

**2019 HALF YEAR PROGRESS
AGAINST SUSTAINABILITY TARGETS**

2019 HALF YEAR PROGRESS AGAINST SUSTAINABILITY TARGETS

Each year we set public sustainability targets that reflect our priorities and respond to our most material environmental, social and governance issues. Progress against our targets¹ is reviewed quarterly by the executive Ethics and Responsible Business Committee, and twice a year by the Board Ethics, Environment, Social and Governance Committee.

 **11%**
ACHIEVED

 **68%**
IN PROGRESS

 **21%**
OFF TRACK

OUR SUSTAINABILITY AGENDA

Our Sustainability Framework supports our business strategy. We seek to shape a world where people and communities thrive through our focus on fair and responsible banking and our priority issues of environmental sustainability, housing and financial wellbeing.

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

Our three priority areas are:

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

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

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



1. Unless otherwise stated, targets are at Group level and monetary amounts in this document are reported in Australian dollars. This information has not been independently assured. KPMG will provide assurance over ANZ's full year performance against targets in its annual sustainability reporting to be released in November 2019.

FAIR AND RESPONSIBLE BANKING

Targets

Implement strengthened Consequence Management Framework, applicable to employees in breach of ANZ's Code of Conduct, by 2019.

Improve (or where ranked #1, maintain) our Net Promoter Score ranking relative to peers in our Retail, Commercial and Institutional businesses [Australia and New Zealand].

Communicate with more than 700,000 of our retail and commercial customers by 2019 to help them get more value from our products and services and establish positive financial behaviours, such as improved savings habits [Australia].

Commentary

- We are strengthening the principles and guidance that will underpin our refreshed Accountability and Consequence Framework. Developments underway include:
- Principles that will define the categories of accountability at ANZ;
 - guidance for managers on when and how to undertake accountability reviews; and
 - Consequence Management Principles that help guide a fair and consistent approach to determining appropriate consequences, including impacts on remuneration.

- ✘ **Australia**
- Retail: ranking to 4th from 3rd¹
 - Business and Private Bank: ranking to 4th from 3rd²
 - Institutional: ranked 1st in 2018³ (2019 results will be available in November).

New Zealand

- Retail: ranking 4th⁴ (no change)
- Commercial and Agricultural: ranking 5th⁵ (no change)
- Institutional: ranked 1st in 2018⁶ (2019 results will be available in November).

- We have contacted more than 276,000 of our retail and commercial customers since 1 October 2018 to help them get more value from our products and services and establish positive financial behaviours, such as improved savings habits.

For example, we have contacted customers:

- with Interest Only home loans set to expire within 6 months. Customers were reminded of the Interest Only expiry period and were notified of the options available to them at the end of the period;
- who have opened an ANZ Access Advantage account in the last 13 - 16 days, reminding them to credit their account with regular salary payments; and
- to notify them that their Progress Saver periodical payment or direct credit will expire in the next month. An automated credit helps customers to receive bonus interest on their account.

1. Roy Morgan Research Single Source, Australian population aged 14+, Main Financial Institution, six-month rolling average to Mar'19. Ranking based on the four major Australian banks.
 2. DBM Business Financial Services Monitor. Base: Business and Private Banking (<\$100m annual turnover) Main Financial Institution customers. Data based on business banking NPS only (excludes Private Bank NPS). Six-month average to Mar'19. Ranking based on the four major Australian banks.
 3. Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking survey, Australia.
 4. Retail Market Monitor, Camorra Research, Retail, Mar'19 (monthly). Ranking based on the five major Retail banks in New Zealand.
 5. Business Finance Monitor, TNS Kantar Research. Base: Commercial (\$3m-\$150m annual turnover) and Agricultural (>500K annual turnover) customers, Q1'19 (quarterly). Ranking based on the five major Commercial and Agricultural banks in New Zealand.
 6. Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking survey, New Zealand, ranked against the Top 4 competitors.

FAIR AND RESPONSIBLE BANKING (CONT.)

Targets	Commentary
<p>Continue to allocate dedicated resources to customer remediation to improve our processes and ensure that by 2020 we have:</p> <ul style="list-style-type: none"> - decreased the time taken to reimburse customers; and 	<ul style="list-style-type: none"> → Our Responsible Banking team is a centralised and dedicated team focused on customer remediation activity for our Australian retail and commercial customers. Concentrating on complex customer remediations, the number of people dedicated to this work has increased in the past year by more than 50%, from 130 to over 200. <p>We are continuing to invest in infrastructure to reduce the time taken to refund customers. We have developed a common process and governance framework, and continue to develop a consistent payment and customer segmentation capability across the Responsible Banking team.</p> <p>Remediations are being made faster, with this team in some cases cutting the time to make the first customer payment by more than 50%. At the end of March 2019, we had successfully made remediation payments into approximately 420,000 customer accounts.</p> <p>In addition to complex remediations, the Responsible Banking team provides guidance, support and infrastructure to over 300 people outside the team, working on smaller remediations, initial issue investigation and issue resolution.</p>
<ul style="list-style-type: none"> - delivered an education program to employees to share 'lessons learnt' from customer remediation and to prevent future remediation from occurring [Australia Division]. 	<ul style="list-style-type: none"> → We have appointed a dedicated resource to deliver a Customer Remediation Education program in 2019 focused on remediation prevention, education and learnings from completing remediations. 'Remediation Alerts' on significant remediations have started to be issued to senior leaders across Australia Division. This is done to share 'lessons learnt' and to highlight the impacts on customers when we fail.
<p>Implement new Dispute Resolution Principles by 2019 [Australia].</p>	<ul style="list-style-type: none"> ✓ New Dispute Resolution Principles, incorporating model litigant guidelines, have been released. The principles apply to our people and our representatives (eg. external law firms) when managing individual retail and small business customer complaints, disputes and litigation in Australia.

