

News Release

For Release: 19 June 2023

ANZ ESG investor briefing speeches

SHAYNE ELLIOTT, ANZ CHIEF EXECUTIVE OFFICER

Thank you for joining us at our ESG investor forum.

Before we begin, I would like to acknowledge that I am joining you from the Lands of the Wurundjeri people.

I also acknowledge the Traditional Owners of the various lands on which our attendees are joining from today.

I pay my respect to Elders past and present and to Aboriginal and Torres Strait Islander peoples joining us today.

We engage with the market regularly on the financial performance of ANZ including, of course, at our results presentations. Our ESG-specific sessions originated in 2018 to provide the opportunity for those focused on that space to engage with management.

With me today is our Group Executive Institutional, Mark Whelan, Head of Financial Wellbeing, Mohamed Khalil and Managing Director Retail Banking, Katherine Bray.

Our Chief Risk Officer, Kevin Corbally, is also here and will be available during Q&A.

Now, we'll deliver a short presentation, then allow plenty of time to answer your questions.

Let me start by touching on the key points we want to highlight today:

I'll provide an overview of how we bring purpose, strategy and ESG together in an integrated way, a quick reminder on how we **govern** ESG, and finally I will share a little more on one of the more topical areas at the moment – affordable **housing**.

My colleagues, Mark, Mo and Kath will cover environmental sustainability, financial wellbeing and customer fairness.

So firstly, to our approach. As you know, we have a strong and embedded sense of **purpose** - to shape a world where people and communities thrive. And that drives everything we do.

We deliver our purpose by executing our strategy of improving the financial wellbeing and sustainability of our customers. Specifically:

Helping people save for, buy and own a sustainable, livable and affordable home;

Helping people to start or buy and sustainably grow their business; and

Helping companies move goods and capital around the region sustainably.

Then we weave purpose and strategy together to create value for all stakeholders – as shown on our value creation model.

This is supported by a range of metrics reviewed regularly by the Board and management.

Three areas of financial wellbeing, affordable and sustainable housing and environmental sustainability are therefore fundamental to our business and strategy and form the basis of our ESG work.

In addition, acknowledging the operating environment is constantly changing and to keep pace with community expectations, we formally engage with stakeholders annually to determine the most pressing ESG issues of the day.

That work highlighted three additional issues this year:

Customer experience – offering affordable, accessible and responsible financial products and services that meet customer needs.

Information security – responding and adapting to scams, fraud and cyberattacks, and

Ethics, conduct and culture.

Our governance model is then calibrated to oversee our work in these six areas.

Specifically, our ESG governance dedicated to this includes our **Board Ethics and ESG Committee**, led by the Chairman, is responsible for setting the policies and principles for our approach.

It is focused on overseeing our response to risks and opportunities, as well as understanding our most material ESG issues.

I then Chair an Executive Ethics and Responsible Banking Committee which is a decision making group that operationalises our approach

Over the last 12 months, the Board ESG Committee has been spending more time on our approach to scams and understanding the challenges and opportunities for customers on climate and biodiversity.

My ERBC Committee has spent more time focused on our carbon offsetting strategy, family violence and financial abuse, and our commitment to improving the financial wellbeing of customers.

Both bodies are provided with regular updates on ANZ's performance against key ESG external ratings – such as S&P and CDP – which provide an indication of how external stakeholders perceive our performance.

Governance is further embedded in the business through our **group scorecard**, staff **training programs** and our **ethical decision making framework**.

Ensuring our governance processes – such as the **ethical decision making framework** - are embedded in our day-to-day work, not only helps us create long-term value, it also enables us to manage risks.

For example, we recently assessed the impact of customers using credit cards to fund cryptocurrency purchases. Our discussion covered the volumes of these transactions, questions around customer harm, options for an ANZ response and the impact of the response on customers.

Before handing over to my colleagues, I wanted to touch on one of our most material ESG issues – **housing**.

It goes without saying that housing remains a key priority for us in both Australia and New Zealand.

It remains one of the great challenges for our generation – to ensure everyone in Australia and New Zealand, irrespective of background and circumstance, has access to affordable, livable, and sustainable homes.

These challenges have recently been exacerbated by higher interest rates, particularly those with higher levels of debt, first home buyers, those more exposed to cost-of-living challenges, or who have less stable employment.

There was hope that higher rates would lead to a moderation in house prices, however, after a 9 per cent fall in capital cities, it appears that house prices and rents are rising again due to supply shortages. This is a significant challenge and not easily resolved.

ANZ is playing a role by increasing our lending in affordable housing, on both sides of the Tasman, and supporting new business models like Assemble here in Australia or our “BluePrint to Build” program in New Zealand, which has helped more than 8,000 Kiwis build new homes with discounted lending.

More broadly, we have already committed \$10 billion to fund affordable housing by 2030 and are pleased to have booked \$4.4 billion to date. In New Zealand we have supported 4,800 households with over \$200 million in new lending, since launched in 2022. There is more we can do and we will.

Housing is not only an important business for us but also core to our customer proposition and core to what our community expects from banks – and therefore one of the **areas we care about most**.

