

ANZ



ANZ Corporate Responsibility Reporting 2011: assurance statement and commentary

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Assurance statement

ANZ has commissioned Corporate Citizenship to provide external assurance and a commentary on the CR sections of the *Shareholder and Corporate Responsibility Review 2011* (pages 20-35) and on the accompanying material contained in anz.com/cr, both referred to hereon in as 'the report'.

The scope of our assurance

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

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

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

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

sections of the *Shareholder and Corporate Responsibility Review 2011* (pages 20-35) and on the accompanying material contained in anz.com/cr.

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

Opinion and conclusions

In our opinion the *Shareholder and Corporate Responsibility Review 2011* and online report reflects the principles of AA1000 (2008): inclusivity, materiality and responsiveness.

With regard to inclusivity, the commitment to be accountable to those on whom ANZ has an impact and who have an impact on ANZ, and to enable their participation in identifying issues and finding solutions, we found clear evidence of robust processes in place.

With regard to materiality, determining the relevance and significance of issues to ANZ and its stakeholders, we believe that the CR framework in the *Shareholder Review* and online material substantially address the relevant issues.

With regard to responsiveness, response to stakeholder issues that affect ANZ's sustainability performance, we found evidence of a well-managed process that responds to key groups, including customers, employees and NGOs.

The specified sustainability performance information is reliable and accurate.

The level of assurance is that defined by AA1000 as high.

Commentary

ANZ's Corporate Responsibility programme has made solid progress during 2011. The company has developed a systematic approach to stakeholder engagement. This means that ANZ can more effectively anticipate and respond to the needs of its customers, employees and communities.

It reflects the beginnings of a move at senior levels to view corporate responsibility as complementing the bank's long-term, commercial goals. For example, ANZ has become particularly effective at establishing a clear business case for its activities and developing new product and service innovations.

Our assurance process identified employee engagement as the area that had improved the fastest over the course of the year. Scores are up. A long-term

strategy is in place. There is a clear recognition of progress and an acknowledgement of more to do on gender.

Looking ahead, we have identified two strategic areas to maintain a leadership position in corporate responsibility: managing the geographic roll-out in support of the bank's super regional strategy; and expanding the ambition across the value chain, particularly in engaging clients and suppliers on environmental and social issues.

The two areas of focus are intended to provide advice on how ANZ can maintain its position as a recognised leader in responsible business practices. However, the very nature of corporate responsibility means that new issues and expectations are always emerging, and it is not always possible to anticipate them.

Super regional strategy

Connectivity is a central theme of this year's report. ANZ is seeking to "capture the economic growth and growing interdependence of the economies in Asia". The super regional strategy "is about delivering shareholders long-term growth and differentiated returns through a balanced exposure to Asian growth".

This has two important implications for corporate responsibility. Firstly, corporate responsibility needs to support the strategy of growth in Asia. Secondly, the programmes and practices themselves need to navigate the wide-ranging challenges in the different markets carefully.

In last year's assurance statement, we stated that "ANZ needs to maintain a strong focus on what it means to be a super regional bank... ANZ should, in future reports, explain how its super regional nature and aspirations are changing what it does and how it acts".

ANZ has successfully introduced a strong framework to manage corporate responsibility across the region. We found clear evidence that the framework has begun to be implemented judiciously. Programmes and systems, from MoneyMinded to health and safety, are being thoughtfully contextualised.

There is clearly more work to be done here to accelerate the transition. ANZ now needs to be able to demonstrate that its global corporate responsibility programme is not just being implemented and delivered in its markets, but is also responsive and shaped by the local needs that are identified.

Particular challenges ahead include elucidating what issues such as diversity mean for ANZ in a global context. There is an opportunity for ANZ to build on success in

certain fields – such as customer engagement and innovation – and ensure that there is more sharing of best practice across the markets to accelerate progress.

The approach to corporate responsibility has begun to mature to reflect the bank's super regional strategy and we look forward to continued progress in this area.

Tackling the value chain: Energy Policy & Human Rights

Last year's assurance also noted a trend towards some leading companies looking at the impacts of their operations across the value chain. We challenged ANZ to consider "how a bank, as distinct from a manufacturing company, can assess indirect impacts over time".

