

# Sustainable

## **SAM Sustainable Asset Management**

### **Company Benchmarking Report for Australia and New Zealand Banking Group**

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Asset Management

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October 2004



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## 1. Summary

## 2. Sustainability & Competitiveness, Challenges in Banking

## 3. ANZ's Corporate Sustainability Benchmarking

## Appendix

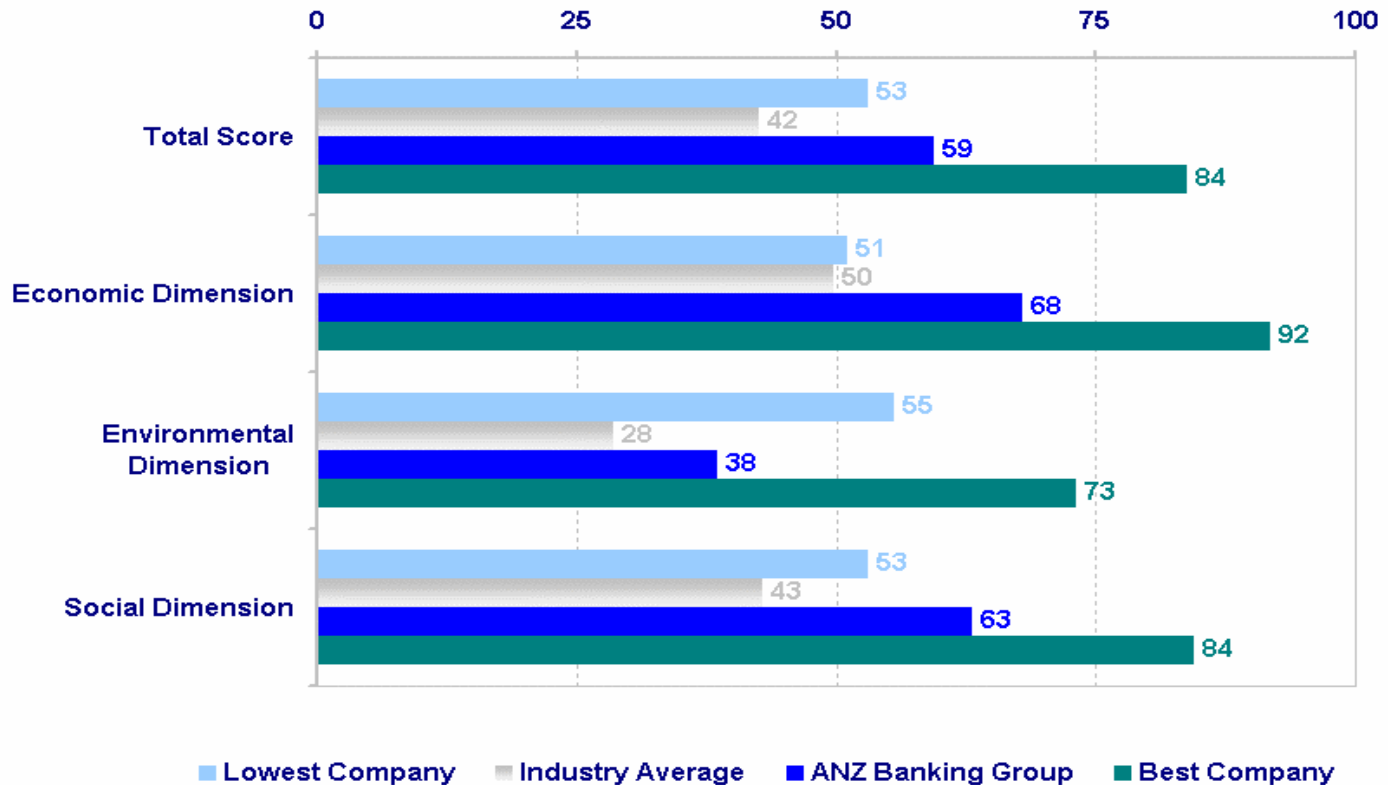
## 4. Performance Benchmarking Competence Model

## 5. Weighting/Performance Benchmarking Triple Bottom Line (TBL)

## Summary

- Corporate sustainability is becoming more integrated into corporate strategy and focused on long-term shareholder value.
- Social and environmental issues shaping competitive landscape.
- ANZ Banking Group (ANZ) is very well positioned in the banking industry globally as well as in the Australian market. However, competition on a global and Australian level is intense within the industry.
- ANZ's most important **strengths** are corporate governance, risk & crisis management policies and processes, codes of conduct and compliance systems, customer relationship management, environmental policy and management, stakeholder engagement.
- ANZ's could **improve** its potential to leverage value creation in embedding core values of the social responsibility strategy in the charter of the responsible board of directors committee and in the codes of conduct, in public reporting, such as key performance in anti-corruption & bribery. In addition, controversial issues related to lending policies in (e.g. defense/armaments, GMO) might need to be addressed explicitly.

## ANZ: Well integrated corporate sustainability strategy...



...reflected in above average cluster scores across all dimensions

		Economic			Environmental			Social		
		poor	average	best	poor	average	best	poor	average	best
DJSI Industry Group: Banks	Westpac Banking Corp.									
	ABN-AMRO Holding N.V.									
	Barclays Plc									
	Canadian Imperial Bank of Commerce									
	Credit Suisse Group									
	Deutsche Bank AG									
	HBOS plc									
	HSBC Holdings Plc									
	HypoVereinsbank AG									
	Royal Bank Of Scotland Group									
	Abey National Plc									
	Australia & New Zealand Banking Group Ltd.									
	Banco Monte Dei Paschi Di Siena									
	Banco Bilbao Vizcaya Argentaria									
	BNP Paribas									
	Dexia									
	FoereningsSparbanken Ab									
	Groupe Société Générale									
	Grupo Santander Central Hispano									
	Hachijuni Bank Ltd.									
	Lloyds TSB Group Plc.									
	National Australia Bank Ltd.									
	Royal Bank of Canada									
	UniCredito Italiano S.p.A									
	Banco Itaú Holding Financeira S.A.									
	Nedcor Limited									
	Standard Bank Group Limited									
	UBS Group									
DJSI World										

Companies with identical cluster scores are grouped and listed alphabetically, these groups are separated by lines. The sector leader is listed first.

Next company in line for selection should a component be deleted from the DJSI World:

Sumitomo Mitsui Financial Group Inc.										
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Legend: p = poor, a = average, b =best

The relative positioning of companies within the DJSI industry group Banks on a global basis is illustrated based on cluster scores around the economic, environmental and social dimensions.

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# SAM Corporate Sustainability Analysis <sup>TM</sup>

## Focus on Value Creation

- Reveal potential for value **creation** / **destruction**
- Look for **integration** of sustainability strategy into value based management
- Emphasize **performance** over systems
- Reward **evidence** of strategic initiatives
- Reflect regional and cultural **differences**
- Emphasize **industry-specific** criteria as issues related to sustainable development vary across sectors

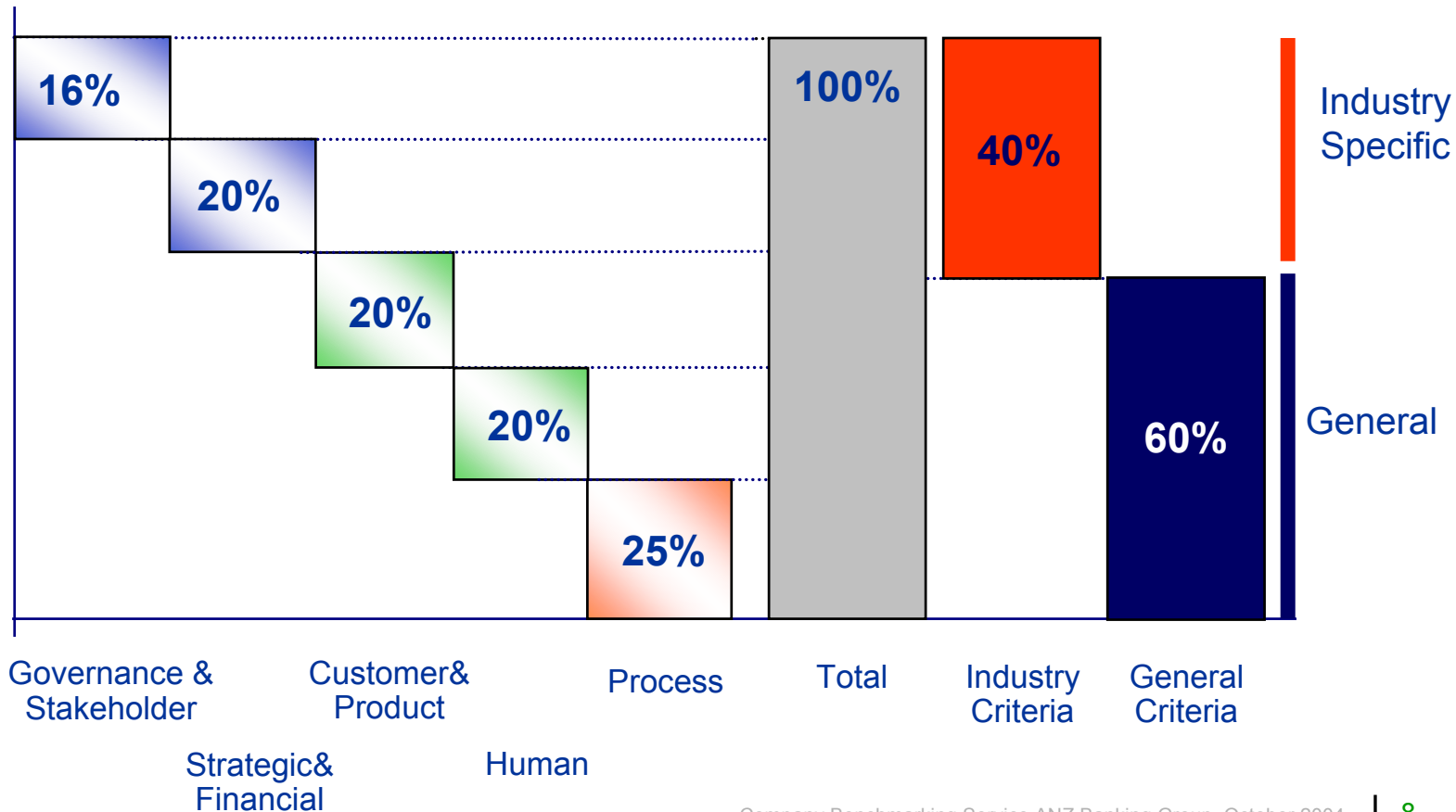
## Key challenges in the banking industry

