



CORPORATE SUSTAINABILITY REVIEW 2015

YOUR WORLD
YOUR WAY



CONTENTS

1.0	About Us	2
1.1	Welcome	3
1.2	Sustainability Highlights	4
1.3	About Our Corporate Sustainability Review	5
1.4	How We Do Business	6
1.5	Our Strategy	7
1.6	Our Markets of Operation	8
1.7	Our Values and Behaviours	9
1.8	Our Corporate Sustainability Framework	10
1.9	Governance and Risk Management	11
1.10	Our Approach to Materiality	17
1.11	2015 Sustainability Targets and Performance	20
1.12	Stakeholder Engagement	25
<hr/>		
2.0	Corporate Sustainability in Action	28
2.1	Serving Our Customers	29
2.2	Managing Our Business Sustainably	36
2.3	Investing in Our Communities	47
2.4	Developing Our People	54
<hr/>		
3.0	Five year Sustainability Summary and Assurance Statement	66
3.1	Five year Sustainability Performance Summary 2011 – 2015	67
3.2	KPMG Assurance Statement	68



ABOUT US



WELCOME



David Gonski, AC
Chairman

CHAIRMAN'S MESSAGE

Welcome to ANZ's 2015 Corporate Sustainability Review.

This year ANZ celebrated its 180th anniversary. I am proud of our long history and the contributions we have made in support of social and economic growth and development in Australia, New Zealand, the Pacific and across East Asia.

We must continue to manage our business sustainably and for the long-term. Identifying and managing our social and environmental risks and opportunities is fundamental to our success and to the achievement of our business strategy. We are assisted in this by our stakeholders, whose views and expectations inform our decision-making.

Responding to the challenge of climate change has been a key focus for us this year. Having listened to the differing views of our stakeholders, we have taken a range of positive steps which I believe balance the need to maintain access to a secure and affordable energy supply, while supporting the efforts of governments around the world to limit global temperature increases to no more than two degrees above pre-industrial levels. We are committed to playing our part in the transition to a low carbon economy.

We have pledged to fund and facilitate \$10 billion over five years to support energy efficiency in industry, low-emissions transport, green buildings, reforestation, renewable energy and battery storage, emerging technologies and climate change adaptation measures. We have also strengthened our due diligence processes governing our lending to the coal mining, transportation and power generation sectors. We know it is our actions that count, not whether we are simply saying the 'right' things, so we will report our progress against these measures transparently and regularly.

Mike Smith steps down after eight years as Chief Executive on 31 December 2015. Mike has successfully guided ANZ through the global financial crisis and he has transformed ANZ into Australia's only international bank with a focus on Asia Pacific. He has also been instrumental in developing ANZ's values-led culture and has been a leader in diversity and financial literacy. ANZ is uniquely well positioned because of the foundations Mike has created. On behalf of all at ANZ I wish to thank him most sincerely.

I have no doubt that our new CEO, Shayne Elliott, will maintain this momentum, challenging us to deliver a truly integrated business strategy, in which social, environmental and economic considerations are of equal value.



Michael Smith, OBE
Chief Executive Officer

CEO'S MESSAGE

This is my final introduction to this report and I have chosen to make some observations about the growing importance of sustainability to business performance in large organisations like ANZ.

When I joined the bank about eight years ago, environmental, social and governance issues were discussed less frequently at senior management levels than they are today. Typically, the conversation was driven by specific events, such as the conduct of one of our major business customers or a controversial project. We had a sustainability framework with key priority areas, including financial literacy and inclusion, but the concept of sustainability as an integral part of 'how we do business' was not widely discussed. This is no longer the case.

I believe that a significant catalyst for an increased focus on sustainability at ANZ, and within the banking and finance sector generally, was the Global Financial Crisis notwithstanding that it was largely a North Atlantic event. The public cost of 'bailing out' institutions in all but two – Australia and Canada – of the G20 developed economies, coupled with public scandals, including those in Australia's financial planning industry, has eroded the reputation of banks everywhere. Not unexpectedly, governments are responding with increasing scrutiny and regulation. We are working to understand and respond to the ramifications of this shifting dynamic, including the higher expectation society has of us.

This change has come at the same time as what now appears to be a 'long wave' of technological innovation. The generation of customers who matured during, or in the aftermath of the GFC may never have a face-to-face interaction with a banker, beyond initial account opening. This very limited and largely online interaction could further commoditise banking services. Traditional banking seems more at risk to me than at any time of my almost 40 years in the sector.

This perception of risk to the traditional banking model has brought sustainability to the fore. At its core is the notion of trust. Trust in the institution, its staff, its rules, its culture, its conduct. Trust that the bank will keep customers' data private and safe; provide financial advice in the customer's best interests; and fund ethical and responsible businesses. Trust remains at the heart of banking, as it was when I started my career. The difference is now we must work even harder to earn it, and this means being more transparent about our performance and our decision-making processes.

This report details our progress in building the trust of our staff, customers and other stakeholders. I am proud of the progress ANZ has made under my leadership and I thank the thousands of ANZ people who have contributed to our success. I know my successor Shayne Elliott will continue to move the organisation in the right direction.

SUSTAINABILITY HIGHLIGHTS



**\$10
BILLION**

COMMITMENT OVER THE NEXT FIVE YEARS
TO SUPPORT OUR CUSTOMERS TRANSITION
TO A LOW CARBON ECONOMY



MORE THAN

360,000

PEOPLE REACHED THROUGH OUR FINANCIAL
EDUCATION PROGRAM MoneyMinded¹



40.4%

WOMEN IN
MANAGEMENT²



87%

OF EMPLOYEES HAVE ADOPTED
FLEXIBLE WORKING PRACTICES³



**\$74.8
MILLION**

IN COMMUNITY INVESTMENT
(INCLUDES FOREGONE REVENUE)⁴



108,142

HOURS VOLUNTEERED
BY EMPLOYEES



81.7%

OF OUR PROJECT FINANCE ENERGY
PORTFOLIO COMPRISED OF LOW
CARBON ENERGY GENERATION⁵



MORE THAN

146,000

CUSTOMERS REGISTERED FOR ANZ goMoney™
MOBILE BANKING IN THE PACIFIC⁶



68%

REDUCTION OF LOST TIME
INJURIES IN AUSTRALIA OVER
THE LAST TEN YEARS

1 The estimated number of people who have benefited from ANZ's MoneyMinded financial education program since 2003

2 Employee headcount is used as the basis for this calculation. Includes all employees regardless of leave status

3 Based on responses to the ANZ 2015 employee engagement survey: My Voice

4 Figure includes foregone revenue of \$56.1 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

5 An increase of 22.7% against 2011 baseline of 59%

6 Cumulative total since launch in 2013

ABOUT OUR CORPORATE SUSTAINABILITY REVIEW

The objective of our Corporate Sustainability Review is to inform our stakeholders about how we manage and anticipate current and future social, environmental and economic risks and opportunities. This report outlines our performance against the sustainability targets we set for 2015, our targets for 2016 and the way in which we identify and manage the issues considered most material to our business by us and our stakeholders.

REPORT STRUCTURE

This report is structured in two sections. The first outlines how we do business, including ANZ's Corporate Sustainability Framework, how we approach governance and risk management, our approach to the identification and prioritisation of material issues, and our engagement with stakeholders. The second details our management approach and performance relevant to materially significant issues for our business, and discusses all aspects of our Corporate Sustainability Framework.

In addition to this report, an overview of our performance in our three key priority areas of the sustainability agenda is included in ANZ's 2015 Shareholder Review. A complete set of 2015 financial disclosures is contained in ANZ's Annual Report. Our website, anz.com, also contains information about ANZ, our Corporate Sustainability Framework and our governance structures.

GLOBAL REPORTING INITIATIVE

ANZ is a registered Organisational Stakeholder of the Global Reporting Initiative (GRI). When GRI released the GRI G4 guidelines in 2013, we considered it an opportunity to review our sustainability reporting practices to ensure we are reporting against the issues of most significance to our business and stakeholders. In 2014 our report was prepared in accordance with the GRI G4 Guidelines at a 'core' level. This year we have prepared the report in accordance with the GRI G4 Guidelines 'comprehensive' level. It also contains material disclosures required by the G4 Financial Services Sector Supplement. A complete GRI Index can be found on our website at anz.com.

REPORT SCOPE

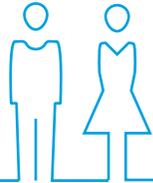
Our 2015 Corporate Sustainability Review covers all ANZ operations worldwide over which, unless otherwise stated, we have operational control for the financial year commencing on 1 October 2014 and ending 30 September 2015. In accordance with GRI G4 our reporting boundaries for material aspects are disclosed on [page 19](#). Monetary amounts in this document are reported in Australian dollars, unless otherwise stated.

EXTERNAL ASSURANCE

KPMG has provided independent assurance in respect of this Corporate Sustainability Review, including our GRI comprehensive-level reporting. A copy of KPMG's assurance report is on [page 68](#).

HOW WE DO BUSINESS

ANZ provides banking and financial products and services to individual and business customers. We operate in 34 markets internationally, we are one of the four largest banks in Australia and one of the 25 largest banks in the world by market capitalisation. Our business is structured across five Divisions – Australia, New Zealand, International and Institutional, Wealth and Technology, Services and Operations.



51,823
EMPLOYEES¹



546,558²
SHAREHOLDERS

56.6% of ANZ's shares are held by Institutional investors and the remaining **43.4%** by Retail investors.
73.6% of ANZ shares are held by Australian-based investors



DIVISIONAL
PROFIT
AFTER TAX (AUD)

Australia **\$3,274m**
New Zealand **\$1,127m**
International & Institutional Banking (IIB) **\$2,664m**
Wealth **\$601m**
Other **(\$173m³)**

¹ Employee headcount. Includes all employees regardless of leave status

² Excludes employees where only ANZ shares are held in trust under ANZ employee share schemes.

³ Includes Technology, Services and Operations, Group Centre and certain items removed from the operating segment result where they are not considered integral to the on-going performance of the segment

OUR STRATEGY

Our 'super regional strategy' is to use the strength of our Australian and New Zealand businesses and our connectivity across the Asia Pacific region to meet the needs of our customers and to capture the banking opportunities linked to regional capital, trade and wealth flows.

OUR STRATEGY HAS THREE KEY ELEMENTS:



STRENGTHENING OUR CORE FRANCHISES IN AUSTRALIA AND NEW ZEALAND

ANZ is particularly focused on the significant organic growth opportunities that exist within the Asia Pacific region, and our distinctive footprint sees us uniquely positioned to meet the needs of customers who are dependent on regional trade and capital flows. The strategy is underpinned by rigorous liquidity, capital and portfolio management and the quality of our people.

The way we deliver our results is as important as the results themselves. Our strategy is aligned with our Vision, Purpose, Brand Promise, and Values and Behaviours.



GROWING PROFITABILITY IN ASIA FOCUSED ON CORPORATE AND INSTITUTIONAL CLIENTS

ANZ's approach to sustainability supports the achievement of our business strategy by guiding the way we make decisions and conduct business in all of the markets in which we operate. Our decision-making processes must take into account the social and environmental impacts of ANZ's operations and prioritise building trust and respect amongst all our stakeholders.



TAKING AN ENTERPRISE APPROACH TO OPERATIONS AND TECHNOLOGY TO DELIVER BETTER CONTROL AND LOWER UNIT COSTS

OUR MARKETS OF OPERATION



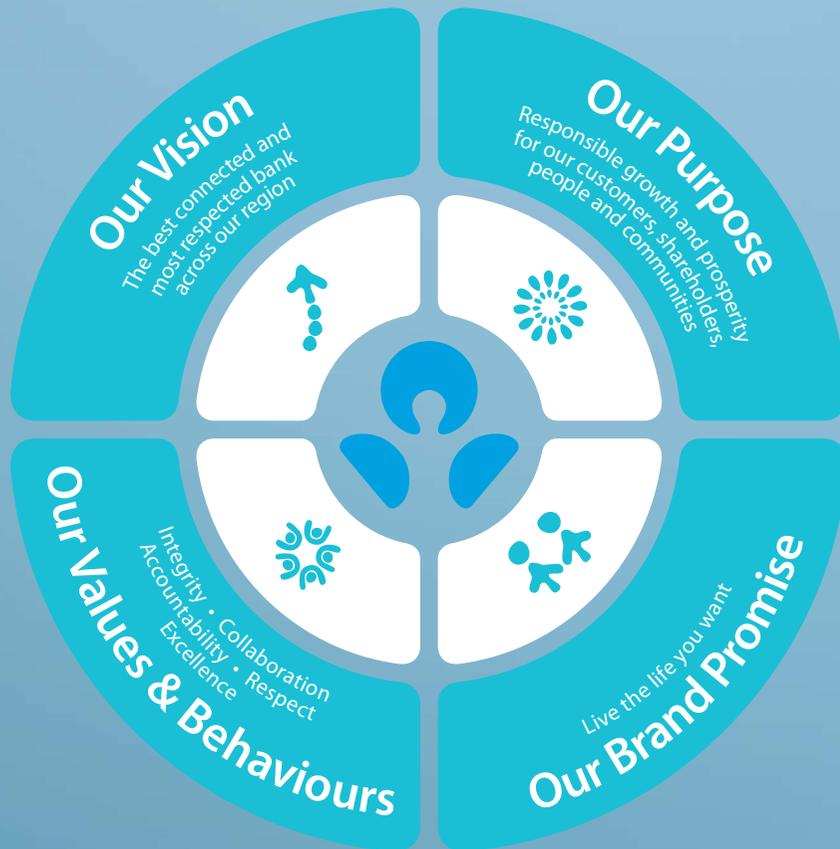
MoneyMinded REACH

MORE THAN 360,000 PEOPLE REACHED THROUGH OUR FINANCIAL EDUCATION PROGRAM MoneyMinded SINCE 2003

WE HAVE TRAINED MORE THAN 1,800 FACILITATORS TO DELIVER MoneyMinded IN 21 MARKETS

OUR VALUES AND BEHAVIOURS

Our values and behaviours provide clear guidance on how we will work as individuals and as a team to grow our customer base, attract and retain high-performing employees, and gain the respect of all our stakeholders.



OUR VALUES ARE:

- I Integrity**
Do what is right
- C Collaboration**
Connect and work as one for our customers and shareholders
- A Accountability**
Own your actions and make it happen
- R Respect**
Value every voice, bring the customer's view to ANZ
- E Excellence**
Be your best, help people progress, be business-minded

OUR CORPORATE SUSTAINABILITY FRAMEWORK

Sustainability at ANZ is about ensuring our business is managed to take account of social, environmental and economic risks and opportunities. By taking these factors into consideration across all areas of our business, we can create and preserve value for customers, shareholders, our people, the environment and the communities in which we operate.

ANZ's Corporate Sustainability Framework encapsulates our sustainability approach. The Framework distinguishes between three priority areas of the sustainability agenda that are distinctive to ANZ, and five 'Licence to Operate' areas considered essential to a responsible company operating in a global market. Our 2015 materiality assessment (set out on [page 17](#)) confirms our framework captures the most relevant issues to address at present.

OUR THREE PRIORITY AREAS ARE:

SUSTAINABLE DEVELOPMENT

Integrating social and environmental considerations into business decisions, products and services to help customers achieve their sustainability ambitions and deliver long-term value for stakeholders

DIVERSITY AND INCLUSION

Building the most diverse and inclusive workforce of any major bank in the region to help ANZ to innovate, identify new markets, connect with customers and make more informed business decisions.

FINANCIAL INCLUSION AND CAPABILITY

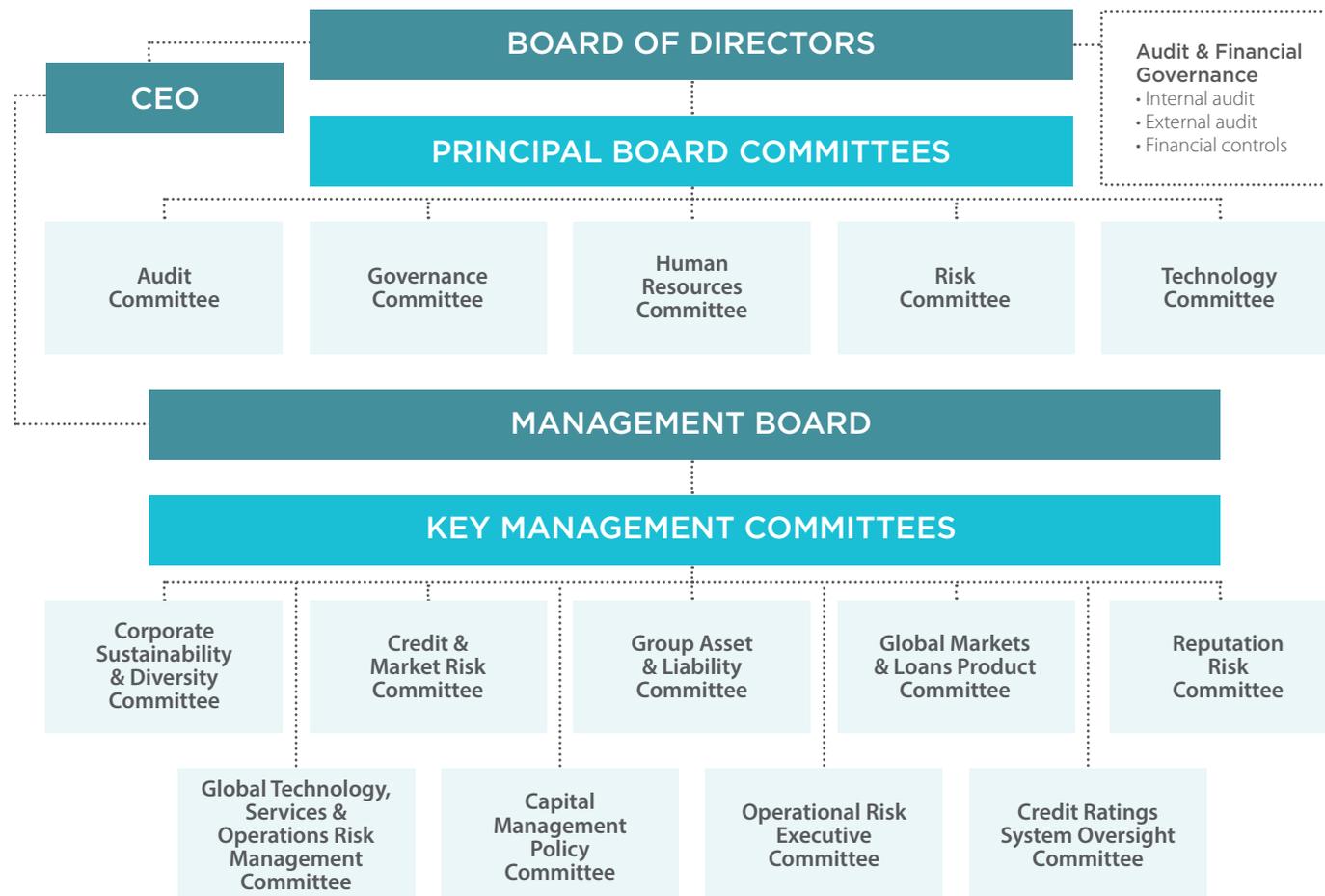
Building the financial capability of people across the region to promote financial inclusion and progression of individuals and communities.



GOVERNANCE AND RISK MANAGEMENT

Effective governance and robust risk management policies and procedures are the foundations for achieving our strategy. Together with the application of our values, they support the delivery of responsible, ethical and sustainable business outcomes.

CORPORATE GOVERNANCE FRAMEWORK



CORPORATE GOVERNANCE FRAMEWORK

MATERIALITY REVIEW KEY THEMES:

- Stakeholders commented on the increased scrutiny and regulation by government, in response to perceived governance failings in the banking sector (for example, financial planning scandals).
- ANZ must have a strong governance framework to build trust amongst its customers, employees, shareholders and the broader community.
- The Board plays a critical role in the establishment of good governance which starts 'from the top'. The Board must have the appropriate capability mix amongst its members in order to carry out its role.

ANZ's governance structure provides oversight of the risks and opportunities arising from our activities. The Board is responsible for approving the direction, strategy and financial objectives for ANZ and for monitoring management's progress in relation to those strategic priorities and financial objectives.

The Board also monitors compliance with regulatory requirements, ethical standards and external commitments, and the implementation of related internal policies. The Board has delegated responsibility to the Governance Committee for reviewing and approving ANZ's corporate sustainability objectives and monitoring progress in achieving them. Ultimate responsibility for ANZ's corporate sustainability strategy and performance rests with the Board.

Five Board committees have been established to assist the Board in the exercise of its responsibilities and oversight of the organisation.

GOVERNANCE COMMITTEE

The Governance Committee, chaired by ANZ's Chairman, is responsible for ensuring an appropriate set of corporate governance principles/arrangements are developed and maintained for application across ANZ. It reviews and approves ANZ's corporate sustainability objectives and reviews progress in achieving them. In addition, it has responsibility for monitoring the effectiveness of ANZ's approach to diversity to the extent relating to the Board, and reviewing and approving measurable objectives for achieving gender diversity on the Board.

RISK COMMITTEE

The duties of the Risk Committee include reviewing reports from management concerning the risk implications of material new and emerging risks, and this may include reputational risks that could be caused by social and environmental impacts of our lending decisions. It also advises the Board on ANZ's overall current and future 'risk appetite' and oversees management's implementation of ANZ's risk management strategy.

AUDIT COMMITTEE

The Audit Committee's responsibilities include oversight and review of ANZ's financial reporting principles and policies, controls and procedures, and the effectiveness of ANZ's internal control and risk management framework

HUMAN RESOURCES COMMITTEE

The Human Resources Committee assists the Board in relation to remuneration matters and senior executive succession, including for the Chief Executive Officer. Its responsibilities include reviewing the effectiveness of ANZ's Remuneration Policy, health and safety policies, and approach taken in relation to diversity and inclusion. It also reviews the annual employee engagement survey results and action plan, and workplace cultural alignment with ANZ strategy and values.

TECHNOLOGY COMMITTEE

The Technology Committee's responsibilities include guiding strategy and monitoring progress against matters relating to ANZ's information technology, digitisation and technology-related innovation strategies.

EXECUTIVE OVERSIGHT

The Board has delegated to the Chief Executive Officer, and through the Chief Executive Officer to other senior management, the authority and responsibility for managing the everyday affairs of ANZ. The Board monitors management and its performance on behalf of shareholders.

CORPORATE SUSTAINABILITY AND DIVERSITY COMMITTEE

The Corporate Sustainability & Diversity Committee (CSD), chaired by the Chief Executive Officer, reports to the Management Board and is responsible for leading the development of ANZ's Group-wide Sustainability Framework. The CSD provides strategic leadership on ANZ's Corporate Sustainability risks and opportunities, agenda, and monitoring progress against our targets on a quarterly basis. Our Corporate Sustainability targets and priorities,

which cover our most material issues, are reviewed annually by the CSD and approved by the Governance Committee. Progress against our targets and priorities is reviewed quarterly at CSD meetings.

REPUTATION RISK COMMITTEE

Executive leadership relating to reputational risk is provided by the Reputation Risk Committee (RRC). Chaired by our Chief Risk Officer, the RRC is responsible for assisting our businesses to manage reputational risk in relation to social, environmental, economic, business and regulatory issues. The RRC meets at least four times a year to approve or decline products, transactions and activities that may give rise to reputation risk. It also approves principles, policies, processes and guidelines for the management of reputational risk.

Our Reputation Risk Policy requires all employees and contractors to consider our reputation and the expectations of our stakeholders when making decisions about what business we will do and with whom. The Policy recognises that risks may arise from any of our products and services, transactions, relationships, communications or strategies. Risks arising from all activities must be identified as part of regular assessment and escalated to the appropriate level for decision. We use our Reputation Risk Radar tool to identify and monitor allegations of customer activities with potentially adverse social or environmental impacts.

