in a training program that teaches sophisticated corporate finance, valuation and analytic methods. Over 75% of our relationship managers have completed this program in Australia. We have also invested in client planning and customer relationship management systems that give us a complete picture of our clients.

We have partnered with the Australian Graduate School of Management to produce a leadership journal called ‘CEO Agenda’. The journal was launched in July 2006 and is sent to the executives of large companies three times a year. It covers a range of issues facing Australian CEOs today including environment and sustainability, management, strategic and corporate finance issues.

## We are investing in and supporting products, services and businesses that aim to address social and environmental issues, such as climate change.

### Customer relationships

Given the highly complex nature of our banking relationships, independent research by Peter Lee Associates is used to help us develop a deeper understanding of our clients' needs and expectations across a range of specialist products and services.

During 2006, ANZ regained its position as Number 1 Lead Bank for large corporations and institutions in Australia according to Peter Lee Associates (August 2006) and was once again rated Number 1 Lead Bank in New Zealand. A majority of corporations in Australia (36%) and New Zealand (39%) identified ANZ as their lead bank. ANZ achieved number one rankings across 16 of the 22 areas measured by the survey, including Number 1 in the Relationship Strength Index.

These encouraging results are a strong indication that the CEO Agenda is beginning to change the way we manage our business. Importantly, this change is being recognised by our clients.

### Products and services

We are investing in and supporting products, services and businesses that aim to address social and environmental issues, such as climate change.

**Biodiesel:** We have invested in biodiesel production facilities in Australia and New Zealand within our diversified energy vehicle, the Energy Infrastructure Trust (EIT), including a significant investment in Biodiesel Producers Ltd (BPL's) Barnawartha Plant.

The EIT was set up by ANZ as a specialist investment vehicle to allow external investors such as superannuation funds to invest in unlisted energy assets.

BPL has adopted world-leading technology. It enables waste to be processed into non-toxic biodiesel, which will be completely interchangeable with petroleum diesel as fuel. It has been internationally validated as dramatically lowering emission levels and improving engine life.

**Queensland Gas Company (QGC):** We have agreed to develop the Condamine Power Station with QGC. The project funding agreement between QGC and ANZIB has been negotiated and is in place. The final size of the power station is likely to be between 100MW and 170MW of combined cycle gas turbine plant. QGC will provide gas to the power station and receive back electricity to sell. Tender documentation to build the power station has been issued to the market. Board approval to proceed with construction is expected in early 2007.

### ANZ Sustainable Protected Responsible Investment over

**Term:** In September 2006, ANZ launched its first Sustainable Investment product, the 'ANZ Sustainable Protected Responsible Investment over Term' (ASPRIT) which is linked to the performance of the Sustainable Asset Management (SAM) Sustainable Leaders Australia Fund (SLAF).

The fund was developed in response to a latent client demand for fixed interest style products that demonstrate strong sustainability attributes. By selecting companies that are leaders in economic, social and environmental performance, the fund provides investors with the ability to invest in innovative and future-oriented companies that employ sustainable business practices and it gives exposure to equity markets with the comfort of principal protection by ANZ.

**Solar Cities:** ANZ has joined the consortium for the Australian Government's Solar Cities Program – an initiative to help change the way individuals, communities, businesses and Governments think about and use energy.

Solar Cities brings together solar technologies, energy efficiency, smart metering and better electricity pricing to create more energy-sustainable communities.

North Adelaide was first to host a 'Solar City' and through a comprehensive package of measures will double the current capacity of solar photovoltaic panels in South Australia, provide energy savings of \$5 million per year, and reduce greenhouse gas emissions by at least 30,000 tonnes per year.

### Engaging our people

In the past year, Institutional has increased its focus on employee engagement.

Feedback from our people identified four key drivers for Institutional staff: career management, recognition, performance management and our delivering on our 'brand promise' regarding employment at ANZ. It also identified that bureaucracy was limiting employees' effectiveness in the business. Three teams, led by senior business leaders, have been established to improve our performance in these areas.

For example, we have developed a new performance management framework. The framework has been designed to ensure our performance assessment criteria is consistent with our key business drivers across our division and also to improve leadership and teamwork.





