

News Release

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ANZ ESG investor briefing speeches

SHAYNE ELLIOTT, CHIEF EXECUTIVE OFFICER

Good morning, thank you for joining us at our 7th annual ESG investor briefing.

To begin, I would like to acknowledge that I am joining you from Naarm, on the Lands of the Wurundjeri people of the Kulin Nation.

I pay my respect to their Elders past and present, and recognise their thousands of years of Environmental, Social and Governance practices.

I also acknowledge the Traditional Owners of the lands on which you, our attendees, are joining from and the First Nations people here with us today.

As we have done for seven years now, we are here today to discuss our progress in the area of ESG.

We take ESG as seriously as our financial results, so we want to provide you the same opportunity to hear from us direct, and to ask us questions.

Today, we will go into some detail on important societal issues affecting business and individuals in the current economic environment: hardship and scams, as well as our approach to First Nations banking.

To do so, I will be joined by our new Head of First Nations Strategy Australia, Shelley Cable, and our Customer Fairness Advisor Evelyn Halls.

But first, an overview of our approach.

ESG is integral to our purpose, which is to shape a world where people and communities thrive.

And we deliver that purpose by executing our strategy, which is focused on improving the financial wellbeing and sustainability of our customers.

Specifically, we help people save for, buy and own a liveable and affordable home... to start or buy and sustainably grow their business... and we help companies sustainably move goods and capital around the region.

ESG is an important and integrated part of this strategy, and creates long-term value for our shareholders while helping us better serve our customers.

To keep pace with the rapidly evolving external environment and community expectations, we engage regularly with stakeholders to consider whether we're focused on the right areas.

Following the process this year, our three core areas continue to be Financial Wellbeing, Housing and Environmental Sustainability.

Other areas of focus include protection from scams and fraud as well as responsible customer engagement, which we are speaking about in more detail today.

Our Governance model overseeing progress in these areas includes our Board Ethics and ESG Committee, chaired by Jane Halton, and the Ethics and Responsible Banking Committee, or ERBC, which I chair.

Since its introduction in 2017, the ERBC has made significant contributions towards achieving fair, ethical, and balanced stakeholder outcomes.

This includes establishing our ethical decision-making framework and deciding who we bank and how we bank them.

At the same time the Board EESG Committee has provided direction on a diverse range of topics, including some of the toughest we face as a company, such as family violence, human rights and the economy's transition to net zero.

We don't always get it right, but we have robust processes in place and forums for raising important issues.

Looking ahead, we are considering how we can further strengthen these committees to ensure that ANZ continues to take meaningful action towards our purpose.

I will speak more on this later.

Looking externally, we're a large company which touches many different parts of the economy in our home markets of Australia and New Zealand - so it's important we don't operate in a bubble.

We work hard to stay alert to, and connected with, what's happening in the broader economy and the impact it's having on our customers and the community.

In both Australia and New Zealand, economic growth has slowed, consumption is soft, interest rates are the highest they've been in over a decade and inflation is stubbornly above target.

For many people, times are incredibly tough.

FoodBank alone is delivering roughly 65,000 meals every day in Melbourne while, heartbreakingly, some Australians are skipping meals to keep up with everyday costs.

We are seeing similar in New Zealand.

In line with the broader economic environment, the number of ANZ home loan customers in hardship has risen over the last year to around 3 in 1,000 people. The number for small business customers is similar, at around 2 in 1,000.

While these numbers are still low in historical terms, we expect they will continue to rise given the external environment, and we are working hard to help people who are struggling.

We noted the recent ASIC report which found more than one in three Australians disengaged from the financial hardship application process at least once.

To tackle this, we are taking measures to improve both the experiences and outcomes for those seeking hardship support, through an action plan which Evelyn will speak to in more detail.

We are also trying to connect with customers in difficulty sooner, including by using data analytics and modelling to proactively identify those facing hardship triggers, such as reduced income or negative cash flow.

When we do contact these customers, we let them know ANZ is here to help and provide information about our financial assistance.

This helps us determine quickly whether support is required, such as pausing or reducing payments, or restructuring their loan.

For many it's not necessary, but when it is, we can help customers get back on their feet faster.

