2018
SUSTAINABILITY REVIEW

ANZ

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OUR 2018 REPORTING SUITE

This report discusses our performance against our material social, environmental and economic opportunities and challenges. This report is structured in three sections. The first outlines how we do business, including our purpose, values and Sustainability Framework; our approach to the identification and prioritisation of material issues; and governance and risk management (including social and environmental issues). The second details our management approach and performance relevant to materially significant issues aligning with our Sustainability Framework, including our priority areas of financial wellbeing, environmental sustainability and housing. The third section is our detailed sustainability performance data.

We have been using the Global Reporting Initiative (GRI) framework for our sustainability reporting for more than a decade. This report has been prepared in accordance with the GRI Standards: Comprehensive option. A complete GRI Index is available on anz.com/cs.

We have continued to map our material issues and sustainability targets to relevant United Nations Sustainable Development Goals (SDGs). The 17 goals and 169 targets are aimed at solving the world's most pressing sustainable development challenges — ending global poverty, protecting our planet and ensuring human rights — over the next 15 years. Business has an important role to play in achieving the SDGs and we recognise that stakeholders want more granular information as to how business is contributing. In response to stakeholder feedback, in addition to mapping the goals, throughout the report this year we have sought to identify the relevant SDG targets to which we are making a contribution.

This report covers all ANZ operations worldwide over which, unless otherwise stated, we have operational control for the financial year commencing on 1 October 2017 and ending 30 September 2018. Monetary amounts in this document are reported in Australian dollars, unless otherwise stated.

KPMG has provided independent limited assurance in respect of this Sustainability Review, including considering whether the appropriate indicators have been reported in accordance with the GRI Sustainability Reporting Standards Comprehensive level of disclosure. A copy of KPMG's independent limited assurance report is on pages 89–90.

We produce a suite of reports to meet the evolving needs and requirements of a wide range of stakeholders. This Sustainability Review complements the 2018 Annual Review which concisely describes how our business model, strategy, governance and risk management processes incorporate our most material issues and delivering value for our shareholders and other stakeholders. It draws on aspects of the International Integrated Reporting Framework. Our 2018 Annual Report principally details our financial information. Both reports are available on anz.com/annualreport.

The reports available for stakeholders are as follows:

1. 2018 ANZ Sustainability Review anz.com/cs
2. 2018 Corporate Governance Statement anz.com/corporategovernance
3. 2018 Annual Review anz.com/annualreport
4. 2018 Annual Report anz.com/annualreport

Other financial disclosures are available on shareholder.anz.com.

Our 2018 Corporate Governance Statement discloses how we have complied with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations — 3rd edition'. We also provide our Principal Risks and Uncertainties. These documents are available on anz.com/corporategovernance.

We will continue to evolve and improve our reporting suite over the coming years and welcome feedback on this report. Please address any questions, comments or suggestions to corporate.sustainability@anz.com.

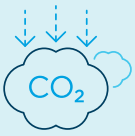
2018 SUSTAINABILITY SNAPSHOT

$11.5 BILLION

funded and facilitated in low carbon and sustainable solutions since 2015

MORE THAN 621,000

people reached through our MoneyMinded, MoneyBusiness and Saver Plus programs since 2002[1]



18%

reduction in greenhouse gas emissions[2]

510 PEOPLE

from under-represented groups recruited since 2016[3]

$3,188 MILLION

taxes paid[4]

124,113 HOURS

volunteered by employees

32%

representation of women in leadership roles[5]

$137 MILLION

in community investment[6]

RANKED 1ST

Australia and New Zealand Institutional Net Promoter Score[7]

RANKED 3RD

Net Promoter Score Retail Australia[8]

1. Refer to page 88 for methodology.
2. Global scope 1 and 2 emissions against a 2015 baseline.
3. Includes Aboriginal and Torres Strait Islander people, people with disability and refugees.
4. Total taxes borne by the Group, includes unrecovered GST/VAT, employee related taxes and other taxes. Inclusive of discontinued operations.
5. Measures representation at the Senior Manager, Executive and Senior Executive levels. Includes all employees regardless of leave status but not contractors (who are included in FTE).
6. Figure includes forgone revenue of $107 million, being the cost of providing low or fee-free accounts to a range of customers such as government benefit recipients, not-for-profit organisations and students.
7. Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand. In New Zealand ranked against the Top 4 competitors.
8. Roy Morgan Research Single Source, Australian population aged 14+, Main Financial Institution, six-month rolling average to Sep' 18. Ranking based on the four major Australian banks.

SUPPORTING COMMUNITIES IN DIFFICULT TIMES

This year we announced a number of relief measures to assist farmers and communities affected by the ongoing drought in Australia, including donations of $500,000 to Financial Counselling Australia and $500,000 to the Foundation for Rural and Regional Renewal (FRRR).

Natalie Egleton, CEO of FRRR said, "FRRR has worked with ANZ over many years to support rural and regional communities through the Seeds of Renewal grants program. This new donation builds on ANZ's support of those communities and enables FRRR to provide grants to relieve the current symptoms and stressors of drought, and to support long-term recovery.

The donation will be directed to a significant national expansion of the existing Tackling Tough Times Together (TTTT) and Back to School programs to support drought-affected communities around Australia."

Through the TTTT program, grants of up to $20,000, $60,000 and $150,000 are available for community strengthening projects to reduce social isolation, support leadership development and training, build capability and sustainability for local communities, and stimulate economic activity and cash flow within communities. The Back to School program provides $50 vouchers to students in need, to assist in purchasing essential school supplies (e.g. school uniforms, clothing, shoes, school bags and stationery items) necessary to engage and participate in school.

CHAIRMAN'S MESSAGE

DAVID GONSKI, AC

WE ARE UNANIMOUS IN OUR RESOLVE TO BUILD A COMPANY OF WHICH WE AND ALL OF OUR STAKEHOLDERS CAN BE PROUD.

This was a challenging year for both ANZ and the entire banking industry.

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has been confronting for all of us at ANZ, including the Board.

We recognise that in the last decade we have failed in some circumstances to do the right thing and to keep the needs of our customers as our priority. The Board and senior management will improve transparency with customers and ensure that the balance between earnings and providing worthwhile, fair and desired services is maintained at all times.

The Ethics, Environment, Social and Governance Committee of the Board, which I chair, is active and well informed. Throughout the year we have undertaken strategic, governance and oversight activities on issues including customer remediation, implementation of the new Banking Code of Practice, organisational culture, the development of ANZ's ethical decision making framework and performance against sustainability targets.

Fundamental to our Sustainability Framework, which was refreshed this year, is fair and responsible banking. We have set a range of targets for the coming year which I believe demonstrate our commitment to maintaining high standards of conduct and improving outcomes for our customers.

While the needs of our customers must be our key priority, through our focus on financial wellbeing, environmental sustainability and housing, we are also contributing to the broader sustainability agenda. Our work in these areas is aligned with our purpose and business strategy, and also contributes to a number of the United Nations Sustainable Development Goals (SDGs). The over subscription to our inaugural SDGs bond, launched earlier this year in the European wholesale debt capital markets — raising €750 million to fund ANZ loans and expenditures that directly promote nine of the United Nations' 17 SDGs — highlights growing demand for socially responsible investment.

As discussed throughout this report, strong and effective partnerships are fundamental to achieving positive impacts that improve social and environmental outcomes. Our financial wellbeing programs, for example, could not be delivered without the dedication of our community partners and I take this opportunity to thank them.

Finally, I would also like to thank our people — I feel confident that with their continued dedication we will deliver on our strategy, creating sustained value for our customers, employees, shareholders and the community, well into the future.

David Gonski, AC
CHAIRMAN

CEO'S MESSAGE

SHAYNE ELLIOTT

FOR ANZ TO HAVE A SUSTAINABLE, LONG-TERM FUTURE, WE NEED TO BE SIMPLER, DO A FEW THINGS REALLY WELL, AND KEEP OUR PROMISES.

We operate in a complex environment across 34 markets, navigating a range of sensitive issues with potentially significant social and economic impacts. For this reason, just as we report on our financial performance, it is equally important that we report on our sustainability performance — explaining how we manage our most material environmental, social and governance (ESG) risks and opportunities.

Communicating transparently and openly is critical to rebuilding community confidence. The Royal Commission has highlighted failures by ANZ and our industry and has helped us to reflect on the type of organisation we want to be.

There are two key things we are focusing our efforts on to become a better bank.

Be simpler and faster. We want to do fewer things and do them really well — while ensuring they are aligned to our purpose. In the past we have taken too long to identify, report and to fix customer issues. This report outlines a number of the initiatives we have underway to improve customer outcomes, including for our most vulnerable customers.

Keep our promises and keep on listening and learning. If we fail to live up to our promises to customers, we will acknowledge our failures and learn from them. Our culture is critical to living up to this — continuing to create a stronger sense of core purpose and ethics will help to increase accountability and build community trust.

Public disclosure of our performance against measurable sustainability targets is an important part of holding ourselves to account. While the Royal Commission has highlighted times where we have let our customers and the community down, as is discussed throughout this report, we continue to make many valuable contributions, including:

- reaching more than 621,000 people through our MoneyMinded, MoneyBusiness and Saver Plus programs since 2002, as part of our target to help enable social and economic participation of 1 million people by 2020;
- helping more than 550 New Zealand households damp proof their homes by working with the government to provide $100 million in interest free loans for insulation; and
- funding and facilitating $11.5 billion in low carbon and sustainable solutions since 2015, including 'green' buildings and renewable energy.

I would like to thank our people who work hard every day to do a better job for our customers, shareholders and our community. We know we still have a significant job ahead of us, and as a team we are committed to delivering a better bank — a bank that can truly shape a world where people and communities thrive.

Shayne Elliott
CHIEF EXECUTIVE OFFICER

BANKING ROYAL COMMISSION

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has conducted seven rounds of hearings into:

1. consumer lending;
2. financial advice;
3. loans to small and medium enterprises;
4. issues affecting Australians who live in remote and regional communities;
5. superannuation;
6. insurance; and
7. causes and responses.

On 28 September 2018, the Royal Commission submitted its Interim Report on the first four hearing rounds. ANZ submitted its response to the Interim Report on 26 October 2018.

The Commissioner has been asked to submit his final report by 1 February 2019.

The Royal Commission's Interim Report lays out conduct of a standard below what the community expects and, in some cases, what the law requires. The observations of the Commission have rightly dismayed and disappointed Australians.

We have acknowledged to the Commission that ANZ has engaged in misconduct and conduct falling below community standards and expectations.

These acknowledgements include that:

- we failed our responsible lending obligations for some car loans;
- financial advice customers paid fees for advice reviews we did not provide; and
- there have been cases of inappropriate financial advice, together with other poor conduct by advisers.

The Commission found that in other cases ANZ had failed to meet community standards and expectations or may have a case to answer as to misconduct.

The Commission's Interim Report strengthens our resolve to make ANZ simpler and better able to serve our customers.

We are improving the accountability of our senior executives for failures that harm customers. This includes the implementation of the Banking Executive Accountability Regime (BEAR).

We are also reducing the complexity of the bank, including by reducing the number of products we offer. While no excuse for customer harm, complexity makes it harder to identify and fix problems.

Other steps we are taking to improve customer outcomes are discussed on pages 17–18.

We will continue to engage constructively with the Royal Commission as it finishes its work. Our hope is that the Royal Commission serves as a watershed in the restoration of trust in financial services. This trust is necessary if financial services are to help Australians save, borrow and grow their wealth.

ANZ
ANZ
Welcome to
ANZ Martin Place

ABOUT OUR BUSINESS

Founded in 1835 and headquartered in Australia, we provide banking and financial products and services to around eight million individual and business customers. We operate in and across 34 markets.

OUR CULTURE AND VALUES

Our values are the foundation of how we work and are supported by our Code of Conduct (Code). All employees and contractors must comply with the Code, which contains guiding principles and sets the standards for the way we do business at ANZ.

We care about:

- **I**NTEGRITY
- **C**OLLABORATION
- **A**CCOUNTABILITY
- **R**ESPECT
- **E**XCELLENCE

OUR PURPOSE

Our purpose is to shape a world where people and communities thrive. That means striving to create a balanced, sustainable society in which everyone can take part and build a better life. One of the ways we are bringing our purpose to life is through contributing solutions to complex issues that matter to society and are core to our business and strategy. We are focusing our efforts on financial wellbeing, environmental sustainability and housing, contributing to these challenges by: developing innovative and responsible financial products and services; participating in relevant policy development and research; strengthening stakeholder partnerships; and harnessing the skills of our people.

OUR APPROACH TO SUSTAINABILITY

Our Sustainability Framework supports our business strategy, reflects our most material issues and is aligned with our purpose. This year we refreshed our Framework.

At the core of our Framework is Fair and responsible banking — keeping pace with the expectations of our customers, employees and the community, behaving fairly and responsibly and maintaining high standards of conduct.

Our three priority areas are:

Environmental sustainability — supporting household, business and financial practices that improve environmental sustainability.

Housing — improving the availability of suitable and affordable housing options for all Australians and New Zealanders.

Financial wellbeing — improving the financial wellbeing of our customers, employees and the community by helping them make the most of their money throughout their lives.

GOVERNANCE AND RISK MANAGEMENT

The Board is responsible for the oversight of ANZ and its sound and prudent management, with specific duties as set out in its charter available on anz.com/corporategovernance.

There are five principal Board Committees — the Audit Committee, the Ethics, Environment, Social and Governance (EESG) Committee, the Risk Committee, the Human Resources Committee and the Digital Business and Technology Committee. Each Committee has its own charter setting out its roles and responsibilities.

At management level, the Group Executive Committee (ExCo) comprises ANZ's most senior executives. There is a delegations of authority framework that clearly outlines those matters delegated to the CEO and other members of senior management. In addition, there are a number of formally established management committees that deal with particular sets of ongoing issues.

For further detail on ANZ's governance framework see our 2018 Corporate Governance Statement available on anz.com/corporategovernance.

OUR APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISK MANAGEMENT

How we manage environmental, social and governance issues is rightly impacting the governance of the company. In 2018 we renamed both the Board Environmental, Social and Governance Committee and the Responsible Business Committee to include Ethics, providing management with a further vehicle to raise ethical and conduct issues.

Our most material ESG risks (see page 10) are captured and managed within the Group's Material Risks (see page 38 of the 2018 Annual Report available at anz.com/annualreport).

ETHICS, ENVIRONMENT, SOCIAL AND GOVERNANCE COMMITTEE

The EESG Committee, led by ANZ's Chairman, has a specific focus on sustainability, approving the bank's sustainability targets and reviewing progress in achieving them. It also advises management on ESG issues and reviews minutes from management committees regarding sustainability issues.

The Board is responsible for establishing and overseeing the bank's risk management framework, with the Board Risk Committee responsible for developing and monitoring compliance with ANZ's risk management policies. Management reports concerning the implications of new and emerging risks are reviewed by the Risk Committee. This may include risks that arise from the social and environmental impacts of our lending decisions.

Oversight activities and issues discussed by the EESG Committee during 2018 are outlined in the 2018 Annual Review on pages 30–31 available on anz.com/annualreport.

ETHICS AND RESPONSIBLE BUSINESS COMMITTEE

The Ethics and Responsible Business Committee (ERBC), chaired by the CEO, is comprised of senior executives from business divisions and Group functions, including Risk, Corporate Affairs and Human Resources. The Committee is a leadership and decision making body that exists to advance ANZ's purpose.

Among other responsibilities, the ERBC agrees and sets ANZ's risk appetite for industry sectors to align with the bank's purpose and values. It oversees 'who we bank' and 'how we bank them' making sure we align our lending decisions and products, services and processes with our purpose. It also monitors current and emerging ESG risks and opportunities, debating and agreeing a wide range of issues, particularly those that have the potential to impact the bank's reputation.

The issues discussed are often complex, and this is one of the reasons why this year we asked Dr Simon Longstaff from The Ethics Centre to join the Committee. Dr Longstaff provides a valuable independent voice and ethical perspective to the complex decisions we make every day.

Issues discussed during 2018 have included the development of an ethical decision-making framework to guide our lending decisions; how we are supporting our customers in the transition to a low carbon economy; checking the strength of our policies with respect to live animal exports; the use of credit cards for gambling and our responsibility for assisting customers showing early signs of financial stress. This final issue led to a trial program to proactively identify people showing signs of stress with credit card use and directly intervene with actions to help them get back on track.

WHAT MATTERS MOST

OUR MATERIALITY PROCESS

Through our annual materiality assessment we engage with internal and external stakeholders to inform the identification of our social and environmental risks and opportunities. We seek to identify those issues that have the most potential to impact our ability to operate successfully and create value for our stakeholders.

These issues may change over time, reflecting changes in our business and external operating environment and the expectations of stakeholders. We use the results of the assessment to inform our business strategy thinking and our Sustainability Framework, reporting and targets, and to guide the content of this report and the applicable GRI Standards. A complete GRI content index is available on anz.com/cs.

The key steps in our 2018 materiality process:

- compiled a list of potential material issues using a range of inputs, including material risks (see pages 38–39 of the 2018 Annual Report), a media scan, stakeholder feedback, employee surveys, peer review, industry trends and the United Nations SDGs. This resulted in a shortlist of 14 material issues for review and discussion by stakeholders (see complete list on page 11);
- identified a representative sample of stakeholders for consultation on the relative importance of these issues. This included a cross-section of senior ANZ employees as well as external stakeholders, with geographic spread across Australia, New Zealand and Asia. Internal stakeholders included risk, business governance and regulatory affairs, customer operations, technology, communications and public affairs, human resources, branch managers, business bank and 'C suite'. External stakeholders included investors, business customers, consumer bodies, industry associations and a range of NGOs focused on social and environmental issues;
- selected stakeholders completed a short survey providing quantitative data on the relative priority of the issues. Stakeholders were asked to rank the list of issues according to their importance and to discuss their 'top three';
- undertook one-on-one interviews with 29 stakeholders providing qualitative content, informing our understanding of the current and future context of each issue, including the potential for it to impact our value creation over time; and
- identified a prioritised list of material issues and the context behind each.

OUR MOST MATERIAL ISSUES

This year, stakeholders ranked the following issues (risks or opportunities) as having the most potential to impact our value creation in the short, medium and long term. Several of our Fair and responsible banking targets (see page 12) seek to improve our performance with respect to these issues.

Fairness and ethical conduct

This is the highest ranked issue, with the Royal Commission strongly influencing stakeholder sentiment in Australia. Operating in a fair and ethical manner is seen by stakeholders as fundamental if we are to demonstrate we are trustworthy. Stakeholders commented on the specific issues of financial incentives resulting in poor customer outcomes, products with poor value for customers and conduct issues.

Fraud and data security

This could significantly disrupt the bank's operations and impact our reputation in the event of a breach. Ensuring we have strong internal controls and risk management frameworks in place to mitigate this is critical. Ongoing education of our customers and the wider community about online risks and improving their own data security is also considered important.

Customer experience

Delivering a positive customer experience is a key way in which we can differentiate ourselves from competitors and deliver sustainable business performance in the long term. Stakeholders also highlighted fairness, transparency, accessibility and simplicity of products as critical to demonstrating to customers that they can trust us to provide them with the right products and services for their circumstances.

Corporate governance

Organisations with strong corporate governance processes and policies in place are likely to perform better in the longer term. This year stakeholders told us that the bank needs to identify and act on misconduct and failures to meet community standards and expectations quickly, and improve remediation. This is the first time this issue has been ranked in the top five, reflecting stakeholder concerns following the significant failures highlighted at the Royal Commission.

Digital innovation

This is core to our strategy and a key factor in driving positive customer experience. Customer expectations are being redefined by their experiences with companies using technology in new ways to deliver better service. Today, the smartphone is our most popular 'branch'. It is now more important than ever that we work hard to keep up with digital change and customer expectations to make banking easier for our customers.

OUR MATERIAL ISSUES (STAKEHOLDER RANKING)

Our material issues and ranking	Description of issue	Relevant United Nations Sustainable Development Goals
Fairness and ethical conduct	A strong corporate culture, known for ethics, values, fairness and transparency. Simple and understandable products and communications (ie. product disclosure, including bank fees and charges) and appropriate hardship/collections policies.	10
Fraud and data security	Policies and processes in place to prevent fraud and protect customer data and privacy. Includes customer access to personal data.	
Customer experience	Delivering value and improved customer experience through appropriate financial products and services for all customers, small business and personal.	
Corporate governance	Appropriate governance frameworks in place (ie. processes and policies, including those relating to risk management, executive remuneration and accountability) to ensure ANZ is managed in the long-term interests of stakeholders.	
Digital innovation	Keeping pace with digital innovation to ensure we are offering our customers competitive and convenient products and services in a rapidly changing market.	9
Responsible business lending	Social and environmental impacts that may result from our business lending, particularly our lending to large business customers (eg. lending to sensitive sectors such as mining, military etc.). Includes our due diligence processes in relation to our customers' human rights obligations.	8, 9, 13, 16
Financial wellbeing	Promoting and enabling access to safe and affordable products and services, particularly for lower-income and vulnerable consumers. Work with cross-sector partners to help customers, employees and the broader community meet current financial commitments and needs, and improve their financial resilience.	1, 8, 10, 17
Financial system stability and regulation	Financial system stability and regulation of the banking sector, including government policy relating to access to markets and bank licences.	
Anti-money laundering and terrorism financing	Compliance with international sanctions, anti-money laundering and terrorism financing requirements.	16
Diverse and inclusive workforce	Attracting and retaining an engaged, diverse and inclusive workforce to help us serve our customers better and drive strong business performance across the markets in which we operate.	5, 8, 10
Climate change	Managing the business risks and opportunities associated with climate change. Includes the role we play in supporting our customers to transition to a low carbon economy.	13
Labour rights and employee wellbeing	Fair and equitable wages, freedom of association, safe working conditions (including effective policies to maintain physical and mental health and wellbeing), fair hours, no discrimination, regular work and whistleblower policies.	5, 8, 10
Investing in the community	Supporting the communities in which we operate through workplace giving and volunteering; and recovery from natural disasters.	1, 8, 17
Sustainable supply chain	Environmental and social impacts of our procurement practices (ie. identifying and managing the risks and opportunities associated with our supply chain).	8, 12

2019 SUSTAINABILITY TARGETS

Each year we set public sustainability targets that reflect our Sustainability Framework priorities, support the delivery of our business strategy and respond to our most material issues.

Progress against our targets is reviewed by the ERBC, and twice a year by the Board EESG Committee. Performance against our 2018 targets, many of which are aligned with the United Nations SDGs, is discussed throughout this report.

2018 SUSTAINABILITY TARGETS PERFORMANCE

This year we have achieved or made good progress against the majority of our targets.

✓	**32%**	ACHIEVED
→	**63%**	PARTIALLY ACHIEVED OR IN PROGRESS
✗	**5%**	DID NOT ACHIEVE

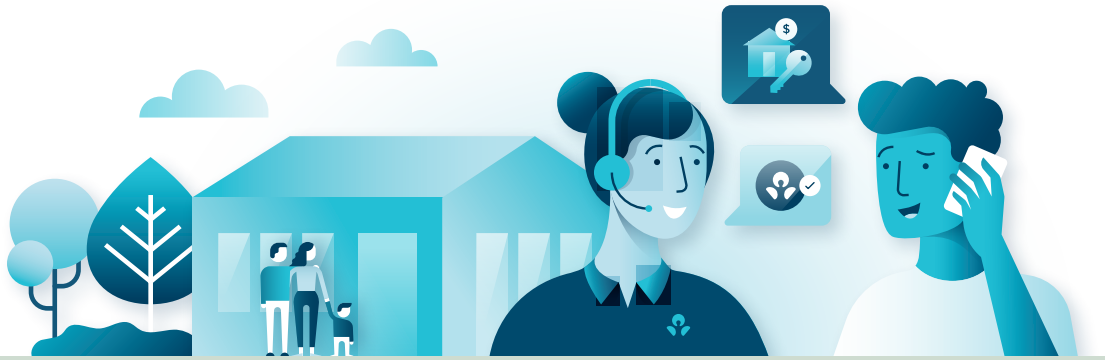
We are committed to the United Nations SDGs and our Framework, together with public targets that we set annually, support 10 of the 17 SDGs:

FAIR AND RESPONSIBLE BANKING

Keeping pace with the expectations of our customers, employees and the community, behaving fairly and responsibly, and maintaining high standards of conduct.

Targets
Implement strengthened Consequence Management Framework, applicable to employees in breach of our Code of Conduct, by 2019.
Improve (or where ranked #1, maintain) our Net Promoter Score ranking relative to peers in our Retail, Commercial and Institutional businesses (Australia and New Zealand).
Continue to allocate dedicated resources to customer remediation to improve our processes and ensure that by 2020 we have:
- decreased the time taken to reimburse customers; and
- delivered an education program to employees to share 'lessons learnt' from customer remediation and to prevent future remediation from occurring (Australia Division).
Communicate with more than 700,000 of our retail and commercial customers by 2019 to help them get more value from our products and services and establish positive financial behaviours, such as improved savings habits (Australia).
Implement new Dispute Resolution Principles by 2019 (Australia).

Note: all proposed targets are based on financial year end 30 September, with the exception of environmental footprint targets which follow a 30 June year end in line with Australian greenhouse gas regulatory reporting year. All targets are Group wide unless otherwise noted.



ENVIRONMENTAL SUSTAINABILITY

Supporting household, business and financial practices that improve environmental sustainability

Targets	Relevant United Nations Sustainable Development Goals
Fund and facilitate at least $15 billion by 2020 towards environmentally sustainable solutions for our customers, including initiatives that help lower carbon emissions, improve water stewardship and minimise waste.	7, 9, 11, 13
Encourage and support 100 of our largest emitting customers in the energy, transport, buildings and food, beverage and agricultural sectors to establish, and where appropriate, strengthen existing low carbon transition plans, by 2021.	13
Reduce the direct impact of our business activities on the environment by:	7, 12, 13
- reducing scope 1 and 2 emissions by 24% by 2025 and by 35% by 2030 (against a 2015 baseline);	
- increasing renewable energy use in our Australian operations by 13% by 2020 (against a 2017 baseline);	
- reducing paper consumption in Australia and New Zealand (office and customer paper use only) by 40% by 2020 (against 2015 baseline);	
- increasing recycling rates in our Australian commercial offices (>20,000m^2) by 12% by 2020 (against a 2017 baseline); and	
- reducing water consumption in our Australian commercial offices (>10,000m^2) by 15% by 2020 (against a 2015 baseline).	

HOUSING

Improving the availability of suitable and affordable housing options for all Australians and New Zealanders

Targets	Relevant United Nations Sustainable Development Goals
Fund and facilitate $1 billion of investment by 2023 to deliver around 3,200 more affordable, secure and sustainable homes to buy and rent (Australia).	9, 10, 11
Provide NZ$100 million of interest free loans to insulate homes for ANZ mortgage holders (New Zealand).	11
Offer all ANZ first home buyers access to financial coaching support (Australia and New Zealand).	