Regular screening informs who we do business with and what decisions we make. Where an existing customer is the subject of allegations, our approach is to understand the issue and to encourage, support and respond to the customers appropriately. In cases where the risks are significant, the RRC considers the course of action.

OPERATIONAL RISK EXECUTIVE COMMITTEE

Executive leadership relating to operational risk and compliance risk is provided by the Operational Risk Executive Committee (OREC). Compliance and Operational Risk Frameworks define how we conduct our business in accordance with applicable laws, regulations and codes in the countries where we operate. Breaches of these obligations are identified and escalated, as appropriate.

INTEGRITY AND ACCOUNTABILITY

We have developed a range of policies, processes, tools and initiatives to support our employees in making balanced, informed and transparent decisions to improve the management of social and environmental risks and opportunities.

CODE OF CONDUCT AND ETHICS

It is a requirement that all ANZ employees comply with our Code of Conduct and Ethics. This applies equally to employees who are permanent or temporary, contractors and consultants. Our Code of Conduct and Ethics comprises eight guiding principles that set the standards for the way we do business at ANZ.

Regulator investigations into BBSW and foreign exchange trading

Since mid-2012, the Australian Securities and Investments Commission (ASIC) has been undertaking inquiries into historic trading practices in the Australian interbank market, known as the Bank Bill Swap Rate (BBSW) market. Since 2014, ASIC and the Australian Competition and Consumer Commission (ACCC) have been investigating foreign exchange trading conduct of various banks, including ANZ. The investigations are ongoing and the range of potential outcomes include civil and criminal penalties and other actions under the relevant legislation.

2015 BREACHES OF OUR CODE

In 2015, there were 1,629 alleged breaches of our Code of Conduct and Ethics globally, with appropriate actions taken. This is a decrease from 2014, with 1,718 alleged breaches, with appropriate actions taken. Breaches ranged from conflict of interest through to allegations of fraud, bullying, discrimination and email misuse. Outcomes following investigations of breaches this year included 183 resignations, 294 terminations, 1,152 warnings. Breaches of the Code of Conduct and Ethics are reported to the Governance Committee and form part of regular risk reporting to the Operational Risk Executive Committee.

PROMOTING RESPONSIBLE BEHAVIOUR

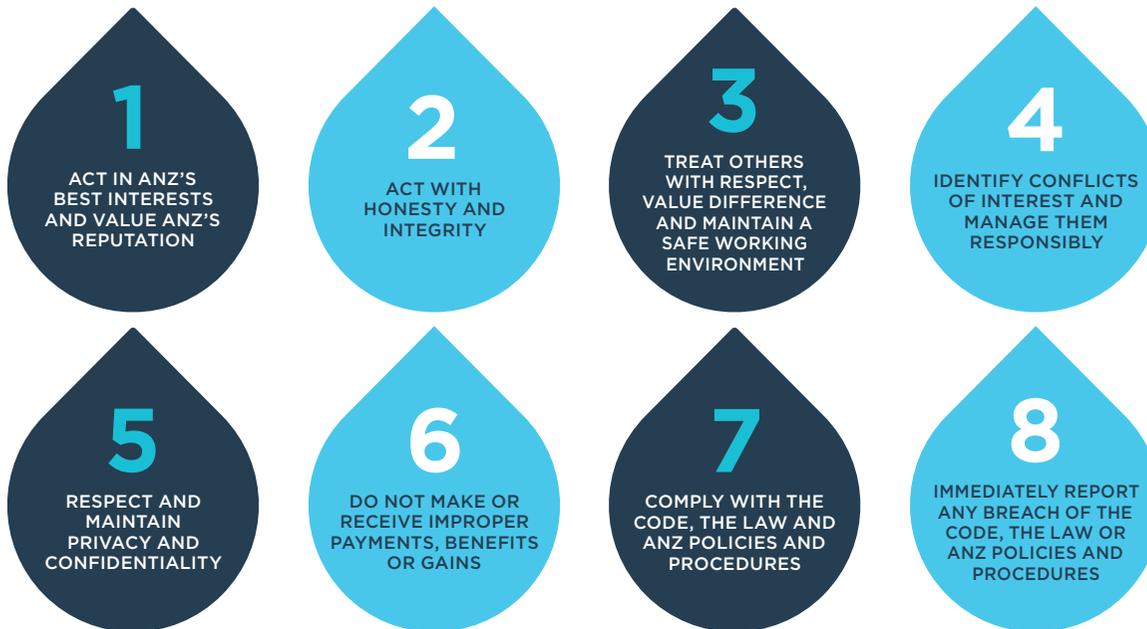
We have a suite of policies that detail expectations of all our employees regarding their behaviour, both internally and externally. They are regularly reviewed to ensure they reflect any changes in legislative requirements, and include:

- ANZ Anti-Money Laundering and Counter-Terrorism Financing Policy
- ANZ Use of Systems, Equipment and Information Policy
- ANZ Fraud Policy
- ANZ Expense Policy
- ANZ Equal Opportunity, Bullying and Harassment Policy
- ANZ Health and Safety Policy
- Conflict of Interest Policy
- Trading in ANZ Securities Policy
- Trading in Non-ANZ Securities Policy
- ANZ Anti-Bribery and Anti-Corruption Policy
- ANZ Whistleblower Protection Policy

All ANZ employees and contractors are required to complete the ANZ Essentials training course. The course is divided into: 1) Living the Code, 2) Equal Opportunity Essentials, 3) Compliance (Compliance Essentials, Anti-Money Laundering, Operational Risk Essentials) and 4) Preventing Fraud, Bribery and Corruption.

The Living the Code course reinforces the importance of our values and ethics and seeks a declaration of compliance with our Code of Conduct and Ethics. By completing ANZ's Living the Code course, participants are confirming they understand the Code's principles and have complied with them over the previous 12 months.

THE EIGHT GUIDING PRINCIPLES OF OUR CODE OF CONDUCT AND ETHICS ARE:



2015 ANZ ESSENTIALS COMPLETIONS⁴

ANZ ESSENTIALS	COMPLETIONS
Living the Code	74,543
Preventing Fraud, Bribery & Corruption	29,832
Equal Opportunity	42,979
AML/CTF and Sanctions Awareness Training & Assessment	67,225

FRAUD, TERRORISM AND ANTI-MONEY LAUNDERING

MATERIALITY REVIEW KEY THEMES:

- Good governance is viewed as a key reputational and operational risk by our stakeholders and must be closely monitored to ensure ANZ maintains its licence to operate.
- Upward trend in compliance breaches by global banks and related fines has resulted in increased stakeholder scrutiny.
- The diverse regulatory landscape in which the Group operates has the potential to increase operational and compliance risks.

Feedback from stakeholders in our materiality review process indicated fraud and corruption to be one of the most material risks for ANZ. The prevention of fraud, bribery, corruption and anti-money laundering is critical to our daily operations. We also recognise the role that we have to play in assisting relevant authorities to detect and prevent criminal activity.

ANZ's Anti-Bribery and Anti-Corruption Policy prohibits employees and contractors of ANZ from offering, promising, providing, requesting or receiving bribes directly, indirectly or through third parties, in any form, including kickbacks and facilitation payments. The Policy is reviewed annually to meet Australian and international legislation and best practice, including guidance issued by Transparency International

and Social Accountability International. The Policy requires a risk-based approach to the development and management of key anti-bribery controls including due diligence, approval and recording systems for gifts, entertainment and donations, accounting record review and training.

Our Anti-Money Laundering (AML) and Counter Terrorism Financing (CTF) policies establish minimum standards, guiding and directing our Group-wide approach to detecting and deterring money laundering and terrorism financing activities. We apply mandatory standards relating 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.

In accordance with our AML and CTF policies we undertake monitoring to identify transactions that appear to be abnormally complex, unusual, and/or which have no apparent economic or visible lawful purpose. Transaction monitoring enables us to identify and respond to any potential money laundering or terrorism financing event.

We conduct enterprise wide Anti-Bribery and Anti-Corruption risk assessments to identify key jurisdictions and/or businesses where this risk is high. ANZ operational Risk Measurement and Management Framework governs the risk assessment process and the identification of key risks. The Anti-Bribery and Anti-Corruption framework provides additional guidance on the identification of the risks and the additional controls that may be considered. Key risks are documented in our Compliance and Operations Risk (COR) tool.

All of our employees and contractors are required to undertake mandatory training to ensure awareness and understanding of their obligations relating to fraud, bribery and corruption, money laundering and sanctions, in order to prevent breaches. In addition, tailored role specific AML and CTF and sanctions training must be completed by staff in specialist roles (such as senior management and compliance).

All employees and contractors must refresh their knowledge of specific training courses annually, or every two or three years, depending on the subject. Failure to complete mandatory learning can lead to disciplinary action.

All course elements have been translated into Bahasa Indonesian and Traditional Chinese.

AmBank Group non-compliance

On 23 November 2015, Malaysian Bank AmBank Group announced it had agreed to pay a penalty of RM 53.7 million (AUD \$17.6 million) to Bank Negara (the Malaysian central bank) pursuant to the *Financial Service's Act 2013* and the *Islamic Financial Services Act 2013* with respect to non-compliance with certain regulations. Details of the non-compliance have not been disclosed. ANZ has a 24% minority share in AmBank Group. ANZ supports AmBank Group's commitment to enhance the robustness of its processes, reporting and governance structure.

WHISTLEBLOWER POLICY

ANZ actively encourages openness, integrity and accountability. The ANZ Whistleblower Protection Policy (WPP) provides a means by which our employees and contractors can raise concerns regarding actual or suspected contraventions of our ethical and legal standards, without fear of repercussions.

We have selected and trained people in each business unit to undertake the role of Whistleblower Protection Champion, to provide employees with information about the policy and process, including who to contact should they wish to make a complaint.

Employees wishing to raise a complaint through the WPP process have a number of channels available including internally through a Whistleblower Investigations Officer, and externally via confidential phone, email and web-based mechanisms, operated by a third party. Where the whistleblower has concerns about the resolution of the matter, an escalation avenue to the Chairman of the Audit Committee is also available.

In 2015, reports under our WPP decreased by 10% on the previous year. The majority of the 72 reports did not uncover any significant issues. In those cases where our policies were breached, we took appropriate action, including dismissal.

⁴ Completion by employees and contractors





“We are reaching a point where sustainability and financial performance are inextricably linked. Issues such as ethical conduct, climate change and human rights directly affect a company’s reputation and risk profile, ultimately impacting the ability to attract and retain the best people and customers. That directly impacts the value we create for shareholders.”

**CHIEF FINANCIAL
OFFICER
SHAYNE ELLIOTT**

OUR APPROACH TO MATERIALITY

This is the second year we have used the GRI G4 Guidelines to frame the content of our Corporate Sustainability Review, enabling us to report on what matters most to our business and stakeholders.

Following our comprehensive materiality assessment in 2014, this year we obtained a diverse range of internal and external stakeholder views via an online survey and through 24 one-on-one interviews, conducted by independent sustainability consultants.

This process assisted us to identify, review and prioritise material social, environmental and governance risks and opportunities based on their significance to our stakeholders and our business, providing us with a basis for developing the content of our reporting, as well as shaping our future sustainability strategy. It also enabled us to identify our most material social and environmental risks, in line with Principle 7.4 of the ASX Corporate Governance Principles and Recommendations in our 2015 Corporate Governance statement available on anz.com. Also see the Material Risks section of the Operating and Financial Review of the Directors Report (pages 29 – 30 of the Annual Report) and the Principal Risks and Uncertainties (pages 175 – 183 of the Annual Report).

THE KEY STEPS IN OUR MATERIALITY PROCESS:

- Engaged key internal stakeholders to discuss existing information that could be used to guide the materiality process and determine the internal and external stakeholders with whom we should engage.
- Compiled a detailed internal list of issues for review and discussion, and assessed our operating environment, including a detailed media scan to identify key issues and megatrends in our sector. This resulted in a short list of key material issues and opportunities for review and discussion by our internal and external stakeholders.
- Conducted an online stakeholder survey, with more than 190 internal and external stakeholders invited to respond with their views. Stakeholders ranged from customers, employees, investment managers, research providers and representatives of government, superannuation

funds and non-government organisations. Around 50% of stakeholders responded to the survey.

- Independent external consultants conducted one-on-one interviews with 24 internal and external stakeholders, via the phone or face to face. Participants from Australia, New Zealand, Fiji, Indonesia and Hong Kong were involved.
- Analysed survey and interview responses distilling themes into a broader materiality review summary, resulting in a materiality matrix that depicts the issues of significance to our business and stakeholders.
- Reported and discussed the results of the process with our Corporate Sustainability & Diversity Committee and Governance Committee (sub-committee of the Board), resulting in the refinement of our sustainability commitments and reporting based on the outcomes.

OUTCOMES

Twelve areas of material significance were identified in the early stages of the process. The key difference with the list of issues used in 2014 was the separation of 'environmental and social impact' into: 'Social impact of the business' and 'Environmental impact of the business'. Feedback from our stakeholders indicated they considered social and environment impacts as separate issues, which our media scanning confirmed. We also changed 'Responsible Lending' to 'Responsible business lending' to make it clear we were referring to our lending to commercial, rather than retail consumers.

We took this initial list of issues and opportunities to our stakeholders, seeking their views on each and asking online survey participants to assign a numerical ranking according to importance. We also asked the interview participants to discuss their 'top three' issues.

Stakeholders in all regions broadly agreed with the list of issues, confirming that our Corporate Sustainability Framework remains relevant and appropriately aligned

to our business strategy and our most material sustainability risks and opportunities.

Quantitative feedback from the online survey participants and interview participants was used to produce a materiality matrix, enabling us to determine the relative importance of each issue in the combined view of our internal and external stakeholders. We have rated these according to the following categories:

-  Material issues rated as 'very high importance' by internal and external stakeholders
-  Key issues rated as 'high importance' by internal and external stakeholders
-  Key issues for our business rated as 'lower in priority' by internal and external stakeholders

Qualitative feedback, in the form of comments and discussion trends from our stakeholders during the interviews, was also recorded to inform our interpretation of the matrix and ensure key issues were fully explored. The depth and breadth of this verbal feedback provided us with insights into the concerns and expectations of our stakeholders and the wider community, beyond the narrative feedback received in the online survey.

Data security and technology is the issue of highest importance to our stakeholders, both internal and external, as evidenced in the matrix. Technology is rapidly changing the way our customers bank, the way our business operates and the way we live. Accelerating technological change and disruptive business models are key operational risks facing organisations of all sizes – especially those in financial services. Our stakeholders emphasised the importance of maintaining our reputation as a trusted and secure partner, vital to our long-term success. Threats to data security and technology platforms are dynamic, constantly shifting and evolving with the increased sophistication of technology, and we need to ensure we are responsive.

Responsible Business Lending continues to be one of our top four issues. This issue refers primarily to large-scale business lending, particularly to corporate customers whose activities have a potentially significant impact on communities and the environment.

Stakeholders also emphasised the importance of considering the social impacts resulting from our corporate lending decisions, particularly in developing economies.

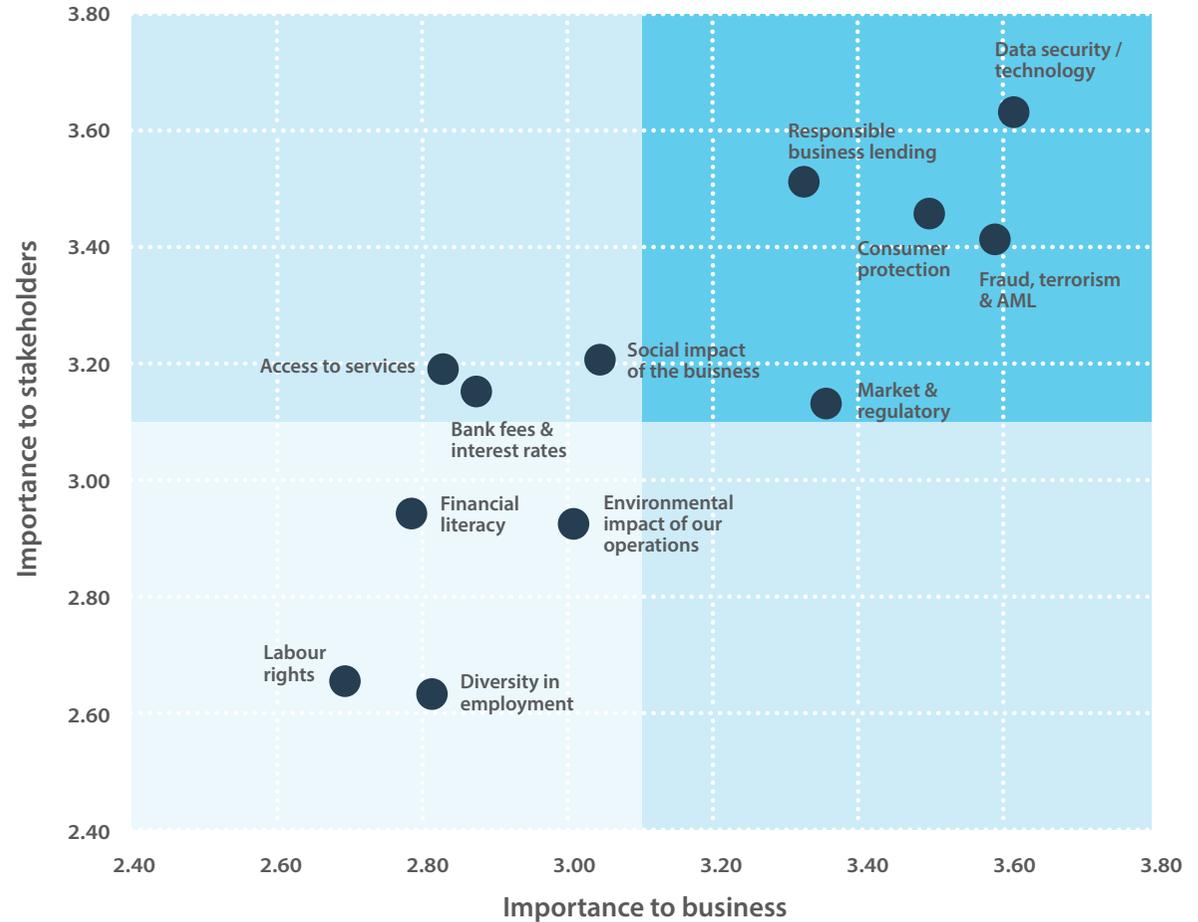
Fraud, terrorism and anti-money laundering, and consumer protection also continue to be at the forefront of our stakeholders' concerns. Due to the increasingly complicated environment in which the Group operates across Asia Pacific, fraud, terrorism and anti-money laundering are key reputational and operational risks that must be closely monitored. The importance of consumer protection and market and regulatory issues continued to be a concern for stakeholders, who consider compliance with all applicable legislation to be crucial to maintaining trust.

The issues stakeholders ranked of lesser importance during this materiality assessment remain important to our business, as they are integral to maintaining our social licence to operate. We will therefore continue to focus on these issues through appropriate activities in accordance with our Corporate Sustainability Framework, setting public targets and communicating our progress. Diversity and Inclusion and Labour Rights are fundamental to the achievement of our business strategy and remain a high priority to our business. We will undertake a materiality assessment annually, engaging with our stakeholders to ensure our framework, commitments and reporting continue to reflect the highest priority sustainability risks and opportunities facing our business and the communities in which we operate.

MAPPING MATERIAL ISSUES

We have used the prioritisation of issues in the materiality matrix to guide the content of this report and to determine the applicable GRI G4 material aspects. The table to the right outlines our material issues against corresponding GRI G4 material aspects, where appropriate. In accordance with GRI G4 requirements, it also indicates where the primary impacts of this issue occur in terms of our stakeholders, and whether they are internal or external to our business. Finally, it references the chapters of this report where discussion regarding the issue can be found.

ANZ MATERIALITY MATRIX - AVERAGES (UNWEIGHTED)



MAPPING MATERIAL ISSUES

ANZ MATERIAL ISSUE	GRI MATERIAL ASPECT	BOUNDARY ¹	REPORT CHAPTER
Data security and technology	Customer privacy	External (customer)	Serving Our Customers
Responsible business lending	Product portfolio Economic Performance	External (customers, community, environment)	Managing Our Business Sustainably
Consumer protection	Product and service labelling	External (customers)	Serving Our Customers
Fraud, terrorism and anti-money laundering	Anti-corruption	External (customers, communities)	Governance and Risk Management
Market and regulatory	NA - we report on ANZ-specific indicators, which are more meaningful measures for our stakeholders and our business	External (customers)	Serving Our Customers
Social impact of the business	Local communities ²	External (customers, communities)	Investing in Our Communities
Access to services	Local communities ²	External (customers, communities)	Serving Our Customers
Bank fees and interest rates	NA - we report on ANZ-specific indicators, which are more meaningful measures for our stakeholders and our business	External (customers)	Serving Our Customers
Financial literacy ³	Local communities	External (customers, communities)	Investing in Our Communities
Diversity in employment ³	Diversity and equal opportunity	Internal (employees)	Developing Our People
Environmental impact of our operations	Key issue rated as 'lower in priority' by stakeholders - not mapped as material	External (customers, communities)	Managing Our Business Sustainably
Labour rights	Key issue rated as 'lower in priority' by stakeholders - not mapped as material	Internal (employees)	Developing Our People

- Material issues rated as 'very high importance' by internal and external stakeholders
- Key issues rated as 'high importance' by internal and external stakeholders
- Key issues for our business rated as 'lower in priority' by internal and external stakeholders

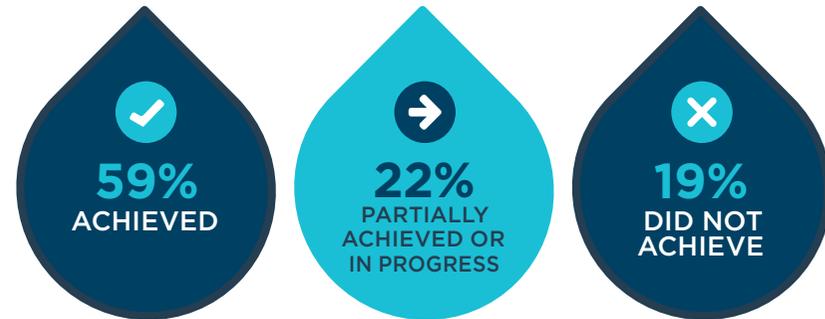
1 Internal boundary refers to entities over which ANZ has direct control and the people and contractors employed by those entities. External boundary refers to people and entities outside of ANZ's direct control.

2 GRI G4 Finance Sector Supplement

3 Key priority area in our Corporate Sustainability Framework

2015 SUSTAINABILITY TARGETS AND PERFORMANCE

Each year we set public sustainability targets and a corresponding Group-wide program of work to support the delivery of our business strategy. Progress against our targets is reviewed quarterly by the Corporate Sustainability and Diversity Committee (an ANZ Management Committee), chaired by our CEO. Twice a year we formally report on progress against our targets through the publication of our interim update on performance against targets and our full year Corporate Sustainability Review.



SUSTAINABLE DEVELOPMENT

Commitment - Integrate social and environmental considerations into our business decisions, products and services to help our customers achieve their sustainability objectives.