- Trust and accountability, e.g. tackling dilemma situations
- Leadership, e.g. corporate culture of integrity
- Leadership in strategic planning and execution
- Liability risks in value chain, e.g. how financial services/products are used by customer
- Innovation capabilities to integrate new risks, business opportunities in overall corporate strategy

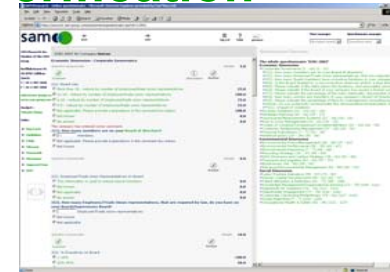
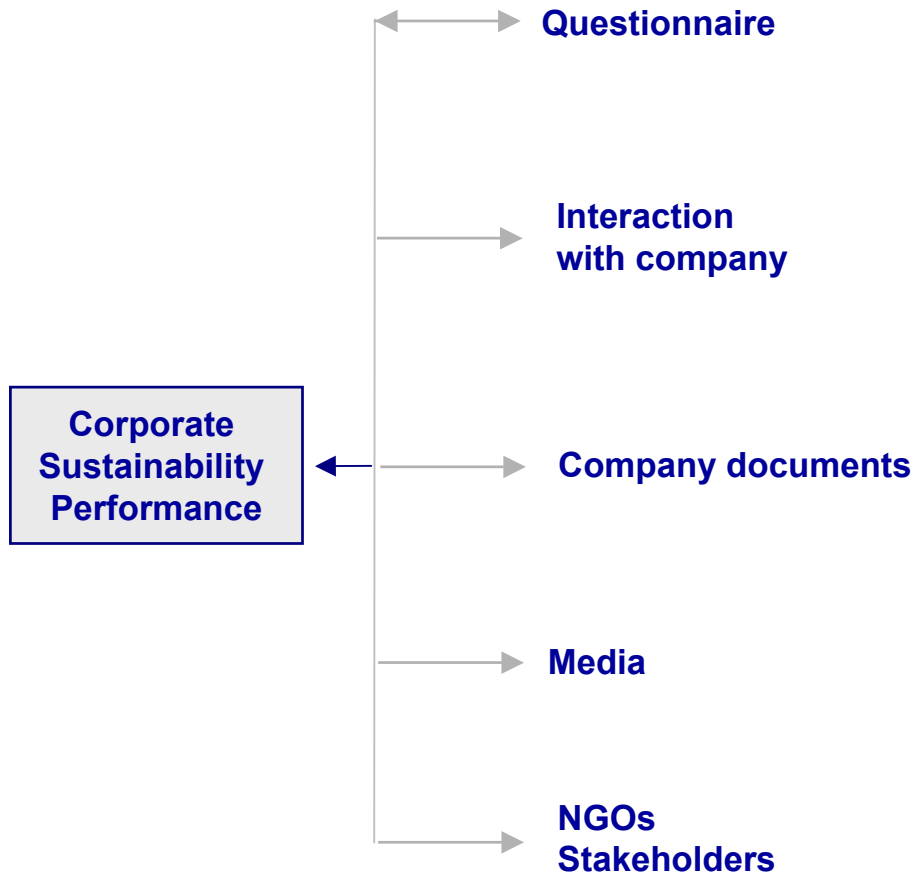


# SAM Corporate Sustainability Analysis™ Weighting Scheme

## Banking: Reflecting importance of customers, human capital, processes



# Assessment based on a wide variety of information sources, including Media & Stakeholder Verification



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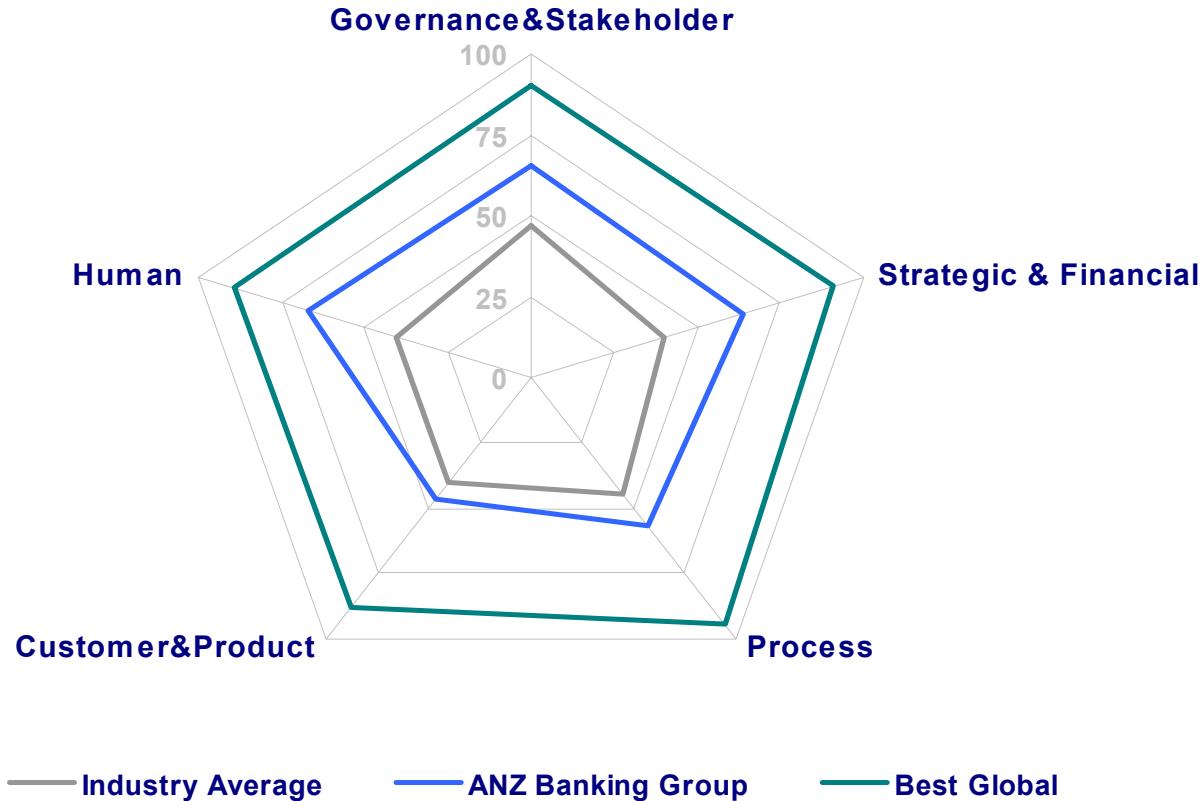
# Competitiveness and value creation will depend on ANZ's ability to capitalize on key challenges



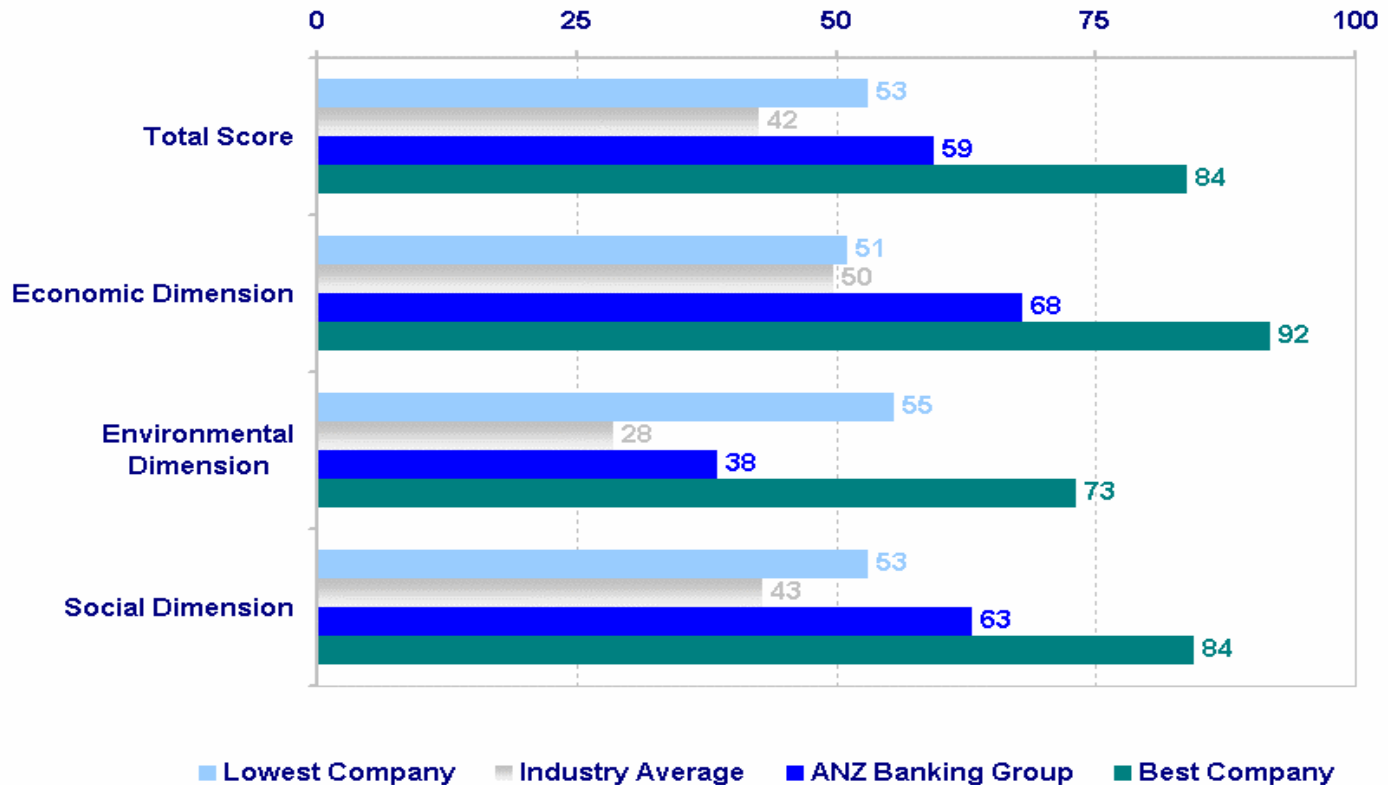
**How competent is ANZ in addressing these challenges?**

