

News Release

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ANZ ESG investor briefing speeches

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Good morning everyone. Thank you for joining us at our virtual presentation today.

I would like to acknowledge that I am connecting from the lands of the Wurundjeri Peoples of the Kulin Nation. I also acknowledge the Traditional Owners of the various lands on which our attendees are joining from today.

Let me firstly say before we begin the session... while 2020 was a difficult year, 2021 is proving to be just as challenging, but in very different ways, as we continue to deal with the COVID-19 pandemic.

We are seeing signs of greater economic disparity, impacts on workforce participation rates, especially for women, further stresses with respect to housing affordability, and differing stresses across the region as countries manage COVID differently, largely due to their financial capacity and levels of social infrastructure.

While in Australia and New Zealand, the economies are generally holding up well – it is still patchy. Average economic data is generally positive, however ongoing operating pressures for small businesses, and higher levels of household debt, particularly for first home buyers, are of concern.

To today's session:

Integrating ESG and purpose into our strategy has created an opportunity for ANZ to better serve our customers and generate long term shareholder value.

It's appropriate we hold ourselves to account publicly with regards to progress, and so this is now the fourth year we are holding a dedicated ESG briefing.

Over the past few years we have covered a lot of ground – in particular our governance structures, product suitability, remediation, climate change and social impact.

Last year we had a particular focus on how we were supporting people, customers and the broader community through COVID, and that support work continues.

There is much we are proud of, and many challenges ahead, but for today's session we will focus on the significant opportunities we see in better aligning ESG and strategy to deliver an even more integrated market approach to drive long-term value, by supporting the multiple transitions we face – economic, technological, environmental and social.

Today we will discuss:

1. Our alignment of purpose and ESG, with strategy and outcomes
2. How we drive value through our people and culture
3. Where we are with environmental sustainability, both as a risk and an opportunity
4. And finally, how we continue to strengthen our focus on financial wellbeing, and how that will drive better outcomes for the community and for ANZ.

Kevin Corbally, our Chief Risk Officer, will then discuss our integrated risk management approach, with some specific updates on risks associated with our people, climate and cyber-security & anti-money laundering.

The banking sector has faced a challenging environment in recent times – through the GFC, the financial services inquiry, around 20 parliamentary inquiries, and of course the Royal Commission. These moments have brought about the need for the banking sector to change.

At ANZ, we have embraced this opportunity and it is enabling us **build a better bank**, providing stronger outcomes for customers and a financially more sustainable business.

As a result, we've spent much of the last five years **embedding our purpose, ethics and values into our strategy**, and the way we make decisions.

We've also further strengthened our **governance processes**.

In 2016, we were the first large Australian bank to broaden the remit of our Governance Board Committee and establish a dedicated Environment, Social and Governance Committee.

Today we know this as our Ethics, Environment, Social and Governance Board Committee. We are still the only one of the big four banks in Australia to have this dedicated structure, and it is having a material impact on the strategic decisions we make – about who we bank, how we behave and what we care about.

To keep improving, we recently undertook a benchmarking exercise, looking at peer banks around the world, and leading Australian corporates.

While there is always more to learn, it reaffirmed our practices are robust and broadly aligned with those peers considered to have good ESG governance.

But we do know this is a fast changing space, and we remain vigilant and connected to leaders in this area, so that we can understand emerging trends and opportunities – for example, the emerging interest in biodiversity.

Now, to how our **purpose and approach to ESG is helping us to deliver on our strategy**, creating value for our customers, and ultimately for our shareholders.

And a great example of this – which I'll elaborate more on later in the session – is the work we do to support customers in the sustainable finance market.

During the first three quarters of this current financial year, we participated in \$91 billion of sustainable finance transactions across 55 deals in Australia, New Zealand and in our International business.

Many of these sustainability-linked transactions are firsts – such as our loans for retailers Coles and Kathmandu, a bond for Wesfarmers, and a bond for Singaporean infrastructure development company Surbana Jurong.