Dion Smith, Associate Director – Client Insight Team, Institutional

We are also investing in our people managers. This year 336 employees completed our Leadership Foundation program. This program helps managers develop an engaged and high performing team by improving essential management skills as well as building coaching capabilities.

The Bureaucracy Blog was developed to address staff concerns about bureaucracy. The blog is an online forum for identifying bureaucracy in the business. Institutional’s senior leaders actively participate in responding to issues raised through the forum.

One of the ways we recognise employees is through the Institutional Awards. This event acknowledges individuals for their contribution to creating an environment where employees are engaged, passionate and committed. A series of dinners are held globally where the Institutional leadership team provides individuals with an award for their outstanding contribution to the division. In 2006, 119 winners were recognised globally, including 52 employees in Australia and 19 in New Zealand.

Our Diversity Council has been running for 18 months and has implemented initiatives across the business including a reverse mentoring program for the executive team, more support for new female employees, a flexibility policy and awareness program, encouraging the learning of new languages and specific career programs for women.

#### Partnership with WWF-Australia

Institutional division and WWF-Australia have formed a partnership. Its objectives are to:

- strengthen overall implementation of Institutional’s lending and investment practices
- reduce our environmental impact by collaborating on critical environmental issues such as natural resources and energy issues
- identify industry and business sector economic and environmental performance benchmarks to inform ANZ’s business decision making
- inspire staff to be environmentally engaged and to facilitate greater awareness of ANZ’s business among WWF’s staff.

To achieve these objectives, Institutional division and WWF Australia will develop implementation plans across five work streams: environmental finance, environmental learning, environmental performance, environment and the economy and environmental science.

#### Sharing expertise with Berry Street Victoria

Institutional staff also participate in ANZ’s Volunteers program. For example; a group of senior leaders from our business used their volunteer leave to participate in a strategic planning day with the executive team at Berry Street Victoria, one of our community partners, in July this year.

Berry Street Victoria is an independent not-for-profit organisation which aims to increase life chances and choices for children and young people who are at risk or who have experienced the trauma of family violence, child abuse or neglect.

The day focused on developing solutions to two key issues identified by Berry Street: ways to increase their non-government revenue streams, and how to best prioritise and manage the many initiatives they are involved in.

As a result of the meeting, a number of other opportunities for ANZ employees to contribute to Berry Street’s business and operational activities were identified including the development of a comprehensive marketing plan and conducting an IT systems risk audit.



ANZ employees volunteered to spend a day with the Berry Street Victoria executive team working together on Berry Street’s strategic plan.



# new zealand report



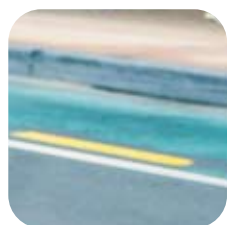
“The long-term success of our business depends on the support and respect of our people, customers and the community.

Graham Hodges,  
ANZ National Bank Chief Executive



growth

integrity



service



We took a very different approach to integration by retaining an existing portfolio of brands and successfully integrating two distinct organisational cultures and sets of values. By taking our people and customers with us, we have positioned our organisation for success.”  
Graham Hodges, ANZ National Bank Chief Executive

### ANZ National Bank

ANZ National Bank Limited is New Zealand’s largest full-service bank, with external assets of NZ\$91,385 million at 30 September 2006. It was formed in June 2004 by the amalgamation of ANZ Banking Group (New Zealand) and The National Bank of New Zealand Limited.

ANZ National is a multi-brand company encompassing ANZ and The National Bank retail brands, as well as UDC, EFTPOS, Direct Broking and Bonus Bonds. Through these brands, we provide banking services to nearly two million New Zealanders.

With 309 branches and 705 ATMs, ANZ and The National Bank have the widest reach of any bank and a presence in most New Zealand communities.

#### Key Indicators:

Customer satisfaction, ANZ*	59%
Customer satisfaction, NBNZ*	71%
NPAT (NZ\$ million)	\$1,006
Employee numbers (FTE)	9,392
Employee engagement	60%
Volunteering (hours)	10,087
Community investment	NZ\$1,069,107

\* AC Nielsen Consumer Finance Monitor

### A DIFFERENT STARTING POINT

As one of New Zealand’s largest companies and employers, we have a responsibility to conduct our operations with high standards of personal behaviour, ethics, customer service, and consideration for our community.