FINANCIAL WELLBEING

Improving the financial wellbeing of our people, customers and communities by helping them make the most of their money throughout their lives

Targets	Relevant United Nations Sustainable Development Goals
Help enable social and economic participation of 1 million people by 2020 through our initiatives to support financial wellbeing, including our financial inclusion, employment and community programs, and targeted banking products and services for small business and retail customers.	1, 8, 10, 17
Build a diverse and inclusive workforce by:	5, 8, 10
- increasing the representation of Women in Leadership to 33.1% by 2019 (34.1% by 2020); and	
- recruiting >1,000 people from under-represented groups including Indigenous Australians, people with disability and refugees, by 2020.	

IMPROVING CULTURE AND CONDUCT

Our strategic priority is to deliver a purpose and values-led transformation of the bank.

Earlier this year we engaged with our extended leadership team (200 of our most influential leaders) to help shape our aspirational culture — what it means in practice and the critical role they play in our cultural transformation

Target
Improve senior leaders' role modelling of ANZ values by 2% to 74% in 2018.

Performance
Perception of senior leaders' role modelling of ANZ Values has decreased from 2016 by 1% to 71%.

OUR CULTURE IS CHANGING

Our aspirational culture incorporates our purpose, values, Code of Conduct and 'winning behaviours' to ensure we are continuously improving and adapting for our customers. We strive to be:

- Customer centred — we are human, open and authentic; we use technology and data and combine it with empathy to strengthen relationships and create solutions for customers; we care about our customers, our colleagues and the community, and speak up if we see the need for change.
- Always learning — we are curious and believe we can all keep learning and growing; we try stuff out and are not afraid to fail; we value what we learn as well as what we achieve; we use data to help us improve.
- Making things simple — we are guided daily by our purpose and values; we try to simplify everything we do; we create clear boundaries and the freedom to act within them; we focus on outcomes, not process or hierarchy.

We took steps to support our cultural transformation, with a focus on increasing accountability, improving customer outcomes and restoring community trust. We also continued to develop the key capabilities essential to our digital transformation. Progress this year has included:

- We established a Responsible Banking group within our Australian Retail and Commercial Business, with specialist teams dedicated to customer remediation, as well as product suitability and responsible lending (discussed on page 17).
- We have commenced work to strengthen our accountability and consequences framework to ensure that employees, including leaders, are held accountable when things go wrong and proportionate consequences are consistently applied. This work includes improving the tools and information our leaders have access to, so that they are better supported when making decisions on employee performance and remuneration (including deferred remuneration). The Consequence Review Group (previously known as the Clawback Review Group) oversees the appropriate management of accountability and consequence in the bank and is chaired by the CEO. We are also introducing a system that integrates and centralises information on material risk and compliance events for the purpose of accountability and consequence management.
- We are strengthening governance, with the development of a new Accountability and Governance model for culture aligned with the Banking Executive Accountability Regime and agreed to by the Board. This model provides greater transparency around who is accountable for what with respect to ANZ's culture and driving action to help us achieve our aspirational culture.
- We continued to roll out our 'New Ways of Working', encouraging accountability through increased transparency of what teams and individuals are working on and ensuring our customers' best interests are always at the centre of what we do. This new way of working fosters learning through reviews on projects or activities completed and iterating what we have done to evolve our approach and deliver better customer outcomes.
- We launched our 'New Ways of Leading' — the leadership behaviours we believe are most critical to our transformation, culture and rapidly evolving environment, and have begun to embed these across the organisation. These behaviours include: Be Curious; Create Shared Clarity; Empower People; Connect with Empathy; and Grow People Selflessly. We are supporting and empowering our leaders to develop their capabilities and meet our behavioural expectations of them. These expectations have also been incorporated into interview guides and selection tools for leader recruitment; and our people processes for identifying potential and supporting career growth and succession planning.

- To help us create an 'always learning' culture we have invested in an enterprise learning platform that aggregates internal and external learning, enabling our people to access learning that meets their specific needs anywhere, anytime, on any device. We also introduced the 'Live Learn Grow' series, designed to be accessible across the geographies in which we operate and includes live events, videos, podcasts, interactive and self-directed activities.

CODE OF CONDUCT

Our Code of Conduct (Code) sets the expected standards of behaviour linked to our values. Our Code explicitly requires all employees and contractors to act with honesty and integrity and to comply with the law as well as all of our policies and procedures. The Code is supported by a suite of policies[1] that are reviewed regularly to ensure they reflect any changes in law and otherwise remain fit for purpose. We expect our banking partners (such as suppliers, service providers and other relevant third parties) to adopt and maintain similar conduct and ethics principles to those outlined in the Code and supporting policies.

All employees and contractors are required to complete the Essentials training courses within two months of commencement and then on an annual basis. The courses include training on 'Living the Code', 'Equal Opportunity Essentials' (including in relation to sexual harassment), and 'Compliance Essentials' (including in relation to Anti-Money Laundering and Operational Risk Essentials). The Living the Code course reinforces the importance of our values and Code, and seeks a declaration of compliance with the Code. By completing the course, participants are confirming they understand the Code's principles and have complied with them over the last 12 months. In 2018 99% of our employees and contractors completed the training. From 2019, individuals who fail to complete this training (or other mandatory learning requirements) within 30 days of the due date are (in the absence of genuinely exceptional circumstances) ineligible for any salary increase or bonus as part of our annual remuneration review.

This year we introduced monthly calls with members of the Executive Committee for new employees giving them an opportunity to understand our behavioural expectations directly from our leaders. We also made a Performance Assessment Guide available to all employees, clearly articulating the impact to overall performance outcomes and remuneration when an employee's behaviour does not meet expectations.

Where there is evidence that someone may have breached our Code and policies, we investigate and, where such allegations are substantiated, take appropriate disciplinary action. This includes formal warnings, dismissal and, where relevant for more senior employees, bonuses being reduced. In 2018, there were 1,114 alleged breaches of our Code across our operations, down from 1,443 alleged breaches in 2017. Breaches ranged from conflict of interest through to allegations of fraud, bullying, discrimination and email misuse. Outcomes following investigations of breaches this year included 140 resignations, 226 terminations and 743 warnings.

WHISTLEBLOWER POLICY

Our purpose and values set the standard for how we do business and encourage openness, integrity and accountability. Every employee is responsible for assisting in the prevention, detection and reporting of conduct that is inconsistent with our values and Code and policies. Our Whistleblower Policy ensures that all employees, contractors and external auditors can raise concerns regarding actual or suspected contraventions of our ethical and legal standards freely and without fear of repercussions. The policy provides a number of avenues for disclosure, including internally through a Whistleblower Protection Officer (WPO), and externally via confidential phone, email and web-based mechanisms, operated by a third-party provider (Deloitte).

Our Group Integrity team is responsible for investigations into allegations of internal fraud, bribery and corruption involving employees and contractors. If the issue reported involves unlawful criminal conduct, then the WPO will also consider whether the matter should be referred directly to the police. Where the whistleblower has concerns about the resolution of the matter they may escalate it to the Chief Compliance Officer.

In late 2017 we established a Whistleblower Advisory Group, comprised of a broad cross-section of employees across the bank. These employees provide advice to the Whistleblower Program on policy changes and communications strategies to help promote whistleblowing. We also recruited a full-time Whistleblower Program Lead to manage the program and added four investigator roles to our Group Integrity team.

Our Group Integrity team delivered more than 65 awareness sessions throughout the year, which included information on whistleblowing to employees across our regions. This year, reports under our Whistleblower Policy increased, with 137 disclosures made (up from 121 in 2017). The majority of the reports did not uncover any significant issues. In cases where investigations revealed that our policies had been breached, we took appropriate action, including dismissal.

1. A copy of our Code of Conduct and the full list of policies is available on https://shareholder.anz.com/our-company/corporate-governance.

EMPLOYEE WELLBEING AND ENGAGEMENT

We provide an environment that enables our employees to participate fully in the workplace and perform at their best. An engaged workforce will help us to meet external challenges and achieve our business strategy.

Our Health and Safety Policy applies to everyone who works at ANZ, including our contractors. Health and safety risks vary across our business and our health, safety and wellbeing plans include risk controls to account for these differences. Strategic health safety and wellbeing priorities are developed on an annual basis and monitored and reviewed by senior management throughout the year. Measurable objectives and targets are set and the Board monitors and reviews the priorities and undertakes twice-yearly performance overviews. The policy is reviewed every two years and approved by our CEO.

This year we have increased our focus on employee wellbeing. Our vision is to create a positive work environment where our people can thrive. For us, wellbeing encompasses the areas of mental, physical, social and financial wellbeing.

Our mental health program includes a range of tools, resources and training aimed at supporting our employees. Resilience programs are available to all employees and include training on essential skills, such as stress management and coping skills.

We have continued to implement mental health awareness training to frontline managers in our retail environment in Australia and are rolling out an online training program to all people leaders, available in all our geographies. Our Employee Assistance Program (EAP) is available to all employees and their immediate family members. The EAP provides confidential, free counselling and guidance for work and personal problems, and includes online resources covering topics such as managing stress, mindfulness, and relaxation.

We encourage early reporting of incidents/illness and hazards, in order to effectively support the wellbeing of our employees. This also allows us to identify any trends so we can implement relevant prevention programs to minimise injuries and enable employees to remain at work, or return to work as soon as possible.

Data relating to our health and safety performance in 2018 is available on page 82. This year we have seen an increase in 'lost time injuries' however, there are no new identifiable trends. The majority of these injuries continue to be related to slips, trips, ergonomics and injuries caused by bumping into stationary objects.

We also support the social and financial wellbeing of our employees through a number of programs and initiatives that are discussed in further detail in the Financial Wellbeing, Community Investment and Diversity and Inclusion pages of this report.

EMPLOYEE ENGAGEMENT

Target

Improve employee engagement by 6% to 80% by 2020 (against a 2016 baseline score of 74%).

Performance

Employee engagement decreased from 2016 by 1% to 73%.

We have experienced another year of organisational and cultural transformation, continuing to roll out our New Ways of Working (NWOW) in the Australia and Technology Divisions.

This year we ran an employee engagement survey for all of our employees, after opting for a shorter employee engagement 'pulse' survey in 2017. Over 30,000 employees participated, providing valuable feedback and insights on various aspects of our purpose, values, culture and conduct.

While engagement has remained relatively stable despite organisational change and increased regulatory and community pressure (including the introduction of the Banking Executive Accountability Regime and the Royal Commission), we recognise that we still have much to do in terms of supporting our employees.

There are a number of initiatives that we are working on to listen to and support our people. These include:

- strengthening our leadership behaviours through the launch of our New Ways of Leading, supported by people leader webcasts and calls with Shayne Elliott and other Executive Committee members;
- improving our reward, performance, recruitment and learning processes, focusing on creating a better employee experience;
- exploring new employee listening strategies such as our '#askmeanything' series that encouraged employees to ask members of our Executive Committee questions on a broad range of topics including NWOW, automation and the use of artificial intelligence, the economy and our leave and flexible working policies; and
- continuing to embed our values, ensuring there are appropriate consequences for behaviours not aligned to our values.

Performance management plays an important part in building high performing teams and a successful organisation. We encourage all employees to have regular performance and career discussions with their managers throughout the year, in addition to the formal performance assessment process eligible employees must participate in annually.

IMPROVING CUSTOMER OUTCOMES

During the year, we have participated in a large number of reforms, at an industry and bank level, to improve customer outcomes and restore community trust. We recognise that getting the basics of customer service right is essential to underpinning our social licence as a bank.

CHANGES TO REMUNERATION

We are implementing all recommendations from Stephen Sedgwick's 'Retail Banking Remuneration Review', which is focused on strengthening the alignment of retail bank incentives, practices and good customer outcomes.

We have made significant progress, with actions completed since commencement of the program including: changing frontline employee incentive and recognition plans so that no rewards are directly linked to sales; removing the payment of volume-based incentives to aggregators, brokers and introducers; changing employee performance management plans; and focusing our efforts on initiatives that will support the achievement of sustainable culture change.

We are on track to complete all recommendations ahead of expected timeframes and will make further changes as quickly as possible to ensure we achieve full alignment. Management provides regular updates to the Board Human Resources Committee on progress. We will continue to report externally through the Australian Banking Association's (ABA) reporting framework.

NEW BANKING CODE OF PRACTICE

We are implementing strengthened protections for consumer and small business customers arising from the new Banking Code of Practice (Code). The Code has been revised to better reflect community standards and will be binding and enforceable. Changes include:

- loan contracts for small businesses that are written in plain English and easier to understand — we have simplified our main contract for small business customers, halving contract length and increasing customer safeguards;
- active promotion of affordable banking products, specifically assisting people on low incomes to pick appropriate products;
- assistance for potentially vulnerable customers — we have developed a new Vulnerable Customer mandatory learning module to help our employees identify and assist customers experiencing vulnerability;
- abolition of fees and commissions on lenders mortgage insurance; and
- an end to unsolicited offers of credit card increases.

CUSTOMER REMEDIATION PRINCIPLES

- customer focused — fair, honest and efficient;
- comprehensive, timely and transparent decision-making;
- appropriate governance and oversight;
- clear communication to customers impacted by a remediation issue; and
- where relevant, a commitment to paying refunds or compensation to customers without undue delay.

BETTER PRODUCTS AND SERVICES

At the end of 2016, we appointed former Commonwealth Ombudsman Colin Neave as our first Customer Fairness Adviser — signalling the start of a number of changes we knew we needed to make.

Customer remediation principles developed by Mr Neave, the key elements of which are above, have guided our work this year to fix systemic errors, refund impacted customers more quickly and learn from our mistakes so as not to repeat them in future.

We have established a Responsible Banking group within our Australian Retail and Commercial Business, with specialist teams dedicated to customer remediation, as well as product suitability and responsible lending.

Our Product Suitability Program aims to achieve fair customer outcomes via proactive customer contact, triggered by behavioural indicators in our data. It is intended to help our customers derive greater value from our products.

We have focused initially on potentially vulnerable customers, particularly those with persistent credit card debt or with potential for future financial stress. During the year, our bankers provided financial education and coaching to around 2,000 customers with persistent credit card debt on how to use, and pay down, their credit card. In addition, those customers were offered a lower interest rate for 12 months, or a product transfer (e.g. from a 'rewards' card to a low-rate card). The results of the pilot were encouraging, with customers initially increasing their monthly payments and using their credit cards less, with lower arrears levels.

We are also building product suitability into our product review processes — for example, we are proactively contacting our home loan customers paying interest only before they move to principal and interest payments, to enable them to plan for, and successfully manage, the transition to higher payments.

The agile transformation of our workforce — our New Ways of Working — means we are in a better position to implement changes in a timely manner with minimum disruption to our customers. There is more to do, but our changes so far are already making ANZ easier to manage and better for customers.

An ongoing challenge is how best to serve the banking needs of our customers located in rural and regional areas who may be disproportionately impacted by branch closures. As discussed on page 23 we are working on how best to provide alternative banking options.

CUSTOMER EXPERIENCE

We recognise we must listen to our customers and use their feedback to improve our products and services, and to drive a customer-centric culture.

One way in which we measure the experience of our customers is through Net Promoter Score. Net Promotor Score enables us to gauge whether we are meeting customer needs and expectations and how we are performing relative to peers. It is measured by asking customers how likely they are to recommend ANZ (on a 0–10 scale) and is calculated by subtracting the percentage of detractors (those who give a score of 0–6) from the percentage of promoters (those who give a 9 or 10).

Target

Create the best experience for our customers, measured by: improving Net Promoter Score relative to peers (Retail, Corporate and Commercial and Institutional customers).

Performance

Australia

- Retail: ranking increased to 3rd from 4th at end of 2017[1]
- Business and Private Bank: ranking increased to 3rd from 4th at end of 2017[2]
- Institutional: ranking increased to 1st from 2nd at end of 2017[3]

New Zealand

- Retail: ranking of 4th remained steady from end of 2017[4]
- Commercial and Agricultural: ranking of 5th remained steady from end of 2017[5]
- Institutional: ranking increased to 1st from 3rd at end of 2017[6]

The four core elements of our Net Promoter System are:

- sustained leadership commitment;
- a reliable and trusted customer metric (the Net Promoter Score);
- customer-focused 'listen, learn and act' behaviours embedded in customer facing and head office teams (the 'inner' and 'outer loops'); and
- enabling elements such as a measurement platform and dashboard, analytics and aligned performance objectives.

One way in which we are listening to and learning from our customers is through our Net Promoter System (NPS).

Customer feedback is integral to our Net Promoter System (NPS), facilitating continuous learning for both customer facing and non-customer facing teams. We use a Voice of Customer (VOC) system to collect, review and analyse feedback at key points during customer interactions. This year we received 297,000 pieces of customer feedback providing insight into customers' experiences — both positive and negative — which will inform the actions we take to improve customer experience.

As part of our New Ways of Working, we have established a NPS Centre of Expertise, with the purpose of rolling out NPS across selected teams in Australia. We have completed the roll-out of NPS in our branch network in Australia and commenced pilots in our Commercial Contact Centre and Small Business Banking teams. NPS has now been embedded into 630 branches across Australia, 92 teams across the Customer Contact Centre and 19 teams in Commercial and Business Servicing and Sales.

For non-customer facing teams, we have commenced work to improve the customer experience for Home Loans, Transaction Accounts and Business. A number of initiatives are also underway to streamline customer on-boarding and application processes for several products.

Our Australia Division Customer Council, established in 2017, is comprised of senior ANZ leaders and provides leadership and governance over customer focused activities across Australia Division. This includes overseeing the design, implementation and embedding of the NPS and ongoing efforts to improve the customer experience while making sure customer issues are a key priority for the bank.

1. Roy Morgan Research Single Source, Australian population aged 14+, Main Financial Institution, six-month rolling average to Sep'18. Ranking based on the four major Australian banks.
2. DBM Business Financial Services Monitor. Base: Business and Private Banking (<$100m annual turnover) Main Financial Institution customers. Data based on business banking NPS only (excludes Private Bank NPS). Six-month average to Sep'18. Ranking based on the four major Australian banks.
3. Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking survey, Australia.
4. Retail Market Monitor, Camorra Research, Retail, Sep'18 (monthly). Ranking based on the five major Retail banks in New Zealand.
5. Business Finance Monitor, TNS Kantar Research. Base: Commercial ($3m–$150m annual turnover) and Agricultural (>500K annual turnover) customers, Q3'18 (quarterly). Ranking based on the five major Commercial and Agricultural banks in New Zealand.
6. Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking survey, New Zealand, ranked against the Top 4 competitors.

SUPPORTING VULNERABLE CUSTOMERS

We have a role to play in helping build the financial wellbeing of those potentially vulnerable to financial exclusion, such as customers experiencing financial hardship, people who live on low incomes and people with low levels of money management capabilities and confidence.

We have refreshed our approach to working with vulnerable customers with new oversight and accountability and a more consistent, bank-wide approach to issues faced by vulnerable customers. Our Vulnerable Customer Forum (the Forum), an internal group focused on how we can better assist vulnerable customers, is developing a Vulnerable Customer Policy and formal framework. This will improve our ability to identify customers at risk, provide appropriate support and develop employee capability and understanding of the many facets of vulnerability.

The recent changes to the Banking Code of Practice and Royal Commission hearings have highlighted the need to act on the specific circumstances of Aboriginal and Torres Strait Islander customers, particularly in remote areas. The Forum will work alongside our Reconciliation Action Plan (RAP) Committee take action to meet the needs of potentially vulnerable Aboriginal and Torres Strait Islander customers. Our RAP is discussed further on pages 59–61.

A focus on collective action and responsibility has seen us continue our commitment to the Financial Inclusion Action Plan (FIAP) program, managed by Good Shepherd Microfinance and supported by the Australian Government. This year, rather than publishing a separate FIAP, we have consolidated our key actions with those of our Accessibility and Inclusion Plan to provide a clearer picture of how our approach to accessibility, financial inclusion and diversity aligns with our purpose. We discuss this further on page 62.

We have also joined the Thriving Communities Partnership (TCP), a cross-sector collaboration involving utilities, financial services, telecommunications and transport providers, focused on developing and implementing policies, practices and initiatives to improve support for customers experiencing vulnerability or hardship.

HIGHLIGHTS

GAMBLING RESTRICTIONS

From December 2018, we are introducing a restriction on the use of credit cards for gambling transactions beyond 85% of the account credit limit. This change is designed to reduce harm for potentially vulnerable customers using ANZ credit cards for gambling while minimising unintended consequences for the general population of card users. We consulted with industry and community groups before deciding to implement this measure. We are also considering introducing a self-exclusion mechanism where customers can 'opt out' of the ability to perform gambling transactions on their credit cards. These initiatives operate alongside our responsible lending policies which are designed to ensure that credit is only provided to those who can afford it. This helps prevent problem gamblers from getting credit they cannot service.

HIGHLIGHTS

VULNERABLE CUSTOMER TRAINING

We seek to minimise the risk of our customers experiencing financial abuse. Our frontline employees often encounter customers who may be in vulnerable circumstances, which increases their risk of experiencing financial abuse.

We have been developing a consistent, bank-wide approach to improving the identification of customers at risk, to improve support provided and develop employee capability and understanding of customer needs.

A key component to our approach is Supporting Vulnerable Customers, a mandatory online learning course for frontline employees to build their ability to: recognise if a customer may be in a vulnerable situation: communicate with respect, fairness and compassion; and to choose the appropriate support to assist them. The course delivers content through video, audio and interactive components, and includes a number of scenarios that employees may encounter.

Supporting Vulnerable Customers will contribute to meeting our obligations to vulnerable customers under the new Banking Code of Practice. The course was introduced as mandatory learning for more than 5,900 branch employees and mobile lenders in September 2018, with roll out to over 3,000 employees in our Call Centre and Operations to follow. Awareness training is also being provided to our senior leaders.

CUSTOMER HARDSHIP

There are times when our customers may be unable to meet their financial commitments. Some customers may struggle to meet their loan repayment obligations for a period of time, but may get back on track if they are given the time and flexibility to deal with their situation. Events such as job loss, unexpected medical needs or a relationship breakdown can lead to these difficulties. Whatever the reason, we are committed to working with customers who are in hardship and experiencing financial difficulty, and seek to assist them fairly, respectfully and with dignity.

In 2018 we received 37,313 requests for hardship assistance in Australia, a decrease of 8.4% from 2017, reflecting a smaller Asset Finance portfolio and improvements in cars and loans delinquency. Data relating to requests for hardship assistance is available on page 85 of this report.

Assistance offered to our hardship customers includes payment moratoriums, temporarily reducing payments, debt waiver, long-term payment arrangements, referral to a financial counsellor and information in relation to budgeting and financial literacy. Customers have access to a financial counsellor hotline managed by Customer Connect, our customer hardship team, and supported by an independent financial counsellor liaison officer.

Each Customer Connect team member receives specialised training enabling them to deal effectively and empathetically with customers experiencing hardship. We continue to refer customers requiring holistic support and not just financial counselling services to CareRing (refer to the case study below for further details).

This year we ran a hardship awareness campaign for our Australian Branch Network and Contact Centre employees to ensure our frontline employees are able to identify common indicators of financial difficulty from customer accounts and interactions and refer customers displaying these indicators to Customer Connect as necessary.

We also have laid the foundations for implementation of 'Way Forward Debt Solutions', the new Australian Banking Association supported initiative that provides a free of charge debt management service acting in the best interest of customers. Once implemented, Way Forward Debt Solutions will support people in financial difficulty to return to financial stability.

Our recently released approach to accessibility and financial inclusion outlines the range of actions we are taking to improve support for those potentially vulnerable to financial exclusion including those who experience financial hardship. Our Approach to Accessibility and Financial Inclusion is available for download from anz.com/cs.

CASE STUDY

KILDONAN CareRing

We understand that customers experiencing financial hardship may also be struggling with unemployment, a family situation, health concern or other bills. In recognition of the need for a more holistic approach, ANZ and Uniting (Kildonan) launched CareRing for our customers in hardship in 2015.

Customers requiring more than financial counselling assistance are referred to CareRing, a centralised, single point of contact connecting customers to a coordinated range of support services including housing support, social worker counselling, drug and alcohol services, home energy assessments and employment services. Clients of the CareRing program can also be referred to our MoneyMinded program to develop their basic budgeting skills.

Since its inception, we have referred more than 1,200 customers in hardship to the CareRing program, with 181 referred in the 2018 financial year. Unemployment and ill health were the primary causes of financial stress for customers.

More than 50% of customers referred to CareRing experienced three or more indicators of financial hardship — such as not being able to pay a credit card, mortgage/rent, or utility bill on time; needing to ask friends or family for help; or asking for help from a welfare agency — highlighting the often multi-faceted nature of financial hardship. Almost two-thirds of customers referred received at least one type of assistance from CareRing.

MANAGING CUSTOMER COMPLAINTS

When our customers are dissatisfied with our products or services we have multiple channels available to lodge a complaint. We endeavour to resolve matters quickly and fairly.

We encourage our frontline employees to resolve complaints on first contact. If this is not possible the complaint can be escalated to the relevant internal dispute resolution (IDR) team. Alternatively, our customers can complain directly to the IDR team. A dedicated specialist will then investigate the complaint and seek to resolve it with the customer. If a customer is not satisfied with the proposed resolution of their complaint, they may escalate their complaint to our Customer Advocate or the Australian Financial Complaints Authority[1] in Australia, or the Banking Ombudsman Scheme or Insurance and Financial Services Ombudsman in New Zealand.

In Australia and New Zealand, regular reporting and insights are provided to stakeholders across the bank and used to drive continuous improvement. In Australia Division, a central database for complaints and reporting dashboards shows trends for complaint type, product, and channels and is accessible to all teams and distribution channels. The Complaints Leadership Team meets monthly with representatives from across the teams and distribution channels to discuss trends, initiatives, performance and potential systemic issues.

DISPUTE RESOLUTION PRINCIPLES

We have set a target to implement new Dispute Resolution Principles in Australia by the end of 2019. Mr Colin Neave, our Customer Fairness Adviser, is leading the development of the principles. They will provide a framework for a consistent, fair and customer-focused approach to handling and responding to disputes with our retail and small business customers and will apply regardless of the forum in which a dispute is pursued. With respect to legal proceedings, Mr Neave is also developing model litigant guidelines, similar to those used by the Australian Government.

Our Wealth Australia Division produces regular reports including information on root cause analysis, verbatim insights, emerging trends, volumes and initiatives underway. Monthly complaint forums are held with stakeholders from across the business, including product, risk, contact centre and operations to inform, drive complaint reduction and improve the customer experience.