These deals, and of course many others, highlight the enormous opportunity and the upside in supporting environmental sustainable development.

And ANZ's strong proposition in this area, linking in our ESG approach and priority area of environmental sustainability, coupled with our leading regional footprint, is helping us carve out a leadership position, creating value for customers, and for shareholders.

Our strategy is unchanged, and we remain focused on three areas:

1. Helping people save for, buy and own a sustainable, liveable and affordable home

2. Helping people to start or buy and sustainably grow their business
3. Helping companies move goods and capital around the region

At the heart of our **goal to build a better ANZ is a focus on building the financial wellbeing** of our customers – whether retail, small business or institutional.

We've developed some financial wellbeing principles to guide this work, such as spending less than you earn, saving for a rainy day, or investing in things that grow – to help our customers make better financial decisions for their future.

To deliver our goals, we need to have:

- A purposeful, engaging and attractive **Proposition** – supported by the right products and services that meet our customers' needs; along with safe, simple, and efficient systems and processes.
- As Australia's leading provider of banking platform services to other Financial Institutions, we also need to invest more in flexible digital banking **Platforms** – extending our reach to other banks, fintechs and non-bank service providers, to drive real economies of scale for us, and enabling them to serve their customers well.
- It's also about having collaborative **Partnerships** that unlock value – connecting with Fintechs, and other partners like Worldline, and through our own ventures and incubator business 1835i where we invest in and partner with leading innovators like Lendi and Airwallex.
- It's the relationships we have with our community partner organisations to deliver financial inclusion programs. And it's the work we do to support not-for-profit partners to deliver more suitable housing opportunities in the market.
- Lastly there's our values-led **People** – and we recognise the need to attract and retain the best people who can deliver on our strategy.

Ultimately, it's an amalgamation of everything we do... and when the elements are added together and when we get them right, our customers will notice a difference, and we'll deliver better outcomes for our stakeholders.

Finally, it's important to mention that to close out this loop, we've developed a range of **metrics**.

Linking purpose and strategy together means we can now draw a line down to a suite of people, customer and brand metrics in our Group Scorecard, with both internal and external targets.

This ensures we have a clear set of goals and measurements to track our progress. It also provides key inputs into our people management systems, including into remuneration.

Now, to a few specific updates:

Firstly, our **People**:

Earlier this year, we developed a new Group-wide Diversity and Inclusion strategy. We've had a D&I strategy for over 15 years now.

The new strategy was co-created with employees from all levels and geographies, including people from our employee networks. It's also been endorsed by ANZ's Executive Committee and the Human Resources Committee of the Board.

This year we introduced a new question in our annual 'My Voice' staff engagement survey, asking if people feel like they belong at ANZ.

The overall score was 81 per cent – something I'm really proud of – as we know an inclusive culture is one of the most critical drivers of employee engagement.

Another area of focus is achieving gender-balance across the bank.

We have a target to achieve 34.4 per cent of Women in Leadership by the end of financial year 2021 – and we're currently sitting just above this at 34.8 per cent, which is terrific – and the fastest improvement we've seen in five years.

With a view to increase this further, ANZ has signed up to Hesta's 40:40 initiative, and we are proud to be the only Australian bank amongst the first 10 signatories.

Having women in executive roles, especially in 'line' roles with profit and loss accountability, is critical as this is where the majority of CEO and CFO appointments are drawn from.

Not only is my leadership team 40 per cent female, but of the four line roles that sit on my leadership team, 50 per cent are held by women and this has strengthened our decision making and the way we consider and manage risk and opportunity.

I'm pleased with our progress in building a diverse leadership team at ANZ. And I believe our bank is a place that grows and fosters great talent.

Another key part of our Diversity and Inclusion focus relates to First Nations people, and next month we will launch our fifth Reconciliation Action Plan (RAP).