We are an integral part of New Zealand’s economy, and the long-term success of our business depends on the support and respect of our people, customers and community.

Corporate responsibility is not new to our New Zealand business. Prior to their amalgamation, both ANZ and The National Bank were values-led organisations with well-developed programs built around people, customers and the community. We are now redefining what this means for us and how our programs and outcomes can be enhanced as a combined entity and relatively new organisation.

Our approach is guided by a set of values which support the values of the Group, but reflect our unique business and the factors important to our success in New Zealand.

We:

- Value personal growth and development
- Do what is right for the customer
- Always act with integrity
- Lead, inspire and respect each other
- Participate in our communities

We established a Corporate Responsibility Council this year to develop an integrated strategy across our business, and to ensure we are effectively monitoring and managing key indicators. The Council is sponsored by Graham Hodges, ANZ National Bank Chief Executive, and includes senior managers from across the ANZ National Bank business with representation from both retail brands, People Capital, IT, Corporate, Legal, Vendor Management, Property and Corporate Affairs.

Our priorities for 2007 are to establish a comprehensive corporate responsibility strategy for ANZ National Bank in consultation with our people and stakeholders.

We will:

- Conduct a formal stakeholder engagement program to understand community expectations of ANZ National Bank.
- Work with our stakeholders to embed social and environmental considerations in our policies, practices and standards.
- Implement specific programs to reduce our environmental footprint by 5% over the next two years in line with Group targets.
- 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.
- Continue our programs and policies to ensure staff engagement remains high.

### The New Zealand customer experience

ANZ and The National Bank offer two distinct customer propositions in the New Zealand marketplace. The decision to retain both brands after the acquisition of The National Bank in late 2003 protected the customer experience, minimising loss of customers in a very competitive environment and positioning the two brands for growth.

In 2006, ANZ has maintained a focus on improving customer satisfaction ratings, achieving a seven-year high and moving satisfaction ratings from 47% in 2002 to 59%\* of customers rating ANZ as very good or excellent in 2006.

Driving the momentum has been an investment in staff training, very high staff engagement (71%) and significant investment into an initiative called WoW! – the ANZ customer experience, which aims to align the customer experience and our brand promise. In addition to this, ANZ has launched a number of simplified and competitive products such as the Online Call Account, ANZ Low Rate MasterCard and the ANZ Everyday Account, which offers unlimited transactions for a \$5 monthly fee.

The National Bank is one of New Zealand’s strongest banking brands. For many years customer satisfaction has been at the top end among the major banks, with 71%\* of customers rating The National Bank very good or excellent in 2006.

In 2006, The National Bank continued to build on core strengths and market leading positions in the tertiary and business markets, its achievements in Business Banking being recognised with the Supreme Award in the Vero Excellence in Business Support Awards 2006. The National Bank continued to grow its customer base and was the only major bank to gain market share in Auckland, New Zealand’s fastest growing market this past year.

\* Customer satisfaction is based on four quarter rolling data from the ACNielsen Consumer Finance Monitor

### Addressing customer complaints

ANZ in New Zealand has reduced the number of customer disputes before the Banking Ombudsman by 70% over the past four years. In 2006 ANZ achieved the lowest number of disputes of all the major banks – with a total of 19 disputes compared to 64 in 2003.

The Banking Ombudsman commended ANZ for the very low levels of ‘dispute’ cases earlier this year: “The number of dispute cases involving ANZ is now so low that there is little to be gained from an analysis of them.”

The decline in the number of disputes is due to a long-term approach to improving performance in customer complaint resolution.

The National Bank has, for some years, been the forerunner of the major banks in the area of complaint and dispute resolution. It has had the lowest number of disputes before the Banking Ombudsman of the major New Zealand banks in 2003 and 2005 (and second lowest in 2004).

The emphasis in both our New Zealand Retail brands is to empower and support employees so that they can resolve complaints at the source. This approach has strong support from senior management and is underpinned by the value: ‘Do what is right for the customer’.

### Disputes before Banking Ombudsman\*

	2006	2005	2004	2003
ANZ	19	25	57	64
National Bank	31	23	37	39

\*Year ending 30 June

### Market disclosure

ANZ National Bank takes its disclosure responsibilities very seriously.