In New Zealand, complaints are analysed daily by Customer Relations Complaints Managers, who identify emerging trends and share relevant insights in weekly and monthly reports distributed to stakeholders across the bank including product owners, channel owners and risk. Additionally, a monthly complaints report is prepared for the New Zealand Leadership Team and for each meeting of the ANZ Bank New Zealand Limited Board.

From 2018, quarterly reports on complaint themes, volumes, systemic issues and long standing cases across Australia Division, Australia Wealth Division and New Zealand Division are reviewed and discussed by the Board EESG Committee.

Data relating to complaints is available on pages 84–85 of this report.

AUSTRALIA — RETAIL AND COMMERCIAL CUSTOMERS

Retail and commercial complaint volumes increased 20% from 2017. Themes contributing to this increase include product fees, interest and rewards, transactions and payments and loan assessments. An increase in complaints has been noted since the commencement of the Royal Commission which has undoubtedly encouraged customers to be more proactive in raising concerns, and has provided us with further insight into how we might improve.

We resolved 41% of complaints within the first day of receipt, however, the percentage of complaints resolved within 21 days decreased to 85% from 97% in 2017. Overall resolution rates lengthened, as a result of consistently higher than average complaint volumes received through internal and external dispute resolution processes (increasing 20% and 24% respectively compared to 2017).

AUSTRALIA — WEALTH CUSTOMERS

Wealth complaint volumes decreased by 3% from 2017. Key drivers of complaints included the transition of customers to new 'My Super' wealth management products, changes to the Smart Choice Insurance Significant Event Notices, OneCare repricing, and login issues experienced when ANZ Share Investing was transitioned to CMC Markets platform.

1. AFCA replaced the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman and the Superannuation Complaints Tribunal in November 2018.

NEW ZEALAND — RETAIL, BUSINESS BANKING AND WEALTH CUSTOMERS

Complaint volumes increased by 67% from 2017. The magnitude of this increase is largely due to improved data capture through our Voice of Customer (VoC) surveys and Retail and Business Banking employees. Any customer who scores their experience six or less and states they have an outstanding issue in the VoC survey is referred to a central case management team. The team then contacts the customer to resolve their issue, logging the issue in the complaints register (if it had not already been logged). Previously these complaints were referred to the customer's relationship manager and line manager, but were not always logged in the complaints register.

We resolved 93% of customer problems within five working days in 2018. Credit cards, transaction accounts and home loans were again the most complained about products, while complaints relating to service accounted for 47% of all those received. The top complaint type was account fees, making up 14% of the total.

This year we also observed an increase in transaction disputes and fraud complaints. The increase can be attributed to a rise in scam activity (particularly business email compromise scams), identity theft and international money transfer fraud. There has also been an increase in privacy complaints.

ANZ CUSTOMER ADVOCATE

The Customer Advocate works with customers and ANZ to facilitate fair complaint outcomes and minimise the likelihood of future problems. The Customer Advocate engages with community and consumer groups, providing a valuable communication channel which enables the bank to more effectively respond to emerging issues and community feedback.

Retail, small business and wealth customers in Australia can ask the Customer Advocate to review their complaint if they are not satisfied with the outcome of ANZ's dispute resolution process. This voluntary pathway offers customers a further opportunity to resolve their complaint with us.

The Customer Advocate operates autonomously of ANZ business units and reports to the Group Executive, Australia. ANZ is bound by the Customer Advocate's findings in all cases.

In 2018, the majority of the completed reviews undertaken by the Customer Advocate related to disputes about general banking products (e.g. mortgages, savings accounts and credit cards), with a much smaller number relating to insurance, superannuation and investments. Data regarding volumes and outcomes is included at page 85.

CASE STUDY

UNAUTHORISED ACCOUNT ACCESS

Susan attended an ANZ branch to open a savings account. She advised that her adult daughter Lisa had taken money from her in the past and as a result she did not want the new account to be linked to her internet banking or to have ATM access. Susan specifically asked that access to her account be restricted so that she could only access the account at the branch.

Several months later Susan was admitted to hospital. While she was there, the doctor gave Susan's handbag to Lisa for safekeeping, together with her wallet and mobile phone. After returning home, Susan became aware that Lisa had been making withdrawals from Susan's savings account to Susan's transaction account via internet banking. Lisa was then withdrawing funds at an ATM, using Susan's PIN that was known to Lisa.

Susan referred the matter to the police and approached ANZ for assistance. Her claim for reimbursement was initially declined when it was identified that the ATM withdrawals had been conducted using Susan's card and PIN. It was also identified that internet banking access to the account had been established following a telephone request, during which time the caller had been identified as Susan.

The subsequent Customer Advocate investigation confirmed that a diary note had been recorded when the account was opened, noting that withdrawals should only be permitted in the branch. This note was overlooked when Lisa (purporting to be Susan) telephoned the contact centre. Call recordings showed that Lisa responded correctly to several security questions. The contact centre then sent a text message to Susan's mobile phone, as a means of further confirming the caller's identify. The Customer Advocate established that Lisa was in possession of Susan's telephone and was therefore able to complete the identification process and arrange internet banking access.

The Customer Advocate accepted that Susan had failed to protect her PIN, however considered that ANZ's failure to comply with Susan's instructions to limit access to the account was a significant factor in her subsequent loss.

Susan accepted the Customer Advocate's recommendation that ANZ reimburse the $62,000 which was withdrawn from her account.

DIGITAL TRANSFORMATION

We are accelerating our digital transformation. Our strategy is to provide superior, digitally enhanced experiences and services for our customers that are secure, relevant and intuitive, through leveraging the strengths of our people, technology and data.

Customer preferences continue to shift towards digital channels — 3.5 million Australian retail customers and 1.4 million New Zealand retail customers are digitally active (up from 3.3 million and 1.3 million respectively). The popularity of digital payments continues to increase, with 86% of retail value transactions (e.g. transfers, withdrawals and deposits) in Australia and 84% in New Zealand being made via digital channels. Similarly, the proportion of retail sales completed over digital channels increased to 25% in Australia and 21% in New Zealand (from 21% and 16% in 2017 respectively).

During the year, we rolled out the New Payments Platform in Australia to more than three million retail and 445,000 small and medium business customers, allowing them to transfer funds to other participating banks in real-time with improved data capability. We also introduced the new ANZ app in Australia, combining our goMoney™ and Grow wealth apps into a unified platform offering a single location for more than 2.2 million retail customers to access their banking, superannuation, insurance and investments.

The use of mobile payment devices continues to increase with the number of supported wallet transactions increasing from 26.4 million in 2017 to 64.2 million in 2018 in Australia. We have extended our leadership in mobile payments with the addition of Fitbit Pay and Garmin Pay, while adding EFTPOS on Apple Pay and Android Pay. In an Australian-first we released Wallets@ATM, enabling customers to withdraw cash from ATMs using their mobile payment device rather than their bank card.

We increased the number of digital branches in Australia to 114 (from 81 in 2017). These branches offer customers electronic queuing, free Wi-Fi and assisted digital self-service banking options. Four of our digital branches are designed to have the look and feel of a home; with rooms styled as a lounge, kitchen and dining room where customers can discuss their home ownership goals.

The increased uptake of digital banking for simple transactions has meant fewer customers visit our branches, with in-branch interactions now centred on more complex banking requirements such as home or business loans. We reduced the number of branches by 51 in Australia and 13 in New Zealand. We recognise the impact that this may have on our customers and are working to provide other options, such as access to ATMs, taking cash-out at retailers, making payments using debit cards, and making and receiving payments using digital channels.

Customer data security is paramount at ANZ and we are focused on ensuring our digital channels are safe and secure. At the end of September, we had more than 350,000 customers registered with ANZ Voice ID to make higher value payments via mobile. The technology confirms a customer's identity through hundreds of unique characteristics in their voice and is now so advanced it can tell the difference between identical twins or even a voice recording. We have also enabled customer credential recovery digitally and have improved success rates for electronic identity verification when setting up new accounts, resulting in fewer customers needing to call or visit us.

"WITH THE HIGH ADOPTION RATES OF CONTACTLESS PAYMENTS IN AUSTRALIA, OUR CUSTOMERS WILL BE SOME OF THE FIRST IN THE WORLD TO USE THEIR MOBILE DEVICES TO WITHDRAW CASH IN ADDITION TO MAKING PAYMENTS. WE KNOW THIS IS SOMETHING OUR CUSTOMERS WILL APPRECIATE."

Katherine Bray, Customer Engagement Lead, ANZ

We continue to build on the key capabilities essential to our digital future including customer proposition design, data insights and innovation. Examples of progress in this area include:

- making key appointments in the areas of Human-Centred Design, New Business, Emerging Technology and Ventures — supporting the creation of memorable customer experiences, growing new businesses and utilising emerging technologies;
- entering into a strategic partnership with Atlassian, a leading provider of team collaboration and productivity software, to help us as we continue to transform our business with agile-based working;
- working with Google in Australia to enhance our data and analytics capability using cloud technology to accelerate the delivery of data-driven business insights to Institutional customers; and
- having a strategic investment and partnership with Data Republic to develop useful data insights for our customers at speed using a cloud-based platform to access trusted experts and other partners.

We are working towards the implementation of open banking which is the application of the consumer data right to the banking industry. This will enable consumers to safely access certain data about themselves and share it with accredited third parties of their choice. Based on the government's current timeframes, this will include data for credit and debit card accounts, deposit accounts and transaction accounts in 2019. Implementation of open banking is contingent upon the enactment of a new law and the finalisation of government rules and standards.

CASE STUDY

INNOVATION — ARTIFICIAL INTELLIGENCE

"Kia ora, I'm Jamie. Do you have a question about banking for me?"

Jamie is our new digital assistant, helping our New Zealand customers with some of their banking queries. All of the questions Jamie can answer are general in nature and do not require any specific customer information.

"We want to be the digital bank with a human touch," says Liz Maguire, Head of Digital and Transformation. "While we know many of our customers love connecting through our existing digital channels, we have been talking face to face a lot longer than we've been using small screens."

With that in mind, we partnered with New Zealand tech company Soul Machines to develop Jamie.

Jamie provides customers with another way to find answers to their basic banking queries, in addition to the options we already provide — like branches, contact centre, internet banking and our mobile phone app.

Jamie has a 3D-face designed around a detailed physiological map of the human face, and is 'brought to life' with artificial neural networks meaning she expresses personality and character. She can have a conversation with customers online to answer basic banking queries — rather than type in a question, customers can talk to her.

Jamie is capable of learning — the more times she is asked a question in varying ways, the better she will get at answering it.

Jamie is currently being trialled on ANZ Help with positive feedback received to date. Around 90% of customers who have interacted with Jamie think it is a good idea for us to introduce this technology.

CYBER SECURITY AND DATA PROTECTION

We take the security of our customers, employees and services very seriously. When impacted by cybercrime, customers can lose trust in our digital banking products and services.

CYBER SECURITY

Target

Extend ANZ's cyber security education and awareness program in 2018 by:

- embedding cyber security information into key business processes (e.g. security tips when establishing new customer accounts) and customer 'touchpoints' (eg. ANZ website); and
- collaborating with others (e.g. government, universities and industry) to help build a 'pipeline' of cyber security professionals and raise community awareness of cyber security.

Performance

- We have delivered a range of initiatives embedding cyber security information into key business processes to raise cyber awareness of both customers and employees.
- We participate in industry collaborations to address the skills shortage in cyber security and support a 'cyber-smart' community.

Cyber security has continued to gain attention in both customer facing and non-customer facing teams across the bank. This has been driven by new local and international legislation and the increased sophistication and frequency of cyber threats. The Cyber Defence team proactively scans ANZ systems for vulnerabilities to prevent malicious activity and manages threats to minimise impact to customer operations. In addition, we have worked to build awareness through an extensive education and influence program of work across employees and customers.

We also have a sophisticated intelligence sharing capability and frequently collaborate with industry partners, law enforcement agencies and other private institutions. We have continued our partnership with the Joint Cyber Security Centres in Australia to provide intelligence and knowledge sharing.

Throughout 2018 we continued to play a leadership role in the Security, Influence and Trust (SIT) group which comprises partners across banking, infrastructure, academia and government sectors. The SIT group is committed to collaborating on community campaigns to promote and support a 'cyber-smart' nation.

In response to the rapid increase in cybercrime we delivered a range of initiatives in 2018 to raise the cyber security awareness of both our customers and employees, including:

- the introduction of 'TECH Talks', facilitated by employees within our Australian branch network, where cyber security and technology related topics are discussed with customers;
- presentations to small business, corporate and commercial customers conducted by regional and local bankers as part of a broader series of client engagement sessions;
- in-application pop-up cyber security messages in the Wholesale Digital Transactive banking platform which customers must acknowledge before being able to proceed;
- the launch of a new cyber security alert page on anz.com to provide examples of the latest cyber threats that have the potential to impact our customers;
- the commencement of a 'Change Champion' Cyber Security Ambassador Program within the New Zealand and Australian Operations teams to improve cyber security capabilities among employees, while also acting as an advocate for cyber security within their respective areas;
- the implementation of an internal phishing email 'triage service' (suspicious email sorting capability) to ensure a timely response to potential cyber attacks on ANZ;
- the establishment of an executive education program to improve cyber knowledge; and
- the development of our new cyber security campaign to raise awareness on simple steps customers and employees can take to protect their virtual valuables.

This year, we were involved in industry collaboration to help alleviate the skills shortage in cyber security and to support a cyber-smart community. Highlights include:

- commencement of a partnership with Deakin University to sponsor graduate roles into ANZ's Security Domain to address resourcing gaps, while developing talent;
- providing a leadership role through the Australia Women in Security Network (AWSN) which aims to increase the number of women in cyber security across Australia;
- delivery of a research program to investigate human susceptibility to phishing emails in conjunction with Data61, CSIRO's data, technology and innovation industry body;
- commencement of a partnership with the Australian Computer Academy (Sydney University), our Australian banking peers, British Telecom and Aust Cyber (a not-for-profit organisation promoting Australian cyber security industry and innovation) to write the cyber security content for the national digital curriculum for Australian high schools (Years 7–10); and
- collaboration across industry and government to deliver content for Safer Internet Day, National Scams Awareness week, Stay Smart Online week and International Cyber Security month.

DATA PROTECTION

Our customers expect us to collect and use their data in a transparent, fair and responsible way, which is why we remain vigilant about protecting our customers' personal information; it is fundamental to building and maintaining our customers' trust.

We take our privacy obligations seriously and are committed to being accountable and transparent with respect to the collection and handling of our customers' and employees' personal data. We are investing in a variety of data security and privacy-related initiatives to ensure we are up to date with our regulatory and legislative requirements and that data is handled appropriately, securely and in accordance with stakeholder expectations. Additionally, our Privacy Policy and Information Security Policy outline how we manage and protect our customers' and employees' personal information and how we will respond in the event of a data breach.

This year we refined our data breach processes in line with the Office of the Australia Information Commissioner (OAIC) Notifiable Data Breach (NDB) scheme and the new European Union (EU) General Data Protection Regulation (GDPR) requirements. We have informed all employees of their responsibilities with respect to the new NDB scheme and introduced a new NDB response process to ensure that we comply with our notification obligations and minimise potential harm. Our divisional compliance teams have undergone training to understand how to assess and take action in the event of a data breach.

While the GDPR is an EU law, it impacts our Institutional businesses globally, including our operations both in and outside the EU. We have appointed a Global Data Protection Officer to drive improvements in our communications and processes so as to meet our legal obligations and the expectations of our EU stakeholders.

FINANCIAL CRIME

We have a role in protecting our customers and the community from financial crime.

Our Financial Crime Portfolio is a team of experts that acts swiftly and collaboratively to manage threats posed to ANZ, our customers and community by money launderers, financial supporters of terrorism, fraudsters, sanctions evaders and other perpetrators of financial crime. We work with regulators, security and law enforcement agencies to deter, discover and disrupt financial crime (see case study on page 30).

All employees and contractors are required to undertake annual training to ensure awareness and understand their role in preventing fraud, bribery, corruption, money laundering, terrorism financing and sanctions.

FRAUD

Changes in the external environment continue to influence our fraud risk management approach. Fraudsters are using technology to improve the efficiency, effectiveness and diversity of their attacks. Our approach to fraud risk management is focused on proactively minimising the occurrence of fraud and its consequences to customers, shareholders and employees.

Our Fraud Policy establishes minimum standards for the prevention, detection and investigation of fraud. The policy outlines each person's responsibilities to prevent and detect fraud and how to report suspected or actual fraud. The policy directs that all instances of fraud (whether internal or external) must be reported in accordance with defined reporting requirements.

The implementation of the policy is supported by detailed requirements including the assessment of fraud risk, measurement against a defined risk appetite, and the use of technology and controls to detect and prevent fraud. The requirements also detail the standards for investigating incidents, including those involving employees.

We use advanced analytical and detective systems to proactively monitor and detect suspected fraudulent behaviour.

We also provide customer education and awareness on common fraud scenarios and we continue to develop and implement better ways to secure customer interactions with us.

We work in partnership with industry, government and other organisations to minimise, disrupt and prevent the impacts of fraud more broadly across the community.

ANTI-MONEY LAUNDERING AND COUNTER TERRORISM FINANCING

Our Anti-Money Laundering and Counter Terrorism Financing Program (AML/CTF Program) establishes minimum standards, guiding and directing our Group-wide approach to detecting and deterring money laundering and terrorism financing (ML/TF) activities. Risk assessments are completed both at the enterprise level as well as country level to identify, manage and mitigate ML/TF risk across the organisation.

We apply mandatory standards to customer due diligence. Verification of identity is undertaken using independent and reliable documents or electronic data. Customers identified as posing a high risk of money laundering or terrorism financing are subjected to enhanced due diligence measures and monitoring, senior management review and compliance approval.

We undertake monitoring to identify transactions that appear to be abnormally complex, unusual or have no apparent economic or visible lawful purpose. Transaction monitoring enables us to identify and manage potential money laundering or terrorism financing.

ECONOMIC AND TRADE SANCTIONS COMPLIANCE

Our Economic and Trade Sanctions Compliance Program (ETS Program) establishes minimum standards, guiding and directing our Group-wide approach to meeting our sanctions obligations. Risks are assessed to identify, manage and mitigate the sanctions risk across the organisation. Customer relationships and activities which pose a higher sanctions risk are subject to enhanced due diligence measures, monitoring and approval.

ANTI-BRIBERY AND ANTI-CORRUPTION

Our Anti-Bribery and Anti-Corruption (ABAC) Policy prohibits employees and contractors from engaging in activity that constitutes bribery and corruption, including offering, promising, providing, requesting or receiving bribes directly, indirectly or through third parties, in any form, including kickbacks and facilitation payments. The ABAC Policy defines unacceptable behaviour relating to bribery and corruption and directs activities designed to identify, manage and prevent bribery and corruption.

The ABAC Policy mandates thresholds and recording systems for gifts, entertainment or sponsored travel given or received. The framework requires a risk-based approach to the development and management of key anti-bribery controls, including third-party and employee due diligence and outlines the approach with respect to donations, sponsorships, risk assessments, record keeping, reporting and training.

We assess bribery and corruption risks in order to identify higher risk jurisdictions, business relationships and business activities so that controls are in place to prevent and detect such risks.

RESPECTING HUMAN RIGHTS

Our upgraded human rights standards, Respecting People and Communities: ANZ's Approach to Human Rights, has been guiding our lending, supplier, community and employee relationships over the past two years.

Our standards provide a framework for decision-making that is aligned with stakeholder expectations and reflects developments in human rights, including the United Nations Guiding Principles and the Sustainable Development Goals.

Our work is supported by our Code of Conduct, and a number of Group-wide policies and internal training programs that also reflect our standards. We are embedding our standards in our everyday business activities, including through our human resources policies and in customer and supplier screening tools.

This year we focused on improving our performance in several areas:

- implementing strengthened due diligence for our Human Rights Standards;
- updating our Social and Environmental Risk Policy to more clearly outline our expectation that our business customers establish effective grievance mechanisms;
- screening our business customers by applying our Social and Environmental Risk screening tool (including zero tolerance for land grabs); and
- training our employees on their responsibilities via our updated online Social and Environmental Risk training program.

IMPROVING OUR HUMAN RIGHTS DUE DILIGENCE PROCESSES

Target

Implement strengthened due diligence for our Human Rights Standards by end 2018.

Performance

Our updated Social and Environmental Risk screening tool was implemented in October 2017 with our updated online Social and Environmental Risk training program rolled out to employees in February 2018.

We expanded the pilot of our strengthened human rights customer due diligence to three locations in Asia: China, Indonesia and India. Using the pilot results, we are considering how to embed the strengthened due diligence in our general screening for all locations in 2019.

Relevant United Nations Sustainable Development Goals[1]

8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, and by 2025 end child labour in all its forms.

10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

In 2017 we focused on improving the way we identify human rights-related risks in our customer relationships through a targeted customer screening pilot in Thailand.

The results indicated improved customer engagement and quality of information in the credit assessment process. Based on these results we expanded the program in 2018 to cover India, Indonesia and China.

The new process provides our bankers with a better understanding of the types of human rights issues that may arise in specific sectors or activities and is aimed at improving dialogue with business customers on human rights issues.

The results from the East Asia pilot were also encouraging, with all countries able to provide adequate information for screening and improving the qualitative data recorded for customers. We will implement this strengthened due diligence process across the Group in 2019.

1. We have abbreviated the SDG 'targets' to highlight the most relevant contribution by ANZ (see https://www.un.org/sustainabledevelopment/sustainable-development-goals/ for full targets).

CASE STUDY

PHNOM PENH SUGAR COMPANY

After the close of the bank's reporting year, a much delayed report was issued by the Australian Government on a complaint against the bank under Organisation of Economic Cooperation and Development (OECD) rules. At the time of preparing this Sustainability Review, the bank was examining the report for any new information. The complaint under the OECD rules was made by NGOs in 2014 about our involvement with the Phnom Penh Sugar Company Co.

We understand it is important that complaint mechanisms are available to affected stakeholders who may want to raise concerns about our customers' or suppliers' activities.

This is why we encourage and expect that our customers provide appropriate mechanisms for aggrieved stakeholders to engage with them.

Our Land Acquisition Position Statement (available on anz.com/cs) and Human Rights Standards identify the ways in which concerned external parties can engage with us.

We regularly update our Board EESG Committee and our ERBC on our progress in implementing our standards.

TRAINING

Since 2015, more than 390 Institutional and Corporate bankers have completed an in-depth, facilitator-led Social and Environmental Banking training course that includes consideration of human rights. In addition, employees with the authority to approve any lending and customer on-boarding must complete our online Social and Environmental Risk training course. 3,518 employees have completed the course since 2015.

OUR PRIORITIES IN 2019

During 2019 we will:

- engage with customers, seeking to ensure that they have effective grievance mechanisms in place, especially for large projects;
- continue to strengthen due diligence screening on our business customers;
- promote internal compliance through training; and
- ensure that our Land Acquisition Statement remains fit for purpose.

SUSTAINABLE PROCUREMENT

As a large organisation with an extensive supply chain — our total spend this year was $4.9 billion — we recognise that our procurement activities have social and environmental impacts.

A key way in which we seek to minimise those impacts is through our Supplier Code of Practice (SCOP). The SCOP outlines our minimum requirements for suppliers in relation to governance and general compliance, human rights, workplace relations, workplace health and safety, ethical business practices and environmental management. It aligns with our Code of Conduct, Sustainability Framework and Our Approach to Human Rights and supports the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises and the United Nations Global Compact. It applies to all suppliers across our global operations and reflects our commitment to working with our supply chain to understand and minimise the social and environmental impacts of our mutual business operations. In addition, our SCOP requires that all suppliers not engage in trade activities or include in the supply chain any goods or services sourced from sanctioned persons, countries or organisations in accordance with current United Nations Security Council sanctions, US sanctions and any local or regional sanctions as mandated by governments in the relevant jurisdictions or engage in unethical business practices.

The SCOP was last updated in 2016 to reflect legislative changes, including the *Modern Slavery Act 2015 (UK)* and to ensure alignment with the United Nations Global Compact. This year we have focused on ensuring that the way suppliers conduct their business meets our expectations through managing the adherence to the SCOP via contractual commitment. We request an annual attestation to adherence to the SCOP for our major suppliers managed at Group level.

We use a third-party risk-screening tool for all suppliers. The tool screens suppliers through a lens of 28 environmental, social and governance issues including human rights. This year we expanded our screening to include subcontractors and named fourth parties.

ANZ has publicly released statements under the *UK Modern Slavery Act* since 2016 and we are consulting with groups such as the United Nations Global Compact to ensure we are prepared to meet the obligations for the newly proposed modern slavery legislation in Australia. We have developed training for Procurement Managers to ensure they understand what modern slavery is, where potential risks to ANZ may occur and how to minimise the likelihood of occurrence. In addition, we have extended the use of the bank's whistleblower program to include suppliers and contractors.

HIGHLIGHTS

COLLABORATING TO FIGHT MODERN SLAVERY

In 2018 we joined the Asia Pacific Banker's Alliance — a private-public partnership against modern slavery. The core objective of the Alliance is to map the financial footprint of modern slavery in the formal banking system to enhance the ability of financial institutions to identify and mitigate the risk of modern slavery. As a partner in the Alliance, we have shared a range of risk indicators, case studies and contributed to a white paper on modern slavery in an effort to raise awareness about the issue and combat modern slavery alongside other members of the Alliance.

This builds upon previous work conducted with the Asian-based Anti-Money Laundering and Countering the Financing of Terrorism Industry Partnership, which focused on human trafficking. Our continued partnership with Liberty Asia further assists in the prevention of human trafficking and slavery.

We have maintained our partnership with the Asia Pacific Financial Coalition Against Child Pornography and continue to collaborate with the Singapore-based International Centre for Missing and Exploited Children to help eradicate the online exploitation of children.

We are also a contributor to the Australian and New Zealand private-public partnerships to combat money laundering and terrorism financing.

We also have a responsibility to facilitate social and economic growth in our communities through collaboration with our suppliers. Our Reconciliation Action Plan (discussed on pages 59–61) outlines the actions we are taking to promote and support Indigenous suppliers.

In 2018 we became a signatory to the Business Council of Australia's Supplier Payment Code (Code). The Code commits us to pay eligible Australian small business suppliers within 30 days of receiving a correct invoice. In addition to this we have developed purchasing and invoicing guides and held webinars with small business suppliers to help them improve their invoicing and payment processes. The Code aims to improve the viability of small business by helping them to manage cash flow and encouraging growth.

RESPONSIBLE BUSINESS LENDING

To shape a world where people and communities thrive, we need to ensure our business lending standards continue to evolve to reflect the expectations of our stakeholders.