TARGET

COMMENTARY

<p>1. Support our customers to manage their environmental, social and governance (ESG) risks and opportunities</p> <ul style="list-style-type: none"> Deliver sustainability workshops for mid-size corporate customers in two Asian markets (Group) Continue to implement mandatory online social and environmental risk training for IIB and commercial employees with the authority to make credit decisions; and train a further 500 employees in these divisions in lending, risk and support roles (Group) 		<ul style="list-style-type: none"> Sustainability workshops were delivered to corporate customers in the Philippines and Indonesia 1,256 employees completed the online social and environmental risk training in 2015
<p>2. Integrate social and environmental considerations into our business decisions</p> <ul style="list-style-type: none"> Update our Sustainability Leadership Program and pilot it with 100 employees in emerging markets in Asia and the Pacific (Group) Complete a review of our Sensitive Sector Policies for Energy, Water, Hydropower, Forestry and Forests and Military Equipment (Group) 		<ul style="list-style-type: none"> Updated Social and Environmental Banking risk training was delivered to over 120 employees across three locations (China, Vietnam and Cambodia) Sensitive Sector Policy reviews were completed and approved by the Reputation Risk Committee for Forestry and Forests, Water, Military Equipment and Hydropower. Updates to the Energy and Extractives sector policies were also made to reflect our strengthened standards in relation to the coal sector
<p>3. Support transition to a lower carbon economy</p> <ul style="list-style-type: none"> Increase the proportion of lower-carbon (gas and renewables) power generation lending in our Project Finance business by 15-20% by 2020 (against a 2011 baseline) (IIB) 		<ul style="list-style-type: none"> This target has been exceeded, with renewables and gas at 81.7%, against a target of 74-79% (2011 baseline of 59%) Portfolio summary: coal fired 18.3%, gas fired 22%, renewables 59.7%

FINANCIAL INCLUSION

Commitment - Build the financial capability of people across our region to promote financial inclusion and progression of individuals and communities.

TARGET

4. Build the money management skills of people across the region
- Reach 45,000 lower income and low financial capability people through delivery of MoneyMinded across the Region (Group)
 - Reach 2,000 customers, ANZ employees and general public through MoneyMinded online (Australia)
 - Enrol at least 4,750 people in our Saver Plus matched savings program in Australia (Australia)



COMMENTARY

- We estimate our MoneyMinded program reached over 67,000 people across the region
- 1,637 unique users have completed at least one MoneyMinded online activity
- 2,826 new participants were recruited to Saver Plus. We did not reach the target due to a period of no recruitment while funding was being renegotiated with the Australian Government. Funding has now been confirmed, with the Government contributing \$29.4m to assist in reaching a further 16,750 participants over the next five years

5. Promote access to banking services for customers in the Pacific
- Register 240,000 customers for goMoney™ Mobile Phone Banking in the Pacific by 2017 (cumulative total since launch in 2013) (Pacific)



- 146,084 customers are registered for goMoney™, with 85,121 new to bank. This is an increase of 43,641 customers since end 2014

DIVERSITY AND INCLUSION

Commitment - Build the most diverse and inclusive workforce of any major bank in our region to help us innovate, identify new markets, connect with customers and make more informed decisions for our business.

TARGET

6. Achieve gender balance in all aspects of our operations
- Increase the representation of Women in Management by 1% from 2014 (Group)
 - 50:50 gender representation on key recruitment, Enterprise Talent (Banker Enterprise Talent, Generalist Bankers, Graduates) and Leadership Pathways programs (Group)



COMMENTARY

- Women in management increased 1.2% from 39.2% at end 2014 (7,746 women) to 40.4% (8,698 women) as at end 2015
- Overall, our gender representation on key programs is balanced: 2015 Graduate Program (50% women), 2015 Generalist Bankers (63% women), Enterprise Talent (51% women) and Leadership Pathways (47% women)

7. Provide employment opportunities for disadvantaged and under-represented groups to support economic and social inclusion in our communities
- Increase both the number of people with a self-disclosed disability and the number of people with a disability recruited through traineeships, graduate programs and permanent employment opportunities by 15% from 2014 (Group)
 - Increase the number of Indigenous Australians recruited through traineeships, graduate programs and permanent employment opportunities by 15% from 2014 (Aus)



- Disability disclosure rates have increased from 1.6% to 7.2%
- Global disability recruitment levels have increased, by 48% with 127 people hired in 2015 against a target of 99 (Australia 27, New Zealand 13, India 59, Philippines 17 and APEA 11)
- Employment of Indigenous Australians has increased by 4%, with 108 people hired in 2015 through traineeships and permanent employment opportunities, but this fell short of the target⁵

8. Mainstream flexibility across Australia and New Zealand, and extend flexibility to other geographies
- Increase the adoption of flexible working practices in Australia and New Zealand to 50% of employees and extend flexible work practices to two Asian markets (Group)



- Significant increase in flexibility adoption levels to 87% of employees⁶
- ANZ's Flexibility Policy has been extended to Hong Kong and Bengaluru

⁵ The 2014 baseline number has been adjusted for a change in methodology for calculating the number of Indigenous Australians employed by ANZ. The method of including Indigenous trainees in the calculation both at the time they commence a traineeship and at the time they secure a permanent role has been discontinued

⁶ Based on responses to the ANZ 2015 employee engagement survey: My Voice

CUSTOMERS

Commitment - We provide our customers with banking that is simple to understand, delivered in a responsible manner by our people, in accordance with the highest standards of integrity.

TARGET

COMMENTARY

9. Improve customer experience

- Improve customer satisfaction ranking (relative to our peers) in our Retail and Commercial business (Aus and NZ)
- Maintain No. 1 ranking on the Relationship Strength Index (RSI) for large Corporate and Institutional Banking (Aus and NZ)



- Retail (Aus): Ranking slipped from 2nd at end of 2014 to 3rd at end of 2015⁷
- Commercial (Aus): Ranking of equal 3rd remained steady from end 2014 to end of 2015⁸
- Retail (NZ): Improved ranking from 5th overall at end of 2014 to 4th overall at end of 2015⁹
- Commercial (NZ)¹⁰: Improved ranking from 4th at end of 2014 to 3rd at end of 2015
- Institutional (Aus/NZ): In both Australia and New Zealand, the bank maintained its No.1 rankings for the Relationship Strength Index¹¹

10. Support customers who are experiencing financial hardship

- Develop improved repayment options for customers in hardship holding secured loans (such as mortgages) (Aus)
- Refer customers requesting hardship support to MoneyMinded financial literacy training (online) to assist in building financial skills and capability (Aus)



- During 2015 relevant policies were revised, in consultation with internal and external stakeholders, to ensure proposed initiatives would be effective and comply with relevant regulations. Five new hardship repayment options, including mortgage debt consolidation and interest rate adjustments, have been developed for implementation in 2016.
- All Customer Connect employees have been trained in MoneyMinded and are now discussing the program with hardship customers, assisting them to register online. Customers' progression through the program modules is monitored and email reminders to complete modules are sent. The dedicated hardship microsite also highlights the MoneyMinded online program

11. Improve customer awareness of cybersecurity threats and ways to protect their accounts

- Conduct an awareness program to provide guidance to retail customers on cyber security threats and secure banking practices (Aus)



- A customer cyber security awareness program – the 'TRUST' campaign - was delivered in July to Australian retail customers using internet banking. The campaign received more than 110,000 unique website views

⁷ Roy Morgan Research. Base: ANZ Main Financial Institution Customers, aged 14+, based on six months to September for each year

⁸ DBM Business Financial Services Monitor. Base: ANZ Main Financial Institution Customers, Commercial Banking (most businesses < \$100m annual turnover), based on 6 months to September for each year

⁹ Camorra Research Retail Market Monitor (2015). The Nielsen Company Consumer Finance Monitor (excludes National Bank brand from 2009). Base: ANZ main bank customers aged 15+, rolling 6 months moving average to August-15. Based on responses of excellent, very good and good

¹⁰ Source: TNSConversa BFM, 4 quarter moving average to June-15. Based on responses of excellent, very good and good

¹¹ Peter Lee Associates 2015 Large Corporate and Institutional Relationship Banking Survey, Australia/New Zealand

PEOPLE

Commitment - We are building a values-led, vibrant, diverse and inclusive workforce where our people have the opportunity to learn and progress their careers with us.

TARGET

12. Build a values-led, vibrant, diverse and inclusive workforce where our people have the opportunity to learn and progress their careers with us
- Improve employee engagement to 75% (Group)
 - Improve perceptions of 'values-based leadership' amongst ANZ employees to 73% (Group)



COMMENTARY

- Employee engagement increased by 3% from 2014 to 76%
- Results for 'values-based leadership' remained steady, with 71% positive perceptions score maintained

13. Ensure the safety and wellbeing of our people¹²
- A reduction of 1-5% in Lost Time Injury Frequency Rate (LTIFR) in Australia and New Zealand from 2014 performance (Aus and NZ)
 - Stay equal to or under a LTIFR of 1.00 in India and Asia Pacific (India and Asia Pacific)



- The LTIFR in Australia reduced 20% (to 1.57) and the LTIFR in New Zealand reduced 18% (to 1.45)
- Both India and Asia Pacific remain under 1.00, with LTIFRs of 0.29 and 0.56 respectively

COMMUNITY

Commitment - We actively engage with and invest in communities where we operate to help build opportunity and prosperity.

TARGET

14. Actively engage with and invest in communities where we operate to help build opportunity and prosperity
- >100,000 hours (12,500 days) of paid volunteer leave recorded by our staff (Group)



COMMENTARY

- ANZ employees contributed 108,142 hours to community volunteering activities across the Group, an increase of 6,341 hours on 2014

SUPPLIERS

Commitment - We manage the social and environmental impacts of our procurement decisions and work in partnership to influence the social, environmental and governance performance of our supply chain.

TARGET

15. Manage the social and environmental impact of our procurement decisions
- Continue third party screening of material suppliers based on spend and potential risk against ANZ's Supplier Code of Practice (SCOP), and where non-compliance is identified, monitor remediation (Group)
16. Work in partnership with suppliers to influence environmental, social and governance (ESG) performance of our supply chain
- Conduct a review of outcomes from ANZ's SCOP compliance process to identify key areas of ESG focus for ANZ in its supply chain for 2016 (Group)



COMMENTARY

- The third and final year of independently assessed supplier screening¹³ (commenced in 2013) has been completed
- All 133 suppliers identified as non-compliant have now self-assessed their compliance against our SCOP or are no longer doing business with ANZ
- A review of outcomes from the supplier screening process has been conducted, informing the development of a strategic and consistent approach to the future selection and screening of suppliers. The focus in 2016 will be on suppliers from countries assessed as higher risk

¹² Lost Time Injury Frequency Rate (LTIFR) is the number of Lost Time Injuries (LTIs) per million hours worked. A Lost Time Injury (LTI) is where an ANZ employee is kept from attending a complete normal work day following the day in which a work-related incident occurred, or a cumulative condition is reported

¹³ External screening was conducted by Briefcase Analytics

ENVIRONMENT

Commitment - We have an impact on the environment through our operations and are committed to managing and reducing the consequences of our business activities.

TARGET

17. Reduce the direct impact of our business activities on the environment¹⁴
- Absolute reduction in GHG emissions from premises energy by 1 to 3% by 2017 (off a 2013 baseline) and maintenance of carbon neutrality
 - Absolute reduction in GHG emissions from air travel by 5% in 2015 (off a 2014 baseline)
 - Reduce paper consumption by 15% by 2017 across material operation (against a 2013 baseline)
 - Expand number of recycling programs across material commercial offices and establish a waste baseline by 2017
 - Apply eco-efficient design standards to improve water efficiency in our material branches and offices
 - Develop a weather and natural disaster property resilience strategy

COMMENTARY



- Reductions continue to track ahead of forecast (currently down 8%) as a result of our reduced property portfolio in Australia and energy savings in data centres.
- In 2015 we reduced emissions from air travel by 0.7% compared to 2014. This was not sufficient to meet our 5% reduction target, and reflects our growing business presence in Asia.
- We are on track to achieve our paper reduction target (down 14%) as a result of switching to electronic communications and online statements (part of ANZ's wider digitisation strategy)
- Recycling program implementation continues across key sites. ANZ Centre in Melbourne is now recycling 60% of waste (up 5% from 2014).
- In 2015 we incorporated water efficient design into three major building fit-outs (in India and Australia).
- In 2015, we identified the most exposed and vulnerable sites across ANZ's property portfolio, based on experience, weather data and predictions from the Intergovernmental Panel on Climate Change, CSIRO and NASA. These sites will be the focus of resilience strategies during 2016

¹⁴ All Environment targets are Group-wide 3 year targets (2015-2017) with the exception of the air travel target which is a one year target (2014-2015). Environmental reporting year is 1 July – 30 June in line with Australian regulatory reporting year

STAKEHOLDER ENGAGEMENT

Effective engagement with our stakeholders is an important part of our business and is embedded in ANZ's policies, processes and operations. We have a formal engagement policy that applies to all employees and seeks to maintain a structured approach to engagement through the existence of clear and consistent communications channels, clear ownership of relationships, and accountabilities for relationship owners. Our stakeholder engagement principles are consistent with the AA1000 stakeholder engagement standard.

CUSTOMERS

HOW WE ENGAGED

- 'Your Say' Research Community online customer panel
- Stakeholder forums
- Real Time Customer Feedback program
- Customer research
- Customer Advocate Office
- Complaints Resolution Centre
- Pro-active engagement with large customers on our recent announcement to support our customers to transition to a low carbon economy
- Social media

KEY ISSUES RAISED

- Interest rates
- Access to banking
- Customer service
- Fees and charges
- ANZ responsible business lending practices
- Financial System Inquiry

COMMENT

Our response to the issues raised by customers can be found in the [Serving Our Customers](#) chapter of this report.

EMPLOYEES

HOW WE ENGAGED

- Annual 'My Voice' survey of employee engagement
- Direct communication and formal performance appraisals with line managers
- 'Town Hall' team meetings with senior executives
- ANZ intranet, MAX, as a resource for our employees to receive updates and information about developments and initiatives at ANZ
- Meetings with the Financial Services Union (FSU)

KEY ISSUES RAISED

- Employee health, safety and wellbeing
- Training and development
- Workplace diversity
- Access to flexible working conditions
- Organisational restructuring
- Negotiation of Enterprise Agreements

COMMENT

Our response to these issues can be found in the [Developing Our People](#) chapter

SHAREHOLDERS

HOW WE ENGAGED

- Results briefings
- Strategy briefings and other market updates
- Annual General Meeting
- Disclosure documents, including results announcements, investor presentations, annual reports and other ASX lodgements
- Electronic communications and webcasts
- Dedicated ANZ Shareholder website

KEY ISSUES RAISED

- Strong, stable bank and banking system - Balancing growth and returns
- Regulatory changes and capital requirements
- Continuing to grow income from a diversified customer base, while actively managing expenses to achieve a lower cost to income ratio
- Proactive approach to productivity gains and investing in technology and innovation
- Growing the balance sheet in a capital-efficient and diversified way, while actively managing credit, operational and market risks
- Maintaining strong capital levels and a favourable position compared with global peers
- Stable balance sheet composition, managing funding mix and asset tenor
- Consistent and diversified funding and liquidity portfolios

COMMENT

ANZ recognises the importance of shareholder engagement and encourages shareholders to take an active interest in the Company. We seek to provide shareholders with quality information in a timely fashion through ANZ's reporting of results, the Company's Annual Report, Shareholder Review, announcements and briefings to the market, half yearly newsletters and on our dedicated shareholder site at shareholder.anz.com.

AUSTRALIAN GOVERNMENT AND REGULATORS

HOW WE ENGAGED

- CEO and senior executives meeting with senior law makers, political stakeholders, officials and regulators
- Participation in industry engagement and forums
- Responding to the Financial System Inquiry
- Responding to parliamentary committee inquiries and other government and regulatory consultations
- Meetings with trade negotiators regarding free trade agreements

KEY ISSUES RAISED

- Ongoing regulatory reform covering a range of issues affecting Australian business and the ANZ Group
- Financial System Inquiry
- Trading practices in the Australian interbank market (the BBSW market)
- Maintaining relationships with regulators and policy makers
- Ongoing international negotiations, such as free trade agreements
- Issues addressed at the G20 and B20

COMMENT

Through regular meetings with regulators, government and opposition policy makers, ANZ senior executives have continued to strengthen and build relationships. We provided submissions to a number of government consultations and parliamentary inquiries, including:

- The Financial System Inquiry
- The Government consultation on Education and Professional Standards in the Financial Advice Industry
- The RE: THINK tax discussion paper (covering tax reform)

- The Senate Economics Reference Committee inquiries into Forestry Managed Investment Schemes
- The scrutiny of financial advice
- Matters relating to credit card interest rates
- The Standing Committee on Economics' Inquiry into Home Ownership
- Several Committee inquiries into the Australia-China Free Trade Agreement
- The Parliamentary Joint Committee on Corporations and Financial Services Inquiry into the Impairment of Customer Loans
- Productivity Commission Review into Barriers to Growth in Australian Services Exports
- Capability Review of the Australian Securities and Investments Commission.

ANZ is also continuing to cooperate with an investigation by the Australian Securities and Investments Commission (ASIC) into historic trading practices in the Australian interbank market (the BBSW market).

NEW ZEALAND GOVERNMENT AND REGULATORS

HOW WE ENGAGED

- Regular meetings with political stakeholders officials and regulators by CEO and senior executives
- Submissions to regulatory consultations
- Hosting and participating in industry engagement forums and delegations in New Zealand

KEY ISSUES RAISED

- National and international regulatory reform, including financial markets law, restrictions on residential property lending, regulation of financial advice, and lender responsibilities under the revised consumer credit law
- Ongoing public policy development on issues such as: financial literacy, investor education and organised crime

COMMENT

This year in New Zealand we provided submissions on proposed legislative reforms, including:

- Continued financial markets reform
- Legislative changes to strengthen New Zealand's approach to organised crime
- Statutory review of the *Financial Advisers Act*.

We also provided submissions to the Reserve Bank of New Zealand on proposed changes to restrictions on residential property lending, new capital adequacy requirements for housing loans, measures to clarify rules around tax on gains from the sale of residential property and new initiatives to clarify tax obligations for overseas buyers of property.

We provided a submission to the Government on the development of a Responsible Lending Code as part of the consumer credit reforms and provided input into the Reserve Bank's regulatory stocktake process, involving review of issues including data reporting and disclosure requirements.

We engaged with New Zealand political stakeholders and Government officials to discuss trade issues and economic activity in the country's key offshore markets and shared ANZ's insights and recommendations about economic development and public policy matters.

APEA GOVERNMENT AND REGULATORS

HOW WE ENGAGED

- Regular meetings with political stakeholders, officials and regulators by country CEOs and senior executives
- Submissions to regulatory consultations and licence applications
- Hosting and participating in industry engagement forums and delegations in Asia
- Providing information and technical advice on international practices to regulators in developing countries

KEY ISSUES RAISED

- Financial crime risk management, including money laundering and terrorism finance
- Aligning local needs with global standards
- Ongoing regulation and supervision

COMMENT

We worked with regulators and enforcement agencies to share intelligence and help strengthen practices to remediate anti-money laundering and terrorism risks, exit high-risk customers, ensure compliance with sanctions and reduce fraud.

We have been in close dialogue with regulators to understand their expectations and ensure ANZ corporate governance practices align to them.



We engaged with regulators to secure a branch licence in Myanmar and to receive final regulatory and government approvals to open a subsidiary in Thailand.

NON- GOVERNMENT ORGANISATIONS (NGOs)

HOW WE ENGAGED

- Direct engagement with relevant human rights, consumer and environmental NGOs
- Issue-specific communications with NGOs and other stakeholders
- Broad range of meetings across our region to understand issues of NGO interest or concern

KEY ISSUES RAISED

- Climate change and the role of banks in supporting the transition to a low carbon economy
- ANZ's provision of finance in the extractive and energy sectors, including coal mining and coal-fired power generation
- Finance to customers in 'soft commodities', such as sugar production and forestry in Asia and the Pacific, who are alleged by NGOs to have engaged in 'land grabs' or other human rights abuses
- Customer hardship and consumer protection

COMMENT

Our response to the issues raised by NGOs can be found in the [Managing Our Business Sustainably](#) and [Serving Our Customers](#) chapters of this report.

INDUSTRY ASSOCIATIONS

HOW WE ENGAGED

- Participated in industry discussions about sector issues and broad industry strategy
- Provided input into industry association responses to the Financial System Inquiry (Australia)
- Participated on the Business Council of Australia's (BCA) climate change policy working group
- Provided input into industry association responses to Parliamentary inquiries and government consultations

KEY ISSUES RAISED

- Ongoing industry reputation issues
- Financial System Inquiry
- Ongoing policy and regulatory reform affecting the financial services industry

COMMENT

In 2015 we engaged with industry associations, including the Australian Bankers' Association (ABA) and the Financial Services Council to develop strategies for addressing

industry reputation issues at a senior executive level (e.g. ABA Council, Business Council of Australia (BCA)) and at a business level (e.g. ABA Financial Advice Strategy Group's financial advice reform program). We have contributed and provided feedback to the BCA as part of the climate change policy working group on the Emissions Reductions Fund safeguard mechanism and Australia's pledge for emissions reductions for COP21 climate negotiations.

We also worked with industry associations to prepare industry responses to parliamentary inquiries and government consultations. We engaged with members of relevant parliamentary committees, government officials and political stakeholders on issues highlighted in these submissions.

We provided input into discussion and development of industry submissions including:

- Inquiry into Scrutiny of Financial Advice
- Government consultation on the financial advice industry
- Government consultation on the tax discussion paper
- Inquiry into Home Ownership
- the China-Australia Free Trade Agreement
- Productivity Commission Review into Barriers to Growth in Australian Services Exports.

2

**CORPORATE
SUSTAINABILITY
IN ACTION**



SERVING OUR CUSTOMERS

The way our customers interact with us is changing. Digital channels have become increasingly important, creating opportunities for innovation and differentiation. We provide our customers with the products and services they want, delivering them responsibly, conveniently and securely.

MATERIALITY REVIEW KEY THEMES:

- Stakeholders emphasised the importance of maintaining our reputation as a trusted and secure partner, vital to our long-term success.
- The importance of consumer protection continued to be evident, with our stakeholders touching on a broad range of issues, including clear product disclosure, reduced trust in the financial planning industry and accessible services in rural and remote locations.
- In a rapidly changing operating environment, ANZ needs to be agile, responding to advances in technology and disruptive business models, protecting our customers' privacy, preventing financial crime and ensuring we have the appropriate skills within our workforce to engage in the new environment.

OUR APPROACH

Fundamental to the delivery of our business strategy is the ability to build strong and lasting relationships with our customers. Our focus is on improving customer experience and building trust, making interactions with us as easy and simple as possible. With operations in Australia, New Zealand and the Asia Pacific region, we are able to offer our ten million customers' connectivity across international markets, as well as local knowledge and expertise.

We provide business insights to our customers across all our divisions and across the markets in which we operate. For retail customers, we seek to understand their financial

needs and goals, delivering products and services to match. We take a 'life cycle' approach to meeting our customers' needs and seek to be responsive and sensitive towards customers dealing with challenging life circumstances or experiencing financial hardship. In 2015, 150,000 new retail customers chose to bank with ANZ in Australia. Many of these customers came from NSW, where we have focused on growing our market share.

For small business customers, industry trend analysis, tools and templates are offered online to assist them to manage and grow their business. Small businesses are major employers and a source of economic growth and innovation; for this reason we pledged to lend another \$2 billion to new small businesses in Australia in 2015, following our \$2 billion pledge in 2014 and our \$1 billion pledge in 2013. We also pledged \$3 billion trade lending to Australian businesses expanding into new markets.

For institutional and commercial customers we provide analysis and expertise in a range of industry sectors, including natural resources and agriculture, assisting with the identification of growth opportunities and navigating regulatory and cultural differences (for more information see the [Managing Our Business Sustainably](#) chapter).

Our Wealth Division provides investment, pension, insurance and advice solutions, as well as private banking services, helping customers to connect, protect and grow their wealth. Wealth serves more than 2.4 million customers and manages \$65 billion in investment and retirement savings.

Technology is rapidly changing the way our customers bank, the way our business operates and the way we live. Accelerating technological change and disruptive business

models are key operational risks facing organisations of all sizes – especially those in financial services. In all our markets, the pace at which digitisation is changing offers many opportunities for our customers – but, there are also a number of inherent challenges in maintaining privacy and data security.

The pace of change and innovation within the banking sector requires effective governance and risk management within our business. Our operating model puts customers at the centre of everything we do and our governance structure and risk management processes reflect this.