In 2006, ANZ National Bank reached an agreement to settle legal proceedings issued by the Commerce Commission challenging the adequacy of ANZ and The National Bank’s disclosure of currency conversion charges on overseas debit and credit card transactions. This was an industry issue and all major credit card issuing companies faced similar proceedings relating to their disclosure practises in New Zealand between 2001 and 2004.

ANZ National bank was the first of the card issuing companies to reach agreement with the Commission. ANZ and The National Bank apologised to their customers and established a fund to refund a portion of the currency conversion fee to customers. Disclosure practices were amended to address the Commission’s concerns.

### Investing in our people

ANZ National Bank is committed to being New Zealand’s best employer by attracting top talent so that the calibre of our staff continues to set us apart.

We recognise the importance working life plays in overall personal wellbeing, so we focus strongly on making work rewarding and fun for our people. We enjoy high levels of staff engagement with 60% across the organisation, 71% in ANZ retail areas and 66% in The National Bank retail. These results are well above the banking benchmark of 51%. Our aim is to maintain and grow that engagement so it becomes a long-term business advantage.

We have made significant investments in education and delivery methods to reflect the breadth of adult learning styles: online, face-to-face, a library of learning guides, on-the-job learning and peer coaching. We also have a policy which encourages and supports employees wishing to undertake tertiary study.

In the past year we have developed 40 new courses including a specific customer service program aimed at increasing customer satisfaction in our ANZ and National Bank retail brands.

Our people have taken part in more than 17,000 learning and development initiatives this year – nearly two per staff member. This includes facilitated courses, online courses and paper-based, self-paced courses.

One of our most important learning initiatives is a new program for people managers designed to help them improve their own teams and increase the engagement of their people. Three new courses on managing staff were developed during the past year to focus on the transition from the status of individual employee to people manager right through to managing managers. We are now focusing on developing an online induction module to welcome new staff as well as new courses for managers.

### Participating in our communities

Community participation is a core value in New Zealand and essential to achieving our business strategy.

We encourage staff to participate in their communities through our employee volunteer program, which gives each employee one day's paid leave each year to volunteer for community work. In 2006, ANZ National Bank staff have contributed 10,087 of volunteer hours to community organisations. In addition to their volunteering time, our people donated NZ\$83,367 to the ANZ Staff Foundation, which granted more than NZ\$166,000 to community organisations throughout New Zealand.

Our retail brands also have community sponsorships to support causes New Zealanders care about.

### Financial literacy

ANZ funded New Zealand's first research into adult financial knowledge levels. The study, called the ANZ–Retirement Commission Financial Knowledge survey, found that New Zealanders have a reasonable level of personal financial knowledge, but that there is strong correlation between financial knowledge and socio-economic status.

We understand our own responsibility in addressing the financial information needs of our customers and have committed to improving the financial knowledge of adult New Zealanders.

ANZ has committed to action in three areas:

1. To repeat the research in four years' time to provide an ongoing measure of financial knowledge.
2. To integrate the findings of the survey into our business with better communication, simpler products and aware and informed staff.
3. To invest in programs which help New Zealanders increase their financial knowledge.

### ANZ '5s for under fives' Plunket sponsorship

In New Zealand, the five cent coin has been withdrawn from circulation and other silver coins replaced at the end of October 2006. ANZ's '5s for under fives' appeal encouraged New Zealanders to gather up their coins and donate them to Plunket.

Plunket, one of New Zealand's most trusted organisations, provides free health and wellbeing services to more than 90% of New Zealand children under five years old.

Through this national appeal, which had strong staff support throughout the country, ANZ has collected over 5.2 million five cent coins for Plunket – or more than NZ\$575,000.



Jewelea Ashe (from ANZ Ponsonby) helps Rosie Boisen make a donation to the '5s under fives' appeal.

### The National Bank Daffodil Day sponsorship

The National Bank has been the principal sponsor of The Cancer Society's Daffodil Day for 16 years.

This is an iconic sponsorship with strong staff support as branches throughout New Zealand develop new and creative ways to raise money for the cause each year.

Over the past 16 years, National Bank staff have raised more than \$10 million for Daffodil Day – with NZ\$860,000 raised in 2006 alone.