Our Social and Environmental Risk Policy sets out the principles and standards we apply to all Institutional and Corporate banking customers (business customers) and their activities to ensure consistent management and mitigation of social and environmental risks. It is important that we understand the social and environmental risks associated with our financing decisions as it helps avoid reputational and economic loss associated with customers who may not be managing these risks appropriately or who are engaged in activities that are not sustainable in the long term. When we take the time to understand these issues and encourage and support our clients to manage them effectively, we can deliver on our responsibilities to society while protecting ANZ from potential financial loss and reputation damage.

We monitor the social and environmental risks of our business customers through our monthly 'Reputation Risk Radar'. Notable publicly reported incidents and allegations are referred to our regular risk management meetings that consider social, environmental, governance and credit risks. Meetings are attended by risk officers and banking relationship managers. We also rely on regular dialogue between relationship managers and their customers to alert us to issues.

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

Our purpose is influencing the customers and industry sectors we choose to bank. For example, we have considered how banking tobacco manufacturers aligns with our purpose. After some debate we determined that we did not want to support tobacco manufacturing, regardless of the returns. We have sought to manage our exit in an orderly, fair and professional manner with minimal financial impact on our shareholders and treating some longstanding customers with respect. Since making this decision in mid-2016, our exposure to tobacco manufacturing has gone from almost $600 million to around $4 million in one residual line of credit in one country that will mature soon.

REVIEW OF OUR SOCIAL AND ENVIRONMENTAL RISK POLICY — INCLUDING SENSITIVE SECTORS

Target

By end 2018, ensure emerging issues and leading practices are reflected in the policies and procedures guiding our business lending decisions by:

- reviewing and, where necessary, updating our Social and Environmental Risk Policy (including sensitive sector standards); and
- amending our risk appetite and customer assessment processes to increase emphasis on climate change risks and management.

Performance

We reviewed a set of priority issues and sectors, including measures to reduce carbon emissions, with recommended changes to the policy approved and on track to be published by December 2018.

Climate change risk has been added to the Group and Institutional Risk Appetite Statements.

One of the key ways that we identify and manage the risks associated with our business lending is through the application of our Social and Environmental Risk Policy and accompanying 'sensitive sector' requirements for energy, extractive industries, forestry and forests, military equipment, hydropower and water.

The Policy incorporates social and environmental considerations into lending decisions for all customer sectors. Relationship managers are required to respond to a broad range of social and environmental questions before the bank enters into a relationship with any customer. Our credit policy requires customer relationships to be reviewed regularly, which includes considering any social and environmental issues.

All business customers continue to undergo regular screening using our social and environmental risk screening tool.

This year we reviewed our Policy to ensure that it appropriately reflects emerging issues and leading practices, focusing on a number of priority issues and sectors, ie grievance mechanisms, palm oil financing, and measures to reduce carbon emissions in the energy, transport, building and agricultural sectors.

We have strengthened our Policy in several areas, including:

- an expectation that customers maintain appropriate grievance mechanisms in line with the United Nations Guiding Principles for Business and Human Rights, especially relevant for large projects, eg. mining or others with significant community impacts (land acquisition for soft commodities such as palm oil and sugar). We will also reflect these expectations in our Human Rights Standards;
- require customers with palm oil operations to have established 'No Deforestation, development on Peat, Exploitation of people' (NDPE) policies or commit to a NDPE policy within a time-bound period, and certification of practices under the Roundtable on Sustainable Palm Oil or equivalent standards; and
- excluding new-to-bank lending to customers whose thermal coal assets exceed 50% of revenue, installed capacity or generation (mining, transport, ports and power generation).[1]

To improve transparency and to facilitate more informed engagement with our stakeholders, we will publish our full Policy together with more detailed summaries of sector-specific standards in our 'sensitive sector' information statements on anz.com/cs.

We continue to apply a strengthened due diligence for thermal coal extraction and associated coal transport customers. We expect our customers in all sectors to implement appropriate stakeholder engagement strategies and plans and we have included this consideration in our screening tool.

The Policy incorporates relevant content of our Human Rights Standards including our 'zero tolerance' for improper land acquisition and involuntary resettlement.

EMPLOYEE SUSTAINABILITY TRAINING

We have a range of social and environmental training programs to educate our employees on our policies and standards and how they are applied in practice. This year more than 700 employees completed our foundation course: online Social and Environmental Risk training, which covers our Sustainability Framework, Sensitive Sector requirements and our approach to human rights. This training is available to all employees and is mandatory for new employees able to make credit decisions for business customers.

CASE STUDY

PROVIDING INCENTIVES FOR CUSTOMERS TO ACHIEVE HIGHER SUSTAINABILITY STANDARDS

This year we participated in the successful completion of Olam's debut US$500 million three-year sustainability-linked loan which involved 14 other lenders. This is the first sustainability-linked club loan in Asia that links the interest margin on the loan to specific sustainability targets. The loan facility saw a highly successful launch and was well-received by the market.

"We are proud to be the first company in Asia and the agri-sector to secure a sustainability-linked medium-term club loan that links interest rate on the loan to achieving clear sustainability targets," said Sunny Verghese, Olam's Co-Founder and Group CEO.

Olam, under the terms of its loan, is committed to meeting improvement targets for a comprehensive range of Environmental, Social and Governance (ESG) metrics, as assessed by Sustainalytics.

Olam will be tested on over 50 ESG metrics annually, and, if the pre-set improvement targets are achieved, the interest margin on the facility will be reduced. That means it will have two opportunities during the life of the three-year loan to reduce its interest margin.

"The debut sustainability linked revolving credit facility is unique as it's the first of its kind in Asia. As a key relationship banker to Olam, we're pleased that they've recognised ANZ as a partner who cares about ESG in its way of doing business," said David Leong, Head of Specialised Industries, Singapore.

1. Coal used for power generation.

EQUATOR PRINCIPLES

The Equator Principles are a set of voluntary standards designed to help financial institutions identify and manage social and environmental risks associated with the direct financing of large infrastructure projects such as dams, mines and pipelines. We regard them as complementary to our sensitive sector requirements, and our Social and Environmental Risk Policy.

As a signatory since 2006, we have fully integrated compliance with the Equator Principles into our policies and processes. Implementation is a joint responsibility of our relationship managers, credit officers and specialist Equator Principles resources, with advice from qualified independent consultants as required. We apply the Equator Principles globally across industry sectors to our project finance advisory services, project finance, project-related corporate loans and bridge loans. We will not provide finance to projects where the customer will not, or is unable to, comply with the Equator Principles. Information on our 2018 project finance advisory services and transactions is available on page 74.

During 2017 and 2018 the Equator Principles Association has undertaken a targeted review of the Equator Principles (EP4) and commenced discussions across the Association focusing on four broad areas:

1. social impact and human rights;
2. climate change;
3. designated countries and applicable standards; and
4. scope of applicability of the Equator Principles.

We have actively participated in these discussions at an Association and Working Group level and have worked collaboratively to help draft proposed text changes. The Equator Principles Association aims to be ready for Round 2 of external stakeholder consultation in Q1 2019 with final recommendations scheduled to be put forward for consideration later in 2019. For further information refer to: equator-principles.com/ep4/.

CASE STUDY

CHALLENGES IN APPLYING OUR STANDARDS TO REFINANCING EXISTING PROJECTS

This year we were approached by a long-term Institutional bank customer to participate in a refinancing of debt facilities for a large infrastructure project they operate in Asia. Being asked to participate in refinancing arrangements for existing projects can be challenging if we have not been involved in financing the construction of the project because during the construction process we often learn significant details about the project and its social and environmental performance.

Several years ago, this customer approached us to finance the same infrastructure project while it was being constructed. After reviewing the project details at that time, we decided it should be assessed against the Equator Principles, including independent monitoring by a third party. The customer acknowledged our request but decided to seek financing from a number of other financial institutions. We did not participate in the project funding.

Since those discussions, we have continued to engage with the customer and advocate the benefits of attaining a higher level of social and environmental performance, such as improved access to capital and a broader investor base. We have been pleased to observe evidence of the customer progressively 'stepping up' its approach, including investing in health and safety improvements as well as meeting international standards for factory dormitory design and management.

We believe that partly through our advocacy, in addition to evolving market and community expectations, our customer has matured its business approach and management position and sees the importance of achieving higher international standards. They have agreed to align their financing to international standards under the Equator Principles, including many elements of our original recommendations.

Applying our social and environmental standards consistently — both during project development and for any refinancing arrangements — is one way that we can ensure our financing for projects meets the highest standards.

CASE STUDY

ENVIRONMENTAL SUSTAINABILITY

APPLYING THE EQUATOR PRINCIPLES

During 2018 we were invited to participate in the financing of an offshore wind farm development in Asia (the project). The environmental and social review of the project was prepared based on the Equator Principles. The project was categorised as Category B.

An Independent Environmental and Social Due Diligence review assessed the project against the Equator Principles, International Finance Corporation Performance Standards, local laws, as well as the World Bank Group Environmental, Health and Safety Guidelines for Wind Energy. Documents reviewed included the Environmental Impact Assessment report, permits and licences, and health, safety and environmental monitoring plans.

Key environmental and social issues that required continuous monitoring and reporting during construction and operation were identified. These included impacts on critical habitats for sea life, migratory birds and fishery productivity, as well as issues regarding pollution and marine heritage. In terms of social issues, an agreement was reached with local fishermen for compensation for potential loss of fishery productivity.

The potential impacts on local sea life were of concern to government and non-government organisations, and consequently the project company committed to taking certain measures to ensure impacts were either avoided or mitigated.

Actions included:

- locating the facility in an area avoiding the critical habitats identified;
- implementation of preventive and noise mitigation measures to minimise disturbance to local sea life as a result of construction noise;
- close monitoring of sea life activities in the vicinity of the project area by experts; and
- establishment of safety zones (based on local laws and international standards) near the project area with construction activities to be halted if sea-life is observed within these zones.

Overall, the independent environmental and social consultant was satisfied with the mitigation measures provided by the project company on the identified environmental and social issues. The environmental and social management and monitoring plans were also considered to be adequate. As a result, we agreed to participate in the financing of the project.

CLIMATE CHANGE — MANAGING RISKS AND OPPORTUNITIES

We are helping our customers adapt to one of the 'big shifts' underway: the transition to a low carbon economy.

We acknowledge the position of the Intergovernmental Panel on Climate Change (IPCC) that to achieve the full ambition of the Paris commitments the world needs to transition to net-zero emissions by mid-century.[1]

This year we reviewed our approach to climate change, focused on our lending to our corporate and institutional business customers. We considered options to increase our ambition to help lower carbon emissions in a socially and economically responsible manner.

Around 37% of the world's electricity comes from coal-fired power stations and in Australia, many communities, particularly in regional areas, are reliant on the coal industry for employment. As we move to cleaner energy sources we must do so in a way that does not compromise these communities, or leave them behind.

In seeking to support the shift to a low carbon economy, we intend to do so in a way that provides new economic opportunities and helps people and communities thrive.

Our approach is to:

1. help our business customers transition by encouraging them to identify their climate change risks, create transition plans and report publicly and transparently on their progress;
2. support emerging industries to promote economic growth; and
3. reduce our own impact by managing and reducing our own carbon footprint.

RENEWING OUR SUPPORT FOR PARIS

The transition to a net-zero carbon economy requires a 'whole of-economy' approach, with all sectors having a role to play. Our focus is on ensuring an orderly and just transition that gives careful consideration to the impacts on communities and manages our climate-related risks, while increasing our ambition to lower emissions in the energy, transport, buildings and agricultural sectors.

Our revised approach commits us to the following actions:

- fund and facilitate at least $15 billion by 2020 towards environmentally sustainable solutions for our customers including increased energy efficiency in industry, low emissions transport, green buildings, reforestation, renewable energy and battery storage, emerging technologies (such as carbon capture and storage) and climate change adaptation measures;
- encourage and support 100 of our largest emitting customers in the energy, transport, buildings and food, beverage and agricultural sectors to establish, and where appropriate, strengthen existing low carbon transition plans, by 2021;
- encourage customers that have coal-fired generation assets to work towards setting medium and long-term emission reduction targets up to 2050 that contribute towards achieving a 'less than 2˚C target';
- no financing for new conventional coal-fired power stations, and we will only consider direct financing for the development of new coal-fired power stations that emit no more than 0.8t CO_2/MWh;
- focus on existing customers producing coal that when used for power generation results in lower emissions and reducing our exposure to thermal coal mining. This means we will also only consider lending to new customers involved in coal-related mining, transport and power generation if their thermal coal operations are less than 50% of their revenue, installed capacity or generation;
- provide incentives for customers to reduce emissions, such as facilitating, together with government, concessional loans for corporate and agribusiness customers to buy energy efficient equipment; and
- only finance the construction of new large-scale office buildings which achieve or exceed a NABERS 4.5 star standard (or equivalent international rating) 'as designed'.

A JUST TRANSITION

We believe that all stakeholders in the transition to lower emissions should give careful consideration to the impacts on affected communities. Power prices in Australia have increased significantly due to a range of factors. This has added to cost of living pressures for many in the community.

Employment opportunities have been created by the transition but some communities, particularly in regional areas reliant on the coal industry for employment, will suffer significant social and economic costs if the transition is poorly managed.

To facilitate an orderly and just transition across the economy, we are committed to helping ensure that social impacts and costs are not treated as a secondary issue.

This is one of the reasons why we are seeking long-term, public transition plans from our major emitting customers. This will help communities and governments anticipate and adjust to change over time. We expect our customers with large coal-fired power plants to provide at least three years advance notice of closures and engage with all their stakeholders to minimise the impact on their workers, local communities and downstream energy users.

Further, we will support and commit to our involvement in customer, community and government efforts to help ensure an orderly and just transition.

1. IPCC Special Report on Global Warming of 1.5°C — released 8 October 2018.

WE ARE IMPROVING TRANSPARENCY

Climate risk disclosure is evolving and we acknowledge it can be difficult for stakeholders to compare information reported by different banks. For the second year our disclosures are aligned with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Our disclosure includes 1) how we identify climate-related risks and opportunities; 2) who is accountable for managing the risks and opportunities; 3) how climate change informs our business strategy; and 4) the actions we are taking, including metrics and targets, to measure our progress. Our disclosures are contained in our 2018 Annual Review available on anz.com/annualreport.

Our 2017 disclosures were recently reviewed by the TCFD.[1] While the report confirmed our disclosures used many of their recommendations, there were some suggestions for improvement. For example, it was suggested we provide information on a wider range of customers (beyond the thermal coal supply chain) and risks, particularly physical risks. We are considering the TCFD's feedback on our disclosures and will continue to seek to improve their usefulness to stakeholders.

For example, in 2019, we will seek to enhance our understanding of climate-related risks associated with our residential mortgage portfolio by:

- undertaking a geospatial analysis of current flood-related risks in a specific location; and
- developing indicators to test the financial capability of home loan customers to withstand the identified risks.

SCENARIO ANALYSIS

The Financial Stability Board's Taskforce on Climate-related Financial Disclosures has recommended that banks and organisations should use scenario analysis to assess their climate-related risks.

WHAT IS SCENARIO ANALYSIS?

A scenario is not necessarily what the company thinks will happen, but what could happen. Scenario analysis can be used to test whether business strategies are sufficiently robust and flexible to withstand potential implications — in this case from climate change.

CLIMATE-RELATED SCENARIO ANALYSIS

Our business needs to be resilient under a range of climate-related scenarios. To improve our capacity to use scenario analysis as an input to our strategy, we joined with 15 other banks this year to develop methods to improve stress testing of our business lending portfolio for climate-related risk. This work sought to overcome some of the challenges facing banks in modelling climate-related risks, for example:

- identifying the potential economic impact of climate-related scenarios, eg. changes to commodity prices or production and impact on customer revenues; and
- assessing these potential impacts on a customer's capacity to repay debt (ie. credit risk) over a longer period.

The working group was coordinated by the United Nations Environment Programme Finance Initiative (UNEP FI). During the pilot we developed and tested approaches and methodologies to inform our risk management and identify opportunities to support our customers, considering both 'transition risks' and 'physical risks'.

We stress tested customers within the mining and metals (transition risk) and agriculture (physical risk) sectors, and results were in line with our expectations. For example, in our Australian commodity and geographically diverse agricultural loan book, the portfolio customer credit rating remained relatively stable in three out of four climate scenarios tested, with a downgrade of one level under a 4°C warming scenario. More significant impacts were identified for individual customers with weaker credit profiles and for some depending on their location and the commodity produced. These results will inform discussions with our customers as we seek to support them to manage risk and identify business opportunities, such as investing in assets or commodities that are more resilient to climate change.

Building on work undertaken in 2017, we continued scenario testing a select group of customers in the thermal coal supply chain (encompassing extraction, coal rail transport, coal associated ports and coal-fired power generation). We re-tested some customers to look for significant changes since our earlier assessment, and included some new customers not tested in 2017. Our engagement this year with a number of these thermal coal customers supplemented our scenario testing and improved our understanding of how they are managing the potential impacts of climate change, including their ability to adapt their business strategy.

Our analysis revealed varying degrees of preparedness for thermal coal customers in managing transition risks. In the medium to long term, risks are higher for companies with higher revenue reliance on thermal coal and with business strategies less prepared for an early shift to a low carbon economy. In the short term, these customers have benefited from robust demand for high quality thermal coal in Asian markets.

1. https://www.fsb_tcfd.org/publications/tcfd-2018-status-report/.

CASE STUDY

THE IMPORTANCE OF ENERGY EFFICIENCY

Energy efficiency in buildings will play a key role in delivering deep emissions reductions. With a significant expansion in building floor area expected over the next two decades, the International Energy Agency (IEA) has found[1] it will be vital to unlock new sources of finance to deliver efficient new buildings and upgrade existing stock. ANZ is already making considerable steps to mobilise finance into more energy efficient commercial buildings.

In 2015 we issued a $600 million, five year fixed rate green bond that finances, a portfolio of loans to renewable energy projects and commercial low carbon buildings in the Asia Pacific region. The portfolio includes ANZ's lending to Southern Cross towers located in Melbourne's Central Business District.

Southern Cross Towers comprises two buildings with a combined office space of around 122,000m^2 spread over 58 levels, and includes a number of innovative design features to limit energy use. Among the major tenants of the two buildings are Australian and Victorian Government agencies that are required to meet minimum energy performance standards for their leased office space in accordance with the National Green Leasing Policy. This policy aims to reduce the environmental impact of buildings by requiring building owners to maintain a minimum energy base building rating of 4.5 stars under the National Australian Built Environment Rating System (NABERS) and a 4 star NABERS Water rating. Both buildings have managed to attain these ratings since they commenced operation, with the smaller west tower at 111 Bourke St having a 5 star base building energy rating and a 4.5 star water rating.

It makes sense for us to set a minimum 4.5 star energy rating for the financing of new large-scale office buildings. From a credit risk perspective, energy efficient buildings generally have lower tenancy vacancy rates and may attract higher rents.

NEXT STEPS

We will continue to engage with our thermal coal and other customers to understand how they are preparing their businesses to manage potential transition risks. A number of our customers have begun releasing disclosures in line with the TCFD recommendations — this is informing our customer conversations.

We will also continue to have climate-related discussions with our agricultural customers, particularly those in areas of variable or low average annual rainfall.

Our scenario-based assessment is part of a gradual improvement to our climate-related disclosures. We plan to expand this over future years to include other sectors exposed to the regulatory, physical and transitional risks of climate change.

CLIMATE RISK MANAGEMENT

We have disclosed our most material economic, environmental and social sustainability risks in our 2018 Annual Review (see page 13) and 2018 Annual Report (see page 38) on anz.com/annualreport in accordance with the *ASX Corporate Governance Principles and Recommendations*.

Our most material climate change risks and opportunities result from our lending to business and retail customers, including credit-related losses incurred as a result of a customer being unable to repay debt.

Under our risk management framework, our material risk category of Credit Risk incorporates the risks associated with lending to customers that could be impacted by climate change or by changes to laws, regulations, or other policies such as carbon pricing and climate change adaptation or mitigation policies. It also includes changes to the cost and level of insurance cover available to our customers. We also specifically include climate change as one of our Principal Risks and Uncertainties (available on anz.com/annualreport). Climate change risk has been added to the Group and Institutional Risk Appetite Statements to ensure the risk is appropriately identified and assessed.

We are also developing an organisational culture that encourages regular discussion and consideration of emerging climate-related risks. Our Risk team is working with our bankers, encouraging them to talk with customers about managing the risks and opportunities associated with climate change.

Our risk assessment may examine, for example, customer exposure to physical climate risk, such as adverse weather events impacting on their business operations. Transitional risk may also be considered — customers in particular industries may be negatively impacted as a result of policy change as governments around the world seek to limit emissions in line with their Paris commitments.

1. Energy Efficiency 2018 report: https://www.iea.org/efficiency2018/

We recognise that levels of risk exposure and potential impacts vary across industry sectors, and within individual businesses, and we build this variation into our risk assessment.

We expect that in the future our customers' public disclosures in line with the TCFD recommendations will help us to understand their preparation for, and management of, their most likely climate-related risks and opportunities.

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

Our exposure to the most carbon-intensive forms of energy generation has declined since 2015 when we released our revised Climate Change Statement. This decline is partly an outcome of active portfolio management, informed by our credit strategies. These industry credit strategies (known as Risk Appetite Statements) reference our Climate Change Statement and relevant industry standards. As mentioned above, they also reflect risks associated with climate change, influencing decisions about business strategy and capital allocation.

TCFD-RELATED METRICS AND INDUSTRY EXPOSURES

For the first time we have disclosed credit metrics and our exposures to various sub-industries in four key sectors identified by the TCFD to be most exposed to climate-related risks: energy, transportation, materials and building, and agriculture, food and forestry products. Our overall exposure to these four industry sectors is 19% of the Group exposure at default (EAD).

In terms of credit metrics, we have observed:

- improved percentage of investment grade exposures for all four sectors — 80% of our energy customers are rated investment grade, reflecting our strategy to bank larger, well-rated clients; and
- a decline in proportion of non-performing loans to 0.5% overall, primarily because provisions are at a low point of the cycle.

The average loan term is relatively short for the majority of our exposures: 87% of total loans to customers in the four sectors are due for repayment in less than five years. Also disclosed is a more detailed industry and sub-industry breakdown of our exposures to the four sectors identified by the TCFD (see following page).

AGRIBUSINESS AND CLIMATE CHANGE

We bank a large number of agribusinesses in rural and regional Australia and New Zealand. Many of these regions have been impacted in recent years by drought and high temperatures, adversely affecting production levels and potentially customers' revenues.

Prolonged drought can also have significant economic and social consequences for farmers and their families along with the many rural communities that have high economic dependency on the farming sector. With Australia and New Zealand being major exporters of agricultural commodities, declining agricultural productivity caused by drought can also have detrimental effects on global food security, especially if it coincides with low yields in other agricultural regions.

Supporting our rural and regional customers through prolonged drought helps them to avoid falling into arrears on their loans. This can often be a difficult situation for these customers to extract themselves from given the often uncertain and seasonal nature of their income. Support measures, such as the drought relief package announced in August 2018, are an important tool to help manage credit risks associated with the physical impacts of climate change. More information on the drought relief package and other assistance packages announced in the last year is available on pages 67–68.

TCFD-RELATED METRICS AND INDUSTRY EXPOSURES

INDUSTRY GROUPS AND CREDIT QUALITY SUMMARY[1]

	Exposure at Default (EAD) ($b)			Non-performing loans (% of sector EAD)			Investment grade (% of sector EAD)		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Energy	28.7	28.3	27.8	0.1%	0.3%	1.4%	80.0%	79.6%	79.5%
Transportation	16.5	15.3	16.6	0.3%	0.8%	0.5%	63.9%	61.0%	63.0%
Materials and Building	92.5	85.8	91.1	0.4%	0.6%	1.0%	40.9%	35.9%	36.3%
Agriculture, Food and Forestry	42.3	41.8	42.8	0.9%	1.1%	1.3%	35.8%	30.8%	31.6%
Total	**179.9**	**172.1**	**178.3**	**0.5%**	**0.7%**	**1.1%**	**48.0%**	**44.1%**	**44.4%**

EXPOSURES TO KEY TCFD SUB-INDUSTRIES

		EAD ($b)		
		2018	2017	2016
Energy	Oil and Gas	18.4	18.0	17.7
	Coal Mining[2]	1.4	1.1	1.5
	Electric Utilities	8.9	9.1	8.6
Transportation	Air Freight	3.4	3.3	3.4
	Passenger Air			
	Maritime Transportation	1.7	1.7	2.2
	Rail Transportation	2.0	1.5	1.5
	Trucking Services	5.1	5.5	5.9
	Automobiles	4.3	3.3	3.7
Materials and Building	Metals and Mining	6.7	6.7	7.5
	Chemicals	2.6	1.9	2.8
	Construction Materials	1.8	1.7	1.8
	Capital Goods	20.3	19.5	21.1
	Real Estate Management and Development	61.1	55.9	57.8
Agriculture, Food and Forestry Products	Beverages	3.0	2.9	3.0
	Agriculture	31.2	30.7	31.1
	Packaged Foods and Meats	7.1	7.0	7.5
	Paper and Forest Products	1.0	1.2	1.2

1. Values may not add to totals due to rounding.
2. Coal mining includes exposures to metallurgical (coking) coal used for steel making and thermal coal used for energy generation.

FINANCED EMISSIONS

Over the past five years, there has been a downward trend in the emissions intensity of electricity generation assets that we directly finance. While our exposure to renewable energy assets within Australia increased by 13% on the previous year to $686 million, this was not matched by a corresponding decrease in the emissions intensity of the generation assets we are exposed to. Rather, there was a 14% increase in emissions intensity to 0.66t CO_2/MWh. This was primarily caused by a shift in our exposure from operational renewable assets to ones that are under construction, which meant less generation from renewables throughout the reporting year. We did not add any new thermal power projects to our project finance portfolio over the past year.

The average emissions intensity of generation we finance continues to be below the grid average in Australia and by financing new renewables projects such as the Murra Warra wind farm in north western Victoria, and the Granville Harbour wind farm in Tasmania, we are contributing to Australia's long-term transition to cleaner energy.

For electricity generation assets located outside of Australia, there has been a 68% reduction in the average emissions intensity of generation over the past four years. This reduction was mainly caused by the removal of a gas-fired generation asset from the portfolio and continued high production of electricity from wind, hydro and geothermal assets.

Tonnes CO_2–e per MWh electricity generated	Australia	Outside Australia
2018	0.66	0.08
2017	0.58	0.24
2016	0.62	0.16
2015	0.64	0.20
2014	0.77	0.25
Movement 2014–2018	-14%	-68%

CASE STUDY

INCENTIVES FOR ENERGY EFFICIENT EQUIPMENT FOR SMALL BUSINESS AND RETAIL CUSTOMERS

In partnership with the Australian Government's Clean Energy Finance Corporation (CEFC), we are helping business customers to invest in energy efficient and renewable energy technologies that will help reduce their energy and fuel costs.