Since then, interest has grown in how businesses engage with clients to support sustainability goals.

ANZ has made progress in two main areas.

Firstly, the new sensitive sector policies are demonstrative of a renewed focus on client impacts. Policies direct the internal actions of a company that may have external consequences. ANZ has been shrewd to harness insights both internally and externally in revising these policies.

The revised Energy Policy addresses the most preeminent of environmental issues that stakeholders see as significant. ANZ now needs to provide more detail on how it will measure and meet the new target on gas and renewable energy project finance. Future reports should detail progress against this goal. How ANZ selects and influences its institutional clients will continue to be an area of interest to stakeholders.

Secondly, looking upstream, we found that ANZ has made some progress in working with suppliers. The bank understands and has a clear process around sourcing. The scope has also been expanded beyond environmental issues to include social ones, such as through the new human rights framework.

We previously encouraged ANZ to "report transparently and informatively about the operation of the standard. This should include the dilemmas that implementing the standard throws up, how these are resolved and how ANZ continues to engage with relevant stakeholders".

This year's report provides some of the first steps. There is a need to go further and explain how human rights is being embedded across different management processes and resulting in real changes. Reporting should seek to provide more

detail on the dilemmas and challenges involved in implementing the human rights standard as it is rolled out.

ANZ commands a strong reputation in corporate responsibility. This year's report provides further evidence of leadership. The bank has deftly evolved its approach over many years and approaches its reporting with a maturity and professionalism.

But the external environment is changing quickly, and expectations of what a business like ANZ should be doing continue to evolve. The company commands a strong position from which to continue to advance corporate responsibility in support of its regional growth ambitions. We look forward to seeing future progress.

***Corporate Citizenship
London
17 February 2012***

Methodological notes

The assurance work was commissioned in August 2011 and was completed on 17 February 2012. Detailed records were kept of meetings, assurance visits and correspondence relating to the inclusivity, materiality and responsiveness of the report, as well as to technical matters relating to the accuracy and presentation of data. A team of four, comprising a Director, Associate Director, Senior Consultant and Senior Researcher, undertook the assurance and commentary process. The team has a variety of professional and technical competencies and experience. For further information please refer to our website www.corporate-citizenship.com.

Our external assurance and commentary process for ANZ's 2011 Reporting has involved, but not been limited to, the following elements:

- Understanding ANZ, its own and broader cultural contexts; its approach to and understanding of corporate responsibility; how it identifies issues material to its operations and in particular how this was shown through its Corporate Responsibility strategy development and implemented in different markets;
- Detailed interviews with a broad cross section of employees including ANZ's Corporate Responsibility and Corporate Affairs staff about reporting the company's approach, policies, governance, performance measures, benchmarks, stakeholder relations and future plans and with staff involved in the implementation of policy. This was principally with staff based in the corporate headquarters in Melbourne but included engagement with employees responsible for implementing the policies in New Zealand and Asia Pacific, Europe and America;
- A detailed evaluation of ANZ's 2011 Reporting against the principles of AA1000;
- A detailed evaluation of ANZ's 2011 Reporting against the Global Reporting Initiative's Principles for Determining Report Content and Quality;
- A review of the use of corporate responsibility reporting data and an evaluation of how the efficiency of the reporting could be improved;
- A review of how effectively ANZ had introduced the LBG system of measuring community programmes to certain new locations;
- A review of the external audit of the environment data by SGS and an audit of community performance data by Positive Outcomes have been taken into account in coming to our conclusions;

- Examination of the reporting at set stages in its development and testing of the assertions throughout on a section-by-section basis, drawing from evidence and supporting documentation, reporting mechanisms, frameworks and processes;
- Checks on a sample basis of elements of the Reporting's contents to underlying records.

Our work did not extend to a complete audit of the report's contents. We have not been responsible for the preparation of ANZ's 2011 reporting nor in devising the internal management and reporting systems that yielded the data contained therein.

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

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

We have worked with ANZ since 2005 and have provided assurance since 2007. During 2011 our work with ANZ focused exclusively on assurance and stakeholder engagement.

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



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