We have a Group-wide Products Management Policy, reviewed annually and approved by the Chief Risk Officer. The policy covers the product lifecycle, ensuring new products will (and existing products continue to) achieve an appropriate return for risk, meet customer needs and comply with any legal and/or regulatory obligations associated with the product.

BUILDING A DIGITAL MINDSET

We are building a digital mindset at ANZ through a strategy that involves fostering leadership capabilities within the business, raising our understanding of digitisation, working with industry bodies to understand the risks and opportunities of digital disruption and collaborating with universities and other partners to develop innovative products and to counter security threats. Our mindset and culture is shifting, recognising that digitisation is about using digital technology to transform the customer experience, operational processes and business models, and not just about technology and apps.

¹ We have approximately six million customers in Australia, two million customers in New Zealand and two million customers in APEA (Asia Pacific, Europe and America)

In 2015, we established the ANZ International Technology and Digital Business Advisory Panel to advise the Board on emerging technology, digital and social media trends that affect the Bank's business and strategic direction. Its members include technology experts from Twitter and Dimension Data, and former executives of PayPal and Proctor and Gamble. This advisory group provides the Board and management with access to external perspectives, specialist insights and digital experience, enabling us to navigate future opportunities and challenges.

We have engaged with a number of universities, research institutes and Australian and international 'fin-tech hubs' to leverage their capabilities and establish partnerships to solve problems facing the financial services industry globally. For example, in August 2015 ANZ organised a 'Hackathon', bringing together 60 students from RMIT University, startup mentors from York Butter Factory and IBM, and posed a real business problem – how to improve standardisation in a super-regional operations environment.

These partnerships also help to nurture the technical and entrepreneurial talent present in the Australian community, providing a pipeline of individuals with digital skills and expertise. Increased attention to cybersecurity by governments and businesses, and constantly evolving cyber threats are combining to create a shortage of skilled professionals in cybersecurity, which, if not corrected, may lead to more frequent and costly data breaches².

INVESTING IN TRUST

The challenge of securing a computer network supporting thousands of employees across multiple countries is complex. The rate at which cyber threats are evolving is now outpacing many businesses' ability to implement change, with risks rising from petty crime and 'hacktivists' through to organised crime and state-sponsored attacks.

We are continually investing in security controls and defences in response to changing technology and growing cyber threats to protect customer data and business-critical information.

CYBER AWARENESS

In 2015, we conducted a cyber awareness program to help our Australian retail customers increase their understanding of the threats their digital banking habits create.

The program was delivered direct to customers through internet and mobile banking and social media channels. It focused on providing information on money scams, email 'hijacking', malicious software, device protection

and privacy. The campaign received more than 110,000 unique website views.

In 2016, we are expanding the awareness program to five more countries, individually tailoring it based on jurisdictional privacy laws and regulations; cultural nuances and sensitivities; data security protocols; and technology capability (ie. internet bandwidth and security).

SECURING CUSTOMER INFORMATION

In Australia and New Zealand, we use a system for internet and phone banking that allows us to detect unauthorised transactions on a customer's accounts and intervene where possible. New or emerging trends of attempted fraud are detected, so that we can take steps to minimise the impact.

Our Falcon system monitors all consumer and commercial credit card transactions for fraudulent activity in Australia, Singapore, Taiwan, Fiji, Papua New Guinea, Vietnam, Cambodia, and Indonesia. We apply an equivalent system called 'Proactive Risk Manager' in New Zealand. In Australia, we also use the Falcon system to monitor suspicious or unusual ATM or EFTPOS transactions.

ANZ Shield, our free security app for iOS and Android devices launched in 2014, has now been downloaded by more than 83,000 Australian customers. With ANZ Shield, customers have the option to add an extra layer of security to their ANZ Internet Banking. It allows customers to generate a passcode – known as a Shield Code - to authenticate certain ANZ internet banking payments and activities.

This year we launched our world-first 'contactless' ATMs. Incorporating touchscreen operation and ANZ's new 'tap and pin' technology for chip-based security and speed, the new ATMs make banking simpler, faster (saving more than 10 seconds on average) and more secure.

We also continue to develop and strengthen our Data Loss Prevention (DLP) capability. The DLP incident management team (part of Group Investigations) has adapted the email monitoring program to identify fraudulent emails being sent to the bank purporting to be our customers. This initiative has prevented more than \$2 million in potential fraud losses this year.

The majority of countries in which we operate have implemented laws and regulations to protect the privacy and confidentiality of individuals' personal information. We have a Privacy Policy which sets out the rules protecting the personal information of individuals to ensure a consistent, global approach to privacy compliance. These rules govern

the way in which we collect, use, disclose, store, secure and dispose of personal information.

The security of customers' personal information and data is a key priority and we investigate and track complaints regarding privacy.

In Australia this year there were 205 substantiated complaints related to privacy concerns, where the customer's personal information was not protected or was used other than for the original purpose. New Zealand had a total of 69 substantiated privacy complaints.

ACCESSIBLE PRODUCTS AND SERVICES

As discussed in the [Developing Our People](#) chapter of this report, we want our products and services to be accessible to everyone in the community – including people with a disability and those living in rural and remote areas.

Our branch network in Australia and New Zealand is the primary point of contact for many customers, especially small business customers. With the introduction of new technology and changing customer expectations, we are rolling out new look branches focused on creating small, intimate spaces for customers and bankers to meet, and to provide direct support to customers on digital devices.

We understand the impact that branch closure may have on the local community, especially in rural and remote areas. We give customers 24 weeks' notice of a closure, in line with an industry protocol, so that they have adequate notice in the event that we cannot continue to operate a branch in a rural area. During this time our employees train the local community in using ATMs, phone, internet and mobile banking, and on other banking services available in the area.

Slightly less than half of our customers are using mobile and digital banking, helping to free up frontline staff to focus on more complex customer needs. ANZ goMoney™ now accounts for 62% of all digital logins by ANZ customers, attracting an average of 1.1 million logins daily. Total logins have now exceeded 1 billion (for further information on ANZ goMoney™ see the [Investing in Our Community](#) chapter).

We ensure our products, services and workplace are supportive of people with disability. We do this through our Accessibility and Inclusion Plan (discussed in the [Developing Our People](#) chapter) and Technology Accessibility Policy, which mandates compliance with disability discrimination legislation and the Australian Bankers' Association's Industry Standards on Accessibility of Electronic Banking, a set of voluntary standards that aims to improve the accessibility

² State of Cybersecurity: Implications for 2015, An ISACA and RSA Conference Survey, at: http://www.isaca.org/cyber/Documents/State-of-Cybersecurity_Res_Eng_0415.pdf



Welcome to ANZ Carlton

“We know how essential our branch network is to the bank. Many of our customers including millennials still want to speak face-to-face with someone when it comes to their milestone financial needs, such as applying for a home loan, starting a new business, reaching a savings goal or planning for retirement.”

GM RETAIL BRANCH
NETWORK (AUS)
PAUL PRESLAND

of electronic banking for people with disabilities and older Australians. Best practice World Wide Web Consortium (W3C) Accessibility Standards WCAG 2.0 have also been incorporated across the development of anz.com, internet banking and telephone banking.

AUSTRALIA

IMPROVING CUSTOMER EXPERIENCE

We measure customer satisfaction across our markets to gauge whether our products and services are meeting the needs and expectations of our customers, and to track performance against our peers. Our 2015 customer satisfaction results are available on [page 22](#) of this report.

We are continually looking at ways to improve customer satisfaction and are focused on the end-to-end customer experience. We aim to resolve issues on first contact with the customer, reducing the need for a complaint to be escalated to our Complaint Resolution Centre.

The Real Time Customer Feedback (RTCF) program, implemented in 2014 and expanded this year, is a way in which we are capturing the 'voice' of the customer. The RTCF program captures feedback from our customers when one of the following interactions has taken place:

- Home loans
- Contact centre
- A-Z Reviews
- Financial Planning.

Customers receive an invitation to provide feedback via email and in some instances SMS. If the customer provides feedback to suggest their experience has not met their needs, the banker involved is able to contact the customer to talk through the issues and rectify them in 'real time'. This year around 110,000 customers provided feedback through the program.

MANAGING COMPLAINTS³

We recognise there are times when our actions fall short of both our own and our customers' expectations, and when this occurs we endeavour to resolve the situation in a fair and timely manner.

In 2015, we resolved 92% of our retail and commercial customer complaints within five business days. Successful complaint resolution is a key part of delivering our brand promise. We have an internal complaints standard which provides ANZ employees with a consistent approach to the identification, management and resolution of retail, commercial and Wealth complaints. The way in which we manage complaints is governed by industry codes, such as the Australian Bankers' Association Code of Banking Practice, as well as regulatory and banking licence requirements.

Bi-monthly performance reporting against retail and commercial complaint volumes and initiatives to improve customer experience is provided to the highest management level within Australia Division. While complaints can be made over the phone, online or in person, many of our customers are now choosing to raise their complaints via social media channels, such as Facebook.



Customer Complaints (Australia)

The key issues driving complaints remain relatively consistent and include bonus points eligibility criteria for credit card awards programs, poor customer service, incorrect and/or unclear information and account maintenance errors. As in previous years, we also saw a spike in complaints when there were activist campaigns concerning issues such as the financing of fossil fuels and our involvement with the Phnom Penh Sugar Company in Cambodia.

Where a customer is not satisfied with the way in which their complaint is handled by us, they may choose to escalate their complaint to the Financial Ombudsman Service. The volume of complaints lodged with the Ombudsman this year also reduced in line with the overall reduction in complaints by 20% compared to 2014. Financial difficulty (across collections, hardship, default listings and legal proceedings), disputed transactions and claims of maladministration were the key complaint themes.

ANZ CUSTOMER ADVOCATE

The ANZ Customer Advocate's role is to review disputes from retail, small business and Wealth customers in Australia, where the customer is not satisfied with the outcome of our internal dispute resolution process. On some occasions, particularly complex complaints may be referred directly to the Customer Advocate for resolution. The Customer Advocate operates autonomously of ANZ business units and reports to the Chief Executive Officer (Australia Division). ANZ is bound by the Customer Advocate's findings in all cases.

The Customer Advocate's Office provides guidance to frontline staff on the support of vulnerable customers, particularly those who may have diminished capacity to manage their financial affairs.

In 2015, the Customer Advocate completed 1,032 reviews related to general banking products (such as mortgages, savings accounts and credit cards). 58% were resolved wholly or partially in favour of the customer.

The Customer Advocate reviewed a further 401 disputes relating to insurance, superannuation and investments; around half were resolved wholly or partially in favour of the customer.

NEW ZEALAND

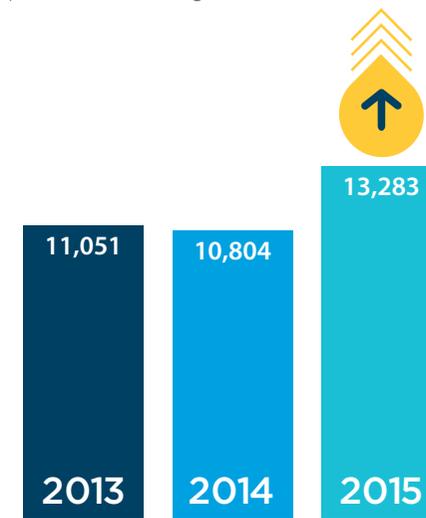
MANAGING COMPLAINTS

Our complaint handling process is in accordance with the Code of Banking Practice, which is prepared and ratified by the member banks of the New Zealand Bankers' Association as the minimum standard for good banking practice. Customers can make their complaint over the phone, online or in writing, with the majority preferring to do so by phone via our Contact Centre.

In 2015, resolution time improved to 87% of retail customer complaints resolved within five business days, but still slightly short of our target of 90%.

This year, due to an increased focus on frontline logging of complaints, retail complaints increased by 23% on the previous year. We anticipate further increases in volumes next year, as we continue to improve our complaints capturing process and minimise the chance of under-reporting.

The Customer Relations team acts as the second tier of the complaints process, giving customers the opportunity for independent review of their complaint if they remain dissatisfied. These dedicated case managers conduct their own investigation of the issue and recommend a resolution. Where Customer Relations is unable to resolve the issue to the customer's satisfaction, the customer can escalate their complaint to the Banking Ombudsman Scheme.



Customer Complaints (NZ)

³ Complaints made by customers outside of Australia and New Zealand are managed in the relevant country. We have focused on Australia and New Zealand in this report as they represent our major markets

In 2015, there were 81 disputes (84 in 2014) lodged with the Ombudsman. Disputes related to a range of issues, including dissatisfaction with lending decisions, disputed transactions (including fraud claims) and, to a lesser extent, debt recovery action.

AUSTRALIA

HARDSHIP

There are times when our customers may be unable to meet their financial commitments. For some customers, it may be a short-term difficulty, caused by job loss or unexpected medical needs, while for others it may be sustained financial hardship. Whatever the reason, we seek to treat our customers with respect when they advise us of payment difficulties. Assistance we offer includes payment moratoriums, temporarily reducing payments, debt waiver, referral to a financial counsellor and information in relation to budgeting and financial literacy. Customers have access to a financial counsellor hotline, managed by a full-time independent financial counsellor liaison.

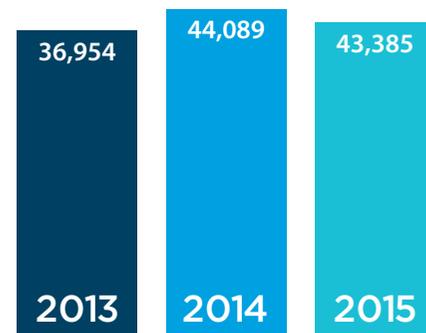
Our customer hardship team, Customer Connect, receives specialised training enabling them to deal effectively and empathetically with customers experiencing hardship. Next year our training will have a focus on identifying issues such as family violence and elder abuse.

We have continued to collaborate with our community sector partners this year, joining with Kildonan UnitingCare to launch CareRing, a new program tackling the complex needs of people experiencing financial hardship. Working alongside other program partners, including government agencies, we are referring hardship customers directly to CareRing. Through the program, customers benefit from a centralised, single point of contact that connects them to a coordinated range of support services, including financial counselling, energy efficiency advice, housing and drug and alcohol services.

Following on from our 2014 review of the suite of options available to customers in long-term hardship with unsecured loans (credit cards and personal loans), this year we have focused on support options available for customers with secured loans, such as mortgages.

A working group with key stakeholders was established to identify feasible long-term repayment options for this group of customers. We revised relevant policies in consultation with the Financial Ombudsman Service and our internal legal team to ensure any new options would align with ANZ's legal and regulatory obligations. As a result of this review, over the coming year we will roll out a number of options, including mortgage debt restructuring, pay down plans and debt consolidation.

We are proactively assisting our hardship customers to increase their level of financial literacy, empowering them to gain more control over their finances. Our dedicated financial hardship website has a focus on self-help, and Customer Connect consultants are now able to register hardship customers for MoneyMinded online. Customers' progression through the MoneyMinded online modules is monitored and they receive a series of email prompts and reminders encouraging them to complete the program.



Customer requests for hardship assistance (Australia)

Rural lending practices under scrutiny

During the year, ANZ made a submission to an Australian Parliamentary Inquiry into impairment of loans. The key focus of the Inquiry relates to the alleged practice of banks using constructive or engineered defaults to impair loans and commence enforcement action. A number of former Landmark customers lodged submissions with the Inquiry, which has come at a time when there has been media coverage of customers who had fallen into arrears on their loans and had their property repossessed.

In March 2010, ANZ acquired Landmark Financial Services' loan and deposit books.

The transition of former Landmark customers and their accounts to ANZ and its systems commenced in March 2010 and continued through to early 2011.

We acknowledge that a number of former Landmark customers experienced difficulties in operating their accounts during this transition period, and could have benefited from more detailed communication explaining what ANZ's acquisition of Landmark meant to them and outlining what changes they should expect in the management of their accounts by ANZ.

Legal action to recover debt is always a last resort and we aim to work with our customers to explore options available to them. Our submission to the inquiry noted some of the actions we have taken to assist rural customers in financial difficulty. This includes our drought support measures that placed a 12 month moratorium on farm repossessions in the drought declared regions of Queensland and North-Western New South Wales. The moratorium has since been extended to December 2016 and applies nationally.

FAIRNESS AND TRANSPARENCY

Interest rates as well as fees and charges are issues which generate much debate within the community and the media. We recognise that our stakeholders expect us to be transparent as to how we make decisions regarding interest rate changes and the appropriateness of the fees charged.

Certain fees we charge customers are currently the subject of litigation in Australia. Two class actions were commenced against ANZ, in 2010 and 2013, in which it was claimed that exception fees charged by the bank (for example, over limit and late payment fees) are penalties or alternatively unconscionable or unfair. A further class action was commenced in 2014 in relation to late payment fees.

In 2014, the Federal Court of Australia ruled that, of the five fees being considered only late payment fees were penalties. The applicants in the class action and ANZ appealed the decision. In April this year the Full Federal Court handed down its decision on the appeals, finding in ANZ's favour on all fees the subject of appeal. The Full Federal Court found that "there was no lack of good faith by ANZ...no dishonesty, no trickery, no victimisation, predation or taking advantage of the applicants. The fees were fully and not unfairly disclosed". Litigation funder IMF Bentham Limited has since obtained special leave to appeal to the High Court of Australia in relation to late payment fees only. The High Court appeal has been listed for hearing in February 2016.

In addition to their discussion of interest rates and bank fees, stakeholders participating in our materiality review in Australia and New Zealand also noted the need for improved product disclosure. Stakeholders drew a link between financial literacy and confident consumers choosing appropriate products and transparent and easy to understand product disclosure.

We agree that there is little benefit to consumers if product disclosures are so lengthy and complex that they have the opposite effect of improving customer understanding. We made a joint submission with the Consumer Action Law Centre to the Australian Financial System Inquiry arguing for an improved disclosure regime. In our submission, we highlighted the need to better understand how people use disclosure documents to make financial decisions, and suggested that behavioural economics could be used to gain insights into customer decision making and assist organisations to present information more effectively to support informed choices.

We also suggested a more layered approach to disclosure to address differing customer needs and levels of understanding. Given the digitisation of banking services, we also recommended that priority be given to facilitating electronic delivery of existing product disclosure information, with appropriate safeguards for people without access to electronic communication.

FINANCIAL PLANNING AND ADVICE

The financial services sector is increasingly under scrutiny for the quality and appropriateness of the advice provided to customers by financial planners. We acknowledge that more needs to be done to improve the quality of financial advice and regain consumer trust. We will compensate customers for poor advice for which we are responsible.

We support increasing education, training and competency standards for financial planners. A national competency exam for financial planners, with ongoing professional development, would help give consumers confidence that their financial planner meets high standards. Further, we consider that a centralised public register of financial adviser misconduct would also benefit customers.

Prime Access

In April this year we disclosed that we would reimburse some of our Prime Access clients after it was identified that the documented annual review, part of a package of services, had not been provided. Prime Access is a fee-for-service package introduced in 2003 and includes priority access to financial planners, information about investments and a documented annual review.

In August 2013 we reported this to the Australian Securities and Investments Commission (ASIC). A remediation program commenced and we have kept ASIC informed throughout the process.

We continue to refund clients who did not receive the documented annual review. Affected clients are being refunded an amount representing the cost of the documented annual review not provided, plus interest.

We have also put in place a range of measures to ensure we provide customers their full package of services.

Timbercorp Managed Investment Scheme

ANZ was a financier to the Timbercorp Group. The Timbercorp Managed Investment Scheme failed in 2009, leaving many investors to pay off their outstanding loans to Timbercorp in circumstances where their investment had failed. The Senate Economic References Committee is conducting an Inquiry into Forestry Managed Investment Schemes including the role of financial advisers. ANZ made a detailed submission to the Inquiry in December 2014 and the Deputy CEO appeared before the Committee in August 2015. ANZ has met with a number of investors and has assisted in bringing their situation to the attention of the liquidator. ANZ has also supported introduction by the liquidator of a consumer advocate to help borrowers resolve matters.

ANZ did not provide financial advice to investors in relation to Timbercorp in the years leading up to its collapse.

OUR 2016 TARGETS

OBJECTIVE

TARGET

Improve customer experience

- Improve customer satisfaction ranking (relative to our peers) in our Retail and Commercial businesses (Aus and NZ)
- Maintain #1 ranking on the Relationship Strength Index (RSI) for large Corporate and Institutional Banking (Aus and NZ)

Support customers who are experiencing financial hardship

- Complete development of improved repayment options for customers in hardship holding secured loans (such as mortgages) (Aus)
- Enhance the support provided to vulnerable customers by improving staff capability through additional training of at least 80% of Customer Connect employees on empathy and identifying issues such as family violence and elder abuse (Aus)
- Conduct a review of referred hardship customers who have completed MoneyMinded training (online) to assess the contribution of financial literacy support on customer outcomes (Aus)

Improve customer confidence in the security of their information

- Strengthen customer cybersecurity support across all customer channels to facilitate customer reporting of suspicious cyber events to ANZ (Aus)
- Extend customer cyber security awareness to at least five other countries in which ANZ operates (Group)

MANAGING OUR BUSINESS SUSTAINABLY

The social and environmental impacts of our activities are considered in our lending, procurement and product development decisions. We are also taking action to reduce the environmental footprint of our business operations.

MATERIALITY REVIEW KEY THEMES:

- ➔ Effective management of reputation and governance risk requires taking into account the social and environmental impacts of our lending decisions.
- ➔ There is an opportunity to be more transparent in explaining to stakeholders how social and environmental considerations have been addressed, particularly in relation to the financing of the coal industry.
- ➔ Human rights impacts, including those associated with alleged inappropriate land acquisition, are prominent in some of the developing economies in which ANZ operates. We need to ensure our approach to human rights meets community expectations and reflects current international standards and frameworks.

OUR APPROACH

We recognise there may be social or environmental impacts arising from the operations of our business customers. We are therefore focused on supporting our customers to manage their impacts. This is particularly important in some countries in Asia and the Pacific where we need to factor in the complexities of emerging regulations and enforcement, and cultural difference. We seek to apply a consistent approach in all our countries of operation via our policies and standards, being mindful of local market conditions.

ANZ requires all customers and transactions to be assessed for possible social and environmental issues. The screening process is applied to all new customers, all material new transactions of existing customers and annual reviews of all customers. The screening tool assists our employees to:

- assess reputational, social and environmental issues
- consider stakeholder concerns
- assess the adequacy of management and mitigation strategies.

The social and environmental impacts of our financing decisions are monitored on a continuous basis through our 'Reputation Risk Radar'. Notable incidents and allegations inform regular Early Alert Review meetings, which consider social, environmental, governance and credit risks. The meetings are attended by ANZ Risk Officers and customer-facing employees from across our operations. Regular dialogue between banking relationship managers and customers also alerts us to issues that may arise.

Where impacts are identified that are not consistent with ANZ's policies, we work with customers to 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 decline financing or exit the relationship.

While supporting our customers to achieve sustainable outcomes, we are also taking actions to reduce the environmental footprint of our own operations. As we grow our presence across Asia Pacific, we continue to measure and reduce our impacts, undertaking environmental initiatives that make sense to our customers, our employees and to the bottom line.

Our procurement activities may also give rise to social and environmental impacts. Our Group Sourcing Policy guides our decision-making processes and our Supplier Code of Practice (SCOP) sets out our expectations of our suppliers, including, business ethics, governance and compliance, workplace relations, occupational health and safety and environmental management. In addition to monitoring compliance against our SCOP, we engage an independent third party to undertake sample screening, focusing our

efforts on those suppliers posing significant potential risk to our brand and operations.

SENSITIVE SECTOR POLICIES

In addition to the customer screening process discussed earlier, the primary way through which we manage the risks associated with lending to business customers engaged in socially and environmentally sensitive industries is through the training of our employees and application of our Sensitive Sector Policies.