# ANZ: Strong competences to address challenges

Results 2004 – Benchmarking Competences



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## Comparison Results 2001 – 2004: Corporate sustainability performance continuously improved





## Media / Stakeholder Analysis for ANZ

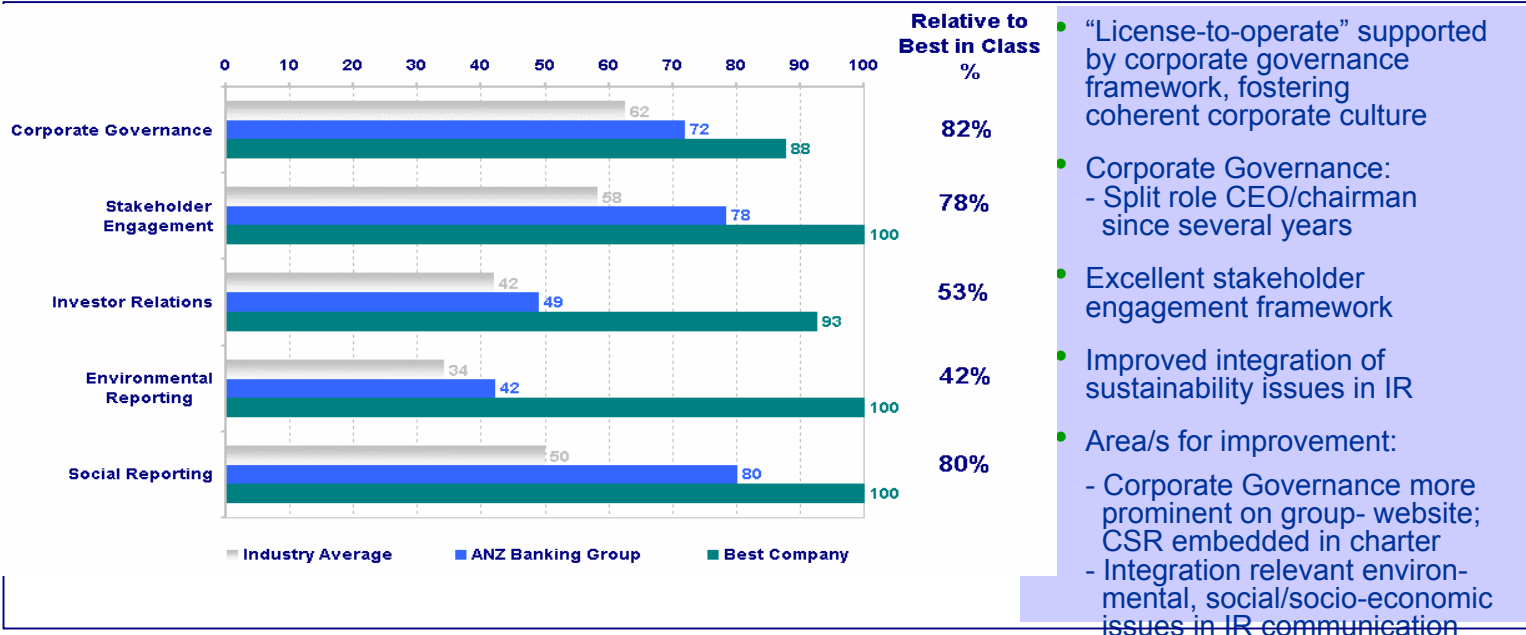
September 2003 – September 2004

Criteria	Cases found	Impact analysis
Illegal commercial practices	<b>Anti competitive: Mortgage broker – Mr. Wayne Ormond</b>	<ul style="list-style-type: none"> <li>• Judged as no case.</li> <li>• Allegations from Mr Ormond, not supported by evidence.</li> <li>• Good Track record.</li> </ul>
Human rights	<b>ANZ and Thai Military Bank</b>	<ul style="list-style-type: none"> <li>• Judged as no case.</li> <li>• However could be in conflict with Codes of Ethics.</li> </ul>
Layoffs /workforce conflicts	no cases	
Disaster / accidents	no cases	

# Challenge 1: Trust & Accountability

Competence/s: Governance&Stakeholder, Financial

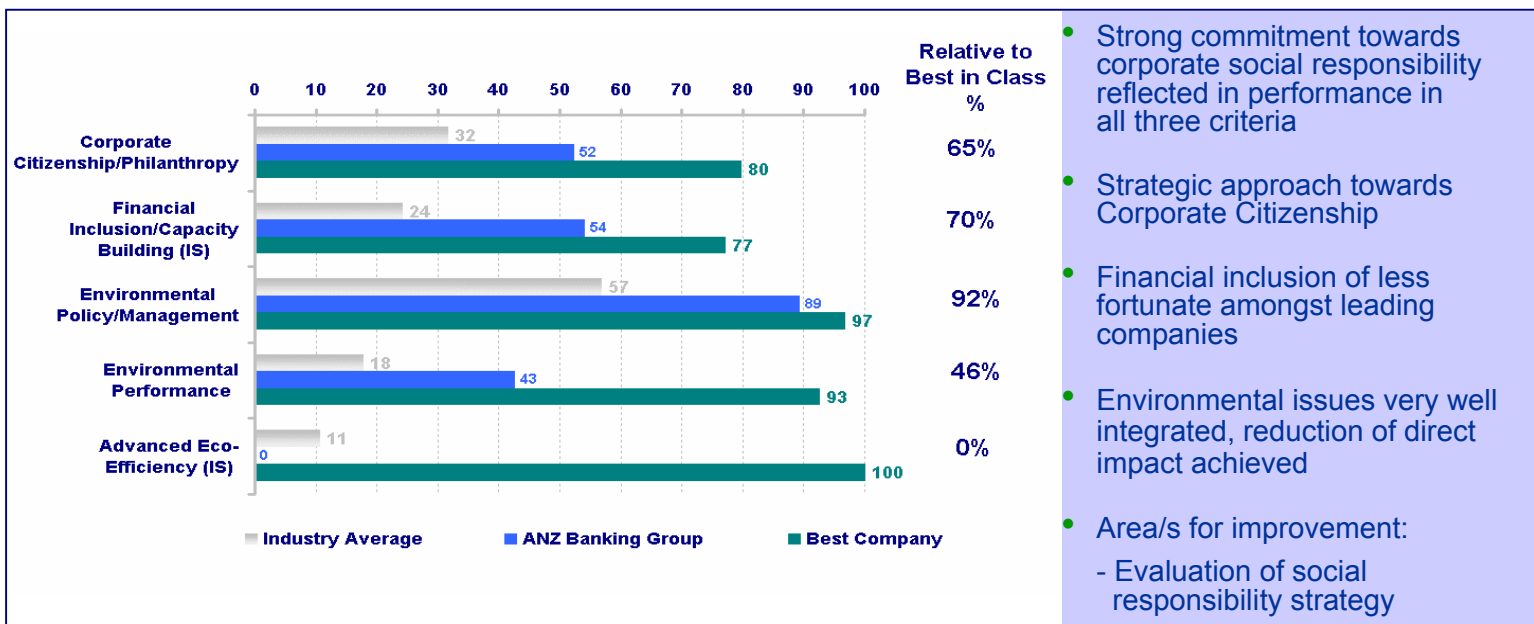
## Results and comment on ANZ's performance



## Challenge 1 (contd.) : Leadership in Corporate Social Responsibility

Competence/s: Governance&Stakeholder, Process

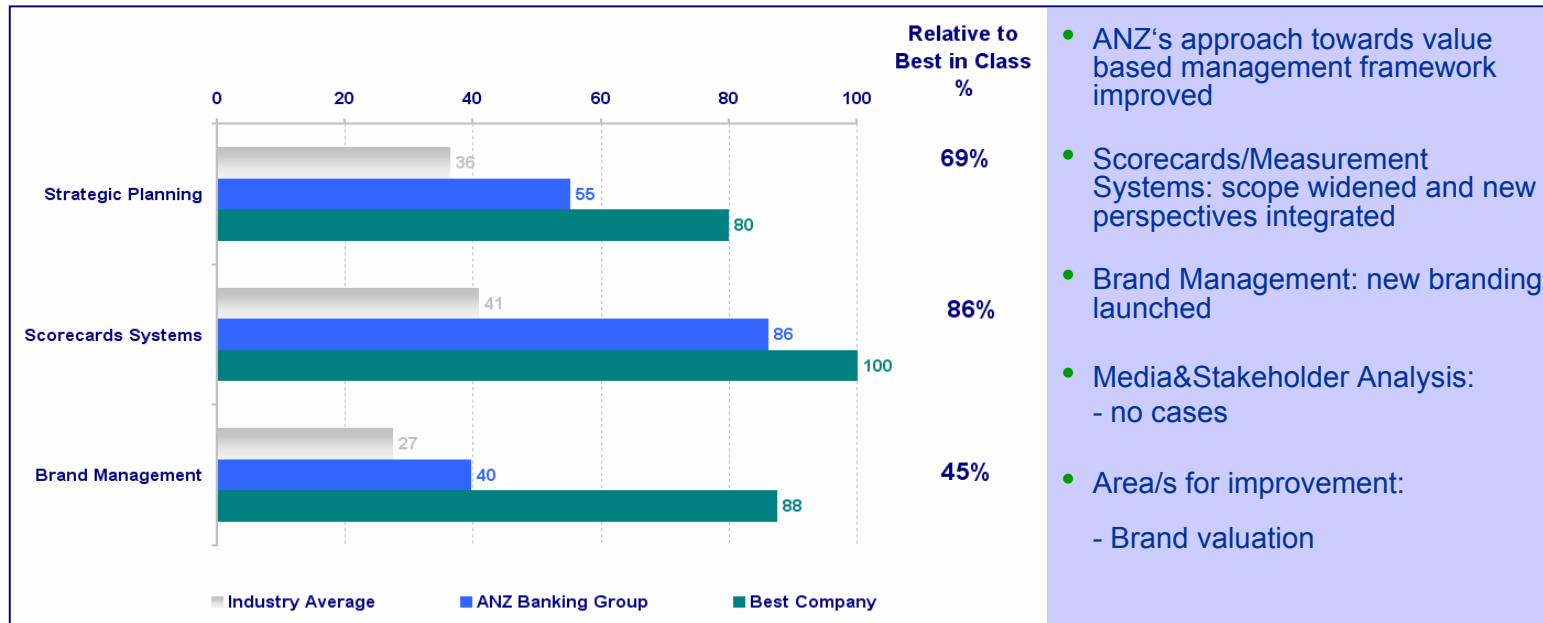
### Results and comment on ANZ's performance



