

Speaking notes for Shayne Elliott
Environment, Social and Governance (ESG) briefing
31 August 2018

COVER SLIDE – INTRODUCTION

- Thank you Tony and good morning everyone. I'd also like to acknowledge the Traditional Owners of this land and pay my respects to their elders, past and present.
- As a listed company we are rightly required to spend a significant amount of time speaking about financial performance.
- But it's equally important to explain how we make decisions around other important measures of progress and success, even though they may be less easy to quantify.
- Whether it's the products we provide, who we bank or how we behave...we navigate a web of sensitive issues and make important trade-offs that can have significant social and economic impacts.
- Today I want to leave you with a better understanding of how we're thinking about, and responding to, external social and environmental challenges, including the work we're doing to rebuild the bank's reputation as a fair and responsible business, driving sustainable returns for all stakeholders.
- We don't pretend to have all the answers and we are very keen to hear from you on what we can do better.
- I hope over-time this briefing will become as important to our investors as our financial performance.

EXTERNAL TRENDS REDEFINING OUR FUTURE

- To begin, it is useful to review the actions we have taken to simplify our business and why we think it's important.
- In early 2016, I talked to the market about the external trends that would redefine our future. Those four trends remain intact and probably even more apparent now:
 1. Lower growth – in our home markets of Australia and New Zealand in particular
 2. Fundamental changes to customer behaviour and the way they want to interact with banks
 3. New business models and ways of competing enabled by advances in technology
 4. Shifting regulation and societal expectations which are reshaping the industry

- The strategy and priorities outlined two years ago were designed to address these shifts and to do so with pace and conviction. Not merely to react but to seek an advantage for our customers and the community by being quick to drive new and better ways of creating value.

FOUR PRIORITIES

- We want to do fewer things, ensure they are aligned to our purpose and do them really well. At the same time, we need to focus on the areas where we can win and drive a decent return for shareholders.
- In Australia and New Zealand, we want to be the best bank for people who want to buy or own their home, or those who want to start, run or grow a small business. In Institutional banking we want to be the best bank in the world for those companies and organisations that move goods and money around the region.
- I'm confident our strategy of focus, simplification and digital transformation is right for the times and right for all our stakeholders. And it's already having an impact.
- A simpler organisation is less risky and will make fewer mistakes. And when it does make mistakes, it will be better placed to remedy them quickly.

PURPOSE

- Beyond simplification a crucial change for our business has been identifying, adopting and embedding a clear sense of purpose: to shape a world where people and communities thrive.
- This, along with our values underpins everything we do and will ensure that all our people undertake their work with pride and a stronger sense of ethics and fairness.
- We are making good progress, and I'd like to give you a tangible sense of how this is influencing the way we operate – in this case, how it has influenced who we bank. We want to allocate our capital and resources to industries and customers where we can win in an ethical and fair way, but also where we can help communities thrive.
- A good example of how we look at tough business decisions is tobacco. I asked the team in Institutional to consider how banking tobacco manufacturers aligns with our purpose. After some debate it was decided we didn't want to be in tobacco manufacturing, regardless of the returns.
- While that may seem a relatively easy decision, the execution was not a simple task and the team has done an excellent job in managing our exit in an orderly, fair and professional manner with minimal financial impact on ANZ's shareholders and treating some longstanding customers with respect.

- In that time our exposure to tobacco manufacturing has gone from almost \$600 million to a couple of million dollars in one residual line of credit in one country that will mature shortly.
- This is just one example of how we make a difficult business decision about 'who we want to bank'; although I acknowledge tobacco manufacturing was probably a reasonably straight forward issue to start with.
- I will be frank that we're still grappling with more complicated issues such as credit cards being used for gambling. While our work in this area is taking longer than we would have liked, I hope to be able to update you on our progress shortly.

PURPOSE SLIDE 2

- Our purpose has also helped shape our decision to increase our low carbon finance commitment from \$10 billion to \$15 billion by 2020. We are reducing our lending to the most carbon-intensive sectors but doing so in a way that supports our customers in making a just transition to a low carbon future.