The new Plan focuses on improved financial wellbeing, providing employment and career progression, building the capacity of Aboriginal and Torres Strait Islander businesses, and understanding the importance of cultural heritage. It has strong support amongst employees, as well as the Board and our Executive committee.

In New Zealand, we appointed Karleen Everitt as our new Head of Te Ao Māori Strategy in February 2021 – to help ANZ play a stronger role in building economic participation for Māori, and increasing the cultural capabilities of ANZ.

The second key area I want to discuss today is the work we are doing in **environmental sustainability** – helping drive sustainable outcomes for customers and the community.

Our commitment is to support households, businesses and financial practices that improve environmental sustainability.

Frankly this is one of the most exciting opportunities for ANZ, and we are well placed to shape and support the required economic transition.

Too many people consider our policies in this area in the negative – what we won't do – and while that has its place, we are focused on, and excited by, what we can, and will do, to finance the transition required across the region.

Our environmental sustainability strategy is supported by our climate policies and programs. For instance, our climate change policy – which we update regularly – sets out how we think about and respond to both the risks and opportunities.

It outlines our policies in relation to thermal coal exposures for example, along with our own operational emissions targets.

But it also focuses on the important work we do with our large, institutional customers to help them transition. This work is going well and we continue to see their plans advancing.

What's also really exciting us, and what's driving our future focus, are the significant transition opportunities coming from a low carbon economy.

And as mentioned earlier, our sustainable finance team is leading the way in serving customers in this area. And so far this year we have transacted what it's previously taken us

five years to do. And we are also outpacing global growth, with our market share growing significantly.

Sustainability trends in the economy more broadly are also presenting us with commercial investment opportunities which we are actively pursuing.

Key areas of interest for us include: support for electrification of the transport supply chain, facilitating new technologies, commercialisation of hydrogen, financing energy efficient buildings, and assisting customers establish and develop their own transition plans.

To succeed in this area, we will be investing in our business – in developing our people to have the right culture and mindset committed to environmental sustainability; in building out our climate risk expertise; in having better data and technology to develop insights and track emissions, and in strengthening our industry knowledge and product expertise.

We're committed to delivering on our goal to be a leading environmental sustainability bank – seeking out business opportunities that are aligned with our purpose and our strategy. We don't want to just be a bank who does sustainability well – but rather a sustainability-led bank.

Lastly, I want to touch on the work we are doing on **financial wellbeing**.

One of the ways we are working to improve the financial wellbeing of our customers is giving them tools and insights that can help positively change their behaviour.

We know that customers with a savings goal have a savings balance twice that of a customer without one. And that they save nearly two times faster than they did before setting the goal.

Through the ANZ App, we are helping our customers save through insights, nudges and goals.

This is exciting, as in setting goals, customers are sharing with us what's important to them – saving for a house, holiday, car, pet or to start a small business.

By ethically and responsibly using this insight we are better placed to coach and advise our customers on how they can get there faster.

Our financial wellbeing work is also about the partnerships we have with government and community organisations to support a broad range of people who may not be customers.

This includes:

- Our financial education program MoneyMinded which reaches tens of thousands of people each year.
- Our partnership with the United Nations Development Programme to deliver MoneyMinded to women in rural areas in five Pacific Island countries: Fiji, Kiribati, Solomon Islands, Tonga and Vanuatu. My last overseas trip before COVID was to visit our team and customers in The Solomons, and so I have seen first-hand the impact these programs can make.
- It's also our support for under-represented groups – such as refugees and asylum seekers – to have access to employment through programs like 'Given the Chance', in partnership with the Brotherhood of St Laurence.
- Also with the Brotherhood, and the Australian Government as co-funder, we have supported more than 50,000 people to build their savings and financial wellbeing through our matched savings program, Saver Plus. Participants in this program have saved over \$26 million since 2003.

We're really proud of this work and what we do to support the broader community.