## Challenge 2 : Leadership Strategic Planning

Competence/s: Strategic & Financial

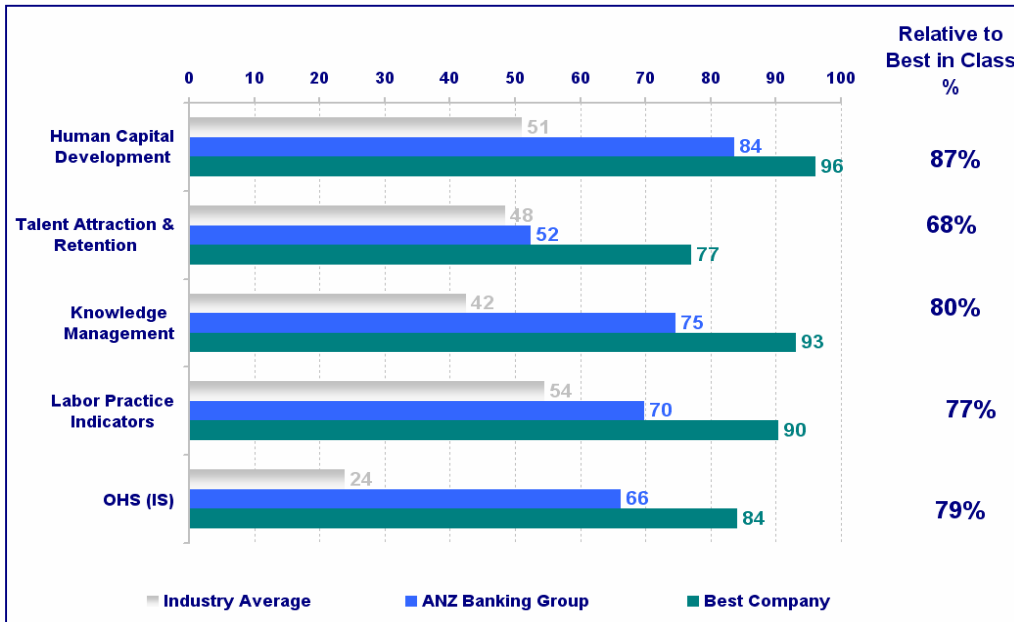
### Results and comment on ANZ's performance



## Challenge 3&4 : Human/Intellectual capital

Competence/s: Human

### Results and comment on ANZ's performance

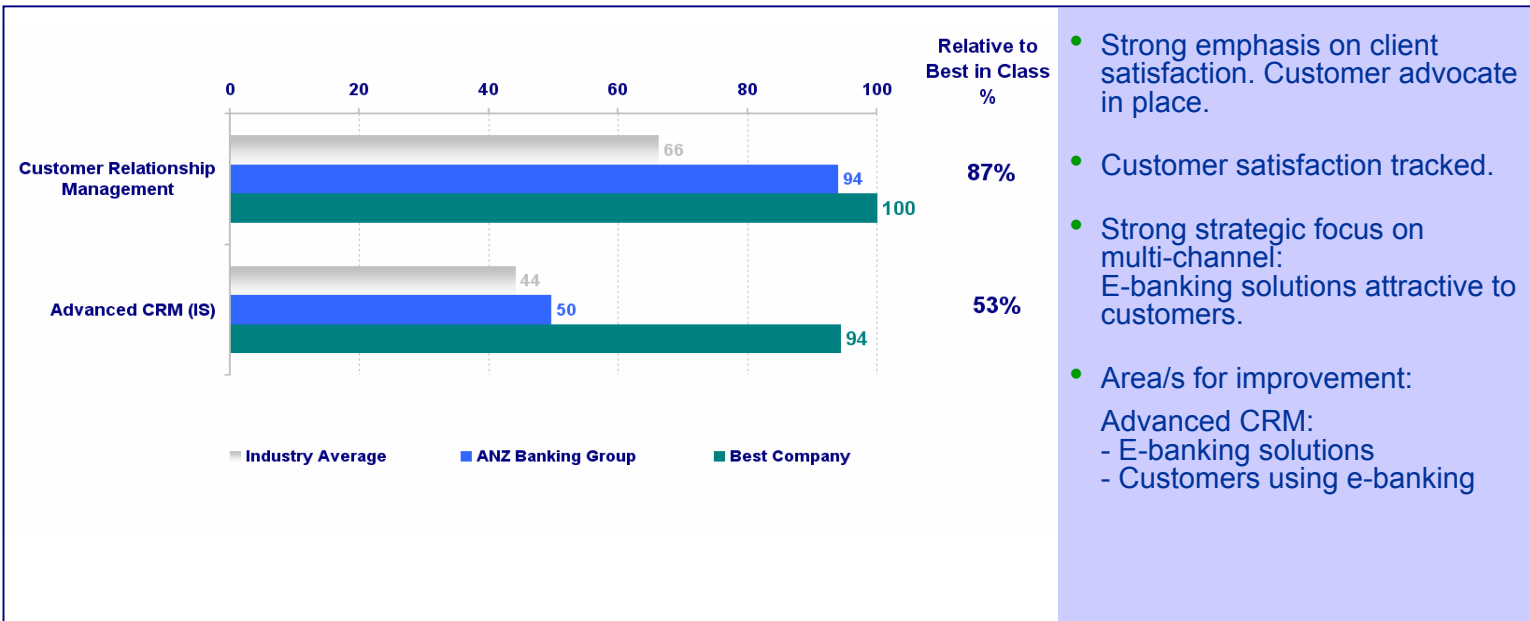


- ANZ in place to capitalize on its human and intellectual capital.
- Very strong focus on employee satisfaction.
- Labor Practice Indicators amongst leading companies, reflecting strong focus on corporate culture.
- Area/s for improvement:
  - Talent Attraction&Retention: Tracking of remuneration data
  - Labor Practice: Communication and grievance solution

## Challenge 5 : Capitalize on customer relationship

Competence: Customer&Product

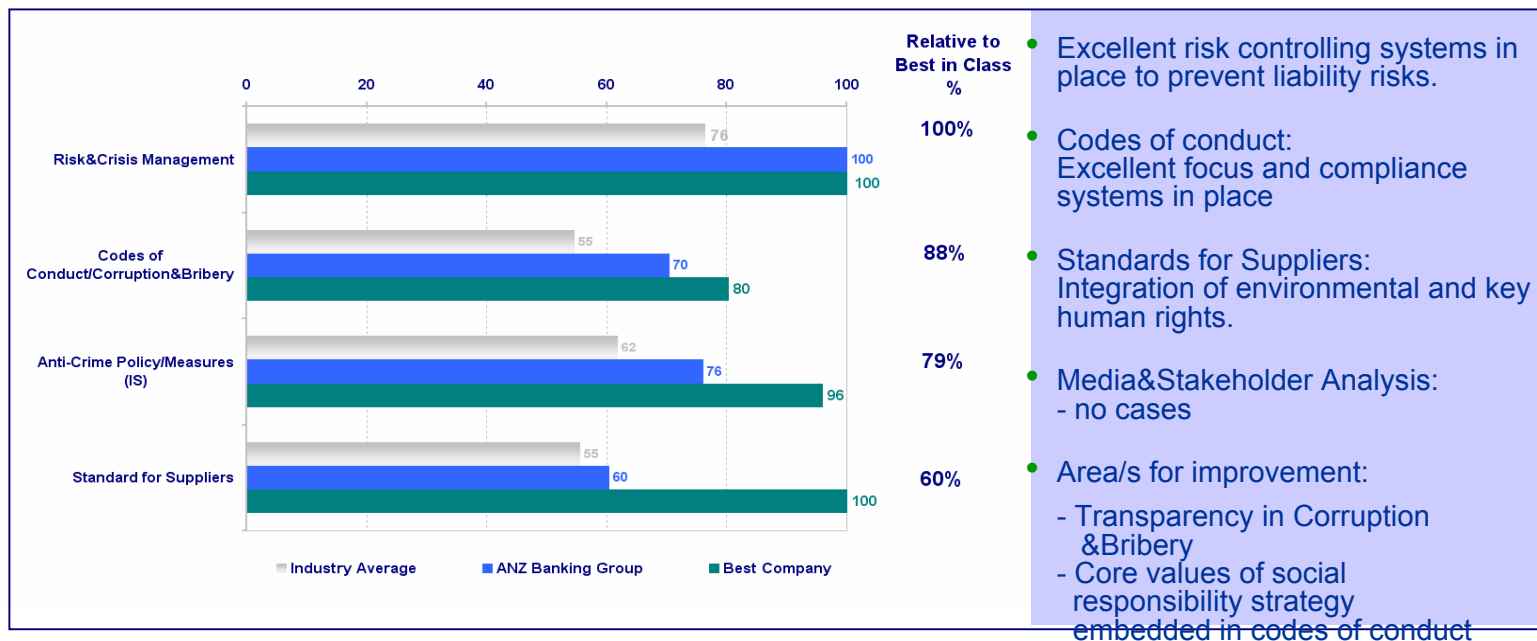
### Results and comment on ANZ's performance