ENVIRONMENTAL SUSTAINABILITY

Targets	Commentary
Fund and facilitate at least \$15 billion by 2020 towards environmentally sustainable solutions for our customers, including initiatives that help lower carbon emissions, improve water stewardship and minimise waste.	<p>→ ANZ has funded and facilitated \$14.6 billion in environmentally sustainable solutions, such as green buildings, low emissions transport, green bonds, renewable energy and efficient irrigation, since 2015.</p>
Encourage and support 100 of our largest emitting customers in the energy, transport, buildings and food, beverage and agricultural sectors to establish, and where appropriate, strengthen existing low carbon transition plans, by 2021.	<p>→ We have finalised the list of 100 of our largest emitting customers and are identifying priority customers within each industry segment. We will seek to engage with at least 50 customers in 2019 and then all 100 by 2020.</p> <p>We are also finalising a guidance document for customer relationship managers to assist with their conversations with customers about their transition plans.</p>
Reduce the direct impact of our business activities on the environment by:	
- reducing scope 1 and 2 emissions by 24% by 2025 and by 35% by 2030 (against a 2015 baseline);	<p>→ Scope 1 and 2 emissions have decreased by 23%, tracking ahead of the required reduction to meet our target.</p>
- increasing renewable energy use in our Australian operations by 13% by 2020 (against a 2017 baseline);	<p>→ We have entered into a Power Purchase Agreement to 'off-take' power from a wind farm under development in Murra Warra (Victoria), due to be completed shortly.</p>
- reducing paper consumption in Australia and New Zealand (office and customer paper use only) by 40% by 2020 (against 2015 baseline);	<p>✓ Paper consumption has decreased by 40%, achieving our 2020 target ahead of time. We anticipate that ongoing digitisation and improvement of work practices will continue to drive improvement.</p>
- increasing recycling rates in our Australian commercial offices (> 20,000m ²) by 12% by 2020 (against a 2017 baseline); and	<p>✗ Recycling rates have remained steady at 67% since 1 July 2017, not achieving the improvement required to meet our target. We are improving signage on waste receptacles in our buildings and delivering employee education about waste separation.</p>
- reducing water consumption in our Australian commercial offices (> 10,000m ²) by 15% by 2020 (against a 2015 baseline).	<p>✗ Water consumption has reduced 6% since 1 July 2015, remaining short of the improvement needed to achieve our target. Faults, currently being rectified with the water recycling system in ANZ's Melbourne headquarters have led to an increase in the use of potable water.</p>

HOUSING

Targets

Fund and facilitate \$1 billion of investment by 2023 to deliver around 3,200 more affordable, secure and sustainable homes to buy and rent (Australia).

Provide NZ\$100 million of interest free loans to insulate homes for ANZ mortgage holders (New Zealand).

Offer all ANZ first home buyers access to financial coaching support (Australia and New Zealand).

Commentary

→ We jointly led the inaugural bond issue of \$315 million for the Commonwealth's National Housing Finance and Investment Corporation (NHFIC), the largest social bond for housing in Australia.

→ We have approved 677 interest free loans (to the value of NZ\$2.5 million) to insulate homes in New Zealand.

→ Updated training for ANZ home lenders has been rolled out in Australia and New Zealand to ensure our lenders are equipped to provide tailored guidance and support to first home buyers.

We have extended our first home buyer proposition in Australia to include a Home Deposit Plan – supporting the savings goals and behaviours of first home savers.

FINANCIAL WELLBEING

Targets

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

Build an engaged, diverse and inclusive workforce by:

- increasing the representation of Women in Leadership to 33.1% by 2019 (34.1% by 2020); and
- recruiting >1,000 people from under-represented groups including Indigenous Australians, people with disability and refugees, by 2020.

Commentary

- ➔ MoneyMinded is currently on track to reach 76,000 participants this year and, to date, 1,900 participants have been recruited to Saver Plus. More than 623,000 people have been reached through our financial inclusion programs MoneyMinded, MoneyBusiness and Saver Plus since 2002.

The number of people assisted through our other programs - including community programs and targeted banking products and services - will be available in November.

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- ➔ Group-wide representation of Women in Leadership is 32.4% (from 32.0% at 30 September 2018).

- ✘ We have recruited 99 people from under-represented groups since 1 October 2018:
 - 58 Aboriginal and Torres Strait Islanders through direct employment, our School Based Traineeship and full time traineeship;
 - 35 people with disability; and
 - 6 refugees through our Given the Chance program.

Since 2016, we have recruited 608 people from under-represented groups.

FEEDBACK

To provide feedback on ANZ's sustainability performance or for any queries about our sustainability reporting, please email corporate.sustainability@anz.com

For 2019 Half Year Results visit anz.com/results