We will, of course, continue to seek opportunities to expand our presence in this sector and contribute positively and constructively to the national dialogue. It is an area that rightfully occupies significant time at the Board and with our Executive team, and is a great example of where purpose, strategy and business opportunity come together.

Now, I’ll hand over to Mark to talk in more detail about the work underway in environmental sustainability.

MARK WHELAN, ANZ GROUP EXECUTIVE, INSTITUTIONAL

Thanks Shayne.

Today I'll update you on our Environmental Sustainability strategy - in particular, our climate commitments and customer engagement.

We're continuing to support our customers in the transition to net zero.

For example, we played a leading role in a \$540 million financing for Lightsourcebp, to support the development of solar farms in New South Wales and Victoria.

And we helped fund our Queensland customer Tandy Group to upgrade to more fuel-efficient equipment. This was through our partnership with the Clean Energy Finance Corporation.

In April we launched a new target to fund and facilitate at least an additional \$100 billion in sustainable finance by the end of 2030. This includes financing to help lower carbon emissions, protect nature and biodiversity, increase access to affordable housing and support financial wellbeing. This would bring our total sustainable finance commitment to \$166 billion since October 2015.

Let me turn now to our decarbonisation pathways and targets.

We have six sectoral pathways in place, for power generation, large-scale commercial property, oil and gas, aluminum, cement, and steel.

Our next steps are pathways for thermal coal and three transport sub-sectors – auto-manufacturing, airlines, and shipping. We plan to disclose these in November.

We are also strengthening our due diligence and transaction decision-making process in the energy sector.

Major energy transactions are scrutinised to, among other things, assess the robustness of a customer's transition plan, especially the milestones and trajectory of their commitments and disclosures.

Transactions that are considered material are escalated for review to myself, our Chief Risk Officer and the Group General Manager ESG. If required senior level meetings are then held with the customer.

One of these approvals was for a new-to-bank energy customer.

Their transition plan included Scope 1, 2 and 3 targets. 100% renewables to power their operations within the next few years, short and medium term targets and good disclosure.

More broadly, we are upgrading how we identify and evaluate customer climate risks

This will further integrate our climate and credit risk assessments, while also supporting frontline conversations with our customers.

The approach has been piloted for all Project Finance credit assessments and over time we will expand this to cover more Institutional customers in high emitting sectors.

We're also further improving the tool with a focus on simplification, digitisation and consolidation of existing climate-related analytical tools. We will make further disclosure about this at year end.

Many of you will be familiar with the program in place since 2018 focusing on engagement with 100 of our largest emitting business customers.

In 2022, we broadened our engagement with these customers to include a focus on biodiversity. The aim is to encourage and support customers to identify and manage their potential biodiversity impacts and dependencies.

Through our engagement, we had three key observations:

First, customers are increasingly willing to improve oversight and management of biodiversity. For example, putting formal governance in place.

Second, resource sector customers are particularly well placed partly due to their focus on regulatory compliance for more than two decades. They have progressively strengthened their commitments to what they will not do. For example, restricting exploration or extraction of resources to protect high value biodiversity areas.

Third, our customers are less progressed in setting biodiversity targets and disclosures compared with their climate response. This is not unexpected.

However, it is likely that adoption of the Taskforce on Nature-related Financial Disclosure framework will see progress over time.

While it's early days, we are also starting to see customers considering biodiversity KPIs in Sustainability Loans.

For example, we participated in North Queensland Airport's Sustainability Loan in September 2022 which included a KPI on natural habitat restoration.

We also joined a pilot study of the TNFD framework's application to a particular sector of the economy. The aim was to help us learn how to conduct better informed conversations with customers.

Finally, I'd like to leave you with some insights from recent discussions held with regulators and peers in the UK and Europe.

These conversations help us get a pulse check on what may come next here in Australia.

Our peers and regulators are at an early stage on biodiversity. So, 'good practice' is still forming. Our customer engagement was viewed positively by regulators and we plan to build on it, as I said earlier.

In addition, the importance of building capability to support the transition continues to be key. This includes bringing in external partnerships for their specialist expertise, such as our partnership with Pollination.

To summarise, we continue to support the transition to net zero. We believe we are well positioned for future challenges and opportunities.

And, I want to emphasise that we will continue to take a measured approach, and that above all, we are conscious of getting the balance right.

With that, I'll hand over to Mo.

MOHAMED KHALIL, HEAD OF FINANCIAL WELLBEING

Thanks, Mark.

ANZ is committed to improving the financial wellbeing of our colleagues, customers and communities.

Helping them make the most of their money throughout their lives is core to our strategy and is one way ANZ brings its purpose to life.

The solutions we are delivering help them meet their obligations, achieve their goals and enjoy life today, tomorrow and through tough times with greater confidence and control.