## Challenge 6 : Liability risks in value chain

Competence: Process

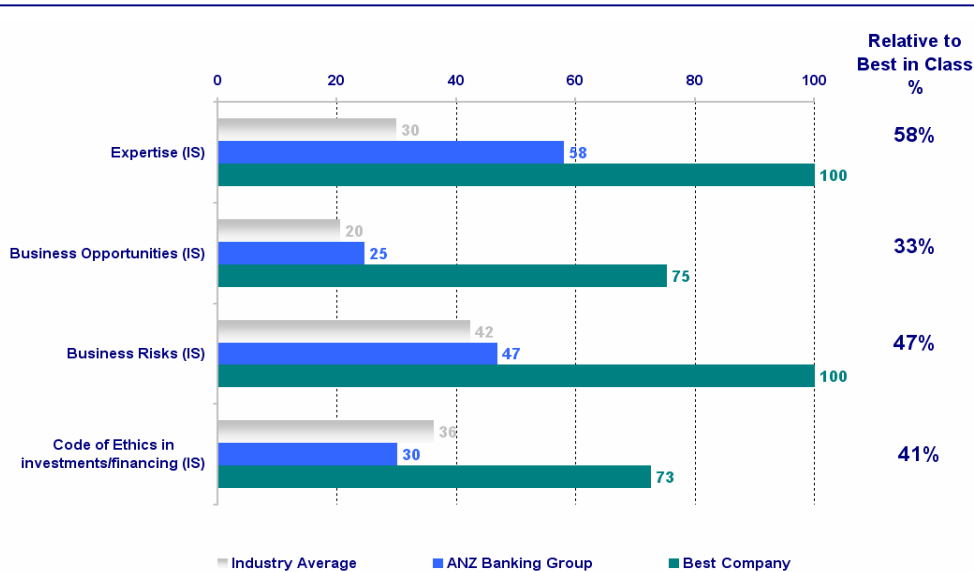
### Results and comment on ANZ's performance



## Challenge 7: capitalize on environmental/social trends

Competence: Customer&Product / Human

### Results and comment on ANZ's performance



- ANZ not yet fully capitalizing on its strong sustainability expertise. Active engagement with with key stakeholder in product development.
- Business Opportunities: Integration of environmental criteria in lending policies. But more potential.
- Increasing public scrutiny towards controversial issues. No formal Code of Ethics.
- Area/s for improvement:
  - Business Risks: reporting
  - Code of Ethics



## Key insights: Strong competences, ANZ in place to capitalize on relevant sustainability challenges

- **Increased corporate sustainability performance 2004** (2004: 59%; 2003: 53%; 2001:49% ).
- **Well positioned** in its industry, but other financial institutions closing gap.
- **Strong competences** to build required capitals in order to execute on corporate social responsibility strategy. Value based management framework improved further to support strategy execution and to foster a corporate culture of integrity.
- **Very high standard in core corporate governance framework.**  
Together with active stakeholder engagement sustained „licence to operate“.
- Very good core **processes to prevent liability risks** in value chain.  
MSA did not reveal any serious cases underpinning pro-active engagement with customers and other stakeholders.

### ➤ Potential to leverage strengths to value creation:

Governance&Stakeholder competence:	Diversity, CSR embedded in Charter of the Nominations & Corporate Governance Committee Corporate Governance: visibility on website KPIs-reporting in Anti-Corruption & Bribery
Process competence:	Labor Practices: Grievance process
Human competence:	Talent Attraction & Retention: Remuneration
Customer&Product competence:	Business Opportunities Code of Ethics: position papers

## Insights: Key strengths - Potential to leverage value creation

Competence	Key strengths	Potential to leverage
<b>Governance&amp; Stakeholder/ Financial</b>	<ul style="list-style-type: none"> <li>• Excellent Stakeholder Engagement Framework</li> <li>• IR: perception studies integrated in business processes</li> </ul>	<ul style="list-style-type: none"> <li>• CSR further embedded in Corporate Governance</li> <li>• Visibility of Corporate Governance on web</li> <li>• Environmental reporting (underway)</li> </ul>
<b>Strategic</b>	<ul style="list-style-type: none"> <li>• Scorecard system as basis for a value based management approach</li> <li>• Environmental Policy/ Management framework</li> </ul>	<ul style="list-style-type: none"> <li>• Brand management: valuation</li> <li>• Coverage of certification of EMS</li> <li>• EMS: coverage of internal audit</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>• Codes of Conduct/Compliance</li> <li>• Risk &amp; Crisis Management</li> <li>• Anti-crime/money laundering policies/processes</li> </ul>	<ul style="list-style-type: none"> <li>• CoC: Whistleblowing</li> <li>• Corruption&amp;Bribery: reporting</li> <li>• Environmental Performance</li> <li>• Standard for suppliers: currently under review</li> </ul>
<b>Customer&amp; Products</b>	<ul style="list-style-type: none"> <li>• CRM: e.g. Customer Advocate</li> <li>• Experts in socio-economic, environmental related areas, active engagement for product enhancement, development</li> </ul>	<ul style="list-style-type: none"> <li>• Business Opportunities</li> <li>• Business Risks: reporting</li> <li>• Code of Ethics/Business Principles</li> </ul>
<b>Human</b>	<ul style="list-style-type: none"> <li>• Labor Practice Indicators</li> <li>• Human Capital Development</li> <li>• Talent Attraction &amp; Retention: remuneration: employee satisfaction</li> <li>• Knowledge Management</li> </ul>	<ul style="list-style-type: none"> <li>• Labor Practice Indicators: Grievance policies/systems</li> <li>• Talent Attraction &amp; Retention: Data on remuneration</li> </ul>

## Financial Sector: future challenges

- Build trust via accountability and transparency
  - Increased reporting on critical issues key
  - Impartial assurance of business practices
  - **Transparency in commission, fees**
- Excellent relationships with stakeholders a necessity
- Active corporate citizen
  - Synergies from corporate philanthropy strategies
- Capitalize on intellectual capital
- Prevent liability risks in value chain
  - Consumer pressure towards selling practices
  - Strategic alliances, joint ventures
  - E-banking new risks beyond national legislation
- Capitalize on environmental and social trends
  - New business opportunities, risks