WHAT WE CARE ABOUT

- Another way we're focused on bringing our purpose to life is through helping tackle complex issues that matter to society and are core to our business and strategy.
- We've committed to focus our efforts on three things:
 - improving the availability of suitable and affordable housing options for all Australians and New Zealanders;
 - supporting household, business and financial practices that improve environmental sustainability; and
 - improving the financial wellbeing of our people, customers and communities so they can make the most of their money throughout their lives

GOVERNANCE

- How we manage environmental, social and governance issues is rightly impacting the governance of the company with the Board Governance Committee recently becoming the Ethics, Environment, Social and Governance Committee. That Committee is chaired by our Group Chairman and most Non-Executive Directors regularly attend.
- This was more than just a change in name. The Committee's mandate expanded to include an increased focus on ethics and conduct issues.
- While ethical decision making has always been part of the governance of the company, it was important to elevate ethical considerations to ensure we are

comfortable with the hard decisions we have to make and how we go about making them.

- Another key change last year was the establishment of an executive-level Ethics and Responsible Business Committee, which I chair. This replaces two separate committees and is a leadership and decision-making body that is accountable to the Board Ethics, Environment, Social and Governance Committee.
- Among other responsibilities, this Committee agrees and sets ANZ's risk appetite for different industry sectors. It oversees "who we bank" and "how we bank them" making sure we align our lending decisions and product, services and processes with our purpose.
- We debate a wide range of matters, particularly those that have the potential to impact the bank's reputation. An example is our long standing decision not to offer either home loans to self-managed super funds or provide reverse mortgages. Both were values-based decisions in the best interest of our customers, despite both having revenue opportunities.

DECISION MAKING PRINCIPLES

- The issues discussed are often complex and this is one of the reasons why earlier this year we asked Dr Simon Longstaff from The Ethics Centre to join the Committee. Simon provides a valuable independent voice and ethical perspective to the complex decisions we make every day.
- Issues discussed this year 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. Sarah Stubbings will talk through this experience in a bit more detail shortly.

PROGRESS (ESG SCORECARD)

- Public disclosure of our performance against measurable sustainability targets is an important part of holding ourselves to account with all stakeholders, including everybody here today.
- We are making good progress and will achieve the majority of our targets by the end of this year. While new targets will be released in December, highlights this year include:

- Funding and facilitating \$8.3 billion in low carbon and sustainable solutions. ANZ was also part of a consortium to buy renewable energy from a new wind farm development for our own energy needs.
- Launching our first Sustainable Development Goal (SDG) bond, raising €750 million to fund ANZ loans and expenditures that directly promote nine of the UN's 17 SDGs.
- Reaching more than 533,000 people through our MoneyMinded, MoneyBusiness and Saver Plus programs, as part of our target to help enable social and economic participation of 1 million people by 2020.

This target also includes employment targets for under-represented groups - we have work to do provide more opportunities specifically to indigenous Australians, refugees and those with a disability.

- Increasing women in leadership roles by 1.1% to 32.2%. This was driven by our focus on adaptive leaders who uphold our ICARE values and our New Ways of Leading, rather than just appointing those who have done the job before.

This is the strongest uplift in recent years, and while we know it's not high enough, we are focussed on ensuring this trajectory continues.

- We were named the top private sector organisation for access and inclusion for people with disability, as well as employer of the year for LGBTI Inclusion.
- We helped New Zealanders damp proof their homes by working with the government to provide \$100 million in interest free loans for insulation.
- Finally, in 2017 we contributed \$131 million in community investment supported by over 113,000 community volunteering hours by employees. This is on top of a significant package to support drought affected customers which included a 1 percentage point reduction in loans for impacted farmers.
- Despite this progress, we still have more work to do in creating the best experience for our customers. Our Retail Banking Net Promoter score in Australia is simply not good enough – we are currently ranked fourth behind our peers.

REFORMS

- ANZ has been a leading participant in a large number of reforms both at a bank and industry level. At the end of 2016 we appointed former Commonwealth Ombudsman Colin Neave as our first Customer Fairness Advisor – signalling the start of a number of changes we knew we needed to make.