For example, Bertazzo Engineered, a family-owned metal fabrication company based in Wodonga, invested in two new laser cutter machines that use 74% less electricity than the machine previously used. As a result they have been able to expand production using less energy, saving over $20,000 in annual electricity costs and avoiding the need to upgrade to an expensive transformer.

Through the program, eligible assets like the laser cutter machines are financed at a 0.7% p.a. discount to the standard asset finance rate, with finance available for up to 100% of the cost for projects up to $5 million.

In the first 12 months of this program, ANZ has helped facilitate almost $60 million of investment in renewable and energy efficient technologies. More than half of the investment has gone into energy efficiency projects that are helping to shield business customers from rising energy costs and are also contributing to Australia's carbon-reduction commitments.

We have also pledged NZ$100 million of interest-free home lending in New Zealand to help insulate homes and save on energy costs. See case study on page 48.

FINANCING THE TRANSITION TO A LOW CARBON ECONOMY

The provision of finance to support the transformation of the economy is essential if the objectives of the Paris Agreement are to be met.

We are working with our customers to support the transition to cleaner energy and more environmentally sustainable practices in other key sectors, focusing on lower emissions, improved water stewardship and waste reduction.

Around 37% of the world's electricity comes from coal-fired power stations.[1] While coal remains a cheap and reliable energy source in both developed and emerging economies, a low carbon transformation of the power sector is underway as the cost of renewables falls and governments focus on implementing their Paris commitments. Our support of new electricity generation projects reflects this.

LOW CARBON AND SUSTAINABLE FINANCE OPPORTUNITIES

Target

Fund and facilitate at least $15 billion by 2020 in low carbon and sustainable solutions including renewable energy generation, green buildings and less emissions intensive manufacturing and transport.

Performance

ANZ has funded and facilitated $11.5 billion in low carbon and sustainable solutions since 2015.

Relevant United Nations Sustainable Development Goals[2]

7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human wellbeing, with a focus on affordable and equitable access for all.

9a Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support.

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

In the past year we have funded two new renewable projects in Australia and refinanced a $312 million facility to support an existing customer's renewables and gas portfolio. We also acted as financial adviser to a number of renewable energy projects and successfully raised equity and debt for around 600MW of new renewable energy generation capacity.

We have not provided direct funding to any new coal-fired power generation projects since 2015, although we do provide some general finance to customers with generation assets, enabling them to pay employee salaries, provide a safe workplace and continue operations.

In line with our commitment to environmental sustainability, we have amended the wording of our target (effective 2019) making it clear that, in addition to low carbon initiatives, we are focused on funding and facilitating initiatives that improve water stewardship and minimise waste.

Over the last 12 months, we have provided a range of finance and advisory services to the clean energy sector as well as other customers to support their investment in activities that reduce or eliminate greenhouse gas emissions or minimise waste. Our Sustainable Finance team works closely with many of our customers and continues to extend our capability, in collaboration with our relationship, product and risk specialists, to deliver sustainable financing solutions for customers across a range of sectors.

We are a market leader in the Australian and New Zealand sustainability bonds (including green bonds) and loans market and are playing a leading role in linking capital markets with sustainable investment opportunities, including infrastructure. We are recognised for our expertise in providing value-add 'green' structuring services to our clients, in conjunction with our well-established debt and capital markets execution and distribution capability. Since May 2015, we have been a joint lead manager on $11.4 billion of sustainability bonds, including green bonds, and loans across AUD, NZD, USD, EUR and CNY for issuers across Asia Pacific in the Supra Sovereign Agency, Financial Institutions, and Corporate sectors. This includes leading $3.1 billion of transactions in the last 12 months.

Recent capital markets transactions include Bank Australia's $125 million sustainability bond and Auckland Council's NZ$200 million green bond (New Zealand's first green bond issue).

1. IEA: https://www.iea.org/tcep/power/coal/.
2. We have abbreviated the SDG 'targets' to highlight the most relevant contribution by ANZ (see https://www.un.org/sustainabledevelopment/sustainable-development-goals/ for full targets).

CASE STUDY

ENVIRONMENTAL SUSTAINABILITY

AUCKLAND COUNCIL GREEN BOND

Green Bonds are debt instruments that raise funds for new and existing projects, assets or business activities with a 'green' or environmental benefit, such as renewable energy, low carbon buildings, low carbon transport, water and waste management.

In June 2018, we acted as green bond coordinator, arranger and sole lead manager for the first green bond issued by a New Zealand borrower.

Auckland Council's NZ$200 million five-year green bond provides funding for low carbon public transport in Auckland, specifically the acquisition of electric trains.

The inaugural green bond issue was a landmark transaction for both Auckland Council and New Zealand's domestic capital markets. As the green bond coordinator, we worked closely with Auckland Council to establish its green bond framework, identified green assets and ensured that the bond aligned with both the International Capital markets Association (ICMA) Green Bond Principles and Climate Bonds Standard.

Photo credit: Auckland Transport.

REDUCING OUR ENVIRONMENTAL FOOTPRINT

We measure and report our environmental impact across the 34 markets in which we operate. We also report our environmental performance using a number of voluntary and compliance mechanisms including the Australian Government's National Greenhouse and Energy Reporting Scheme, the National Carbon Offset Standard Carbon Neutral Program, CDP (formerly the Carbon Disclosure Project) and the Dow Jones Sustainability Index.

Our current environmental sustainability target cycle commenced 1 July 2017 with the first full year of performance against these targets presented below.

CARBON

Target

Reduce scope 1 and 2 emissions by 24% by 2025 and by 35% by 2030 (against a 2015 baseline)[1]

Performance

Scope 1 and 2 emissions have decreased by 18%, tracking ahead of the required reduction to meet our target.

Relevant United Nations Sustainable Development Goals

7.3 By 2030, double the global rate of improvement in energy efficiency.

13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Our business operations have been Net Zero Carbon since 2010. We have reduced our carbon footprint through a combination of energy, water and waste savings, building optimisation and employee engagement. We continue to evolve our approach to Net Zero Carbon as we explore and adopt innovative ways to measure and reduce our carbon footprint.

Last year we adopted a 'science-based' target that commits us to reducing our operational carbon footprint in line with the decarbonisation trajectory required to keep the increase in global temperate below 2°C above pre-industrial levels.

We prepared our target using the Science Based Targets Initiative (SBTI) methodology, however this does not include emissions arising from our financing activities (scope 3) given there is currently no standard framework or SBTI methodology to account for these emissions. We will continue to monitor and consider participating in future developments in this area.

We are tracking well against our targets with an 18% reduction against our 2015 baseline. This reduction is mostly due to continued consolidation of our building portfolio, ongoing implementation of energy saving initiatives and aligning our building standards with best practice sustainable building design principles.

For example, throughout 2018 we implemented energy efficient lighting upgrades across 43 New Zealand branches, replacing 2,400 lights and fittings with efficient LED technologies. The upgrades are expected to reduce our carbon footprint by almost 40 tonnes per year — this is the equivalent to removing almost 10 cars off the road for one year.

1. This target was submitted to the Science Based Targets Initiative (SBTI) for informal review, and SBTI provided written confirmation that it may be considered and communicated as science-based.

RENEWABLE ENERGY

Target

Increase renewable energy use in our Australian operations by 13% by 2020 (against a 2017 baseline).

Performance

We have entered into a Power Purchase Agreement to 'off-take' power from a wind farm under development in Murra Warra (Victoria), due for completion in 2019.

Relevant United Nations Sustainable Development Goals

7.3 By 2030, double the global rate of improvement in energy efficiency.

13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

In December 2017, we announced our participation in a Telstra-led collective to execute a renewable energy power purchase agreement (PPA) for the Murra Warra Wind Farm, located near Horsham in north-west Victoria. Coca-Cola Amatil and the University of Melbourne have also joined this collective. The multi-year deal with the wind farm developers underpins construction of the first phase of the wind farm and helps to shield us from rising power prices due to long-term pricing guarantees that are well below current wholesale prices. We will retire the renewable energy certificates (LGCs) we receive from the project to ensure we retain the environmental benefit from the project and can deliver against our environmental sustainability targets.

The project is expected to deliver an array of co-benefits during both the construction and operations phases, including those below.

PAPER

Target

Reduce paper consumption in Australia and New Zealand (office and customer paper use only) by 40% by 2020 (against 2015 baseline).

Performance

Paper consumption has decreased by 37%, tracking ahead of the required reduction to meet our target.

Relevant United Nations Sustainable Development Goals

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Customer preference to receive electronic statements and communications, an increased level of digitisation across the Group and employee awareness programs on printing behaviours, continue to drive the reduction in paper consumption.

Increased utilisation of digital print technologies, combined with the adoption of online tools, has reduced New Zealand paper envelope usage by 19 tonnes.

THE ENERGY FROM MURRA WARRA WIND FARM 1 WILL EQUATE TO...

220,000
average households' power use every year

or

320,000
cars off the road every year

or

900,000
tonnes of greenhouse gas reduced very year

RECYCLING

Target

Increase recycling rates in our Australian commercial offices (>20,000m^2) by 12% by 2020 (against a 2017 baseline).

Performance

Recycling rate is not progressing as expected and has decreased by 1% since 2017.

Relevant United Nations Sustainable Development Goals

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

At the time of establishing a 2016/2017 waste and recycling baseline, our average recycling rate across target sites was estimated at around 43%. Our aspiration to increase recycling rates by 12% was designed to lift recycling performance to approximately 55% — the unofficial industry benchmark for office-service-based corporates.

Since then we have matured our approach to collecting and analysing data resulting in a more insightful, comprehensive and accurate waste footprint. This improved approach to data collection and reporting has indicated our baseline recycling rate was much better than originally estimated, being 67%. While this is a more positive environmental position, there still remain three areas of opportunity to focus our efforts and lift our future recycling performance.

SITE RELOCATION

Waste generated during the relocation of employees as part of the consolidation of our property portfolio is a major contributing factor to the current negative target trend. To mitigate the impact of poor waste separation we have implemented a 'triple R' approach to reduce, redistribute and recycle waste streams, particularly those that are normally less prevalent such as stationery, furniture and electronics. Relocation activities will continue into mid-2019 as will our 'triple R' efforts.

INFRASTRUCTURE IMPROVEMENT

As our waste baseline and measurement has become more sophisticated during the reporting period, so too has our awareness of areas where we could include new, or improve existing, waste separation and recycling infrastructure. Waste signage has been updated across a number of our sites and waste and recycling infrastructure is being designed for our Melbourne head office and 'campus' sites incorporating human-centred design considerations to boost recycling performance.

EMPLOYEE EDUCATION

During 2018 we commenced a 'Green Ambassador' employee engagement program, empowering our people to mitigate their environmental footprint, connect with nature and create environmental solutions and opportunities. In response to employee survey insights, the Green Ambassador focus has been primarily on waste avoidance and recycling including:

- promotion of World Environment Day's #BeatPlasticPollution campaign throughout May, June and again for 'Plastic Free July' resulting in almost 1,200 employees pledging to avoid the top four single-use plastics (cups, bags, bottles, straws);
- expansion of our #KickTheCup campaign to our Service Centres in Chengdu, Manila and Bengaluru and ANZ Singapore, encouraging employees to replace disposable cups with reusable coffee cups;
- implementation of a 'Borrow Bag' scheme in our Australian commercial buildings encouraging employees to borrow reusable bags for trips to the shops; and
- promotion of World Clean-Up Day, encouraging employees to volunteer to pick up rubbish from local landscapes and waterways. In Singapore alone, an estimated 640 volunteer hours were used during 2018 for this purpose.

WATER

Target

Reduce water consumption in our Australian commercial offices (>10,000m^2) by 15% by 2020 (against a 2015 baseline).

Performance

Water consumption is progressing slower than expected with a reduction of approximately 4% since July 2015.

Relevant United Nations Sustainable Development Goals

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

We have invested in a detailed audit of our water consumption to be undertaken at our largest consuming commercial sites in Australia. The results will inform the development of an operational water strategy as well as the advancement of site-specific sustainability master plans.

We continue to implement water savings equipment as part of our standard approach to new and refurbished branch activities to ensure these sites operate as efficiently as possible.

HOUSING

We are committed to improving the availability of suitable and affordable housing options for all Australians and New Zealanders, including the supply of homes to buy, homes to rent, and access to safe accommodation.

Australia and New Zealand currently have among the highest levels of home ownership in the world, while simultaneously being ranked in the top 10 for the highest levels of unaffordability — for both purchase and rental. The availability of suitable and affordable housing is an issue of great concern to many Australians and New Zealanders.

Housing-related lending is a central activity of a bank. We lend to home owners and investors, and for property development and infrastructure. We believe we can play a broader role in improving the availability and affordability of housing, including support for innovative housing delivery models across the private, public and not-for-profit sectors.

POLICY ENVIRONMENT

Factors such as planning regimes, regulation, taxation laws, infrastructure supply and population growth all affect the range and availability of housing options available. Experts acknowledge there is a supply gap between the number of houses built and current and projected demand.

Australian governments have been targeting policies that support first home buyers into the market and growth in the affordable housing market. With respect to the latter, mechanisms to drive private investment and expand the community housing sector have included the introduction of the National Housing Finance and Investment Corporation.

The New Zealand Government has committed to a suite of housing policies targeted at delivering new supply to the market. This has seen changes such as establishing programs to hold and grow their public housing portfolio and the introduction of a new program, Kiwi Build, targeting a suite of products to support first home buyers into home ownership. The government has set an overall supply target of 100,000 affordable new homes into the market over 10 years with 50% of them to be built in Auckland.

OUR APPROACH

Housing, one of the key priorities in our refreshed Sustainability Framework, is a relatively new focus area for us. Over the past 12 months we have been exploring different models for supporting the range and availability of affordable and appropriate housing.

We have now set three new public targets focused on home ownership, housing choice (including long-term rentals) and housing security across Australia and New Zealand. To achieve these targets we will need to work closely with our customers, supporting innovative models that can be replicated, scaled-up and delivered to market.

INCREASING HOUSING SUPPLY

We have a target to fund and facilitate $1 billion of investment in Australia by 2023 to deliver around 3,200 more affordable, secure and sustainable homes to buy and rent. Specifically this means:

- more affordable housing, including homes priced at a discount to market for people otherwise unable to secure stable accommodation (purchase or rental);
- improved housing security, providing long-term rental stability and new pathways to ownership (see case study on page 47); and
- sustainable homes that are designed to improve environmental outcomes and reduce living costs (eg. energy efficiency features which lead to reduced power bills).

Through the establishment of the ANZ Housing Fund we will be able to accommodate non-conforming risk aspects of new housing models in an economically viable manner — allowing us to back initiatives we may not previously have funded.

When new and emerging housing models are being proposed the risk is generally increased for the developer, the bank and the consumer. This is equally true when governments bring new projects and programs to the table. Uncertainty is higher due to potential policy and regulatory changes as well as unproven delivery models — issues which often prevent deals from happening. For these reasons, our expertise in understanding and managing risk will be a core part of how we manage the Fund.

Efforts to 'close the gap' between what it costs to deliver a property and what a consumer can afford to pay do not always lead to better outcomes. We will be mindful not to back projects that could lead to poor social and economic outcomes. The governance approach we are establishing will inform how we select clients and assess project objectives and outcomes so as to meet our goals.

ASSEMBLE AND MAKE VENTURES

Housing affordability is a challenge faced by many people in Australia and New Zealand, particularly younger people and those on lower incomes.

Assemble, a residential developer, has created the Assemble Model — a new 'build-to-rent' hybrid model that bridges the gap between renting and owning your home. It offers residents the security and stability of a five-year lease with the opportunity (but not the obligation) to purchase their home at the end of the lease. The purchase price is fixed from the start of the lease, giving residents a set goal to save towards and mitigating the risk of being priced out of the market during the rental period. It also protects against rental insecurity, with the rent set at a market rate and agreed up front, enabling residents to have the ability to plan ahead while they save and settle into the local community.

According to Kris Daff, Managing Director, Assemble and MAKE Ventures, "The model aims to address the fundamental desire for the majority of Australians to own their own home — and is a direct response to multi-level government policies on housing affordability."

We are financing the development and have worked with Assemble to refine their model providing advice on funding options, valuation methodology and risk management. Our Retail business has assisted Assemble to understand consumer purchasing profiles, retail mortgage lending parameters and appropriate strategies to support potential purchasers to save for their deposit prior to the end of the lease.

"We now have over 2,500 aspiring homebuyers interested in participating in Assemble's home ownership pathway and, with ANZ's support, we have a pipeline of future projects to cater for this growing customer base," said Kris.

Left to right — **Caryn Kakas**, Senior Manager, Group Strategy, ANZ — **Kris Daff**, Managing Director, Assemble and MAKE Ventures.

EXPANDING THE AVAILABILITY OF FINANCIAL COACHING SUPPORT TO FIRST HOME BUYERS IN AUSTRALIA AND NEW ZEALAND

One of our strategic business priorities is to be the best bank for people who want to buy and own a home. Our First Home Coaches are focused on the needs of first home buyers, providing them with the support and tools to help them purchase their first property.

Our research shows that 64% of first home buyers are uncertain of what to do when it comes to buying their first property and they want someone they can trust to guide them through the process.[1]

We have already trained around 2,800 frontline branch, mobile lending and contact centre employees to be First Home Coaches and in the coming year will continue to roll out training across our Australian and New Zealand employees.

INITIATIVES TO SUPPORT FIRST HOME SAVERS AND BUYERS

First Home Coach — provide guidance and support to first home buyers and are available via branches, mobile lending and phone.

First Home Savers Coach — support potential home buyers to establish a savings plan, including home deposit plans, developed with our customers during branch visits.

Dedicated website — comprehensive information on anz.com/firsthome to educate first home buyers using tools including deposit and savings calculators, tips and information on planning, finding, buying and settling on a home.

First Home Buyer Seminars — offered to customers and our employees via local branch network.

Conveyancing Offer — conveyancing fees reimbursed up to $1,000 for eligible first home buyers.

First Home Buyer Handbook — a free guidebook for customers to help them to navigate the home buying journey.

Property Profile Report — helps to determine the potential price of a property. The service is free and available to order via all channels (eg online, branch, mobile lender and via accredited brokers).

IMPROVING THE ENVIRONMENTAL SUSTAINABILITY OF HOMES

We have set a target to provide NZ$100 million of interest-free loans to insulate homes for ANZ mortgage holders in New Zealand. As discussed in the case study below, cold and damp homes in New Zealand increase the incidence of preventable diseases, particularly affecting the young and old.

CASE STUDY

WARMER HOMES

Uninsulated homes are a major problem in New Zealand causing negative health impacts for many families. National health statistics show that 20 New Zealand children die each year, with another 30,000 hospitalised, because of conditions caused by poor quality housing. The number of New Zealand children diagnosed with bronchiectasis, a potentially fatal disease associated with repeated chest infections in early childhood, doubled between 2000 and 2015.

"As New Zealand's biggest home lender, housing is one area where we want to make a difference" said Antonia Watson, Managing Director Retail and Business Banking, New Zealand.

With this in mind we have set aside NZ$100 million so our customers can enjoy warmer, healthier homes while potentially also keeping energy costs down.

Our interest-free mortgage top-up (up to NZ$5,000) is designed to help both owner-occupiers and investors.

Kylee and Craig, a young couple expecting their first child, have benefitted from the initiative. "I didn't think it was possible that we could have insulation and a brand new home" said Craig.

We recognise that insulation will not automatically lead to lower energy bills, but it has been shown that warmer homes lead to improved health outcomes.

"Studies indicate that every dollar spent on insulation delivers NZ$4 of health benefits from fewer hospital visits and medicine costs" said Antonia.

More than 550 insulation loans have been approved as at 30 September 2018.

1. ANZ Home Buying Research, Prescience, May 2015.

FINANCIAL WELLBEING

International experts are increasingly applying a common definition of financial wellbeing as a set of outcomes that include the capacity for someone to meet current commitments, have sufficient spare money for a comfortable life, and possess the resilience to maintain these elements into the future.

It is widely accepted that financial wellbeing contributes significantly to overall health and wellbeing, community connectedness and economic and social participation.

IMPROVING THE FINANCIAL WELLBEING OF OUR CUSTOMERS, COMMUNITIES AND EMPLOYEES

The Royal Commission in Australia has raised serious questions about conduct, practices, and the extent to which we are 'doing right' by our customers and the community more broadly.

Together with insights from our financial wellbeing research, this is informing a range of initiatives to build the financial wellbeing of customers, communities and our own employees. Our industry has a role to play in fostering the greatest possible financial wellbeing of everyone in our community. We already reach millions of people with our products and services. We have a unique opportunity to support people more effectively to develop their money skills and confidence, particularly through everyday conversations with our customers. We also have a responsibility to apply our marketing influence in a responsible way, to raise awareness of how to improve financial wellbeing and build resilience for the future.

Our commitment to financial wellbeing is not new. Over many years we have invested in community programs including Saver Plus and MoneyMinded, which have proven to be an important part of the financial inclusion story for lower-income Australians. These programs have helped to build financial skills and resilience, develop active saving habits and improve overall financial wellbeing.

We have surveyed our own employees in Australia and New Zealand to inform a range of initiatives to reinforce positive behaviours and to enable our employees to build their financial wellbeing, particularly those who might be 'struggling' or 'just getting by'. Employees with high levels of financial wellbeing, confidence and resilience will in turn be better able to support our customers to achieve the same.

We have not always had the necessary focus on supporting our customers through all life stages and realising the business benefits of engaging deeply with them to build their financial wellbeing over the longer term.

Part of our new focus on financial wellbeing has required us to break down traditional banking product silos, and consider the value for customers and the quality of their overall experience. Rather than thinking just about individual products (eg. a mortgage or deposit product) our attention is increasingly on the broader needs of customers who may be seeking to save and invest for home ownership or various other goals.

Our research has clearly identified key behaviours of active saving and not borrowing for everyday expenses. We have access to a significant amount of customer data that can inform a clear picture of financial behaviour. This helps to identify where we might support those positive behaviours proven to lead to improved financial wellbeing.

For many people, saving can be analogous to other things in life which are deemed 'good for us' — like health, weight loss and safety. We have learned from the experience of public campaigns in these areas that, despite their importance, it can be a struggle to engage with behaviour that might be considered boring and not consistent with a fun and enjoyable life.

We conducted a study using academic research, our own customer data, and a human-centred design approach to better understand the behaviours of active savers and extreme spenders.

One of the most effective ways we have found to help customers increase their savings behaviour is by engaging them in setting and achieving life goals. Travelling, buying a home or creating future opportunities for our children are all significant life goals that can be very motivating.

We have introduced a savings coach model in our Australian branches, where bankers can guide customers through a review of what they spend, how they spend it, and offer means by which they might curtail discretionary spend and more actively save for a goal, such as a home deposit.

Using technology to develop 'nudges' and notifications that encourage savings behaviour and repayment of debt when the opportunity arises are also effective tools.

By having a savings buffer, the need to turn to credit for everyday expenses (like groceries) when something unexpected comes up is much reduced. Credit card products are best used as a utility and a convenience, not as a necessity for everyday expenses.

HIGHLIGHT

FINANCIAL WELLBEING SURVEY — BEHAVIOUR IS KEY

Our first Adult Financial Wellbeing Survey was published this year reflecting leading international views about the determinants of financial wellbeing. In Australia, this survey is the sixth in a series which has explored financial literacy, attitudes and behaviours since 2002. For the first time we also conducted this research in New Zealand, building on a significant body of research led by the Commission for Financial Capability since 2006.

The average financial wellbeing score for adult Australians and New Zealanders was found to be 59 (out of 100), which indicates a fair level of financial wellbeing, but presents significant room for improvement.

For the first time in Australia and New Zealand, our survey identified and measured the key behaviours that drive financial wellbeing — active saving and not borrowing for everyday expenses.

The study showed that these two behaviours contributed 19% and 16% respectively in Australia (18% for both in New Zealand) to explaining differences in people's overall level of financial wellbeing. The data showed that at every income level, we need more active saving — having less than $1,000 in savings and investments was strongly associated with low levels of financial wellbeing.

The findings suggest if financial wellbeing in Australia and New Zealand is to improve, the focus needs to be on how people actually use their money, not just how they manage it, since neither planning nor monitoring one's finances seemed to promote better financial wellbeing.

Promotion of active saving and the avoidance of borrowing for everyday expenses will mean tackling issues around personality rather than just knowledge. This calls for a wider range of financial capability interventions that enable behaviour change.

After behaviours, socio-economic circumstances played an important role in determining financial wellbeing. The survey showed the relationship between socio-economic characteristics and financial wellbeing is complex. It drew attention to the fact that financial wellbeing is, in part, a 'state of mind' based on people's feelings and expectations about their current and future financial situation, and as a result is not based solely on their income or wealth. While income was found to be an important influence, the survey showed that people could have relatively high levels of financial wellbeing without necessarily having a particularly high income.

The survey reports and supporting materials are available on bluenotes.anz.com/financialwellbeing.

The behaviour of most credit card customers reflects this, but we know that some can face difficulties when using credit for the first time, or when faced with a persistent cycle of revolving credit. We have developed targeted campaigns to educate, empower and (where helpful) to 'course-correct' customers who might be exhibiting negative behaviours through their transaction data. We have also set a target to communicate with more than 700,000 of our Australian retail and commercial customers by end 2019 to help them get more value from our products and services and establish positive financial behaviours, such as improved savings habits.

FINANCIAL WELLBEING IN A DISABILITY SERVICES CONTEXT

In late 2017 we conducted research with RMIT University into the role of financial education in a disability services context.

The introduction of the *National Disability Insurance Scheme Act* (NDIS) in Australia in 2013 has created opportunities for people with disability and their carers to exercise greater choice and control over the type of support they receive. Our community partners have highlighted that with this opportunity comes a need for adequate knowledge and skills to manage the individualised funding support received through the NDIS. Insights from the research and expertise from community partners such as Brotherhood of St Laurence and The Benevolent Society will inform how we can contribute to building the capacity of NDIS clients and their carers.

CASE STUDY

FINANCIAL WELLBEING AND AUTISM

We supported Autism CRC and RMIT University in a companion study looking specifically into the issues facing autistic individuals. This focus arose from a recognition of the need for better understanding of the particular financial needs of these individuals and their carers, who account for around 29% of current NDIS scheme participants.[1]

Autism affects over 1% of the population. Despite extensive developments in treatment improving wellbeing for autistic individuals, lower education and employment rates often lead to reduced social and economic participation.

Our research looked into 1) the financial behaviours, attitudes and experiences of autistic individuals and their carers, and 2) how financial education and financial institutions can support the strengths and abilities of these individuals to promote financial wellbeing.