It's important to also note that many of our home loan customers remain resilient, with 79 per cent actually ahead on their home loan repayments while offset balances are growing year-on-year.

For now, employment remains strong and savings built up during COVID continue to be high in Australia, providing many households with some level of security.

That said, we're aware we also have customers who are in difficulty who may not have a credit card or a home loan.

These retail customers may not be as visible in our statistics, but they are still our customers, and we need to do what we can to help them.

This includes supporting financial wellbeing through our long-running flagship financial wellbeing and education programs, MoneyMinded and Saver Plus.

It may also be by making sure they have the most appropriate product for their circumstances.

ANZ Plus allows us to offer simple and intuitive financial wellbeing tools, like setting savings goals or using round-ups, to set aside money for a rainy day.

With more than 740,000 customers already onboard ANZ Plus, it's pleasing to see 47% of them actively engaged in one or more of our financial wellbeing tools.

It's important to support and protect all of our customers, and we will stay vigilant.

We also support our customers through our efforts to keep them safe: safe from criminals, safe from hackers, safe from scammers.

Providing a safe place for people's money has been core to our business for 196 years, and that's why investing in security is a top priority.

Criminals used to rob bank branches, but increasingly they scam customers.

In recent years, the extent and pace of change in the scams landscape has evolved significantly as the perpetrators become increasingly sophisticated.

At the same time, we have increased investment in prevention and detection tools across the bank, leveraging new technologies such as AI, machine learning and biometrics security.

You may have also seen our latest advertisements with the return of our hugely popular Falcon, an antifraud system flagging suspicious transactions.

The ads are fun, but they also carry a serious message about extra layers of protection that the Falcon technology provides.

We're heartened by the latest National Anti-Scam Centre quarterly numbers, showing overall reported scam losses in the March 2024 quarter were down by around 10 per cent from the previous quarter.

At ANZ we are also seeing evidence that our initiatives are helping reduce fraud and scam losses for our customers.

Evelyn will talk to the numbers in more detail, and while they are heading in the right direction, we know we can't be complacent and we need to take more action.

Now, I'd like to touch briefly on our three key ESG areas, starting with housing.

Challenges in the housing market are disproportionately impacting low-income earners, renters and first home buyers.

We know that it has been equally difficult for the property sector to deliver new housing supply to market as we have seen firsthand the steep increases in the cost of construction.

We remain focused on helping improve the availability of suitable and affordable housing options for all Australians and New Zealanders.

As part of this, we're supporting an increase in the supply of social and affordable housing by investing in emerging housing markets, such as specialist disability accommodation, land lease housing and build to rent.

ANZ has a target to fund and facilitate \$10 billion of investment by 2030 to deliver more affordable, accessible and sustainable homes to buy and rent.

At the end of 31 March this year, we have delivered more than \$5.7 billion toward that commitment since 2018.

A recent example was our financing of the Ground Lease Model 2 project, a public private partnership between the Victorian State Government and the Building Communities consortium.

This project is expected to deliver 1,370 new social, affordable, specialist disability and market rental residential dwellings across four project sites in Victoria.

The new housing stock will replace aging properties with modern, accessible and more energy-efficient rentals.

The project is a great example of how we work with our customers and other stakeholders to deliver better housing outcomes.

Turning to Financial wellbeing, we are working to encourage our customers to build and maintain financial resilience.

Our aim is to have at least 2.5 million customers in Australia and New Zealand with a financial buffer by the end of 2026.

Now this is from a baseline of 2.4 million customers, which may not sound like a large increase to our target - however in the current external environment, even maintaining the baseline level is challenging.

Pleasingly, just last month the federal government extended funding for Saver Plus.

This will allow more Australians to participate in the award-winning program, which is now the longest-running matched saving and financial education program in the world.

In total, our long-running partnerships with governments and community organisations like Brotherhood of St Laurence have helped 60,000 lower-income Australians save more than \$29 million – while also receiving \$24 million in savings matched by ANZ.

We're now also piloting Saver Plus in the Pacific and from 1 July this year, will be partnering with the Australian Federal Government to expand the reach of MoneyBusiness, our tailored adult financial education program for Indigenous Australians.

We are in the process of building a digital banking and capability module, recognising the linkages between financial wellbeing and digital capability.