That brings me to a close. I hope what you take from today is that: we have a clear sense of purpose; a strong, values-led and people focused culture; and an integrated approach to ESG that is supporting the delivery of our strategy. And in the area of environmental sustainability in particular, there is a huge business opportunity for us if we can get it right.

KEVIN CORBALLY, ANZ CHIEF RISK OFFICER

Thanks Shayne. Today I wanted to talk to you about our approach to non-financial risk management – including how it fits within our broader Risk Management Framework. I'd also like to touch on some specific ESG risks that we are actively managing.

First, on our overall **approach to risk management**. At ANZ, we believe risk is everyone's business and is part of the way we work and think.

We want a risk culture where our people demonstrate the right risk behaviours, have clear risk roles and responsibilities and are enabled by the right policies and processes.

Taking risk is something, as a bank, we do every day. If you bring it back to the basics for a moment – customers place money on deposit with us, and in turn we lend that money out to other customers or borrowers. This requires us to make a risk assessment on the borrower's ability to repay, so that we can protect our depositors.

But risk comes in many forms today – and non-financial risks and ESG risks are increasing. The way we manage these is no different to any other risk.

Within our Board approved Risk Management Framework, we have identified the full spectrum of material and evolving risks ANZ is exposed to and then set our risk tolerance for these risks through our risk appetite statements.

Essentially these statements outline the degree of risk we are prepared to accept to achieve our strategic objectives and plans.

Under that we have a series of policies and procedures to guide our staff, together with controls to mitigate risks, as well as systems that monitor compliance.

So whether the risk is financial or non-financial, or ESG specific, we apply a similar framework – but varied based on the type of risk and what our appetite and tolerance levels are for the issue.

In terms of key initiatives and developments made in this area.

Late last year we reviewed our Risk Appetite Statement (RAS) metrics to make sure our Board Risk Committee had appropriate oversight of our non-financial risks.

The review concluded earlier this year, with the Committee approving a collection of over 36 metrics and indicators – with some new and amended ones including availability of critical technology systems, resolution of customer disputes, employee turnover and lost time injury frequency rate.

The increase in metrics and indicators is up from 12 prior to the review, and demonstrates the growing importance of non-financial factors in helping inform decisions within our bank.

As part of the review, we also developed and launched a new tool that streamlines how we capture and report against the Risk Appetite Statement metrics, reducing the time it takes from weeks to days.

We also developed a purpose built dashboard to support the proactive management of our risk appetite using trend analysis technology.

These changes have provided our Board Risk Committee and management with greater visibility and control over our non-financial risk appetite.

In addition to this work, for the first time we conducted an internal Risk Culture survey in May this year.

The survey gathered the perceptions of target risk behaviours from over 24,000 staff across ANZ. Pleasingly, the results were really strong with 80 per cent of staff expressing a very positive sentiment for ANZ's risk culture.

We've done a lot of work over the past three years to encourage a speak up culture, and the responses to the survey confirmed that our people feel they can speak up and challenge each other respectfully if they see unethical behaviour.

To a few specific ESG risks:

First, **climate risk**... we know our customers are already transitioning to a low carbon future themselves. Some have clear plans to achieve net zero businesses by 2050. We are working with our customers to better understand what they're doing.

At the same time, we are seeing significant shifts in the reduction in the cost of energy alternatives, aided by new technology.

These two things combined, along with some uncertainty around demand for some of the natural resources commodities, and questions over price, mean we are actively managing these risks now. And we are managing any identified risks in this space in accordance with our risk management framework, as I've previously mentioned.

In addition, regulators in almost every market we operate in are talking to us about how the transition is elevating climate risk for banks and other financial institutions.

As APRA has said publicly, a prudent institution needs to consider the financial risks and opportunities of climate change. And to manage any identified risks. Which is what we're doing.

The second area is the risks associated with our **people**.

We worked incredibly hard last year to support our people and get them to work safely from home as quickly as possible.

Looking after our staff continues to be a priority and something we are acutely alert to, as many people are still in lockdown around Australia and New Zealand. And our staff in the Philippines and India have been working from home since March last year.