**Financial sector needs to engage with stakeholders and to become transparent.**



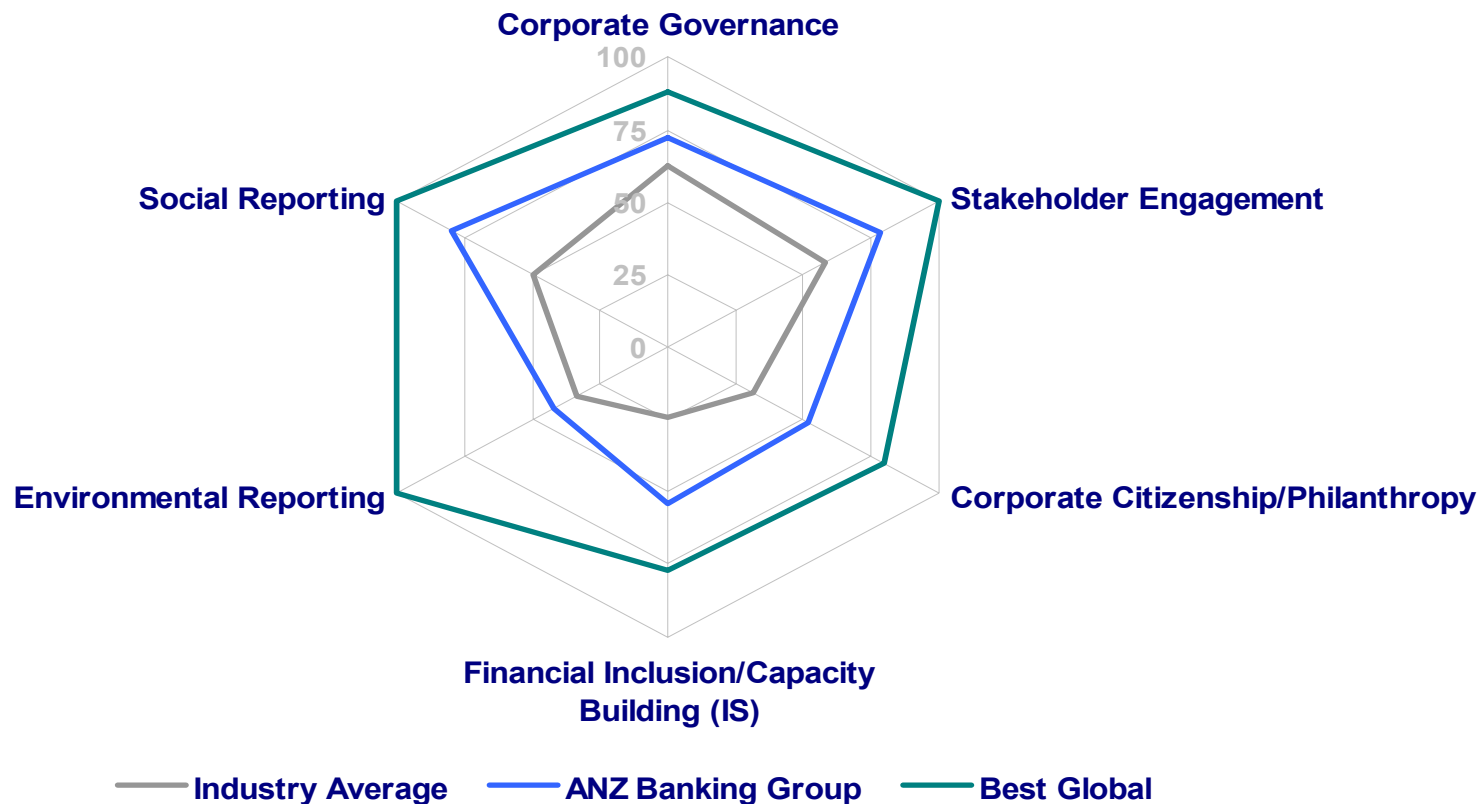
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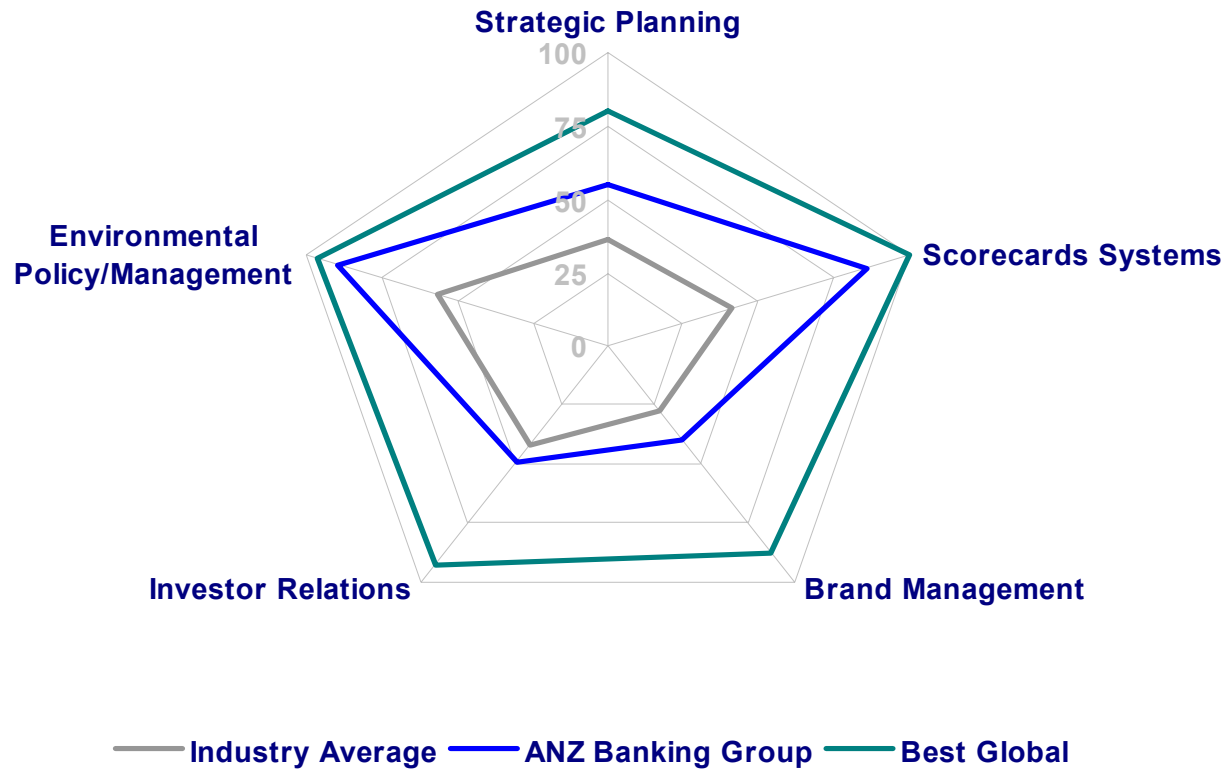
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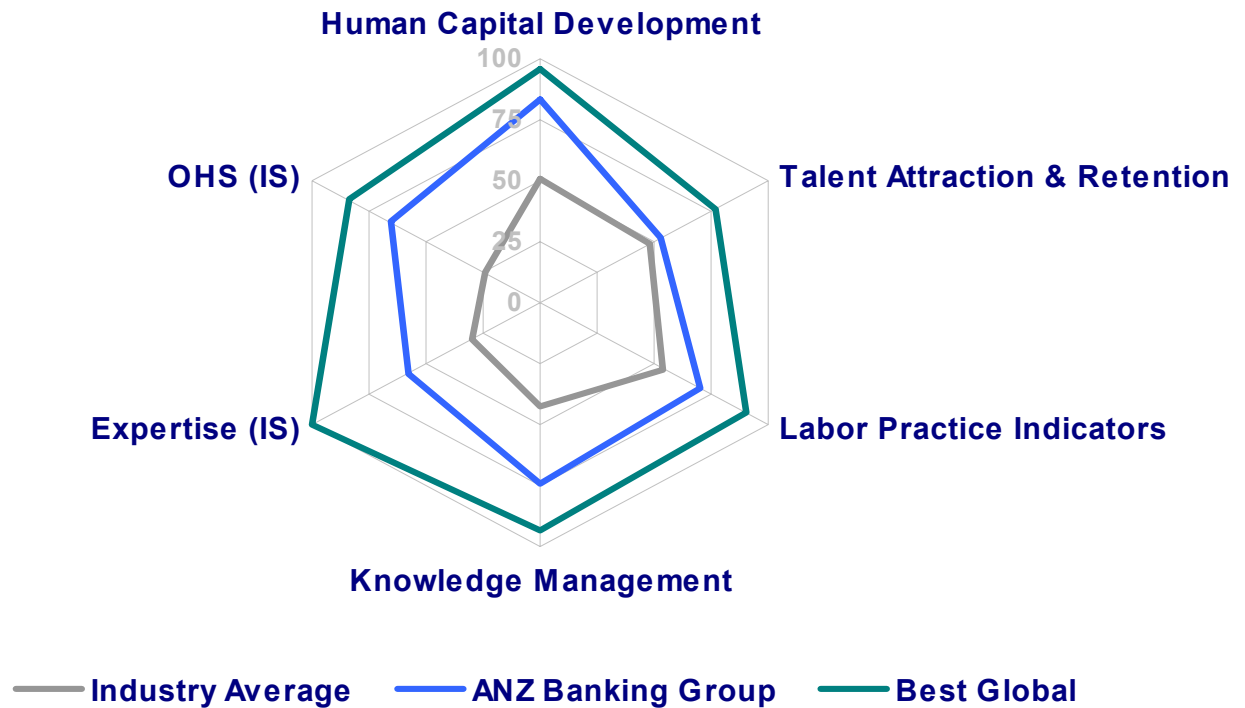
## Governance & Stakeholder Competences Performance – Radar Diagram



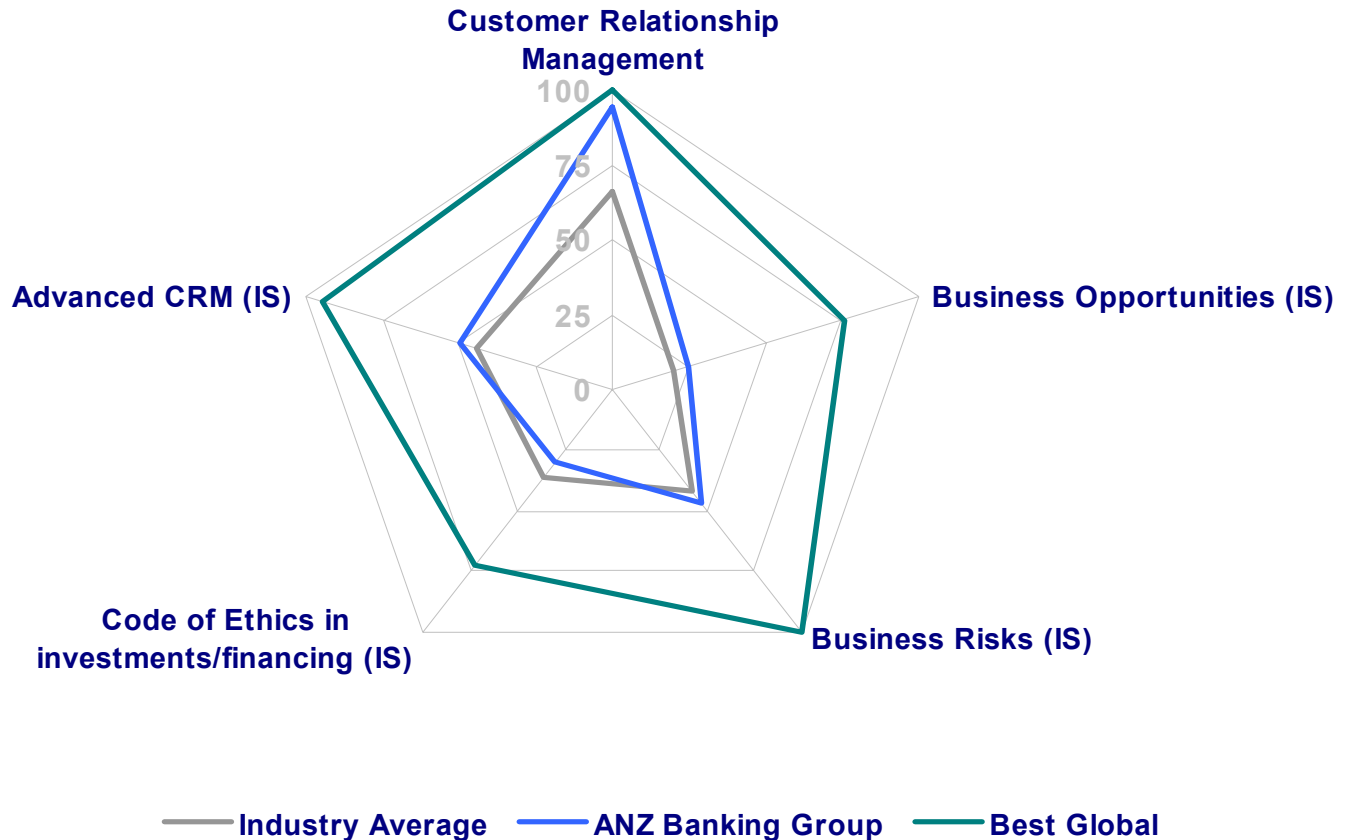
## Strategic / Financial Competences Performance – Radar Diagram