Our Sensitive Sector Policies ensure social and environmental considerations are incorporated into our lending decisions and are applied before we enter into a banking relationship with a customer. As required by our policies, arrangements with customers are reviewed annually.

We have six Sensitive Sector Policies covering:





The customer had specific time-bound plans to ensure full certification of the plantation

CASE STUDY

INDONESIAN PALM OIL

ANZ was approached by a diversified business seeking working capital finance for its large palm oil plantation and refining business.

ANZ is selective when engaging with customers in this sector due to stakeholder concerns in relation to the industry's contribution to deforestation and habitat destruction.

Our Forestry and Forests Policy and palm oil requirements were applied to evaluate the opportunity. We require our customers to be certified through a palm oil certification program. In this instance, the Indonesian Sustainable Palm Oil (ISPO) certification was applied to the business, as mandated by Indonesian law, and the customer had specific time-bound plans to ensure full certification of the plantation.

An initial social and environmental assessment for the customer concluded the company's policies extended beyond ISPO standards and were similar to other leading producers in prohibiting deforestation, burning, conversion of high conservation value areas and exploitation of communities. ANZ also investigated their approach to corporate sustainability. The company was found to engage with stakeholders through various channels including its sustainability programs focused on education, health, economic empowerment for the communities and environmental preservation.

The outcome of the assessment was that ANZ endorsed this company for on-boarding based on their comprehensive policies, corporate sustainability framework, stakeholder engagement and strong track record in the industry. We will monitor progress towards achieving certification as part of ongoing engagement with the customer.

Through our Sensitive Sector Policies we support customers who:

- demonstrate a balanced approach to the social, environmental and developmental impacts of their business
- adopt management practices to continuously improve their social and environmental performance
- adopt internationally accepted industry management practices to manage social, environmental and economic impacts (including affects on human rights, biodiversity, cultural heritage, indigenous rights, health and safety, and governance).

We review the policies bi-annually and any changes to the policies must be approved by the Reputation Risk Committee. As part of this process we benchmark against peers; undertake a gap analysis; review current international and national frameworks, standards and guidelines and engage with a broad range of internal and external stakeholders, including NGOs and customers.

This year we completed the review of our six Sensitive Sector Policies commenced in 2014. Stakeholder feedback, as well as our own internal analysis, has led to a number of changes to the policies. For example, an independent social and environmental issues examination for large-scale projects is now mandatory under our Extractive Industries and Hydropower policies.

There was an overall strengthening of our policies across all sectors regarding our approach to customer due diligence. For example, there is a clear expectation that customers use, or will migrate towards, internationally accepted and best practice management techniques and technologies relevant to their sector. We have also provided new guidance in our policies regarding stakeholder engagement, with an expectation that our customers will implement appropriate stakeholder engagement strategies and plans. Information about our updated policies is available on anz.com.

EMPLOYEE SUSTAINABILITY TRAINING

Business lending employees who have approval to make credit decisions are required to undertake training on ANZ's Sensitive Sector Policies. Combined with ANZ's existing screening processes and training programs, this equips them with the knowledge to make balanced and informed decisions, and drives effective customer engagement.

In 2015, more than 1,200 employees completed our online Social and Environmental Risk training, which covers our Corporate Sustainability Framework, our Sensitive Sector Policies and our approach to human rights.

This year we piloted our Social and Environmental Banking (SEB) training program, an updated version of our Sustainability Leadership Program.

The SEB program encourages examination of a range of social and environmental issues to help bankers become better at identifying, reporting and managing these risks. These issues are complex and the program equips our employees with the 'know-how' to identify and escalate sustainability risks. Adding to the complexity is the fact that these risks can be hidden within the supply chain, so an understanding of what to look for and knowing the right questions to ask is critical.

The SEB training was delivered to over 120 participants across three markets – China, Vietnam and Cambodia – exceeding our target to train 100 people in 2015. Based on the positive feedback from program participants, we will train a further 250 bankers in 2016.

SUSTAINABILITY WORKSHOPS WITH CUSTOMERS

This year we delivered two independently facilitated workshops aimed at assisting our mid-sized corporate customers in Asia to manage and better understand their social and environmental risks and opportunities. Based on the workshops piloted in Hong Kong and Vietnam in 2014, workshops were held this year in the Philippines and Indonesia, focused on supporting our customers to:

- explore the connection between good management of social and environmental impacts and business performance
- share best practices and discuss opportunities and challenges amongst peers
- develop practical steps to improve sustainability performance and deliver tangible business value.

In the Philippines our workshop was themed 'Investing in Your Workforce For Sustainable Excellence'. One of the key themes explored in this session was investing in workforce financial literacy. We leveraged ANZ's own experience in this area to talk to our customers about how this could work in practice to drive employee engagement and retention.

'Supply Chains, Sustainability and ROI: Investing for the Future' was the focus of the session in Indonesia. An expert panel from the manufacturing sector discussed investments in both infrastructure (e.g. investing in bio-fuel as an energy source) and employee engagement (e.g. investing in worker knowledge in areas such as health education and financial literacy). This was followed by a panel discussion on transportation and logistics, with leaders in the industry providing insights linking employee retention, market performance, differentiation and innovation.

CLIMATE CHANGE AND OUR ROLE IN THE TRANSITION TO A LOW CARBON ECONOMY

We support the efforts of governments around the world seeking to limit the average global temperature rise to no more than 2°C above pre-industrial levels. We recognise that achieving this is a shared challenge that will require net-zero emissions of greenhouse gases by the end of the century¹. This year we developed our 'Bridging to a low carbon economy framework', which included releasing ANZ's Climate Change Statement (available on anz.com), which sets out the actions we are taking to support the transition to a low carbon economy – including a new \$10 billion target and strengthened rules governing lending to the coal industry.

The new rules on coal are an outcome of our Sensitive Sector Policy review discussed above. Our Energy Policy now includes an emissions intensity threshold that rules out single-asset financing of any new conventional coal-fired power plants². We will only consider financing new single-asset coal-fired power plants that use advanced technology and higher quality coal to meet an emissions intensity threshold of 0.8 tCO₂/MWh³. This means power generation at emissions levels up to ~50% lower than some power stations in use today.

We will also work with our customers with existing coal-fired power plants to ensure appropriate strategies are in place to manage and reduce their emissions over time. We will be mindful to avoid any new direct financing that would expand the operating life of any existing higher emitting plants in our single-asset financed portfolio, unless the customer has a time-bound plan to significantly reduce the plant's emissions.

Over the coming year we will implement strengthened due diligence processes that govern our lending for mining, transportation and use of coal in electricity generation.

¹ 'Net' greenhouse gas emissions includes the impacts of activities that remove carbon dioxide from the atmosphere (such as carbon sequestration in forests or geological formations) and of international trade in credible emissions entitlements and offsets

² Conventional" plants are those plants not utilising advanced, commercially proven technologies (such as supercritical or ultra-supercritical boilers, gasification or circulating fluidised boilers) to significantly reduce CO₂ emissions

³ For example, ultra-supercritical plants using the advanced, commercially proven low-emissions technologies to reduce emissions by up to ~50% compared to some existing subcritical plants

Our support will be conditional on customers meeting or migrating toward best practice, including:

- reducing greenhouse gas emissions and improving energy efficiency
- a commitment, capacity and proven track record to manage the social and environmental impacts of their operations (for example, effective dust management plans for the transportation of coal, and comprehensive community engagement plans for mining activities).

Our revised policies and our commitments reflect that coal currently provides around 40% of the world's electricity needs. Credible global future energy scenarios, including from the International Energy Agency, forecast that coal will comprise a significant share of the energy mix in the short to medium term. We will therefore continue to support our customers in the natural resources and energy sectors during the transition, provided they meet our strengthened lending policies and standards.

We trade certificates under the Renewable Energy Target and state-based energy efficiency schemes in Australia and the New Zealand Emissions Trading Scheme. In the past financial year, we traded (on a physical and forward basis) around 46 TWh of renewable energy certificates; 163 million tonnes of CO₂-e through a variety of carbon certificates; and around nine million tonnes of CO₂-e in energy efficiency certificates.

FINANCED EMISSIONS

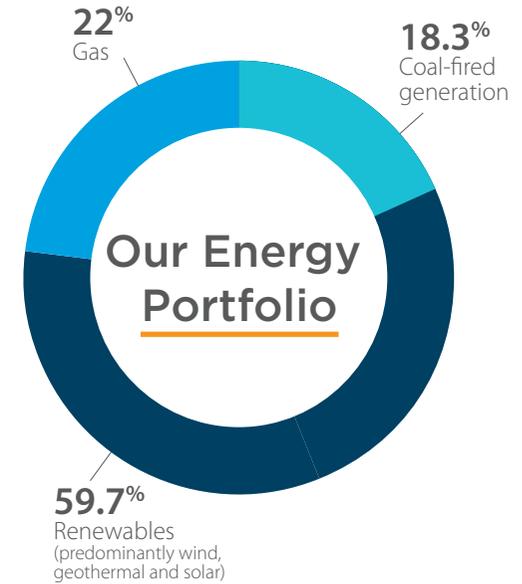
We are continuing to track and report our progress towards reducing the emissions intensity of our direct funding of electricity generation in our project finance portfolio. We consider this to be a key sector to focus on, given the high emissions intensity of electricity generation in many countries. We will consider expanding our assessment in the event a globally accepted industry standard is developed.

AVERAGE EMISSIONS INTENSITY OF GENERATION FINANCED (TONNES CO₂-e PER MEGAWATT HOUR OF ELECTRICITY GENERATED)⁴

	2015	2014 ⁵	MOVEMENT YEAR ON YEAR
Australia	0.64 ⁶	0.77	-17%
Outside Australia	0.20 ⁷	0.25	-20%

We will continue to track and report our progress towards reducing the emissions intensity of this portfolio. In Australia, the average emissions intensity of generation financed by ANZ is around 23% lower than the Australian grid average of 0.83 tCO₂/MWh⁸. Outside Australia, this is around 16% below the average emissions intensity of generation⁹ in those countries.

We support and participate in the Portfolio Carbon Initiative, a global initiative that is attempting to develop a guidance document for banks and asset owners that would become the industry standard for reporting on 'climate performance indicators', including financed emissions. The initiative is led by the United Nations Environment Programme Finance Initiative (UNEP FI) and the World Resources Institute. As a member of UNEP FI, we will continue to participate in this initiative in 2016 to ensure we contribute to, and are in a position to respond to, the emergence of any new industry reporting standards.



4 Reported figures do not include generation under construction

5 2014 financed emissions figures have been restated from those reported in the 2014 Corporate Sustainability Review. A calculation error resulted in the average emissions intensity of Australian generation financed being restated from 0.69 tonnes of CO₂ per megawatt hour of electricity generated, to 0.77 tonnes of CO₂ per megawatt hour of electricity generated. More accurate information has also led to a restatement of emissions intensity for assets financed outside of Australia. As a result, the figure of 0.24 tonnes of CO₂ per megawatt hour of electricity generated reported has been restated to 0.25 tonnes of CO₂ per megawatt hour generated

6 This figure was calculated using generation and emissions data from four sources: (1) Australian Energy Market Operator (AEMO) for generators connected to the National Electricity Market (NEM) grid, (2) Independent Market Operator (IMO) for generators connected to the South West Interconnected System (SWIS) in Western Australia, (3) 2013-14 National Greenhouse and Energy Reporting (NGER) data for designated generation facilities (available from Australian Clean Energy Regulator website), (4) estimates by ANZ for remaining generators where there was no data available from the first three sources. Overall, AEMO, IMO and NGER data was available for over 98% of electricity generation from projects financed by ANZ in 2015. The proportion of generation attributable to ANZ finance was based on the ratio of ANZ Class 1 Debt Limits to Total Syndicate Debt. This figure is directly comparable against the Australian average emissions intensity of electricity

7 This figure was calculated using generation and emissions data from three sources: (1) New Zealand Electricity Authority for New Zealand generation assets, (2) CARMA database maintained by the Centre for Global Development, (3) estimates by ANZ for remaining generators where there was no data available from the first two sources or where it was considered potentially inaccurate. The proportion of generation attributable to ANZ finance was based on the ratio of ANZ Class 1 Debt Limits to Total Syndicate Debt

8 The Australian average emissions intensity of generation is the weighted average emissions intensity of the NEM, SWIS, North Western Interconnected System (NWIS) in WA and the Darwin Katherine Interconnected System (DKIS) in the Northern Territory averaged over the past three years. Source: National Greenhouse Accounts Factors, August 2015, Department of Environment

9 Outside Australia, the average emissions intensity of generation has been calculated based on ANZ's weighted contribution to energy in that country taken from the International Energy Agency

10 Refers to ANZ's lending commitments as at 30 September 2015 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

 **CASE STUDY****BURGOS WIND FARM**

We were the lead bank for the Burgos Wind Project (BWP) located in Northern Philippines. Commissioned in November 2014, it is the biggest operating wind farm in the Philippines, expected to generate approximately 233 GWh annually and power more than a million households. It will also displace approximately 200,000 tons of carbon emissions annually. BWP has won several awards, including being named the Asia-Pacific Renewables Deal of the Year by Project Finance International in 2014.

Prior to proceeding with this transaction, ANZ assessed the project against our Energy Policy and the Equator Principles. We also engaged an independent technical advisor to ensure appropriate environmental management plans were in place. This additional due diligence confirmed that the customer had adequately identified the key issues and had developed Environmental and Social Management Plans (ESMP) to ensure all issues would be appropriately managed. Compliance with the EMP was monitored and reported during the project's duration.

 **CASE STUDY****EXTRACTIVES INDUSTRY
IN SOUTH EAST ASIA**

We were approached to provide advice and finance for a processing plant in South East Asia. The company has a strong track record in managing its sustainability risks. It operates in one of the most challenging environments in the region and deals with a number of complex social and environmental issues that take place on, or nearby its company grounds. ANZ conducted an evaluation of the environmental, social and governance (ESG) elements of this project using our Extractives Policy. The outcomes indicated that the mine supplying raw materials to the plant was not fully compliant with ANZ's policy. Even though the mine was not part of the business engagement, it did form a key part of the supply chain of the processing plant. Taking this into consideration, ANZ was not satisfied with the ESG risks associated with the plant and declined to provide funding.



**ANZ was the lead bank
for the Burgos Wind
Project located in
Northern Philippines**

HUMAN RIGHTS

Our human rights standards, *Respecting People and Communities: ANZ's Approach to Human Rights*, guide the way we treat our employees, promote a culture of respect with our customers and suppliers, and contribute to the communities in which we operate. These standards are available in five languages and take account of the UN Guiding Principles on Business and Human Rights.

Our standards are supported by our Code of Conduct and Ethics, and a number of Group-wide policies and internal training programs that aim to protect and promote human rights. Our approach includes support of the UN Global Compact and OECD Guidelines for Multinational Enterprises and the application of external standards, such as the Equator Principles, to all project finance transactions.

Specific business and functional areas have responsibility for ensuring we have policies and systems in place to identify and manage our human rights impacts. For example, the Reputation Risk Committee plays an important role in the identification and remediation of human rights issues in our business dealings. In addition, we have embedded our standards in our everyday business through many of our human resources policies.

We provide training and education on our standards to employees in key business areas. We also work with other stakeholders – including customers, business partners and suppliers - to encourage their support for our approach and standards.

We have embedded our human rights standards in the development and review of client screening tools, lending policies and training initiatives that support and guide our business lending decisions. As noted earlier in this chapter, it is mandatory for all of our bankers to undertake training on human rights.

In 2016 we will review our standards to ensure they are meeting our stakeholders' expectations and reflecting recent developments, including the UN Guiding Principles Reporting Framework and the Sustainable Development Goals. Recommendations for strengthening the standards will be made in consultation with stakeholders, including external subject-matter experts, shareholders, NGOs and employees.

Phnom Penh Sugar Company, Cambodia

In 2015, NGOs lodged a complaint against ANZ to the Australian National Contact Point (ANCP) of the OECD Guidelines for Multinational Enterprises. The complaint followed claims made in 2014 by NGOs that our due diligence process had failed to identify alleged human rights issues relating to our former customer, the Phnom Penh Sugar Company in Cambodia.

ANZ has been assisting the ANCP examine the issues and will continue to encourage a resolution to the broader land acquisition debate in Cambodia. (For further information about the ANCP complaint process please see the Australian Government's ANCP website).

During the year we have maintained dialogue with NGOs regarding alleged inappropriate land acquisition by our customers, particularly in Asia and the Pacific. These discussions informed our Sensitive Sector Policy review, resulting in explicit requirements in our Forestry and Forests, Water, Hydroelectric Power and Military Equipment policies that our customers implement appropriate stakeholder engagement strategies and plans to ensure community concerns are considered appropriately.



CASE STUDY

CONTRIBUTING TO A LOW CARBON FUTURE

This year we launched our first green bond, raising \$600 million, the largest climate related bond by an Australian issuer.

Our five year fixed rate bond will finance a portfolio of loans that directly contribute to developing lower carbon industries, technologies and practices. Proceeds will also be allocated for investment in future 'green' projects.

Assets in the bond comprise loans to renewable energy generation projects and Green Star rated commercial property buildings in Australia, New Zealand and parts of Asia. The bond has been certified by the Climate Bonds Initiative – a not-for-profit organisation promoting large-scale investments contributing towards the transition to a lower carbon economy.

Global Head of Debt Syndicate Paul White said: "Strong demand from a diverse spectrum of investors for this transaction highlights the growing number of sustainable and ethical mandates within the institutional investment community. We expect the green bond market will continue to grow, as issuers look to tap the significant liquidity available."

THE EQUATOR PRINCIPLES

ANZ has been a signatory to the Equator Principles since 2006. The Equator Principles is a set of voluntary standards designed to help banks identify and manage risks associated with the direct financing of large infrastructure projects such as dams, mines and pipelines. They provide a clear, structured process to identify, mitigate, manage and monitor social and environmental risks. The Equator Principles apply globally, to all industry sectors and all project finance transactions.

Use of the Equator Principles across the banking industry means our customers are able to provide environmental assessments to one standard acceptable to banking syndicates.

As a signatory to the Equator Principles, we commit to implementing them in internal environmental and social policies, procedures and standards for financing projects and will not provide Project Finance or Project-Related Corporate Loans to projects where the customer will not, or is unable to, comply with the Equator Principles. We regard the Principles as complementary to our Sensitive Sector policies.

PROJECT ADVISORY SERVICES

The total number of Project Finance Advisory Services mandated this year was three. The breakdown is as follows:

BREAKDOWN BY SECTOR AND REGION

BY SECTOR	
Natural Resources	3
Infrastructure	-
Power & Utilities	-
Diversified	-
BY REGION	
Australia and New Zealand	-
Asia	3
Europe, Middle East & Africa	-
Americas	-

PROJECT FINANCE

The total number of Project Finance transactions that reached financial close this year was eight. The breakdown is as follows:

	CATEGORY A ¹¹	CATEGORY B ¹²	CATEGORY C ¹³
	1	4	3
BY SECTOR			
Natural Resources	1	2	0
Infrastructure	0	1	3
Power & Utilities	0	1	0
Diversified	0	0	0
BY REGION			
Australia and New Zealand	0	4	3
Asia	1	0	0
Europe, Middle East & Africa	0	0	0
Americas	0	0	0
BY COUNTRY DESIGNATION ¹⁴			
Designated	0	4	3
Non-designated	1	0	0
INDEPENDENT REVIEW ¹⁵			
Yes	1	4	3
No	0	0	0

11 Category A: Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented

12 Category B: Projects with potential limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures

13 Category C: Projects with minimal or no social or environmental impacts

14 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/>

15 An independent review may not be required for all Projects. e.g. 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

REDUCING THE ENVIRONMENTAL FOOTPRINT OF OUR OPERATIONS

We measure and track our environmental impact across the 34 countries in which we operate. This assists us to identify and prioritise areas for continuous improvement in our environmental performance.

ANZ meets the requirements of the *National Greenhouse and Energy Reporting Act 2007 (Cth)* (NGERS), which imposes reporting obligations where energy production, use or greenhouse gas emissions trigger specified thresholds. We also disclose our environmental performance via the CDP (formerly the Carbon Disclosure Project). This year we received a disclosure score of 100 becoming one of only three Australian companies to be included on the Climate Disclosure Leadership Index for ten consecutive years.

Premises energy is our most significant environmental impact, with energy use in our data centres expected to reach around 35% of our global carbon footprint by 2017. Minimising this impact, while also satisfying the growing customer demand for online banking services, is one of our biggest challenges and is a key focus in the design of our data centre expansions, currently underway in both Australia and New Zealand.

ENERGY EFFICIENCY

Our customer environments

Energy efficiency is critical to our business and informs the development of our customer environments. For example, in 2015, we installed 254 'next generation' ANZ ATMs across Australia, with the rollout to continue in 2016. The 'next generation' ATMs are making it easier and more convenient for our customers to bank with ANZ and have the advantage of reducing our annual energy costs as they are designed to use 60% less power than earlier models.

We have also commenced a program to upgrade ANZ retail premises with LED lighting. This year, eight sites in New South Wales were upgraded, with an estimated \$19,000 annual energy cost saving. Building on our experience to date, an annual program of LED upgrades is expected to deliver a further \$120,000 of savings per annum (approximate) in reduced energy costs and maintenance.

Our commercial premises

This year we relocated around 2,500 staff into new premises in Bengaluru, India. The new campus at RMZ Ecoworld provides employees with cafeteria services and a gymnasium, as well as the latest technological features, including a building management system for climate control, a light management system automatically triggered by occupancy, as well as sunlight sensors for blinds, sunfilm to reduce heat gain and LED lighting. The new site not only provides an improved working environment for employees but also delivers a 15% minimum monthly energy saving.

CARBON NEUTRAL

As part of our commitment to carbon neutrality, we support carbon abatement projects that assist communities in the markets in which we operate. In 2015, we procured 235,000 tonnes of carbon offsets derived from wind power generation primarily in the Hebei Guyuan County of China, and 40,000 tonnes of carbon offsets from a residential bio-gas project operating across Vietnam.

The bio-gas project focuses on the provision of clean energy from animal and household waste, previously under-utilised and contributing to unhygienic domestic environments. The bio-gas is used for heating, cooking and lighting, and removes the drudgery and significant time incurred by women collecting wood for the aforementioned purposes. This project also creates rural jobs and supports the development of a growing commercial bio-gas sector. The project is the first Gold Standard project in Vietnam and has won three international awards including the 2012 World Energy Award.



CASE STUDY

SUSTAINABLE SOLUTIONS FOR OUR CUSTOMERS

ANZ's success and expertise in reducing its own carbon footprint and increasing the energy efficiency of its operations, resulted in us being retained as financial advisor to a major retailer in Australia to explore energy efficiency and renewable energy options. ANZ was part of a project team that evaluated the range of options available and assessed them against their return on capital in order to prioritise key initiatives. As a result of the work undertaken, the retailer's board allocated capital to implement energy efficiency changes in LED lighting, refrigeration and air conditioning. In addition, the retailer instituted a pilot program of solar sites across its network and commenced evaluation of funding options. Based on the outcome of the pilot and additional financial advice on funding options from our team, the retailer intends to commence the roll-out of solar installation across its network in 2016.

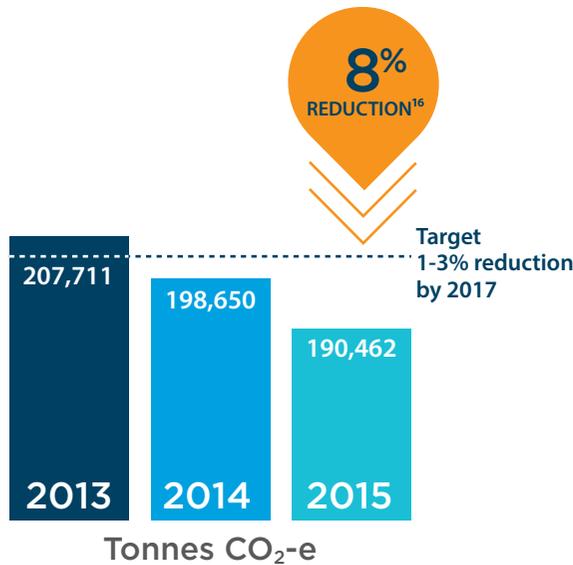
PROGRESS AGAINST OUR 2015-2017 GROUP-WIDE ENVIRONMENT TARGETS

Achieve an absolute reduction in GHG emissions from premises energy by 1-3% by 2017 (against a 2013 baseline) and maintain carbon neutrality.