This undoubtedly brings up issues around mental health and physical wellbeing, and risks associated with fatigue and burnout.

For many, being away from the office and not knowing when they can return is driving a sense of angst and uncertainty.

We've continued to focus heavily on helping our people build and maintain resilience to help them through the pandemic.

Among the ways we're looking after our people is through:

- Our HealthyMe digital app – which was launched last year, and offers health and wellbeing podcasts, webinars, articles and other activity.
- Our Employee Assistance Program (EAP) which is actively being utilised by those who need support services – and we've seen utilisation in both Australia and New Zealand

increase. In Australia, we have commenced a roll out of a customer counselling support program within EAP for customers experiencing emotional distress.

- Also, employee webcasts with local medical directors and psychologists on vaccination queries and dealing with COVID-19.
- And also the extra assistance we've provided to help vaccinate our staff in some key locations, for example:
- Vaccination hubs in Bengaluru; and in Sydney a workplace vaccination pilot starting with the 12 affected local government areas and now extending across Greater Sydney.
- In Fiji, 99% of our staff are now vaccinated. We have played a role in educating our teams and supporting access to the vaccines.

Finally, the other issue we're working on is the **future of how we work at ANZ**.

We've developed a "How We Work" model which has been designed around listening to our staff and seeking feedback about how they want to work in future.

Based on feedback, a small percentage will remain remote working first, some staff will remain workplace first, and the vast majority will be blended with a mix between home and office.

Maintaining the culture of ANZ in a blended or hybrid working environment is going to be crucial and we are mindful this is a potential future risk to be managed.

That said, I'm really pleased we can enable our staff to work flexibly, in a way that works for them.

Lastly, there's **cyber security and anti-money laundering**.

We take the security of our bank, our customers and our customers' information very seriously. It's why we have a range of recognised industry practices, technologies, processes and defences in place.

Cyber security threats continue to be significant, especially in the context of COVID and the shift to digital banking and remote working.

Today we are blocking around 12 million malicious emails a month. Pre-COVID in October 2019, that number was about four million, so it's now three times greater.

But our 24/7 security operations centre's defences and mitigation capabilities help combat these threats and continue to help keep us safe online.

On **anti-money laundering** – we have a clear obligation as a major financial institution to ensure our systems and payments are used appropriately.

We have invested significantly in enhancing data analytics capability for the bank in recent times. For instance, we created a central Financial Crime Data Hub and Intelligence ecosystem that uses a number of analytical tools:

- Network and Link Analysis capability – using these tools we can better detect syndicated crimes and demonstrate the 'big picture' view of criminal activity.
- And dynamic Algorithms – using agile monitoring and detection solutions, to detect customer behaviours and variations, which have resulted in targeted and enhanced outcomes for AUSTRAC and police investigations.

It's a collaborative effort and we will continue to invest in this area to help protect our customers, staff and the community.

Lastly, before I close and open for questions... what I've spoken about today is essentially a 'report card' for how we're managing risks. I'll finish by outlining some of the emerging risks we're watching closely.

They're ones that also align with our ESG priority areas:

- In Environmental Sustainability, **biodiversity** is a new and fast evolving area of interest. And while we'll have more to say on this as the area develops, we do recognise a link between climate change and biodiversity loss, and are committed to including a greater future focus on biodiversity as a result.
- In the area of Financial Wellbeing, the continued rise in **cyber scamming** is worrying. Especially when we see those who are vulnerable in the community being targeted. So this is something we are alert to and are working closely with our vulnerable customer, fraud and cyber security teams to keep in front of.
- In the area of Housing, the **economic disparity** emerging as the COVID-19 pandemic continues is putting people under real stress. And for some the dream to buy a home is slipping further away as house prices continue to climb. We won't know for some time how this increasing social and economic divide will play out over the long-term, but it's something we are closely monitoring.

Thank you.

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