Those participating in the research expressed a strong desire to learn more about money viewing it as important for achieving or maintaining their independence. Importantly, the study showed that autistic individuals possess strengths that are advantageous to managing money. With appropriate supports, these strengths can be capitalised on.

One participant said, "I've really learned to optimise my autism to help with my finances. I've figured that, okay, I get fixated on things. Let's kind of 'weaponise' that, and use my fixation and my obsession with numbers and tracking detail and stuff to manage money."

The full report can be found on anz.com/moneyminded.

The research complements our existing partnership with DXC technology, which supports autistic individuals to gain entry to the workplace. The three-year program selects talented individuals to work in cyber security and technology testing roles, supporting them with training and career development.

PROGRESS TOWARDS OUR FINANCIAL WELLBEING TARGET

Target

Help enable social and economic participation of 1 million people by 2020 through our initiatives to support financial wellbeing, including our financial inclusion, employment and community programs, and targeted banking products and services for small business and retail customers.

Performance

More than 889,000[2] people have been reached through our financial wellbeing programs, and targeted banking products and services for small business and retail customers.

Relevant United Nations Sustainable Development Goals[3]

1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services and financial services.

8.3 Promote development-oriented policies that support productive activities and encourage the formalisation and growth of micro, small- and medium-sized enterprises, including through access to financial services.

10.2 By 2030, empower and promote the social, economic and political inclusion of all.

17.16 Enhance the global partnership and multi-stakeholder partnerships, to support the achievement of the sustainable development goals in all countries.

We have expanded the definition of our Financial Wellbeing target to capture the broad range of programs we have in place to enable social and economic participation. As at 30 September 2018:

- over 581,180 people were estimated to have participated in MoneyMinded across Australia, New Zealand, Asia and the Pacific (since the program commenced in 2002);
- Saver Plus had reached over 40,250 lower-income participants (since the program commenced in 2003);
- we have recruited 510 people from under-represented groups (since the target commenced in 2016);
- more than 1,680 people have been assisted through our mentoring programs, including those supporting start-ups and entrepreneurs, as well as our Seeds of Renewal grants program; and
- more than 265,350 people have been assisted through our products and services targeted towards small businesses and retail customers, including our roll-out of goMoney™ mobile phone banking in the Pacific.

1. Productivity Commission, 2017.
2. Refer page 88 for explanatory notes.
3. We have abbreviated the SDG 'targets' to highlight the most relevant contribution by ANZ (see https://www.un.org/sustainabledevelopment/sustainable-development-goals/ for full targets).

MONEYMINDED

MoneyMinded is our flagship financial education program, supporting adults with low levels of financial literacy and those on lower incomes across 21 markets, including Australia and New Zealand. The program is delivered by community partner organisations in Australia and New Zealand, and a mix of community organisations and our employees in Asia and the Pacific. Of the estimated 84,284 people who participated in MoneyMinded (including MoneyBusiness) in 2018, many of them were women (68% in Australia and 57% in Asia Pacific/New Zealand).

Our support of the financial counselling sector in Australia includes the offer of MoneyMinded and MoneyBusiness training for financial counsellors in all states and territories, with a large number taking up the opportunity each year. Financial counsellors typically utilise elements of MoneyMinded in casework with clients in acute financial hardship, or refer clients to community sessions delivered by trained money workers.

The flexibility of MoneyMinded enables a large network of accredited facilitators to use the program to meet the specific needs of their clients. Over many years, the program has been successful in supporting people engaged with family, mental health, youth, migrant, disability, drug and alcohol and other important community services.

RESEARCH DEMONSTRATING THE VALUE OF MONEYMINDED IN THE PACIFIC

In keeping with our commitment to build a robust evidence base for our financial wellbeing programs in the community, in 2018 we published the first MoneyMinded in the Pacific impact report, consolidating our findings on delivery of MoneyMinded in Fiji, Samoa, Tonga and Vanuatu. This first sub-regional report provided a consolidated view of the impact of MoneyMinded across different countries, comparing and contrasting the experience and behaviours of participants to tailor MoneyMinded to suit local needs.

Results from the survey, conducted by the University of the South Pacific, revealed that most respondents acquired useful and relevant financial knowledge and skills for their daily money management, and were more positive about managing money after completing MoneyMinded. They demonstrated a greater future orientation that involved setting financial goals, budgeting, saving and investing. In addition, MoneyMinded had a positive impact on the respondents' outlook on life, as well as that of their families and friends.

CASE STUDY

MONEYMINDED NEW ZEALAND

Gail, a MoneyMinded facilitator in New Zealand with The Solomon Group, teaches MoneyMinded as part of a 14 week program helping women prepare for work when they are released from Auckland Regional Women's Correctional Facility. The program covers budgeting, saving and spending, managing credit and debt, as well as planning for the future.

Gail works with participants to create a realistic and accurate budget on NZ$350 a fortnight, the amount they receive as part of their release plan.

Topics of most interest to the women include co-borrowing, guarantors, different types of bank accounts (some women may not have used bank accounts for personal reasons or because they do not have adequate identification) and choosing appropriate banking products.

"One of the challenges for the girls is to create a new mindset for their future. This, in part, is recognising that receiving a wage is their new reality — a wage that initially will be less than they made before [prison] but a wage that will enable them to live freely with hope," said Gail.

SUPPORTING ECONOMIC GROWTH IN THE PACIFIC

ANZ's goMoney™ has the capacity to transform lives in rural communities providing customers access to deposits, withdrawals and person-to-person transfers through merchants, many of whom are existing shopkeepers. Customers are able to check account balances and transaction history at the touch of a button and are supported with financial literacy training to build skills and financial wellbeing. Prior to the introduction of goMoney™ in the Pacific, many customers had to travel to access branches or ATMs, in some cases very long distances from rural areas. Others had no choice but to remain 'unbanked'.

A total of 192,811 Pacific customers were registered to use goMoney™ at the end of September 2018, 111,914 of these being new ANZ customers. Uptake of goMoney™ in Papua New Guinea has been much lower than expected due to challenges associated with the engagement of third-party sales contractors and the pilot we ran in 2017 did not progress into business as usual. It has also been lower than expected in Vanuatu due to a delayed project we were anticipating would start earlier in 2018.

SAVER PLUS — PATHWAYS TO WELLBEING

Over many years, evaluation of Saver Plus has shown that the program utilises the combined power of goals, incentives and personal support to support lower-income people to build savings behaviour. Developed by Brotherhood of St Laurence and ANZ in 2003, program participants open an ANZ savings account, set a savings goal and save towards it regularly over 10 months while also attending MoneyMinded financial education sessions. Upon reaching their goal, savings are matched by ANZ dollar for dollar, up to $500, which must be spent on education.

For the first time, RMIT University's program research, published in 2018, applied the measures of financial wellbeing utilised in our Australian and New Zealand surveys.

The average financial wellbeing score before doing Saver Plus was 36 (out of 100) and after Saver Plus the average score increased to 64 (Australian Average was 59).

Importantly, the research also demonstrated that 87% of survey respondents continued to save the same amount or more, between 3 to 7 years after completing the program.

After participating in Saver Plus:

- 78% of survey respondents were better able to make ends meet;
- 73% of survey respondents were better able to provide for their families; and
- 80% of survey respondents reported that Saver Plus helped them gain more control over their finances.

PERSONAL WELLBEING OUTCOMES OF SAVER PLUS

Saver Plus also facilitated a range of important outcomes for participants that were associated with participation but were not primary objectives of the program:

- 88% of survey respondents agreed or strongly agreed that achieving their Saver Plus goal helped them to feel better about themselves;
- 69% of survey respondents felt less stressed about the future;
- 83% of survey respondents reported that the product they purchased using their matched savings on successful completion of Saver Plus had a positive effect on their own or their children's education experience; and
- survey respondents reported significant increases in life, financial and employment satisfaction after completing the program.

In 2018, 4,024 participants enrolled in Saver Plus, setting goals to save over $2 million collectively. Since 2003, Saver Plus has reached over 40,000 lower-income participants and is expected to enable over $33 million of private sector funds to be invested in education by 2020.[1] The program is delivered in partnership with community organisations and the Australian Government.

CASE STUDY

MONEYMINDED FIJI — LIVE AND LEARN

In the rural and remote Drawa Block communities in central Vanua Levu, Fiji, financial literacy is a relatively new concept.

Through our partnership with Live and Learn Fiji, 30 women and 31 men from five villages in the Drawa Block communities have participated in our MoneyMinded program.

Ms Doris Susau, Country Manager, Live and Learn said, "The training has created awareness of the importance of opening a bank account, understanding of the necessary assertiveness in saying no to unplanned expenditure, fostered skills in developing short-term and long-term goals, and learning how to budget."

The program was contextualised for the Drawa Block communities to provide practical examples aimed at building financial skills, knowledge and confidence.

Joti, a participant from Vatuvonu village said, "I have a farm and have often given discounted prices on my product, because I am selling to people I know. After the ANZ training, I started selling at the market price in Labasa, because I want to buy a house."

Joti has since opened a bank account and has made a cash purchase of his house in Labasa.

More than 9,000 Fijians have participated in our MoneyMinded program since 2011.

1. Saver Plus Report 2016: anz.com/resources/3/4/344f9439-8927-45f0-9b70-fdbaa5a6e6fb/2016-saver-plus-access-report.pdf.

CASE STUDY

FINANCIAL WELLBEING

SAVER PLUS — NIGEL'S STORY

Nigel, pictured with his daughter Molly, first heard about the Saver Plus program from Molly's primary school.

"I originally joined the program for the dollar for dollar matching to help purchase a new computer for Molly" explains Nigel. "The matched savings came in handy, but what I learnt from the program was more valuable in the long run."

"The program has taught me that with commitment and consistency we can make saving possible. I put aside $50 each month with my daughter, even though it was difficult at times."

Nigel credits Saver Plus with inspiring his daughter to save. Of particular value to Nigel was the MoneyMinded online modules he completed as part of the program, often alongside Molly.

"My daughter took an interest in the bank statements and we talked about what we would do with the extra funds coming in. We talked about a compound interest managed share fund, and this is now what we are doing with the savings. She could see how much the funds would achieve over many years of compound interest."

To learn more visit **anz.com/saverplus**.

WORKPLACE PARTICIPATION AND DIVERSITY

We are building an engaged, diverse and inclusive workforce, ensuring we have the right people to meet external challenges and achieve our business strategy.

We are building a workplace that reflects the communities in which we operate and is inclusive of all dimensions of diversity including age, caring responsibilities, cultural identity, disability, gender, gender expression and identity, ethnicity, education, family and relationship status, sexual orientation, religious beliefs, and socio-economic background. Diversity also encompasses the many ways people differ in terms of their education, life experience, geographic location, personality, ways of thinking and work experience. Leveraging the full diversity of our workforce gives us a strategic advantage and creates commercial, social and economic value.

A summary of our policy position on diversity and inclusion can be found on anz.com/corporategovernance.

We are the Principal Business Partner of Chief Executive Women, a founding member of the Diversity Council of Australia, an 'Employer of Choice' for Gender Equality (Australia) and a signatory to the United Nations Women's Empowerment Principles. Involvement in these initiatives provides a solid foundation that supports our focus on gender equality and ensures we are aligned with best practice policies and programs.

Target
Maintaining an organisation inclusiveness score of at least 93% in 2018.

Performance
Organisation inclusiveness is steady at 93%.

ACHIEVING GENDER BALANCE IN OUR BUSINESS

Target
Increase the representation of Women in Leadership by 3% to 34.1% by 2020.

Performance
Group-wide representation of Women in Leadership has increased to 32% (up from 31.1% as at September 2017).

Relevant United Nations Sustainable Development Goals

5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

We have reframed our measurement of female inclusion from Women in Management to Women in Leadership (which includes Senior Managers, Executives and Senior Executives, not Managers). This is focusing our effort on improving gender equity at the most senior and influential levels of the organisation.

Progress against our target is reviewed monthly by the CEO and the Group Executive Committee, with results informing the Group's bonus pool and performance outcomes.

We have four women on our Group Executive Committee: the Chief Financial Officer; the Group Executive Talent and Culture; the Group Executive Digital Banking; and the Deputy Chief Executive Officer and Group Executive Wealth Australia. Our Board has 33.3% female representation.

A FOCUS ON GENDER PAY EQUITY

We have voluntarily reported on our gender pay gap for several years. To ensure our disclosures are transparent, meaningful and focused on the areas of most relevance, this year we reviewed how we calculate, measure and report on our gender pay gap. We are now using the two different methodologies outlined below:

1. the 'category average' methodology which calculates average salary gaps between women and men by category — which can uncover issues such as women's access to senior and high-paying roles in an organisation; and
2. the 'like-for-like' methodology, which compares the pay of women and men in the same or similar roles — which can highlight bias in pay decisions.

This two-pronged approach allows us to better understand and explain the root causes of our gender pay gap.

PAY GAP (AUSTRALIA)[1]

Level	Ratio of female to male: Av. salary — by category (%)	Ratio of female to male: Like-for-like roles (%)
Senior Executives	97.3	**101.0**
Executives	97.4	**98.5**
Senior Managers	96.3	**97.8**
Managers	92.4	**98.5**
Non-Managers	93.1	**101.4**

The primary drivers of our gender pay gap are the level of representation of women in leadership roles, and job functions that attract a premium salary. To a much lesser extent, remuneration decisions (both on commencement in role and during the remuneration review) also adversely contribute.

For example, when we review our non-manager category, the average salary of women is 101.4% that of men on a like-for-like basis, whereas on a category basis it is 93.1%. This indicates the root cause of the pay gap at this level is the lack of women in higher paying roles (within the category), not bias in pay decisions.

We are focused on initiatives to close the gender pay gap including removing systemic bias from our processes, such as our performance and remuneration review, and enhanced support for line managers to make fair and equitable remuneration decisions. This includes specific guidance during the performance and remuneration review for line managers of employees who are absent on, or recently returned from, parental leave, to ensure these employees are not inadvertently disadvantaged.

PROMOTING FLEXIBLE WORKING

Providing our employees with the opportunity to work flexibly supports their career and life goals, and is correlated with increased levels of employee engagement as well as performance. 99.6% of our employees are now eligible to request flexible working via a formal policy. Our flexibility policies provide a framework for employees to initiate a conversation with their line manager about how flexibility might work for their role.

Flexible working at ANZ includes flexible work locations, job share, informal ad hoc arrangements, part-time work, flexible hours, flexible start and finish times, compressed work week, career breaks and/or lifestyle leave (up to four weeks of additional unpaid annual leave).

Flexible working is becoming critical to attract and retain talent. By ensuring we have policies to support flexible working, candidates, employees, and their line managers feel more inclined to explore all possible options.

PARTICIPATION OF UNDER-REPRESENTED GROUPS IN OUR WORKFORCE

Target

recruiting >1,000 people from under-represented groups including Aboriginal and Torres Strait Islanders, people with disability and refugees by 2020.

Performance

Since 2016, we have recruited 510 people from under-represented groups.

Relevant United Nations Sustainable Development Goals

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

We are making good progress against our overall target. In 2018 we recruited:

- 100 Aboriginal and Torres Strait Islanders against our Reconciliation Action Plan target of 100;
- 131 people with disability through our abilities hiring program; and
- 29 refugees through our Given the Chance program.

Promoting the participation of under-represented groups in our workforce contributes to our goal of creating a diverse and inclusive workforce and is aligned with our purpose.

We provide employment opportunities to people who may otherwise find it difficult to secure employment, helping to facilitate their social and economic participation.

We welcome and include employees from other diverse groups and ensure that we measure our progress in other areas of diversity and inclusion accordingly. For example, we:

- consider the gender and geographical representation of employees on succession plans to ensure diverse representation; and
- regularly monitor the representation and engagement of our workforce including by age, cultural/ethnic background, disability, gender, sexual orientation and use of flexible working arrangements.

1. Australia-only data. Effective date 17 August. 'Senior Executives' is Group 1, 'Executives' is Group 2, 'Senior Managers' is Group 3, 'Managers' is Group 4, and 'Non-Managers' is Groups 5 and 6. Excludes Executive Committee, casuals, fixed-term employees, and trainees/interns.

SUPPORTING WORKING PARENTS

From July this year ANZ New Zealand increased paid parental leave to 26 weeks from the 18 weeks currently available, two years ahead of the New Zealand Government's legislated change to 26 weeks by 2020.

"It's great news" said Angela Jia, ANZ Private Banker. "We were thinking that my husband would have to put his studies on hold while I was on leave but this means he can keep up with his studies."

We have a suite of market-leading parental leave policies and practices, such as maintaining employer superannuation payments while the employee is on leave, flexible working practices and 'Keeping in Touch' days.

These are often above New Zealand's minimum legislative requirements, and implementing this change ahead of the New Zealand Government demonstrates our commitment to our employees and their families.

Our parental leave program was one of the reasons we were awarded the Supreme White Camellia award, a United Nations Women and United Nations Global Compact initiative celebrating organisational commitment to the Women's Empowerment Principles (WEPs).

Angela Jia, Private Banker, ANZ and family.

COLLABORATING WITH OUR PARTNERS TO WELCOME REFUGEES TO THE WORKPLACE

Barriers to finding meaningful employment and difficulties in navigating local workplace culture are significant, sometimes proving overwhelming, for even the most highly qualified and skilled people resettling in our communities.

This year, we hosted our 200th Given the Chance participant at ANZ. We have partnered with the Brotherhood of St Laurence (BSL) since 2007, providing Given the Chance job seekers, six-month work placement opportunities in various areas of the bank, predominantly across our Contact Centres and branches.

We continue to work in partnership with BSL to expand the Given the Chance program and encourage other employers to adopt the model in support of a range of disadvantaged job seekers. Together with BSL we are working on delivering the program in New South Wales, leveraging our relationships to engage new business partners, determining the best operating model for the program and review training content for candidates and hiring managers.

This expansion will demonstrate that, with the right support, people from disadvantaged backgrounds can succeed in a work environment and participate fully in social and economic life.

CASE STUDY

GIVEN THE CHANCE

Daryoush left Iran and came to Australia via a long and dangerous journey through many countries.

He joined ANZ in 2015 via our Given the Chance program and is now a Home Loan Coach, helping customers realise their home ownership aspirations.

"I work across three branches, I have three different customer demographics in three different suburbs where the branches are located. I think my background, having lived and worked in many countries, helps me understand that all of the customers are human beings with varying needs.

My skills, especially my lifelong work dealing with different people in many countries and from all walks of life has actually helped me to provide support to my colleagues and our customers."

HIGHLIGHT

ANZ AND SYDNEY MARDI GRAS COMMUNITY GRANTS

Together with Sydney Gay and Lesbian Mardi Gras we developed a national Lesbian, Gay, Bisexual, Transgender, Queer and Intersex (LGBTQI) community grants program, the ANZ and Sydney Mardi Gras Community Grants.

Launched on the International Day Against Homophobia, Transphobia and Biphobia (IDAHOT) this year, the program provides grants of up to $10,000 to LGBTQI not-for-profit organisations, charities and individuals to help support local LGBTQI communities.

Sydney Gay and Lesbian Mardi Gras CEO, Terese Casu, said: "This national grants program is important because there's real grass roots work that needs to be done in Australia for LGBTQI communities, especially in regional Australia where isolation is an issue — and we know these grants will provide much needed support for the important work being done."

An organisation to have benefited is the Cairns AIDS Council which builds HIV awareness in the community and is removing the AIDS stigma in Far North Queensland. Focusing on Aboriginal and Torres Strait Islander communities, the organisation last year partnered with Frank (a sexual health education body) and ACON (who provide a 'pop up' dialogistic testing site) to create a Rapid HIV and STI Test incentive.

While collaboration between ANZ and Sydney Gay and Lesbian Mardi Gras has spanned over 12 years, the new grants program extends our partnership beyond official festivities to ensure ongoing support of LGBTQI communities and projects. Eighteen grants, worth a total of $100,000, have been distributed to date.

EMPOWERING INDIGENOUS STUDENTS

An Indigenous School Based Traineeship is completed during Years 11 and 12, providing students a chance to gain work experience. It contributes towards their high school education and sets them up with skills to enter the workforce after competing school.

School Based Trainee, Roshaun, started in one of our Gippsland branches (Victoria) at the beginning of 2018. She was keen to make the most of the opportunity to learn and connect with people outside of school. With the help and support of her manager, Kerry, Roshaun has embraced branch life.

"The skill that I am learning now is to be helpful to other people and I am building up the confidence to connect and create good conversations," said Roshaun.

Our first Indigenous trainee joined ANZ in 2003 and since then many of our trainees have gone on to achieve success through further studies and developing their careers both within and outside of ANZ. We have provided more than 1,300 Indigenous traineeships and employment opportunities across our Australian business.

Roshaun, School Based Trainee.

SUPPORTING INDIGENOUS AUSTRALIANS

We have a role to play in helping overcome the social and economic disadvantage experienced by many Indigenous Australians and are directing our efforts to those areas where we can make the most difference.

For this reason our focus is on employment opportunities; nurturing our employees and supporting their career progression; enabling social and financial participation of Aboriginal and Torres Strait Islander peoples; and building the capacity of Aboriginal and Torres Strait Islander businesses.

This year we have continued to provide employment opportunities to Indigenous Australians through our programs which include: Indigenous School Based traineeships, Indigenous full-time traineeships and our 'Make your Mark' work placement program. Our 2018 target for Indigenous employment was met this year, with 100 people being employed (against a target of 100).

We are seeking to foster an environment of respect and awareness for Aboriginal and Torres Strait Islander culture and history within ANZ.

Our employees have access to cultural learning opportunities including:

- online cultural awareness training (now mandatory for all customer facing employees), which is also accessible to our customers and the wider community; and
- face-to-face cultural awareness sessions (for our Australian Leadership Team).

INDIGENOUS PROCUREMENT

The amount that we spend with Indigenous businesses in Australia almost tripled this year to $2.15 million from $729,000, exceeding our Reconciliation Action Plan targets for the second year running. We also more than doubled the number of Indigenous businesses in our supply chain, with 13 businesses new to ANZ this year.

Improving the capability of Indigenous businesses is, however, achieved through more than spending. To help promote businesses, we held our inaugural Indigenous Business Trade Fair in Melbourne during NAIDOC Week. The fair was run together with Supply Nation and over 20 Indigenous businesses were invited to promote their art, designs and business services.

We again sponsored the Supply Nation Supplier Diversity Partnership award at the annual Supplier Diversity awards and were this year invited to join the Supply Nation 'Leadership Roundtable'. This Roundtable brings together supplier diversity professionals to workshop innovative approaches to growing a business to meet a specific opportunity.

IMPROVING FINANCIAL WELLBEING IN THE INDIGENOUS COMMUNITY

In 2018, more than 7,400 people participated in MoneyBusiness, our adult financial education program designed to build the money management skills and confidence of Aboriginal and Torres Strait Islander peoples. Started in 2005, MoneyBusiness has reached over 71,000 participants and has been delivered in over 320 communities by Australian Government-funded service providers or our community partners. Refer to pages 49–54 for further details on our financial wellbeing programs.

We are creating opportunities for our branch employees to attend MoneyBusiness facilitator training, regularly provided by ANZ to financial capability workers and financial counsellors working with Indigenous communities. The involvement of our employees in this training aims to deepen their awareness of the issues faced by our Indigenous customers and establish appropriate referral pathways for customers who could benefit from additional money management support. Refer to page 19 for further details on our approach to vulnerable customers.

JILPANTI ENTERPRISES — ANZ FORTESCUE PARTNERSHIP

Through our partnership with Fortescue Metals Group Ltd (Fortescue) we are providing finance to Jilpanti Enterprises Pty Ltd (Jilpanti). Jilpanti is owned and operated by Puutu Kunti Kurrama and Pinikura peoples' Elder Lennie Ashburton and his son Leonard. The company is providing exploration earthworks for Fortescue.

"The support of Fortescue and ANZ has allowed Jilpanti to become a more financially viable entity. Having access to funds to purchase equipment has meant that we are creating steady growth for our business, increasing our income and employing Aboriginal people directly into our business", Lennie Ashburton explains.

Under the $50 million funding initiative, which is supported by a guarantee from Fortescue, eligible Indigenous businesses — especially those without an established trading or credit history — are able to access finance at a competitive rate through ANZ.

In the case of Jilpanti, they have purchased two 80 tonne excavators and several vehicles which they would otherwise have hired at more expensive casual hire rates.

Our Managing Director of Institutional banking in Australia Graham Turley is pleased that through the partnership with Fortescue, we are able to open up opportunities for Indigenous businesses. "We hope that this experience will help these businesses grow sustainably, become more financially independent and ultimately drive economic growth and employment in their communities," he said.

Left to right — **Frank Van Rooyen**, Head Of Natural Resources Australia Institutional, ANZ — **Leonard Ashburton**, Jilpanti Enterprises — **Darryn Brice**, Relationship Manager, WA North, ANZ — **Heath Nelson**, Manager, Community Development, Fortescue Metals Group.

BUILDING AN ACCESSIBLE AND INCLUSIVE BANK

Our commitment to strengthening financial wellbeing is reflected in our ongoing work to build a more accessible and inclusive bank for our customers, our employees and the community.

Accessibility 'champions', drawn from all areas of ANZ, collaborate to identify and overcome barriers to independent, convenient and dignified banking, and to foster an inclusive workplace culture which embraces diversity and all abilities. Through innovation and ongoing consultation with a wide range of community stakeholders, we seek greater economic and social participation for people with disability.

We recently released 'Our Approach to Accessibility and Financial Inclusion', consolidating our key commitments into a single document that provides a more holistic view of how our approach to accessibility and financial inclusion aligns with our purpose and Sustainability Framework. This document replaces our 'Financial Inclusion Action Plan' and 'Accessibility and Inclusion Plan'. It creates a consistent governance and accountability framework, enabling us to identify gaps or opportunities across our business that require attention.

Our key commitments are strongly linked with our approach to supporting vulnerable customers, our employee diversity and inclusion initiatives and our Reconciliation Action Plan (discussed further on pages 19–20, 55–58 and 59–61 respectively). They also reflect our approach to human rights and the role we play, alongside other financial services organisations and large Australian businesses, in contributing to a fair and inclusive society. 'Our Approach to Accessibility and Financial Inclusion' is available on anz.com/cs.

We continue to nurture an inclusive workplace culture across the bank and received a number of awards this year including the 'Apolinario Mabini Special Employer of the Year' award in the Philippines and the 'People Matters' Award in India. In Australia, we were a finalist in the National Disability Awards Employer of the Year. These awards recognise achievements and contributions of people, organisations and initiatives that improve the lives of people with disability.