Finally, we are also making good progress in Environmental Sustainability.

As you may know, we have achieved more than \$66 billion against our previous sustainable solutions targets since 2015.

So we set a new target in April 2023 to fund and facilitate at least \$100 billion in social and environmental outcomes by 2030, through customer activities and direct investments.

By the end of March 2024, we funded and facilitated over \$20 billion across 131 transactions since the new target commenced.

For example, ANZ led a US\$940 million green export credit agency backed facility for Hyundai Mobis America Inc, to finance the supply of parts for domestic Electric Vehicle production in the United States.

We have also been engaging with our customers on their transition plans for almost a decade, to explore ways in which our customers can improve their plans which may be facilitated by our financing solutions.

This financial year, we're applying an enhanced assessment framework to our largest emitting business customers, including a sharper focus on whether our customers are implementing their transition plans.

This work has been led by our Group Executive Institutional, Mark Whelan, and Chief Risk Officer Kevin Corbally.

They recently met with customers, peer institutions and regulators in Europe to benchmark, learn, and discuss these issues in a market which is well advanced in this area.

Mark and Kevin are both here today if you any have questions on these topics.

Now, I would like to introduce Shelley Cable, our new head of First Nations Strategy Australia. Shelley's role is one of the first of its kind reporting to a Group CEO in corporate Australia – reflecting the significance of her appointment.

A proud Nyoongar woman, Shelley will develop and implement an Australian First Nations strategy for the Bank, while acting as a trusted advisor on First Nations issues and opportunities.

She brings extensive experience across First Nations employment and financial literacy, most recently as Director of Generation One, an initiative of the Minderoo Foundation.

Over to you Shelley.

SHELLEY CABLE, HEAD OF FIRST NATIONS STRATEGY AUSTRALIA

Thanks Shayne, and kaya, good morning everyone.

Ngan kwerl Shelley, ngan moort/ ngan boodja Noongar. My name is Shelley Cable, I belong to the Noongar people of south-western Australia, and I'm proud to have joined ANZ in January as the inaugural Head of First Nations Strategy for Australia.

While this role is new, it shouldn't be unexpected, as it builds on ANZ's history and track record of reconciliation.

From being one of the first major Australian companies to develop a Reconciliation Action Plan, or RAP, in 2007, to appointing my peer Karleen Everitt, Te Kaitohu Rautaki Maori Head of Te Ao Māori Strategy in 2021, to our support for the Yes campaign in last year's Referendum – my appointment is a logical progression of ANZ's maturity and commitment to First Nations.

In this new role, my priority is to develop an Australian First Nations strategy for the Bank that is aligned to our purpose, strategy and business. While the strategy is in its early stages of development, I'm happy to share some initial thinking.

Our objective for this strategy is to weave together meaningful actions, projects and commitments that leverage our core business strengths, which will help us to be more deliberate about our relationships with First Nations in Australia.

We are conducting an extensive consultation process to inform this Strategy, and are seeking input from many people across our bank, communities and country.

Importantly, I want to stress that ANZ is not only pursuing this strategy because it's the right thing to do; as our investors, you should know that this is also good for our business.

You can look across the Tasman to ANZ New Zealand's Takiri A Rangi Strategy as an example, where our focus is on economic equality, by advancing Maori business and financial wellbeing.

In Australia, the First Nations economy represents an exciting opportunity for our bank. This sector contributed around \$16bn to Australia's GDP in 2022, and the sector is growing rapidly, well above our national growth rate. Without a strategy on how to bank this sector, we miss the opportunity in front of us.

Therefore we're developing a business strategy that centres on the common ground – the win-win opportunities, where what's good for First Nations people is also good for our business. And there are plenty of these opportunities.

The Strategy will also be strengths-based, and recognise the fact that First Nations peoples in Australia have run economies and traded for longer than anyone else on the planet today. There is much for our bank to learn.

At this early stage, and subject to further consultation, it's likely that the strategy will focus on three key areas:

1. Financial wellbeing,
2. Banking the First Nations economy, and
3. Improving the cultural capability of our bank.

The strategy will also build on the work already underway in our current Stretch Reconciliation Action Plan, which is approaching its conclusion this year.