# Human Competence Performance – Radar Diagram

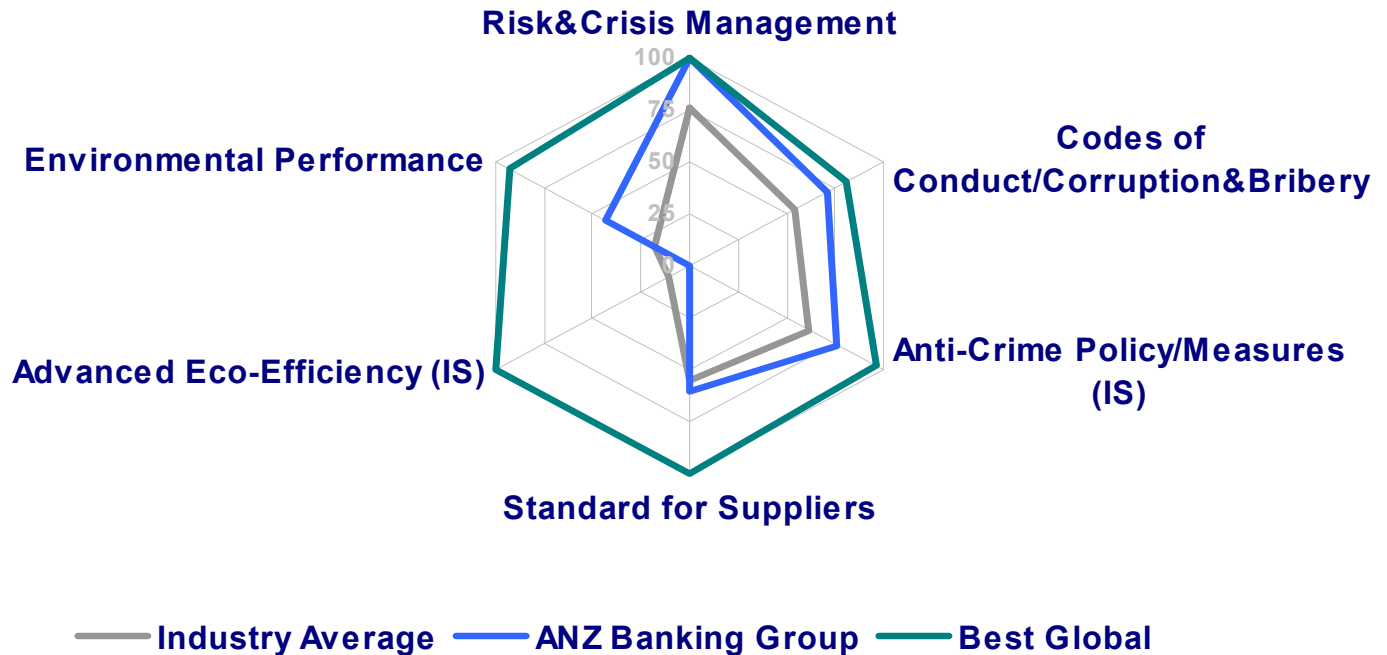


## Customer & Products Competence Performance – Radar Diagram





## Process Competence Performance – Radar Diagram



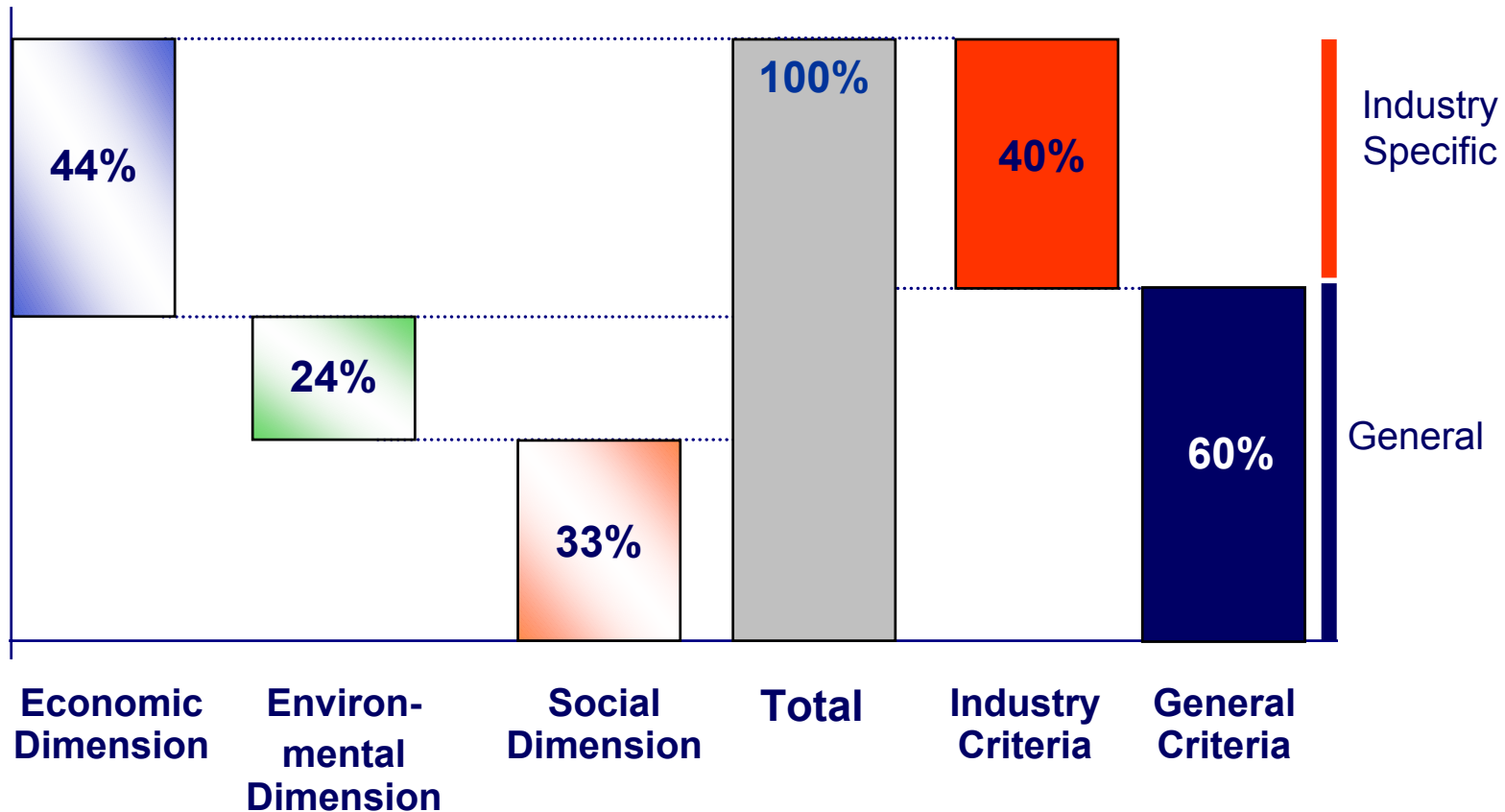
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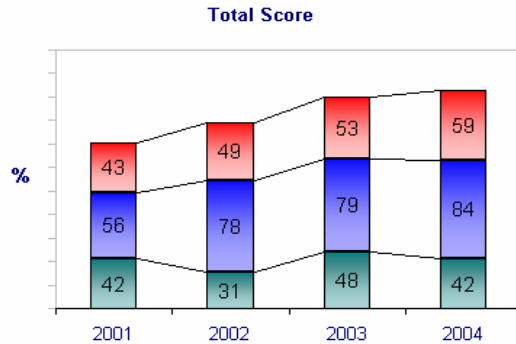
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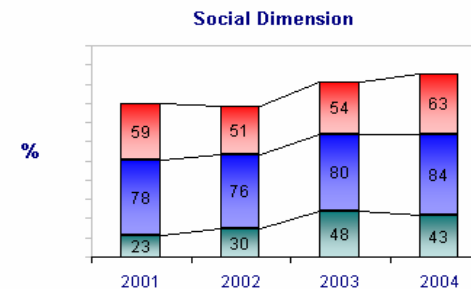
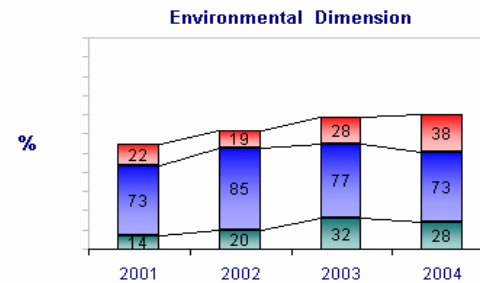
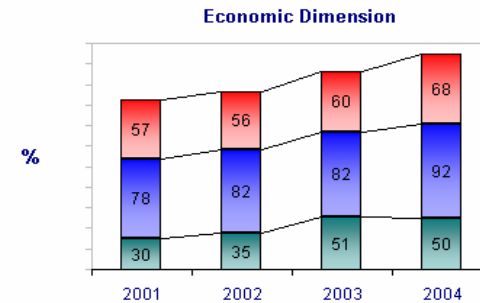
## SAM Corporate Sustainability Analysis™ Weighting Scheme Banking: Based on TBL