In 2005, The National Bank was awarded the New Zealand Herald Best National Cause Sponsorship Award and the TVNZ and Fairfax Supreme Cause Sponsorship Award for its sponsorship of The Cancer Society's Daffodil Day.



Seventeen riders completed the 750km Daffodil Day Cycle of Hope. More than 100 people joined in along the way.



Many of our initiatives and outcomes have been recognised by various award programs and we have also ranked highly in a number of business surveys. Here are some of our achievements in the past year:

**Australian Banking and Finance Awards 2006**

Best Business Bank

**Australian Service Excellence Awards 2005  
(Customer Service Institute of Australia)**

'Best of the Best' and winner of the large business category for Victoria

**Australian Corporate Responsibility Index**

Gold medal and ranked third overall

**Diversity@work Awards**

Employment and Inclusion of Culturally and Linguistically Diverse Australians

**Dow Jones Sustainability Index (DJSI)**

Top five globally on the banking sector Index

**Equal Opportunity for Women in the Workplace Agency**

Employer of Choice for Women 2006

**Institute of Finance Professionals New Zealand (INFINZ)**

Bank of the Year (ANZ National Bank)

**International Customer Service Professionals Awards**

Our Australian Call Centre received the Large Business Award for Outstanding Customer Service

**IFR Asia Awards**

Australia and New Zealand Loan House of the Year

**INSTO Awards – Fixed-income and credit research poll**

No. 1 provider for Australian credit research and analysis  
No. 1 most improved fixed income research provider  
No. 1 provider of hybrids research securities

**Investor Relations Magazine Awards**

Grand Prix for Investor Relations

**Money Magazine Awards**

Home Lender of the Year  
Readers' Choice Award for Service Excellence

**Prime Minister's Awards for Excellence in Community  
Business Partnerships**

Special Impact on a Community

**Radio Network Best National Cause Sponsorship**

For sponsorship of the '5s for under fives' appeal in New Zealand

**Vero Excellence in Business Support Awards**

The National Bank (NZ) won the Supreme Award for its outstanding contribution to the support of small businesses in New Zealand

For more information about international awards visit [www.anz.com/recognition](http://www.anz.com/recognition)



In 2004 and 2005, KPMG issued assurance reports to ANZ on selected corporate responsibility performance indicators and provided feedback on reporting process improvements.

This year, the scope of KPMG's assurance includes both performance indicators used to report against 2006 public goals and management assertions made in relation to the AA1000 AS principles on stakeholder engagement. This review has been conducted in accordance with the International Standard on Assurance Engagements ISAE3000. KPMG's assurance statement and commentary in relation to this review can be found on [www.anz.com/cr/assurance](http://www.anz.com/cr/assurance).

#### AA1000 Assurance Standard Principles

ANZ has used the AA1000 Assurance Standard (AA1000 AS) principles to report our progress in addressing the needs and interests of our stakeholders in our 2006 Corporate Responsibility Report. Our online report at [www.anz.com/cr/2006report](http://www.anz.com/cr/2006report) contains a full statement (management assertions) on how ANZ has addressed the principles of materiality, completeness and responsiveness referred to within AA1000 AS. KPMG's assurance statement (see above) includes comment in relation to these management assertions.



#### Global Reporting Initiative (GRI)

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 the development of our 2006 CR Report. The online version of this report ([www.anz.com/cr/2006report](http://www.anz.com/cr/2006report)) includes a GRI Index covering strategy and profile and performance indicators, as well as a self-assessment of our GRI Application Level. Management Approach Disclosures are also covered in our 2006 CR Report.



#### London Benchmarking Group (LBG)

In 2005, ANZ began using the LBG framework for measuring and reporting our community contributions and achievements. The LBG model encourages greater accountability and is recognised as best practice in reporting on corporate community investment. Assurance by Positive Outcomes and a full statement on ANZ's corporate community investment outcomes can be found in the assurance section of our online report ([www.anz.com/cr/assurance](http://www.anz.com/cr/assurance)).

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For further information please visit our Corporate Responsibility website, which includes an online version of this report and the GRI Index: [www.anz.com/cr](http://www.anz.com/cr) or email [aboutus@anz.com](mailto:aboutus@anz.com).



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