We continue to make good progress against the 17 actions, comprising 100 commitments, in the RAP. Some of our achievements in 2023 included:

- Launching a First Nations Commercial Banking Proposition, which included the appointment of First Nations bankers who work directly with First Nations Commercial customers;
- Spending almost \$12 million with First Nations businesses, bringing total spending since this RAP commenced to more than \$24 million.

These are just some examples of the progress ANZ is making.

If we get this strategy right, the commercial opportunity for ANZ is significant. And for First Nations in Australia, this is an exciting opportunity to advance our economic self-determination by being included in the financial system, cementing a rightful place in the Australian economy, and determining our own futures from a position of economic strength.

I look forward to sharing our Australian First Nations Strategy with you in 2025.

Now, I'll hand over to Evelyn Halls, our Customer Fairness Adviser at ANZ.

EVELYN HALLS, CUSTOMER FAIRNESS ADVISER

Thanks Shelley.

Today I'd like to update you on the progress being made in two key areas for ANZ and our customers: scams and hardship.

But first, I'd like to say a few words about my role at ANZ.

My role reports directly to Shayne as Group CEO and involves providing advice to guide ANZ's decision making on the fairness of our products and services for retail and small business customers.

An industry challenge, if not a global challenge, I'll speak to first is scams.

I am sure you've all seen news stories about people who have been affected, and sometimes devastated, by increasingly sophisticated fraud and scams in our communities.

As Shayne has already highlighted, we are encouraged to see that the numbers of reported scam losses in Australia has fallen over recent months.

For ANZ, customer scam losses through ANZ Classic for the first half of FY24 are down a third compared with the second half of FY23.

Meanwhile our controls prevented over \$100 million of customer funds going to cyber-criminals in the twelve months to March 2024.

The downwards trend in losses is partly due to the increased friction we have put in place to slow down the payment process, but is also thanks to our enhanced Falcon technology detecting more suspicious transactions.

In fact, currently most customer complaints about fraud and scams relate to transactions being blocked due to suspected fraud.

We continue to invest in innovative detection and prevention measures to stay ahead of the criminals who are creating new scams and frauds on a weekly, if not daily, basis.

This includes piloting a dedicated team of specialists in our customer protection team who handle calls about fraud and scams.

And we recently introduced Crypto Protect, a tool which turns off the ability for ANZ Plus customers to make payments to cryptocurrency exchanges – used in around half of all scams - unless they choose to override it.

We have also built in additional friction and delays to specific payment destinations which we have identified as having a high scam or fraud risk. These destinations are updated on an ongoing basis to reflect the latest data.

Building on our existing scam warnings, this year we will also introduce personalised messages to inform ANZ Classic customers when a transaction or activity is considered high risk, as well as a new Scam Scoring model using AI to boost our scam detection capability. Education is also critical.

We're mobilising our MoneyMinded financial literacy program by working with our community partners to deliver new scam awareness workshops, through our network of coaches in the community sector.

And we've established a partnership with the Brotherhood of St Laurence to deliver scams awareness modules directly to the most vulnerable people in the community.

On ANZ Plus, we've added key Scam Safe measures that customers can activate for added security, including protection against screen sharing and the ability to detect a range of potentially risky apps.

Prevention is critical, but what happens if a customer loses money to a scam?

Once we become aware of a scam, we make every effort to recover lost funds, including by contacting the bank where the funds have been sent.

The ability to recover funds depends largely on how quickly the scam is reported to us, given the speed with which funds are transferred onwards by scammers.

Where a customer's funds can't be recovered, we review each case to seek to understand exactly how the scam occurred and to determine whether the funds should be reimbursed.

We consider factors such as whether ANZ was or should have been aware the customer may be the victim of a scam, and whether we had the opportunity to intervene, as well as warnings given to the customer and their response to those warnings.

We also take into account customer vulnerability.

Generally, we will reimburse where we consider ANZ could and should have acted to prevent the loss and failed to do so, as well as where required by law or the ePayments Code.

We will continue to work closely with other banks, across industry sectors and with government and regulators to proactively identify and address scam trends so that together we can stay ahead of scammers and protect Australians from emerging threats.