Our employees have maintained their enthusiasm for our disability mentoring program, PACE (Positive Action Towards Career Engagement), which is delivered in partnership with the Australian Network on Disability (AND). The program supports jobseekers and university students with disability. In 2018 we matched over 100 mentors across Australia, with participants in Sydney, Melbourne, Brisbane, Canberra, Adelaide, and Perth. In the five years that we have participated in PACE, we have had over 450 mentors, contributing more than 2,000 volunteer hours. PACE provides our employees with the opportunity to gain insights into some of the employment barriers faced by people with disability, and build their disability awareness. It also helps us better understand the needs and preferences of our diverse customer base — informing the development of more accessible and inclusive products and services.

HIGHLIGHT

AUSTRALIAN NETWORK ON DISABILITY ACCESS AND INCLUSION INDEX

We participated for the first time in the Australian Network on Disability's (AND) Access and Inclusion Index. The Index enables Australian organisations to understand their current level of maturity for access and inclusion practices across their business. This helps to identify areas of strength and areas for improvement, and ultimately build greater disability awareness. We were ranked third of the 28 participating organisations.

The AND benchmark report commended ANZ as "a role model for other organisations when it comes to access and inclusion", and highlighted the opportunity for ANZ to "drive change outside the bank as an influencer and thought leader in both the banking industry and the wider community."

Participating in the Index was an opportunity for us to stocktake and review progress against our Accessibility and Inclusion Plan. It provided us with insights into our gaps, and practical recommendations for how we can make ANZ even more accessible and inclusive for our customers, our employees and the community.

ACCESSIBLE TECHNOLOGY, PRODUCTS AND SERVICES, AND PLACES OF WORK

We have been actively engaged in a cross-industry consultation, led by the Australian Bankers Association, to develop new Accessibility Principles. The consultation considered the rapid technological changes in banking and the importance of ensuring people with disability are not inadvertently locked out of banking services through poor design. Principles of Universal Design underpin the new Accessibility Principles and we have already begun to consider how to embed these across our technology, products and services. The consultation has also led to greater industry collaboration around accessibility.

We continue to strive for best practice in accessibility and inclusive design for our branches and our workplaces. We consulted with external specialists and also asked our own employees with disability for their insights and recommendations as to how we could make their experience at work easier and more independent through the fit-out at our new 'campus' site, adjacent to our Melbourne headquarters. We looked at approaches to internal navigation, ease of opening doors, kitchen bench heights, automatic doors for accessible toilets and easy access kitchen taps.

HIGHLIGHT

SPECTRUM PROGRAM

We recognise that the autism community (sometimes described as part of the neurodivergent community) has much to offer the workplace, but traditional recruitment processes tend to filter these job applicants out, rather than filter them in, despite their often highly valued skills and ways of thinking. Currently, around 40% of adults on the autism spectrum in Australia are employed, compared with 83% of people without disability, many working in jobs below their educational or professional level.

To combat this we have partnered with DXC Technology, a global services company — that has successfully pioneered autism employment initiatives in several Australian Government departments, employing close to 60 people. Working with DXC Technology, we have adapted their autism employment initiatives for a corporate environment; the ANZ Spectrum Program. The program is designed to offer employment opportunities to the autistic community through meaningful work, leading to career opportunities.

We have established the program with nine participants, as part of a three-year commitment. A non-traditional recruitment process was undertaken in December 2017 using robots, coding and real world scenarios — to understand how the applicants to the program worked as a team, adapted to new circumstances and used their knowledge and skills.

We are training the participants in sought after areas of cyber security and test analysts. "Cyber security roles are generally inaccessible to entry level applicants due to the level of certification needed. ANZ has effectively offered to take me and my team on as trainees and provide support for us in working towards obtaining these required certifications," said a participant.

The program starts with an intensive induction and support period assisting the participants to settle into corporate life, build a sense of team, manage their commute, and in some cases, their first experience of financial independence. The participants develop at their own pace and, when ready, transition from the program into their assigned team.

CASE STUDY

FINANCIAL WELLBEING

BUILDING AN INCLUSIVE WORKPLACE CULTURE AT ANZ BENGALURU SERVICE CENTRE

Our Bengaluru Service Centre in India employs around 6,000 employees and supports our business in Australia, New Zealand and Asia.

Over the last decade, under the leadership of Pankajam Sridevi, Group General Manager Operations and Services, the Centre has promoted the hiring and inclusion of people with disability through various initiatives, including awareness programs for hiring managers, partnerships with non-government organisations, skills mapping for employees with disability, and sign language training for team members. Bengaluru Service Centre today has almost 150 employees with disability.

In 2017, Bengaluru Service Centre joined a 120-member network of disability NGOs, committing to the Mission 1000 project.

The initiative, which recognises that traditional disability employment often fails people with severe disabilities, brings employers and NGOs together to challenge stereotypes and assumptions on both sides.

It aims to provide 1,000 opportunities to people with disability in 1,000 days. Opportunities can be employment, training or provision of services. To date, our Bengaluru Service Centre has provided more than 470 opportunities through the Mission 1000 project.

"Mission 1000 is still early in its development — but we are confident that with time and serious engagement from a much larger group of companies, the model has great potential. We need to move from the support of a small group of converted CEOs who are passionate about this — to create a movement that brings in a much wider community of businesses and business leaders," said Pankajam Sridevi.

Left to right: — **Sharon George,** Health, Safety and Wellbeing Manager, ANZ
— **Channakeshava Jayaram,** Senior Credit Assessment Officer, ANZ.

COMMUNITY INVESTMENT

Through our approach to community investment, we connect with, and invest significantly in, the communities in which we operate. We provide many opportunities for our people to get involved, from volunteering, to funding and participating in community projects, or donating through our workplace giving programs.

Since 2005, we have measured the dollar value of our community investment in accordance with the London Benchmarking Group (LBG) methodology, a global standard for reporting community investment. In 2018, our community investment was $136.9 million, an increase of 4.4% from 2017.

CONTRIBUTION BY TYPE[1]

Type	$
Cash	21,870,181
Time	4,519,601
In kind	343,357
Management costs	3,041,920
Forgone revenue	107,101,262
Total	**136,876,321**

GIVING

WORKPLACE GIVING PROGRAM

Our workplace giving program enables employees in Australia to make contributions to any of our 25 nominated charity partners through regular pre-tax payroll deductions. We match all employee contributions dollar for dollar (up to $5,000 per employee in a tax year) and all donations go directly to the nominated organisations.

Many of our charity partners work in areas aligned to our priority areas of financial wellbeing, housing and environmental sustainability. We have also included charities in the areas of health, international aid and children because we know many of our employees care about these issues. This year we added Foodbank Australia, St Vincent de Paul Society, The Nature Conservancy and The Smith Family's child sponsorship to our workplace giving program. In 2018, together with our employees, we donated $986,000, a 6% increase from 2017.

ANZ STAFF FOUNDATION

The ANZ Australia Staff Foundation is a charitable trust that provides small grants of up to $5,000 to charities around Australia. The Foundation is jointly funded by employee contributions matched dollar for dollar by ANZ. A National Advisory Board and state committees comprised of employees manage the Foundation and are responsible for assessing the grants for funding. This year, the Foundation celebrated its 30th year and provided 48 grants, giving more than $221,000 to community organisations across Australia. Since its establishment, the Foundation has provided approximately 860 grants, totalling more than $4,975,000.

In New Zealand, the Staff Foundation is a charitable trust that provides grants of up to NZ$25,000 to New Zealand charities. Similar to our workplace giving program in Australia, employees donate from their fortnightly pay and their donations are matched dollar for dollar by ANZ. A board of New Zealand Staff Foundation volunteer members is responsible for assessing the grants for funding. This year 88 grants were made, providing more than NZ$654,000 to community organisations across New Zealand.

In Fiji, the Staff Foundation was established in 2006 as a charitable trust for ANZ, managed and run by a board of Staff Foundation members. The Staff Foundation is funded by voluntary employee payroll donations and matched dollar for dollar by ANZ. The Foundation provides opportunities for all kinds of employee involvement and aligns to charitable objectives — be it encouraging and helping employees or an organisation apply for funding or assisting a funded project come to life through volunteer efforts. This year the Trust approved and funded $89,000 in projects.

CUSTOMER DONATIONS PROGRAM

Our customer donations program provides our internet banking customers in Australia with a convenient and simple way to donate to charitable organisations. In 2018 more than $438,000 was donated to charity through this facility.

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

CASE STUDY

HOUSING

VOLUNTEERING IN THE COMMUNITY

Over 116,000 Australians currently experience homelessness — that is one in every two hundred people, with over 40% aged under 25.

St Vincent de Paul Society, one of our community partners, offers a 'hand up' to people in need, including those experiencing homelessness. Their soup van program is predominantly run by volunteers who help distribute food and drink to disadvantaged communities within capital cities and regional centres across Australia.

A number of our employees have used their volunteering leave to become 'vannies', sharing their experiences with their colleagues to help increase awareness of homelessness.

Photo credit: St Vincent de Paul Society Victoria.

"MY OWN VIEW IS THE MORE GROUNDED WE CAN BE, ESPECIALLY AS BANKERS, THE MORE WE HAVE WIDER VISION ON WHAT WE CAN DO TO ACTUALLY HELP OTHER PEOPLE. YOU'VE GOT TO BE IN THERE AMONG IT TO REALLY UNDERSTAND WHAT'S GOING ON."

Jason Batson, District Manager, ANZ

SHAREHOLDER GIVING PROGRAM

Our shareholder giving program allows shareholders to donate some or all of their cash dividends to any of our community partners. This year more than $39,000 was donated by our shareholders.

SEEDS OF RENEWAL PROGRAM

We are contributing to regional Australia by providing grants that are helping build vibrant and sustainable communities. This year marked the 15th year of our support for the Seeds of Renewal grants program, administered by the Foundation for Rural and Regional Renewal. In 2018, we funded $250,000 in community grants, shared between 22 projects across regional Australia. One organisation to receive a grant was the ABC Foundation Limited in Carnarvon, Western Australia. Their project, 'Don't Let Your Crop Rot', seeks to develop a social enterprise that increases local fresh food availability, local employment and reduces food waste. Further information on the projects funded is available on frrr.org.au/grants/ANZ-seeds-of-renewal.

VOLUNTEERING

Target

Increase employee volunteering participation rate in 2018 to 30%.

Performance

Across the Group employee volunteering participation increased to 34.6%.

Relevant United Nations Sustainable Development Goals

17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.

Our Volunteer Leave Policy, which applies to permanent, regular and fixed-term employees, provides for at least one day of paid volunteer leave each year. This year our people volunteered 124,113 hours to community organisations. This represents more than 15,500 working days and more than $4.5 million in value to the community. In May, we partnered with GoodCompany to create a new volunteering portal, making it easier for our employees to search and apply for volunteering opportunities with various charities across Australia.

HIGHLIGHT

SHOUT FOR GOOD AND FIGHTMND

We have facilitated more than $7.2 million in donations for around 250 charities through Shout for Good (Shout), our digital giving platform — up from $250,000 in 2016 and $2.4 million in 2017. This considerable organic growth highlights the importance of digital donations in today's increasingly cashless society.

Shout enables charities to fundraise digitally via SMS and online, as well as 'tap to donate' using the Shout app on ANZ BladePay™ devices. Earlier this year, Shout became the first fundraising platform in Australia to offer the Donate with Apple Pay functionality within its iOS app.

One of the charities we supported this year was FightMND and its 'Big Freeze 4' campaign. Volunteers were provided with 120 ANZ BladePay™ devices running the Shout app, allowing people to tap their mobile payment device to donate or to purchase beanies.

Funds raised during the campaign through the ANZ BladePay™ devices as well as Shout's web and SMS digital giving technology reached over $3.6 million, more than half the total amount raised during the campaign.

DISASTER RELIEF

We have a role to play in helping customers and communities manage and recover from natural disasters. Our Disaster Relief and Recovery Policy guides an efficient, coordinated and proportionate response to disasters. The policy encompasses a range of measures for affected communities and customers including charitable donations, hardship assistance, financial advice and employee volunteering to assist with community rebuilding.

In February 2018, Cyclone Gita caused significant damage to homes and vital infrastructure in Samoa, America Samoa and Tonga. In response, we implemented our customer assistance package, waiving fees on international money transfers and other banking services. We also donated NZ$100,000 to the New Zealand Red Cross Pacific Disaster Fund to provide hygiene kits, mosquito nets, cooking and sanitation equipment as well as experienced field workers to assist in the aid and recovery process.

HIGHLIGHT

HOUSING

KALEIDOSCOPE

This year we celebrated our 11th annual employee art exhibition and charity auction, Kaleidoscope.

Employees from across many of the countries in which we operate submitted 80 pieces of art, with the auction raising over $37,000.

Proceeds from this year's event went to home.one, a social enterprise that operates an environmentally sustainable cafe.

Home.one provides paid 'on-the-job' training to young people who are experiencing, or at-risk of, homelessness, in addition to supporting them to access secure housing. The money raised from this year's auction will help home.one to purchase equipment to setup their second cafe — home.two

Photo credit: Hugh Davies.

We provided support to customers affected by a number of natural disasters in Australia in March 2018. This included Cyclone Marcus on the Northern Territory north coast; significant flooding in Northern and Central Queensland; and bushfires in NSW and Victoria. Collectively, these events were responsible for estimated insured losses of around $161 million. Support offered to impacted customers included:

- suspension of repayments on loans, including credit cards, for up to three months;
- waiving of fees for restructuring business loans considered necessary due to the impacts of the event;
- early access to term deposits without incurring fees;
- waiving of fees associated with the replacement of damaged business EFTPOS/credit card terminals; and
- assistance such as emergency funds and temporary accommodation to eligible customers with home and contents insurance.

The July 2018 collapse of the Xe-Pian Xe Namnoy dam in Attapeu Province, Laos displaced large numbers of people. We donated US$10,000 to World Vision Laos to support relief efforts, while our local employees provided immediate emergency assistance to affected households by donating and packing supplies for distribution by the Lao Red Cross.

Finally, this year has been extremely difficult for many of our rural and regional customers struggling with drought conditions in New South Wales and Queensland.

In response, we donated $1 million to rural financial counselling and community grants assisting farmers in drought-affected areas and launched a drought support package that included the following relief measures:

- $130 million in discounted loans available to support farmers through this season and help them prepare for next season;
- 1.00% reduction on variable business farming loans in drought declared areas;
- suspension of loan repayments, including credit cards for up to three months;
- continued moratorium on farm repossessions in drought-declared regions;
- a longstanding commitment not to increase the interest rates of distressed customers; and
- a commitment to providing a solution for customers eligible to offset their Farm Management Deposits against primary production income, in line with current legislation.

TAX TRANSPARENCY

We are committed to paying our fair share of taxes and recognise that tax transparency is, rightly, an issue of community concern. Across the countries in which we operate, we contribute directly to the economy by paying taxes, money which is then used by governments to provide public services and amenities for the benefit of the wider community.

Our tax disclosures meet the requirements of the Australian Board of Tax, Voluntary Tax Transparency Code (TTC). We have prepared our tax transparency disclosures in this report in conformance with the TTC, complementing voluntary tax disclosures we have made in previous years. Refer to page 86 for additional disclosures.

In 2018, our global net taxes borne amounted to $3,188 million (2017: $3,415 million). We also directly remitted an additional $4,460 million (2017: $4,760 million) in taxes which were collected (primarily relating to GST/VAT and employee remuneration) on behalf of and paid to the governments of the countries in which we operate.

TOTAL TAXES BORNE BY ANZ GROUP (AUD MILLIONS)

	2018	2017
Income Tax Expense		
Consisting of:		
Australia	$1,685	$2,072
New Zealand	$702	$643
APEA	$282	$214
	$2,669	$2,929
Unrecovered GST/VAT	$294	$265
Employee Related Taxes	$183	$182
Other Taxes/Duties	$42	$39
Total Tax Payments Borne[1]	**$3,188**	**$3,415**

We operate in 34 markets through branches and subsidiaries. We have 11 subsidiaries in countries which the Australian Taxation Office (ATO) classifies as 'specified countries' (i.e. tax havens). These subsidiaries are in countries in which we hold a banking licence and have been fully disclosed to the ATO.

The *Major Bank Levy Act 2017* (the levy) was introduced in 2017, effective from 1 July 2017. We have determined that the levy represents a finance cost for the bank (rather than a tax) and is included as a component of net interest income. This is presented within interest expense in the Income Statement, available in the 2018 Annual Report on anz.com/annualreport and amounts to $355 million.

OUR TAX STRATEGY AND GOVERNANCE FRAMEWORK

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

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

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

In our two largest markets we have been party to an Annual Compliance Arrangement (ACA) and Cooperative Compliance Arrangement (CCA) with the Australian and New Zealand federal tax regulators respectively for a number of years. These arrangements continue to be effective in demonstrating our focus on corporate governance standards, tax risk management processes and comprehensive disclosure.

1. Includes discontinued operations.

AUSTRALIAN TAX TRANSPARENCY

In line with Australian legislation requiring the ATO to publish specific income tax return data of corporate tax entities that report a total income of $100 million or more, the following table provides further transparency on our 2017 Australian income tax return data, expected to be published by the ATO in December 2018.

	30 September 2017		
AUD Millions	Total[1]	Banking Business[2]	Wealth Business[3] Super/pension members
Total Income[4]	$28,536	$28,536	–
Taxable Income[5]	$10,053	$7,154	$2,899
Statutory Tax Rates		30%	15%/0%
Tax Liability	**$2,359**	**$2,097[6]**	**$262**

INTERNATIONAL RELATED-PARTY DEALINGS

We provide a broad range of banking and financial products and services to individual and business customers in multiple geographic markets. In the course of serving our customers across the markets in which we operate, transactions take place which give rise to international related-party dealings (IRPDs) with offshore branches and subsidiaries.

The main IRPDs that impact us are set out below.

- Funding — To support normal business operations, namely to facilitate customer lending and to meet regulatory capital requirements, ANZ-related parties may undertake cross-border short and long-term funding transactions.
- Service Centre support — To obtain cost, risk management and enhanced customer service advantages, we locate Service Centres in India, the Philippines, China and Fiji to provide support services to other ANZ-related parties.
- Support and Technology Services — Business support, operations and technology functions are centralised principally in Australia, and provide support to multiple ANZ-related parties.
- Derivatives and related activities — Our Markets line-of-business operates in a truly global derivative market, and consequently, ANZ-related parties will engage in derivative sale and trading arrangements with other ANZ-related parties.

Consistent with the principles of the our Tax Transfer Pricing Governance Policy, our IRPDs are conducted in a manner consistent with Australian taxation law and international taxation norms, including applying the 'arm's length principle'.[7]

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

1. As expected to be reported by the ATO when published.
2. Includes ANZ's income from its life insurance business.
3. Income attributable to super/pension policyholders is not included in ANZ's income, however taxable income of policyholders is required to be included in ANZ's income tax return. This amount represents tax paid by ANZ on behalf of super/pension policyholders at 15% / 0% and includes franking credits, foreign income tax offsets and Capital Gains Tax discounts.
4. Total Australian income before all expenses (e.g. Interest expense, employee costs, depreciation etc). This amount includes exempt income, other non-assessable income and foreign source income.
5. Taxable income represents assessable income derived from all sources less allowable deductions incurred in gaining that income.
6. The 2017 tax liability includes tax offset reductions of $49 million relating to franking credits and foreign income tax offsets.
7. All IRPDs must be priced as if the related parties were acting at arm's length. In essence the pricing determined should be equivalent to that found in a normal commercial pricing arrangement between non-associated parties.

2018 SUSTAINABILITY PERFORMANCE SUMMARY

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RESPONSIBLE BUSINESS LENDING

Group lending profile	2018	2017	2016	2015
Total group EAD ($b)[1,2]	944	903	894	903

Exposure at default (EAD) as a % of group total[2]	2018	2017	2016	2015
Consumer lending	39.7%	41.5%	40.6%	38.6%
Finance, Investment and Insurance	19.6%	17.2%	17.4%	18.8%
Property Services	6.8%	6.6%	6.8%	6.6%
Manufacturing	4.6%	4.5%	5.2%	6.3%
Agriculture, Forestry, Fishing	3.7%	3.8%	3.9%	3.7%
Government and Official Institutions	6.9%	7.2%	6.2%	4.6%
Wholesale Trade	3.0%	3.0%	3.1%	3.9%
Retail Trade	2.2%	2.3%	2.4%	2.6%
Transport and Storage	2.0%	2.0%	2.2%	2.3%
Business Services	1.6%	1.7%	1.7%	1.9%
Resources (Mining)	1.6%	1.5%	1.8%	2.2%
Electricity, Gas and Water Supply	1.2%	1.3%	1.3%	1.4%
Construction	1.4%	1.4%	1.4%	1.6%
Other	5.7%	6.0%	6.0%	5.5%

Group Resources (mining) exposure by sector ($b)	2018	2017	2016	2015
Oil and Gas Extraction	7.4	7.0	7.8	8.6
Metal Ore Mining	4.4	3.5	4.0	4.9
Coal Mining	1.4	1.1	1.5	2.3
Services to Mining	1.2	1.4	1.7	2.9
Other Mining	0.9	1.0	1.1	1.3
Total	**15.3**	**14.0**	**16.1**	**20.0**

1. 2015 value restated
2. Post CRM EAD, net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. Excludes amounts for 'Securitisation' and 'Other Assets' Basel asset classes.

Group Electricity, Gas and Water Supply exposures by sector ($b)[1]	2018	2017	2016	2015
Electricity Generation	4.8	4.8	5.4	5.6
Electricity Transmission	2.6	2.9	1.9	1.9
Gas Supply	1.4	1.6	1.8	1.8
Electricity Distribution and Supply	1.5	1.4	1.4	1.7
Water Supply	0.9	1.1	0.9	1.7
Sewerage and Drainage Services	0.3	0.1	0.1	0.1
Total	**11.4**	**11.8**	**11.5**	**12.8**

Group Agriculture exposures by sector ($b)[1]	2018	2017	2016	2015
Dairy	12.6	12.8	13.7	13.0
Grain/Wheat	5.9	5.7	5.6	5.4
Beef	5.1	4.8	4.7	4.6
Sheep and Other Livestock	3.3	3.1	3.2	3.1
Horticulture/Fruit/Other crops	4.4	4.2	4.0	4.0
Forestry and Fishing/Agriculture Services	3.6	3.3	3.3	3.1
Total	**34.8**	**34.0**	**34.5**	**33.2**

Average emission intensity of generation financed (tonnes CO_2-e per megawatt hour of electricity generated)[2]	2018	2017	2016	2015
Australia	0.66	0.58	0.62	0.64
Outside Australia	0.08	0.24	0.16	0.20

Project finance portfolio (%)[1]	2018	2017	2016	2015
Renewables	76%	70%	63%	60%
Coal	10%	16%	19%	18%
Gas	13%	13%	18%	22%

Project finance commitment to renewable energy ($m)[3]	2018	2017	2016	2015
Renewables	1,076	1,141	875	881

1. Values may not add to totals due to rounding.
2. Refer to page 87 for calculation methodolgy
3. Refers to ANZ's lending commitments as at 30 September 2018 to renewable energy projects made only on a non or limited recourse basis to the ultimate sponsors. This figure does not include ANZ lending made to renewable energy projects that may be funded under corporate debt facilities or through other lending products.

	Project finance			Project-related corporate loans			Project advisory services
Equator principles category	A[1]	B[2]	C[3]	A[1]	B[2]	C[3]	
	1	6	1	1	1		1
By sector							
Mining							
Infrastructure		2					
Oil and Gas	1	1					1
Power		3			1		
Other			1	1			
By region							
Australia and NZ		5	1				
Asia	1	1		1	1		1
Europe, Middle East and Africa							
Americas							
By country designation[4]							
Designated		5	1				
Non-designated	1	1		1	1		
Independent review[5]							
Yes	1	6	1	1	1		
No							

1. Category A: Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.
2. Category B: Projects with potential limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed mitigated.
3. Category C: Projects with minimal or no social or environmental impacts.
4. Designated Countries are defined by the Equator Principles as "those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment." The list of Designated Countries can be found on http://equator-principles.com/.
5. An independent review may not be required for all Projects eg. an Independent Review is not required for Category C Projects. Please refer to the Equator Principles for details on what is required for each Category and product type.

ENVIRONMENT[1]

GHG emissions scope 1 and 2 (tonnes CO_2-e)[2]	2018	2017	2016	2015	2014
Australia	123,056	126,881	136,751	147,499	154,922
New Zealand	7,887	6,992	7,910	9,189	10,008
Asia Pacific, Europe and America	40,069	47,120	48,908	52,843	47,347
Scope 1 and 2 GHG emissions (tonnes CO_2-e)	**171,012**	**180,993**	**193,569**	**209,531**	**212,277**

GHG emissions scope 1, 2 and 3 (tonnes CO_2-e)	2018	2017	2016	2015	2014
Scope 1					
Premises energy	3,534	3,361	3,688	3,618	3,981
Vehicle transport	14,294	15,527	17,290	18,920	13,478
Other[3]	142	136	144	150	152
Scope 2					
Premises energy	153,042	161,969	172,447	186,844	194,666
Scope 3					
Premises energy	32,235	27,218	34,812	38,678	43,562
Vehicle transport	2,178	2,824	3,035	3,716	4,472
Travel — flights and accommodation	35,324	35,166	38,886	53,268	54,688
Employee commuting[4]	20,504	21,231	22,437	22,888	NA
Paper	2,861	3,300	4,270	4,930	5,854
Waste	2,463	2,154	2,215	2,073	1,967
Water[5]	329	329	NA	NA	NA
Total global GHG emissions (tonnes CO_2-e)	**266,906**	**273,216**	**299,224**	**335,085**	**322,820**

Premises energy use (global)	2018	2017	2016	2015	2014
Electricity (MWh)	212,299	226,948	236,144	243,228	260,713
Natural gas (MWh)	17,159	16,185	16,650	17,350	18,128
Diesel (MWh)	3,097	2,897	2,308	1,589	1,133
Total (MWh)	**232,555**	**246,030**	**255,102**	**262,167**	**279,974**

1. Environmental reporting year runs 1 July–30 June to align with environmental regulatory reporting requirements.
2. Incorporates Scope 2 emissions calculated in accordance with the 'location-based' method as outlined in the 'GHG Protocol Scope 2 Guidance' that amends the GHG Protocol Corporate Standard. When applying the 'market-based' method to calculate ANZ's Scope 2 emissions, the combined Scope 1 and 2 emissions for Australia in 2018 are 11,515 tonnes. There are no changes to the reported figures for ANZ's New Zealand and APEA operations.
3. Indicates estimated emissions arising from the operation of a black water treatment plant at ANZ's Global Headquarters in Melbourne, Australia.
4. Represents employee commuting emissions from employees working in key commercial office locations in Australia and New Zealand. This was calculated and externally assured for the first time in 2015.
5. Represents water emissions from key commercial office locations in Australia and New Zealand. This was calculated and externally assured for the first time in 2017.