We are tracking ahead of our GHG reduction target as a result of a rationalised property portfolio in Australia and significant improvements to the operation of our data centres.

At our two national data centre sites, energy containment projects have been undertaken to reduce the mixing of cold and hot air streams, allowing our data halls to operate at higher temperatures. They also reduce the number and severity of 'hot spots' within the data halls, lowering the risk of IT equipment overheating. The energy containment works have contributed towards a 4% reduction in the energy consumption of cooling equipment and have improved the efficiency of the cooling plants by 3%.

We have also made a significant investment in LED technology, having installed more than 2,000 new LED lights in our Australian data centres, which is predicted to reduce lighting consumption by more than 60% compared to our 2014 readings.



¹⁶ From 2013 baseline

¹⁷ From 2014 baseline

¹⁸ From 2013 baseline

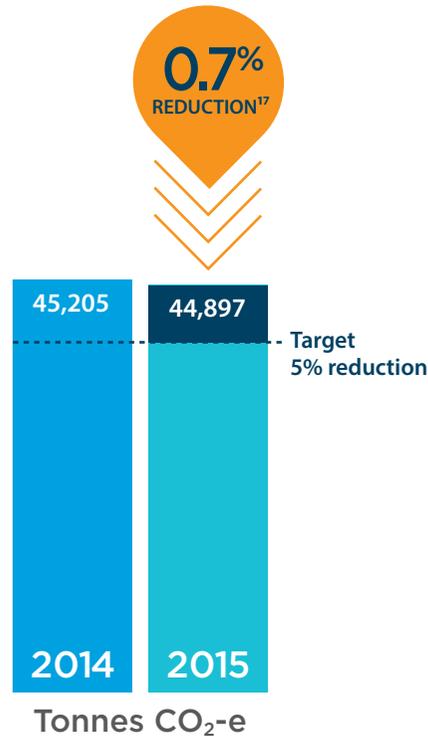
TRAVEL

Achieve an absolute reduction in GHG emissions from air travel of 5% in 2015 (against a 2014 baseline)

In 2015, ANZ reduced its emissions from air travel by 0.7% on the previous year. While this was not sufficient to meet our 5% reduction target, it demonstrates an overall improvement.

We track emissions associated with our air travel, fleet, car rentals and business travel undertaken in personal vehicles. Travel is our second most material GHG impact after electricity use and we have strategies in place that discourage travel and promote the adoption of alternatives. We have introduced more efficient fleet vehicles wherever possible and have sought to restrict air travel spend.

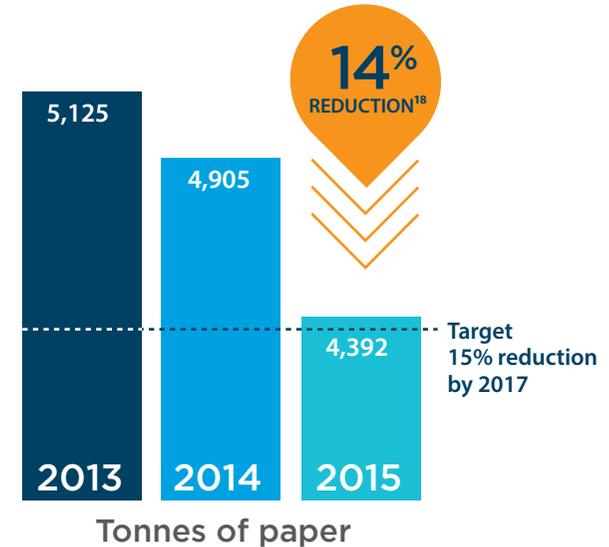
In 2016, we will focus on monitoring the use of technologies such as video conferencing to encourage employees to reduce travel, in order to reduce associated emission levels.



PAPER

Reduce paper consumption by 15% by 2017 across material operations (against a 2013 baseline)

We are on track to achieve our paper reduction target (down 14% with savings of more than \$1.2 million). We have achieved this primarily by switching to electronic communications and online statements (part of ANZ's wider digitisation strategy).



RECYCLING

Expand the number of recycling programs across material commercial offices and establish a waste baseline by 2017

In our corporate headquarters in Melbourne, we have introduced new signage to educate employees on how to use our building recycling facilities. We are also working with our cleaning and waste contractors to improve the sorting and monitoring of waste. As a result of these efforts we are now recycling 60% of waste at this site - up 5% from last year.

Building on this success, we are progressively reviewing waste management and cleaning contracts across all major commercial sites in Australia and New Zealand.

WATER

Apply eco-efficient design standards to improve water efficiency in our material branches and offices

In 2015, ANZ incorporated water efficient design into three major fit-outs, with the objective of demonstrating a reduction in water consumption compared to standard fit-outs. ANZ's new offices at RMZ Ecoworld in Bengaluru, India, are designed to reduce water consumption by 40%, compared to a standard building fit-out. Water efficient design is also being incorporated into our new data centres in Australia, as well as into our new flagship retail branch in Sydney. All new fit-outs are expected to use less water than our previous standard designs when they are completed during 2016.

RESILIENCE

Develop a weather and natural disaster property resilience strategy

This year, ANZ commissioned an external independent review of our global property portfolio to identify sites most at risk from extreme weather. This work utilised the latest weather data sets and projections from the Intergovernmental Panel on Climate Change, CSIRO and NASA, in addition to ANZ's own record of disruptions caused by extreme weather events.

Many ANZ locations across the Asia-Pacific are vulnerable to extreme weather events. Cyclone Pam, a category five cyclone that devastated Vanuatu in March 2015, is a recent example where ANZ's assets were impacted by extreme weather, resulting in disruption to normal business operations.

In the coming year, we will develop an integrated approach to resilience that addresses both emerging and known impacts of climate change and weather hazards. By considering resilience in the planning and operation of our physical assets, ANZ can better prepare for these events, with types of materials specified and methods of construction, to ensure a faster return to operations for our customers. This is particularly important to provide access to funds for people seeking to purchase food, clothing and supplies essential for recovery.

SUSTAINABLE PROCUREMENT

Our social, environmental and governance expectations of suppliers are built into our procurement processes. We have a Group Sourcing Policy, which defines the principles and behaviours of everyone involved in procurement to ensure fair, safe and responsible conduct. Our Sustainability Guidelines for Procurement in specific categories, such as IT, motor vehicle leasing, legal services, print services and corporate wardrobe, assist our sourcing managers to understand and mitigate any adverse social and environmental impacts of our procurement activities.

Compliance with our SCOP is supported contractually and through risk-based screening undertaken by a third party. A risk management framework is used to identify higher risk suppliers based on category and spend. Those suppliers are screened using more than 600 public databases across 50 countries to identify any alleged or actual incidences of legal, reputational or governance misconduct.

This year we completed a three-year independent screening program in which suppliers were selected (based on spend and potential risk) and screened for compliance against our SCOP. Since 2013, more than 8,600 suppliers have been through this process, with suppliers identified as 'high risk' and non-compliant being subjected to a deeper level of screening. The 133 suppliers identified in the last three years as being of a higher risk have either self-assessed their compliance against our SCOP or are no longer doing business with ANZ. Those suppliers who remain part of the ANZ supply chain will be monitored to track any occurrences should they re-emerge in the high-risk category over the next few years. Where a supplier is unable to remain compliant, we may exit the relationship or, where this is not feasible, we will work with the supplier to improve their performance.

Having reviewed the outcomes of the three-year screening program, we have determined that we need to focus on suppliers operating in countries assessed as high-risk¹⁹. We recognise that the social and environmental risks in our supply chain are more likely to be higher in countries where legal and regulatory frameworks governing issues such as occupational health and safety and labour rights are still developing, rather than in our home markets of Australia and New Zealand.

In addition to managing the risks associated with our supply chain, we also have an opportunity to collaborate with some of our suppliers to progress priority areas of our sustainability framework, such as diversity and inclusion. We have worked with our suppliers to improve gender balance through our membership of the 'supplier multiplier' (an initiative of the Male Champions of Change), and we now have a target to increase spend with indigenous suppliers by at least 50% in the coming year.

¹⁹ Those countries with a score of <70 on the Transparency International Corruption Perceptions Index'

OUR 2016 TARGETS

OBJECTIVE

TARGET

SUSTAINABLE DEVELOPMENT

Engage with and support our customers to manage their environmental, social and governance (ESG) risks and opportunities

- Deliver social and environmental Banking risk training to at least 250 bankers in our International and Institution Banking (IIB) and Corporate and Commercial Divisions (Group)

Integrate social and environmental considerations into our business decisions

- Review and update our Human Rights Standards (Group)

Support transition to a low carbon economy

- Facilitate at least \$10 billion in investment by 2020 in low carbon and sustainable solutions, including renewable energy generation, green buildings and less emissions intensive manufacturing and transport (IIB)

ENVIRONMENT²⁰

Reduce the direct impact of our business activities on the environment

- Absolute reduction in GHG emissions from premises energy by 1-3% by 2017 (against a 2013 baseline) and maintenance of carbon neutrality
- Reduce paper consumption by 15% by 2017 across material operations (against a 2013 baseline)
- Expand number of recycling programs across material commercial offices and establish a waste baseline by 2017
- Apply eco-efficient design standards to improve water efficiency in our material branches and offices
- As part of the development of a weather and natural disaster property resilience strategy, produce guidance for higher impact locations to inform decision making on property fit-out
- Develop a baseline in 2016 to measure the impact of improved use of technology to reduce/mitigate the need to travel and reduce associated emission levels²¹

SUPPLY CHAIN

Identify and manage the social, environmental and governance (ESG) risks of our procurement decisions

- Apply a strengthened third party ESG screening process to all suppliers in high-risk countries²², including ongoing monitoring of compliance with ANZ's SCOP (to be completed by 2017) (Group)

Increase our support of indigenous businesses

- Significantly increase (by at least 50%) our spend with indigenous suppliers (Aus)

²⁰ Our environmental targets apply to the 1 July – 30 June year in line with the Australian government NGERs regulatory reporting year. Unless specified, targets are Group-wide and for a three year period, 2015 – 2017

²¹ This is a one year target

²² High risk countries are those that score <70 on the Transparency International Corruption Perceptions Index

INVESTING IN OUR COMMUNITIES

We contribute to and invest in the communities in which we operate to support growth and development, improve wellbeing and build reputation and trust.

MATERIALITY REVIEW KEY THEMES:

- There is an opportunity for ANZ to 'scale up' existing money management skills programs to support a greater number of unbanked, vulnerable and low-income consumers.
- Technology is driving solutions for remote and rural customers – this is a key opportunity for unbanked populations, and ANZ has a role to play in educating new to bank customers about how best to manage their financial situation. This includes ensuring that customers have an understanding of financial products, how they work and the risks involved.
- As a large organisation, it is important that ANZ supports its customers and communities, through workplace volunteering and giving and the provision of natural disaster relief.

OUR APPROACH

The key contribution we make to the communities in which we operate is our long-term investment in building financial literacy and inclusion. We also contribute through employment, use of local suppliers and payment of taxes as well as through donations for a range of causes, including emergency relief from natural disasters, facilitating charitable giving by employees, customers and shareholders and employee volunteering.

We use our resources, skills and capabilities to assist communities and individuals to grow, building financial inclusion and economic empowerment. Our long-term investment in lifting levels of financial literacy and inclusion contributes to addressing a number of societal challenges,

and also brings a range of business benefits. Customers with higher levels of financial literacy tend to hold more financial products and make more informed financial decisions. Our financial education programs strengthen awareness of our expertise, leadership and reputation among stakeholders, including governments, regulators and community organisations. Our actions and reputation for contributing to the wellbeing of individuals and communities is important in gaining access to markets and growing our presence in Asia in accordance with our super regional strategy.

Our employees tend to be more engaged and proud of the business they work in as a result of our community contributions, such as donations to assist with emergency relief in the wake of natural disasters and paid leave to volunteer with local charities.

G
Giving
 Enabling our people, customers and shareholders to donate regularly to our charity partners

I
Investing
 Investing in long-term community programs and partnerships

V
Volunteering
 Providing opportunities for our people to donate their time and skills to community causes

E
Emergency
 Supporting relief and recovery efforts when disasters occur in communities where we operate

WE INVEST SIGNIFICANTLY IN THE COMMUNITIES WHERE WE OPERATE THROUGH OUR GIVE PROGRAM

We have internal policies and programs to support our GIVE program and they are regularly reviewed to ensure they remain aligned with our Corporate Sustainability Framework.

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. We also commission regular independent evaluations of our community investment programs and initiatives to assess their impact on the community.

CONTRIBUTION BY TYPE¹

TYPE	\$
Cash	11,939,971
Time	4,032,032
In kind	211,575
Management costs	2,477,110
Foregone revenue	56,138,760



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 (e.g. company products or services or corporate resources). Management costs: Costs incurred in making contributions, such as salaries and overheads. Foregone revenue: 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 Figure includes foregone revenue of \$56.1 million, prepared in accordance with GRI G4 Financial Services Sector Supplement

GIVING

WORKPLACE GIVING PROGRAM

Our matched workplace giving program enables employees to make contributions to any of our 22 nominated charity partners through regular pre-tax payroll deductions. In 2015, together with our staff we donated approximately \$860,500 to charities through our Australian workplace giving program.

ANZ STAFF FOUNDATION

The ANZ Staff Foundation is a registered trust that provides small grants of up to \$5,000 to charities around Australia. A National Advisory Board and State Committee comprising of ANZ volunteers manage the Foundation and are responsible for assessing the grants for funding. In 2015, the ANZ Staff Foundation provided 76 grants, totalling nearly \$360,000, to community organisations across Australia.

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 2015, our Australian customers donated more than \$535,000 to our charity partners.

SHAREHOLDER GIVING PROGRAM

Our shareholder giving program allows shareholders to donate some or all of their cash dividends to any of our community partners. ANZ shareholders donated approximately \$47,500 this year.

INVESTING

Our flagship community investment is in education programs to assist people on lower incomes and with low levels of financial literacy to build their money management skills and savings. In 2015, we invested over \$4.5 million in research into financial literacy and our MoneyMinded and Saver Plus programs.

BUILDING FINANCIAL INCLUSION AND ECONOMIC EMPOWERMENT

Financial Inclusion – access to financial products and services – is widely recognised as needed for individual wellbeing and economic growth and development of economies. Levels of financial inclusion vary across the diverse markets in which ANZ operates. For example, in some of our Pacific markets up to half of the population is unbanked, with many unbanked people living in rural or remote locations. Financial Literacy - knowing how to use financial products and services, save and make sound financial decisions - is also essential to financial inclusion.

In markets with high numbers of unbanked people, levels of financial literacy tend to be low. In our home markets of Australia and New Zealand, our regular research identifies groups most likely to have low levels of financial literacy: young people, people with low levels of education, people in 'blue collar' occupations and people with low levels of assets and savings.

With aging populations in our home markets, governments are providing incentives for people to save during their working lives to provide financial security in retirement and a pension 'safety net' where individuals' savings are insufficient. Our research into financial gender equity in Australia identifies single women as the group most at risk of retiring with low levels of savings and superannuation

We understand that these challenges need to be addressed through a range of initiatives by governments, business and society. We are making a contribution through the actions outlined below.

FINANCIAL LITERACY RESEARCH

This year we released our fifth *Survey of Adult Financial Literacy in Australia*³. The survey of 3,400 adults provides detailed information about the groups in Australia with low levels of financial literacy. A range of organisations, including the Australian Securities and Investments Commission which leads work on Australia's National Financial Literacy Strategy, use the Survey to inform their approach to lifting levels of financial literacy.

MONEYMINDED

MoneyMinded is a financial education program delivered by community partner organisations in Australia and a mix of community organisations and accredited employees in other markets to people with low levels of financial literacy on lower incomes. MoneyMinded is delivered in 21 of ANZ's markets. More than 67,000 people received MoneyMinded training in 2015 and more than 360,000 people participated since the program started in 2003.

Traditionally delivered face-to-face, in 2014 we made MoneyMinded available online to help increase program scale and reach. Evaluation of the effectiveness of MoneyMinded online shows that participants in both MoneyMinded online and face-to-face workshops improved across all indicators: saving behaviour, ability to plan ahead, use of budgeting tools, knowledge of financial products and consumer behaviour and understanding superannuation⁴.

Customers requesting hardship support in Australia are now offered MoneyMinded online training to assist them in building their money management skills. Refer to the [Serving Our Customers](#) chapter for further information on treatment of customers in financial hardship.

The impacts of our programs on participants are regularly evaluated. Impact evaluation in New Zealand shows the shifts in behaviour that occurred following MoneyMinded participation.

SINCE COMPLETING MONEYMINDED, NEW ZEALAND PARTICIPANTS⁵:

Changed bank accounts to ones more suited to their needs	24% ⁶
Accessed other financial services e.g. Internet Banking, KiwiSaver	47%
Encouraged their children and family members to save	90%

³ <http://www.anz.com/resources/3/131cbc1fd-9491-4a22-91dc-4c803e4c34ab/adult-financial-literacy-survey-full-results.pdf>

⁴ The Reach of MoneyMinded 2013-14 and Summary of MoneyMinded online Pilot Evaluation, RMIT University, April 2015, p.19

⁵ Source: The University of Auckland Business School, MoneyMinded Impact Report, April 2015

⁶ 53% now have a savings account



CASE STUDY

goMoney™ CHANGING LIVES

A year ago, Donald would reluctantly close his primary school for one week every few months just to travel to town to access his salary.

Where Donald lives on the Marovo Lagoon in the Solomon Islands' Western Province, life moves at a slow pace, and the infrastructure many of us take for granted is still catching up to demand. He used to spend a large portion of his salary just to get to a bank. "I used to travel sixteen hours in a passenger boat to reach the port at Gizo to do my banking," Donald says. "I would have to wait for the boat to depart at 12am and it wouldn't arrive at Gizo until 4pm the next day. Then I had to spend money staying in town and paying my sea fare."

As recently as 2013, around 80% of Solomon Islanders did not have access to a bank account. For Donald and others like him our goMoney™ mobile banking app has changed all that – bringing the time taken to pick up his pay to less than an hour.

Donald has also seen a shift take place as his community has become more financially literate. "Mobile banking has reached into our community and helped people save money...even students are registering for access which means they can start saving early in life."

MONEYMINDED BUSINESS BASICS

To support and encourage small business entrepreneurship we have developed a version of MoneyMinded to educate participants about how to set up and manage a small business. The program, piloted in Papua New Guinea this year, is designed for both 'start up' and existing small businesses wanting to improve their operation or expand. Nine employees in the Pacific have been trained to deliver the program, which will be extended to other Pacific markets, including Vanuatu, Solomon Islands and Kiribati.

SAVER PLUS

Saver Plus is a financial education and matched savings program developed jointly in Australia by the Brotherhood of St Laurence and ANZ to assist low income earners develop a savings habit. Program participants open an ANZ savings account, set a savings goal and save towards it regularly over 10 months. Savings are matched dollar for dollar up to \$500 and must be spent on education. The program is delivered in partnership with community organisations and the Australian Government.

In 2015, 2,838 participants enrolled in Saver Plus. Our report *Saver Plus: A Decade of Impact?*⁷ demonstrates the effectiveness of the program in supporting social inclusion and economic empowerment. Since 2004, Saver Plus has reached 27,505 lower income participants, 86% of them women. Participants have saved over \$16.9 million during Saver Plus, and 87% of those participants continue to save the same amount or more after completing the program. Based on the increased ability of participants to save, RMIT University estimates a Social Return on Investment of \$3.98 for every dollar of Government investment in Saver Plus. Reflecting the effectiveness of Saver Plus in supporting participants to develop a savings habit, the Australian Government has committed \$29.4 million over the next five years to allow the program to reach a further 16,750 people across Australia.

ACCESS TO BANKING IN RURAL AND REMOTE AREAS

We are providing accessible banking services in rural and remote areas, including through the support of Microfinance institutions in Asia. Our rural banking services in China and the Pacific enable economic participation for thousands of customers in remote locations.

⁷ www.anz.com/resources/a/7/a7ab5ce8-9cf1-42f6-8a02-46dfe2fe5194/saver-plus-decade-impact.pdf

⁸ This offer is available to men and women aged over 18 and in Australia. The advice offer waives advisor and implementation fees for phone-based superannuation (excluding SMSF) and life insurance advice, and commissions to ANZ or its advisors for life insurance advice. Product fees and insurance premiums may be incurred if advice is implemented. Ongoing advice is not included in this offer

In 2015 we signed a three year Memorandum of Understanding (MoU) with the Australian Government to support economic growth and sustainable development in the Pacific. Key areas of support under the MoU include: financial inclusion, financial literacy and economic empowerment of women. This MoU builds on the agreements already in place to increase financial inclusion in the Solomon Islands and Papua New Guinea through expanding access to goMoney™ and financial education for people in rural areas.

ANZ goMoney™ in the Pacific is transforming lives in rural communities by giving customers access to deposits, withdrawals and person-to-person transfers through merchants, many of whom are existing shopkeepers. Customers can also check account balances and transaction history at the touch of a button. Before goMoney™ was introduced, 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'. Since goMoney™ was launched in 2013, more than 146,000 customers have registered. Of these, more than 85,000 are new customers bringing new deposit funds of over \$29 million. We have a target to register a total of 240,000 customers in the Pacific for goMoney™ by 2017.

SUPPORTING WOMEN TO ACHIEVE AN EQUAL FUTURE

We offer free financial advice by telephone for people with less than \$50,000 of superannuation in Australia⁸. 72% of MoneyMinded participants and 86% of Saver Plus participants in Australia are women. Our support of Microfinance institutions in Asia and the Pacific encourages women in these regions to build their savings and financial wellbeing.

SEEDS OF RENEWAL PROGRAM

In addition to the financial education programs we deliver, supporting rural communities in Australia is a priority for us. Since 2003, ANZ has supported the Seeds of Renewal community grant program, which provides grants to selected community organisations to receive funding or technology equipment to support education and employment programs. In October 2014, \$255,000 in community grants were awarded to 32 projects across Australia ranging from upgrading wireless technology to increase internet access for students and community members workshops to increase skills and confidence levels of farmers in making sound financial business decisions.

VOLUNTEERING

Our Volunteer Leave Policy, which applies to permanent, regular and fixed-term employees, provides for one day of paid volunteer leave each year.

Our 2015 Group-wide target was to provide 100,000 volunteer hours. We exceeded this target, with our people volunteering 108,142 hours to community organisations within their communities. This represents more than 13,500 working days and more than \$4 million in value to the community.

EMERGENCY 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.

In 2015, we responded to natural disasters in our region by:

- Waiving fees for International Money Transfers into Vanuatu in the wake of the devastation of Tropical Cyclone Pam, and in Nepal after the earthquake in April this year
- Donating \$116,000 to the Vanuatu Red Cross Appeal Fund (\$23,000 of which was raised by employees) and \$13,870 to Save the Children to assist children and families in flood-ravaged Myanmar in the wake of Cyclone Komen
- Activating our customer assistance package to those affected by Tropical Cyclone Pam in Vanuatu, Cyclone Olwyn in Western Australia, Cyclone Marica in Queensland, storms in New South Wales and Queensland, and bushfires in Western Australia and South Australia earlier this year.

We are also developing a weather and natural disaster property resilience strategy so that we can continue to service our customers when natural disasters occur (see the [Managing Our Business Sustainably](#) chapter for further information).

TAX TRANSPARENCY

Across the countries in which we operate, ANZ contributes 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.