- While there is a list of key ANZ reforms in your packs, a highlight was the significant change we have made to incentives in our branches, call centres and in the broking space. We were also the only bank to eliminate all financial measures from our financial planners' scorecard.
- At a product level, we simplified our main standard contract for small business customers, halving it from 100 pages to around 50. We also removed ATM fees for non-ANZ customers, reduced rates on low-rate cards by 2 percentage points and stopped selling credit card insurance.
- For employees, we improved our redundancy policy making it fairer for our staff when they are impacted by changes to our workforce.
- We strengthened our Whistleblower Protection Policy, making it easier for our employees to raise concerns and keeping them better informed on the progress and outcomes of the disclosure they've made.
- These changes are not limited to Australia, with many changes here now being implemented across our New Zealand operations.
- Specifically in New Zealand we increased paid parental leave for employees from 18 to 26 weeks, which comes two years ahead of the Government's legislated changes in 2020.
- The industry's reform agenda will continue to accelerate with the introduction of the new Banking Code as well as addressing issues from the Royal Commission.
- ANZ is committed to meaningful reform and we are in better shape to implement changes in a timely manner with minimum disruption on our customers. We know that getting the basics of customer service right is essential to underpinning our social license as a bank.

ROYAL COMMISSION (NO SLIDE)

- On that note, it would be remiss at a forum like today's to not make a few comments on the impact of the Royal Commission.
- While it has been a very difficult process for our industry, our bank and our people, it has been necessary if we are going to achieve meaningful change.
- It's not a pleasant experience listening to the very poor outcomes experienced by people as a result of the industry's, and ANZ's, conduct - but listening to the lived experience of real customers will, I am sure, only make us more determined to improve.
- At ANZ, we have accepted accountability and responsibility for our issues and we will continue to engage constructively with the Royal Commission and move quickly to implement any further reforms.

CHANGING THE WAY WE WORK

- I want our stakeholders to know if we say we are going to do something they can trust us to get it done. The dramatic simplification of our business illustrates how far we have come in a short period of time.
- We have re-shaped our Australia Division and Technology teams to increase the speed-to market for new products and solutions that make our customers' lives easier. It also means we are quicker fixing issues when things go wrong.
- Our New Ways of Working... which we announced a little over a year ago...became fully operational in March. More than 3,000 people are now in new roles utilising Agile methodologies. This will be close to 9,000 by the end of the year.
- To better illustrate the benefits of this change, I'm now going to hand over to Katherine Bray and Sarah Stubbings to share with you in more detail the work we are doing in the areas of financial wellbeing and remediation.
- And we encourage any questions you have at the end of the session.

CLOSING SUMMARY

- Thanks Sarah. Today's briefing was to better inform you about our business, and how we're navigating sensitive social and economic issues. I hope the update has been useful.
- I believe ANZ's long-term viability is dependent on us making decisions that are mindful of the impact we have on the community, our shareholders, our customers and our people.
- We've done some things really well – including increasing the number of women in leadership roles, our funding of low carbon and sustainable projects, and the work we've done in New Zealand to provide interest free loans for house insulation.
- But we've also failed to get the traction we had hoped in some areas. We've had some hard issues to deal with especially around responsible use of products which we've wanted to solve more quickly, yet I am confident we are building the skills to execute faster.
- ESG issues form a prominent part of our executive group remuneration at ANZ, including mine, and over the last few years we've taken seriously the consequences of not meeting these objectives – and this has been a driver of materially lower compensation for our executive group.
- For ANZ to have a sustainable, long-term future, we need to be less complex, do a few things really well, and be equally focused on our obligations to our stakeholders.

INTRODUCTION OF FRANK CALABRIA

- I now have the pleasure of inviting Frank Calabria to join me on stage.
- Frank has been Chief Executive Officer of Origin Energy since 2016. Like all good CEOs, he has also served as a Chief Financial Officer, having joined Origin as CFO in 2001.
- Importantly, Origin is a very important customer of ANZ's and also one we have been working closely with on a number of issues, including how to manage the transition to a low carbon economy.
- ... And I'm hoping we'll touch on some of this today. Frank, welcome.