This includes through the government's new cutting-edge intel loop – an exchange between banks, telcos, digital platforms and the Australian Financial Crimes Exchange, which enables near real-time data sharing about the latest tactics and tools used by scammers.

Now I'd like to turn to the issue of hardship, which Shayne touched on briefly.

As he mentioned, the number of customers in hardship has been slowly rising over the past year or so and while still lower than it has been in the past, it is an extremely concerning and distressing time for each of these customers.

The drivers have been consistent over the last two years - primarily reduced income, increased commitments, medical reasons, unemployment and separation.

As Shayne also mentioned, we are delivering an action plan to improve the experience and outcomes for our customers seeking hardship support.

We want to ensure that our hardship processes are simple, accessible and easy to use, and provide sustainable outcomes suitable to each customer's individual circumstances.

The action plan is focused on five key areas:

First, improving policies, procedures and training for our staff;

Second, ensuring executive level end-to-end oversight;

Third, improving our customer communications so they are clearer and more personalised;

Fourth, evolving our customer experience through reporting and surveys;

And finally, fifth, providing specialist support to vulnerable customers in financial difficulty.

We also have a dedicated team of people in Customer Connect, whose role is to work with customers to tailor the support to best suit their needs and individual situation.

When a customer applies for hardship, this team will speak with them to understand their situation and discuss the options available.

That may be by providing short-term options such as a loan repayment pause, partial payment reduction or interest-only payments, or longer-term solutions such as reviewing and restructuring loan terms and repayment.

Looking ahead, we anticipate that hardship numbers will rise further given the external environment, but I do want to assure customers who are struggling that we are here to support them.

Now I would like to hand back to Shayne, before we go to questions.

SHAYNE ELLIOTT, CHIEF EXECUTIVE OFFICER

Thanks Evelyn.

Today we've spoken mostly about what we've done in the past year.

Now I'd like to speak briefly about the next 12 months.

Our core focus areas will continue to be Housing, Financial Wellbeing and Environmental Sustainability, but we also need to stay ahead of emerging risks.

One of the ways we do this is through an ESG issues radar, which points to many of the topics discussed here today.

Looking ahead, we are alert to the following five themes:

First, supporting our customers as cost-of-living pressures increase.

Given the economic environment we expect financial stress will rise over the next 12 months, and we are committed to executing our hardship action plan to help those who are struggling.

Second, managing the ethical choices we make as we further roll out generative AI.

You've heard us mention today how AI can be a force for good, helping protect customers by detecting and preventing fraud, but it also raises ethical questions around how it's used and potential unintended consequences for our people and our customers.

We are continuing to look at the implications and how we can respond to those issues in a thoughtful and ethical way.

Third, supporting the transition to net zero.

This is a significant opportunity for ANZ. We want to be the leading Australia and New Zealand-based bank in supporting customers to transition to net zero by 2050.

So it's important that we're at the leading edge of providing innovative solutions, but we also need to be on alert to greenwashing risk.

We will continue to manage this primarily through our robust risk management policies and processes.

Fourth, diversity and inclusion will be enormously important.

In a fast-changing world with rapid technological advancements, and massive opportunities around innovation, a people-oriented business like ours needs to work hard to attract and retain the best staff.

In terms of gender balance, we've made good progress and increased our Women in Leadership to 37.3 per cent in 2023.

This exceeds our target of 36.9 per cent - but we know we have much more to do. And inclusion goes beyond gender, to include diversity of cultures and sexual identification, and our job is to be as open and inclusive as possible.

Fifth, and finally, as the world continues to evolve and adapt at pace, we need to make sure our governance is fit for purpose.

Over the next 12 months, we will enhance the objectives for the ERBC, and look at the measures we use to track our progress.

We look forward to updating you on our progress next year.

To close, we understand we have more to do - but we're making progress.

We recognise the importance of ESG in delivering long-term benefits to our shareholders.

Managing ESG well delivers stronger governance outcomes, a lower risk bank and more sustainable earnings as we adapt to the rapidly changing environment.

I am confident we have the right team and plans in place, underpinned by our strong financial performance, to continue deliver for our customers, our people and our shareholders.

I'll now hand over to the operator, who will open the floor to your questions.

Thank you.

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