In 2015, ANZ global taxes borne amounted to \$3.366 billion (2014: \$3.257 billion). ANZ also indirectly remitted an additional \$5.477 billion (2014: \$4.770 billion) 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.

OUR TAX STRATEGY AND GOVERNANCE FRAMEWORK

ANZ operates under a global tax governance policy which is owned by the Board Audit Committee and outlines 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 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.

ANZ's tax culture and business practices are consistent with, and support, ANZ's values and aspirations. ANZ does 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.

ANZ's two largest markets have been party to an Annual Compliance Arrangement (ACA) and a Cooperative Compliance Arrangement (CCA) with the Australian and New Zealand Federal Tax Regulators respectively for a number of years. The ACA, signed in 2008, was the first in corporate Australia and supplemented existing GST and Fringe Benefits Tax agreements. The arrangement continues to be effective in demonstrating ANZ's focus on corporate governance standards, tax risk management processes and comprehensive disclosure.

ANZ's ongoing commitment to tax transparency was also emphasised in our submission earlier this year to the Senate Economics References Committee's Inquiry into corporate tax avoidance and minimisation. We stated our support for the work being undertaken by the G20 and OECD to address concerns over base erosion and profit shifting.

AUSTRALIAN TAX TRANSPARENCY

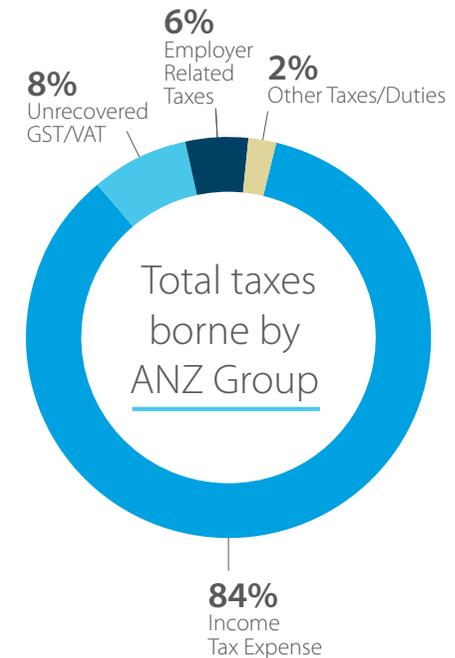
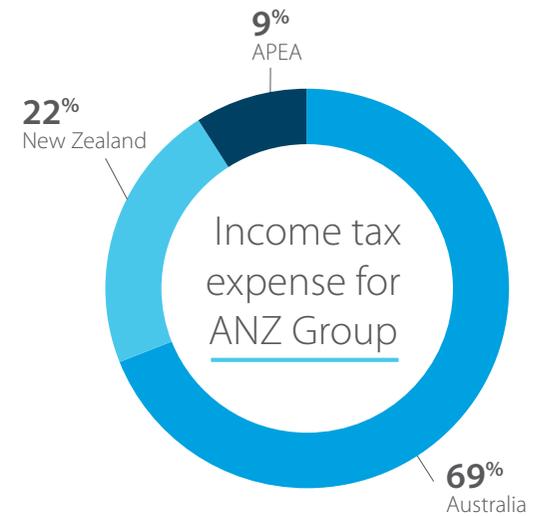
The Australian Taxation Office (ATO) published the *Tax Risk Management & Governance Review Guide* in July 2015. The guide outlines what the ATO believes are corporate tax governance 'better practices' and enables companies to test the robustness of the design of their tax governance framework and demonstrate the operating effectiveness of key internal controls. ANZ invited the ATO to carry out a high level review of ANZ's Tax Governance Framework. This was the ATO's first review under the new guide and it confirms that ANZ's tax governance practices are consistent with the ATO's suggested practices.

ANZ operates in 34 countries through branches and subsidiaries. We have six subsidiaries in countries which the ATO classifies as 'specified countries' (i.e. tax havens). This is fully disclosed to the ATO.

In 2013, Australia passed legislation requiring the ATO to publish specific 2014 income tax return data of corporate tax entities that report a total income of \$100 million or more. The ATO expects to publish the report in December 2015.

Consistent with last year's corporate sustainability reporting, we are providing our 2014 tax data:

30 SEPTEMBER 2014			
AUD Millions	TOTAL ¹¹	BANKING BUSINESS ¹²	WEALTH BUSINESS (SUPER/PENSION MEMBERS) ¹⁴
Total Income ⁹	\$30,412	\$30,412	-
Taxable Income ¹⁰	\$8,048	\$6,253	\$1,795
Statutory Tax Rates	-	30%	15% / 0%
Tax Liability	\$1,965	\$1,844 ¹³	\$121



9 As expected to be reported by the ATO when published

10 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

11 Taxable income represents assessable income derived from all sources less allowable deductions incurred in gaining that income

12 Includes ANZ's income from its life insurance business

13 2014 tax liability includes tax offset reductions of \$32 million relating to franking credits and foreign income tax. This liability is expected to be further reduced by \$14 million in respect of a research and development tax offset. The claim was not finalised by the lodgement date of the 2014 income tax return

14 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 @ 15% / 0% and includes franking credits, foreign income tax offsets and Capital Gains Tax discounts

CASE STUDY

SUPPORTING MICROFINANCE INSTITUTIONS IN ASIA

A pioneering partnership between ANZ Royal Bank (Cambodia) Limited and Hattha Kaksekar Limited, a microfinance institution in Cambodia, is providing benefits to customers of both institutions.

“The partnership allows us to better support our customers in more remote areas of the country,” said Grant Knuckey, chief executive of ANZ Royal (a joint venture between ANZ and the Cambodian Royal Group of Companies). “Effectively customers can access an ANZ Royal account even though they’re walking into an HKL branch.”

ANZ Royal is also supporting HKL’s micro lending by enabling HKL to convert US dollars to the local currency, Khmer riel, which it can then lend to its customers. Connection of ATM networks is a future plan.

Cambodia has one of the most rapidly developing microfinance sectors globally. Since it first emerged in the 1990s, microfinance is now recognised as playing a vital role in developing Cambodia’s economy and improving living standards amongst the poor, especially women in rural areas.



“The partnership allows us to better support our customers in more remote areas of the country.”

**CHIEF EXECUTIVE
OF ANZ ROYAL
GRANT KNUCKEY**

OUR 2016 FINANCIAL INCLUSION AND COMMUNITY TARGETS

OBJECTIVE

TARGET

FINANCIAL INCLUSION

Build the money management skills of people across the Region

- Reach 60,000 lower income and low financial capability people through delivery of MoneyMinded across the Region (Group)
- Deliver MoneyMinded Business Basics to 600 participants across the Pacific (Pacific)
- Enrol 16,750 people in our Saver Plus matched savings program in Australia from 2015-2020 (Aus)

Promote access to banking services for customers in the Pacific

- Register 240,000 customers for goMoney™ Mobile Phone Banking in the Pacific by 2017 (Pacific)

COMMUNITY

Actively engage with and invest in communities in which we operate to help build opportunity and prosperity

- >100,000 hours (12,500 days) of paid volunteer leave recorded by our staff (Group)

DEVELOPING OUR PEOPLE

We are building a values-led, vibrant, diverse and inclusive workforce. In order to understand and service our global customer base and compete effectively, ANZ needs a workforce that reflects the markets within which it operates, and needs to be able to attract the best talent in the market. ANZ is deeply committed to attracting diversity within its workforce and harnessing the variety of perspectives this brings, enabling ANZ to innovate, respond and deliver services to its customers.

MATERIALITY REVIEW KEY THEMES:

- ANZ's workforce should reflect the diversity of our customer base and the locations we operate in, to enhance the understanding of our customers' needs.
- Organisational capability will be different from today, with the move from skill-based to knowledge-based requirements.
- ANZ has a role to play in providing an inclusive work environment and employment opportunities, particularly to people from disadvantaged and diverse cultural backgrounds.
- The way ANZ manages the health and safety of its employees is fundamental to the way we manage our business.

OUR APPROACH - A DIVERSE AND INCLUSIVE WORKPLACE IS AT THE CORE OF OUR SUCCESS AS A SUPER REGIONAL BANK

Workforce diversity and harnessing a variety of perspectives helps us to serve our customers better and compete effectively. A workforce able to meet customer requirements in our domestic markets and across the regions in which we operate is essential. Providing our 51,823¹ employees with access to the right tools to drive performance and connect with customers to successfully deliver our products and services is fundamental to the way we operate.

¹ Employee headcount. Includes all employees regardless of leave status

Diversity at ANZ encompasses gender, ethnicity, culture, language, education, disability, age, family/relationship status, sexual orientation, socio-economic background and religious beliefs. It also includes the many ways people differ in terms of their life experience, education, job function, work experience, ways of thinking and working, personality, location, marital status and caring responsibilities. Inclusion refers to the extent to which diversity is valued, accessed and capitalised on in terms of innovation and decision-making.

Our Diversity and Inclusion approach is underpinned by a strong suite of people systems, processes and policies covering equal employment opportunity, bullying and harassment, part-time work and flexible working, reasonable accommodation for staff with a disability, and parenting, childcare and other caring responsibilities.

A summary of our policy position on Diversity and Inclusion can be found on anz.com>About us>Our Company>Corporate Governance.

Our policies and practices to support health, safety and wellbeing are also integral to our approach and ensure we provide a working environment that enables our employees to perform at their best.

Our CEO Mike Smith is a Male Champion of Change (MCC), an initiative established in 2010 by the Australian Sex Discrimination Commissioner. ANZ also participates in the Chief Executive Women initiative and the Diversity and Inclusion in Asia Network. We are also a founding member of the Diversity Council of Australia, the principal partner of the Sydney Gay and Lesbian Mardi Gras, and a member of Pride in Diversity and the Australian Network on Disability.

GENDER BALANCING OUR BUSINESS

To achieve a gender balanced workforce our approach must be holistic and multi-faceted. We need to address systemic biases within society through initiatives such as the MCC, in addition to developing specific programs to drive change within our own business.

Management Board sets annual CEO and Group targets for improving the representation of women in management, and creating a vibrant, diverse and inclusive workforce. Progress is reviewed monthly by the CEO and Management Board, and results inform the Group's bonus pool and performance outcomes. We have achieved an increase in women in management this year (from 7,746 in 2014 to 8,698 in 2015) through a consistent focus on gender balance including in our recruitment activities, our 'All Roles Flex' initiative and employee training and development programs.

Our goal is to increase this level of women in management by at least 3% by 2018. While we have increased the representation of women at our senior manager level (increasing to 31.7%, up from 30.2% in 2014), we need to ensure that there is a 'pipeline' of female talent able to progress through the ranks of middle management. Low employment growth in our domestic markets of Australia and New Zealand, and the external challenges of different regulatory, social and cultural barriers to female workforce participation in some of our Asian markets, are among the challenges we face in meeting our goal.

RECRUITMENT INITIATIVES

We are continuing to accelerate the advancement of women in leadership and have put in place a number of initiatives; for example, addressing unconscious bias and systemic prejudice by focusing on women's representation on recruitment shortlists and interview panels. This means at least one female interviewer is involved during the candidate interview process, and every internal and external recruitment shortlist and succession plan should, where possible, be gender balanced.

Our initiatives support the MCC action plan and have been effective in increasing the recruitment of women, both externally and internally.

For further information on our progress against MCC initiatives see *2014 Progress Report Male Champions of Change: Listening, Learning, Leading with Action*².



MAKING FLEXIBILITY THE NORM

Flexibility at ANZ is not just about flexible start and finish times or working from home, but also about fundamentally re-thinking how we design and approach work to improve customer experience, while also supporting our people to achieve their career and life goals.

Why flexibility?

- Improve customer experience: by meeting customer needs, when, where and how they want to do business
- Increase engagement, loyalty and retention: employees are better able to manage both their work and personal goals
- Increase productivity: employees can complete their work in the most efficient way with a focus on results, not 'presenteeism'

² <http://malechampionsofchange.com/wp-content/uploads/2015/03/Progress-Report-20141.pdf>

³ Increase since the introduction of new recruitment initiatives for those holding roles designated as Group 1 – 4

- Greater ability to attract and retain top talent: recognising that 'work life balance' is a top driver for candidates
- Access to untapped talent: for example, returning to work after caring for children or aging parents, remote workers, people with disabilities and older workers
- Increase revenue and reduce cost to serve: through better aligning workforce composition with customer demand
- Improve ability to innovate and connect with customers and other employees through creative use of space and technology

This year we have extended our Flexible Work Arrangements Policy to Bengaluru and Hong Kong. This Policy is part of a suite of policies that help our employees to balance their work and personal commitments, including policies for Lifestyle Leave, Part Time Work, Study Leave Assistance, Volunteer Leave, Career Break, Parental Leave, Leave Without Pay, Carer's Leave and Sick Leave. Every year we review our Flexible Work Arrangements Policy.

We also announced our 'All Roles Flex' initiative, across Australia, New Zealand, Bengaluru, Hong Kong and the UK, whereby all roles are considered flexible 'for anyone, for any reason'. Flexibility options will depend on an employee's role, business need, geography and available technology. Typical flexible work arrangements include flexible start and finish times, working remotely and job sharing. Informal arrangements can also be included, for example, needing to care for sick children or changing personal needs. The inclusion of both formal and informal flex arrangements has contributed to the increased take up of flexible working in 2015 to 87% Group-wide, exceeding our public target.

We have a new target to extend flexibility by implementing flexible working policies in 90% of ANZ geographies by 2018. This initiative will require large scale organisational cultural change, tailored to the needs of each country. We will need to consider issues such as jurisdictional workplace laws and regulations, cultural nuances and sensitivities, data security protocols, technology capability (i.e. internet bandwidth and security), health and safety requirements (particularly for employees working away from the office) and workforce planning and rostering.

FLEXIBILITY OPTIONS



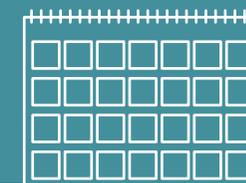
PART TIME



FLEX HOURS



FLEX PLACE



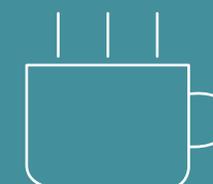
FLEXIBLE SCHEDULING



FLEX SPACE



OTHER LEAVE



BREAKS FROM WORK



JOB SHARING

 **CASE STUDY**

COUNTING THE BENEFITS OF FLEXIBLE WORKING

Our transition from traditional work patterns to a more flexible approach began four years ago with 'business neighbourhoods' across our offices replacing individual desk 'ownership'. The foundations established by this workplace change management program have since been built on through the policies and initiatives described above, to the point where flexible working is fast becoming the norm. This workplace transformation is not only benefiting our employees and customers, but has also led to tangible cost savings for the business.

In 2011, our non-branch workforce was scattered across 10 locations in Melbourne and its suburbs. Fast forward to 2015, and due to a combination of innovative building design and 'activity-based' work environments, as well as flexible work practices, our property portfolio in Melbourne (where ANZ is headquartered) has been consolidated into four strategic locations, running at around \$30 million less each year, in 20% less office space.

"We have now increased our branch sales performance which I believe to be a direct result of flexibility at work. We are now available to our customers over a longer working day; we are more available over our busiest times. This has directly increased our customer service, improved customer satisfaction and increased branch sales performance."

BRANCH MANAGER
BEN BAKKER
MOLESWORTH BRANCH,
ANZ NEW ZEALAND



EMPLOYEES WHO TOOK PARENTAL LEAVE IN 2015^{4,5}



Female	Male	Total
1,094	410	1,504

EMPLOYEES RETURNING TO WORK AFTER PARENTAL LEAVE DURING 2015⁴



Female	Male	Total
975	385	1,360

PARENTAL LEAVE RETURN TO WORK RATE 2015⁴

Female	Male
95.3%	97.7%

EMPLOYEES WHO RETURNED TO WORK AFTER PARENTAL LEAVE AND WERE STILL EMPLOYED 12 MONTHS AFTER RETURN IN 2015⁴

Female	Male	Total
740	250	990

PARENTAL LEAVE RETENTION RATE 12 MONTHS AFTER RETURN 2015⁴

Female	Male
72.2%	76.7%

We offer a range of parental leave benefits to our employees. This year we announced a new initiative in Australia and New Zealand, where employees commencing parental leave from 1 October 2015 will be paid superannuation and KiwiSaver contributions during the full period of approved parental leave (both paid and unpaid) up to 24 months. Also from 1 October, we have changed our Long Service Leave Policy in Australia to enable Long Service Leave to accrue for the full period of approved parental leave up to 24 months. To assist females, who generally have lower superannuation due to breaks from the workforce, as part of this initiative we also are making an annual \$500 lump sum superannuation contribution to permanent and fixed-term female employees in Australia who are on our payroll on 8 January each year.

TALENT DEVELOPMENT AND ADVANCEMENT

Our key talent development and leadership learning programs continue to strive for gender balance, with women comprising:

- 50% of the graduate intake in Australia and New Zealand
- 63% of the Generalist Banker accelerated development program intake
- 51% of participants in our Building Enterprise Talent program
- 47% of all Leadership Pathway program participants.

We are continuing to use our influence at conferences and other events we sponsor to ensure there is an appropriate gender balance of speakers and attendees, which is supported by our Notable Women initiative launched in 2014, providing senior female leaders with the skills and opportunities to represent ANZ in the media on key business issues.

Now in its third year, Accelerating Banking Experiences for Women is an initiative designed to give more of our talented women the opportunity to develop broad-based banking careers with us. It aims to build breadth of experience, confidence and capability across core banking disciplines. Participants move through three six-month rotations to build their practical experience across Frontline, Credit Risk, Operations and Products.

FEMALE TO MALE SALARY RATIOS:⁶

Executive:	1 : 1.08
Management:	1 : 1.02
Non-management:	1 : 0.98

Connecting Women in Technology

To uplift the capabilities of women in technology in July this year, the iCreate Lab initiative was launched. The course was designed to demystify technology for women and appeal to anyone considering a career move into technology, via an internally developed and facilitated workshop.

"The stats for women taking STEM subjects (science, technology, engineering and mathematics) are at an all-time low. At a time when technology is pervasive (both for work and recreation) and more women are studying for under graduate degrees than men, somehow we're going backwards..." said Krish Beresford, Senior Manager, Portfolio and Change.

"The initiative has only just kicked off and we are already seeing positive changes. One of our bank tellers who attended the course has since enrolled in a Masters of Information Systems and other participants from non technology areas of the bank are in early stages of discussion on potential roles in technology."

Driving greater diversity in our teams drives better performance and business outcomes, and means we are more representative of the customers and communities we support.

We also endeavour to remove gender bias from key people processes and report progress in achieving gender pay equity across the organisation. The Human Resources Committee reviews annual performance and remuneration outcomes to ensure there is no systemic bias in related processes. The gender pay differential between males and females (based on like-for-like job size) continues to be minimal, with further reductions achieved at the most recent remuneration review. Annual reviews of our performance and remuneration outcomes ensure balance and parity, with performance assessments (which drive remuneration outcomes) being equitably applied between males and females.

4 Parental leave data is only available for Australia, New Zealand and Bengaluru employees only

5 Employee headcount is used as the basis of these calculations. Includes all employees regardless of leave status

6 Based on weighted average salary. Australia only. Excludes casuals and trainees/interns

HARNESSING THE BENEFITS OF A DIVERSE WORKFORCE

ANZ is well positioned to take advantage of the opportunities presented by the continued growth of the Asian economy. Capitalising on the cultural and linguistic diversity within our workforce supports our super regional strategy.

Our 2015 employee survey showed our people identify with more than 200 cultural backgrounds. Our Enterprise talent programs are ethnically diverse, with 75% of our Generalist Banker participants being non-caucasian and 14% of Banking Enterprise Talent participants being non-caucasian.

We also contribute to the economic empowerment and social inclusion of people from typically disadvantaged and under-represented backgrounds, such as Indigenous Australians and refugees. In 2015, 6% of Australian and New Zealand graduate intake identified as being of Indigenous background (2014: 3%).

Given the chance

In 2015, we continued to participate in The Brotherhood of St Laurence's Given the Chance refugee employment program, providing refugees in Australia with skills and experience to enter the workforce. As Shoji, a program participant explained: "At the start it was very hard. There was a different culture, language barrier and lack of a reference. I really appreciate that there is someone who can look after people like us. There may be talent somewhere, but you need to give it a chance. That is the main thing."

This year, 28 refugees took part and we celebrated the 100th participant in the program. In total this year, we employed 263 people from disadvantaged and under-represented groups.

We exceeded our 2015 target for employment of people with a self-disclosed disability, employing 127 people (an increase of 48% and 41 people from 2014).

We continue to find it a challenge to increase our recruitment of Indigenous Australians, falling short of our 2015 target of a 15% increase. This year we provided 108 Indigenous Australians with traineeships and employment opportunities, increasing by 4%, but fell short of the target of a 15% increase⁷.

⁷ The 2014 baseline number has been adjusted for a change in methodology for calculating the number of Indigenous Australians employed by ANZ. The method of including Indigenous trainees in the calculation both at the time they commence a traineeship and at the time they secure a permanent role has been discontinued

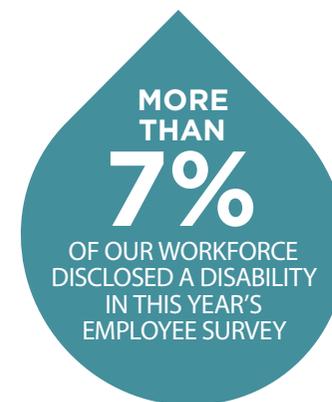
We are seeking to address this through building relationships with specialist Indigenous recruiters, working with our procurement team to brief panel providers on our Indigenous recruitment goals and leveraging relationships with key universities to attract graduates.

We are currently developing our 2016 – 18 Reconciliation Action Plan, in consultation with Reconciliation Australia. It will outline the actions we will take in the areas of Indigenous employment, cultural recognition and capability, financial capability and inclusion, in addition to capacity building in issues that are directly related to our business, employees and the communities in which we operate.

ACCESSIBLE AND INCLUSIVE WORKPLACE

We are making our products, services, workplace and culture welcoming and supportive of people with a disability. Creating a workplace that is welcoming and accessible for staff of all abilities in turn provides ANZ with insight into customer needs of those with a disability, their carers and families.

Our commitment to accessibility and inclusion is delivered through our Accessibility and Inclusion Plan (AIP). We have continued to make progress against our 2013 – 2015 AIP with 38 fit out projects completed in 2014, to ensure the Retail Design Standards comply with the *Disability and Discrimination Act* (DDA). In addition to continuing to support the roll out of SMART ATMS, which provide greater accessibility through features including touch screens, 12 language options, cheque imaging and easier deposit process, and all transactions can be completed using the audio instructions and PIN pad.



CASE STUDY

CREATING AN INCLUSIVE WORKFORCE

A little less than a year ago, MariMar Lamit faced daily challenges being openly transgender in a religious nation, the Philippines. Whilst relatively accepting of the LGBTI community, there exists a set of perceptions for the kinds of roles its members should work in, or what they're capable of.

When applying for positions at local and international banks, MariMar was often dismissed based solely on her appearance, with many potential employers telling her that they wouldn't hire a transgender woman.

Despite her numerous setbacks, MariMar's determination proved successful when she secured an interview at ANZ's Financial Intelligence Operations headquarters in Manila. "At the interview, I didn't look at her physical appearance, but I made sure she had the competencies that the bank required," remembers MariMar's supervisor at ANZ, Joanne Cornelio.

Such a global policy is essential to operating a modern, global business, says Mark Woolfrey, the Managing Director of ANZ Operations (Philippines), "I look at it not only as the right thing to do, but it's actually a business decision for us, because a workplace must reflect the communities in which we live," he said.

MariMar has now been with ANZ for over eight months, and Ms Cornelio says she's not only one of her team's happiest members, but also one of the most effective.



“ANZ as an organisation has made me gain the confidence that mobility disability is a mere illusion of mind.”