Road transport energy use (global)	2018	2017	2016	2015	2014
Vehicle fuel (MWh)	56,309	61,727	67,741	66,251	52,909

Paper use (Australia and New Zealand)[1]	2018	2017	2016	2015	2014
Office paper (tonnes)	634	709	876	988	1,055
Customer paper (tonnes)[2]	2,188	2,468	3,009	3,274	3,705
Total (tonnes)	**2,823**	**3,178**	**3,885**	**4,262**	**4,760**

Waste (Australia and New Zealand)	2018	2017	2016	2015	2014
Waste to landfill (tonnes)[3]	924	900	1,099	1,183	1,199
Recycling rate[4]	66%	67%	NA	NA	NA

Water (Australia)[5]	2018	2017	2016	2015	2014
Water consumption (kL)	128,270	125,853	131,606	132,266	NA

1. Values may not add to totals due to rounding.
2. 2017 value updated with actual tonnage replacing accrual forecasts which are otherwise necessary due to time lags and reporting cut-offs.
3. In 2017–18 ANZ revised the 2016–17 waste baseline for Australian target sites. This has been used to extrapolate and restate 2016–17 figures and the new 2017–18 figures. Comparisons with previous year's figures must be viewed with caution due to different methodology.
4. Represents the recycling rates in our Australian commercial offices (>20,000m^2). This was calculated and externally assured for the first time in 2018.
5. Represents water consumption in our Australian commercial offices (>10,000m^2). This was calculated and externally assured for the first time in 2018.

EMPLOYEES[1]

EMPLOYEE PROFILE

Employee headcount	2018	2017	2016
Group total	42,787	47,774	49,349

Employees by contract type and gender	2018			2017			2016		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Permanent									
Full-time	17,056	18,635	**35,691**	19,114	20,495	**39,609**	20,261	21,522	**41,783**
Part-time	4,891	707	**5,598**	5,210	712	**5,922**	5,288	665	**5,953**
Fixed term									
Full-time	303	402	**705**	543	861	**1404**	301	436	**737**
Part-time	111	47	**158**	104	39	**143**	100	20	**120**
Casual	492	143	**635**	541	155	**696**	595	161	**756**
Total	**22,853**	**19,934**	42,787	**25,512**	**22,262**	47,774	**26,545**	**22,804**	49,349

Employees by gender and region	2018			2017			2016		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Asia Pacific	4,442	3,256	**7,698**	6,241	4,725	**10,966**	6,934	5,202	**12,136**
Australia	11,332	9,342	**20,674**	11,940	9,842	**21,782**	12,154	9,913	**22,067**
New Zealand	4,811	3,369	**8,180**	4,921	3,473	**8,394**	5,075	3,517	**8,592**
EAMEI[2]	2,268	3,967	**6,235**	2,410	4,222	**6,632**	2,382	4,172	**6,554**
Total	**22,853**	**19,934**	42,787	**25,512**	**22,262**	47,774	**26,545**	**22,804**	49,349

1. Employee headcount is used as the basis for these disclosures. Includes all employees regardless of leave status but not contractors (who are included in FTE).
2. Europe, America, Middle East and India.

Employee new hires by gender, age and region[1]	2018		2017		2016	
	Number	Rate (% of total employees)	Number	Rate (% of total employees)	Number	Rate (% of total employees)
Employee new hires by gender						
Female	2,631	6.1%	3,664	7.7%	3,420	6.9%
Male	2,245	5.2%	3,472	7.3%	2,973	6.0%
Total	**4,876**	**11.4%**	**7,136**	**14.9%**	**6,393**	**13.0%**
Employee new hires by age						
<20	114	0.3%	120	0.3%	114	0.2%
20–24	1,105	2.6%	1,412	3.0%	1,302	2.6%
25–34	2,124	5.0%	3,404	7.1%	3,299	6.7%
35–44	1,017	2.4%	1,514	3.2%	1,231	2.5%
45–54	382	0.9%	537	1.1%	353	0.7%
55–65	122	0.3%	133	0.3%	88	0.2%
>65	12	0.0%	16	0.0%	6	0.0%
Total	**4,876**	**11.4%**	**7,136**	**14.9%**	**6,393**	**13.0%**
Employee new hires by region						
Asia Pacific	845	2.0%	2,081	4.4%	1,617	3.3%
Australia	2,505	5.9%	2,766	5.8%	2,533	5.1%
New Zealand	865	2.0%	1,032	2.2%	1,035	2.1%
EAMEI[2]	661	1.5%	1,257	2.6%	1,208	2.4%
Total	**4,876**	**11.4%**	**7,136**	**14.9%**	**6,393**	**13.0%**

1. Values may not add to totals due to rounding.
2. Europe, America, Middle East and India.

Turnover	2018	2017	2016
Voluntary turnover	5,318	6,339	6,870
Involuntary turnover	4,768	2,454	2,084
Total	**10,086**	**8,793**	**8,954**
Rate (%)	**23.6%**	**18.4%**	**18.1%**

Employee turnover by gender, age and region[1]	2018		2017		2016	
	Number	Rate (% of employee category)	Number	Rate (% of employee category)	Number	Rate (% of employee category)
Employee turnover by gender						
Female	5,413	23.7%	4,783	18.7%	4,783	18.0%
Male	4,673	23.4%	4,010	18.0%	4,171	18.3%
TOTAL	**10,086**	**23.6%**	**8,793**	**18.4%**	**8,954**	**18.1%**
Employee turnover by age						
<20	64	45.4%	70	49.3%	80	58.0%
20–24	995	40.2%	959	33.1%	1,123	36.4%
25–34	4,063	25.7%	3,793	20.4%	3,978	19.9%
35–44	3,038	22.7%	2,293	15.8%	2,135	14.7%
45–54	1,284	17.8%	1,049	13.4%	1,004	12.8%
55–65	533	15.7%	547	15.9%	560	16.3%
>65	109	30.8%	82	23.6%	74	24.3%
Total	**10,086**	**23.6%**	**8,793**	**18.4%**	**8,954**	**18.1%**
Employee turnover by region						
Asia Pacific	4,177	54.3%	3,237	29.5%	2,991	24.6%
Australia	3,776	18.3%	3,249	14.9%	3,407	15.4%
New Zealand	1,105	13.5%	1,190	14.2%	1,318	15.3%
EAMEI[2]	1,028	16.5%	1,117	16.8%	1,238	18.9%
Total	**10,086**	**23.6%**	**8,793**	**18.4%**	**8,954**	**18.1%**

1. Values may not add to totals due to rounding.
2. Europe, America, Middle East and India.

DIVERSITY AND INCLUSION

Women in leadership	2018	2017	2016
Total women in leadership (%)[1]	32.0%	31.1%	29.9%

Employees by category and diversity	2018		2017		2016	
	Female	Male	Female	Male	Female	Male
ANZ Executive Committee	33.3%	66.7%	33.3%	66.7%	27.3%	72.7%
Senior Executive[2]	25.2%	74.8%	27.2%	72.8%	26.4%	73.6%
Executive[3]	29.5%	70.5%	27.9%	72.1%	25.5%	74.5%
Senior Manager[4]	33.2%	66.8%	32.3%	67.7%	31.5%	68.5%
Total in Leadership roles[1]	**32.0%**	**68.0%**	**31.1%**	**68.9%**	**29.9%**	**70.1%**
Manager[5]	43.1%	56.9%	43.0%	57.0%	43.3%	56.7%
Non-Management[6]	54.7%	45.3%	62.3%	37.7%	62.9%	37.1%
ANZ overall	**53.4%**	**46.6%**	**53.4%**	**46.6%**	**53.8%**	**46.2%**

Employees by category and age (% of total employees 2018)[7]	<20	20–24	25–34	35–44	45–54	55–64	>65
ANZ Executive Committee	0.0%	0.0%	0.0%	8.3%	75.0%	16.7%	0.0%
Senior Executive[2]	0.0%	0.0%	0.0%	10.8%	52.3%	34.2%	2.7%
Executive[3]	0.0%	0.0%	0.2%	32.4%	56.2%	10.8%	0.4%
Senior Manager[4]	0.0%	0.0%	4.8%	45.4%	40.1%	9.3%	0.3%
Manager[5]	0.0%	0.3%	27.6%	43.4%	20.4%	7.6%	0.6%
Non-Management[6]	0.6%	10.2%	46.8%	21.9%	11.6%	7.8%	1.0%
ANZ overall	**0.3%**	**5.8%**	**36.9%**	**31.3%**	**16.9%**	**7.9%**	**0.8%**

Recruitment of under represented groups	2018	2017	2016
Aboriginal and Torres Strait Islander peoples	100	100	87
Recruitment of those with self disclosed disability	131	109	216
Recruitment of refugees	29	41	33
Total	**260**	**250**	**336**

1. Measures representation at the Senior Manager, Executive and Senior Executive levels. Includes all employees regardless of leave status but not contractors (who are included in FTE).
2. Senior Executive comprises persons holding roles within ANZ designated as Group 1. These roles typically involve leading large businesses, geographies or the strategy, policy and governance of business areas (excludes Group Executive Committee).
3. Executive comprises persons holding roles within ANZ designated as Group 2.
4. Senior Manager comprises persons holding roles within ANZ designated as Group 3.
5. Manager comprises persons holding roles within ANZ designated as Group 4.
6. Non-Management comprises women holding roles within ANZ designated as Group 5 and 6.
7. Values may not add to totals due to rounding.

Parental leave[1]			2018
	Female	Male	Total
Employees who took parental leave during the year	1,114	534	**1,648**
Employees returning to work after parental leave during the year	1,057	506	**1,563**
Parental leave return to work rate (%)	82%	86%	**83%**
Employees who returned to work after parental leave and were still employed 12 months after return	782	397	**1,179**
Parental leave retention rate 12 months after return (%)	**78%**	**76%**	**77%**

TRAINING

Average hours of training per employee	2018	2017	2016
Senior Manager	13.8	10.7	15.6
Manager	16.0	13.6	15.4
Non-management	24.4	22.0	21.8

Average hours of training by gender	2018	2017	2016
Female	21.6	19.2	20.0
Male	19.2	17.2	18.0

Investment in learning and development	2018	2017	2016
Investment in learning and development ($m)[2]	48.9	45.9	50.8

EMPLOYEE CONDUCT

Code of conduct and ethics	2018	2017	2016
Code of conduct breaches	1,114	1,443	1,408
Investigations resulting in termination	226	262	254
Whistleblowing reports	137	121	71

1. Parental leave data is only available for Australia, New Zealand and India employees only.
2. Includes learning and development cost base (i.e. salary and on-costs of employees within learning and development cost centre).

HEALTH AND SAFETY

Lost time injury frequency rate[1]	2018	2017	2016
Australia	1.8	1.5	1.4
– Australia[2]	1.2	0.9	0.9
New Zealand	1.4	1.1	1.1
APEA	0.3	0.2	0.7
India	0.0	0.3	0.2

Absenteeism rate (%)[3]	2018	2017	2016
Australia	2.0%	2.0%	2.0%
New Zealand	1.8%	1.6%	1.5%
India	1.9%	1.9%	1.9%

EMPLOYEE ENGAGEMENT

Employee engagement[4]	2018	2017	2016
Employee engagement (%)	73%	72%	74%

REMUNERATION

Female to male salary ratios (%)[5]	Average salary — by category	Like-for-like roles
Senior Executive	97.3%	101.0%
Executive	97.4%	98.5%
Senior Manager	96.3%	97.8%
Manager	92.4%	98.5%
Non-Management	93.1%	101.4%

1. Lost time injury frequency rate, the number of lost time injuries per million hours worked.
2. LTIFR claims: an Australian financial industry benchmarking measure which includes LTIs that result in claims. This measure is not applicable in other countries.
3. Absenteeism is calculated as actual absenteeism hours lost (excluding carers leave) as a percentage of total hours scheduled to be worked by the workforce.
4. The 2017 engagement survey was run as a pulse survey sent to 10% of the bank's employees with a 57% response rate. The employee engagement survey was sent to all employees in other years.
5. Australia-only data. Effective date 17 August. 'Senior Executives' is Group 1, 'Executives' is Group 2, 'Senior Managers' is Group 3, 'Managers' is Group 4, and 'Non-Managers' is Groups 5 and 6. Excludes Executive Committee, casuals, fixed-term employees, and trainees/interns.

COMMUNITY

Community investment	2018	2017	2016	2015
Community investment ($m)[1]	136.9	131.1	89.8	74.8
Volunteer hours	124,113	113,127	113,071	108,142
Employee volunteering participation rate (%)[2]	34.6%	29.4%	–	–

Financial inclusion programs	2018	2017	2016	2015
MoneyMinded — estimated number of people reached	>84,200	>76,000	>60,900	>67,000
Saver Plus — number of people reached	4,024	4,074	4,649	2,826

1. Includes forgone revenue $107 million, being the cost of providing low or fee free accounts to a range of customers such as government benefit recipients, not-for-profit organisations and students.
2. Commenced reporting in 2017.

CUSTOMERS

Net Promoter ranking (relative to peers)	2018	2017	2016	2015
Australia Retail[1]	3rd	4th	2nd	4th
Australia Business and Private Banking[2]	3rd	4th	4th	4th
Australia Institutional[3]	1st	2nd	1st	-
New Zealand Retail[4]	4th	4th	4th	5th
New Zealand Commercial and Agricultural[5]	5th	5th	5th	5th
New Zealand Institutional[6]	1st	3rd	1st	–

Digitally active customers (%)	2018	2017	2016	2015
Australia[7]	61%	61%	60%	58%
New Zealand[8]	68%	65%	62%	59%

Customer complaints	2018	2017	2016	2015
Retail and Commercial Australia	54,690	45,596	51,771	47,140
Wealth Australia[9]	19,470	20,139	20,976	21,405
Retail and Business Bank New Zealand[9]	31,391	18,630	18,953	13,283
Wealth New Zealand[9]	278	175	466	567

1. Roy Morgan Research Single Source, Australian population aged 14+, Main Financial Institution, six-month rolling average to Sep'15, Sep'16, Sep'17 & Sep'18. Ranking based on the four major Australian banks.
2. DBM Business Financial Services Monitor. Base: Business and Private Banking (<$100m annual turnover) Main Financial Institution customers. Data based on business banking NPS only (excludes Private Bank NPS). Six-month average to Sep'15, Sep'16, Sep'17 & Sep'18. Ranking based on the four major Australian banks.
3. Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking survey Australia.
4. Retail Market Monitor, Camorra Research, Retail: Sep'15, Sep'16, Sep'17 & Sep'18 (monthly). Ranking based on the five major Retail banks in New Zealand.
5. Business Finance Monitor, TNS Kantar Research. Base: Commercial ($3m–$150m annual turnover) and Agricultural (>500K annual turnover) customers, Q3'15, Q3'16, Q3'17 & Q3'18 (quarterly). Ranking based on the five major Commercial and Agricultural banks in New Zealand.
6. Peter Lee Associates Large Corporate and Institutional Relationship Banking surveys New Zealand 2016–18, ranked against the Top 4 competitors (in 2016 rank based on question 'which bank would you be most likely to recommend').
7. Roy Morgan Research Single Source, proportion of ANZ customers aged 14+ conducted Internet banking using ANZ App or Website in last 4 weeks, 12 months rolling average to Sep'15, Sep'16, Sep'17 & Sep'18.
8. Proportion of ANZ customers who have used ANZ Internet Banking or ANZ goMoney™ at least once in the last 90 days. 12 months to Sep'15, Sep'16, Sep'17 & Sep'18.
9. Previous years' numbers restated due to increased accuracy of reporting.

Complaints referred by customers to external dispute resolution bodies	2018	2017	2016	2015
Retail and Commercial Australia[1]	3519	2,839	2,472	2,360
Wealth Australia[2]	501	374	384	345
Retail, Business Bank and Wealth New Zealand[2]	37	53	84	98

Privacy complaints	2018	2017	2016	2015
Australia	307	169	174	205
New Zealand	123	59	95	69

Customer Advocate completed reviews (Australia)	2018	2017	2016	2015
General banking product reviews	1,386	1,128	1,294	1,032
Resolved wholly or partially in favour of the customer (%)	50%	45%	52%	58%
Insurance, superannuation and investments reviews	418	423	398	401
Resolved wholly or partially in favour of the customer (%)	29%	44%	49%	50%

Hardship	2018	2017	2016	2015
Customer requests for hardship assistance (Australia)	37,313	40,470	49,150	43,385

1. Based on volumes reported by FOS.
2. Previous years' numbers restated due to increased accuracy of reporting.

VOLUNTARY TAX TRANSPARENCY

	2018 AU$m			
	Australia	New Zealand	APEA	Total
Profit before income tax (PBT) as reported in the financial statements[1,2]	6,037	2,527	867	**9,431**
Prima Facie income tax expense based on local statutory tax rate	1,811	708	252	**2,771**
Permanent differences				
Share of Associates' profit	(54)	(1)	–	**(55)**
Sale of MCC	(78)	–	–	**(78)**
Sale of SRCB	(84)	–	–	**(84)**
Sale of Cambodia JV	5	–	8	**13**
Sale of PNG Retail, Commerical and SME	–	–	8	**8**
Wealth Australia — policyholder income and contributions tax	243	–	–	**243**
Interest on Convertible Instruments	67	–	–	**67**
Other	149	(2)	(17)	**130**
Income tax expense relating to current year liability	**2,059**	**705**	**251**	**3,015**
Temporary differences (movement)				
Collective provision for loans and advances	4	(12)	(25)	**(33)**
Individual provision for impaired loans and advances	(42)	(5)	6	**(41)**
Other provisions	143	2	(6)	**139**
Software	79	(4)	33	**108**
Lease Finance	16	7	-	**23**
Other	26	(12)	15	**29**
Total temporary differences (movement)	**226**	**(24)**	**23**	**225**
Other adjustments impacting current tax payable[3]	(4)	–	–	**(4)**
Current year income tax payable	2,281	681	274	**3,236**
Total income tax expense (ITE)				
Income tax expense relating to current year liability	2,059	705	251	**3,015**
Prior year adjustments to amounts provided	(19)	(1)	23	**3**
Other	(7)	(2)	7	**(2)**
Total income tax expense as reported in financial statements[1,2]	**2,033**	**702**	**281**	**3,016**
Effective tax rate (ITE/PBT)	33.68%	27.78%	32.41%	**31.98%**
Statutory tax rate[4]	30%/15%/0%	28.00%	various	

1. Includes discontinued operations
2. Statutory legal view of the geographies, representing basis of local income tax return filings.
3. Represents estimated tax offsets.
4. Wealth Business (super/pension members) statutory tax rates at 15%/0%

EXPLANATORY NOTES

TARGET TO FUND AND FACILITATE $15 BILLION IN LOW CARBON AND SUSTAINABLE SOLUTIONS (THE $15 BILLION TARGET)

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

The $15 billion target is reported as at 30 September 2018 and is a five-year Group-wide target, from 2016 to 2020. It includes all financing either funded or facilitated by ANZ through its products and services, including, but not limited to, loans, guarantees and bonds, markets products and advisory services.

Our approach to our low carbon and sustainable solutions target:

- draws on the Climate Bonds Initiative (CBI) criteria (available at climatebonds.net/standards) and the expertise of our internal specialist teams to guide which activities qualify for inclusion. The CBI criteria is designed to be consistent with the Intergovernmental Panel on Climate Change (IPCC) AR5 report and is intended for broad guidance only;
- takes into account the nature of a customer's business such that where only part of a customer's operations or activities met the criteria, we will determine what proportion of general purposes financing provided to that customer is included. (General purposes financing is financing provided for application to a customer's general expenditure requirements and not specifically identified projects for example, capital or operational expenditure); and
- includes conducting an annual review of activities and methodologies used to guide activities that qualify for the $15 billion target. This may result in the inclusion of new activities and any material changes will be transparently disclosed. Changes in methodology will not be applied retrospectively.

The $15 billion target activities specifically include, but are not limited to:

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

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

FINANCED EMISSIONS

Reported figures do not include generation under construction.

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

1. Australian Energy Market Operator (AEMO) for scheduled generators connected to the National Electricity Market (NEM) grid and the South West Interconnected System in Western Australia;
2. the register of large-scale generation certificates (LGC's) for non-scheduled renewable energy assets connected to the NEM;
3. 2016–17 National Greenhouse and Energy Reporting (NGER) data for designated generation facilities (available from Australian Clean Energy Regulator website); and
4. estimates by ANZ for remaining generators where there was no data available from the first three sources.

Overall, AEMO, LGC and NGER data was available for more than 97% of electricity generation from projects financed by us in 2018. The proportion of generation attributable to ANZ finance was based on the ratio of our Class 1 Debt Limits to Total Syndicate Debt.

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

1. New Zealand Electricity Authority for New Zealand generation assets;
2. Carbon Monitoring for Action database maintained by the Centre for Global Development; and
3. estimates by ANZ for remaining generators where there was no data available from the first two sources or where there was doubt over the accuracy from the first two sources.

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

TARGET TO HELP ENABLE SOCIAL AND ECONOMIC PARTICIPATION OF 1 MILLION PEOPLE BY 2020 (THE TARGET)

'Help enable social and economic participation' is defined as assisting customers, employees and our community to take part in society and build a better life via our:

- financial wellbeing initiatives;
- employment, training and development initiatives;
- community programs and initiatives; and
- targeted banking products and services for small businesses and retail customers across the markets in which we operate, to the extent that they are related to the defined activities below.

The target is reported as at 30 September 2018 and is a four-year Group-wide target from 2017 to 2020. Our approach:

- draws on the London Benchmarking Group methodology, a global standard for reporting community investment (available at https://corporate-citizenship.com/our-insights/lbg-guidance-manual/);
- includes individuals who have participated in more than one program or product (for example, people who have participated in MoneyMinded as part of Saver Plus are counted twice as they are included in both the MoneyMinded and Saver Plus program totals);
- businesses that have benefited are counted as one 'person'; and
- includes an annual review of programs and initiatives and may result in the inclusion of new programs. Any material change will be disclosed. Changes will not be applied retrospectively.

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

- delivery of MoneyMinded and Saver Plus;
- employment and training opportunities for under-represented groups (including but not limited to: Aboriginal and Torres Strait Islanders, people with disability, refugees, interns);
- provision of development programs to support start-ups and entrepreneurs;
- provision of formal community programs including workplace giving, mentoring opportunities and community grants;
- provision of fee-free accounts and services to targeted groups including international students, migrant banking (NZ), new businesses less than two years old (NZ), farmer start-up accounts (NZ) and superannuation advice for women;
- provision of access to goMoney™ mobile phone banking in rural and remote Pacific communities;
- supporting small businesses to grow through targeted products including ANZ Employment Hero and Business Growth programs; and
- provision of medium to long-term disaster relief grants.

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF ANZ BANKING GROUP LIMITED

Conclusion: Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the ANZ 2018 Sustainability Review, which has been prepared by ANZ Banking Group Limited in accordance with the GRI Standards for the year ended 30 September 2018.

WHAT DID KPMG'S WORK INVOLVE — SCOPE OF WORK

ANZ Banking Group Limited (ANZ) engaged KPMG to perform a limited assurance engagement in relation to the ANZ 2018 Sustainability Review. The ANZ 2018 Sustainability Review covers ANZ's global operations for the year ended 30 September 2018 unless otherwise indicated. KPMG's scope of work included limited assurance over all material text and data claims.

WHAT WAS THE REPORTING CRITERIA USED?

The ANZ 2018 Sustainability Review was prepared in accordance to the GRI Standards published by the Global Reporting Initiative (GRI) ("the criteria").

WHAT WAS THE BASIS FOR KPMG'S CONCLUSION?

We conducted our work in accordance with International Standard on Assurance Engagements ISAE 3000 (Standard). In accordance with the Standard we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the ANZ 2018 Sustainability Review, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

WHAT DID KPMG DO TO SUPPORT THE SCOPE OF WORK — OUR PROCEDURES

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- enquiries of relevant management to understand ANZ's process for determining material sustainability issues;
- interviews with relevant management concerning ANZ's sustainability framework and policies for material sustainability issues, and the implementation of these across the business;
- interviews with relevant staff responsible for developing the content (text and data) within the ANZ 2018 Sustainability Review to understand the approach for management, monitoring, collation and reporting of such information and the accuracy, completeness and existence of reported text and data within the ANZ 2018 Sustainability Review;
- comparing text and data (on a sample basis) presented to underlying sources. This included considering whether all material matters had been included or excluded;
- reading the ANZ 2018 Sustainability Review (in its entirety) to ensure it is consistent with KPMG's overall knowledge of, and experience with, the sustainability performance of ANZ;
- an assessment of information reported was in accordance with the GRI Standards Comprehensive level of disclosures; and
- reviewing the accuracy of statements in relation to the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

CONSIDERATION OF OTHER SUSTAINABILITY RELATED INFORMATION

Other sustainability related information includes information contained in the ANZ 2018 Corporate Governance Statement, Annual Review and Annual Report for the year ended 30 September 2018. Our responsibility is to read the other sustainability related information to check for consistency with the ANZ 2018 Sustainability Review and our knowledge obtained through our assurance engagement. We do not express an assurance conclusion over the other sustainability information.

WHAT IS LIMITED ASSURANCE AND MATERIAL MISSTATEMENT?

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The Standard requires our report to be worded around what we have not found, rather than what we have found.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of ANZ.

USE OF THIS ASSURANCE REPORT

This report has been prepared for the Directors of ANZ for the purpose of providing an assurance conclusion on the ANZ 2018 Sustainability Review and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of ANZ, or for any other purpose than that for which it was prepared.

ANZ IS RESPONSIBLE FOR:

- determining that the criteria is appropriate to meet their needs;
- preparing and presenting the ANZ 2018 Sustainability Review and other sustainability related information in accordance with the criteria; and
- establishing internal controls that enable the preparation and presentation of the ANZ 2018 Sustainability Review that is free from material misstatement, whether due to fraud or error.

KPMG IS RESPONSIBLE FOR:

- Our responsibility is to perform a limited assurance engagement in relation to the ANZ 2018 Sustainability Review for the year ended 30 September 2018, and to issue an assurance report that includes our conclusion.

KPMG INDEPENDENCE AND QUALITY CONTROL

We have complied with our independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control. We have also complied with ANZ's Stakeholder Engagement Model for Relationship with External Auditor (available on anz.com).

KPMG
Melbourne
17 December 2018

OUR INTERNATIONAL PRESENCE

Australia

New Zealand

International

Asia
Cambodia, China, Hong Kong, India, Indonesia, Japan, Laos, Malaysia, Myanmar, the Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam

Europe
France, Germany, United Kingdom

Pacific
American Samoa, Cook Islands, Fiji, Guam, Kiribati, New Caledonia, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Vanuatu

Middle East U.A.E. (Dubai)

United States of America

CDP
DISCLOSURE INSIGHT ACTION

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

FTSE4Good

WGEA
Employer
of Choice for
Gender Equality

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