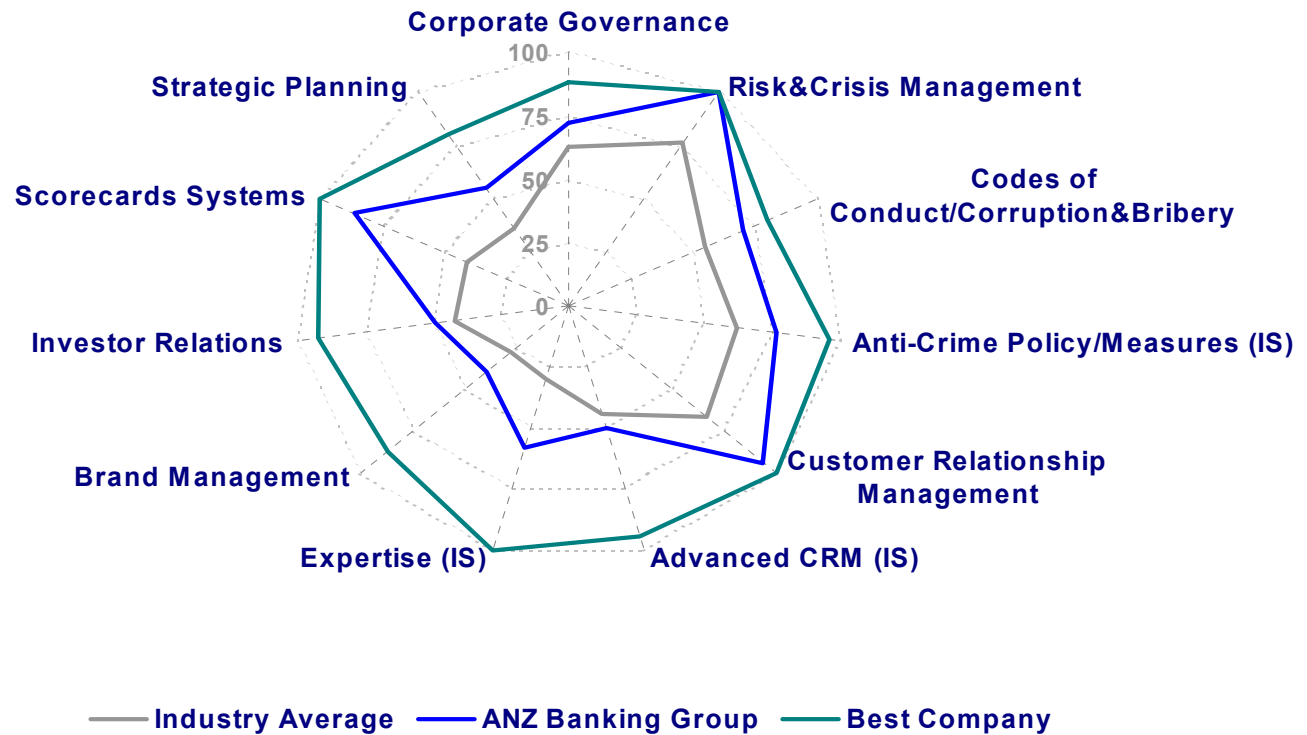
## Comparison Results 2001 – 2004: Continuous improvements in economic and social dimension



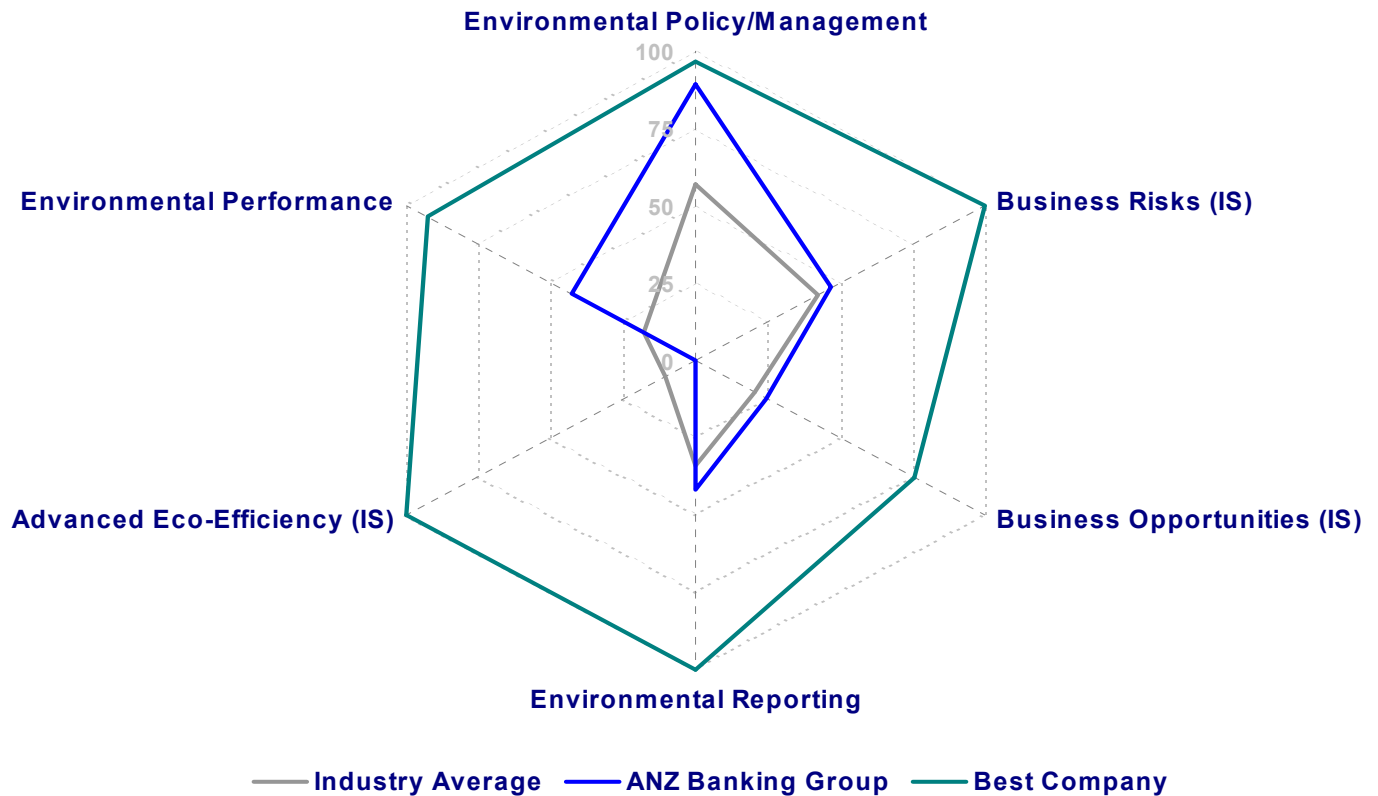
■ ANZ Banking Group  
■ Best Company Global  
■ Industry Average Global



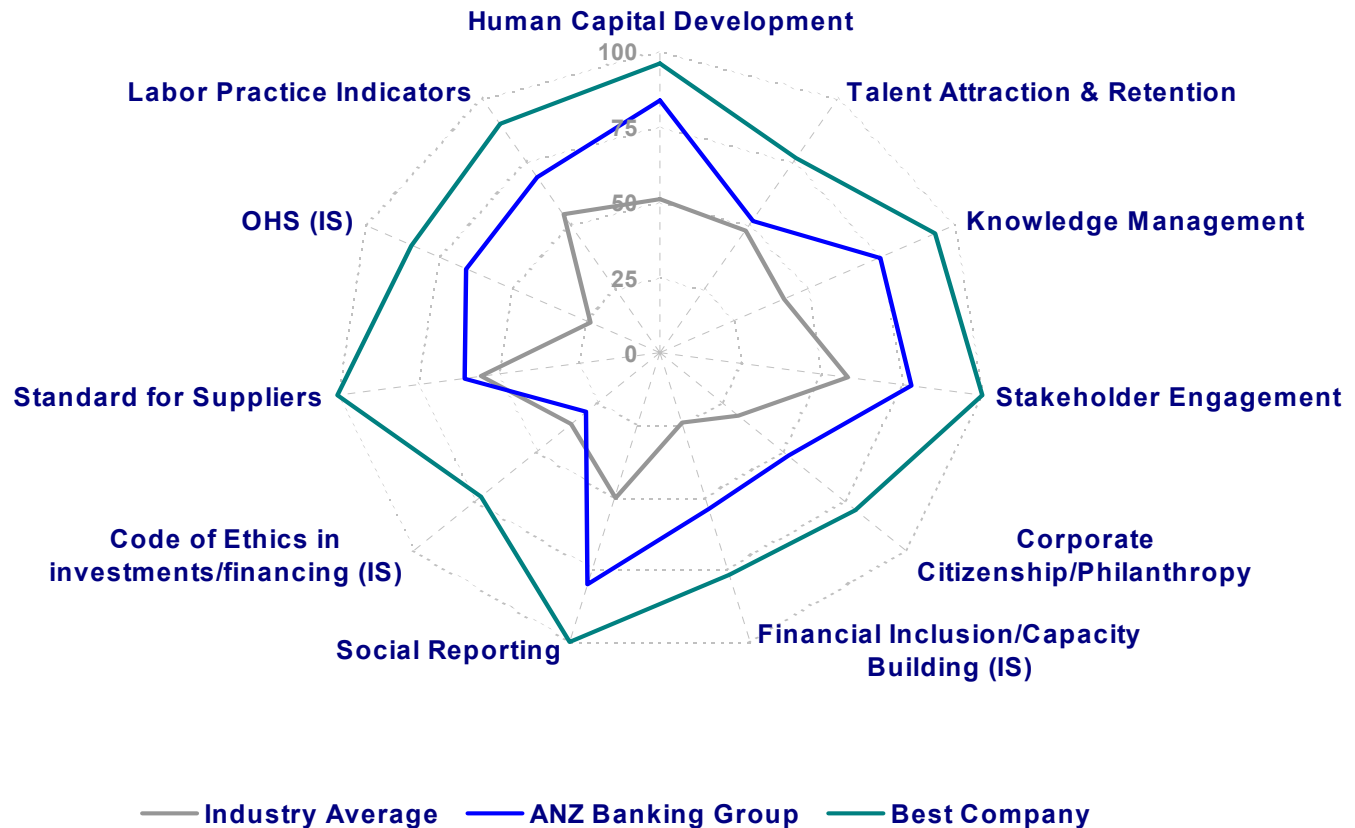
# Economic Performance – Radar Diagram



# Environmental Performance – Radar Diagram



## Social Performance – Radar Diagram





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