Our efforts are informed by thoughtful research and deep expertise to ensure we have a meaningful impact. This includes:

The experts in financial wellbeing and behavioral science we have embedded into our innovation process

Our continued research on financial wellbeing, with deep dive reports on the financial wellbeing of women in Australia, people with disability or long-term health conditions, and digital capability of older Australians; and

The ANZ Roy Morgan Financial Wellbeing Indicator that provides a regular pulse check on the Financial Wellbeing of Australians and New Zealanders

This focus on evidence-based innovation has paid off for our customers:

ANZ Plus is one of the fastest growing new digital bank in Australia with over 300,000 customers

27 per cent of whom having a savings goal in place

And engagement with our Financial Wellbeing Hub has grown and will evolve as we build better personalisation to ensure customers receive the guidance they need, when they need it

We also continue to support the financial wellbeing of our communities in line with our commitments to our Reconciliation Action Plan, Accessibility and Inclusion Plan, and Financial Inclusion Action Plan.

Our financial education programs, delivered with government and community partners, help to improve the financial inclusion and capability of lower income individuals. Most recently, we refreshed MoneyBusiness and included additional content in MoneyMinded to better address the challenges of family violence.

We continue to provide **training and employment opportunities** for under-represented groups through our Indigenous Traineeships, Given the Chance, and Return to Work programs. Return to Work, which recently attracted a record number of applications, has a retention rate of more than 80 per cent and average employment tenure that exceeds industry benchmarks.

Finally, we became a signatory to the **United Nations Commitment to Financial Health and Inclusion** which will provide additional transparency on our impact on customer and community financial wellbeing.

Financial wellbeing is very much at the heart of the bank we're building. It is our strategy. And we are committed to delivering solutions that better support outcomes as we continue to shape a world where people and communities thrive.

Kath will now share insights on what we are doing to improve the customer experience, with a focus on fairness and extra support for customers in need.

KATHERINE BRAY, MANAGING DIRECTOR, RETAIL BANKING

Thanks, Mo.

Improving customer experience is of course a high priority for us, and we strive to treat our customers fairly in all our dealings with them.

As Shayne touched on, we're particularly conscious of the impact of a rising rate environment, and of cost of living pressures on our customers.

Over the past 18 months, we have **proactively contacted** more than 20 thousand home loan customers *each month*, to check in and ensure the ongoing suitability of their loan arrangements. This includes customers with fixed rate or interest only loans nearing maturity.

Improvements to our data capabilities have enabled our ability to *proactively* identify customers whose transaction patterns indicate *potential* future stress. While the very large majority of these will be completely benign, for the few, this has been a crucial early intervention to get customers back on track quickly.

Assistance ranges from proactive early hardship offerings, to simple repayment reminders to ensure sufficient funds are in the payment account – these reminders have been particularly successful with a 31 per cent improvement in on-time payment for those we reached out to.

We have also established an **Extra Care Hub** - a specialist team to strengthen ANZ's practical support for customers impacted by family violence. This includes making changes to banking arrangements and assistance to rebuild financial independence.

Ongoing staff training underpins this work, not just in the Extra Care Hub itself, but across *all* our interaction points with customers who need additional support.

Our priority is always to help our customers get back on track, and over **70 per cent** of customers who contact us in hardship are back in good shape with their home loan within 12 months.

Separately, we continue to improve the *accessibility* of both our **digital and physical environments**.

Our new commitments are set out in our **Accessibility and Inclusion Plan**, and include embedding audio, visual and mobility support in our digital banking products. We have made some great progress on this front in the build and rollout of ANZ Plus, which is accessible by design.

And our award-winning **new branch formats** have also been designed and built out with a focus on inclusion and accessibility.

While our aim is to deliver excellent products and services to our customers, we of course at times get things wrong, and when we do, we seek to resolve complaints with empathy and fairness.

Over the past two years, we have been changing the way we manage customer complaints by improving our capabilities. Examples include:

The appointment of former AFCA Lead Ombudsman Evelyn Halls as **Customer Fairness Adviser**.

Adding an **Inclusive Design Assessment** to our product lifecycle.

And establishing the **Customer Advocacy Forum** to oversee issues that may impact retail and small business customers.

The last area I will touch on is how we are responding to the *growing* volume of scams.

As scammers change the way they target victims, we are also changing how we protect our customers, with new systems and technologies, including biometric tools that allow us to identify unusual activity during transactions and in our digital channels.

In the past twelve months we have:

Increased by 94 per cent the number of rules and algorithms we have in place to detect scams in our digital channels, and similarly have increased by 300 per cent the number in our card payment channels.

And we have increased our reimbursement and goodwill payments for fraud, scams and unauthorised transactions.

We regularly update our security alerts to warn customers about emerging scam and fraud threats. Alongside this, we aim to increase customer education about scams through awareness campaigns and collaboration with bodies such as Scamwatch.

We're also working with others across the industry on a range of initiatives to help protect the community.

As an example, we're a member of the Australian Financial Crimes Exchange.

They have recently launched a Fraud Reporting Exchange platform that we're now using as a centralised system that offers near real-time reporting and actioning of fraud and scam recovery.

This has seen resolution timeframes for most scam cases reduce by over 50 per cent. As Shayne and Mo have already mentioned, we anticipate further challenges for some of our customers given the current and forecast economic climate, so we are particularly alive to ensuring respectful, fair and appropriate outcomes for our customers.

I'll now hand back to Shayne for Q&A.

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