**INTERN
GOWRI RASTAGI**

CASE STUDY

BUILDING EMPLOYMENT OPPORTUNITIES FOR PEOPLE WITH DISABILITY

Building long-term employment opportunities for people with disability is an important part of our commitment to respecting people and communities. Our Bengaluru Hub partnered with EnAble India (a non-government organisation assisting people with a disability) to recruit graduates to the Technology team.

The partnership involved EnAble India connecting 10 people with a disability to the opportunity of a 12 month internship program at ANZ Bengaluru, with the potential for a permanent graduate role at completion.

Commenting on the program Julian Tarbox, Account Manager, EnAble India said, “We are very excited about ANZ’s unique approach to hiring, training and supporting people with disability. This approach will work as a model for other employers, ensuring we can entrench our goal of bringing economic independence and dignity to people with disability. We have already seen the substantial change in outlook from the candidates placed at ANZ - not in just the income available to support their families but in the dignity they carry with them everywhere they go - ANZ has helped to create change agents in our society.”

The successful interns participated in a two month training program to provide them with a base level of knowledge of the ANZ technology platforms and software packages. Prior to the placement of the interns, EnAble India conducted internal unconscious bias and peer disability awareness workshops with the Bengaluru technology team to assist with integration of the interns into the existing team. The workshops assisted ANZ staff to understand the approaches to technology solutions and various challenges people with disabilities may face.

“ANZ as an organisation has made me gain the confidence that mobility disability is a mere illusion of mind. People with any kind of disability, if provided with right opportunities at the right time, can do wonders. Because of my disability, I need assistance. But the support from my colleagues and senior management, have always co-operated well to overcome the limitations of my condition” said Gowri Rastagi, intern in the program.



CASE STUDY

CREATING AN INCLUSIVE WORKFORCE

Lucinda Tamburrino, from our Retail Services business spent six months on an ANZ funded secondment at the Attitude Foundation - a disability and accessibility advocate group founded in 2014, aiming to change negative mindsets within the Australian workforce around employing people with a disability. Lucinda assisted the foundation with the development of business operations, social media engagement and fundraising.

Reflecting on her experience, Lucinda said the secondment challenged her and deepened her understanding of the Australian landscape faced by people with disability – in particular the focus on deficit instead of capability.

“I have learnt that diversity is more than just ‘diversity’ as I had previously viewed it. It is a larger, more complex issue that takes conscious effort to champion and deeper understanding to appreciate.”

As part of ANZ’s commitment to diversity and inclusion and to the longer term economic and social impacts of building employment opportunities for people with disability, ANZ is providing another secondment to the Foundation in 2016.

Our fourth AIP, released in December 2015, aims to address areas of focus suggested by the Australian Network on Disability in an audit conducted on our 2013 – 2015 AIP.

Key objectives include:

- Everyday banking is fully accessible for personal customers in Australia and New Zealand;
- Universal design and accessibility is factored into all aspects of product development
- Improved access to basic banking services for people with disability
- ANZ has an inclusive culture where staff of all abilities and carers feel supported and included.

Refer to the [Serving Our Customers](#) chapter for further details on the accessibility of our products and services to our customers.

TRAINING AND DEVELOPMENT

Our employee talent development programs and initiatives enable us to identify roles and individuals that are critical to support the achievement of our strategic objectives. In 2015 we invested \$56 million¹ in developing our employees.

From first-time people managers to the most senior leaders of our business, we provide learning opportunities to support every stage of the leadership journey through our Group-wide Leadership Pathway program. Our approach to developing our leaders combines on-the-job experiences, feedback, learning through others and formal training programs. On average our female employees received 26 hours of formal training and development throughout the year and our male employees 21 hours.⁸

We continue to grow our Generalist Banker program, which provides high potential employees with an opportunity to develop their career as a future senior generalist banker in roles such as Country CEO or Business Unit head. Our Graduate Development Program provides accelerated development opportunities to graduates. Programs of 18 or 24 months duration provide participants with experience in different parts of the Bank, formal training and development, formal review and access to dedicated mentors for additional guidance and support. Through these rotation programs our people develop new ways of looking at business issues; and that fresh perspective is very useful for us in terms of developing our business.

Our Retail frontline employees receive training to develop their careers and serve our customers. This year we provided training to build digital, sales and coaching capability as well as sales effectiveness. We also offered ‘Small Business in Retail’ training, assisting our branch employees to better understand the needs of Small Business customers.

AVERAGE FORMAL TRAINING HOURS⁹

Senior Manager	16.7
Manager	17.8
Non management	27.7

⁸ Employee headcount is used as the basis of these calculations. Includes all employees regardless of leave status

⁹ Includes learning and development cost base (i.e. salary and on-costs of employees within L&D cost centre)

HEALTH, SAFETY AND WELLBEING

Our Health and Safety Policy applies to everyone who works at ANZ, including contractors. Health and safety risks vary across our business. Each of our Divisions has identified risks and implemented controls to minimise them. Measurable objectives and targets are set through strategic and operational health and safety plans across all Divisions. The Board of Directors endorses the health and safety strategy, which includes long-term objectives and undertakes quarterly performance overviews. The Policy is reviewed every three years and approved by our Management Board.

To increase security awareness and instil good security practices, all branch employees are required to regularly participate in health, safety and security training. BranchSafe is our framework for assessing and managing security risk in our branch network. The processes and systems in place through BranchSafe are intended to minimise the impact of robberies, should they occur, on our employees. Security assessments are also undertaken on our branches by external security specialists on an ongoing basis.

'Managing Customer Conflict' is an ongoing program that is made available to all branch employees. This year, specialist training was provided to managers across the Australian Branch Network on building resilience within their teams to manage and recover from conflict situations with members of the community. In New Zealand, the first phase of training to skill employees in managing difficult customer situations was also implemented, and additional training was provided to employees who may be required to respond to more serious events.

Employees who visit customer premises may be exposed to a number of health and safety risks that can be quite different from those found on ANZ premises. We provide these employees with information, induction and training, covering matters such as personal safety, safe driving and travelling in remote or isolated areas.

Just as the physical health and safety of our employees is important to our business, so too is our employees' mental health. For eight years we have had a program in place to support mental health awareness, including managing stress and pressure and education on common mental health conditions, such as depression and anxiety. Our mental health program includes a range of information, tools, resources and training for our employees.

Support services are available to employees through our Employee Assistance Program (EAP). The EAP is a confidential, short-term assistance program provided by qualified professionals that provides counselling face-to-face, over the phone or over the internet. It is available to all ANZ employees and their immediate family members for both work-related and personal problems.

DOMESTIC VIOLENCE

Domestic violence affects people's lives in many ways. We support our employees through situations of domestic violence to help maintain their wellbeing and independence, and to assist in minimising damaging effects on family members. In 2015 we revised our Group-wide Special Leave Policy to include new support provisions for employees experiencing domestic violence (including paid special leave). In addition we launched a domestic violence intranet page, which includes guidelines for line managers and employees on how to support colleagues experiencing domestic violence.

Our branch and customer contact centre employees have been trained to respond appropriately when they become aware that a customer is affected by domestic violence. We aim to treat our customers experiencing family violence with dignity and respect. (For more information on our customer hardship program and how we are working with our community partners to assist customers affected by financial stress or economic abuse as a result of domestic violence see the [Serving Our Customers](#) chapter).

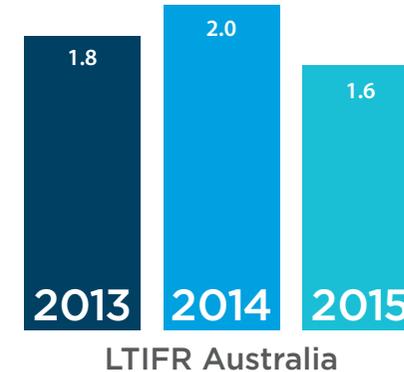
We use two key measures to track our health and safety performance: Lost Time Injuries (LTI) and Lost Time Injury Frequency Rate (LTIFR).

In Australia, over the last ten years we have seen a reduction of 68% in LTIs from 182 to 59. Injuries recorded included slips, trips and falls, muscular stress, motor vehicle accidents and stress-related illness.

In Australia, in 2015 LTIFR was 1.57, a decrease of 20%. Over the last ten years there has also been a year-on-year average reduction in LTIFR of 8.1% against the 2005 baseline. The largest contribution to the decrease in LTIFR in 2015 was a reduction in musculoskeletal injuries.

Across our regions in 2015, New Zealand recorded an 18% reduction in LTIFR at 1.45; India recorded an LTIFR of 0.29 (exceeding our target of <1.0); and APEA countries recorded an LTIFR of 0.56 (exceeding our target of <1.0).

We also understand that low absenteeism is associated with positive trends in employee morale and productivity. We monitor absenteeism to enable trends to be identified to ensure our employees are supported to return to work.



We also understand that low absenteeism is associated with positive trends in employee morale and productivity. We monitor absenteeism to enable trends to be identified to ensure our employees are supported to return to work.

ABSENTEEISM RATE¹⁰

AUSTRALIA	NEW ZEALAND
1.9%	1.6%

¹⁰ Absenteeism is calculated as actual absenteeism hours lost (excluding carers leave) as a percentage of total hours scheduled to be worked by the workforce

CLEAR AND OPEN COMMUNICATION

We engage and consult with our employees and the Finance Sector Union (FSU) about workplace changes that may arise to meet our cost management and productivity agendas. In October 2015, ANZ successfully concluded negotiations with the FSU for a new two-year Enterprise Bargaining Agreement (EBA) to replace the current EBA. The new EBA is expected to commence operation in December 2015 and provides pay increases for eligible employees for 2015 and 2016, along with what ANZ considers to be some of the best employment benefits in the industry.

Across the Group in 2015, reconfiguration of our business resulted in a total of 660 roles being retrenched, which equates to less than 8% of total employee departures.

Since 2009, we have offered an assistance package for employees affected by offshoring decisions. This was launched in collaboration with the FSU in Australia and the Finance, Industrial, Retail, Stores and Transport (FIRST) union in New Zealand. Originally targeted at employees whose roles were affected by offshoring.

In January 2012, our New Career Training Fund and Past Employee Care Fund were offered to all eligible employees in Australia and New Zealand who left ANZ due to organisational restructuring or other change programs.

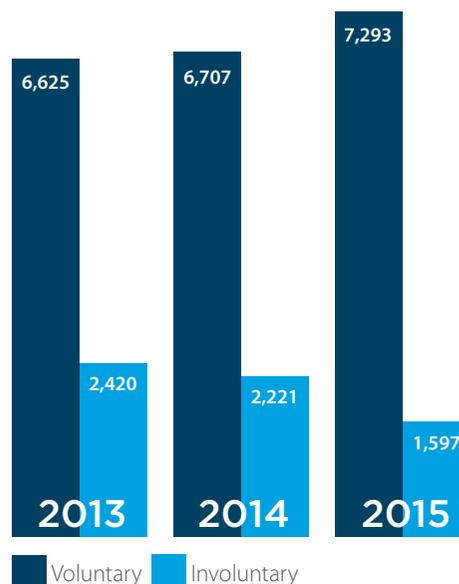
The assistance package ensures that ANZ helps affected employees retrain and reskill for their next job and provides additional financial support to people who need it.

The initiatives to support employees affected include:

- Processes to support redeployment, including career coaching, job search training and professional support services to help people find new roles outside the Bank.
- Committing up to \$10 million to the New Career Training Fund to help employees find new jobs and career success outside ANZ.
- Establishing the Past Employee Care Fund that provides one-off cash payments of up to \$15,000 to help individuals facing a period of financial hardship after leaving ANZ.

In 2015, there were 170 applications to the New Career Training Fund and we approved more than \$800,000 to reskill the successful applicants. We also received five applications to the Past Employee Care Fund and we approved \$600,000 of expenditure.

TURNOVER



EMPLOYEES BY CONTRACT TYPE AND GENDER¹¹



Permanent

Full\Part Time	Female	Male	Total
Full Time	20,866	22,258	43,124
Part Time	5,317	626	5,943

Fixed Term

Full\Part Time	Female	Male	Total
Full Time	701	939	1,640
Part Time	253	44	297

Casual	Female	Male	Total
	640	179	819

Total	27,777	24,046	51,823
--------------	---------------	---------------	---------------

EMPLOYEES BY GENDER AND REGION¹¹



Asia Pacific

Female	Male	Total
7,628	5,880	13,508

Australia

Female	Male	Total
12,521	10,275	22,796

New Zealand

Female	Male	Total
5,263	3,565	8,828

EAMEI¹²

Female	Male	Total
2,365	4,326	6,691

27,777	24,046	51,823
---------------	---------------	---------------

¹¹ Employee headcount is used for the basis of these calculations. Includes employees regardless of leave status

¹² Europe, America, Middle East and India

EMPLOYEES BY CATEGORY AND DIVERSITY¹³

ROLE	GENDER	
	FEMALE	MALE
CEO-1: ANZ Management Board	18.2%	81.8%
CEO-2 Senior Executives ¹⁴	25.8%	74.2%
CEO-3: Executives ¹⁵	23.6%	76.4%
Senior Manager ¹⁶	31.7%	68.3%
Manager ¹⁷	42.2%	57.8%
Total in Management roles¹⁸	40.4%	59.6%
Non-Management ¹⁹	62.9%	37.1%
ANZ Overall	53.6%	46.4%

ROLE	AGE GROUP						
	<20	20-24	25-34	35-44	45-54	55-64	>65
CEO-1: ANZ Management Board	0.0%	0.0%	0.0%	0.0%	63.6%	36.4%	0.0%
CEO-2 Senior Executives ¹⁴	0.0%	0.0%	0.0%	13.6%	65.8%	20.0%	0.6%
CEO-3: Executives ¹⁵	0.0%	0.0%	1.0%	39.8%	49.3%	9.8%	0.1%
Senior Manager ¹⁶	0.0%	0.0%	6.2%	51.0%	36.0%	6.6%	0.2%
Manager ¹⁷	0.0%	0.4%	34.5%	40.5%	18.1%	6.1%	0.4%
Non-Management ¹⁹	0.5%	11.9%	49.7%	18.8%	11.6%	6.9%	0.6%
ANZ Overall	0.3%	7.1%	41.7%	28.1%	15.6%	6.7%	0.5%

¹³ Employee headcount is used for the basis of these calculations. Includes all employees regardless of leave status but not contractors (which are included in FTE)

¹⁴ 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 Management Board)

¹⁵ Executive comprises persons holding roles within ANZ designated as Group 2

¹⁶ Senior Manager comprises persons holding roles within ANZ designated as Group 3

¹⁷ Manager comprises persons holding roles within ANZ designated as Group 4

¹⁸ Total in Management roles represents all ANZ Management Board roles and roles within ANZ designated as Group 1 – 4

¹⁹ Non-Management comprises persons holding roles within ANZ designated as Group 5 and 6

OUR 2016 DIVERSITY, INCLUSION AND PEOPLE TARGETS

OBJECTIVE

TARGET

Achieve gender balance in all aspects of our operations

- Increase the representation of Women in Management by at least 3% from 2015 to 2018 (Group)
- 50:50 gender representation on recruitment of graduates and key Enterprise Talent programs (Building Enterprise Talent, Generalist Bankers) and no less than 40% women on Leadership Pathways (Group)
- Increase women on ANZ's Board to 30% by calendar year end 2017 (Group)

Provide employment opportunities for disadvantaged and under-represented groups to support economic and social inclusion in our communities

- Increase both the number of people with a self-disclosed disability and the number of people with a disability recruited through traineeships, graduate programs and permanent employment opportunities by 15% from 2015 (Group)
- Increase the number of Indigenous Australians recruited through traineeships, graduate programs and permanent employment opportunities by 15% from 2015 (Aus)

Mainstream flexibility across Australia and New Zealand, and extend flexibility to other geographies

- Maintain 80% or more of staff using flexible working options (Group)
- Flexible working policies in place for a minimum of 90% of ANZ geographies by 2018 (Group)

Build a values-led, vibrant and inclusive workforce

- Improve employee engagement to 78% (Group)
- Improve perceptions of 'values-led leadership' amongst ANZ employees to 73% (Group)

Ensure the safety and wellbeing of our people

- A reduction of 1-5% in Lost Time Injury Frequency Rate (LTIFR) in Australia and New Zealand (against 2015 performance) (Aus and NZ)
- Stay equal to or under a LTIFR of 1.00 in India and Asia Pacific (India and Asia Pacific)



3

FIVE YEAR SUSTAINABILITY SUMMARY AND ASSURANCE STATEMENT



3.1

FIVE YEAR SUSTAINABILITY PERFORMANCE SUMMARY 2011 – 2015

	2015	2014	2013	2012	2011
SERVING OUR CUSTOMERS					
RETAIL CUSTOMER SATISFACTION					
Australia ¹ (%)	82.1	82.6	80.2	76.0	79.8
New Zealand ² (%)	89	85	84	89	88
INSTITUTIONAL RELATIONSHIP STRENGTH INDEX RANKING³					
Australia	1	1	2	2	1
New Zealand	1	1	1	1	1
MANAGING OUR BUSINESS SUSTAINABLY					
GHG EMISSIONS (TONNES CO₂-e)^{4,5,6}					
Australia	147,499	154,922	163,206	163,912	166,717
New Zealand	9,189	10,008	11,955	13,363	11,843
Asia Pacific, Europe and America	52,843	47,347	44,984	44,826 ⁷	45,211 ⁷
INVESTING IN OUR COMMUNITIES					
Volunteer hours	108,142	101,801	89,289	86,758	91,410
Investment (\$m) ⁸	74.8	75.6	65.1	-	-
DEVELOPING OUR PEOPLE					
Employee engagement survey results (%)	76	73	72	70	70
Total women in management (%) ⁹	40.4	39.2	38.7	37.8	38.2
Investment in learning and development (\$m)	56.0 ¹⁰	46.3	46.0	46.2	59.4
LOST TIME INJURY FREQUENCY RATE¹¹					
Australia	1.6	2.0	1.8	1.5	2.1
Australia ¹²	1.0	1.0	0.7	1.2	1.5
New Zealand	1.5	1.8	2.5	0.9	1.8
APEA ¹³	0.6	0.9	0.7	0.3	-
India	0.3	0.1	0.1	0.3	0.0

1 Roy Morgan Research. Base: ANZ Main Financial Institution Customers, aged 14+, based on 6 months to September for each year

2 Camorra Research Retail Market Monitor (2015). The Nielsen Company Consumer Finance Monitor (excludes National Bank brand from 2009). Base: ANZ main bank customers aged 15+, rolling 6 months moving average to August-15. Based on responses of excellent, very good and good

3 Peter Lee Associates 2015 Large Corporate and Institutional Banking Relationship Survey, Australia/New Zealand

4 In 2013 we changed our environmental reporting year to 1 July – 30 June to align to environmental regulatory reporting requirements. Prior years' data is reported in the previous 1 October – 30 September year

5 Scope 1 & 2. A full GHG profile (scope 1, 2 & 3) will be available on anz.com

6 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 2015 are 107,865 tonnes. There are no changes to the reported figures for ANZ's New Zealand and APE&A operations

7 Comparative information has been restated to include India

8 Years prior to 2013 are not prepared on a comparable basis

9 Employee headcount is used as the basis for this calculation. Includes all employees regardless of leave status

10 Includes learning and development cost base (ie. salary and on-costs of employees within learning and development cost centre)

11 Lost time injury frequency rate, the number of lost time injuries per million hours worked

12 LTIFR claims: an Australian financial industry benchmarking measure which includes LTIs that result in claims. This measure is not applicable in other countries

13 APEA started to calculate LTIFR in 2012



INDEPENDENT ASSURANCE REPORT TO ANZ BANKING GROUP (ANZ)

Conclusion - ANZ's Corporate Sustainability Review 2015

Based on the procedures performed and evidence obtained, we are not aware of any material amendments that need to be made to the ANZ Corporate Sustainability Review for the year ended 30 September 2015, for it to be in accordance with the GRI G4 Principles for Defining Report Content and Quality.

ABOUT KPMG'S ASSURANCE REPORT

WHAT DID KPMG'S WORK INVOLVE?

ANZ Banking Group (ANZ) engaged KPMG to perform a limited assurance engagement in relation to ANZ's Corporate Sustainability Review 2015. The Corporate Sustainability Review 2015 covers ANZ's global operations for the year ended 30 September 2015.

KPMG's scope of work included conducting assurance procedures over the text and data contained in ANZ's Corporate Sustainability Review.

WHAT IS LIMITED ASSURANCE?

A limited assurance engagement is restricted primarily to enquiries and analytical procedures. The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with International Standards on Assurance Engagements.

The engagement is aimed at obtaining limited assurance to support KPMG's conclusion.

WHAT DID KPMG DO TO SUPPORT THE LIMITED ASSURANCE CONCLUSION - OUR PROCEDURES

Key procedures performed included:

- enquiries of relevant ANZ management and staff to understand ANZ's process for determining corporate sustainability material issues
- interviews with relevant ANZ management and staff concerning ANZ's corporate sustainability strategy and policies for corporate sustainability material issues, and the implementation of these across the business
- interviews with relevant staff responsible for developing the content (text and data) within the ANZ Corporate Sustainability Review 2015 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 Corporate Sustainability Review 2015

- comparing text and data presented in the ANZ Corporate Sustainability Review 2015 to underlying sources on a sample basis. This included considering whether all material corporate sustainability matters had been included, whether any had been excluded and whether the reported text and data was accurately drawn from the underlying information
- reading the ANZ Corporate Sustainability Review 2015 in its entirety to ensure it is consistent with KPMG's overall knowledge of, and experience with, the corporate sustainability performance of ANZ
- considering whether the appropriate indicators have been reported in accordance with the GRI G4 Comprehensive level of disclosures.

CONSIDERATION OF OTHER SUSTAINABILITY-RELATED INFORMATION

Other information considered by KPMG comprises ANZ's corporate sustainability-related information contained in the Corporate Governance Statement, Shareholder Review, and Annual Report, for the year ended 30 September 2015. ANZ is responsible for the other information.

KPMG's limited assurance conclusion on the Corporate Sustainability Review 2015 does not cover the other information and we do not express any form of assurance conclusion with regards to this information.

In connection with our assurance of the Corporate Sustainability Review 2015, our responsibility is to read the other ANZ sustainability-related information and, in doing so, check for consistency with the Corporate Sustainability Review 2015 and the knowledge obtained through our assurance engagement.

RESPONSIBILITIES

ANZ IS RESPONSIBLE FOR:

- establishing internal controls and processes to enable preparation and presentation of the ANZ Corporate Sustainability Review 2015 in accordance with the Global

Reporting Initiative (GRI) G4 Principles for Defining Report Content and Quality

- determination of ANZ's GRI level of disclosures in accordance with the GRI Guidelines.

KPMG IS RESPONSIBLE FOR:

- conducting our assurance engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information. This standard requires, among other things, that the assurance team possess the specific knowledge, skills and professional competencies needed to perform an assurance engagement on sustainability information.

INDEPENDENCE AND QUALITY CONTROL

In conducting our assurance engagement, KPMG has complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. KPMG has also complied with ANZ's Stakeholder Engagement Model for Relationship with External Auditor (available on anz.com). The policy is aligned to the specific requirements set out in the Corporations Act 2001 (Cth).

KPMG applies Australian Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

USE OF THIS REPORT

This independent assurance report has been prepared for ANZ. KPMG disclaims any assumption of responsibility for any reliance on this report, or the ANZ Corporate Sustainability Review 2015 to which it relates, to any person other than ANZ, or for any purpose other than that for which it was prepared.

KPMG

KPMG
Melbourne
3 December 2015



FEEDBACK

To provide feedback on ANZ's sustainability performance or for any queries about our sustainability reporting, please contact:

JANE NASH

Head of Corporate Sustainability and Financial Inclusion

jane.nash@anz.com

+61 3 86543622

Australia and New Zealand Banking Group Limited
ABN 11 005 357 522